2023 | Consolidated Annual Accounts

redeia

Valuing the essentials

Independent Auditors' Report

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Audit Report on Consolidated Financial Statements issued by an Independent Auditor

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 35)

To the shareholders of REDEIA CORPORACIÓN, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of REDEIA CORPORACIÓN, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2023, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2023 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Recording and Valuation of Additions to Property, Plant, and Equipment

Description

As indicated in note 1 of the accompanying consolidated financial statements, one of the Group's main activities is the management of the Spanish electricity transport network, which it carries out through its dependent company, Red Eléctrica de España, S.A.U.

For the development of the aforementioned activity, and following the Development Plans for the Electricity Transmission Network approved by the Spanish Government (2015-2020; 2021-2026), the Group makes significant investments in property, plant, and equipment, reaching 883 million euros in 2023, mainly carried out by Red Eléctrica de España, S.A.U.

The compensation for this activity, which in 2023 amounted to 1,520 million euros, is determined by Circular 5/2019 of the National Commission for Markets and Competition (CNMC), which establishes a methodology based on the costs necessary to build, operate and maintain electricity technical installations.

We have considered this area a key audit matter due to the existing interrelation between the recognized investments in electrical infrastructure and the income derived from the activity of managing the Spanish electricity transport network, as well as the relevance of the amounts involved.

Information related to the applied valuation standards and corresponding breakdowns can be found in notes 4, 7 and 23 of the accompanying consolidated financial statements.

Our response

Our audit procedures in this regard included, among other, the following:

- Understanding the process established by the Group's Management for recording additions to property, plant, and equipment (specifically, the "recording of additions and disposals of fixed assets" and "acquisition of goods and services, certification of constructions" cycles), evaluating the design and implementation of relevant controls established in the mentioned process and verifying the operational effectiveness of these controls.
- Reviewing the current regulations applicable to the activity of managing the Spanish electricity transmission network.
- Analyzing the additions to property, plant and equipment that occurred during the fiscal year along with their corresponding supporting documentation and evaluating their appropriate accounting record and their possible inclusion in the Electricity Transmission Network Development Plan 2021-2026.
- Performing substantive procedures on a sample of ongoing projects, for which the reasonableness of cost allocation has been evaluated through the corresponding supporting documentation.
- Reviewing the breakdowns included in the consolidated report and evaluating their compliance with the applicable financial reporting regulatory framework.

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Valuation of non-current non-financial assets

Description

As of December 31, 2023, the Group has recorded intangible assets (including goodwill), tangible assets, and investments accounted for using the equity method in non-current assets, amounting to 826, 9,991, and 969 million euros, respectively. These are assigned to various cash-generating units (CGUs) or CGU groups, as in the case of Hispasat S.A.'s goodwill.

The Group's Management subjects goodwill to impairment tests annually and whenever circumstances suggest that its book value may be affected. For the rest of the intangible assets, tangible assets, and investments accounted for using the equity method, Management evaluates, at least at the end of each fiscal year, the existence of indications that they may be impaired. If there are indications, Management estimates their recoverable amounts based on the present value of future cash flows generated by the CGUs to which these assets are assigned.

We considered this area a key audit matter because the determination of the recoverable amount requires estimations, which involve the application of judgments in establishing the assumptions considered by the Group's Management in relation to these estimations. These are subject to the inherent uncertainty about the success of achieving the business plans and can be affected by the development of the environment, as well as the relevance of the amounts involved.

Information regarding the applied valuation standards and the main assumptions considered by the Group's Management for the determination of impairment of value of the mentioned assets can be found in notes 4, 6, 7, and 10 of the accompanying consolidated financial statements.

Our response

Our audit procedures in this regard included, among other, the following:

- Understanding of the processes established by the Group's Management for identifying indications of impairment and determining the recoverable amount of intangible assets, tangible assets, and investments accounted for using the equity method. We evaluated the design and implementation of relevant controls established in these processes and verified the operational effectiveness of these controls.
- We reviewed and assessed the analyses conducted by the Group's Management concerning the indicators of impairment of value of the assets mentioned.
- We reviewed the model used by the Group's Management to determine the recoverable amount, including the valuations made by the independent expert hired, in collaboration with our valuation specialists. This covered, in particular, the mathematical consistency of the model and the reasonableness of projected cash flows and long-term discount and growth rates.
- We reviewed the reasonableness of the projected financial information in the business plan of each participated company and each cash-generating unit that were subject to the recoverability analysis. This involved analysing historical and budgetary financial information, current market conditions, and expectations about its potential evolution.
- We assessed the sensitivity of the analyses performed to changes in relevant assumptions.
- We reviewed the breakdowns included in the consolidated report and assessed their compliance with the applicable financial information regulatory framework.

Audit Report on Consolidated Financial Statements issued by an Independent Auditor

continued

Audit Report on Consolidated Financial Statements issued by an Independent Auditor

continued

Other matters

On February 27, 2023, other auditors issued their audit report on the consolidated annual accounts for fiscal year 2022 in which they expressed a favorable opinion.

Other information: consolidated management report

Other information refers exclusively to the 2023 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2023 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Audit Report on Consolidated Financial Statements issued by an Independent Auditor

continued

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of REDEIA CORPORACIÓN, S.A. and subsidiaries for the 2023 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, which will form part of the annual financial report.

The directors of REDEIA CORPORACIÓN S.A. are responsible for submitting the annual financial report for the 2023 financial year, in accordance with the formatting and mark-up requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference into the management report.

Our responsibility consists of examining the digital files prepared by the directors of the parent company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 27, 2024.

Term of engagement

The (ordinary/extraordinary) general shareholders' meeting held on June 7, 2022 appointed us as auditors for 3 years, commencing on December 31, 2023.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)

(Signature on the original in Spanish)

David Ruiz-Roso Moyano
(Registered in the Official Register of Auditors under No. 18336)

February 27, 2024

Consolidated Financial Statements

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Redeia Corporación, S.A. and subsidiaries. Consolidated statement of financial position at 31 December 2023

Thousands of euros

Assets	Note	31 Dec. 2023	31 Dec. 2022
Non-current assets			
Intangible assets	6	826,267	855,147
Property, plant and equipment	7	9,990,817	9,626,805
Investment properties	9	558	1,704
Investments accounted for using the equity method	10	969,177	891,617
Non-current financial assets	18	341,014	275,59
At fair value through other comprehensive income		78,196	84,066
At fair value through profit or loss		12,884	15,813
At amortised cost		249,934	175,714
Non-current derivatives	19	83,982	110,616
Deferred tax assets	22	46,253	69,217
Other non-current assets		4,682	3,514
Total non-current assets		12,262,750	11,834,213
Current assets			
Inventories	11	61,252	41,321
Trade and other receivables	12	1,444,934	1,358,657
Trade receivables		73,149	75,081
Other receivables		1,162,584	1,101,079
Current tax assets	22	209,201	182,497
Other current financial assets	18	39,243	752,505
At fair value through other comprehensive income		–	–
At fair value through profit or loss		–	–
At amortised cost		39,243	752,505
Current derivatives	19	1,251	–
Cash and cash equivalents		675,417	794,824
Total current assets		2,222,097	2,947,307
Total assets		**14,484,847**	**14,781,520**

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Redeia Corporación, S.A. and subsidiaries. Consolidated statement of financial position at 31 December 2023

Thousands of euros

Liabilities and equity	Note	31 Dec. 2023	31 Dec. 2022
Equity			
Capital and reserves		5,453,324	4,826,318
Capital		270,540	270,540
Reserves		4,159,889	4,064,486
Own shares (-)		(19,496)	(26,296)
Profit for the year attributable to equity holders of the parent		689,640	664,731
Interim dividend (-)		(147,249)	(147,143)
Other equity instruments		500,000	–
Valuation adjustments		(44,564)	(36,783)
Financial assets at fair value through other comprehensive income		11,594	17,932
Hedging transactions		7,724	10,080
Translation differences		(63,882)	(64,795)
Equity attributable to equity holders of the parent		**5,408,760**	**4,789,535**
Equity attributable to non-controlling interests		120,297	104,741
Total equity	13	**5,529,057**	**4,894,276**

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

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Redeia Corporación, S.A. and subsidiaries. Consolidated statement of financial position at 31 December 2023

Thousands of euros

Liabilities and equity	Note	31 Dec. 2023	31 Dec. 2022
Non-current liabilities			
Grants and other items	14	945,097	746,498
Non-current provisions	15	134,473	139,822
Non-current financial liabilities	18	5,244,976	5,543,755
Bank borrowings, notes and other marketable securities		5,166,765	5,491,124
Other non-current financial liabilities		78,211	52,631
Deferred tax liabilities	22	378,533	417,650
Non-current derivatives	19	14,958	22,016
Other non-current liabilities	16	134,849	114,461
Total non-current liabilities		6,852,886	6,984,202
Current liabilities			
Current provisions	15	30,606	30,536
Current financial liabilities	18	1,398,621	1,705,277
Bank borrowings, notes and other marketable securities		567,977	721,845
Other current financial liabilities		830,644	983,432
Trade and other payables	20	671,189	1,160,176
Trade payables		406,915	485,624
Other accounts payable		251,797	661,232
Current tax liabilities	22	12,477	13,320
Current derivatives	19	2,488	7,053
Total current liabilities		2,102,904	2,903,042
Total equity and liabilities		**14,484,847**	**14,781,520**

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Redeia Corporación, S.A. and subsidiaries. Consolidated statement of profit or loss for the year ended 31 December 2023

Thousands of euros

	Note	2023	2022
Revenue	23.a	2,064,071	2,015,036
Self-constructed assets	6 and 7	58,252	62,903
Share of profits of equity-accounted investees (with similar businesses to that of the Group)	10	65,120	50,405
Cost of sales	23.c	(45,791)	(37,061)
Other operating income	23.b	67,996	77,673
Employee benefits expense	23.d	(214,468)	(210,614)
Other operating expenses	23.c	(487,375)	(467,088)
Amortisation and depreciation	6, 7 and 9	(537,542)	(544,992)
Release of grants related to non-financial and other grants	14	18,761	15,780
Impairment of and gains/(losses) on disposal of fixed assets	7	646	(488)
Operating profit		989,670	961,554
Finance income	23.e	51,464	23,161
Finance costs	23.e	(133,071)	(116,468)
Change in fair value of financial instruments		(381)	1,196
Exchange differences		2,444	74
Net finance expense		(79,544)	(92,037)
Profit before tax		910,126	869,517
Income tax	22	(190,453)	(188,330)
Profit for the year		719,673	681,187
A) Profit for the year attributable to equity holders of the parent		689,640	664,731
B) Profit for the year attributable to non-controlling interests	13	30,033	16,456
Earnings per share (euros)			
Basic earnings per share (euros)	32	1.28	1.23
Diluted earnings per share (euros)	32	1.28	1.23

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Redeia Corporación, S.A. and subsidiaries. Consolidated statement of comprehensive income for the year ended 31 December 2023

Thousands of euros

	Note	31 Dec. 2023	31 Dec. 2022
A) Profit for the year (as per statement of profit or loss)		719,673	681,187
B) Other comprehensive income - Items that will not be reclassified to profit or loss in subsequent periods:		(3,285)	15,026
Actuarial gains/(losses)	15	4,071	21,147
Equity instruments at fair value through other comprehensive income	18	(6,338)	(834)
Tax effect		(1,018)	(5,287)
C) Other comprehensive income - Items that may be reclassified to profit or loss in subsequent periods:		(2,459)	94,247
Hedging transactions:	20	(13,837)	83,842
a) Valuation gains/(losses)		(14,691)	64,334
b) Amounts reclassified to profit or loss		854	19,508
Translation differences:		10,418	29,329
a) Valuation gains/(losses)		10,418	29,329
Share of other comprehensive income of joint ventures and associates		(2,499)	9,369
a) Valuation gains/(losses)	10	(2,499)	9,369
Tax effect		3,459	(28,293)
Total comprehensive income for the year (A + B + C)		**713,929**	**790,460**
a) Attributable to equity holders of the parent		684,805	774,925
b) Attributable to non-controlling interests		29,124	15,535

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Redeia Corporación, S.A. and subsidiaries. Consolidated statement of changes in equity for the year ended 31 December 2023

Thousands of euros

Equity	Note	Issued capital	Reserves	Interim dividend	Other equity instruments	Own shares	Profit for the period attributed to equity holders of the parent	Valuation adjust-ments	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at 1 Jan. 2022		270,540	2,989,711	(147,061)	–	(31,618)	680,627	(131,117)	3,631,082	54,049	3,685,131
1. Other comprehensive income		–	15,860	–	–	–	664,731	94,334	774,925	15,535	790,460
II. Transactions with shareholders and owners		–	920,822	(82)	–	5,322	–	–	926,062	35,531	961,593
- Dividend distribution	13	–	–	(82)	–	–	–	–	(82)	(4,604)	(4,686)
- Transactions with own shares	13	–	62	–	–	5,322	–	–	5,384	–	5,384
- Other transactions with shareholders and owners		–	920,760	–	–	–	–	–	920,760	40,135	960,895
III. Other changes in equity		–	138,093	–	–	–	(680,627)	–	(542,534)	(374)	(542,908)
- Transfers between equity items		–	140,039	–	–	–	(680,627)	–	(540,588)	–	(540,588)
- Other changes	13	–	(1,946)	–	–	–	–	–	(1,946)	(374)	(2,320)
Balance at 31 December 2022		**270,540**	**4,064,486**	**(147,143)**	**–**	**(26,296)**	**664,731**	**(36,783)**	**4,789,535**	**104,741**	**4,894,276**
Balance at 1 Jan. 2023		270,540	4,064,486	(147,143)	–	(26,296)	664,731	(36,783)	4,789,535	104,741	4,894,276
1. Other comprehensive income		–	2,946	–	–	–	689,640	(7,781)	684,805	29,124	713,929
II. Transactions with shareholders and owners		–	(1,023)	(147,249)	500,000	6,800	(392,437)	–	(33,909)	(13,565)	(47,474)
- Dividend distribution	13	–		(147,249)	–	–	(392,437)	–	(539,686)	(29,735)	(569,421)
- Transactions with own shares	13	–	(1,023)	–	–	6,800	–	–	5,777	–	5,777
- Other transactions with shareholders and owners	13	–	–	–	500,000	–	–	–	500,000	16,170	516,170
III. Other changes in equity		–	93,480	147,143	–	–	(272,294)	–	(31,671)	(3)	(31,674)
- Transfers between equity items		–	125,151	147,143			(272,294)		–	–	–
- Other changes	13	–	(31,671)	–	–	–	–		(31,671)	(3)	(31,674)
Balance at 31 December 2023		**270,540**	**4,159,889**	**(147,249)**	**500,000**	**(19,496)**	**689,640**	**(44,564)**	**5,408,760**	**120,297**	**5,529,057**

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Redeia Corporación, S.A. and subsidiaries. Consolidated statement of cash flows for the year ended 31 December 2023

Thousands of euros

	Note	31 Dec. 2023	31 Dec. 2022
Net cash flows from operating activities		**491,905**	**1,566,82**
Profit before tax		910,126	869,517
Adjustments to reconcile profit before tax to net cash flows:		535,671	592,571
Amortisation and depreciation	6, 7 and 9	537,542	544,992
Other adjustments (net)		(1,871)	47,579
Share of profit of equity-accounted investees		(65,120)	(50,405)
Gains/losses on disposal/impairment of non-financial assets and financial instruments		(265)	(708)
Accrual of finance income	23.e	(51,464)	(23,161)
Accrual of finance costs	23.e	133,071	116,468
Recognition/reversal of provisions	11, 13 and 15	23,523	35,046
Release of grants related to assets and other grants	14	(33,869)	(24,996)
Other income and expenses	16	(7,747)	(4,665)
Changes in working capital		(664,406)	574,568
Changes in inventories, receivables, current prepayments and other current assets		(89,170)	71,466
Changes in trade payables, current contract liabilities and other current liabilities		(575,236)	503,102
Other cash used in operating activities:		(289,486)	(469,827)
Interest paid		(145,545)	(123,524)
Dividends received	23.e	6,991	7,578
Interest received		47,342	15,680
Income tax received/(paid)		(206,045)	(363,996)
Other operating activity receipts/(payments)		7,771	(5,565)

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Continued on next page

Redeia Corporación, S.A. and subsidiaries. Consolidated statement of cash flows for the year ended 31 December 2023

Thousands of euros

	Note	31 Dec. 2023	31 Dec. 2022
Net cash flows used in investing activities		**(66,466)**	**(1,641,325)**
Payments for investments		(1,642,089)	(2,373,748)
PP&E, intangible assets and investment properties	6, 7 and 9	(956,254)	(536,185)
Group companies, associated companies and business units	10	(1,082)	(305,051)
Other financial assets	18	(684,753)	(1,532,512)
Proceeds from disposals		1,317,253	687,293
PP&E, intangible assets and investment properties	6, 7 and 9	2,400	314
Other financial assets	18	1,314,853	686,979
Other cash flows from investing activities	14	258,370	45,130
Other proceeds from investing activities	14	258,370	45,130
Net cash flows used in financing activities		**(547,198)**	**(708,187)**
Proceeds from and payments for equity instruments:	13	516,499	989,218
Issuance		510,720	1,867
Purchase		–	(13,650)
Disposal		5,779	1,001,001
Proceeds from/(repayment) of financial liabilities	18	(481,657)	(1,141,718)
Issuance and disposal		255,707	203,015
Repayment		(737,364)	(1,344,733)
Dividends and payments on other equity instruments	13	(569,314)	(543,881)
Other cash flows used in financing activities		(12,726)	(11,806)
Interest paid		–	–
Other payments for financing activities		(12,726)	(11,806)
Net foreign exchange difference		2,352	3,080
Net decrease in cash and cash equivalents		(119,407)	(779,603)
Cash and cash equivalents at 1 January		794,824	1,574,427
Cash and cash equivalents at 31 December		675,417	794,824

The accompanying notes 1 to 35 and Appendix I are an integral part of these consolidated financial statements.

Consolidated Annual Accounts

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Contents

In order to make it easier to understand the information provided in this document, certain alternative performance measures have been included. The definition of those alternative performance measures can be retrieved from: https://www.redeia.com/en/shareholders-and-investors/financial-information/alternative-performance-measures

1 Activities of the Group companies

Redeia Corporación, S.A. (formerly, Red Eléctrica Corporación, S.A.) changed its registered name on 13 June 2023. It is the parent (hereinafter, the Parent or the Company) of a Group of subsidiaries. The Group also has investments in joint operations together with other venturers. The Parent and its subsidiaries comprise Redeia (hereinafter, the Group or Redeia). The Company's registered office is located at Paseo del Conde de los Gaitanes, 177, Alcobendas (Madrid) and its shares are traded on the Spanish stock exchange as part of the IBEX 35 index of blue chip stocks.

The Group's business is articulated around three main segments:

- Management and operation of national electricity infrastructure: this includes the transmission of electricity, operation of the system and management of the Spanish electricity transmission grid. These activities are carried out by Red Eléctrica de España S.A.U. (hereinafter, Red Eléctrica), which is Spain's transmission and system operator (TSO).

- **Management and operation of international electricity infrastructure:** the Group carries out electricity transmission activities outside of Spain through Red Eléctrica Internacional S.A.U. and its investees (hereinafter, Redinter).

- **Telecommunications (satellites and fibre optic):** The Group also provides telecommunications services to third parties through the Hispasat subgroup (hereinafter, Hispasat), which operates satellites, and through Redeia Infraestructuras de Telecomunicación S.A., which leases out its backbone dark fibre network.

In addition, the Group carries out activities designed to stimulate and accelerate technological innovation through Elewit S.A.U.

Through its subsidiaries, the Group also carries out activities aimed at financing its businesses and hedging its risks by reinsuring its assets and activities. Lastly, it develops and builds electricity infrastructure and plant through its subsidiaries and investees, Red Eléctrica Infraestructuras en Canarias, S.A.U. and Interconexión Eléctrica Francia-España, S.A.S. (Inelfe).

Appendix I itemises the business activities and registered offices of the Parent and its subsidiaries, indicating the Parent's direct and indirect shareholdings in its various investees. See Appendix I for the changes.

2 Basis of presentation

a) General information

The accompanying consolidated financial statements were authorised for issue by the directors of the Parent and have been prepared to present fairly the equity and financial position of the Company and its subsidiaries at 31 December 2023, as well as its financial performance, cash flows and the changes in its equity, all of which on a consolidated basis, for the year then ended.

These consolidated financial statements, which were authorised for issue at a meeting of the Parent's Board of Directors on 27 February 2024, were prepared from the individual accounting records of the Company and the rest of the Group companies, which together form Redeia (Appendix I). Each company prepares its separate financial statements using the principles and criteria in effect in the country in which they operate; accordingly, uniformity adjustments and reclassifications are made upon consolidation to align these principles and criteria with the International Financial Reporting Standards adopted by the EU (IFRS-EU). The accounting policies used by the consolidated companies are adjusted as necessary to ensure uniformity with those applied by the Company.

The 2022 consolidated financial statements were approved at the Annual General Meeting held on 6 June 2023. The 2023 consolidated financial statements are pending ratification at the Annual General Meeting. However, the Parent's Board of Directors expects them to be approved without modification.

These consolidated financial statements were prepared using the historical cost convention, except with respect to the accounting of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and business combinations.

These consolidated financial statements are presented in thousands of euros, rounded to the nearest thousand, which is the functional and presentation currency of the Parent, and were prepared in accordance with IFRS-EU and other applicable financial reporting rules.

No mandatory accounting policy with a significant effect on the consolidated financial statements has been omitted.

b) New standards and amendments to IFRS-EU

The consolidated financial statements were prepared under IFRS-EU and consider the standards, amendments and interpretations adopted by the European Union that took effect on 1 January 2023, which have not had a significant impact on the Group's consolidated financial statements:

Effective since	New standards and amendments
1 January 2023	IFRS 17 Insurance contracts
	Amendments to IFRS 17 Insurance contracts - Initial application of IFRS 17 and IFRS 9.
	Amendments to IAS 1 Presentation of financial statements - Disclosure of material accounting policies
	Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors - Definition of accounting estimates
	Amendments to IAS 12 Income tax - Deferred tax related with assets and liabilities that arise in a single transaction
	Amendments to IAS 12 Income tax - International Tax Reform - Pillar 2 Model rules

The Group is also assessing the impact of the improvements to IFRS issued and approved for application in the European Union from 1 January 2024, which are nevertheless not expected to have a significant effect on the annual consolidated financial statements in the year they are first applied.

Effective since	Amendments
1 January 2024	Amendments to IFRS 16 Leases - Lease liability in a sale and leaseback

Lastly, at the date of authorising these consolidated financial statements for issue, certain amendments (see below) had yet to be approved for use in the European Union. The Group is assessing their impact, which is not expected to be significant:

Effective since	New standards and amendments
1 January 2024	Amendments to IAS 1 Presentation of financial statements - Non-current liabilities with covenants
	Amendments to IAS 7 and IFRS 7 - Supplier finance arrangements
	Amendments to IAS 21 - Lack of exchangeability

c) Use of estimates and assumptions

Preparation of the consolidated financial statements in accordance with IFRS-EU requires the Group's management to use judgement and make estimates and assumptions that affect application of its accounting policies and the recognised amounts of assets, liabilities, income and expenses. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from these estimates.

The 2023 consolidated financial statements make occasional use of estimates made by the Group and consolidated companies' management, which are later ratified by their directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations recognised therein.

Essentially, those estimates refer to:

- Estimation of the recoverability of assets by calculating their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use. Asset impairment is generally calculated by discounting cash flows based on the financial projections used by the Group. The discount rate used is the weighted average cost of capital ***(notes 6, 7 and 10).***

- Estimation of the useful lives of property plant and equipment, intangible assets and investment properties ***(notes 4.c, 4.d and 4.e).***

- The assumptions used in actuarial calculations ***(note 15).***

- The assumptions used to calculate the fair value of derivatives ***(note 19).***

- The calculation of revenue from TSO activities in Spain ***(note 3)***.

- The assumptions used to calculate the fair value of the assets and liabilities acquired in a business combination ***(note 5).***

As a general rule, liabilities are recognised when it is considered probable that an obligation will result in an outflow of resources. The Group assesses and estimates the amounts payable in the future, including those corresponding to income tax, contractual obligations, the settlement of outstanding lawsuits or other obligations. These estimates require interpreting current events and circumstances, projecting future developments and estimating what financial impacts those events will have ***(note 15).*** The Group has insurance coverage against third-party claims that could arise in the ordinary course of its business activities.

In the event that IFRS-EU does not specify the accounting treatment for a specific transaction, management, in accordance with IAS 8, relies on its best judgement, based on the economic substance of the transaction and the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards. Specifically, as tax credits given for investments are outside the scope of IAS 12 and IAS 20, the Group's management, having analysed all existing facts and circumstances, has determined that the tax credits for investments in fixed assets in the Canary Islands awarded to the Group by the public authorities are equivalent to a grant related to assets, and so accounts for them applying IAS 20 Government grants ***(note 4k).***

For a better understanding of the consolidated financial statements, the various estimates and assumptions made are outlined in each note.

Although the estimates were made on the basis of the best information available at 31 December 2023 regarding the facts analysed, future events could make it necessary to revise them (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with IFRS-EU, recognising the effects of any change in estimates in the related consolidated statement of profit or loss.

d) Basis of consolidation

The types of investees consolidated by the Group and the consolidation methods used for each are detailed next:

Subsidiaries

Subsidiaries are investees over which the Company exercises control either directly or indirectly via other subsidiaries. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with it and has the ability to affect those returns through its power over the investee. The Company is deemed to have power over an investee when it has existing rights that give it the current ability to direct its relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the investee when the returns obtained from its involvement have the potential to vary as a result of the entity's performance.

Subsidiaries' income, expenses and operating cash flows are consolidated from the acquisition date, i.e., the date on which the Group obtains effective control over them. Subsidiaries are deconsolidated from the date on which such control is relinquished.

Intragroup balances and transactions have been eliminated in full upon consolidation, as have unrealised profits and losses from intragroup transactions. However, unrealised losses are deemed an indication of the potential impairment of the assets sold.

Joint arrangements

Joint arrangements are those in which control over an economic activity is contractually shared, which means that the key decisions relating to the activity require the unanimous consent of the Group and the other venturers. The existence of control is assessed using the definition of control used to classify a subsidiary.

For each joint arrangement the Group assesses all of the facts and circumstances in order to classify it as a joint venture or a joint operation, specifically considering whether the joint arrangement gives the venturers rights to assets and obligations for the liabilities relating to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. For these investments, the Group's consolidated financial statements recognise its assets, including its share of the assets held jointly; its liabilities, including its share of any liabilities incurred jointly with the other venturers; its revenue from the sale of its share of the output arising from the joint operation; and its expenses, including its share of any expenses incurred jointly.

Joint ventures are joint arrangements in which control over an economic activity is contractually shared and the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group's interests in joint ventures are accounting for using the equity method prescribed in IFRS 11.

When the Group acquires an interest in a joint operation whose activity constitutes a business, it applies the relevant principles on business combinations accounting, recognising the Group's share of the operation's individual asset and liabilities. However, in subsequent acquisitions of additional interests in a joint operation, its previously held interest in the individual assets and liabilities is not remeasured.

In a sale or contribution of assets by the Group to a joint operation, the Group recognises the resulting gains and losses only to the extent of the other parties' interests in the joint operation, unless the transactions provide evidence of a reduction in net realisable value of the assets to be sold or contributed or of an impairment loss of those assets, in which case the losses are recognised in full by the Group.

In a purchase of assets by the Group from a joint operation, the Group only recognises its share of the resulting gains or losses when it resells those assets to a third party, unless the losses provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, in which case the Group recognises the losses in full.

Associates

Associates are investees over which the Company exercises significant influence, either directly or indirectly through subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies. In assessing whether it has significant influence, the Group considers the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity.

Investments in associates are accounted for using the equity method from the date on which significant influence is obtained until the date on which the Company can no longer justify its continuing existence. If, however, on the acquisition date, some or all of the investment qualifies for classification as a non-current asset or disposal group held for sale, it is recognised at fair value less costs of disposal.

Investments in associates are initially recognised at acquisition cost, including any directly attributable acquisition costs and any contingent consideration that depends on future events or delivery of certain conditions. If the cost of the acquisition is higher than the Group's share of the acquisition-date fair value of the identifiable net assets of the associate, the difference is recognised as goodwill within investments accounted for using the equity method in the consolidated statement of financial position. If the cost of the acquisition is less than the Group's share of the acquisition-date fair value of the identifiable net assets of the associate (i.e., a bargain acquisition), the gain is recognised in profit and loss in the period in which the associate is acquired.

The Group classifies its share of these investees' profits within operating profit when their activity is similar to the Group's operating activities. If not, its share of their earnings is classified outside of operating profit.

Appendix I itemises the Company's investments in subsidiaries, joint arrangements and associates, the method used to account for them in these consolidated financial statements and other relevant information.

The separate financial statements of the subsidiaries, joint ventures, joint operations and associates used in the consolidation process relate to the same date and period as those of the Parent.

The following basic consolidation principles were used to account for the Parent's and its subsidiaries' transactions:

- Uniformity adjustments were made to the accounting principles and criteria used by the Group companies to align them with those used by the Parent.

- Translation of the financial statements of foreign operations:

  - The financial statements of foreign operations were translated to euros using the closing exchange rate for their assets and liabilities, the average exchange rate for items of income and expense and the historical exchange rate for equity items.

  - All resulting exchange differences were recognised as translation differences in other comprehensive income.

  - The same criteria are used to translate the financial statements of the companies accounted for using the equity method, with the Group's share of any translation differences recognised in other comprehensive income.

- All transactions between fully-consolidated companies and the resulting year-end balances were eliminated on consolidation.

- Profits or losses resulting from intragroup transactions that are recognised in assets were eliminated in full.

e) Non-controlling interests

For each business combination, the Group measures, at the acquisition date, components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests are presented as a separate line item in equity under equity attributable to non-controlling interests. Non-controlling interests' share of the Group's profit for the year is presented in the consolidated statement of profit or loss as a separate line item under profit for the year attributable to non-controlling interests.

Transactions with non-controlling interests are recognised as transactions with owners of the Group. Accordingly, in acquisitions of non-controlling interests, the difference between the consideration paid and the corresponding share of the carrying amount of the subsidiary's net assets is recognised in equity. Likewise, any gains or losses on the sale of non-controlling interests are recognised in the Group's equity.

f) Comparative information

The Group presents comparative information in respect of the previous reporting period for all the amounts disclosed in the 2023 consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of recognised income and expense, consolidated statement of changes in equity and consolidated statement of cash flows.

g) Changes in the scope of consolidation

The changes in the scope of consolidation in 2023:

- Liquidation of the Axess subgroup companies:
  - Axesat Mobility S.A. de C.V. (held through Axess Networks Solutions México S.A. de C.V.) in August 2023.
  - Ingux S.A. (held through Axess Networks Solutions Colombia S.A.S.) in September 2023.
  - Axess Saudi Arabian Telecommunications Company (investee accounted for using the equity method through Axess Networks Solutions Arabia Saudita S.L.) in December 2023.
- In November 2023, a new company, Compañía Operadora de Infraestructuras Eléctricas, S.A. (COIESA), 50%-owned by each of Red Eléctrica Chile, SpA and Engie Energía Chile SA., was incorporated to jointly operate a control centre in Chile. This new company has been consolidated using the equity method.

The changes in the scope of consolidation in 2022:

- The Group acquired 100% of the shares of Rialma Transmissora de Energia III S.A. ("Rialma III") on 31 January 2022; the acquiree changed its registered name to Argo IV Transmissão de Energia S.A. on that same date. That acquisition closed following delivery of the suspensive conditions and receipt of the approvals stipulated in the agreement entered into between Argo Energia Empreendimentos e Participações S.A. ("Argo"), a 50%-owned investee of Red Electrica Brasil, with Rialma Administração e Participações S.A. on 3 November 2021.
- On 29 June 2022, having obtained the pertinent approvals, the Group closed the sale of a 49% minority interest in Redeia Infraestructuras de Telecomunicación, S.A. under the terms of the agreement entered into between Redeia Corporación, S.A. and Kohlberg Kravis Roberts & Co. L.P. (KKR) through a subsidiary of the latter, Rudolph Bidco S.À.R.L, on 16 December 2021. In the wake of that transaction, Redeia retains control of Redeia Infraestructuras de Telecomunicación, S.A., with a 51% interest, and accordingly continues to consolidate this investee as a subsidiary.

This transaction did not have any impact on the consolidated statement of profit or loss as it entailed the sale of a non-controlling interest, with the Group retaining control. The sale had the effect of increasing the amount of equity attributable to equity holders of the parent, specifically, other reserves, by 920.8 million euros ***(note 13 b)***, and the amount of equity attributable to non-controlling interests by 34.9 million euros ***(note 13 c)***.

- On 9 August 2022, having obtained the pertinent approvals, Hispasat, S.A. completed the acquisition of 100% of the shares of Axess Networks Solutions Holding, S.L. ("Axess"). Redeia owns 89.68% of the Hispasat subgroup and, therefore, of these investments and their subsidiaries. The Axess subgroup is accounted for using the full consolidation method.

- On 7 October 2022, Axess Networks Solutions, S.L.U. acquired the non-controlling shareholder's 40% interest in Axess Networks Solutions Chile, S.A. (an Axess subgroup company). That transaction did not imply a change of consolidation method, with this investee continuing to be fully consolidated.

- On 30 November 2022, the Group completed the acquisition of 100% interests in five electricity transmission concessions (Argo V, VI, VII, VIII and IX) from Brasil Energia FIP, in a joint investment, and co-governance arrangement, between Argo Energía (62.5%) and Grupo de Energía Bogotá (GEB) (37.5%).

- Axess Networks Solutions, S.L.U. and Axess Networks Solutions Holding, S.L. merged on 13 December 2022 and the latter was dissolved and extinguished.

- Lastly, on 21 December 2022, Hispasat, S.A., which is 89.68%-owned by Redeia, acquired a 10.85% interest in Grupo Sylvestris, S.L., over which it has significant influence, so that this investee is consolidated using the equity method ***(note 10)***.

- In 2022, the Parent, through Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit), acquired a 13.07% interest in OKTO Grid ApS, adding this investee to the consolidation scope due to the existence of significant influence. This investee is accounted for in the Group's consolidated financial statements using the equity method. Lastly, the loss of significant influence over Zeleros Global, S.L. triggered the derecognition of that investment, which is now accounted for in the accompanying consolidated statement of financial position as a financial asset at fair value through profit and loss ***(note 10)***.

3 Sector regulation

a) The electricity sector in Spain

Enactment of Law 54/1997 of 27 November 1997 on the electricity sector, Spain's Electricity Sector Act, marked the beginning of the industry's liberalisation. It began with the vertical disintegration of the various activities, segregating those carried out under a natural monopoly (i.e. transmission and distribution) from those operating in a free market (i.e. generation and supply).

In 2013, a reform process began to address the imbalance between electricity system revenue and costs in prior years, which culminated in the enactment of a new Electricity Sector Act, Law 24/2013 of 26 December 2013 (hereinafter, the “Act”). The Act has been updated on several occasions since and partly transposes into Spanish law Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU.

It sets out the following regulatory framework for the activities carried on by Red Eléctrica:

- For transmission, the Act recognises Red Eléctrica as the sole transmission agent.

  The Spanish Government sets the remuneration for this activity based on the general principles defined in the Act and the methodology essentially implemented in Spain's National Markets and Competition Commission (CNMC) Circular 5/2019 of 5 December 2019, which establishes the methodology for calculating the remuneration applicable to electricity transmission.

  Moreover, other remuneration parameters for the new model were established for the current regulatory period (2020-2025): Circular 2/2019, which establishes the methodology for calculating the financial rate of return for electricity transmission and distribution, regasification, and natural gas transmission and distribution, and Circular 7/2019, which approves the standard facilities and reference unit values for operation and maintenance per asset used to calculate the remuneration assigned to owners of electricity transmission facilities. Regarding investment reference unit values that were in force in the previous regulatory period, established by Ministry of Industry, Energy and Tourism Order IET/2659/2015, the Circular extended them for the 2020-2025 period.

Order IET/981/2016 established the definitive regulated revenue for transmission for the first year of application of Royal Decree 1047/2013; i.e. 2016. Subsequently, regulated revenue was established provisionally from 2017 to 2022, extending the amount of remuneration established for 2016 and establishing settlements on account.

The reason for using provisional amounts was because of the “detriment proceedings” brought by the Spanish State Attorney against Order IET/981/2016 requesting that Spain's Supreme Court declare certain of its articles null and void so that definitive revenue for 2016 can be corrected. The Supreme Court's ruling was published on 29 June 2020, requiring Order IET/981/2016 and revenue for 2016 to be corrected.

To enforce this ruling, the Ministry published Order TED/1311/2022, establishing Red Eléctrica’s definitive remuneration for 2016.

After establishing the definitive remuneration for 2016, the Ministry approved Order TED/1343/2022 of 23 December 2022 establishing the remuneration for 2017, 2018 and 2019 for electricity transmission facility owners.

On 27 July 2023, the CNMC approved a resolution establishing the remuneration of electricity transmission facility owners for 2020, after this authority was attributed to it via Royal Decree-Law 1/2019.

Therefore, the CNMC had yet to publish the definitive remuneration for 2020, 2021 and 2022 at the end of the reporting period.

- As the operator of the Spanish electricity system, the Red Eléctrica's main duty is to ensure the continuity and security of electricity supply and guarantee the correct coordination of the production and transmission system. It exercises its duties in conjunction with the operators and agents of the Iberian Electricity Market (MIBEL), framed by the principles of transparency, objectivity and independence.

Law 24/2013 also attributes the function of transmission grid manager to the system operator. In 2015, the process was completed for designating Red Eléctrica as the Spanish electricity system's transmission grid manager, is provided for in the Act. Pursuant to this designation, Red Eléctrica operates under the framework of ownership unbundling as provided for in article 43 of Directive (EU) 2019/944 on common rules for the internal market for electricity.

Red Eléctrica has also been assigned the functions of settlement, notification of payments and receipts, and management of guarantees relating to security of supply and of effective imbalances between generation and consumption units, as well as short-term energy exchanges aimed at maintaining quality and security of supply.

It also oversees the technical and economic dispatch for electricity supply from non-mainland electricity systems (i.e., the Balearic Islands, the Canary Islands, Ceuta and Melilla) and the settlement of payments and receipts arising from the economic dispatch of electricity generated by these systems.

As a result of the publication of Royal Decree-Law 1/2019, the CNMC established the first methodology for remunerating system operation via Circular 4/2019. The core principle underlying this remuneration model is to provide a suitable return for a low-risk activity, considering those costs prudently incurred by an efficient and well-managed company. The CNMC has applied the remuneration methodology provided for in Circular 4/2019 to establish the remuneration of the system operator since 2020. Based on the experience gained, the methodology was updated via the publication of CNMC Circular 1/2023 of 7 February 2023.

Nonetheless, the Ministry for the Ecological Transition and Demographic Challenge (hereinafter, the Ministry) has the authority to approve the methodology for calculating the system operator’s remuneration for the 2014-2019 period. In the absence of a methodology, the annual remuneration provided for in successive ministerial orders approving the electricity access tolls for the 2014-2019 period was provisional. The aim was to adjust the amounts set out in these orders once the Ministry had approved the methodology. In 2021, the Ministry submitted for public consultation the draft Royal Decree outlining the methodology for calculating the remuneration of the system operator applicable to each year of the specified period.

As for the functions assigned to Red Eléctrica in respect of the non-mainland electricity systems, in 2015 the 200-MW pumped storage hydropower facility in Salto de Chira in Gran Canary Island was transferred to the system operator, as required by Order IET/728/2014 of 28 April 2014. After taking ownership, in 2016 Red Eléctrica submitted a project to amend the original project that included technical and environmental enhancements aimed at increasing the capacity for integrating renewable energy and reducing the environmental impact of this new infrastructure. On 17 December 2022, Order TED/1243/2022 of 2 December 2022 was published, approving the methodology for calculating the remuneration for the 200-MW pumped storage hydropower facility in Salto de Chira in Gran Canary Island owned by the system operator. Under this methodology, the facility's total cost is calculated considering certain remuneration parameters: the facility's investment value the year it is commissioned; the unit value of variable operation and maintenance costs; and the unit value of the annual payment of fixed operation and maintenance costs. It also states that remuneration will be payable in the five years following the facility’s entry into service, thereby reimbursing any financing costs incurred during the construction stage.

The most noteworthy regulatory developments taking place in 2023 included:

- Royal Decree-Law 3/2023 of 28 March 2023, which extends the cost adjustment mechanism to reduce the price of electricity in the wholesale market (the gas cap of Royal Decree-Law 10/2022) and amends the rate of increase in gas reference prices used for its calculation.

- Royal Decree-Law 5/2023, whose measures include maintaining the validity of grid access and connection permits, streamlining the processing of recharging stations, improving the remuneration of renewables compared to the previous remuneration framework and allowing the electricity system surplus of 2022 to be transferred to 2023. It also regulates energy communities and extends the access toll exemption for the electro-intensive industry until the end of the year.

- Royal Decree 445/2023, which amends several annexes of Law 21/2013 regulating projects that must undergo a standard or simplified environmental assessment process, notably includes repowering projects in the simplified environmental assessment.

- Royal Decree-Law 8/2023, extending several temporary measures introduced to tackle the energy crisis, including reduced taxation on electricity and social voucher discounts. It also regulates grid access and connection permits and modifies some of the administrative milestones renewable energy developments must meet.

- Ministry Order TED/1375/2023 initiating the procedure for designing the Electricity Plan for 2023-2030. That Plan will be articulated around the targets published in the draft 2023-2030 Integrated National Energy and Climate Plan (NECP).

- The draft NECP, approved by the Council of Ministers in June 2023, was sent to the European Commission that same month and published by the Ministry for public consultation until September 2023. This draft increases the main targets for renewables by 2030: 48% share in the final energy mix; 81% share in electricity generation. A key highlight is the importance attached in the draft NECP to self-consumption, which has been increased to 19 GW, and energy, which is now targeted to reach 22 GW. It includes a coal phase-out, whereby it will no longer contribute energy to the system by 2025. Lastly, it notes the importance of interconnections, maintaining the Gulf of Biscay interconnection and the one crossing the Pyrenees (France) and adding a new interconnection with Portugal.

b) International electricity sector regulations

Redinter has built and acquired electricity transmission facilities which it currently operates and maintains in the Peruvian, Chilean and Brazilian electricity systems.

The electricity sector in Peru

In Peru, electricity sector liberalisation began in 1992 with the publication of the Electricity Concessions Law (LCE). The shaping of the electricity sector was subsequently completed by the 2006 reforms (Law 28832, Law for the Efficient Development of Electricity Generation, LGE).

These two laws and certain amendments and/or extensions, together with the Regulation implementing the LCE (Supreme Decree No. 009-93-EM enacted in 1993), make up the basic regulatory framework governing the electricity sector in Peru.

The basic regulatory framework for the transmission activity also includes the Transmission Regulation (Supreme Decree No. 027-2007-EM). Other key regulatory developments instituted by the regulatory agency OSINERGMIN include the Resolutions approving the annual settlement procedure for electricity transmission service revenue (Resolutions No. 055-2020-OS/CD and No. 056-2020-OS/CD), as well as Resolution No. 217-2013-OS/CD, regulating Tariffs and Remuneration for Secondary Transmission Systems (STS) and Complementary Transmission Systems (CTS).

In transmission, the 2006 reforms (LGE) entailed the introduction of auctions as a mechanism for awarding contracts to construct new facilities in the backbone transmission network. The auction procedure required the development of an energy planning process, which did not exist prior to the publication of the LGE.

The Peruvian regulatory framework is currently open to discussion. On 20 June 2019 Supreme Resolution No. 006-2019-EM was published, creating the CRSE (multi-sector power reform commission) for the purpose of reviewing and adjusting the existing legal and regulatory framework in order to optimise the efficient development of the Peruvian electricity market while adhering to international standards and best practices, ultimately seeking to guarantee the sustainability of the electricity subsector. The work of this multi-sector commission was extended for a further 18 months, starting from 13 January 2023, via publication of Supreme Resolution No. 1-2023-EM. The commission is expected to present its white book on electricity sector reforms in the course of 2024.

The electricity sector in Chile

The legal framework governing the electricity transmission business in Chile is contained in Decree with Force of Law (DFL) No. 4/2006, which sets out the revised, coordinated and systematised text of Ministry of Mining DFL No. 1 of 1982, the General Electricity Services Law (DFL No. 1/1982) and subsequent amendments thereto. The amendments include Law 19,940 (Short Law I) enacted on 13 March 2004, Law 20,018 (Short Law II) enacted on 19 May 2005, and Law 20,257 (Generation through Non-conventional Renewable Energy Sources) enacted on 1 April 2008. These regulations are supplemented by the Regulation of the General Electricity Services Law of 1997 (Ministry of Mining Supreme Decree No. 327 of 1997) and respective amendments thereto, and by the Technical Standard for Safety and Quality of Service (Exempt Ministerial Resolution No. 40 of 16 May 2005) and subsequent amendments thereto.

The new Transmission Law was enacted on 11 July 2016. This law provides for a new independent coordinating body for the National Electricity System, known as the National Electricity Coordinator (CEN). It also defines a new electricity transmission system wherein the facilities forming part of the Backbone, Sub-transmission and Additional Transmission Systems were amalgamated into the National, Zonal and Dedicated Transmission Systems, respectively.

Ministry of Energy Supreme Decree No. 37, approving the regulation for transmission systems and transmission planning, was published in the official state journal on 25 May 2021. This Decree lays down the regulations for open access to transmission facilities; in particular, the possibility of interested third parties (especially generation companies) accessing fibre optic data transmission.

In November 2022, Law No. 21,505 on electricity storage and electromobility was published in the official state journal, amending the General Electricity Services Law (LGSE) in order to promote the development of electricity storage systems and encourage electromobility within the country.

On 16 February 2023 the Ministry of Energy approved the Tariff Decree, which sets the annual values for national transmission facilities for the 2020-2023 four-year period, on the basis of the Definitive Technical Report drawn up by National Energy Commission (CNE). The process of setting the tariffs for national transmission facilities for the 2024-2027 four-year period is already underway.

Lastly, on 26 April 2023, via Resolution No. 288, the CNE approved the Definitive Technical and Administrative Rules of the Remuneration Appraisal for 2024-2027, establishing the scope of rules applicable to the external consultant to be selected by the CNE to draw up the remuneration analysis for the 2024-2027 four-year period.

The electricity sector in Brazil

The transmission model in Brazil is based on government concessions, for which the core principles of public service are enshrined in the Constitution of 1988, and the principles that govern concessions, in Law 8,987 and Law 9,074 of 1995, respectively. This framework provides that concession arrangements are administrative contracts entered into with the federal government (national), represented by the regulatory agency ANEEL, which cannot be amended or early terminated by the government, except for duly supported reasons deemed to be in the public interest.

Under this model, the concession for backbone network facilities is put out for tender by ANEEL through auctions. The auctions determine which transmission companies will build, maintain and operate the electricity assets during the concession period. By way of remuneration for the service rendered during this period, transmission companies receive the annual permitted remuneration specified in the auction (RAP for its acronym in Portuguese).

In terms of sector regulations, there are no laws that govern the transmission activity in general; rather, specific aspects are regulated (e.g. extension of concession terms under Law 12,783 of 2013) individually. There are also ministerial and government orders, and specific rules are included in the concession arrangements themselves.

For example, in December 2022, Decree 11,314/2022, regulated bidding for an extension of transmission concessions, establishing a new bidding process for expiring transmission concession agreements.

c) Telecommunications

Telecommunications in Spain

The telecommunications sector in Spain is regulated by the General Telecommunications Act (Law 9/2014 of 9 May 2014), the main objective of which is to encourage competition in the market and guarantee access to networks, and by Royal Decree 330/2016 of 9 September 2016, on measures to reduce the cost of deploying high-speed electronic communications networks.

The General Telecommunications Act is implemented by Royal Decree 123/2017 of 24 February 2017, approving the Regulation on the use of public radio domain, which also regulates the grant of rights of use over orbit and spectrum resources and permits for the ground satellite segment and the associated spectrum. As required under that legislation, Reintel and Hispasat are on file in the CNMC's Register of Electronic Communications Operators. Hispasat, specifically, has been awarded the permits for the ground segment and the concessions to use the related radio spectrum, as well as concessions to operate various orbit and spectrum resources.

On 11 January 2022, the CNMC issued Circular 1/2021 of 20 December 2021, publishing the guidelines for the resolution of conflicts concerning access to physical infrastructure that may be used to host high-speed electronic communications networks (Communication/DTSA/001/21). As the CNMC states in the text, the Communication is intended to serve as guidance with respect to the content of the applicable legislation (Royal Decree 330/2016) and existing administrative practices and could be revised periodically in the light of amendments to that legislation, new pronouncements issued by this body, and any jurisprudence that may be enacted in this regard.

Royal Decree-law 7/2022 of 29 March 2022, on requirements to guarantee the security of 5G electronic communications networks and services, was enacted in March 2022. This piece of legislation sets out the security requirements for the installation, deployment and operation of 5G electronic and wireless communications networks and services.

A few months later, on 29 June 2022, the new General Communications Act (Law 11/2022 of 28 June 2022) was enacted, transposing into Spanish law Directive (EU) 2018/1972 establishing the European Electronic Communications Code.

Approval of this Act, which replaced the previous General Telecommunications Act (Law 9/2014 of 9 May 2014), is one of the measures included in Spain's Recovery, Transformation and Resilience Plan.

As a key feature, it promotes investment in very high capacity networks, introducing geographical surveys, co-investment agreements and shared use of public spectrum and private property, encouraging shared use of associated infrastructures and other facilities and end-user network access.

The main developments include the roll-out of 5G: in the area of infrastructures, it outlines specific forecasts to organise mass deployment of 5G networks. These networks promote services based on the Internet of Things, and even autonomous cars.

The legislation also establishes voluntary access commitments, provides for the possibility of deploying small cell base stations - requiring a great deal less of administrative red tape - and encourages a secondary market for radio spectrum. Moreover, the law includes the EU's so-called ‘connectivity toolbox’ measures designed to foster cooperation between governments with a single point for information and processing of network roll-out permits to speed up their deployment.

Telecommunications in Europe

The European regulatory framework is made up of Directive (EU) 2018/1972, establishing the European Electronic Communications Code (recast), Directive 2009/136/EC on universal service and users’ rights and Directive 2009/140/EC (making amendments). Based on this legislation, the General Telecommunications Law introduces measures aimed at creating an appropriate framework for investing in the deployment of new generation networks, thereby enabling operators to offer innovative services that are more technologically adapted to people's needs.

Here it is worth highlighting Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks, which mainly seeks to expedite implementation of the "Digital Agenda" of the European Union (EU), published in May 2010. That Directive was transposed into Spanish law by Royal Decree 330/2016, on measures to reduce the cost of deploying high-speed electronic communications networks. These regulations (Directive 2014/61/EU and RD 330/2016) ensure access by public communications network operators to infrastructure that is suitable to hosting public electronic communication networks. Specifically, they oblige owners, operators and holders of rights to use physical infrastructure suited to hosting high-speed electronic communications networks (including the operators of networks that provide physical infrastructure for the transmission of electricity) to meet all reasonable requests for access to their physical infrastructure under fair and reasonable terms and conditions.

Lastly, on 23 February 2023, the EC presented a set of actions aimed to make Gigabit connectivity available to all citizens and businesses across the EU by 2030.

One of its most important initiatives is the proposal for a 'Gigabit Infrastructure Act', a regulation that will put forward new rules to enable faster, cheaper and more effective roll-out of Gigabit networks across the EU.

4 Material accounting policies

The material accounting policies used to prepare these consolidated financial statements, applied consistently to the reporting periods presented, are as follows:

a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition date is that on which the Group obtains control of the acquired business. The consideration transferred in a business combination is the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity instruments issued and any contingent consideration, i.e., consideration subject to the occurrence of future events or fulfilment of specific conditions, in exchange for control of the acquired business. The consideration transferred excludes any amounts that do not form part of the exchange for the acquiree. Acquisition-related costs are recognised as incurred.

For each business combination, the Group measures, at the acquisition date, components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

As of the acquisition date, the Group recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. This accounting only applies in the case of non-controlling interests that are present ownership interests and entitle their holder to a proportionate share of the net assets of the acquiree in the event of liquidation. If not, non-controlling interests are measured at their fair value or a value based on market prices. The liabilities assumed include contingent liabilities to the extent that they represent present obligations that arise as a result of past events and their fair value can be reliably measured. The Group also recognises any indemnification assets granted by the seller at the same time as it recognises the indemnified item, measured on the same basis as the indemnified item, factoring in an assessment of collectability of the indemnification asset and any contractual limitations on the indemnified amount.

The positive difference between the consideration delivered, plus the amount of any non-controlling interest in the acquiree, and the net identifiable assets acquired is recognised as goodwill. If, after analysing the amount of the consideration transferred and the amount of any non-controlling interest and identifying and measuring the net assets acquired, that difference is negative, the resulting gain is recognised in a separate line item in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period, the identified net assets are initially recognised at provisional amounts; any adjustments to those amounts are recognised during the measurement period as if the information about the facts and circumstances underlying the adjustments had been known on the acquisition date, restating the prior-year comparative figures as required. Provisional amounts are only adjusted for new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

After the one-year measurement period ends, the Group only revises the initial accounting to correct an error.

b) Service concession arrangements

The Group operates a number of assets under concessions granted by different public bodies. The Group analyses the terms of these arrangements to determine whether they fall within the scope of IFRIC 12 Service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements that meet two conditions:

- The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- The grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Based on the nature of the consideration to be received, by reference to the contract terms, a service concession arrangement is recognised either as a financial asset or as an intangible asset. Specifically, the Group recognises:

• A financial asset: when it has an unconditional right to receive cash or another financial asset from, or at the direction of the grantor, and the grantor has little, if any, discretion to avoid payment.

  The financial model entails identifying the separate performance obligations in the arrangement and recognising revenue and expenses based on progress towards completion of the performance obligations in accordance with the revenue and expense recognition policies explained in section g) of this note, giving rise to a financial asset for the consideration receivable. The carrying amount of the financial asset is adjusted annually in accordance with the implicit interest rate of the concession.

  Redeia, through Red Eléctrica, holds a concession over the pumped storage hydropower facility in Salto de Chira in Gran Canary Island which is accounted for using the financial model, as outlined in ***note 18***. The financial asset is presented within financial assets at amortised cost under non-current financial assets in the consolidated statement of financial position.

• An intangible asset: to the extent that it receives a right to charge for access to or use of the public service that is not an unconditional right to receive cash or another financial asset.

  The intangible asset model implies initially recognising the fair value of the consideration due in exchange for providing the construction or upgrade services under a service concession arrangement as an intangible asset. After initial recognition, the intangible asset is recognised at cost, including capitalised borrowing costs, less accumulated amortisation and any accumulated impairment losses. These concession arrangements are carried in assets at their acquisition cost less accumulated amortisation and any accumulated impairment losses recognised and are amortised on a straight-line basis over the term of the concession. As detailed in ***note 6,*** Redeia accounts for its electricity transmission concessions in Peru using the intangible asset model. The related intangible assets are recognised under service concession arrangements and industrial property within intangible assets in the consolidated statement of financial position.

The contractual obligations assumed by the Group to maintain the infrastructure during the period of operation or restore it before it is handed over to the grantor at the end of the service arrangement, to the extent that these activities do not generate revenue, are recognised in accordance with the policy for accounting for provisions.

c) Intangible assets

Intangible assets are measured at acquisition cost, which is reviewed periodically and adjusted for any impairment. Annual amortisation charges are accounted for as an expense, measured on a straight-line basis over the estimated useful life assigned to each item or class of intangible assets.

The Group's intangible assets include:

Licences and industrial property

Licences have finite useful lives and are carried at the cost of obtaining them less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful life of five years.

Industrial property is measured initially at acquisition or production cost and is subsequently carried net of accumulated amortisation and any impairment losses. These assets are amortised over an estimated useful life of five years.

Trademarks

Trademarks are carried at the cost incurred to acquire them less accumulated amortisation and any accumulated impairment losses. Trademarks are amortised on a straight-line basis over a period of 10 years.

Development costs

Development costs directly attributable to the design and testing of new or improved computer software that is identifiable, unique and likely to be controlled by the Group are recognised as intangible assets when it is probable that the project will be successful, based on its technical feasibility and commercial viability, and the cost of the asset can be estimated reliably. Expenditure that does not meet this criteria is recognised as an expense when it is incurred. Development costs are capitalised and amortised when the asset is available for use on a straight-line basis over a period no longer than five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Software
This heading includes software usage licenses acquired. They are capitalised at the cost incurred to acquire them and get them ready for use. Software is amortised on a straight-line basis over a period of between three and five years from when it is put into use.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Goodwill
Goodwill is calculated using the criteria outlined in the section on business combinations. Goodwill is not amortised but is tested for impairment annually, or more often if there are indications of impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Internally generated goodwill is not recognised as an asset.

Other intangible assets
This heading mainly includes (i) the perpetual right to receive regulated tariffs arising from a business combination; and (ii) the allocation of business combination purchase price to a customer portfolio ***(note 5)***. These assets are originally recognised at fair value.

The right to regulated tariffs has an indefinite useful life and is tested for impairment annually ***(note 4.i).***

The customer portfolio is being amortised on a straight-line basis over 10 years, which is how long the portfolio is expected to remain intact.

Intangible assets under development
During the construction period, service concession arrangements are measured at the amounts effectively paid until completion of the construction work in accordance with IFRIC 12.

d) Property, plant and equipment

The main assets under this heading are electricity and telecommunications facilities, which have been measured at production or acquisition cost less accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment acquired in a business combination are initially recognised at their fair value.

Cost can include the following items:

- External borrowing costs related directly to asset construction work in progress accrued exclusively during the construction period. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted, unless the temporary delay is a necessary part of the process of getting an asset ready for its intended use.

• The operating expenses related directly to construction work in progress under the Group companies' control and management.

• The initial estimate of asset dismantling and removal costs.

Costs incurred to develop assets under construction (work in progress) are capitalised under PP&E in progress. The Group transfers assets from PP&E in progress to property, plant and equipment in use as soon as the asset is ready for its intended use, provided it is in working condition. Property, plant and equipment in progress is not depreciated.

Items of property, plant and equipment are subsequently measured using cost accounting, i.e., they are carried at cost less accumulated depreciation and any impairment losses.

The costs incurred to extend or upgrade items of property, plant and equipment that entail an increase in the asset's productivity or capacity or an extension of its useful life are capitalised.

Repair and maintenance costs that do not increase the assets' productivity or capacity or lengthen their useful lives are expensed directly as incurred.

Depreciation

Property, plant and equipment is depreciated by distributing the cost of the various items on a straight-line basis over the estimated years of useful life, which is the period over which the Group expects to use the asset, as follows:

	Annual rate
Buildings	2% - 10%
Electricity facilities	2.5% - 8.5%
Fibre optic telecommunications facilities	5% - 12.5%
Satellite telecommunications facilities	Depending on depreciation schedules
Other fixtures, machinery, tools, furniture and other PP&E	4% - 33%

Most of the undepreciated items of property, plant and equipment are depreciated at an annual rate of 2.5%. Depreciation charges are recognised in profit or loss for the year.

The assets' residual values and useful lives are reviewed at least annually and adjusted, if appropriate, to reflect current circumstances.

Impairment

When the carrying amount of an item of property, plant and equipment exceeds its estimated recoverable amount, the asset is considered impaired and written down immediately to its recoverable amount. Recoverable amount is the higher of:

- Fair value less costs to sell;

- Value in use, calculated as the present value of estimated future flows from continuing use of the assets less disposal costs.

The Group carries out additional analysis in the event of significant changes in the remuneration regime applicable to electricity transmission assets in Spain.

The Group tests the cash-generating unit (CGU) to which the assets are allocated for impairment and recognises any impairment losses (or reversals thereof) in accordance with the policy disclosed in section i) of this note.

Other considerations

Government grants and equivalent amounts received to finance the acquisition of items of property, plant and equipment are recognised as deferred income and reclassified to profit or loss over the useful lives of the subsidised assets.

The carrying amount of property, plant and equipment is derecognised when they are withdrawn from use and no future economic benefits are expected from their disposal. The loss or gain arising from the derecognition of an asset is calculated at the difference between the sale proceeds and its carrying amount (initial cost less depreciation and impairment). These losses or gains are included in the profit for the year in which the asset is derecognised. They are not included in ordinary profit.

e) Investment properties

The Group companies measure their investment properties at their acquisition cost. When the carrying amount of these assets exceeds their estimated recoverable amount, the asset is considered impaired and written down immediately. The fair values of the Group's investment properties are disclosed in ***note 9***.

The Group's investment properties other than land are depreciated on a straight-line basis by distributing the cost of the various items linearly over their estimated useful life, which is the period of time for which the Group expects to use them (annual rate of 2%).

f) Leases

As prescribed in IFRS 16, at the inception of a contract, the Group assesses whether it is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only reassesses the conditions afterwards if the contract is modified:

As lessee

In contracts that contain lease components and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Payments made by the Group that do not imply the transfer of goods or services to it by the lessor do not constitute a separate lease component but rather form part of the total lease consideration.

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially recognised at the amount of the lease liability, plus lease payments made at or before the commencement of the lease, any initial direct costs incurred and an estimation of the costs to be incurred to dismantle or restore the asset (as indicated in the accounting policy for provisions), less any incentive received.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted at the lessee's incremental borrowing rate, unless the interest rate implicit in the lease can be readily determined.

Outstanding lease payment obligations comprise fixed payments less any incentives receivable, variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term reflects early termination.

The Group measures right-of-use assets at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the associated lease liabilities.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. If not, the Group depreciates the right-of-use assets from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term.

The Group approaches right-of-use asset impairment using the non-financial asset impairment criteria outlined in n*ote 4.c)* above.

After initial recognition, the Group measures its lease liabilities by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications and revised in-substance fixed lease payments.

It recognises variable lease payments not included in the initial measurement of the lease liability in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group recognises lease liability remeasurements by adjusting the right-of-use asset. After the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasurement is recognised in profit or loss.

The Group remeasures a lease liability by discounting the lease payments using a revised discount rate, if there is a change in the lease term or a change in the assessment of the likelihood that the purchase option will be exercised.

It remeasures a lease liability by discounting the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or if there is a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review.

The Group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group allocates the consideration in the modified contract applying the criteria described above, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of a right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, recognising any resulting gain or loss in profit or loss. The Group adjusts the carrying amount of the right-of-use asset for all other lease modifications.

The Group has elected not to apply these lease accounting requirements to short-term leases and leases for which the underlying asset is of low value, defined as less than 5,000 euros.

In the consolidated statement of cash flows, the lease payments for the principal portion of the liability under the scope of and accounted for under IFRS 16 are recognised within financing activities, specifically other cash flows used in financing activities. Cash payments for the interest portion of the lease liability are classified under interest paid within other cash flows used in operating activities.

As lessor

The Group recognises income from operating leases on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

g) Financial assets and liabilities

Initial recognition and measurement

Financial instruments are classified upon initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and the definitions of 'financial asset', 'financial liability' and 'equity instrument' provided in IAS 32 Financial Instruments: Presentation.

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured initially at their transaction price.

Classification and subsequent measurement

Financial assets

Financial assets are classified at initial recognition at amortised cost; at fair value through other comprehensive income; or at fair value through profit or loss. This classification is determined by the business model and contractual terms of the asset.

A financial asset is measured at amortised cost if both of the following conditions are met and it is not measured at fair value through profit or loss:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and it is not classified as at fair value through profit or loss:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. This election is made separately for each investment.

All financial assets not classified within financial assets at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets are not reclassified after initial recognition unless the Group changes the financial asset business model.
The Group classifies its financial assets, other than investments accounted for using the equity method, in the following categories:

- **Amortised cost:** The financial assets classified into this category are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is reduced by impairment allowances. Interest income, translation gains or losses and impairment allowances are recognised in profit or loss. Gains or losses arising on derecognition of these assets are recognised directly in the consolidated statement of profit or loss.
- **Fair value through other comprehensive income:** These assets are subsequently measured at fair value. Any resulting gains or losses are recognised in other comprehensive income. Upon derecognition, the gains or losses accumulated in other comprehensive income are reclassified to profit or loss. In the case of equity instruments classified into this category, the fair value remeasurement gains or losses at year-end are recognised directly in other comprehensive income and are never reclassified to profit or loss.

Dividends from equity investments classified at fair value through other comprehensive income are recognised in the consolidated statement of profit or loss when the right to receive them is established.

- **Fair value through profit or loss:** These assets are subsequently measured at fair value. Net fair value gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities

Financial liabilities, which include loans, issued notes and similar instruments, are initially recognised at fair value less attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, except for liabilities that have been hedged ***(section o).***

Borrowings are classified under current liabilities in the consolidated statement of financial position unless they mature more than 12 months after the reporting date, in which case they are classified under non-current liabilities.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset or it neither transfers nor retains substantially all the risks and rewards of ownership and it has not retained control of the transferred asset.

Financial liabilities

The Group derecognises a financial liability when the obligation specified in the contract is discharged or cancelled or expires. It also derecognises a financial liability whose terms are modified to the extent that the modified liability's cash flows are substantially different. In this instance it recognises a new financial liability at fair value using the new terms. When a modified financial liability is derecognised, the difference between the carrying amount of the financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

h) Inventories

Inventories of materials and spare parts are valued at the lower of cost, determined using the weighted average cost formula, and net realisable value.

The costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable from the tax authorities), and transport, handling and other costs directly attributable to the acquisition of materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

If the Group incurs borrowings to finance the purchase of these inventories, the borrowing costs can be capitalised within the cost of inventories until they are substantially ready for their intended use or sale.

The Group assesses the net realisable value of its inventories at each year-end. Where cost exceeds market value or there is uncertainty about whether inventories will be used, they are written down to net realisable value and an expense is recognised in profit or loss. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed and recognised as income in profit or loss.

i) Impairment of assets

Financial assets

The Group uses the general approach to calculate expected losses on its financial assets other than trade and other receivables, for which it uses the simplified approach prescribed in IFRS 9, measuring the loss allowance at an amount equal to lifetime expected credit losses.

In order to determine whether there has been a significant increase in credit risk of a financial asset since its initial recognition, or to estimate the lifetime expected credit losses of the asset, the Group considers all reasonable and supportable information that is relevant and available without undue cost and effort. This includes quantitative and qualitative information based on the historical credit loss experience of the Group or other entities and observable market information about the credit risk of the specific financial instrument or similar financial instruments. The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due. Similarly, the Group considers that a financial asset is in default when it is more than 90 days past due, unless there is reasonable and supportable information that demonstrates its recoverability.

The Group considers that a debt instrument presents a low level of risk when its credit rating is at least 'investment grade' at one of the prestigious rating agencies. The maximum period over which expected credit losses are measured is the maximum contractual period over which the Group is exposed to credit risk.

The general approach prescribed in IFRS 9 defines expected credit losses as the weighted average of credit losses from default events with the probability of default as the weights. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows it expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

Broadly speaking, expected loss is based on the following formula:

EAD (exposure at default) x PD (probability of default) x LGD (loss given default) x DF (discount factor)

EAD is the exposure to risk and is measured based on the accounting balances (outstanding balances receivable in the form of a cash flow or other financial asset) less any prepayments and any sureties or other guarantees provided by the customer. PD is the probability of default. LGD is the loss that would be incurred in the event of debtor default and is calculated as (1 – recovery rate). The recovery rate depends on the specific guarantees of the receivable or loan. The DF represents the time value of money.

Following the IFRS 13 fair value hierarchy, ranking the variables from most observable to least observable, the Group uses the following models:

- If the debtor has quoted credit default swaps (CDS), the probability of default is generally obtained from the CDS, as this is the most objective credit market measure of the probability of default of a company at a specific point in time.

- If the debtor does not have a quoted CDS, the company's ratings from the credit rating agencies that have issued a report are used to calculate the probability of default.

- If the debtor does not have a rating, a theoretical rating can be calculated by comparing the debtor's credit ratios with those of other companies that do have a rating.

Provisions for the impairment of financial assets at amortised cost are deducted from the gross carrying amount of these assets.

Impairment losses on trade and other receivables, including contract assets under IFRS 15, are presented in the consolidated statement of profit or loss.

Non-financial assets

The Group companies analyse the recoverability of their assets at each reporting date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. Assets with indefinite useful lives are tested for impairment at least annually and the remaining assets are tested whenever there are indications of impairment.

Impairment is deemed to exist when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss. An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. Value in use is calculated based on expected future cash flows.

Impairment losses recognised for an asset in prior periods are reversed if there has been a change in the estimates used to determine the asset's recoverable amount by increasing the value of the asset to its recoverable amount with a credit to profit or loss up to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Goodwill impairment losses cannot be reversed in future periods.

Impairment is calculated for individual assets. Where it is not possible to estimate the fair value of an asset, the fair value of the cash-generating unit (CGU) to which the asset belongs is determined.

The Group has CGUs, which are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group's identified CGUs are those related with the transmission of electricity (in Spain, Peru, Chile and Brazil) and those related with the satellite and fibre optic telecommunications businesses.

The Group carries out impairment tests when it identifies indications of impairment, such as amendments to sector regulations, changes in investment plans or in business performance and other parameters that could evidence the potential impairment of non-financial assets subject to amortisation/depreciation. In calculating impairment, the Group verifies that the recoverable amount of each cash-generating unit (CGU) to which the assets or individual assets belong exceeds the carrying amount.

If it does not, it recognises an impairment loss in profit or loss at the difference between the two under impairment of and gains/(losses) on disposal of fixed assets up to the limit of the higher of: (i) the CGU's fair value less costs to sell; and (ii) its value in use.

j) Share capital, own shares and dividends

The Parent's share capital is represented by ordinary shares. The cost of issuing new shares, net of taxes, is deducted from equity.

Own shares are measured at acquisition cost and presented as a deduction from equity in the consolidated statement of financial position. Any gain or loss arising on the purchase, sale, issuance or cancellation of own shares is recognised directly in equity.

Interim dividends are deducted from equity for the year to which the dividend relates on the basis of the corresponding Board resolution. The final dividend is not deducted from equity until it is approved at the corresponding Annual General Meeting.

k) Grants and other items

Non-repayable government grants related to assets awarded by different official bodies, and other equivalent amounts awarded to finance the Group's fixed assets, are recognised when the related investments are made.

The Group recognises these grants in profit or loss each year under release of grants related to non-financial and other assets matching the period during which the assets for which the grants are extended are depreciated. Where the grant is awarded based on units of product sold and is included in the selling price of the goods and services, the amount is included in the item of revenue to which it relates.

Income tax credit provided by the public authorities that is in substance a government grant related to assets is recognised following the above criteria for government grants related to assets.

l) Contract liabilities

Non-current contract liabilities, which usually arise under multi-year contracts or commitments, are recognised in profit or loss within revenue over the term of the underlying contracts or commitments.

m) Provisions

Employee benefits

Pension obligations

The Group has defined contribution plans, meaning plans that define the benefit an employee will receive upon retirement as a function of one or more factors, such as age, fund performance, years of service or pay. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions are recognised under employee benefits when accrued.

Other long-term employee benefits

Other long-term employee benefits include defined benefit plans other than pension plans, such as health insurance, for serving and retired Group employees. The expected costs of these benefits are recognised under provisions over the working life of the employees. These obligations are measured each year by independent qualified actuaries. The effects of changes in actuarial assumptions are recognised, net of tax, in reserves within equity in the year they arise, while past service cost is recognised in the consolidated statement of profit or loss.

This heading also includes the long-term remuneration plans approved by the competent bodies of each of the Group companies ***(note 15)***.

In 2015, the Group's Appointments and Remuneration Committee approved the rollout of the Structural Management Plan (the "Plan") for some of the management team with a view to managing succession in certain key management positions in an orderly and efficient manner. When the executives affected by this Plan reach the defined age, they are entitled to a sum equivalent to up to 3.5 times their annual fixed and variable pay, depending on their category, at the time of leaving the Group. Participation in the Plan is subject to compliance with certain terms and conditions. The Plan can be modified or revoked by the Group in certain circumstances, including a consecutive adverse Group earnings performance ***(note 15)***.

Other provisions

The Group recognises provisions to cover present legal or constructive obligations as a result of past events, so long as it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. They are recognised when the liability or obligation arises. No provision is recognised for proceedings where the probability that the event will occur is less than 50% as the Group considers that the outcome of these proceedings will be favourable.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax risk-free rate that reflects current assessments of the time value of money and the risks specific to the obligation. The increase in the carrying amount of a provision due to the passage of time is recognised as interest expense in the consolidated statement of profit or loss.

n) Transactions in currencies other than the euro

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Group companies using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the rate of exchange prevailing on the reporting date. During the year, the differences arising as a result of movements between the exchange rate used for initial recognition purposes and that prevailing on the date of collection or payment are recognised in profit or loss.

Fixed-income securities and credits and debits denominated in a currency other than the euro are translated at the closing exchange rate each year. Any resulting measurement differences are recognised as exchange gains or losses in the consolidated statement of profit or loss.

Financial derivative instruments and other instruments arranged in foreign currency to hedge the Group's exposure to exchange rate risk are accounting for as outlined in derivative financial instruments and hedging transactions below.

Foreign operations

The assets and liabilities of foreign operations are translated into euros using the exchange rates prevailing on the reporting date. The items of income and expenses of foreign operations are translated into euros using the transaction date exchange rates.

The resulting translation differences are recognised in other comprehensive income within equity.

o) Derivative financial instruments and hedging transactions

The Group holds derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. It designates certain derivatives as hedging instruments for mitigating exposure to variability in cash flows attributable to a highly probable forecast transaction arising from changes in interest and foreign exchange rates.

At the inception of the hedge, the Group formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge.

Hedge accounting is only applied when at the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated.

Derivative financial instruments are initially recognised at fair value on the purchase date (acquisition cost) and are subsequently remeasured to fair value at every reporting date. The treatment of the resulting gains or losses depends on whether the derivative has been designated as a hedging instrument and, if so, the nature of the hedged item.

When a hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in equity remains in equity and is reclassified to profit or loss as the changes in the cash flows of the hedged item are recognised in profit or loss. The gain or loss deferred in equity is likewise recognised in the consolidated statement of profit or loss when a forecast transaction is no longer expected to occur.

Fair value measurement gains or losses on hedging instruments corresponding the portion of the hedge determined to be effective are recognised under other comprehensive income in equity. The portion of the hedge considered ineffective and the specific component of the gain or loss or related cash flows on the hedging instrument excluded from the assessment of hedge effectiveness (excluded components) is recognised with a debit or credit to finance costs or income.

The separate component of other comprehensive income associated with the hedged items is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in the fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised directly in other comprehensive income will not be recovered in one or more future periods, it reclassifies the amount that is not expected to be recovered to finance income or costs.

The fair value of the derivative financial instruments used for hedging purposes is disclosed in ***note 19***. The related movements under equity are disclosed in ***note 13***.

p) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Financial asset and liability fair value measurements are classified using a hierarchy articulated around the relevance of the inputs used to make the corresponding measurements. The hierarchy categorises the inputs used in valuation techniques into three levels:

- Level 1: Fair value measurements based on quoted prices in active markets for identical instruments.

- Level 2: Fair value measurements based on inputs that are observable for the asset or liability.

- Level 3: Measurements based on inputs that are not underpinned by observable market data.

If there is no quoted price from an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. More specifically, for the various derivative financial instruments not traded on active markets, the Group estimates fair value using valuation techniques which include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis discounted using the market interest and exchange rates prevailing at the reporting date and options pricing models enhanced to reflect the issuer's specific circumstances.

q) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables falling due within one year for which there is no contractual interest rate that are expected to be settled in the short term are measured at their nominal amount.

r) Income and expenses

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised so as to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

Most of the Group's revenue is regulated revenue from its transmission and system operation (TSO) activities in Spain ***(notes 3, 23 and 27)***. Group subsidiary, Red Eléctrica de España, S.A.U. (Red Eléctrica), has been designated to carry out electricity TSO activities on an exclusive basis. Both of these activities are regulated by the Electricity Sector Act (Law 24/2013). This legislation, as subsequently implemented by Royal Decree 1047/2013 and the CNMC Circulars approved in 2019, sets the annual amount of remuneration receivable for both activities to cover the uninterrupted services provided by Red Eléctrica to consumers and other electricity sector agents during the year.

The provision of electricity transmission service is considered a single performance obligation. Therefore, the total price is allocated to that obligation. Similarly, the legal obligations included under the electricity system operator's obligation are considered a single performance obligation, identified as "providing the electricity system operation service". Therefore, revenue from TSO performance obligations is recognised over time on a straight-line basis, for each year.

Revenue in the telecommunications business is primarily generated from:

- Service provision agreements consisting of the lease of satellite capacity to a number of customers from the telecommunications sector; these services are considered a single performance obligation and the related revenue is recognised on a straight-line basis over the period for which the customer service is provided.

- Contracts granting a number of customers from the telecommunications sector the right to use backbone fibre optic network and cables, and the provision of services to these same customers, all of which considered a single performance obligation. Revenue under these contracts is recognised over time, as the services are provided to the Group's customers.

If unfolding circumstances change the initial estimates of revenue, management proceeds to review those estimates. Revisions may result in increases or decreases in estimated revenue which would be recognised in the profit or loss in the period in which the circumstances giving rise to the revisions are known and agreed by the parties.

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

s) Tax matters

Tax expense (income) comprises current tax and deferred tax. Current and deferred tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from (i) a transaction or event which is recognised, in the same or a different period, directly in equity or (ii) a business combination.

Current tax is the amount expected to be paid, using enacted tax rates, in respect of the current year, as well as any tax payable as a result of prior-year adjustments.

Income tax credit and other tax relief originating from transactions arising during the year are deducted from accrued tax expense unless there is uncertainty about their utilisation.

Deferred tax and tax expense are calculated and accounted for using the liability method considering temporary differences between the amounts recognised for financial reporting purposes and those used for tax purposes. The liability method consists of determining deferred tax assets and liabilities as a function of the differences between the carrying amount and tax bases of assets and liabilities, using the tax rates objectively expected to be prevailing when the assets and liabilities are realised and incurred, respectively.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries and associates, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The corporate tax expense accrued by the companies that file their returns under the consolidated tax regime is determined by factoring in, in addition to the parameters of relevance in the case of individual corporate taxpayers, outlined above, the following considerations:

- The temporary and permanent differences arising as a result of the elimination of gains or losses on intragroup transactions in the course of determining consolidated taxable income.

- The tax credits and relief corresponding to each company within the tax group; in this instance the tax credit or tax relief is allocated to the company that performed the activity or obtained the income necessary for entitlement to the related credit or relief.

- The temporary differences arising as a result of the elimination of gains or losses on transactions between the entities comprising the consolidated Tax Group are recognised at the company that generated the gain or loss and measured using the tax rate applicable thereto.

- The Parent recognises the total amount of consolidated income tax payable/(receivable) with a charge/(credit) to loans to/(borrowings from) group companies and associates.

- The amount owed to/(receivable) by the subsidiaries is recognised with a credit/(charge) to borrowings from/(loans to) group companies and associates.

If the Group believes it is not probable that the tax authorities will accept an uncertain tax treatment or group of uncertain tax treatments, it factors that uncertainty into determination of its taxable profit, tax bases, unused tax losses, unused tax credits and tax rates. In the event that the tax assets or liabilities calculated in this manner exceed the amount presented in the corresponding tax returns, the amounts are recognised in the consolidated statement of financial position. Changes in facts and circumstances around uncertain tax positions are recognised as a change of estimate.

The Group offsets deferred tax assets and deferred tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

t) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, without including the average number of own shares held during the year.

In the consolidated financial statements for the years ended 31 December 2023 and 2022, the basic earnings per share figures coincide with the diluted earnings per share figures as there were no potential ordinary shares in either reporting period.

u) Insurance

The Group has a number of insurance policies to cover the risks to which its companies' activities expose it. The chief risks are potential damage to the Group companies' facilities and potential third-party claims arising in the course of their activities. The cost of the related insurance premiums is accrued in the consolidated statement of profit or loss. The income due from insurance companies as a result of claims is recognised in the consolidated statement of profit or loss when entitlement is established.

v) Environment

Expenses arising from actions taken by the Group to protect and improve the environment are expensed as incurred. Expenses to acquire property, plant and equipment for the purpose of minimising environmental impact and protecting and improving the environment are capitalised as an increase in the value of the assets.

w) Share-based payments

The Group has implemented share purchase plans whereby employees can receive Parent company shares as part of their annual pay packages. That remuneration is measured using the closing share price as of the date of delivery. Expenses incurred under these plans are recognised within employee benefits expense in the consolidated statement of profit or loss. All of the shares delivered to employees come from the Parent's treasury stock.

x) Contingent assets and liabilities

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Contingent liabilities are not recognised in the financial statements, except in business combinations to the extent they represent present obligations that arise as a result of past events and their fair value can be reliably measured. These liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable; if it has become probable for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

5 Business combinations

Business combination completed in 2023

The Group did not complete any business combinations in 2023.

Business combination completed in 2022

Acquisition of Axess Networks Solutions Holdings, S.L.

On 9 August 2022, having obtained all the required authorisations and met the suspensive conditions, Hispasat S.A. acquired 100% of the share capital of Axess Networks Solutions Holdings, S.L. (hereinafter, Axess Networks), which has therefore been fully consolidated by Redeia since that date.

Axess Networks is a telecommunications company specialised in satellite services and solutions for the corporate market (telcos and large companies) and public entities. It is present in Latin America (Colombia, Mexico, Peru, Ecuador and Chile) and EMEA (mainly Africa and the Middle East).

The purchase price allocation (PPA) was completed by year-end 2022 and the Group allocated the excess of the price paid over the carrying amount of the net assets acquired primarily to goodwill and the customer portfolio. This business combination was accounted for in accordance with IFRS 3.

The Group recognised the assets acquired and liabilities assumed at their fair value as determined by an independent expert. The table below summarises the net assets acquired at the acquisition date:

Thousands

			USD			EUR
	08/09/2022	Adjustments	Fair value	08/09/2022	Adjustments	Fair value
Intangible assets	20,284	49,744	70,028	19,855	48,692	68,547
Property, plant and equipment	21,291	-	21,291	20,841	-	20,841
Other non-current assets	1,949	4,158	6,107	1,908	4,070	5,978
Other current assets	22,581	-	22,581	22,104	-	22,104
Cash and cash equivalents	2,825	-	2,825	2,765	-	2,765
Total assets	68,930	53,902	122,832	67,473	52,762	120,235
Non-controlling interests	(748)	-	(748)	(732)	-	(732)
Non-current liabilities	(27,353)	(28,638)	(55,991)	(26,775)	(28,032)	(54,807)
Current liabilities	(16,289)	-	(16,289)	(15,944)	-	(15,944)
Total liabilities	(44,390)	(28,638)	(73,028)	(43,451)	(28,032)	(71,483)
Total net assets	24,540	25,264	49,804	24,022	24,730	48,752
Price paid (100%)	-	-	95,567	-	-	93,702
Goodwill	-	-	45,763	-	-	44,950

The main fair value adjustments made to the identified assets and liabilities of Axess were as follows:

- Recognition of an intangible asset to reflect the value of the customer portfolio. The value allocated to probable future profits from contractual relations with customers was 48,692 thousand euros (USD 49,744 thousand). This intangible asset has an estimated useful life of 10 years. The customer portfolio was measured using the multi-period excess earnings method (MEEM).

- The main valuation assumptions used were as follows:

  › Intangible asset discount rate: 8.7% (after tax).

  › Average annual cancellation rate of 5% and 2% for customers in the Americas (essentially Colombia, Mexico, Ecuador, Chile and Peru) and EMEA regions, respectively.

• Recognition of non-current liabilities in the amount of 28,032 thousand euros (USD 28,638 thousand), broken down as follows:

- 14,480 thousand euros (USD 14,793 thousand) of deferred tax liabilities, essentially relating to fair value adjustments for assets, considering the nominal tax rate applicable depending on where the assets are located.

- 11,172 thousand euros (USD 11,413 thousand) of contingent liabilities.

The goodwill resulting from this business combination is attributable to the benefits and synergies expected to arise in the Hispasat subgroup from the acquisition and integration of Axess Networks. During the allocation process, goodwill of 44,950 thousand euros (equivalent to USD 45,763 thousand) was identified, which, together with the goodwill on the balance sheet of Axess Networks, yielded total goodwill at the business combination date of 57,062 thousand euros (equivalent to USD 58,135 thousand) (2022: 55,037 thousand euros).

Consolidated revenue and the consolidated net loss for 2022, contributed since the date of acquisition, amounted to 28,500 thousand euros and 1,274 thousand euros, respectively. Had the acquisition taken place on 1 January 2022, the consolidated revenue and consolidated net loss contributed would have amounted to 66,346 thousand euros and 2,849 thousand euros, respectively.

The Group incurred acquisition costs of 2,776 thousand euros, of which 1,776 thousand euros were accrued in 2022 and the rest was booked in prior years. These costs were included under other operating expenses in the consolidated statement of profit or loss for the year ended 31 December 2022.

6 Intangible assets

The reconciliation of the carrying amounts of the various items of intangible assets and the related accumulated amortisation in 2023 and 2022 is as follows:

Thousands of euros

	31 Dec. 2021	Exchange differences	Changes in consolidated group	Additions	Derecog-nitions	Transfers	31 Dec. 2022	Exchange differences	Additions	Derecog-nitions	Transfers	31 Dec. 2023
Service concession arrangements and industrial property	418,202	25,224	–	5,548	–	41	449,015	(13,585)	446	(9,099)	36,946	463,723
Trademarks	15,234	–	–	–	–	–	15,234	–	–	–	–	15,234
Development costs and software	95,893	354	601	1,889	–	18,358	117,095	567	24,663	(2,849)	3,948	143,424
Goodwill	231,694	(1,801)	57,062	–	–	–	286,955	(1,600)	–	–	–	285,355
Other intangible assets	52,804	1,059	55,835	–	–	–	109,698	(3,540)	–	–	1,966	108,124
Intangible assets under development	44,019	614	–	39,225	–	(18,399)	65,459	(1,200)	12,674	–	(37,846)	39,087
Total intangible assets	**857,846**	**25,450**	**113,498**	**46,662**	**–**	**–**	**1,043,456**	**(19,358)**	**37,783**	**(11,948)**	**5,014**	**1,054,947**
Accumulated amortisation Service concession arrangements and industrial property	(67,062)	(3,870)	–	(20,785)	–	(340)	(92,057)	2,896	(21,140)	8,968	(1,257)	(102,590)
Accumulated amortisation Trademarks	(3,428)	–	–	(1,523)	–	–	(4,951)	–	(1,523)	–	–	(6,474)
Accumulated amortisation Development costs and software	(59,530)	(10)	–	(20,476)	–	20	(79,996)	21	(22,540)	2,791	(79)	(99,803)
Accumulated amortisation Other intangible assets	(1,528)	(62)	–	(4,356)	–	320	(5,626)	88	(5,749)	–	(2,847)	(14,134)
Total accumulated amortisation	**(131,548)**	**(3,942)**	**–**	**(47,140)**	**–**	**–**	**(182,630)**	**3,005**	**(50,952)**	**11,759**	**(4,183)**	**(223,001)**
Impairment of service concession arrangements and industrial property	(5,357)	–	–	–	–	–	(5,357)	–	–	–	–	(5,357)
Impairment of trademarks	–	–	–	–	–	–	–	–	–	–	–	–
Impairment of development costs and software	(322)	–	–	–	–	–	(322)	–	–	–	–	(322)
Total impairment	**(5,679)**	**–**	**–**	**–**	**–**	**–**	**(5,679)**	**–**	**–**	**–**	**–**	**(5,679)**
Carrying amount	**720,619**	**21,508**	**113,498**	**(478)**	**–**	**–**	**855,147**	**(16,353)**	**(13,169)**	**(189)**	**831**	**826,267**

Gross intangible assets

Administrative concessions and industrial property mainly include the service concession arrangements awarded by different public entities to Group companies for the construction and operation of technical electricity facilities in Peru, different bandwidth licences awarded to the Group for the use of orbital slots above Brazilian territory, and the renewal of satellite orbital rights at 61° west.

The breakdown of concession arrangements under operation and/or construction in Peru at 31 December 2023 and 2022:

Thousands of euros

	Redesur	Tesur	Tesur 2	Tesur 3	Tesur 4(*)	CCNCM
Grantor	Peruvian state	Peruvian state	Peruvian state	Peruvian state	Peruvian state	Peruvian state
Activity	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission
Country	Peru	Peru	Peru	Peru	Peru	Peru
Concession term from start-up of commercial operations	30 years	30 years	30 years	30 years	30 years	30 years
Remaining useful life	8 years	21 years	25 years	27 years	29 years	24 years
Tariff review frequency	Annual	Annual	Annual	Annual	Annual	Annual
Carrying amount at 31 Dec. 2023	26,365	47,272	43,058	26,206	32,654	149,567
Carrying amount at 31 Dec. 2022	31,048	51,372	46,434	28,184	34,611	161,428
Revenue in 2023	19,710	7,841	6,298	3,429	1,846	18,140
Revenue in 2022	19,333	7,462	5,937	4,366	–	17,718
Profit/(loss) for 2023	4,056	1,380	1,221	(7)	(1,398)	(1,903)
Profit/(loss) for 2022	4,240	1,137	1,505	1,286	(5,280)	(2,714)
Renewal options	Not contractually stipulated	Not contractually stipulated	Not contractually stipulated	Not contractually stipulated	Not contractually stipulated	Not contractually stipulated

(*) Tesur 4 began commercial operations on 14 January 2023. At December 2022 this asset was under construction.

This heading also includes the different band licences held by the Hispasat subgroup to operate orbital slots, as well as other satellite rights over orbital slots.

Trademarks includes the Hispasat trademark in the amount of 15,234 thousand euros recognised as a result of the Hispasat business combination in October 2019. This item is being amortised on a straight-line basis over 10 years.

Goodwill in the amount of 285 million euros at 31 December 2023 (2022: 287 million euros), derives from the Hispasat, CCNCM and Axess business combinations ***(notes 2.g and 5)***. The goodwill has not given rise to any deferred tax liabilities as it is not expected to be deductible in the future. Goodwill is not amortised but is tested for impairment annually.

Other intangible assets include the perpetual right to regulated tariffs arising from the acquisition of transmission facilities forming part of the Chilean National Transmission System, accounted for at Redenor 2, in an amount of 52,241 thousand euros (2022: 52,050 thousand euros). This asset is not being amortised as it had an indefinite useful life but is tested for impairment annually.

This heading also includes the customer portfolio recognised as a result of the Axess business combination in 2022 ***(note 5)***. That customer portfolio was carried at 57,883 thousand euros at 31 December 2023. It is being amortised over a period of 10 years.

Intangible assets under development at 31 December 2023 and 2022 mainly include the acquisition and development of computer software for the Group's TSO activities, and at year-end 2022, the construction of facilities under concession arrangements, which were completed and commissioned by Peruvian company Tesur 4 in January 2023.

Capitalised expenditure

In 2023 the Group capitalised 1,977 thousand euros of costs directly related to internally generated intangible assets (2022: 12,044 thousand euros). The Group recognised 6,510 thousand euros of innovation and development costs in its consolidated statement of profit or loss in 2023.

In 2023 the Group capitalised 65 thousand euros of borrowing costs within intangible assets (2022: 858 thousand euros).

Fully amortised intangible assets

At 31 December 2023, the original cost of fully-amortised intangible assets still in use was 103,466 thousand euros (2022: 44,474 thousand euros), most of which related to development costs and software.

Investments in intangible assets outside of Spain

At 31 December 2023 the carrying amount of intangible assets located outside of Spain was 410,491 thousand euros (2022: 442,193 thousand euros).

Investment commitments

The Group does not have material contractual commitments for the acquisition of intangible assets relative to its current volume of assets or its planned investments.

Insurance

The Group has taken out a range of insurance policies to cover the risks to which its intangible assets are exposed. These policies provide adequate coverage against the risks covered.

Impairment testing of intangible assets subject to amortisation

The Group tests its assets subject to depreciation/amortisation for indications of impairment in order to check that their carrying amount remains above their recoverable amount, defined as costs to sell less value in use ***(see note 4.i).***

Given the existence of indications of impairment, the Group tested the intangible assets subject to amortisation in the **electricity transmission CGU in Peru** for impairment. The Group did not recognise any impairment as a result of those tests.

The Group used projected cash flow analysis to perform those tests. The projections were drawn up for the term of each concession (30 years from commissioning). The cash flow projections beyond year five are considered reliable on the basis of the Group's experience with concession-based businesses in the Peruvian electricity transmission market, where revenue is regulated for 30 years.

The assumptions underpinning the projections were based on updated business forecasts and past experience. The following assumptions were used:

- Regulated remuneration: the projections include estimated cash flows up to the end of the concession arrangements, assuming the rate of return on investment provided for in current regulations in Peru.
- Capital expenditure: the best information available regarding plans to invest in assets and infrastructure maintenance over the projection time horizon.
- Operating and maintenance expenses: projected in line with the growth forecasts derived from the capital expenditure plan.
- Other costs: projected on the basis of sector knowledge, past experience and in line with the outlook derived from the capital expenditure plan.
- Discount rate: the cash flows were discounted at a pre-tax rate based on a weighted average cost of capital (WACC) of 9.62%, taken from a report prepared by an independent expert.

The sensitivity analysis modelling the reasonably possible variations in the main inputs, specifically an increase in the discount rate of 0.25%, did not imply impairment. Given the regulated nature of this business, no other inputs were varied for the sensitivity analysis.

The assumptions used to test the intangible assets allocated to the legacy satellite CGU for impairment are itemised in ***note 7***. The Group checked for indications that these assets may be impaired in both 2023 and 2022, concluding that there was no need to adjust the impairment loss recognised in 2020 in the amount of 5.7 million euros.

Impairment testing of intangible assets with indefinite useful lives

At both year-ends, the Group tested its intangible assets with indefinite useful lives (goodwill and the right to regulated tariffs) for impairment, concluding that the recoverable amounts of these assets exceeded their carrying amounts.

Goodwill

Goodwill at 31 December 2023 related mainly to the goodwill arising from business combinations, specifically the acquisition in October 2019 of the Hispasat subgroup, in the amount of 228 million euros, and the acquisition in August 2022 of Axess Networks by Hispasat, S.A. ***(notes 2.g and 5)***, in the amount of 57 million euros.

As was the case in 2022, the following CGUs were identified in the satellite business:

- **Legacy satellite business CGU:** this CGU encompasses the existing fleet.

- **Infrastructure with new technology CGU:** this CGU encompasses the future satellite fleet and alliances with other sector players designed to provide capacity and/or new value-added services more efficiently and flexibly through a new and digital fleet featuring new technologies.

- **New businesses and services CGU:** this CGU encompasses the provision of satellite services and solutions (through Axess Networks and potential M&A transactions), which will enable Hispasat to make headway on its value chain vertical integration strategy.

Within the telecommunications segment, in both years, the goodwill arising on the acquisition of Hispasat in 2019 has been allocated to the group of CGUs comprising the satellite business, more specifically the legacy satellite business CGU, the infrastructure with new technology CGU, and the new businesses and services CGU, as this is the level of aggregation at which goodwill is controlled for internal management purposes at Redeia. The goodwill arising on the acquisition of Axess Networks has been allocated to the new businesses and services CGU.

At 31 December 2023 the Group first tested the satellite business CGUs for impairment without including the goodwill arising from the acquisition of Hispasat.

In 2020, the goodwill allocated to the legacy satellite business CGU was written down for impairment by 122 million euros (5.7 and 116.6 million euros corresponding to intangible assets and property, plant and equipment, respectively). At 31 December 2023, the Group concluded that the recoverable and carrying amounts of the assets associated with this CGU did not differ significantly, so that no additional impairment losses were recognised ***(note 7)***.

For all the other CGUs, the recoverable amount was determined to be higher than the carrying amount.

The Group then ran impairment tests at the level of the group of CGUs to which the goodwill has been allocated (a group comprising the legacy, infrastructure with new technology and new businesses and services CGUs).

That analysis was carried out at year-end 2023 using the projections contained in the last satellite business Strategic Plan approved in 2022. The Group also verified, using currently-available information based on operational, commercial and financial performance and developments in the years elapsing since approval of the Group's 2021-2025 Strategic Plan, that the assumptions underpinning the forward-looking estimates for the satellite business have not changed substantially during the year with respect to the Strategic Plan updated and approved by the Board of Directors in October 2022.

The key assumptions used to test the satellite business for impairment in 2023 were similar to those used in 2022 and were as follows:

- The investment was measured at fair value less costs to sell, using the revenue approach, to estimate the recoverable amount of the satellite business.

  The revenue approach indicates the recoverable amount of a business using the present value of its estimated cash flows, i.e., discounted cash flow (DCF) analysis. Specifically, the present value of the future cash flows was arrived at by using a discount rate (the WACC) that reflects the time value of money and the risks associated with the projected cash flows.

  Costs to sell were estimated considering the costs incurred in previous transactions undertaken by the Group.

  The fair value measurement was categorised in its entirety (without taking into account whether the 'costs of disposal' are observable) in Level 3 for IFRS fair value hierarchy purposes.

- Cash flows were projected for 2024-2040 for existing satellites, which is aligned with their useful lives, and for the useful life of new satellite assets scheduled for launch in the coming years. The cash flow projections also factor in the Hispasat subgroup's expected entry into new business models and technologies.

  The cash flow projections beyond year five are considered reliable on the basis of the Group's experience with investments with a significant technology component that imply long-term contracts and commitments. Specifically, the satellite business materialises in long-term contractual commitments with customers, which usually cover most of the satellites' useful lives, with a view to locking in a minimum return before launching new satellites. The idea is to attempt to lay solid foundations for earning the estimated return from a satellite before embarking on the project.

  The terminal value of traditional technology is zero as the infrastructure that underpins this business ceases to generate income or expenses at the end of the satellites' useful lives. For infrastructure that uses new technology and the projected new businesses and services, the terminal value was estimated assuming growth in perpetuity of 0% and 1.25%, respectively.

- The EBITDA margins modelled for the traditional business and the new technologies and new businesses and services were similar to those used in 2022, yielding an average EBITDA margin of 59%.

- The exchange rates used to translate the projected cash flows denominated in foreign currency were based on forecasts for the US dollar (USD), Brazilian real (BRL) and Mexican peso (MXN).

- The cash flows were discounted at a rate based on the weighted average cost of capital (WACC) taken from a report prepared by an independent expert. Specifically, they were discounted at a pre-tax rate of 7.85% for the legacy satellite business, 9.29% for infrastructure based on new technology and at a pre-tax rate of 13.99% in the case of the new businesses and services.

In light of the above-listed assumptions, the Group concluded that it did not need to recognise any impairment losses in either 2023 or 2022.

The Group performed a sensitivity analysis modelling reasonably possible variations in the main operating and financial assumptions used in its impairment tests. Specifically, it modelled the following changes in assumptions:

Revenue	4%	-4%
Gross margin	200 bp	-200 bp
USD exchange rate	5%	-5%
BRL exchange rate	15%	-15%
Discount rate (legacy satellite CGU)	+10 bp	-10 bp
Discount rate (infrastructure with new technology CGU)	+50 bp	-50 bp
Discount rate (new businesses and services CGU)	+50 bp	-50 bp

The input changes modelled for the various CGUs for sensitivity analysis purposes were weighted at the various CGUs' shares of allocated goodwill.

In testing the revenue growth assumption for sensitivity analysis purposes, the Group modelled the impact on the recoverable amount of a change in revenue from the provision of services of ±4%.

To test the EBITDA margin assumption in the projections underpinning the recoverable amount calculations, the Group modelled an increase in operating expenses that implies a change in the annual EBITDA margin over the projection time horizon of ±200 bp. This range of change in the EBITDA margin is deemed reasonable in light of Hispasat's detailed estimates of the cost structure necessary to carry out the projects contemplated in its strategic plan; it is also deemed reasonable by comparison with other players with a similar level of vertical integration to that envisaged in the projections.

As for the sensitivity analysis around the exchange rates modelled in the projections underpinning the recoverable amount calculations, the Group determined that currency risk derives almost entirely from exposure to the US dollar (USD) and the Brazilian real (BRL). The sensitivity analysis modelled changes of ±5% in the baseline EUR/USD rate and of ±15% in the EUR/BRL rate. These movements are similar to those modelled in 2022.

For the discount rate sensitivity analysis, the Group modelled movements of ±10 bp, ±50 bp and ±50 bp for the legacy, infrastructure with new technology and new businesses and services CGUs, respectively. These ranges reflect different risk levels associated with the three CGUs.

The overall sensitivity analysis performed reveals that at 31 December 2023 and 2022 any reasonably possible change in the key assumptions on which the recoverable amount calculations for the Group's satellite business are based would not cause the aggregate carrying amount of the group of CGUs (1,167 million euros at year-end 2023 and 1,097 at year-end 2022) to which goodwill has been allocated to exceed the aggregate recoverable amount of the CGUs.

Other intangible assets

As for the assets allocated to the electricity transmission CGU in Chile, which include the intangible asset recognised for its perpetual right to receive a regulated tariff, the items of property, plant and equipment outlined in ***note 7*** and the equity-accounted investment in TEN detailed in ***note 10,*** the Group conducted impairment tests concluding that these assets are not impaired, as was also the case in 2022.

The Group used projected cash flow analysis to perform those tests. The estimated cash flows span a period of 40 years of explicit projections from commissioning and factor in a rate of growth in perpetuity thereafter. The cash flow projections beyond year five are considered reliable on the basis of the Group's experience with regulated businesses in the Chilean electricity transmission market that imply a perpetual right to a regulated tariff.

The assumptions underpinning the projections were based on updated business forecasts and past experience. The following assumptions were used:

- Regulated revenue: projected using the figures approved in the tariff decree issued by the Chilean ministry of energy ***(note 3.b)*** updated in subsequent years using the tariff reset mechanisms provided for in prevailing legislation.

- Capital expenditure: the best information available regarding plans to invest in assets and infrastructure maintenance over the projection time horizon.

- Operating and maintenance expenses: projected in line with the growth forecasts derived from the capital expenditure plan.

- Other costs: projected on the basis of sector knowledge, past experience and in line with the outlook derived from the capital expenditure plan.

- Growth rate: the weighted average growth in perpetuity rate was estimated at 2.56%.

- Discount rate: the cash flows were discounted at a pre-tax rate based on a weighted average cost of capital (WACC) of 10.21% (2022: 9.07%), taken from a report prepared by an independent expert.

The sensitivity analysis modelling the reasonably possible variations in the main inputs. Neither an increase in the discount rate of 0.25% nor a decrease in the rate of growth of 0.25% implied impairment. Given the regulated nature of this business, no other inputs were varied for the sensitivity analysis.

7

Property, plant and equipment

The reconciliation of the carrying amounts of the various items of property, plant and equipment and the related accumulated depreciation and impairment in 2023 and 2022 is as follows:

Thousands of euros

	31.Dec.2021	Exchange differences	Changes in consolidated group	Additions and other	Derecognitions and impairment	Transfers	31.Dec.2022	Exchange differences	Additions and other	Derecognitions and impairment	Transfers	31.Dec.2023
Cost												
Land and buildings	114,079	2,005	530	3,962	(1,521)	9,286	128,341	128	16,901	(1,183)	1,648	145,835
Electricity facilities	15,139,813	7,510	–	–	–	417,082	15,564,405	(6,228)	2,704	(1,568)	468,459	16,027,772
Telecommunications facilities	1,428,554	1,396	18,597	340	(2,318)	9,756	1,456,325	5,592	68,372	(30,260)	246,431	1,746,460
Other fixtures, machinery, tools, furniture and other PP&E	283,010	376	–	5,520	(5,548)	11,080	294,438	6	4,560	(253)	13,417	312,168
Prepayments and PP&E in progress	1,076,691	3,357	1,714	556,839	(4,380)	(497,611)	1,136,610	95	790,278	(358)	(710,077)	1,216,548
Total Cost	18,042,147	14,644	20,841	566,661	(13,767)	(50,407)	18,580,119	(407)	882,815	(33,622)	19,878	19,448,783
Accumulated depreciation												
Depreciation - buildings	(31,147)	(69)	–	(4,224)	754	46	(34,640)	297	(5,454)	–	(56)	(39.853)
Depreciation - Electricity facilities	(7,600,559)	(282)	–	(364,837)	–	–	(7,965,678)	373	(360,355)	1,568	–	(8,324,092)
Depreciation - Telecommunications facilities	(374,765)	(175)	–	(114,070)	5,798	237	(482,975)	(3,617)	(104,565)	3,489	(20,117)	(607,785)
Depreciation - Other fixtures, machinery, tools, furniture and other PP&E	(247,643)	(35)	–	(14,688)	4,933	(283)	(257,716)	(3)	(16,191)	612	(536)	(273,834)
Total accumulated depreciation	(8,254,114)	(561)	–	(497,819)	11,485	–	(8,741,009)	(2,950)	(486,565)	5,669	(20,709)	(9,245,564)
Impairment												
Impairment - Land and buildings	(1,091)	–	–	–	–	–	(1,091)	–	–	–	–	(1.091)
Impairment - Telecommunications facilities	(104,143)	(100)	–	(20)	–	–	(104,263)	(217)	–	–	–	(104,480)
Impairment - Electricity facilities	(95,544)	–	–	–	–	–	(95,544)	–	–	–	–	(95,544)
Impairment - Other fixtures, machinery, tools, furniture and other PP&E	(11,407)	–	–	–	–	–	(11,407)	120	–	–	–	(11,287)
Impairment	(212,185)	(100)	–	(20)	–	–	(212,305)	(97)	–	–	–	(212,402)
Carrying amount	9,575,848	13,983	20,841	68,822	(2,282)	(50,407)	9,626,805	(3,454)	396,250	(27,953)	(831)	9,990,817

Gross property, plant and equipment
Electricity facilities encompass assets subject to regulated remuneration *(note 3)*. Additions to electricity facilities in 2023 and 2022 related mainly to transmission grid facilities.

Telecommunications facilities essentially consist of the investments associated with the Group's satellite fleet and the concession of the rights to use and manage the operation of the fibre optic cable network and other related items, pursuant to the 20-year agreement entered into by Reintel with ADIF-AV in 2014. Changes in consolidated group reflects the first-time consolidation of Axess' assets in 2022 *(note 5)*.

Property, plant and equipment include **right-of-use assets** in an amount of 62,010 thousand euros at 31 December 2023 (2022: 26,462 thousand). These assets are included under the various property, plant and equipment headings based on their nature (land and buildings; telecommunications facilities; and other fixtures, machinery, tools, furniture and other PP&E) as detailed in *note 8*.

Transfers in 2022 included the transfer of 50,407 thousand euros to non-current financial assets corresponding to the service concession asset arising from enactment of Order TED/1243/2022 of 2 December 2022 approving the methodology for calculating the remuneration for the pumped storage hydropower facility in Salto de Chira in Gran Canary Island *(note 3)*.

Capitalised expenditure
Capitalised operating costs directly related to PP&E under construction amounted to 56,275 thousand euros in 2023 (2022: 50,859 thousand euros). The Group includes all operating expenses incurred to provide support to the units directly involved in the activity as capitalised expenditure.

In 2023, the Group companies capitalised borrowing costs related to construction as an increase in the value of its property, plant and equipment in the amount of 18,740 thousand euros (2022: 6,872 thousand). Borrowing costs were capitalised at a weighted average rate of 1.9% in 2023 (2022: 1.1%).

Fully depreciated property, plant and equipment
At 31 December 2023, the original cost of fully-depreciated items of property plant and equipment still in use was 3,318,270 thousand euros (2022: 3,089,386 euros), of which 2,694,515 thousand euros (2022: 2,629,963 euros) related to electricity facilities.

Investments in property, plant and equipment outside of Spain
At 31 December 2023 the carrying amount of property, plant and equipment located outside of Spain was 252,058 thousand euros (2022: 252,182 thousand euros).

Investment commitments
The Group places orders periodically to meet its requirements under its investment plans. The different amounts in these orders will normally result in delivery orders as and when the different projects included in the plans are activated, so that they do not constitute contractual commitments to acquire assets when they are placed.

The Group does not have material contractual commitments for the acquisition of property, plant and equipment relative to its current volume of assets or its planned investments.

Government grants
The breakdown of government grants and other non-current advances received related to items of property plant and equipment is provided in ***note 14.***

Insurance
The Group has taken out a range of insurance policies to cover the risks to which its property plant and equipment are exposed. These policies provide adequate coverage against the risks covered.

Impairment testing of depreciable property, plant and equipment
The Group tests its assets subject to depreciation/amortisation for indications of impairment in order to check that their carrying amount remains above their recoverable amount, defined as costs to sell less value in use ***(see note 4.i).***

Satellite business
In 2023 the Group updated its recoverable amount calculations for the assets at the **legacy satellite business CGU** that were written down for impairment in 2020 to identify any potential impairment adjustments. To do that, it used the financial projections contained in the satellite business strategic plan approved in 2022 ***(note 6).***

The cash flows were projected for 2024-2040, which is aligned with the satellites' useful lives. The cash flow projections beyond year five are considered reliable on the basis of the Group's experience with investments with a significant technology component that imply long-term contracts and commitments. Specifically, the satellite business materialises in long-term contractual commitments with customers, which usually cover most of the satellites' useful lives, with a view to locking in a minimum return before launching new satellites. The idea is to attempt to lay solid foundations for earning the estimated return from a satellite before embarking on the project.

The Group used the following key assumptions to calculate the recoverable amount (fair value less costs to sell) of its legacy satellite business:

- Revenue was estimated on the basis of the portfolio of existing contracts, the historical renewal rate, past contract renegotiation experience and new sales forecasts for the expanding growth verticals identified in sector market research and included in the Hispasat subgroup's strategic plan.

- Useful life: 16.5 years from the start of commercial service for the fleet of satellites in the CGU, with the exception of the H74W-1 and H55W-2 satellites, which have an estimated useful life of between 13 and 15 years ***(note 4.d).***

- Gross margin: The average gross margin modelled for the projection period was 66%.

- The exchange rates used to translate the projected cash flows denominated in foreign currency were based on forecasts for the US dollar (USD), Brazilian real (BRL) and Mexican peso (MXN).

- Discount rate (WACC): 7.85% (pre-tax), taken from a report prepared by an independent expert.

At year-end 2023, the calculations yielded a recoverable amount that is similar to the CGU's carrying amount and the Group concluded that the assets in its legacy satellite business are not impaired.

The tests performed in 2020 indicated that the present value of the projected future cash flows of the CGU was 122 million euros lower than the carrying amount of the assets in the CGU (769 million euros after impairment). Accordingly, the Group recognised impairment losses against the CGU's intangible assets in the amount of 6 million euros ***(note 6)*** and its property, plant and equipment in the amount of 116 million euros.

The identified assets comprising the legacy satellite business CGU have not changed since the last recoverable amount estimation exercise.

The fair value measurement of this CGU was categorised in its entirety (without taking into account whether the 'costs of disposal' are observable) in Level 3 for IFRS fair value hierarchy purposes.

Below is the sensitivity analysis modelling the impact on the recoverable amount (in millions of euros) of reasonably possible changes in the key inputs:

Revenue	-4.0%	4%
Change in recoverable amount relative to baseline scenario	-27	27
Gross margin	-200 bp	200 bp
Change in recoverable amount relative to baseline scenario	-21	21
USD exchange rate	-5%	5%
Change in recoverable amount relative to baseline scenario	33	-30
BRL exchange rate	-15%	15%
Change in recoverable amount relative to baseline scenario	5	-4
Discount rate	-10 bp	10 bp
Change in recoverable amount relative to baseline scenario	-4	-4

For sensitivity analysis purposes, the Group modelled the impact on the recoverable amount of a variation in revenue from the provision of services of ±4%. This range was arrived at by identifying the revenue subject to greatest uncertainty as a result of past experience and the estimates made using the most updated information possible.

When modelling the changes in revenue estimates, the EBITDA margins contemplated in the approved financial projections were left intact.

Elsewhere, to model changes in the EBITDA margin assumption, the Group modelled an increase in operating expenses that implies a variation in the annual EBITDA margin over the projection time horizon of ±200 bp. This range was considered reasonable to cover potential deviations, in either direction, in operating costs relative to the most probable scenario in light of the fact that there are detailed estimates of the cost structure necessary to carry out the projects contemplated in the legacy business's strategic plan.

As for the sensitivity analysis around the exchange rates modelled in the projections underpinning the recoverable amount calculations, the Group determined that currency risk derives almost entirely from exposure to the US dollar (USD) and the Brazilian real (BRL). The sensitivity analysis modelled changes of ±5% in the baseline EUR/USD rate and of ±15% in the EUR/BRL rate.

Lastly, the analysis modelled a change in the discount rate of ±10 bp.

Transmission business in Chile

Lastly, in relation to the **electricity transmission CGU in Chile,** the Group, in light of the existence of indications arising during the year, tested this CGU's assets for impairment ***(note 6)***. The calculations yielded a recoverable amount that is higher than the CGU's carrying amount and the Group concluded that the assets in this CGU are therefore not impaired.

8 Right-of-use assets and lease liabilities

There are right-of-use assets within property plant and equipment and lease liabilities within other financial liabilities. The main Group assets held under leases accounted for under IFRS 16 are:

- Vehicles: vehicle leases. These leases amounted to 5.6 million euros at 31 December 2023 (2022: 7 million euros).
- Buildings: offices, premises and land needed to carry out the Group's activities. These leases amounted to 10.8 million euros at 31 December 2023 (2022: 7.3 million euros).
- Telecommunications facilities: Satellite capacity leases. These leases amounted to 45.6 million euros at 31 December 2023 (2022: 12.2 million euros).

Right-of-use assets

The reconciliation of right-of-use assets at the beginning and end of 2023 and 2022:

Thousands of euros

	2023	2022
Opening balance	26,462	27,379
First-time consolidation	–	1,716
Additions	47,758	10,193
Transfers	1,207	–
Derecognitions	(2,803)	(750)
Depreciation charge for the year	(10,736)	(12,250)
Translation differences	122	174
Closing balance	**62,010**	**26,462**

At 31 December 2023 the Group's most important finance leases related to the lease of VHTS satellite capacity over Spain from third parties, carried at 28.5 million euros, and the housing service lease, which contains the ground segment equipment for the provision of commercial services, in the amount of 10.8 million euros.

First-time consolidation in 2022 mainly reflected the lease of office space and a site for carrying and managing video signals in Peru, as well as vehicle leases.

Lease liabilities

The breakdown of the minimum future lease payments under non-current lease liabilities at year-end 2023 and 2022:

Thousands of euros

	2024	2025	2026	2027	2028	Beyond	Total 2023
Minimum future lease payments	21,649	18,284	3,533	4,541	978	11,927	60,912

Thousands of euros

	2023	2024	2025	2026	2027	Beyond	Total 2022
Minimum future lease payments	7,537	5,737	5,906	3,656	1,211	1,833	25,880

Amounts recognised in profit or loss

The amounts recognised in the consolidated statement of profit or loss for leases under the scope of IFRS 16 in 2023 and 2022:

Thousands of euros

	2023	2022
Interest expense on lease liabilities	1,497	672
Depreciation charges	10,736	12,250
Total	12,233	12,922

The Group also recognised 36,914 thousand euros (2022: 16,469 thousand euros) of operating lease expense outside the scope of IFRS 16.

Amounts recognised in the statement of cash flows

Below are the lease payments made in 2023 and 2022:

Thousands of euros

	2023	2022
Lease payments	11,251	11,134
Interest paid under lease liabilities	1,497	672
Total	12,748	11,806

9

Investment properties

The reconciliation of the carrying amount of the Group's investment properties at the beginning and end of 2023 and 2022:

Thousands of euros

	31 Dec. 2021	Additions	Derecog-nitions	31 Dec. 2022	Additions	Derecog-nitions	31 Dec. 2023
Cost							
Land	558	–	–	558	–	–	558
Buildings	1,839	–	(159)	1,680	–	(1,680)	–
Total Cost	2,397	–	(159)	2,238	–	(1,680)	558
Accumulated depreciation							
Buildings	(540)	(33)	39	(534)	(25)	559	–
Total accumulated depreciation	(540)	(33)	39	(534)	(25)	559	–
Impairment	(85)	–	85	–	–	–	–
Carrying amount	1,772	(33)	(35)	1,704	(25)	(1,121)	558

In 2023, the Group sold a premises in Valencia. In 2022 it sold a commercial premises in Oviedo owned by Redeia Corporación, S.A. for 41 thousand euros, giving rise of a gain of 6 thousand euros under impairment of and gains/(losses) on disposal of fixed assets in the accompanying consolidated statement of profit or loss.

On the basis of market appraisals at year-end 2023 and 2022, the Group concluded that its investment properties were not impaired, as their recoverable amounts remained above their carrying amounts. The investment properties did not accrue any lease income in 2023 or 2022.

The market value of the Group's investment properties, appraised by an independent expert, was approximately 1.2 million euros at 31 December 2023 (2022: 2.7 million euros).

10

Investments accounted for using the equity method

This heading includes the investments accounted for using the equity method in these consolidated financial statements due to the existence of significant influence ***(note 2.d)***:

- Transmisora Eléctrica del Norte, S.A. (TEN), which is 50%-owned by the Group through Red Eléctrica Chile SpA. TEN was incorporated on 1 March 2007 and undertook the construction in Chile of a transmission line spanning approximately 580 km and the corresponding substations. This project has connected the Far North Interconnection System to the Central Interconnected System in Chile since 2018. TEN currently operates and maintains the constructed facilities.

- Argo Energia Empreendimentos e Participações S.A. (Argo), which is 50%-owned by Redeia through Red Eléctrica Brasil Holding, Ltda. Argo was incorporated in Brazil in 2016 where it holds nine electricity concessions, encompassing 4,235km of 500-kV and 230-kV voltage lines and 33 substations.

- Hisdesat Servicios Estratégicos, S.A., which is 38.56%-owned by Redeia through Hispasat S.A and engages in the commercialisation of spatial systems for government use. This investee is part of the Hispasat subgroup, which has been consolidated by Redeia since 3 October 2019.

- Grupo Sylvestris, S.L., which is 9.73%-owned by the Group through Hispasat, S.A., and engages in reforestation. This investee was acquired by Hispasat on 21 December 2022 ***(note 2.g)***.

- Other Hispasat subgroup investees include:

  - Grupo de Navegación Sistemas y Servicios, S.L (GSS), 12.82%-owned by Redeia through Hispasat S.A. GSS operates satellite systems. This investee is part of the Hispasat subgroup, which has been consolidated by Redeia since 3 October 2019.

- Elewit investments constituting significant influence: investments made by this entity in a number of innovative start-ups. In 2023 Aerolaser, S.L. increased its capital by 1,082 thousand euros.

The reconciliation of the carrying amounts of these investments at the beginning and end of 2023 and 2022:

Investee	31 Dec. 2022	Exchange differences	Capital increase	Changes in consolidated group	Dividends	Share of profit/(loss)	Valuation adjustments	31 Dec. 2023
Transmisora Eléctrica del Norte S.A. (TEN)	233,143	(7,998)	–	–	–	13,488	(2,499)	236,134
Argo Energia Empreendimentos e Participações S.A.	574,594	23,753	–	–	(1,854)	47,834	–	644,327
Hisdesat Servicios Estratégicos, S.A.	75,134	(44)	–	–	–	3,804	–	78,894
Grupo Sylvestris, S.L.	4,478	–	–	–	–	210	–	4,688
Other Hispasat subgroup investees	118	–	–	–	–	–	–	118
Elewit investments (significant interest)	4,150	–	1,082	–	–	(216)	–	5,016
Total	891,617	15,711	1,082	–	(1,854)	65,120	(2,499)	969,177

Investee	31 Dec. 2021	Exchange differences	Capital increase	Changes in consolidated group	Dividends	Share of profit/(loss)	Valuation adjustments	31 Dec. 2022
Transmisora Eléctrica del Norte S.A. (TEN)	209,931	12,887	–	–	–	956	9,369	233,143
Argo Energia Empreendimentos e Participações S.A.	300,937	26,538	200,730	–	(306)	46,695	–	574,594
Hisdesat Servicios Estratégicos, S.A.	72,877	–	–	–	–	2,257	–	75,134
Grupo Sylvestris, S.L.	–	–	–	4,478	–	–	–	4,478
Other Hispasat subgroup investees	118	–	–	–	–	–	–	118
Elewit investments significant interest)	4,119	–	–	(466)	–	497	–	4,150
Total	587,982	39,425	200,730	4,012	(306)	50,405	9,369	891,617

On 30 November 2022, Argo increased its capital by BRL 1,045 million to fund the acquisition of 62.5% of the share capital of five electricity transmission companies in Brazil ***(note 2.g)***. That equity issue implied an investment of 200.7 million euros for Redeia.

The key financial indicators for the most material investees at 31 December 2023 and 2022:

Thousands of euros

	Transmisora Eléctrica del Norte S.A. (TEN)		Argo Energia Empreendimentos e Participações S.A.(*)		Hisdesat Servicios Estratégicos, S.A.		Grupo Sylvestris, S.L.(*)	
Year	2023	2022	2023	2022	2023	2022	2023	2022
Non-current assets	624,920	651,842	2,340,589	2,117,477	654,091	565,466	4,917	4,516
Current assets	112,178	75,592	306,095	270,819	292,745	341,660	8,457	5,367
Cash and cash equivalents	75,183	41,206	5,272	4,635	250,927	301,148	4,291	3,084
Total assets	**737,098**	**727,434**	**2,646,684**	**2,388,296**	**946,836**	**907,126**	**13,374**	**9,883**
Non-current liabilities	541,613	559,042	1,058,461	978,748	590,129	603,540	5	27
Current liabilities	43,355	38,198	235,019	260,360	57,635	50,268	5,407	7,295
Total liabilities	**584,968**	**597,240**	**1,293,480**	**1,239,108**	**647,764**	**653,808**	**5,412**	**7,322**
Net assets	**152,130**	**130,194**	**1,353,204**	**1,149,188**	**299,072**	**253,318**	**7,962**	**2,561**
Revenue	94,154	55,971	185,268	217,563	51,049	49,205	2,159	4
Gross operating profit (EBITDA)	83,897	46,851	169,706	197,898	32,510	30,330	2,159	4
Net operating profit (EBIT)	68,156	30,785	166,116	183,993	11,266	8,937	2,159	4
Profit after tax	**26,975**	**1,912**	**111,010**	**93,390**	**9,866**	**5,854**	**2,159**	**4**
Comprehensive income	**22,644**	**20,407**	**111,010**	**93,390**	**9,866**	**5,854**	**2,159**	**4**
Dividends received by the Group	–	–	1,854	309	–	–	–	–

(*) Investee added to the Group on 21 December 2023.

At 31 December 2023 the Group had extended TEN a loan carried at 13,938 thousand euros (2022: 13,913 thousand euros) ***(note 18)***.

Lastly regarding the investment in TEN, which is part of the electricity transmission CGU in Chile, the Group tested this CGU's assets for impairment in 2023 (note 6). The calculations yielded a recoverable amount that is higher than the CGU's carrying amount and the Group concluded that the assets in this CGU are therefore not impaired.

11

Inventories

The breakdown of inventories at 31 December 2023 and 2022:

Thousands of euros

	2023	2022
Inventories	97,697	74,757
Impairment	(36,445)	(33,436)
Total	61,252	41,321

Inventories mainly comprise materials and spare parts related to electricity facilities. No inventories were pledged as collateral at either 31 December 2023 or 2022.

The Group companies calculate inventory impairment losses regularly on the basis of the following assumptions:

- Impairment due to ageing, based on inventory turnover ratios.

- Impairment to surplus stock, based on estimated use in future years.

In 2023, as a result of this calculation, the Group recognised an impairment loss of 3,009 thousand euros in profit or loss (2022: reversal of impairment of 3,204 thousand euros).

12

Trade and other receivables

The breakdown of trade and other receivables at 31 December 2023 and 2022:

Thousands of euros

	2023	2022
Trade receivables	73,149	75,081
Other receivables	1,162,584	1,101,079
Current tax assets	209,201	182,497
Total	1,444,934	1,358,657

Trade receivables mainly includes the balances due collection from the lease of satellite capacity and the provision of telecommunications services. This heading also includes contract assets with customers in the amount of 7,385 thousand euros at 31 December 2023 (2022: 3,362 thousand euros).

Other receivables at both year-ends mainly reflect income pending invoice and/or collection from the provision of regulated transmission and system operation services. Under the settlement system set up by the Spanish regulator, a portion of these receivables are settled and collected in the following year. These balances also include a sum of 629 million euros at 31 December 2023 receivable under the methodology provided in the prevailing remuneration model for transmission activities in Spain, which stipulates that remuneration of facilities commissioned in year 'n' begins as of year 'n+2'.

Current tax assets mainly include the balance pending collection from the Spanish tax authorities in relation to income tax paid on account in 2022.

The fair value estimates reflect market participant assumptions based on available market information and conditions at the measurement date, including as necessary the risk premiums associated with the prevailing macroeconomic situation. There are no significant differences between the fair value and carrying amount of these assets at 31 December 2023 or 31 December 2022.

No material amounts were past due by more than 12 months at 31 December 2023 or 2022 ***(note 18)***.

In 2023 the Group recognised receivable impairment losses of 5,593 thousand euros (2022: 2,758 thousand euros). The expected loss impairment recognised against trade and other receivables stood at 1,617 thousand euros at 31 December 2023 (2022: 2,924 thousand euros).

13 Equity

a) Capital risk management

The Group's capital management objectives are to safeguard its ability to continue as a going concern in order to generate returns for its shareholders and maintain an optimum capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group can adjust the dividends it pays shareholders, return capital to shareholders or issue new shares.

The Group monitors its capital using a leverage ratio, in line with sector practice. Specifically, it measures the ratio of net debt over Group equity plus net debt. Net debt is calculated as follows:

Thousands of euros

	2023	2022
Non-current borrowings (*)	5,164,911	5,491,124
Current borrowings (*)	506,251	681,007
Foreign exchange derivatives	(20,313)	(28,459)
Short-term money market investments (**)	–	(715,000)
Cash and cash equivalents	(675,417)	(794,824)
Net debt	**4,975,432**	**4,633,848**
Equity	5,529,057	4,894,276
Leverage ratio	**47.4%**	**48.6%**

(*) Interest payable was excluded from both the 2023 and 2022 ratios.

(**) Term deposits and other similar financial assets that are recognised under other current financial assets at amortised cost that do not meet the criteria for classification within cash and cash equivalents despite being identical in nature to a cash equivalent.

At both reporting dates the Group was compliant with the financial covenants stipulated in its financing agreements.

On 2 June 2023 credit rating agency Standard & Poor's issued a new report on the Company affirming its long-term rating of A-1, short-term rating of A-2 and stable outlook.

On 9 October 2023 Fitch Ratings gave the Company a short-term rating of F1 with a stable outlook. Following these reports, the Company and Red Eléctrica de España, S.A.U. hold long-term ratings of A- and short-term ratings of F1, with a stable outlook.

b) Equity attributable to equity holders of the parent

Capital and reserves

Share capital

At 31 December 2023 and 2022, the Company's share capital comprised 541,080,000 shares represented by book entries, all subscribed and paid in, carrying the same voting and dividend rights (notwithstanding the limits outlined in the paragraph below), with a unit par value of fifty euro cents. They are admitted to trading on the four Spanish stock exchanges and are traded through the continuous market (SIBE for its acronym in Spanish).

The Company is subject to the shareholder limitations stipulated in additional provision twenty-three of the Spanish Law 54/1997 (27 November 1997) and article 30 of the Electricity Sector Act.

Specifically, any individual or entity may hold shares in the Company, provided that the sum of their direct or indirect interests in its share capital does not exceed 5% and their voting rights do not surpass 3% of the total. These share may not be syndicated for any purpose. Voting rights in the Parent are limited to 1% in the case of entities that carry out activities in the electricity sector, and individuals and entities that hold direct or indirect interests exceeding 5% of the share capital of such companies, notwithstanding the limits applicable to generators and agents under article 30 of the Electricity Sector Act. The above limits on shareholdings in the Parent do not apply to the state industrial holding company, SEPI for its acronym in Spanish, which must maintain a shareholding of at least 10%. At 31 December 2023 and 2022, SEPI held 20% of the Company's share capital.

Reserves

This heading includes:

Legal reserve

Spanish companies must transfer 10% of profit for the year to a legal reserve until this reserve is equivalent to at least 20% of share capital. This reserve cannot be distributed to shareholders until that threshold is met and may only be used to offset losses, provided no other reserves are available. Under certain conditions, this reserve may also be used to increase share capital. At 31 December 2023 and 2022, the Parent's legal reserve was equal to 20% of its share capital (54,199 thousand euros).

Other reserves

This heading includes the Parent's voluntary reserves, its reserves in subsidiaries and first-time application reserves. At 31 December 2023, they amounted to 3,756,198 thousand euros (2022: 3,640,830 thousand euros).

In 2022, as a result of the sale of a 49% interest in Reintel ***(note 2.g)***, this heading increased by 920,760 thousand euros as a result of the after-tax gain on that transaction.

This heading also includes reserves set aside under legal requirements of 349,500 thousand euros (2022: 369,457 thousand euros), notably including:

- The asset revaluation reserve generated at the Parent in 1996 in the amount of 247,022 thousand euros. This reserve can be used, without becoming taxable, to offset losses, increase capital or, 10 years after its creation, as unrestricted reserves, as prescribed in Royal Decree-Law 2607/1996. However, this balance may only be distributed, directly or indirectly, when the restated assets have been fully depreciated, sold or derecognised.

- As allowed under article 25 and in article 62.1.d) of Law 27/2014 of 27 November 2014, the Tax Group, of which the Company is the parent, recognised the capitalisation reserve at Red Eléctrica, S.A.U. and Redeia Corporación, S.A. in a total amount of 123,596 thousand euros, corresponding to 2015 (29,110 thousand euros), 2016 (15,406 thousand euros), 2017 (11,312 thousand euros), 2018 (16,707 thousand euros), 2019 (19,668 thousand euros), 2020 (8,160 thousand euros), 2021 (4,548 thousand euros) and 2022 (18,685 thousand euros). This reserve will be restricted for five years. The proposed endowment of the capitalisation reserve for the year ended 31 December 2023, in keeping with the above-mentioned article 62.1.d), in the amount of 19,244 thousand euros, will be made by Redeia Corporación, S.A. as parent of the Tax Group. Each company in the Tax Group has made the corresponding adjustments in their income tax for 2023 ***(note 22)***.

Own shares

At 31 December 2023, the Parent held own shares representing 0.21% of its share capital; specifically, it held 1,112,017 shares with a unit par value of 50 euro cents for an aggregate par value of 556 thousand euros, which it acquired at an average price of 17.53 euros per share (2022: 1,499,900 own shares representing 0.28% of its share capital with a unit par value of 50 euro cents for an aggregate par value of 750 thousand euros, acquired at an average price of 17.53 euros per share).

These shares are recognised as a reduction in the Group's equity and were carried at 19,496 thousand euros at 31 December 2023 (2022: 26,296 thousand euros).

The Parent is compliant with all of its obligations under article 509 of the Corporate Enterprises Act which stipulates that, other than in the exceptional cases itemised in company law, the par value of any own shares acquired by listed companies, plus those already held directly or indirectly by the parent and its subsidiaries, may not exceed 10% of share capital. The subsidiaries do not hold any own shares or any Parent shares.

Profit for the period attributable to equity holders of the parent
In 2023 the profit attributable to equity holders of the parent amounted to 689,640 thousand euros (2022: 664,731 thousand euros).

Interim dividends and motion for the distribution of dividends by the Parent
The interim dividend approved by the Board of Directors in 2023 has been recognised by reducing the Group's equity by 147,249 thousand euros at 31 December 2023 (by 147,143 thousand euros at year-end 2022) ***(note 19)***.

On 31 October 2023, the Board of Directors agreed to pay an interim dividend from 2023 earnings in the amount of 0.2727 euros per share (before withholding tax), payable on 5 January 2023 (2022: 0.2727 per share).

The dividends paid in 2023 and 2022 were as follows:

Thousands of euros

	2023			2022		
	% of par value	Euros per share	Amount	% of par value	Euros per share	Amount
Ordinary shares	200.00%	1.0000	539,579	200.00%	1.0000	539,277
Total dividends paid	200.00%	1.0000	539,579	200.00%	1.0000	539,277
Dividends charged against profit	200.00%	1.0000	539,579	200.00%	1.0000	539,277

The cash flow forecast for the period elapsing between 30 September 2023 and 5 January 2024 showed the existence of sufficient liquidity to substantiate its distribution, as required under article 277 a) of the Corporate Enterprises Act:

As required in article 277 a) of the Corporate Enterprises Act, the Board authorised the issuance of the following liquidity statement:

Liquidity statement of Redeia Corporación, S.A.

	Thousands of euros
Funds available at 30 September 2023	
Undrawn non-current loans	165,889
Undrawn current loans	69,915
Short-term financial investments and cash	17,802
Forecast inflows	
Operating transactions	–
Financing transactions	224,419
Forecast outflows:	–
Operating transactions	(115,902)
Financing transactions	(1,000)
Forecast fund availability at 5 January 2024	361,123

The Parent's Board of Directors has proposed a final dividend of 0.7273 euros per share, a motion to be put before the Annual General Meeting, which would put the total 2023 dividend at 1 euro per share (2022: 1 euro).

In addition, given the Company's ability to generate cash and its undrawn credit facilities ***(note 17),*** it expected to have sufficient liquidity during a period of one year from declaration of the interim dividend.

Valuation adjustments

Financial assets at fair value through other comprehensive income

At both reporting dates, this heading includes the changes in the fair value of the equity instruments classified as financial assets at fair value through other comprehensive income as a result of movements in the quoted share price of Redes Energéticas Nacionais, S.G.P.S., S.A. (hereinafter, REN), a company traded in the benchmark Portuguese stock exchange, the PSI 20, in which the Group has a 5% interest. At 31 December 2023, the fair value gains stood at 11,594 thousand euros (2022: 17,932 miles thousand euros).

Hedging transactions

This heading includes the changes in the value of the Group's derivative financial instruments.

At 31 December 2023, they amounted to 7,724 thousand euros (2022: 10,080 thousand euros).

Translation differences

This heading mainly includes the exchange differences arising from the translation of the financial statements of foreign operations into euros. At 31 December 2023 they amounted to a negative 63,889 thousand euros (2022: negative 64,795 thousand), generated mainly by the movement in the Brazilian real relative to the euro.

c) Equity attributable to non-controlling interests

This equity heading of the accompanying consolidated statement of financial position reflects the non-controlling interests in all the Hispasat subgroup companies, in Reintel and in Redenor, of Chile.

The reconciliation of the carrying amount of non-controlling interests at the beginning and end of 2023 and 2022:

Thousands of euros

	31 Dec. 2021	Changes in consolidation scope and capital increases	Profit/loss for the year	Payment of dividends and other	31 Dec. 2022	Changes in consolidation scope and capital increases	Profit/loss for the year	Payment of dividends and other	31 Dec. 2023
Non-controlling interests	54,049	40,135	16,456	(5,899)	104,741	16,170	30,033	(30,647)	120,297

In 2022, changes in consolidation scope and capital increases mainly included the impact of the sale of a 49% non-controlling interest in Redeia Infraestructuras de Telecomunicación, S.A., an investee that was 51%-owned by the Parent at that year-end ***(note 2.g)*** and the first-time consolidation of Axess.

Redeia owns 51% of Reintel through its Parent and has control and management of that investee, so that the transaction was treated as a transaction with non-controlling interests. As a result, in 2022 the Group recognised an increase in non-controlling interests with no impact on its consolidated statement of profit or loss or on the method used to consolidated Reintel, which remains the full consolidation method. Elsewhere, Redeia has a controlling interest of 89.68% in Axess through Hispasat ***(note 5)*** and recognises non-controlling interests for the 10.32% not held by the Group.

The table below provides summarised financial information for the non-controlling interests that are material to the Group at year-end 2023 and 2022:

Thousands of euros

	Redenor		Hispasat subgroup		Reintel	
	2023	2022	2023	2022	2023	2022
Non-current assets	111,533	115,195	1,111,898	1,074,105	412,152	402,233
Current assets	19,003	22,208	230,869	153,141	76,480	73,909
Assets	**130,536**	**137,403**	**1,342,767**	**1,227,246**	**488,632**	**476,142**
Non-current liabilities	54	106,442	451,326	367,725	363,595	358,016
Current liabilities	67,801	18,468	163,557	135,197	25,819	21,777
Liabilities	**67,855**	**124,910**	**614,883**	**502,922**	**389,414**	**379,793**
Equity	**62,681**	**12,493**	**727,884**	**724,324**	**99,218**	**96,349**
Revenue	6,800	2,926	249,317	229,852	150,191	142,851
Expenses	11,823	1,727	218,722	84,676	64,992	37,167
Gross operating profit (EBITDA)	(5,023)	1,199	30,595	145,176	85,199	105,684
Profit after tax	**(9,510)**	**(928)**	**17,505**	**42,662**	**58,883**	**56,636**
Profit/(loss) attributable to non-controlling interests	**(1,502)**	**(279)**	**2,675**	**4,697**	**28,850**	**12,038**

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Grants and other non-current advances received

The reconciliation of the carrying amount of these assets at the beginning and end of 2023 and 2022:

Thousands of euros

	31 Dec. 2021	Additions	Derecognitions	Transfers to profit or loss	31 Dec. 2022	Additions	Derecognitions	Transfers to profit or loss	31 Dec. 2023
Grants related to assets and other non-current advances received	726,002	51,546	(619)	(30,431)	746,498	255,772	(23,304)	(33,869)	945,097

Government grants related to assets mainly include the amounts received by Red Eléctrica for the construction of its electricity facilities and by Hispasat for the construction of satellite assets.

This heading also includes the tax relief received in exchange for investments in fixed assets in the Canary Islands, which, by nature are akin to grants related to assets ***(note 2c)***. Lastly, it includes the amounts or technical facilities received by the Group under agreements with third parties.

The amounts transferred to the consolidated income statement of profit or loss for the year reflect the annual release schedule that matches the depreciation schedules for the assets associated with the above grants and tax relief.

15

Non-current and current provisions

The reconciliation of the carrying amount of this consolidated statement of financial position heading at the beginning and end of 2023 and 2022:

Thousands of euros

	31 Dec. 2022	Additions	Utilised	Transfers	Actuarial gains and losses	Changes in consolidated group	Exchange differences	31 Dec. 2023
Non-current provisions								
Provisions for employee benefits	69,497	7,293	(1,641)	(5,238)	(4,071)	–	–	65,839
Other provisions	70,325	7,160	(2,504)	(6,347)	–	–	–	68,634
Total non-current	139,822	14,453	(4,145)	(11,585)	(4,071)	–	–	134,473
Current provisions								
Other provisions	30,536	2,219	(2,149)	–	–	–	–	30,606
Total current	30,536	2,219	(2,149)	–	–	–	–	30,606
Total provisions	170,358	16,672	(6,294)	(11,585)	(4,071)	–	–	165,079

Thousands of euros

	31 Dec. 2021	Additions	Utilised	Transfers	Actuarial gains and losses	Changes in consolidated group	Exchange differences	31 Dec. 2022
Non-current provisions								
Provisions for employee benefits	74,577	17,716	(1,649)	–	(21,147)	–	–	69,497
Other provisions	55,388	14,560	(11,260)	–	–	11,269	368	70,325
Total non-current	129,965	32,276	(12,909)	–	(21,147)	11,269	368	139,822
Current provisions								
Other provisions	21,202	4,584	–	2,235	–	–	2,515	30,536
Total current	21,202	4,584	–	2,235	–	–	2,515	30,536
Total provisions	151,167	36,860	(12,909)	2,235	(21,147)	11,269	2,883	170,358

Provision for employee benefits includes the defined benefit plans, which mainly reflect the Group's future commitments with employees (mostly health insurance) upon their retirement, calculated based on actuarial studies carried out by an independent expert. The reconciliation of the movement in those defined benefit plans is provided below:

Thousands of euros

	31 Dec. 2022	Additions	Utilised	Actuarial gains/(losses)	31 Dec. 2023
Non-current liability under defined benefit plans	50,904	2,522	(1,316)	(4,071)	48,039

Thousands of euros

	31 Dec. 2021	Additions	Utilised	Actuarial gains/(losses)	31 Dec. 2022
Non-current liability under defined benefit plans	70,372	3,011	(1,332)	(21,147)	50,904

The increases recorded in 2023 and 2022 were driven mainly by annual accruals, as well as changes in the actuarial assumptions used. The additions are recognised as employee benefits expense or as finance costs, depending on their nature. The effects of changes in actuarial assumptions are recognised in reserves.

The amount recognised under employee benefits expense in the 2023 consolidated statement of profit or loss was 862 thousand euros (2022: 1,026 thousand euros) and the amount recognised under finance costs was 1,660 thousand euros (2022: 975 thousand euros).

Changes in the actuarial assumptions implied a loss of 4,071 thousand euros in 2023 (2022: loss of 21,147 thousand euros). The actuarial losses recognised in 2023 were shaped by changes in financial assumptions in the amount of 3,824 thousand euros (2022: loss of 20,296 thousand euros) and changes in demographic assumptions in the amount of 247 thousand euros (2022: loss of 851 thousand euros).

The assumptions used in 2023 and 2022 were as follows:

	Actuarial assumptions	
	2023	2022
Discount rate	3.31%	2.87%
Growth in costs	3.0%	3.0%
Mortality tables	PER2020_Col_1er.orden	PER2020_Col_1er.orden

The impact of a one-point increase and a one-point decrease in the health insurance costs in 2023 would be as follows:

Thousands of euros

	Change in growth in costs assumption (+1pp)		Sensitivity analysis	Change in growth in costs assumption (-1pp)		Sensitivity analysis
						2023
	4%	3%		2%	3%	
Current service cost	1,008	786	222	619	786	(167)
Interest cost of the net post-employment health insurance costs	1,471	1,467	4	1,464	1,467	(3)
Accumulated post-employment benefit obligations for health insurance	50,968	42,066	8,902	35,103	42,066	(6,963)

Elsewhere, the impact of a half-point decrease in the discount rate used by way of actuarial assumption, from 3.31% to 2.81% in 2023, on the costs of the health cover are shown below:

Thousands of euros

	Discount rate		Sensitivity analysis
			2023
	3.31%	2.81%	
Current service cost	786	887	101
Interest cost of the cost of the post-employment health insurance, net	1,467	1,247	(220)
Accumulated post-employment benefit obligations for health insurance	42,066	46,137	4,070

Provisions for employee benefits also includes the Group's long-term remuneration plans and other obligations ***(note 4 l)***. In 2023, the Group recognised 2,634 thousand euros under employee benefits expense in connection with these plans (2022: 13,281 thousand euros).

Other provisions includes primarily the amounts recognised by the Group annually to cover potentially unfavourable rulings on administrative proceedings, administrative disciplinary proceedings, judicial reviews (mostly expropriation proceedings) and out-of-court claims. The amounts of the provisions recognised for these events are measured considering the economic compensation of the ongoing appeals, litigation, claims and general legal or out-of-court proceedings to which the Group companies are party.

In 2022 changes in consolidated group included the provisions recognised at the fair value of the contingent legal and tax liabilities identified as part of the Axess business combination ***(note 5)***.

Provisions likewise include the fair value of the contingent liabilities identified in the Hispasat subgroup business combination, in the amount of 23 million euros, mainly associated with legal and tax contingencies in Brazil that have yet to be ruled on.

16 Other non-current liabilities

Other non-current liabilities mainly includes contract liabilities derived from revenue collected in advance under the agreements signed with several telecommunications players for the right to use the fibre optic network, which are taken to the consolidated statement of profit or loss over the terms of those agreements, which run until 2046 and amounted to 33,922 thousand euros at 31 December 2023 (2022: 32,812 thousand euros) At year-end 2023, this heading also includes 42,160 thousand euros of revenue collected in advance against future satellite capacity services to be provided (2022: 29,870 thousand euros).

This heading also includes the prepayment received in 2023 from Spain's Ministry of Economic Affairs and Digital Transformation in the amount of 36,000 thousand euros to pay for, through retailers, the cost of establishing a platform and installing equipment associated with the connection of end users under the Single Rural Demand Plan under the scope of Spain's post-pandemic Recovery, Transformation and Resilience Plan. This project consists of installing the infrastructure needed to deploy, via satellite technology, the infrastructure needed to provide ultra-fast internet in areas all over Spain where the speed provided by fixed technology is under 50 Mbps.

17 Financial risk management policy

The Group's risk management policy establishes principles and guidelines to ensure that any significant risks that could compromise the objectives and activities of Redeia are identified, analysed, assessed, managed and controlled, and that these processes are carried out systematically, framed by uniform criteria.

The main guidelines set down in those principles can be summed up as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.

- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources needed to mitigate it.

- Financial risk management should be designed to avoid undesirable movements in the Group's fundamental value, rather than generating extraordinary gains.

Redeia's finance management is responsible for managing financial risk, ensuring consistency with the Group's strategy and coordinating risk management across the various Group companies, identifying the main risks and defining the initiatives to be taken, based on different financial scenarios.

The methodology for identifying, measuring, monitoring and controlling financial risks, as well as the performance indicators and measurement and control tools specific to each risk, are set down in Redeia's Comprehensive Risk Management System and are formally documented in the Comprehensive Risk Management Policy, the General Management Procedure and the internal risk control system.

The financial risks to which the Group is exposed are:

a) Market risk

The risk of movements in the financial markets with respect to prices, interest rates, exchange rates, lending terms and conditions and other variables that could affect the Group's borrowing costs in the short, medium or long term.

These risks are managed by borrowing in specific currencies, at specific maturities and opting for specific rate formulas, and by using financial hedging instruments that modify the characteristics of the Group's financial structure. The following risks stand out within market risks:

Interest rate risk

Movements in interest rates affect both the fair value of the assets and liabilities that carry interest at a fixed rate and the future cash flows of assets and liabilities benchmarked to floating rates. The structure of the Group's borrowings at year-end:

Thousands of euros

	2023		2022	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Non-current issues	3,709,449	14,960	3,685,453	14,954
Non-current bank borrowings	1,209,057	231,445	1,136,744	626,658
Current issues	5,970	–	305,623	–
Current bank borrowings	103,956	396,325	331,009	43,231
Total gross borrowings	5,028,432	642,730	5,458,829	684,843
Percentage	89%	11%	89%	11%

The Group's debt structure implies low exposure to interest rate risk, framed by its borrowing policy, specifically including its target of aligning its borrowing cost with the rate of return applied to the Group's regulated assets.

The Group's exposure to interest rate risk at year-end 2023 and 2022 primarily affects equity for the year due to changes in the fair value of derivative financial instruments (no impact on its earnings for the year). The sensitivity analysis performed around this risk is shown below:

Thousands of euros

	Impact on consolidated equity of change in market interest rates			
	2023		2022	
	+0.10%	-0.10%	+0.10%	-0.10%
Interest rate hedges				
- Cash flow hedge: Interest rate swap	2,339	(2,349)	2,102	(2,118)
Interest rate and exchange rate hedges				
- Cash flow hedge: Cross currency swap	(11)	11	(106)	107

A change in either direction of 0.10% in interest rates in 2023 would have increased or decreased consolidated earnings by 649 thousand euros (2022: 1,118 thousand euros).

The valuation technique used to test the sensitivity of the Group's exposure to this risk was to discount the future cash flows at the market interest rates prevailing at 31 December 2023 and 2022.

Foreign exchange risk

This risk factor encompasses transaction risk as a result of having to collect or pay cash in a currency other than the euro (mainly in US dollars and Brazil reais) and translation risk as a result of translating the financial statements of subsidiaries whose functional currency is not the euro.

In order to eliminate the foreign exchange risk derived from the Group's private placements in the US, it has arranged cash flow hedges, specifically USD/EUR cross -currency swaps, which cover the total amount and duration of those placements until October 2035 ***(notes 18 and 19)***.

To mitigate transaction risk, in 2023 and 2022 the Group companies arranged hedges of future cash flows in the form of cross-currency swaps and currency forwards to hedge income in US dollars from highly probable transactions and payment commitments denominated in Brazilian reais ***(note 19)***.

As a result of these arrangements, at 31 December 2023, appreciation or depreciation of the euro of 10% against the currencies hedged would have had the following effects on the market values of the above derivatives:

Thousands of euros

	Impact on consolidated equity of change in market exchange rates	
	+10% euro appreciation	-10% euro appreciation
US dollar	15,426	(18,854)
Total	**15,426**	**(18,854)**

The Group mitigates the translation risk arising on assets located in countries whose functional currency is not the euro by financing part of these investments in those companies' functional currency. The Group has also arranged a hedge of its net investment in US dollars in the form of a cross-currency swap to January 2026 ***(note 19)***. As a result of these arrangements, appreciation or depreciation of 10% by the euro against the currencies to which the Group was exposed at year-end would have decreased or increased the equity attributable to equity holders of the parent by approximately 86 million euros, of which 16 million euros relates to dollar exposure and 68 million euros to exposure to the Brazilian real (2022: 57 million euros, of which 11 million euros related to dollar exposure and 45 million euros to exposure to the Brazilian real).

Price risk

The Group is exposed to the risk of movements in the price of the equity instruments classified in its consolidated statement of financial position as financial assets at fair value through other comprehensive income. The Group's main investment in listed shares it its 5% interest in REN. At 31 December 2023 a gain or correction of 10% in REN's share price on the Portuguese stock exchange would have increased or decreased equity by approximately 6 million euros (2022: 6 million euros).

b) Credit risk

The characteristics of the revenue generated by Redeia's core electricity system transmission and operation activities and the solvency of electricity system agents mean the Group is not materially exposed to credit risk. The credit risk exposure of the rest of the Group companies is managed mainly through controls and risk mitigation measures.

In any case, credit risk is managed through policies stipulating requirements regarding counterparty creditworthiness and the provision of additional guarantees when necessary.

In addition, at year-end the Group's exposure to credit risk due to changes in the fair value of its derivatives was insignificant. Since 2015, it has mitigated this risk by entering into collateral assignment agreements involving collateral swaps with various counterparties.

At 31 December 2023, 3% of receivables were past due (2022: <3%) and the Group companies believe there is no uncertainty as to their recoverability. The credit quality of the Group's accounts receivable is considered to be high.

c) Liquidity risk

Liquidity risk arises from differences between the amounts and timing of receipts and payments under the Group companies' various assets and liabilities.

This risk is managed primarily by controlling the maturities of its borrowings, holding a considerable volume of available funds throughout the year and setting ceilings on the amounts of maturities concentrated in any defined time interval. This process is carried out by the various Group companies in accordance with each of their practices and limits. The limits set vary by region so as to factor in liquidity conditions in the various companies' markets. In addition, liquidity management policy involves drawing up cash flow projections in the main operating currencies, factoring in the amounts of liquid assets and undrawn funds, controls over the liquidity ratios gleaned from the consolidated financial statements and comparison with market requirements.

The Group's borrowings at 31 December 2023 had an average maturity of 4.5 years (2022: 5.0 years). The maturity schedule of the Group's issued securities and bank borrowings is provided in ***note 18.***

The Group boasts a solid financial position. Group liquidity at year-end 2023 amounted to 2,351 million euros (409 million euros of unrestricted cash, 266 million euros of short-term investments with a maturity of less than three months and 1,676 million euros of undrawn credit lines). This position ensures its ability to meet its operating cash flow requirements and honour its debt maturities until 2025 and deal with any adverse potential situations in the financial markets in the months to come.

18 Financial assets and liabilities

a) Financial assets

The breakdown of the Group's current and non-current financial assets at 31 December 2023 and 2022:

Thousands of euros

31 Dec. 2023

	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	78,196	10,059	–	–	88,255
Derivatives	–	–	–	83,982	83,982
Other financial assets	–	2,825	249,934	–	252,759
Non-current	**78,196**	**12,884**	**249,934**	**83,982**	**424,996**
Other financial assets	–	–	39,243	–	39,243
Derivatives	–	–	–	1,251	1,251
Current	**–**	**–**	**39,243**	**1,251**	**40,494**
Total	**78,196**	**12,884**	**289,177**	**85,233**	**465,490**

Thousands of euros

31 Dec. 2022

	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging derivatives	Total
Equity instruments	84,066	9,210	–	–	93,276
Derivatives	–	–	–	110,616	110,616
Other financial assets	–	6,603	175,714	–	182,317
Non-current	**84,066**	**15,813**	**175,714**	**110,616**	**386,209**
Other financial assets	–	–	752,505	–	752,505
Derivatives	–	–	–	–	–
Current	**–**	**–**	**752,505**	**–**	**752,505**
Total	**84,066**	**15,813**	**928,219**	**110,616**	**1,138,714**

Equity instruments

Equity instruments mainly include the Group's 5% shareholding in REN (77,728 thousand euros at 31 December 2023 and 84,066 thousand euros at 31 December 2022), the holding company for the operation of the electricity transmission assets and a number of items of gas infrastructure in Portugal. The Group acquired its investment in REN in 2007 for 98,822 thousand euros. In 2017 it participated in REN's rights issue, purchasing 6,659,563 new shares for 12,500 thousand euros, so keeping its shareholding at 5%.

At 31 December 2022, REN presented consolidated equity of 1,517,534 thousand euros, having reported a profit after tax of 111,771 thousand euros that year.

These instruments are classified as financial assets at fair value through other comprehensive income ***(note 2 b)***. The value of this investment varies as a function of the investee's share price performance (Level 1). The decrease in the fair value of this equity instrument in 2023 was recognised directly against equity.

Specifically, it decreased by 6,338 thousand euros (2022: increase of 834 thousand euros).

At 31 December 2023 this heading also included the investments made by Elewit, S.A.U. in a range of innovative start-ups, in the amount of 10,059 thousand euros (2022: 8,742 thousand euros).

In 2023 that subsidiary increased its investments in Adara Ventures III, S.C.A., Cardumen Fund I, Countercraft, S.L. and Adara Ventures Energy I FCRE by 1,710 thousand euros.

Derivatives

The derivative financial instrument analysis is provided in ***note 19***.

Other financial assets

Other non-current financial assets at amortised cost include the financial asset recognised following application of IFRIC 12 Service concession arrangements in respect of the non-current balance pending invoice and collection from the grantor (the Gran Canary Island water board) in relation to the 200-MW pumped storage hydropower facility in Salto de Chira in Gran Canary Island in the amount of 172,478 thousand euros at year-end 2023 (2022: 114,632 thousand euros). Following the publication of the ministerial order approving the period and methodology for calculating remuneration ***(note 3)***, this project was classified as a service concession arrangement, and the financial model was applied. To this end, at year-end 2022 the Group reclassified the cumulative amount recognised in PP&E under construction for work performed up to that date ***(note 7)***, in the amount of 50,407 thousand euros, recognising the outstanding amount receivable that year from both construction and the discount of the receivable to present value, at a total amount of 64,225 thousand euros ***(note 23.b)***.

Other financial assets at amortised cost also include the credit facility extended by Reintel to its non-controlling interest, Rudolph Bidco, S.à.r.l. The size of that facility is 72,500 thousand euros and it was drawn down by 37,691 thousand euros at 31 December 2023 (2022: 23,422 thousand euros). This heading also includes the loan extended to the equity-accounted investee, TEN, in the amount of 13,938 thousand euros (2022: 13,913 thousand euros). The first loan accrues interest at EURIBOR plus a spread of 471 basis points and the second, at LIBOR plus a spread of 270 basis points. Lastly, this heading includes security deposits provided and loans extended by Redeia to members of its staff that mature in the long term. There are no significant differences between the fair value and carrying amount of these assets at 31 December 2023 or 31 December 2022.

Other financial assets at fair value through profit and loss includes the Group's 2,825 thousand euros (2022: 6,603 thousand euros) of investments in economic interest groupings (EIGs) which lease assets that are managed by another company that is unrelated to Redeia, which retains substantially all the risks and rewards associated with the assets, with the Group simply availing of the tax incentives provided for in Spanish legislation. The Group recognises the difference between the tax losses that are generated and declared by the economic interest groupings and its investments in them as finance income ***(note 23 e)***.

Fair value hierarchy levels

The following table classifies the Group's financial assets carried at fair value as a function of the level of inputs used to calculate their fair value at 31 December 2023 and 2022:

Thousands of euros

31 Dec. 2023	Level 1	Level 2	Level 3	Total
Equity instruments	77,728	–	10,527	88,255
Derivatives	–	85,233	–	85,233
Other financial assets	–	2,825	–	2,825

Thousands of euros

31 Dec. 2022	Level 1	Level 2	Level 3	Total
Equity instruments	84,066	–	9,210	93,276
Derivatives	–	110,616	–	110,616
Other financial assets	–	6,603	–	6,603

The equity instruments classified as valued using Level 1 inputs are the shares comprising the Group's 5% interest in REN. The Level 3 investments are mainly those made by Elewit in investment funds and start-ups focused on innovation.

The other financial assets classified in Level 2 are the investments in economic interest groupings.

b) Financial liabilities

The breakdown of the Group's current and non-current financial liabilities at 31 December 2023 and 2022:

Thousands of euros

31 Dec. 2023	Financial liabilities	Hedging derivatives	Total
Bank borrowings	1,442,356	–	1,442,356
Notes and other marketable securities	3,724,409	–	3,724,409
Derivatives	–	14,958	14,958
Other financial liabilities	78,211	–	78,211
Non-current	**5,244,976**	**14,958**	**5,259,934**
Bank borrowings	515,755	–	515,755
Notes and other marketable securities	52,222	–	52,222
Derivatives	–	2,488	2,488
Other financial liabilities	830,644	–	830,644
Current	**1,398,621**	**2,488**	**1,401,109**
Total	**6,643,597**	**17,446**	**6,661,043**

Thousands of euros

31/12/2022	Financial liabilities	Hedging derivatives	Total
Bank borrowings	1,762,259	–	1,762,259
Notes and other marketable securities	3,728,865	–	3,728,865
Derivatives	–	22,016	22,016
Other financial liabilities	52,631	–	52,631
Non-current	**5,543,755**	**22,016**	**5,565,771**
Bank borrowings	389,650	–	389,650
Notes and other marketable securities	332,195	–	332,195
Derivatives	–	7,053	7,053
Other financial liabilities	983,432	–	983,432
Current	**1,705,277**	**7,053**	**1,712,330**
Total	**7,249,032**	**29,069**	**7,278,101**

Bank borrowings, notes and other marketable securities

The carrying amount and fair value of bank borrowings and notes and other marketable securities at 31 December 2023 and 2022, excluding outstanding interest, are shown below:

Thousands of euros

	Carrying amount		Fair value	
	2023	2022	2023	2022
Issues in euros	3,357,027	3,641,742	3,103,694	3,280,334
Issues in US dollars	373,352	392,747	367,220	404,046
Bank borrowings in euros	1,457,144	1,613,807	1,379,014	1,505,480
Bank borrowings in other currencies	483,639	523,835	485,217	528,814
Total	5,671,162	6,172,131	5,335,145	5,718,674

The fair value of the Group's bank borrowings and issues was estimated using a valuation technique based on discounting the securities' future cash flows at the rate of interest prevailing at each measurement date (Level 2).

At 31 December 2023, the interest accrued and outstanding on these borrowings amounted to 40,455 thousand euros (2022: 40,838 thousand euros). At 31 December 2023 this heading included interest outstanding on other equity instruments in the amount of 23,125 thousand euros.

Issues in euros at 31 December 2023 include the eurobonds issued by Red Eléctrica Financiaciones, S.A.U. and Redeia Corporación, S.A. in the amount of 3,357,027 thousand euros (2022: 3,641,742 thousand euros). In 2023 Red Eléctrica Financiaciones, S.A.U. cancelled its 300-million-euro Euro Medium Term Note (EMTN) Programme in the euromarket.

Issues in US dollars at 31 December 2023 amounted to 373,352 thousand euros (2022: 392,747 thousand euros) and include Redeia Financiaciones, S.L.U.'s USD 500 million private placement in the US, on which USD 250 million was pending payment at year-end 2023 (226,244 thousand euros); and three issues in US dollars undertaken in Peru by Sociedades Red Eléctrica del Sur, S.A.C., Transmisora Eléctrica del Sur, S.A.C., and Concesionaria Línea de Transmisión CCNCM, S.A.C. on which the balance outstanding stood at USD 163 million, equivalent to 147 million euros (2022: 158 million euros) ***(for an analysis of the related currency risk, refer to note 17)***.

Bank borrowings in euros at year-end 2023 include non-current loans and credit facilities in the amount of 1,457,144 thousand euros (2022: 1,613,807 thousand euros).

Bank borrowings in other currencies at year-end 2023 include non-current loans and credit facilities, mainly denominated in US dollars, in the amount of 483,639 thousand euros (2022: 523,835 thousand euros).

The maturity schedule for issues and bank borrowings at 31 December 2023 was as follows:

Maturities at 31 December 2023

Thousands of euros

	2024	2025	2026	2027	2028	Beyond	Amortised cost and other adjustments	Total
Issues in euros	–	900,000	500,000	675,000	700,000	615,000	(32,973)	3,357,027
Issues in US dollars	6,141	130,138	19,234	7,538	8,037	205,822	(3,558)	373,352
Bank borrowings in euros	324,116	124,121	97,860	79,112	395,779	440,524	(4,368)	1,457,144
Bank borrowings in US dollars	177,128	34,521	185,919	7,796	7,931	81,738	(11,394)	483,639
Total	**507,385**	**1,188,780**	**803,013**	**769,446**	**1,111,747**	**1,343,084**	**(52,293)**	**5,671,162**

The average rate of interest on bank borrowings and issues was 2.14% in 2023 (2022: 1.62%).

At 31 December 2023 the Group companies had undrawn credit lines totalling 1,676 million euros (2022: 1,795 million euros), of which 1,383 million euros were non-current (2022: 1,717 million euros) and 293 million euros were current (2022: 136 million euros).

The breakdown of the Company's notes and other marketable securities at 31 December 2023 and 2022:

Thousands of euros

					31 Dec. 2023
	Outstanding balance at 31 Dec. 2022	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Outstanding balance at 31 Dec. 2023
Debt securities issued in a fixed-income market requiring the registration of a prospectus	3,641,742	–	(300,000)	15,285	3,357,027
Debt securities issued in a fixed-income market not requiring the registration of a prospectus	–	–	–	–	–
Other debt securities issued outside an EU member state	392,747	–	(5,889)	(13,506)	373,352
Total	**4,034,489**	**–**	**(305,889)**	**1,779**	**3,730,379**

Thousands of euros

	Outstanding balance at 31 Dec. 2021	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	31 Dec. 2022 Outstanding balance at 31 Dec. 2022
Debt securities issued in a fixed-income market requiring the registration of a prospectus	4,026,747	–	(400,000)	14,995	3,641,742
Debt securities issued in a fixed-income market not requiring the registration of a prospectus	–	–	–	–	–
Other debt securities issued outside an EU member state	374,890	–	(5,521)	23,378	392,747
Total	**4,401,637**	**–**	**(405,521)**	**38,373**	**4,034,489**

The movement in the outstanding balance of debt securities issued in a market requiring the registration of a prospectus related to issues registered in Luxembourg in both years.

The table below presents the changes in financial liabilities in 2023 and 2022 distinguishing between those arising from cash flows and those not arising from cash flows:

Thousands of euros

	31 Dec. 2022	Arising from cash flows	Non-cash changes		31 Dec. 2023
			Changes in foreign exchange rates	Other changes	
Issues in euros	3,641,742	(300,000)	–	15,285	3,357,027
Issues in US dollars	392,747	(5,889)	(13,657)	151	373,352
Bank borrowings in euros	1,616,541	(160,229)	–	831	1,457,143
Bank borrowings in other currencies	521,101	(15,539)	(21,596)	(326)	483,640
Total borrowings	**6,172,131**	**(481,657)**	**(35,253)**	**15,941**	**5,671,162**

Thousands of euros

	31 Dec. 2021	Arising from cash flows	Non-cash changes		31 Dec. 2022
			Changes in foreign exchange rates	Other changes	
Issues in euros	4,026,747	(400,000)	–	14,995	3,641,742
Issues in US dollars	374,890	(5,521)	23,424	(46)	392,747
Bank borrowings in euros	2,439,008	(820,221)	–	(2,246)	1,616,541
Bank borrowings in other currencies	396,461	84,024	20,662	19,954	521,101
Total borrowings	**7,237,106**	**(1,141,718)**	**44,086**	**32,657**	**6,172,131**

Derivatives

The derivative financial instrument analysis is provided in ***note 19.***

Other financial liabilities

The breakdown other financial liabilities at year-end:

Thousands of euros

	31 Dec. 2023	31 Dec. 2022
Non-current lease liabilities	39,263	18,343
Payable to fixed-asset suppliers and other borrowings	38,948	34,288
Total non-current	78,211	52,631
Dividend payable ***(note 13)***	147,249	147,143
Current lease liabilities	21,649	7,537
Payable to fixed-asset suppliers	346,134	387,603
Other liabilities	315,612	441,149
Total current	830,644	983,432
Total other financial liabilities	908,855	1,036,063

Payable to fixed-asset suppliers mainly reflects balances arising on the construction of electricity and telecommunications facilities.

The breakdown of the minimum future lease payments under non-current lease liabilities is provided in ***note 8.***

The Group, in its capacity as lessee, believes it is not potentially exposed to significant future cash outflows that are not reflected in the above measurement of its lease liabilities.

Other liabilities mainly reflect certain amounts pending payment to the Spanish electricity system and security deposits taken.

Fair value hierarchy levels

The Group's non-current and current financial liabilities' fair values and the level of inputs used to arrive at those figures are shown below:

Thousands of euros

	31 Dec. 2023			
	Level 1	Level 2	Level 3	Total
Bank borrowings	–	1,940,783	–	1,940,783
Notes and other marketable securities	–	3,730,379	–	3,730,379
Interest and exchange rate derivatives	–	17,446	–	17,446
Total	–	5,688,608	–	5,688,608

Thousands of euros

	31 Dec. 2022			
	Level 1	Level 2	Level 3	Total
Bank borrowings	–	2,137,642	–	2,137,642
Notes and other marketable securities	–	4,034,489	–	4,034,489
Interest and exchange rate derivatives	–	29,069	–	29,069
Total	–	6,201,200	–	6,201,200

The liabilities measured using Level 2 inputs include the Group's bank borrowings, notes and other issued securities and its foreign exchange and interest rate derivatives. There are no significant differences between the fair value and carrying amount of these balances at 31 December 2023 or 2022.

The fair value estimates reflect market participant assumptions based on available market information and conditions at the date of preparing these financial statements, including as necessary the risk premiums associated with the prevailing macroeconomic situation. The estimates include own and counterparty credit risk adjustments. Management additionally considered whether unobservable inputs had become significant.

19 Derivative financial instruments

Framed by its financial risk management policy, the Group has arranged four types of derivative financial instruments: interest rate swaps, forward interest rate swaps, cross-currency swaps and currency forwards. Interest rate swaps consist of exchanging floating-rate borrowings for fixed-rate borrowings, where interest payments are the future cash flows to be hedged. Forward interest rate swaps hedge the finance cost of highly probable forecast transactions. Similarly, cross-currency swaps allow fixed- or floating-rate borrowings denominated in US dollars to be exchanged for fixed- or floating-rate borrowings denominated in euros, with scope for hedging future interest and principal payments in US dollars, future flows at floating rates in euros and the exchange rate risk arising from highly probable forecast transactions denominated in US dollars. Lastly, currency forwards are used to hedge the exchange rate risk arising from highly probable forecast transactions denominated in currencies other than the euro.

Application of IFRS 13 ***(note 4 n)*** to the measurement of derivative financial instruments and hedging instruments in these financial statements requires adjusting valuation techniques to obtain the fair value of the derivative financial instruments. The Group layers in adjustments for credit risk in order to reflect own credit risk and counterparty credit risk in the estimated fair value of its derivative financial instruments, calculated using generally accepted valuation models.

To eliminate the credit risk embedded in the cross-currency swaps arranged to hedge the foreign exchange risk arising from private placements in the US, collateral assignment agreements were entered into with counterparties in 2015 entailing collateral swaps.

To determine the credit risk adjustment for the remaining derivatives, it uses a technique based on the calculation, using simulations, of the total expected exposure (which therefore includes current and potential exposure), adjusted for the probability of default over time and the loss given default assigned to the Group and each of its counterparties.

The total expected exposure of derivative financial instruments is obtained using observable market inputs such as yield, currency and volatility curves, factoring in market conditions at the measurement date.

The inputs used to determine own credit risk and counterparty credit risk (which in turn determine the probability of default) are mainly based on own credit spreads and the spreads of comparable companies currently traded on the market (CDS curves, yields on bond issues).

Also, to adjust fair value for credit risk, the Company factors in credit enhancements from guarantees and collateral when determining the loss given default rate to apply to each position. Loss given default is considered constant in time. If there are no credit enhancements from guarantees or collateral, a minimum recovery rate of 40% was modelled.

The Group believes that most of the inputs used to determine the fair value of its derivative financial instruments are Level 2 inputs (using the hierarchy outlined in ***note 4***), including the data used to calculate the own and counterparty credit risk adjustments.

In the event it used Level 3 inputs, the Group calculated whether the use of those inputs was significant to the entire measurement of its derivative financial instruments, concluding that it was not significant. As a result, the Group has classified the entire derivative financial instruments portfolio within Level 2 of the fair value hierarchy.

The Group uses mid-market prices (taken from external sources of information widely used in the financial markets) as observable inputs.

The breakdown of the Group's hedges at 31 December 2023 and 2022:

Thousands of euros

	Notional	Maturity date	Average rate under derivative		2023			
			Payable	Receivable	Non-current		Current	
					Assets	Liabilities	Assets	Liabilities
Interest rate hedge								
Cash flow hedge:								
Interest rate swap	385,746 thousand euros	Until 2031	2.5%	EURIBOR +0.11%	4,587	(4,603)	166	–
Forward cash flow hedge:								
Interest rate swap with deferred start in 2024	200,000 thousand euros	Until 2030	0.09%	EURIBOR 6 meses	25,049	–	–	–
Interest rate swap with deferred start in 2025	200,000 thousand euros	Until 2031	0.20%	EURIBOR 6 meses	21,780	–	–	–
Foreign exchange hedge								
Hedge of a net investment:								
Cross currency swap	USD 150 million	Until 2026	–	–	2,168	–	–	–
Forward cash flow hedge:								
Cross currency swap	USD 46,596 thousand	Until 2031	–	–	–	(3,546)	–	–
Currency forward	USD 195,462 thousand	Until 2032	–	–	8,818	(634)	1,085	(2,488)
Interest and exchange rate hedge								
Cross currency swap:								
Interest rate hedge	USD 250,000 thousand	Until 2035	4.12% EUR	5.35% USD	(2,385)	–	–	–
Foreign exchange hedge					20,313	–	–	–
Cross currency swap:								
Interest rate hedge	USD 73,004 thousand	Until 2031	2.975% USD	EURIBOR + 0.38%	3,652	–	–	–
Foreign exchange hedge					–	(6,175)	–	–
Total					83,982	(14,958)	1,251	(2,488)

Thousands of euros

	Notional	Maturity date	Average rate under derivative					2022
			Payable	Receivable		Non-current		Current
					Assets	Liabilities	Assets	Liabilities
Interest rate hedge								
Cash flow hedge:								
Interest rate swap	389,542 thousand euros	Until 2031	2.48%	EURIBOR +0.11%	8,065	(78)	–	–
Forward cash flow hedge:								
Interest rate swap with deferred start in 2023	100,000 thousand euros	Until 2029	0.32%	EURIBOR	15,301	–	–	–
Interest rate swap with deferred start in 2024	100,000 thousand euros	Until 2030	0.06%	EURIBOR	15,878	–	–	–
Interest rate swap with deferred start in 2025	200,000 thousand euros	Until 2031	0.20%	EURIBOR	28,743	–	–	–
Foreign exchange hedge								
Hedge of a net investment:								
Cross currency swap	USD 150 million	Until 2026	–	–	–	(2,209)	–	–
Forward cash flow hedge:								
Cross currency swap	USD 65,230 thousand	Until 2031	–	–	–	(7,200)	–	–
Currency forward	USD 208,673 thousand	Until 2032	–	–	5,709	(3,525)	–	(6,864)
Currency forward		Until 2023	–	–	–	–	–	(189)
Interest and exchange rate hedge								
Cross currency swap								
Interest rate hedge	USD 250,000 thousand	Until 2035	4.12% EUR	5.35% USD	2,917	–	–	–
Foreign exchange hedge					28,459	–	–	–
Cross currency swap:								
Interest rate hedge	USD 77,567 thousand	Until 2031	2.975% USD	EURIBOR + 0.38%	5,544	–	–	–
Foreign exchange hedge					–	(9,004)	–	–
Total					110,616	(22,016)	–	(7,053)

The breakdown of the flows expected under the above derivatives as of 31 December 2023 and 2022, which are similar to their expected impact on earnings, by year of materialisation, is provided below:

Maturities at 31 December 2023
Thousands of euros

	Notional	Maturity date	2024	2025	2026	2027	2028	2029 and beyond	Total
Interest rate hedge									
Cash flow hedge:									
Interest rate swap	385,746 thousand euros	Until 2031	166	573	(4,029)	573	573	2,294	150
Forward cash flow hedge:									
Interest rate swap with deferred start in 2024	200,000 thousand euros	Until 2030	–	–	–	–	–	25,049	25,049
Interest rate swap with deferred start in 2025	200,000 thousand euros	Until 2031	–	–	–	–	–	21,780	21,780
Foreign exchange hedge									
Hedge of a net investment:									
Cross currency swap	USD 150 million	Until 2026	–	–	2,168	–	–	–	2,168
Forward cash flow hedge:									
Cross currency swap	USD 46,596 thousand	Until 2031	–	(2,836)	(710)	–	–	–	(3,546)
Currency forward	USD 195,462 thousand	Until 2032	(1,403)	87	1,418	2,106	1,332	3,241	6,781
Interest and exchange rate hedge									
Cross currency swap:									
Interest rate hedge	USD 250,000 thousand	Until 2035	–	(7,550)	–	–	–	5,165	(2,385)
Foreign exchange hedge			–	14,106	–	–	–	6,207	20,313
Cross currency swap:									
Interest rate hedge	USD 73,004 thousand	Until 2031	–	456	456	456	456	1,828	3,652
Foreign exchange hedge			–	(772)	(772)	(772)	(772)	(3,087)	(6,175)
Total			(1,237)	4,064	(1,469)	2,363	1,589	62,477	67,787

Maturities at 31 December 2022
Thousands of euros

	Notional	Maturity date	2023	2024	2025	2026	2027	2028 and beyond	Total
Interest rate hedge									
Cash flow hedge:									
Interest rate swap	389,542 thousand euros	Until 2031	–	(78)	–	–	–	8,065	7,987
Forward cash flow hedge:									
Interest rate swap with deferred start in 2023	100,000 thousand euros	Until 2029	–	–	–	–	–	15,301	15,301
Interest rate swap with deferred start in 2024	100,000 thousand euros	Until 2030	–	–	–	–	–	15,878	15,878
Interest rate swap with deferred start in 2025	200,000 thousand euros	Until 2031	–	–	–	–	–	28,743	28,743
Foreign exchange hedge									
Hedge of a net investment:									
Cross currency swap	USD 150 million	Until 2026	–	–	–	(2,209)	–	–	(2,209)
Forward cash flow hedge:									
Cross currency swap	USD 65,230 thousand	Until 2031	–	–	–	–	–	(7,200)	(7,200)
Currency forward	USD 203,710 thousand	Until 2032	(6,864)	(1,916)	(255)	867	1,214	2,275	(4,679)
Currency forward	BRL 45,885 thousand	Until 2023	(189)	–	–	–	–	–	(189)
Interest and exchange rate hedge									
Cross currency swap:									
Interest rate hedge	USD 250,000 thousand	Until 2035	–	–	(78)	–	–	2,995	2,917
Foreign exchange hedge			–	–	17,075	–	–	11,384	28,459
Cross currency swap:									
Interest rate hedge	USD 77,567 thousand	Until 2035	–	–	–	–	–	5,543	5,543
Foreign exchange hedge			–	–	–	–	–	(9,004)	(9,004)
Total			(7,053)	(1,994)	16,742	(1,342)	1,214	73,980	81,547

The Group recognised the following amounts in its financial statements in 2023 and 2022 as a result of its cash flow hedges:

	2023				2022			
	Financial liabilities at amortised cost	Hedging derivatives (*)	Investments accounted for using the equity method	Total	Financial liabilities at amortised cost	Hedging derivatives (*)	Investments accounted for using the equity method	Total
Gain/(loss) recognised in the consolidated statement of profit or loss	8,917	(8,063)	–	854	9,052	10,456	–	19,508
Gain/(loss) recognised in the consolidated statement of other comprehensive income	(14,691)	–	(2,499)	(17,190)	63,929	405	9,369	73,703
Total	**(5,774)**	**(8,063)**	**(2,499)**	**(16,336)**	**72,981**	**10,861**	**9,369**	**93,211**

(*) A hedge of the cash flows from a highly probable forecast transaction.

20 Trade and other payables

The breakdown of this consolidated statement of financial position heading at year-end 2023 and 2022:

Thousands of euros

	2023	2022
Trade payables	406,915	485,624
Other accounts payable	251,797	661,232
Current tax liabilities	12,477	13,320
Total	**671,189**	**1,160,176**

Trade payables mainly reflect balances due payment for the purchase of goods and services in the ordinary course of the Group's business, mainly payables derived from repair, maintenance and facility upgrade work.

This heading also includes current contract liabilities with customers in the amount of 71,361 thousand euros at 31 December 2023 (2022: 37,033 thousand euros). These liabilities reflect revenue collected in advance for services to be provided in the future, mainly the provision of telecommunications capacity, the modification of lines for third parties and the provision of insurance services.

Other accounts payable mainly include items pending reimbursement to customers as a result of the application of provisional rates generated by the difference between the amount charged and collected and the income accrued for electricity transmission services between 2021 and 2023 ***(notes 3 and 23)***. This heading also includes the balances payable to the tax authorities with respect to VAT, personal income tax withholdings and other balances related with the purchase of goods and services.

21 Disclosures regarding average supplier payment term. Additional Provision Three - "Disclosure requirements" under Law 15/2010

One of the objectives of Law 18/2022 of 28 September 2022, on business creation and growth, is to reduce late payments on trade debt and enhance access to financing.

Among other things, it amends Law 15/2010 of 5 July 2010, which in turn amended Law 3/2004 of 29 December 2004, establishing measures to tackle supplier non-payment, regulating the deadlines for settling trade transactions between companies or between companies and the public sector, specifically in Additional Provision Three thereof.

The amendments made to Additional Provision Three by Law 18/2022 require:

- All corporate enterprises to expressly disclose in the notes to their annual financial statements their average supplier payment terms.
- Listed companies and unlisted companies that do not present short-form financial statements are required to publish, in addition to their average payment terms, the monetary value and number of invoices paid within the legally stipulated deadline and their percentage shares of the corresponding totals. That information must be included in their financial statement notes and on their corporate websites if they have one.

In its official journal no. 132/2022, the ICAC writes that this new legislation expands the disclosures that corporate enterprises must include in their financial statement notes and on their corporate website, to the extent they have one.

The disclosures regarding the average payment terms in 2023 and 2022 are provided below:

Days

	2023	2022
Average supplier payment term	44	41
Paid transactions ratio	45	42
Outstanding transactions ratio	22	19

Thousands of euros

	2023	2022
Total payments made	539,689	470,551
Total payments outstanding	20,950	29,402

Thousands of euros

	2023	2022
Monetary amount of invoices paid within the legal deadline	510,897	424,332
Total payments made	539,689	470,551
Monetary amount of invoices paid within the legal deadline as a % of total payments made	95%	90%

	2023	2022
No. of invoices paid within the legal deadline	29,324	28,045
Total no. of invoices paid	31,012	32,374
No. of invoices paid within the legal deadline as a % of total invoices paid	95%	87%

22 Tax matters

Consolidated Tax Group

The Tax Group headed up by Redeia Corporación has been paying tax under the consolidated tax regime in Spain since 2002 (Tax Group No. 57/02). In addition to the Parent, at 31 December 2023, the Tax Group included the following companies: Red Eléctrica, Redinter, Redeia Financiaciones, Red Eléctrica Financiaciones, Red Eléctrica Infraestructuras en Canarias, Redeia Sistemas de Telecomunicaciones, Elewit, Hispasat S.A., Hispasat Canarias S.L e Hispamar Exterior, S.L, Axess Networks Solutions, S.L. and Axess Networks Solutions Arabia Saudita, S.L.

Hispasat, S.A. and Hispasat Canarias, S.L.U. joined the Redeia Tax Group with effect from 1 January 2020 and Hispamar Exterior, S.L.U. joined it with effect from 1 January 2022. Hispasat, S.A. was the parent of the Hispasat tax group until 31 December 2019.

Axess Networks Solutions, S.L. and Axess Networks Solutions Arabia Saudita, S.L. joined the Redeia Tax Group, as subsidiaries, in 2023.

The Group companies that are not part of the Tax Group apply the tax legislation applicable in their countries of domicile.

Income tax expense and effective tax rate

The reconciliation of the statutory tax rate in force in Spain and the Group's effective tax rate is as follows:

Thousands of euros

	2023	2022
Accounting profit before tax	910,126	869,517
Permanent differences and consolidation adjustments	(139,776)	(63,734)
Taxable profit	770,350	805,783
Tax rate	**25%**	**25%**
Tax expense at statutory rate	192,588	201,446
Effect of application of different tax rates	5,967	8,704
Income tax calculated at the rates prevailing in each country	198,555	210,150
Tax credits utilised and other adjustments	(8,102)	(21,820)
Income tax	**190,453**	**188,330**
Current income tax	207,769	210,713
Deferred income tax	(17,316)	(22,383)
Effective tax rate	**20.93%**	**21.66%**

The effective tax rate is shaped primarily by permanent differences and tax credits. The effective rate in 2023 was 20.93% (2022: 21.66%).

The permanent differences in 2023 and 2022 related mainly to the adjustment for the capitalisation reserve derived from the increase in equity (as provided for in article 25 of Spanish Law 27/2014 on Corporate Income Tax) and investment management expenses associated with the dividends collected from subsidiaries (article 21 of Law 27/2014).

The capitalisation reserve endowment for 2023 will be made at Red Eléctrica de España, S.A.U., in accordance with article 62.1 d) of Law 27/2014 ***(note 13)***.

The consolidation adjustments in both 2023 and 2022 stem mainly from the Group's share of earnings of several equity-accounted investees which do not compute as taxable at the consolidated level.

Tax credits utilised and other adjustments mainly reflect tax relief related with research, development and innovation expenditure, exemptions arrangements aimed at avoiding double taxation and donations.

Note that the tax relief received in exchange for investments in fixed assets in the Canary Islands is accounted for as a grant which is released to profit or loss over the years of useful life of the assets for which this relief is provided ***(note 4.j)***.

5,890 thousand euros of tax relief accounted for as a grant was reclassified to profit or loss in 2023 (2022: 5,436 thousand euros) and the amount pending reclassification at 31 December 2023 stood at 139,586 thousand euros (2022: 139,593 thousand euros).

Deferred tax

The movements in deferred tax assets and deferred tax liabilities:

Thousands of euros

	2023			2022		
	Statement of profit or loss, business combinations and other	Income and expense recognised directly in equity	Total	Statement of profit or loss	Income and expense recognised directly in equity	Total
Deferred tax assets						
Originated in prior years	122,516	29,457	151,973	110,827	64,054	174,881
Business combinations	–	–	–	5,942	–	5,942
Movements during the year	(7,727)	–	(7,727)	5,747	(34,597)	(28,850)
Total deferred tax assets, gross	114,789	29,457	144,246	122,516	29,457	151,973
Offset of deferred taxes from the Tax Group in Spain			(97,993)			(82,756)
Total deferred tax assets, net			46,253			69,217
Deferred tax liabilities						
Originated in prior years	484,141	16,265	500,406	486,875	15,249	502,124
Business combinations	–	–	–	13,902	–	13,902
Movements during the year	(25,043)	1,163	(23,880)	(16,636)	1,016	(15,620)
Total deferred tax liabilities, gross	459,098	17,428	476,526	484,141	16,265	500,406
Offset of deferred taxes from the Tax Group in Spain			(97,993)			(82,756)
Total deferred tax liabilities, net			378,533			417,650

The breakdown of deferred tax assets and deferred tax liabilities at year-end:

Thousands of euros

	2023	2022
Restatement of assets (Spanish Law 16/2012)	18,099	18,985
Limit on deductibility of depreciation (Spanish Law 16/12)	6,796	10,138
Asset impairment	23,406	24,282
Employee commitments	22,527	23,629
Translation differences	—	18,039
Derivatives	2,462	1,624
Unused tax credits	23,281	25,599
Unused tax losses	31,972	12,839
Other	15,703	16,838
Offset of deferred tax assets and liabilities	(97,993)	(82,756)
Total deferred tax assets	**46,253**	**69,217**
Accelerated depreciation	417,130	439,936
Non-deductible assets	20,947	23,597
Other	38,449	36,873
Offset of deferred tax assets and liabilities	(97,993)	(82,756)
Total deferred tax liabilities	**378,533**	**417,650**

Deferred tax assets featured reversals of taxes that were prepaid in 2013 and 2014 as a result of applicatio of the limit on the deduction of depreciation charges under article 7 of Law 16/2012 of 27 December 2012, introducing a range of tax measures designed to consolidate Spain's public finances and shore up economic activity, and as a result of the start in 2015 of depreciation for tax purposes of the net increase in value resulting from the asset revaluation exercise undertaken at 31 December 2012, as stipulated in article 9 of that same piece of legislation. This heading also includes deferred tax assets related with asset impairment, long-term employee benefit obligations, translation differences, changes in the fair value of cash flow hedges and unused tax credits and tax losses.

The deferred tax liabilities derive from the free and accelerated depreciation of certain assets and the inclusion of the assets and liabilities of REDALTA and INALTA, which were taken over and absorbed by Red Eléctrica Corporación, S.A. in 2006. In 2023, deferred tax liabilities due to accelerated depreciation, as provided for in additional provision eleven of Royal Legislative Decree 4/2004 and transitional provision thirty-four of Spain's Corporate Income Tax Law 27/2014, amounted to 359,868 miles thousand euros (2022: 378,530 thousand euros).

In its consolidated statement of financial position, the Group has offset 97,993 thousand euros of deferred tax assets derived from its Tax Group in Spain (2022: 82,756 thousand euros) against deferred tax liabilities, as provided for in IAS 12.

At 31 December 2023 deferred tax assets and liabilities are expected to be recovered and settled as follows:

	Gross total	More than 1 year	Less than 1 year	Adjustment for offset of assets and liabilities	Net total
Deferred tax assets	144.246	133.569	10.677	(97.993)	46.253
Deferred tax liabilities	476.526	447.584	28.942	(97.993)	378.533

The recovery and settlement of the Group's deferred tax assets and liabilities depends on certain assumptions that are subject to change.

Elsewhere, at 31 December 2023, the Group had unrecognised deferred tax assets related to unused tax credits (RDI expenditure and exemptions arrangements aimed at avoiding double taxation) and unused tax losses totalling 10,600 thousand euros (2022: 10,576 thousand euros). These assets were generated between 2012 and 2019 and mature between 2031 and 2038 in relation to the RDI credits.

The notes to Redeia Corporación's financial statements for 2006 included the disclosures required under 86 of Law 27/2014 regarding the merger between REDALTA and INALTA and its financial statements for 2008 included the disclosures regarding the contribution by Redeia Corporación of the Company's Spanish grid TSO business to Red Eléctrica.

Likewise, the notes to the 2015 financial statements of Redeia Corporación and Reintel included the disclosures required under article 86 of Law 27/2014 regarding the spin-off and contribution of the telecommunications business of Redinter to Reintel and the notes to the 2015 financial statements of Redeia Corporación and Redinter included the corresponding disclosures for the non-monetary contribution of the shares in REN.

Years open to inspection

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the applicable inspection period has elapsed.

In 2022 the tax authorities initiated general inspection proceedings covering the period between February 2018 and December 2020 in respect of VAT, personal income tax withholdings and non-resident withholdings at Red Eléctrica Corporación and Red Eléctrica. In 2023 the Group accepted the personal income tax and VAT assessments handed down, which did not imply any penalties and did not have a significant impact on its earnings in 2023.

Also in 2022, the authorities initiated general inspection proceedings with respect to corporate income tax (consolidated tax regime) covering 2017 to 2020. In 2023, the Group received notice of the expansion of the partial proceedings to 2021 and to 2015 - 2019 in the case of Hispasat S.A. and Hispasat Canarias, S.L.

In 2023, the Group signed uncontested assessments that imply tax payable of 2,739 thousand euros and assessments which it is challenging that imply tax payable of 35,929 thousand euros; no fines were imposed. The assessments being challenged related to the authorities' understanding that the adjustment of taxable income under article 31.2 of the Income Tax Act is not applicable and that the IT expenses deducted, related mainly to the costs incurred by Hispasat Canarias, S.L.U. to manufacture the Amazonas Nexus, are not deductible for tax purposes.

The matters subject to debate that are being contested are currently pending ruling by the Tax Inspection's Technical Office.

The Group, based on the opinion of its tax advisors, expects the outcome of the positions questioned in the wake of the inspections to be favourable to its interests and that the probability that a higher court of instance will hand down a favourable ruling is at least 50%, to which end it has not recognised any provisions in connection with these matters.

Also in 2022, the authorities commenced partial verification proceedings related with income tax in 2012 and 2014 limited to certain aspects related with Redinter. The court proceedings taken to challenge the above-mentioned partial verifications concluded in 2022 with the National Appellate Court ruling in favour of the Tax Group. Following that ruling, the inspections finalised in 2023, yielding net late payment interest payable to the Group.

In Spain, the Group remains party to certain ongoing court proceedings related with its income tax from 2011 and 2016.

The Tax Group has also requested the rectification of the tax paid in instalments between 2016 and 2022. In 2020, the tax authorities ruled in favour of the rectification requested in respect of 2016 and 2017 and the decision regarding the other years requested has been appealed.

In the wake of the Hispasat acquisition, the Group is party to tax proceedings in Brazil related to VAT on sales and services (ICMS) and other, mainly indirect, taxes. Those proceedings derive from inspection assessments handed down in the amount of 23 million euros that the Group companies have appealed ***(note 15)***. In addition, the Group has specific contractual guarantees covering these amounts which could be collected in the future if necessary, so that it has recognised a collection claim for the same amount.

In accordance with prevailing tax legislation, the tax returns presented for the various different taxes cannot be considered final until they have been inspected by the tax authorities or until the applicable inspection period has elapsed (four years in the case of the Spanish companies).

Since existing tax law and regulations are subject to interpretation, tax inspections initiated in the future for years open to inspection could give rise to tax liabilities that are currently not possible to quantify objectively. However, the Group estimates that any liabilities that could arise as a result of any such inspections would not have a material impact on its future earnings

23 Income and expenses

a) Revenue

The breakdown of revenue in 2023 and 2022 by geography is provided below

Thousands of euros

	2023	2022
Spain	1,811,840	1,791,060
International	252,231	223,976
a) European Union	26,764	31,707
a.1) Eurozone	26,764	31,443
a.2) Non-eurozone	–	264
b) Other countries	225,467	192,269
Total	2,064,071	2,015,036

Spain in the table above mainly includes regulated revenue ***(note 3)*** from the provision of electricity transmission and system operation services. The CNMC sets the remuneration for these services through Circulars establishing the methods and parameters for calculating the remuneration of the transmission activity based on the costs required to build, operate and maintain the electricity facilities, as well as the remuneration for the system operator, in exercising the authority conferred on the Commission in Royal Decree-Law 1/2019 ***(note 3 a).***

Revenue from the transmission activity in Spain in 2023 and 2022 was accrued primarily on the basis of Red Eléctrica's calculations in accordance with prevailing regulations, since the CNMC has yet to publish the definitive remuneration for 2022, 2021 and 2020 ***(note 3.a).*** The revenue generated by the transmission activity in Spain amounted to 1,520 million euros in 2023.

Moreover, as the latest annual tariff order settled by the CNMC relates to 2020, the consolidated statement of financial position reflects a liability for the estimated amount to be reimbursed to the system for the difference between the amount settled provisionally and the revenue accrued from 2021 to 2023 ***(note 20).***

Meanwhile, for the system operator, revenue for 2023 and 2022 was accrued in accordance with CNMC Circular 4/2019, which establishes the system operator's remuneration for 2020 and beyond. Based on the experience gained, the methodology was updated via the publication of CNMC Circular 1/2023 of 7 February 2023.

Revenue for 2014 to 2019, which is provisional, was accrued based on the best estimate using the specific remuneration methodology for each activity. At year-end 2023, as described in **note 3.a**, approval of the definitive remuneration for those years was still pending.

The Group does not expect the revenue resulting from the final decisions in these processes to differ materially from the estimated revenue recognised.

International revenue generated in the European Union in 2023 and 2022 includes revenue from reinsurance services and in other countries it mainly includes revenue from the provision of transmission services by the Group's Peruvian and Chilean companies and revenue from the provision of satellite telecommunications services, essentially in Brazil.

b) Other operating income

This heading includes revenue recognised using the stage-of-completion method from the construction of the 200-MW pumped storage hydropower station in Salto de Chira, as well as the finance income recognised using the effective interest rate method on the financial asset, which in 2023 amounted to 57,846 thousand euros (2022: 64,225 thousand euros) ***(note 18.a).***

In both reporting periods, it also includes non-trading and other operating income, which primarily stemmed from insurance claims settled by insurance companies in relation to covered damage, breakdowns and claims.

c) Cost of sales and other external expenses

The breakdown of this heading in 2023 and 2022 was as follows:

Thousands of euros

	2023	2022
Cost of sales	45,791	37,061
Other operating expenses	487,375	467,088
Total	533,166	504,149

Cost of sales and other external expenses mainly include the expenses derived from the maintenance, repair and conservation of the Group's facilities, in addition to expenses associated with IT services, advisory services, leases and other services. It also includes 50 million euros of costs associated with 200-MW pumped storage hydropower station in Salto de Chiro (2022: 59.6 million euros) ***(note 23.b).***

d) Employee benefits expense

The breakdown of this consolidated statement of profit or loss heading in 2023 and 2022:

Thousands of euros

	2023	2022
Wages, salaries and other remuneration	165,582	168,387
Social security	37,180	32,440
Contributions to pension funds and similar obligations	2,821	2,383
Other items and employee benefits	8,885	7,404
Total	214,468	210,614

Wages, salaries and other remuneration includes employee remuneration, termination benefits and the accrual of deferred remuneration. Note that this heading also includes director remuneration. In 2022 this heading includes provisions recognised in relation to the collective bargaining agreements under negotiation at both Redeia Corporación, S.A. and Red Eléctrica de España, S.A.U.

The Group companies capitalised staff costs ***(notes 6 and 7)*** totalling 50,751 thousand euros in 2023 (2022: 47,429 thousand euros) related with self-constructed assets.

Headcount

The average number of Group employees in 2023 and 2022 by employee category is as follows:

	2023	2022
Management team	161	168
Senior technicians and middle managers	774	710
Technicians	917	817
Specialists and administrative staff	595	555
Total	2,447	2,250

Headcount at year-end by gender and employee category:

			2023			2022
	Men	Women	Total	Men	Women	Total
Management team	104	59	163	119	65	184
Senior technicians and middle managers	512	289	801	475	252	727
Technicians	737	191	928	723	175	898
Specialists and administrative staff	409	176	585	429	182	611
Total	1,762	715	2,477	1,746	674	2,420

Most of the increase in headcount in 2022 derived from the employees joining the group in the wake of the acquisition of Axess by Hispasat, S.A. ***(note 5)***.

The average number of employees with a disability of a severity of 33% or higher by gender and employee category in 2023 and 2022:

			2023			2022
	Men	Women	Total	Men	Women	Total
Management team	–	–	–	–	–	–
Senior technicians and middle managers	6	3	9	–	–	–
Technicians	8	1	9	12	4	16
Specialists and administrative staff	3	3	6	3	1	4
Total	17	7	24	15	5	20

Not included in the Group headcount figures above, the Parent's Board of Directors consisted of 12 members, six men and six women, at both year-ends.

e) Finance income and costs

Finance income in 2023 derived mainly from dividends collected on the Group's 5% shareholding in REN in the amount of 5,137 thousand euros (2022: 7,272 thousand euros).

It also included 22,925 thousand euros of interest on term deposits, 4,784 thousand euros (2022: 3,307 thousand euros) of income from investments in EIGs ***(notes 18 and 22)*** and finance income on the credit extended to TEN ***(note 24)*** in the amount of 1,195 thousand euros (2022: 602 thousand euros).

Finance costs mainly reflect interest expense, net of capitalised borrowing costs, on borrowings, notes and other marketable securities, in the amount of 151,811 thousand euros ***(note 18)*** (2022: 127,037 thousand euros).

In 2023 the Group capitalised 18,740 thousand euros of borrowing costs ***(notes 6 and 7)*** (2022: 10,569 thousand euros).

24 Transactions with equity-accounted investees and related parties

a) Transactions with equity-accounted investees and year-end balances

The transactions were performed with TEN and Hisdesat. They were all arranged on an arm's length basis. The main transactions carried out between Group companies and TEN and Hisdesat in 2023 and 2022 and the resulting year-end balances were as follows:

Thousands of euros

	2023				2022			
	Balances		Transactions		Balances		Transactions	
	Receivable	Payable	Expenses	Income	Receivable	Payable	Expenses	Income
Transmisora Eléctrica del Norte S.A. (TEN)	14,528	102	(293)	1,195	14,287	(31)	(197)	602
Hisdesat Servicios Estratégicos, S.A.	–	–	–	2,271	–	–	–	2,240
Total	14,528	102	(293)	3,466	14,287	(31)	(197)	2,842

b) Related party transactions

The transactions completed with related parties, which were carried out at arm's length, are disclosed below:

Thousands of euros

	2023		
	Group companies	Other related parties	Total
Expenses and income			
Leases	–	–	–
Other expenses	293	39,378	39,671
Expenses	**293**	**39,378**	**39,671**
Revenue from services	2,271	7,933	10,204
Finance income	1,195	–	1,195
Income	**3,466**	**7,933**	**11,399**
Other transactions			
Financing agreements: loans and capital contributions (lender)	13,938	–	13,938
Other transactions	–	–	–
Other transactions	**13,938**	**–**	**13,938**

The transactions with Group companies are those performed with TEN and Hisdesat, as already detailed in section a) above. The balance recognised under financing agreements: loans and capital contributions (lender) corresponds to the credit facility extended to TEN ***(note 18)***, whose maximum drawdown in 2023 and 2022 was 14,675 thousand euros.

Other related party transactions includes transactions performed with public sector entities, mainly transactions between ADIF, which provides fibre optic network maintenance services, and Group company, Reintel. It also reflects transactions between Indra Sistemas group companies and Redeia companies.

There were no transactions involving directors or key management personnel in 2023 or 2022.

25 Director remuneration

The Director Remuneration Policy for Redeia Corporación, S.A. for 2022 - 2024 was approved at the Annual General Meeting held on 29 June 2021 (the former policy was approved in 2019 and covered 2019 to 2021).

At the Annual General Meeting held on 6 June 2023, and as stipulated in the Company's bylaws, the Parent's shareholders ratified the motion presented by the Board of Directors for the approval of the Annual Report on Director Remuneration, which included, among other matters, the proposal for director remuneration in 2023.

The remuneration approved, which covers the members of the Board of Directors, the Chairwoman and the CEO, is unchanged from 2022.

The Chairwoman, in her capacity as non-executive chair, receives a fixed annual sum in addition to remuneration in her capacity as member of the Board of Directors. She only receives fixed remuneration, i.e., she has not been allocated any variable remuneration (neither an annual bonus or participation in long-term incentive schemes) and she is not entitled to any termination benefits.

The CEO, on the other hand, receives fixed and variable remuneration (an annual bonus and participation in a long-term incentive scheme) for the performance of his executive duties, as well as remuneration in his capacity as member of the Board of Directors. He also receives certain employee benefits. Some of both components of his variable remuneration is settled via the delivery of Company shares.

In addition, the CEO is a beneficiary of a defined contribution pension scheme, covering retirement, death and permanent disability. Redeia Corporación, S.A.'s obligation under this scheme is limited to making an annual contribution equivalent to 20% of the CEO's fixed compensation for his performance of executive duties.

The CEO's annual variable remuneration is framed by predetermined and quantifiable objective criteria and targets established by the Parent's Appointments and Remuneration Committee at the start of each year. The targets are aligned with the strategies and initiatives laid down in the Group's Strategic Plan and their delivery is assessed by that same committee.

The CEO also participates in the Long-Term Incentive Plan (LTIP) for Promoting the Energy Transition, Reducing the Digital Divide and Boosting Diversification. That Plan's targets are likewise associated with those set out in the Group's Strategic Plan and are aligned with the key aspects of the Director Remuneration Policy. The LTIP has a duration of six years and will end on 31 December 2025.

Under the Director Remuneration Policy, the CEO's contract, in line with generally accepted market practice, includes a termination benefit equivalent to one year's remuneration in the event his contract is terminated by the Company or as a result of a change of control.

Likewise in line with market practices in these cases, following his appointment as CEO, his previous employment contract was suspended. In the event of his termination, he would accrue, for severance purposes, the remuneration in force at the date of suspension, taking into consideration his length of service at the Group up until his appointment as CEO (15 years) plus the period during which he provides his services, if any, following his discontinuation as CEO, all of which is in keeping with prevailing labour legislation.

As for the members of the Board of Directors, their remuneration consists of a fixed annual payment, remuneration for attending board meetings, remuneration for membership of the board committees, as the case may be, and specific annual remuneration for the chairs of those committees and for the position of lead independent director. These remuneration concepts and the related amounts have not changed in 2023.

Lastly, the directors are compensated or reimbursed for reasonable and duly justified expenses incurred in order to attend the meetings and perform other tasks directly related with their director duties, such as travel, accommodation and meals.

The breakdown of the remuneration accrued by the members of the Parent's Board of Directors in 2023 and 2022 is provided below:

Thousands of euros

	2023	2022
Total remuneration in their capacity as directors	2,503	2,485
Remuneration of certain directors in their capacity as executives (1)	743	743
Total	**3,246**	**3,228**

(1) Includes the fixed remuneration and the annual variable remuneration accrued during the year.

The year-on-year increase in total remuneration in their capacity as directors in the table above is due to the fact that there was a vacancy on the Board of Directors for a spell in 2022.

The breakdown of director remuneration by class of director:

Thousands of euros

	2023	2022
Executive directors	890	890
Proprietary directors	525	507
Independent external directors	1,285	1,285
Other external directors	546	546
Total director remuneration	**3,246**	**3,228**

The breakdown by item and individual director of the remuneration accrued by the members of the Company's Board of Directors in 2023 and 2022 is provided below:

Thousands of euros

	Fixed remuneration	Variable remuneration	Board meeting attendance fees	Committee membership	Board committee chairs	Lead Independent Director	Other (3) remuneration	Total 2023	Total 2022
Beatriz Corredor Sierra	530		16					546	546
Roberto García Merino	481	263	16				130	890	890
Mercedes Real Rodrigálvarez (1)	131		16	28				175	175
Ricardo García Herrera	131		16	28				175	175
Esther María Rituerto Martínez	131		16	28				175	113
Carmen Gómez de Barreda Tous de Monsalve	131		16	28	15	15		205	205
Socorro Fernández Larrea	131		16	28	15			190	190
Antonio Gómez Ciria	131		16	28	15			190	190
José Juan Ruiz Gómez	131		16	28				175	175
Marcos Vaquer Caballería	131		16	28				175	175
Elisenda Malaret García	131		16	28				175	175
José María Abad Hernández	131		16	28				175	175
Other Board members (2)								–	44
Total remuneration accrued	2,321	263	192	280	45	15	130	3,246	3,228

(1) Amounts received by SEPI.
(2) Members that stepped down from the Board in 2022.
(3) Includes the costs derived from the company benefits included in the CEO's pay package.

The Group did not recognise any loans, advances or guarantees extended to the members of the Parent's Board of Directors on its consolidated statement of financial position at either 31 December 2023 or 31 December 2022. Not did it have any pension or life insurance obligations, other than as outlined above, on their behalf at either reporting date.

The Group had arranged director and officer liability insurance at both reporting dates. Those policies cover the directors and executives of the various Group companies. The annual cost of the related premiums, including tax, was 536 thousand euros in 2023 (2022: 583 thousand euros). These premiums are calculated based the nature of the Group's activities and as a function of its financial metrics, so that it is not feasible to apportion them between the directors and key management personnel or to allocate them to each individual.

The members of the Board of Directors did not perform any transactions with the Parent or its Group companies, either directly or through persons acting on their behalf, outside of the ordinary course of business or other than on an arm's length basis in either reporting period.

26 KPM remuneration

The key management personnel who provided services to the Group in 2023 and 2022 and their positions at year-end are as follows:

Name	Position
Concepción Sánchez Pérez	Chief Operating Officer
Angel Mahou Fernández	Managing Director of Transmission
Juan Majada Tortosa	Managing Director of International Business
Mariano Aparicio Bueno	Managing Director of Telecommunications
Emilio Cerezo Diez	Chief Financial Officer
José Antonio Vernia Peris	Chief Resources Officer
Miryam Aguilar Muñoz	Chief Communications Officer
Eva Pagán Díaz	Chief Sustainability Officer
Laura de Rivera García de Leániz (1)	Director of Regulation and Legal Services
Silvia Bruno de la Cruz	Director of Innovation and Technology
Carlos Puente Pérez	Director of Corporate Development
Eva Rodicio González	Director of Internal Audit and Risk Control

(1) Laura de Rivera García de Leániz presented her resignation from the Group on 18 January 2024.

In 2023, the Group's key management personnel accrued 3,301 thousand euros of remuneration, which is recognised under employee benefits expense in the accompanying consolidated statement of profit or loss (2022: 3,174 thousand euros). These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After delivery of the corresponding targets has been verified, these bonuses are paid out in the early months of the following year, adjusted for the definitive delivery metrics.

Of the total remuneration accrued by key management personnel in 2023, 73 thousand euros represented contributions to life insurance and pension plans (2022: 21 thousand euros).

The Group had not extended any advances or loans to these executives at either 31 December 2023 or 31 December 2022. The Group had assumed life insurance commitments on behalf of these executives at both reporting dates; the premiums on those policies cost it approximately 21 thousand euros in 2023 (2022: 23 thousand euros).

The key management personnel also participate in the Long-Term Incentive Plan (LTIP) for Promoting the Energy Transition, Reducing the Digital Divide and Boosting Diversification. That Plan's targets are likewise associated with those set out in the Group's Strategic Plan and are aligned with the key aspects of the Director Remuneration Policy. The LTIP has a duration of six years and will end on 31 December 2025.

Note that in order to reinforce the TSO's independence, the Operations Department of Red Eléctrica de España, S.A.U. has been assigned a series of specific targets that exclude all aspects unrelated to the operation of Spain's electricity system.

The Group's serving key management personnel do not enjoy any guarantees or golden parachute clauses in the event of dismissal. In the event of the termination of their employment agreements, their severance would be calculated in keeping with ordinary labour legislation.

In 2015, the Group implemented a Structural Management Plan that applies to some of its key management personnel. The beneficiaries of this Plan must comply with certain requirements and their participation can be modified or revoked by the Group under certain circumstances.

The Group had arranged director and officer liability insurance at both reporting dates. These policies cover all of the Group's key management personnel. The annual cost of the premiums in 2023 amounted to 536 thousand euros, including tax (2022: 583 thousand euros). These premiums are calculated based on the nature of the Group's activities and as a function of its financial metrics, so that it is not feasible to apportion them between the key management personnel and directors or to allocate them to each individual.

27 Segment information

Redeia articulates its reportable operating segments around the main lines of business considered by the Group in its management and decision-making.

At 31 December 2023, Redeia was divided into the following operating segments whose main products, services and operations are outlined next:

Management and operation of national electricity infrastructure:
This segment comprises the Redeia's main business activity, as the sole transmission and system operator (TSO) for the Spanish electricity system. Its mission is to guarantee the security and continuity of the electricity supply at all times and manage high-voltage electricity transmission in Spain.

Redeia engages in the high-voltage transmission of electricity through Red Eléctrica. To this end, it manages the electricity transmission network infrastructure that connects the power plants to the consumer distribution points. As transmission network manager, Red Eléctrica is responsible for the development and expansion of the network, its maintenance, managing the transfer of electricity between island systems and the mainland, and guaranteeing equal, third-party access to the transmission network.

In addition, Red Eléctrica operates the mainland Spanish electricity system and the non-mainland systems in the Canary Islands, Balearic Islands, Ceuta and Melilla, guaranteeing the security and continuity of the electricity supply at all times. Operation of the system encompasses the activities that are necessary to guarantee security and continuity, as well as proper coordination between the generation system and transmission network, ensuring that the energy produced by the generators is transmitted to the distribution networks at the standards of quality required under applicable legislation.

Management and operation of international electricity infrastructure:
This segment comprises activities related to international business development, as a source of organic growth, mainly focused on the construction and operation of electricity transmission networks outside of Spain, specifically in Peru, Chile and Brazil at 31 December 2022.

Telecommunications (satellites and fibre optic):
The telecommunications segment comprises the operation of satellite infrastructure in Spain, Portugal and South America, as well as the lease in Spain of a broad dark fibre backbone network, and technical sites and spaces for housing customers' telecommunications equipment.

Redeia also carries out reinsurance activities and fosters innovation in the electricity and telecommunications sectors. These activities do not meet the quantitative thresholds for presentation as separate reportable operating segments.

Inter-segment sales prices are established at arm's length, i.e., at the same price agreed in a comparable transaction between two unrelated parties.

Below are the key measures for the operating segments so identified:

Business segments at 31 December 2023

Thousands of euros

	Management and operation of national electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications (fibre optics and satellites)		Other, corporation & adjustments	Total
			Satellites	Fibre optic		
Revenue	1,625,165	74,424	245,280	150,022	(30,820)	2,064,071
External customers	1,620,866	74,424	245,134	96,537	27,110	2,064,071
Inter-segment revenue	4,299	–	146	53,485	(57,930)	–
Share of profits of equity-accounted investees (with comparable businesses)	–	61,321	4,014	–	(215)	65,120
Depreciation and amortisation	(384,971)	(21,486)	(98,805)	(23,858)	(8,422)	(537,542)
Impairment of and gains/(losses) on fixed asset disposals	–	(33)	(599)	–	1,278	646
Operating profit	**768,453**	**83,437**	**32,342**	**85,198**	**20,240**	**989,670**
Finance income	27,750	10,468	2,415	5,793	5,038	51,464
Finance costs	(85,489)	(46,730)	(9,838)	(12,385)	23,434	(131,008)
Income tax	(164,930)	1,616	5,116	(19,724)	(12,531)	(190,453)
Profit (after tax) attributable to equity holders of the parent	**545,784**	**50,294**	**27,361**	**30,027**	**36,174**	**689,640**
Segment assets	**10,537,737**	**1,667,118**	**1,595,298**	**488,632**	**196,062**	**14,484,847**
Equity-accounted investments	–	880,461	83,711	–	5,005	969,177
Segment liabilities	**6,879,074**	**766,397**	**650,008**	**389,414**	**270,897**	**8,955,790**

Business segments at 31 December 2022

Thousands of euros

	Management and operation of national electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications (fibre optics and satellites)		Other, corporation & adjustments	Total
			Satellites	Fibre optic		
Revenue	1,599,006	70,599	226,197	142,663	(23,429)	2,015,036
External customers	1,596,206	70,599	226,197	96,545	25,489	2,015,036
Inter-segment revenue	2,800	–	–	46,118	(48,918)	–
Share of profits of equity-accounted investees (with comparable businesses)	–	47,651	2,258	–	496	50,405
Depreciation and amortisation	(390,698)	(19,081)	(106,501)	(23,660)	(5,052)	(544,992)
Impairment of and gains/(losses) on fixed asset disposals	135	–	(628)	–	5	(488)
Operating profit	**754,167**	**71,321**	**43,701**	**77,385**	**14,980**	**961,554**
Finance income	2,318	15,723	347	413	4,360	23,161
Finance costs	(74,182)	(29,779)	(12,497)	(2,143)	2,133	(116,468)
Income tax	(168,740)	(3,327)	11,851	(19,019)	(9,095)	(188,330)
Profit (after tax) attributable to equity holders of the parent	**513,558**	**54,690**	**38,124**	**44,604**	**13,755**	**664,731**
Segment assets	**10,589,169**	**1,656,066**	**1,529,664**	**476,142**	**530,480**	**14,781,521**
Equity-accounted investments	–	807,736	79,731	–	4,150	891,617
Segment liabilities	**7,224,012**	**812,461**	**940,314**	**379,793**	**530,665**	**9,887,245**

The breakdown by geography of revenue in 2023 and 2022 and of non-current assets at 31 December 2023 and 2022:

Thousands of euros

Revenue	2023	2022
Spain	1,811,840	1,791,060
Other	252,231	223,976
Total	**2,064,071**	**2,015,036**

Thousands of euros

Fixed assets (*)	2023	2022
Spain	10,140,659	9,761,036
Other	1,660,685	1,628,154
Total	**11,801,344**	**11,389,190**

(*) Excludes non-current financial assets, deferred tax assets, trade receivables or other non-current receivables.

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Interests in joint arrangements

The Group, through Red Eléctrica, and the French TSO Réseau de Transport d'Électricité (RTE) each hold 50% in the joint arrangement, INELFE, with registered office in Paris, set up to study and execute interconnections between Spain and France to increase the electricity exchange capacity between the two countries. Decisions at this arrangement require the unanimous consent of the two venturers. Both RTE and Red Eléctrica have rights to the assets, and obligations for the liabilities, relating to the arrangement, which has accordingly been classified as a joint operation. In its consolidated financial statements, the Group therefore recognises its assets, including its share of the assets held jointly and its liabilities, including its share of any liabilities incurred jointly, at INELFE ***(note 2 c).***

The Group also has a 50% interest in a joint arrangement through Red Eléctrica Chile S.P.A. with Engie Energía Chile, S.A. (E.C.L. S.A.), which holds the other 50%, at TEN of Chile. The Group has classified this joint arrangement as a joint venture as the venturers have rights to the net assets of the arrangement ***(note 10).***

Since 2020, the Group has had a 50% interest, through Red Eléctrica Brasil Holding Ltda., together with Grupo Energía Bogotá S.A. E.S.P., which holds the other 50%, in Argo Energía Emprendimientos y Participaciones S.A. (Argo) of Brazil. The Group has also classified this joint arrangement as a joint venture as the venturers have rights to the net assets of the arrangement ***(note 10).***

Lastly, the Group also has joint control over the Balalink consortium through Redeia Infraestructuras de Telecomunicación, S.A., by virtual of the existence of contractual agreements under which decisions about the relevant activities require the unanimous consent of the two venturers. The Group has classified this investment as a joint operation as the venturers have rights over the arrangement's assets and obligations for its liabilities. This consortium was set up to provide dark fibre optic services, with an availability guarantee, between the Balearic Islands and the Spanish Mediterranean coast.

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Guarantees and other commitments extended to third parties and other contingent liabilities

At both year-ends, the Company, together with Red Eléctrica, was a joint and several guarantor of the USD 250 million private bonds issued in the United States by Redeia Financiaciones, S.L.U. and of Red Eléctrica Financiaciones, S.L.U.'s eurobond programme in the amount of up to 5 billion euros. A total of 2,990 million euros had been issued under the latter at 31 December 2023 (2022: 3,290 million euros).

In addition, at both reporting dates, the Company, together with Red Eléctrica, was a joint and several guarantor of the Euro Commercial Paper (ECP) Programme issued by Red Eléctrica Financiaciones, S.A.U. for up to 1 billion euros. There were no drawdowns under that programme at either year-end.

On 19 February 2015, Redesur, Tesur and Scotia Sociedad Titulizadora S.A. created a securitisation trust to hold the Redesur-Tesur trust assets, in order to secure the obligations arising from bond issues amounting to USD 77 million at 31 December 2023 (2022: USD 71 million at 31 December 2022).

At 31 December 2023, the Group had extended bank sureties required in the ordinary course of its business to third parties totalling 381,805 thousand euros (2022: 200,087 thousand euros).

The Group has no significant contingent liabilities that could imply a potential outflow of resources whose probability of occurrence is not remote.

At year-end 2023, the Group was party to a series of proceedings, mainly administrative and disciplinary proceedings. The Group has assessed the risks and does not expect any events to arise that would result in liabilities and/provisions that have not been recognised in its consolidated financial statements or that would have a significant impact on its earnings. The amount of possible risks has been assessed at approximately 49 million euros.

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Environmental disclosures

In 2023, the Group incurred ordinary expenses of 24,947 thousand euros in protecting and improving the environment (2022: 24,934 thousand euros), essentially related to biodiversity protection, fire prevention, landscape integration, climate change and pollution prevention measures.

Also in 2023, a total of 2,938 thousand euros (2022: 4,540 thousand euros) was earmarked to environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures).

The Group companies are not party to any environmental lawsuits that could result in significant contingencies. The Group companies did not receive any environmental grants in either 2023 or 2022.

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Other information

The lead auditor of the Group companies' financial statements was Ernst & Young, S.L. and members of its network (EY) in 2023 and KPMG Auditores, S.L. and members of its network (KPMG) in 2022. The fees for audit and audit-related services and other services provided to the Group companies by EY amounted to 1,192 thousand euros in 2023 (2022: 1,028 thousand euros).

The fees approved by Redeia for the services arranged with Ernst & Young S.L. in 2023 and with KPMG Auditores S.L in 2022 were as follows:

Thousands of euros

	2023	2022
Audit services	479	501
Audit-related services	184	190
Other services	89	26
Total	**752**	**717**

The amounts presented in the table above include all of the fees related to the services rendered in 2023 and 2022, regardless of when they were invoiced.

Audit services include the fees corresponding to the audit of the separate and consolidated financial statements of Redeia Corporación, S.A. and other Group companies.

Audit-related services mainly include the limited review of the Group's interim consolidated financial statements, the assurance engagement related to the issue of comfort letters, the effectiveness of internal control over financial reporting (ICFR) assurance report under ISAE 3000, the agreed-upon procedures engagement related with covenant compliance and translations.

Other services include other agreed-upon procedures engagements for certain Group companies and assurance of the non-financial information included in the consolidated management report for 2023 and other annual reports.

The fees agreed by Redeia with other members of the EY network in Spain and abroad and with other members of the KPMG network in 2022 are provided below:

Thousands of euros

	2023	2022
Audit services	423	310
Audit-related services	17	1
Total	**440**	**311**

The fees for audit services engaged by the Group from PricewaterhouseCoopers Audit, SAS in France for the audit of INELFE, a joint operation, for the years ended 31 December 2023 and 2022 are shown below:

Thousands of euros

	2023	2022
Audit services	15	10
Total	**15**	**10**

Note in relation to the investees accounted for using the equity method, EY is the auditor at TEN, while KPMG audits Hisdesat and Argo.

32 Earnings per share

The earnings per share amounts for 2023 and 2022:

	2023	2022
Earnings (thousand euros)	689,640	664,731
Number of shares	541,080,000	541,080,000
Average number of own shares	1,449,953	1,771,832
Basic earnings per share (euros)	**1.28**	**1.23**
Diluted earnings per share (euros)	**1.28**	**1.23**

Basic and diluted earnings per share coincided in both reporting periods.

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Share-based payments

The share-based payments made to executives and employees in 2023 and 2022:

	2023			2022		
	Number of shares	Average price (euros)	Amount (thousand euros)	Number of shares	Average price (euros)	Amount (thousand euros)
Senior executives	8,197	14.90	122	6,901	17.74	122
Employees	379,686	14.90	5,657	296,632	17.74	5,261
Total	**387,883**	**14.90**	**5,779**	**303,533**	**17.74**	**5,383**

These payments relate to payments to participating employees with a charge against their earnings for the year; there are no assets or liabilities associated with these payments.

The shares were valued at their quoted price on the date of their delivery. These share deliveries were carried out under the scope of authorisations given at the Parent's Annual General Meetings and the related expense was recognised under employee benefits expense in the consolidated statement of profit or loss.

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Events after the reporting date

Subsequent to the reporting date, specifically on 3 January 2024, Redeia, through its subsidiary Red Eléctrica Financiaciones, S.A.U., and under the scope of the Euro Medium Term Note (EMTN) Programme of the latter, issued 500 million euros of green bonds on the euromarket that are secured by Redeia Corporación, S.A. and Red Eléctrica de España, S.A.U.

The proceeds will be used to finance and/or refinance eligible assets under the umbrella of Red Eléctrica de España, S.A.U.'s green finance framework.

The notes, which were paid in on 17 January 2024, mature in 10 years and carry an annual coupon of 3.00%; they were issued at a price of 99.405%, implying a yield of 3.07%.

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Explanation added for translation to english

The Consolidated Financial Statement are presented on the basis of the International Financial Reporting Standards adopted by the EU. Certain accounting practices applied by the Company that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

In the event of a discrepancy, the Spanish-language prevails for legal purposes.

Appendix I. List of investees at 31 December 2023 and 2022

Redeia. Breakdown of equity investments at 31 December 2023 and 2022 - Company - Registered office - Core business	2023 Percentage interest (1)		2022 Percentage interest (1)	
	Direct	Indirect	Direct	Indirect
Redeia Corporación S.A. (formerly, Red Eléctrica Corporación, S.A.), the Parent, was incorporated in 1985. - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Management of the group of companies, provision of assistance/support services to investees and operation of the property owned by the Company.				
A) Fully consolidated subsidiaries				
Red Eléctrica de España, S.A.U. (Red Eléctrica) - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Transmission and operation of the Spanish electricity system and management of the transmission network.	100%	–	100%	–
Red Eléctrica Internacional, S.A.U. (Redinter) - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Acquisition and holding of international equity investments. Provision of advisory, engineering and construction services. Performance of electricity activities outside the Spanish electricity system.	100%	–	100%	–
Redeia Infraestructuras de Telecomunicación, S.A. (formerly, Red Eléctrica Infraestructuras de Telecomunicación, S.A.) - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Provision of advisory, engineering and construction services.	51%	–	51%	–
Red Eléctrica Infraestructuras en Canarias, S.A.U. - Calle Juan de Quesada, 9. Las Palmas de Gran Canaria (Spain). - Management of the construction of energy storage facilities and of the water cycle.	100%	–	100%	–

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Appendix I. List of investees at 31 December 2023 and 2022

- Company - Registered office - Core business	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Redeia Financiaciones, S.L.U. (formerly, Red Eléctrica de España Finance, S.L.U.) - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Financing activities.	100%	—	100%	—
Red Eléctrica Financiaciones, S.A.U. - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Financing activities.	100%	—	100%	—
Redeia Sistemas de Telecomunicaciones, S.A.U. (formerly, Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.) - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Acquisition, holding, management and administration of Spanish and foreign equity securities.	100%	—	100%	—
Elewit, S.A.U. (formerly, Red Eléctrica y Telecomunicaciones, Innovación y Tecnología, S.A.U.) - Paseo Conde de los Gaitanes, 177. Alcobendas, Madrid (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	—	100%	—
Redcor Reaseguros, S.A (Redcor) - 26, Rue Louvigny (Luxembourg). - Reinsurance activities. Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to the international reinsurance markets.	100%	—	100%	—

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Appendix I. List of investees at 31 December 2023 and 2022

- Company - Registered office - Core business	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Red Eléctrica Andina, S.A.C. (REA) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Provision of line and substation maintenance services.	–	100% [a]	–	100% [a]
Red Eléctrica del Sur, S.A.C. (Redesur) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100% [a]	–	100% [a]
Transmisora Eléctrica del Sur, S.A.C. (Tesur) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100% [c]	–	100% [c]
Transmisora Eléctrica del Sur 2, S.A.C. (Tesur 2) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100% [c]	–	100% [c]
Transmisora Eléctrica del Sur 3, S.A.C. (Tesur 3) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100% [c]	–	100% [c]

Continued on next page

Appendix I. List of investees at 31 December 2023 and 2022

- Company
- Registered office
- Core business

	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Transmisora Eléctrica del Sur 4 , S.A.C. (Tesur 4) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100%[j]	–	100%[j]
Red Eléctrica del Norte Perú, S.A.C. (Redelnor) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100%[a]	–	100%[a]
Concesionaria Línea de Transmisión CCNCM, S.A.C. (CCNCM) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100%[d]	–	100%[d]
Red Eléctrica Chile S.P.A. (Rech) - Isidora Goyenechea 3000, Oficina 1602. Las Condes, Santiago (Chile). - Acquisition, holding, management and administration of securities.	–	100%[a]	–	100%[a]
Red Eléctrica del Norte S.A. (Redenor) - Isidora Goyenechea 3000, Oficina 1602. Las Condes, Santiago (Chile). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	69.9%[e]	–	69.9%[e]

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Appendix I. List of investees at 31 December 2023 and 2022

- Company
- Registered office
- Core business

	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Red Eléctrica del Norte 2 S.A. (Redenor 2) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	100% [e]	–	100% [e]
Red Eléctrica Brasil Holding Ltda. (REB) - Av. Brigadeiro Faria Lima, Nº 3729, 5º, 04538-905. São Paulo (Brazil). - Acquisition, holding, management and administration of securities.	–	100% [a]	–	100% [a]
Hispasat S.A. - Calle de Anabel Segura, 11. Alcobendas. Madrid (Spain). - Parent of the Hispasat Subgroup. Operation of the satellite communications system and provision of space segment services for the geostationary orbital slots allocated to the Spanish state.	–	89.68% [f] [g]	–	89.68% [f] [g]
Hispasat Canarias, S.L.U. - Calle Practicante Ignacio Rodriguez s/n Edificio Polivalente IV. Las Palmas de Gran Canaria (Spain). - Sale and lease of satellites and their capacity.	–	89.68% [g]	–	89.68% [g]
Hispasat Brasil, Ltda. - Praia do Flamengo, 200 Rio de Janeiro, (Brazil). - Sale and marketing of satellite capacity.	–	89.68% [g]	–	89.68% [g]

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Appendix I. List of investees at 31 December 2023 and 2022

- Company
- Registered office
- Core business

	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Hispamar Satélites, S.A. - Praia do Flamengo, 200 Rio de Janeiro, (Brazil). - Sale and marketing of satellite capacity.	–	89.68% [g]	–	89.68% [g]
Hispamar Exterior, S.L.U. - Calle de Anabel Segura, 11. Alcobendas. Madrid (Spain). - Sale and marketing of satellite capacity.	–	89.68% [g]	–	89.68% [g]
Hispasat de México, S.A. de C.V. - Agustín Manuel Chávez 1-001 Col. Centro de Ciudad Santa Fe, Mexico D.F. (Mexico). - Use of radio spectrum, telecommunications networks and satellite communication.	–	89.68% [g]	–	89.68% [g]
Consultek Inc. - 1036 Country Club Drive, Suite 202, Moraga, CA 94556 (USA). - Technical consultancy services.	–	89.68% [g]	–	89.68% [g]
Hispamar Satélites, S.A. (Venezuela) - Torre Phelps, piso 10 ofic. 10, Caracas (Venezuela). - Sale and provision of satellite telecommunications services.	–	89.68% [g]	–	89.68% [g]
Hispasat UK, LTD. - 30 Finsbury Square, London (England). - Sale and provision of satellite telecommunications services.	–	89.68% [g]	–	89.68% [g]

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Appendix I. List of investees at 31 December 2023 and 2022

- Company - Registered office - Core business	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Hispasat Perú, S.A.C. - Jr. Carlos Baca Flor N° 307, Dpto. N° 701, distrito de Magdalena del Mar. Lima (Peru). - Sale and provision of satellite telecommunications services.	–	89.68% (g)	–	89.68% (g)
Axess Networks Solutions, S.L.U. - Calle Beethoven 15, 2º 1ª, 08021 Barcelona (Spain). - Management and administration of equity securities in entities not resident in Spanish territory.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Solutions Arabia Saudita, S.L - Calle Beethoven 15, 2º 1ª, 08021 Barcelona (Spain). - Management and administration of equity securities in entities not resident in Spanish territory.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Solutions Holding Germany, GmbH -SOCIEDAD EN LIQUIDACIÓN- - Falkenweg 1, 53809, Ruppichteroth (Germany). - Acquisition, holding and management of investments in companies involved in the telecommunications technology field.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Solutions Germany, GmbH - Falkenweg 1, 53809, Ruppichteroth (Germany). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Solutions UK Ltd - 2nd Floor, 168 Shoreditch High Street, E1 6RA, London, (United Kingdom). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)

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Appendix I. List of investees at 31 December 2023 and 2022

- Company - Registered office - Core business	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Axess Networks Solutions Colombia S.A.S. - Carrera 7 No. 71-52 Torre B Oficina 501 in Bogota City, departament of Cundinamarca (Colombia). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Cyprus LTD - IN LIQUIDATION - - Ethnikis Antistaseos, 23, Flat/Office 303, 3025, Limasol (Cyprus). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Solutions Ecuador S.A. - Avenida de los Shyris E9-38 y Bélgica Edificio Shyrus Cetury, Piso 7. Quito (Ecuador). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)
Axess Networks Solutions Perú S.A.C - Av. Alfredo Benavides Nro. 1555 Dpto. 301 – Urb. San Antonio – Miraflores – Lima (Peru). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)
Ingux, S.A. 2 - Ocean Bussines Plaza, Piso 23, Oficina 32-02, Calle Aquilino de la Guardia, Panama City (Panama). - Provision of telecommunications services.	–	–	–	89.68% (g) (h)
Axess Networks Solutions Chile S.A. - Isidora Goyenechea 3365, Piso 9, Comuna de Las Condes, Santiago de Chile (Chile). - Provision of telecommunications services.	–	89.68% (g) (h)	–	89.68% (g) (h)

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Appendix I. List of investees at 31 December 2023 and 2022

- Company
- Registered office
- Core business

	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Axess Networks Solutions México S.A de C.V - Av. Paseo de la Reforma 26, Piso 16, Col. Juárez, C.P. 06600 Del. Cuauhtémoc, Mexico City (Mexico). - Provision of telecommunications services.	–	89.68%[g][h]	–	89.68%[g][h]
Axesat Mobility S.A de C.V. 2 - Av. Paseo de la Reforma 26, Piso 16, Col. Juárez, C.P. 06600 Del. Cuauhtémoc, Mexico City (Mexico). - Provision of telecommunications services.	–	–	–	89.68%[g][h]
HPS Corporativo S. de R.L de C.V - Mariano Escobedo No. 353-B, Interior 3A, Col. Polanco V Sección, Del. Miguel Hidalgo, CP 11560, Mexico City (Mexico). - Provision of telecommunications services.	–	89.68%[g][h]	–	89.68%[g][h]
B) Investees accounted using the proportionate method				
Interconexión Eléctrica Francia-España, S.A.S. (Inelfe) - Inmueble Window, 7 C Place du Dôme. Paris (France). - Study and execution of interconnections between Spain and France.	–	50%[b]	–	50%[b]
C) Equity-accounted investees				
Transmisora Eléctrica del Norte S.A. (TEN) - Avenida Apoquindo N° 3721, piso 6, Las Condes, Santiago (Chile). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	50%[e]	–	50%[e]

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Appendix I. List of investees at 31 December 2023 and 2022

- Company
- Registered office
- Core business

	2023 Percentage interest (1)		2022 Percentage interest (1)	
	Direct	Indirect	Direct	Indirect
Argo Energía Empreendimentos y Participações S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Acquisition, holding, management and administration of securities.	–	50%(i)(k)	–	50%(i)(k)
Argo Transmissão de Energia S.A. (Argo I) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	50%(k)	–	50%(k)
Argo II Transmissão de Energia S.A. (Argo II) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	50%(k)	–	50%(k)
Argo III T Transmissão de Energia S.A. (Argo III) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	50%(k)	–	50%(k)
Argo IV Transmissão de Energia S.A. (Argo IV) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	50%(k)	–	50%(k)

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Appendix I. List of investees at 31 December 2023 and 2022

- Company - Registered office - Core business	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Argeb Energia Empreendimentos e Participações S.A. (Argeb) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Acquisition, holding, management and administration of securities.	–	31.25% [k]	–	31.25% [k]
Argo V Transmissão de Energia S.A. (Argo V) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	31.25% [k]	–	31.25% [k]
Argo VI Transmissão de Energia S.A. (Argo VI) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	31.25% [k]	–	31.25% [k]
Transmissora José Maria de Macedo de Eletricidade S.A. (Argo VII) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	31.25% [k]	–	31.25% [k]
Giovanni Sanguinetti Transmissora de Energia S.A. (Argo VIII) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	31.25% [k]	–	31.25% [k]

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Appendix I. List of investees at 31 December 2023 and 2022

- Company
- Registered office
- Core business

	2023 Percentage interest [1]		2022 Percentage interest [1]	
	Direct	Indirect	Direct	Indirect
Argo IX Transmissão de Energia S.A. (Argo IX) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil). - Electricity transmission and operation and maintenance of electricity transmission networks.	–	31.25% [k]	–	31.25% [k]
Compañía Operadora de Infraestructuras Eléctricas, S.A. - Rómulo Peña nº 4008, Antofagasta, Santiago (Chile). - Monitoring, control and supervision of the national electricity system.	–	50% [e]	–	–
Hisdesat Servicios Estratégicos, S.A. - Paseo de la Castellana 143, 28046 Madrid (Spain). - Sale and marketing of space systems for government use.	–	38.56% [g]	–	38.56% [g]
Grupo de Navegación Sistemas y Servicios, S.L. - Calle Isaac Newton 1, Madrid (Spain). - Operation of satellite systems.	–	12.82% [g]	–	12.82% [g]
Grupo Sylvestris, S.L. - Paseo de la Ermita del Santo 5, 28011 Madrid (Spain). - Reforestation, gardening and rural development, combining engineering and social impact.	–	9.73% [g]	–	9.73% [g]
Axess Saudi Arabian Telecommunications Company 2 - 2870 Tariq Ibn Ziad - Qurtubah Dist. Unit No. 28, Al Khobar 34234 - 7097 (Saudi Arabia). - Provision of telecommunications services.	–	–	–	43.94% [g][h]

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Appendix I. List of investees at 31 December 2023 and 2022

- Company - Registered office - Core business	2023 Percentage interest[1]		2022 Percentage interest[1]	
	Direct	Indirect	Direct	Indirect
Okto Grid ApS - Gammel Kongevej 11, 5. 1610 København V, (Denmark). - Measurement systems for the energy industry.	–	13.07%[l]	–	13.07%[l]
Nearby Computing, S.L. - Travessera de Gràcia 18, 3r, 3a, 08021 Barcelona (Spain). - Development of software and/or computer applications.	–	11.71%[l]	–	11.71%[l]
Hybrid Energy Storage Solutions, S.L. - Av. Benjamín Franklin, 12, Mód. Nº24, 46980 Paterna, Valencia (Spain). - Design, production and sale of energy storage technology solutions for next-generation electricity networks.	–	19.61%[l]	–	19.61%[l]
Aerolaser System, S.L. - Av. José Mesa y López, 45, L. D4, 35010 Las Palmas de Gran Canaria (Spain). - Development and sale of sensory technological solutions for geospatial technology.	–	15.79%[l]	–	15.79%[l]

(1) Equivalent to voting rights.
(2) This investment was deconsolidated in 2023 ***(note 2.g)***.
(a) Shareholding held through Red Eléctrica Internacional S.A.U.
(b) Shareholding held through Red Eléctrica de España S.A.U.
(c) Shareholding held through Red Eléctrica del Sur, S.A.C.
(d) Shareholding held through Red Eléctrica del Norte Perú, S.A.C.
(e) Shareholding held through Red Eléctrica Chile SpA.
(f) Shareholding held through Redeia Sistemas de Telecomunicaciones, S.A.U.
(g) Shareholding held through the Hispasat subgroup, whose parent is Hispasat, S.A.
(h) Shareholding held through the Axess subgroup, whose parent is Axess Networks Solutions, S.L.U.
(i) Shareholding held through Red Eléctrica Brasil Holding Ltda.
(j) Shareholding held through Red Eléctrica del Sur, S.A.C. and Red Eléctrica Internacional S.A.U.
(k) Company belonging to the Argo Subgroup whose parent is Argo Energía Empreendimentos y Participações S.A.
(j) Shareholding held through Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U.

Consolidated Directors' Report

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Contents

In order to make it easier to understand the information provided in this document, certain alternative performance measures have been included. A definition of these is available at: https://www.redeia.com/es/accionistas-e-inversores/informacion-financiera/medidas-alternativas-rendimiento

The various sections of this consolidated management report contain certain forward-looking information reflecting projections and estimates and their underlying assumptions, statements referring to plans, objectives and expectations around future transactions, investments, synergies, products and services, as well as statements concerning future earnings and dividends and estimates made by the directors, based on assumptions they consider reasonable.

While the Group considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Parent are cautioned that the forward-looking information and statements are subject to risks and uncertainties, many of which are difficult to foresee and generally beyond the Group's control. As a result of such risks, actual performance and developments could differ significantly from those expressed, implied or forecast in the forward-looking information and statements.

The forward-looking statements are not guarantees of future performance and have not been reviewed by the Group's external auditors or by other independent third parties. Investors and holders of shares in the Parent are cautioned not to take decisions on the basis of forward-looking statements that refer exclusively to information available as at the date of this report. All of the forward-looking statements contained in this report are expressly subject to this disclaimer. The affirmations and statements containing future projections included in this document are based on the information available at the date of this management report. Unless required otherwise under applicable law, the Group undertakes no obligation to publicly update any forward-looking statement or revise its forecasts, whether as a result of new information, future events or otherwise.

1 Company overview

1.1 Organisational structure

Governing bodies of the Company

The Board of Directors and the shareholders are responsible for governing and managing the group's parent company, Redeia Corporación, S.A.

The Annual General Meeting is governed by the bylaws and the general meeting regulations, in accordance with the Spanish Companies Act.

At 31 December 2023 the Board of Directors comprised 12 members and three committees: the Audit Committee, the Appointments and Remuneration Committee and the Sustainability Committee. These three essentially technical committees created by the Board of Directors to support it in its duties are designed to enhance efficiency and transparency.

The structure, composition, roles and responsibilities of the three board committees are set out in the bylaws and further specified in the Regulations of the Board of Directors. Both sets of corporate regulations have been fully brought to line with the Spanish Companies Act, the Good Governance Code of Listed Companies and the most recent international practices and recommendations on committee composition and committee member independence and fitness.

In line with international best practice in corporate governance, the Company continues to observe and respect the separation of the positions of Chair of the Board of Directors and Chief Executive Officer (CEO), as per the governance model approved in 2015.

The Chair of the Board of Directors is entrusted solely with the duties inherent in that position.

Meanwhile, the position of lead independent director, created in 2013, has been maintained, one of the reasons being that this role helps to ensure a system of balances and counterweights within the Board of Directors in favour of independent directors and also because it constitutes an effective good governance practice that is highly valued by shareholders and proxy advisors, what with the responsibilities attaching to the role of lead director.

The Annual Corporate Governance Report, which is attached hereto, contains detailed information regarding the composition and operation of the governing bodies of the Parent.

Composition of Redeia

See note 1 and Appendix I to Redeia's consolidated annual accounts for the year ended 31 December 2023 for details of how the Group is structured to undertake its activities.

1.2 Activities and business performance

The Group carries out activities both in Spain and abroad. Most notably, its principal activities comprise the management and operation of electricity infrastructure in Spain, Peru, Chile and Brazil, and the rendering of telecommunications services, entailing both the operation of satellite infrastructure, services and solutions in Europe, the Middle East and Africa (EMEA) and Latin America (LATAM), as well as the lease in Spain of an extensive dark fibre backbone network, and technical sites and spaces for housing customers' telecommunications equipment.

1.2.1 Management and operation of national electricity transmission infrastructure

Transmission network

A total of 157 kilometres of new transmission line came into service in 2023, bringing the Red Eléctrica's total for the national transmission network to 45,141 kilometres at year-end. Transformation capacity likewise increased by 760 MVA to a nationwide total of 94,981 MVA. Total investment in the national transmission network amounted to 744.6 million euros in 2023, up 66 % on the 448.8 million euros invested in 2022.

In 2022, the Council of Ministers, at the request of the Ministry for Ecological Transition and Demographic Challenge (hereinafter "MITERD") approved the Plan for the Development of the Electric Energy Transmission Network with a 2026 horizon. The plan is a fundamental tool for guaranteeing the energy transition and establishes the transmission grid development projects that must be implemented over the coming years in order to achieve the energy objectives of national and European policy. The plan involves an investment of nearly 7,000 million euros to improve the transmission grid. The largest investment is earmarked to improve the integration of renewable energy sources, providing a clear benefit to society in terms of reducing emissions, saving electricity system costs, and activating the economy.

In late 2023, the MITERD initiated the consultation process with a view to making amendments to the Development Plan for the Electricity Transmission Grid looking ahead to 2026. It envisions 64 actions, with a total investment of 321 million euros, with the aim of unlocking strategic projects for the decarbonisation of industry, hydrogen production, integration of renewable energy, support for the materials chain and key technologies linked to the green transition.

The Spanish Government has also recently begun to process a new Electricity Transmission Grid Development Plan for the 2025–2030 horizon, with the related objectives set out in Order TED/1375/2023, of 21 December 2023, and has initiated a process whereby stakeholders may make proposals on how best to develop the electricity transmission grid.

In 2023 the most significant initiatives in terms of development of the transmission network, by major axes, were as follows:

- Interconnection with France via the Bay of Biscay. The purpose of this axis is to further increase the interconnection capacity with Europe in order to achieve European energy targets. It consists of a 394 km submarine direct current dual connection which will raise energy exchange capacity to 5,000 MW. This project is being carried out through the company INELFE, which holds a 50/50 interest alongside French company Réseau de transport d'électricité (RTE). In 2023, the Spanish National Markets and Competition Commission (CNMC) published, in the Official State Gazette (BOE), the modified parameters of the Resolution classifying this project as a special undertaking.

  In relation to the timeline, in 2022 the Environmental Impact Statement was obtained; in 2023 Red Eléctrica secured the necessary Prior Administrative Authorisation from the MITERD, as well as various other mandatory administrative authorisations; and in the first half of 2024 the Administrative Construction Permit and the Declaration of Public Utility are expected to be obtained. RTE, meanwhile, already has all the authorisations needed to carry out the project.

  The main contracts governing the performance of the construction work were also awarded and signed in 2023, following a review by the national regulatory authorities of both countries.

- Ibiza – Formentera interconnection. Commissioning in 2023 of the underground/underwater 132 kV transmission line spanning a total length of 74 km to interconnect the islands of Ibiza and Formentera, thus improving the inter-island transmission network by enabling full coverage of Formentera's power demands and accelerating the energy transition in the Balearic Islands by reducing CO2 emissions. The submarine cable and the land-sea connections were laid and the interconnection was brought online in May.

- La Gomera – Tenerife interconnection. The aim is to link up the electricity systems of both islands. The quality and security of supply will be increased and production costs lowered by improving power generation efficiency and enabling greater integration of renewable energy. In 2023, work continued on the end substations (Chío and El Palmar de la Gomera), with the submarine cable under construction.

- Galicia – Portugal Interconnection. The aim is to boost the international connection with Portugal. In June 2023, administrative authorisation was obtained to go ahead with the construction of the Fontefría substation (220 kV) and the Beariz substation. Work continues at ground level, for which prior administrative authorisation has been granted.

- Asset renewal. This block of actions has been included for the first time in Plan 2021-2026, with the aim of ensuring the security and continuity of supply given the gradual ageing, technological obsolescence and unavailability of spare parts, while fostering the integration of renewable sources of energy and avoiding any adverse effects on the environment.

- Special Regime Evacuation (EvRE). Actions for the evacuation of renewable power, as envisioned in Royal Decree-Law 15/2018 (on urgent measures to promote the energy transition) and included in the 2021–2026 Plan. Around 50 access points were completed in 2023, with plans to double this volume in the coming years.

- North – East Axis. The purpose of this axis is to improve the evacuation of electricity from Asturias to supply Cantabria and the Basque Country. Construction of the Güeñes – Itxaso power line continued in 2023.

- Cáceres – Los Arenales – Trujillo Axis. It is designed to improve the quality and reliability of supply in the Cáceres area, preventing overloads in the zone, and to increase the capacity to evacuate hydropower generation (installed in the Cedillo and JM Oriol substations) and boost the Spain-Portugal interconnection capacity. Construction of the axis continued throughout 2023 and the line is almost complete.

- Madrid – East Axis Plan. This axis is designed to improve the transmission network mesh and support the distribution network in this area. Work on the San Fernando substation was completed in 2023 and the facility came into service during the year.

- Lousame – Tibo – Mazaricos Axis. With the aim of strengthening the grid, evacuating the power generated and supporting distribution in the northwest of Galicia. Line laying work continued throughout 2023 and is expected to be completed in 2024.

- El Rosario – Guajara Axis. The aim is to increase the security of supply and reliability of the transmission network in the metropolitan area of Santa Cruz de Tenerife and in the interconnection with the Granadilla and Candelaria nodes. In 2023, civil engineering work continued on the El Rosario – Manuel Cruz – Dique Este and El Rosario – Guajara lines.

- Lleida – Barcelona 2 Axis. The aim here is to increase the mesh of the 220 kV transmission network along this stretch by ensuring a broad improvement in transmission efficiency and supporting supply in response to demand, resulting in a reduction in overall T&D losses. In 2023, all the planned actions for the axis were completed and the resulting infrastructure came online.

The transmission grid ended 2023 with high levels of service quality, with the availability ratio exceeding the 97% threshold set out in Article 26(2) of Royal Decree 1955/2000. The availability ratio for the national transmission grid in 2023 was 97.63% (98.16% in 2022); for the mainland transmission grid it was 97.61% in 2023 (98.14% in 2022); for the Balearic Islands it was 97.84% (98.52% in 2022); and for the Canary Islands it was 98.69%, the same as in 2022.

System operation

Investments in system operation totalled 22.1 million euros in 2023, up 16.5% on the 19.0 million euros invested in 2022. In addition, 57.8 million euros was set aside for storage in the Canary Islands (64.2 million euros in 2022).

Demand for electricity in 2023 in Spain came to 244.7 TWh, down 2.3% year on year. Electricity generation in 2023 stood at 261.6 TWh, with energy from non-CO_2 -emitting sources accounting for 72% of the total, compared to 63% in the previous year. This improvement is largely due to the increase in photovoltaic electricity, which was up nearly 34% on the 2022 figure. Wind power, with a weight of 24%, was the most utilised source of electricity within the Spanish system, having risen by 2.2% compared to the previous year. Notably, 134.3 TWh came from renewable energy sources, which accounted for 51.3% of the total power generated in Spain.

The most significant events to have taken place in 2023 are as follows:

Mainland system

- Mainland electricity demand ended the year at 229,527 GWh, down 2.5% on 2022. Having corrected for the effect of working patterns and temperatures, demand attributable primarily to economic activity was down by 2.1%..

- Peak instantaneous power was recorded at 20:43 on Tuesday, 24 January, at 39,101 MW, revealing a year-on-year change of 2.1% and 14.0% below the all-time high of 45,450 MW recorded in 2007. Peak hourly demand also happened to occur on 24 January (between 20:00 and 21:00), with 38,615 MWh, 14.0% below the all-time high reached in 2007.

- Installed capacity on the mainland was up 4.5% on 2022, having ended 2023 at 118,990 MW. Additions to the system's installed capacity primarily reflect the incorporation of solar photovoltaic and wind power, with the former increasing by 23.5% with respect to 2022 and the latter up 1.8%. The other technologies had experienced no, or only minor, changes in power.

- Hydropower capacity stood at 26,489 GWh at the end of December 2023, down 8.2% on the historical average but 36.2% higher than in 2022. Reserves of hydroelectric power represented a fill level of 51.0% of total capacity across all reservoirs at the end of 2023, compared with 44.4% in the prior year.

- In 2023, wind accounted for 24.2% of total demand for power (22.8% in 2022), nuclear 21.4% (21.3% in 2022), solar 16.3% (12.0% in 2022), combined cycle technology 15.5% (23.1% in 2022) and hydro 10.0% (6.8% in 2022). Meanwhile, cogeneration, pumping turbine, coal, other renewables and waste accounted for less than 10% each, with all of them together making up remaining 12.6% of total demand.

- Notably, renewable energies increased their share of the overall production mix within the electricity system, registering their highest share to date with 52.2% of total production (43.7% in 2022). In absolute terms, renewable generation reached an all-time high of 132,099 GWh, up 15.3% on the previous year, largely due to a 41.1% increase in hydro power and a 34.0% increase in solar photovoltaic production.

- In terms of CO_2 emissions in the mainland electricity sector, the increase in renewable generation meant that 2023 reported the lowest CO_2 equivalent emissions on record, with 24.8 million tonnes, down 32.9% on the 37.0 million tonnes reported in 2022.

- International electricity exchanges yielded a net export balance, for the second year running, of 13,958 GWh in 2023 (19,802 GWh in 2022). Exports came to 25,274 GWh (27,833 GWh in 2022), while imports stood at 11,316 GWh (8,032 GWh in 2022). Electricity exchanges through the mainland-Balearic Islands link resulted in a net balance of exports to the islands of 1,426 GWh (down 136.6% compared to 2022), covering 23.8% of demand for power on the islands.

Non-mainland systems

- At year-end 2023, total annual demand for electricity among non-mainland systems was up 1.1% on 2022. By systems, in the Balearic Islands demand was down 0.7%, in the Canary Islands it increased by 2.5%, in Ceuta it fell by 4.5%, and in Melilla it rose by 2.8% with respect to 2022.

- Installed capacity in non-mainland systems grew by 2.9%, largely driven by the growth in solar photovoltaic and wind technology, which climbed 25.8% and 7.6%, respectively compared with 2022.

- Pursuant to Law 17/2013 the system operator shall own the pumped-storage hydroelectric power plants in non-mainland systems, which are geared towards security of supply, system security and the integration of non-dispatchable renewable energies.

  In this context, Red Eléctrica, as system operator, is the holder of the concession for the Salto de Chira pumped-storage hydroelectric power plant in Gran Canaria. Red Eléctrica Infraestructuras en Canarias, S.A.U. is tasked with providing certain consultancy, engineering, project management, monitoring and technical support services relating to the implementation, start-up and effective operation of the facilities that make up the hydroelectric power plant complex. The plant will have a capacity of 200 MW and will be able to cover 36% of demand for power during peak hours. The aim is to maximise the integration of renewable energy into the electricity system in the island of Gran Canaria, while also overcoming the challenge of being able to store it when there is surplus supply. Meanwhile, the desalination plant, which will allow fresh water to be pumped into the Chira and Soria reservoirs, will provide a viable solution to the island's water shortages.

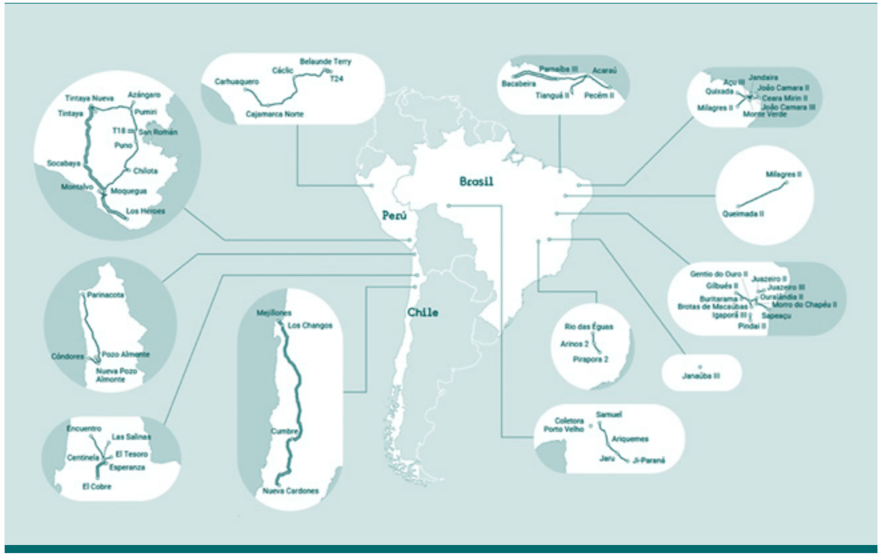
- Regarding the possible project to install a pumped-storage hydroelectric power plant in Tenerife, further progress was made in 2023 in drawing up the preliminary plans.

1.2.2 Management and operation of international electricity transmission infrastructure

The Group has been managing and operating international electricity infrastructure for over 20 years. This business is run through its subsidiary Red Eléctrica Internacional, S.A.U., which is present in Peru, Chile and Brazil. Overall, the Company manages and operates a network of 7,672 km across Peru, Chile and Brazil.

The start-up of operations in Peru, Chile and Brazil is the outcome of an ongoing analysis of business opportunities, and meets the Group's criterion of undertaking investments in countries with a favourable economic situation and a stable regulatory framework that ensures an adequate return on the investments.

Red Eléctrica Internacional's presence in Peru, Chile and Brazil breaks down as follows:



Activity in Peru

In Peru, Red Eléctrica Internacional, S.A.U. (Redinter) operates electricity transmission infrastructure under a 30-year concession. It is the main transmission company in the south of the country and it has also been operating in the north of the country since 2019, following the acquisition of Concesionaria Línea de Transmisión CCNCM S.A.C. by its subsidiary Red Eléctrica del Norte de Perú, S.A. It has a total of 1,692 km of transmission lines in commercial operation.

It currently has six concessions in operation at the companies Red Eléctrica del Sur S.A., Transmisora Eléctrica del Sur S.A.C., Transmisora Eléctrica del Sur 2 S.A.C., Transmisora Eléctrica del Sur 3 S.A.C., Transmisora Eléctrica del Sur 4 S.A.C. and CCNCM S.A.C., all of which are adept in the management and commercial operation of electricity transmission infrastructure, allowing them to offer an electricity transmission service with the utmost availability and uptime while supporting the growth and development of the areas in which they operate.

During 2023, average voltage levels remained within the limits set out in the Technical Standard for the Quality of Electricity Services, reaching a cumulative grid availability in 2023 of 99.7% at Red Eléctrica del Sur S.A., 99.9% at Transmisora Eléctrica del Sur S.A.C., 99.9% at Transmisora Eléctrica del Sur 2 S.A.C, 99.9% at Transmisora Eléctrica del Sur 3 S.A.C., 100% at Transmisora Eléctrica del Sur 4 S.A.C. and 99.9% at CCNCM.

Red Eléctrica Andina S.A.C. also happens to provide maintenance services for the installations of all the concessions described above. It also carries out construction supervision work for other clients, thus cementing its position as a leading provider of such services in southern Peru.

Activity in Chile

The transmission business in Chile takes shape under the parent company for the country, namely Red Eléctrica Chile S.P.A., a company incorporated in 2015 and that owns 50% of the company Transmisora Eléctrica del Norte S.A., 69.9% of Red Eléctrica del Norte S.A. and 100% of Red Eléctrica del Norte 2 S.A. Overall, the transmission business in Chile operates a grand total of 1,767 km of lines in commercial operation.

- Transmisora Eléctrica del Norte S.A.: operates the 500 kV Changos – Cumbre – Nueva Cardones axis, which forms part of the National Transmission System, as well as the 220 kV Mejillones – Changos dedicated line.

- Red Eléctrica del Norte S.A.: on 31 August 2023, the National Electricity Coordinator awarded the international public tender for expansion work envisioned in Exempt Decree No. 200/2022; awarding the project to expand the 220 kV Nueva Pozo Almonte substation to Red Eléctrica del Norte S.A., which will therefore be tasked with carrying out the expansion project. Meanwhile, work is under way to expand the facilities envisaged in the Expansion Plan of Decree No. 198 for the Transmission

System, with the upgraded facilities due to the commissioned at some point in the first half of 2024.

- Red Eléctrica del Norte 2 S.A.: it continues to operate three transmission lines, as well as the new connection of a renewable energy facility (Sierra Gorda photovoltaic facility) to the interconnected system, which has been commercially operational since 27 February 2023. An EPC contract was signed in 2023 to carry out the work needed to connect the Minera Centinela District Project to the Centinela substation, which is owned by Red Eléctrica del Norte 2 S.A.

The transmission system availability rates through to 2023 are 99.92% at Red Eléctrica del Norte, 99.84% at Red Eléctrica del Norte 2, and 99.80% at Transmisora Eléctrica del Norte.

Activity in Brazil

Through its subsidiary Red Eléctrica Brasil, Redinter holds a 50% stake in the Brazilian holding company Argo Energia Empreendimentos e Participações S.A. (Argo) in Brazil, managing, alongside Grupo Energía Bogotá (GEB), various high voltage line concessions (500 kV and 230 kV) and electrical substations. The acquisition of these concessions has increased Argo Energia's installed transmission capacity to 4,213 km and positioned it as a transmission leader in the market, with a strong presence in the north-east of Brazil, one of the areas with the greatest potential for renewable power and most in need of transmission network development in Brazil. The concessions are as follows:

- Argo I operates 1,115 km of 500kV lines and five substations in northeast Brazil.

- Argo II is a project to expand a substation in the state of Minas Gerais. Synchronous Condensers 2 and 1 are currently in service.

- Argo III operates 320 km of 230 kV power lines and five substations in the state of Rondônia.

- Argo IV, which was formed in 2022 following the acquisition of 50% of Rialma Transmissora de Energia III S.A. by Argo Energia, operates 312 km of 500 kV lines.

- In 2022, 100% stakes in the share capital of five electricity transmission concessions (Argo V, VI, VII, VIII and IX) were acquired from Brasil Energia FIP, in what was a joint investment by Argo Energia (62.5%) and GEB (37.5%) on a co-governance basis between Redeia and GEB. These five concessions are in commercial operation and comprise 2,488 km of 500 kV and 230 kV transmission lines, along with 20 substations.

The transmission system availability rates for the various concessions through to 2023 are: Argo I 99.55%, Argo II 94.98%, Argo III 97.82%, Argo IV 99.95%, Argo V 99.92%, Argo VI 98.90%, Argo VII 99.79%, Argo VIII 99.94%, and Argo IX 99.73%.

1.2.3 Telecommunications

Satellite business

The satellite telecommunications business is carried out through the Hispasat subgroup (hereinafter Hispasat). Red Eléctrica Sistemas de Telecomunicaciones, S.A.U., a subsidiary of Red Eléctrica Corporación, holds an 89.68% stake in Hispasat. The remaining Hispasat shareholders are Sociedad Estatal de Participaciones Industriales (SEPI), with 7.41%, and the Spanish Centre for the Development of Industrial Technology (CDTI), with 2.91%.

Hispasat is primarily engaged in the leasing of outer space capacity and providing managed services for video and broadband data through the operation and commercial exploitation of its fleet of satellites in orbit and the related ground segment, primarily in Spain, Brazil, Peru and Mexico. Hispasat is the leading satellite operator in Spain and Latin America, while at the same time playing a key role as a driver of innovation in the aerospace industry. It has a fleet of nine satellites in six orbital slots. The Amazonas Nexus satellite, launched in early February 2023, entered into commercial service in mid-July 2023.

The company is primarily engaged in the leasing of outer space capacity and provides managed services for video and broadband data through the operation and commercial exploitation of its satellites in orbit and, as the case may be, through third-party capacity partners, mainly in Spain, Brazil, Peru, Mexico, Colombia and Germany.

The Hispasat subgroup offers broadband and satellite connectivity solutions, including internet access, mobility and cellular network extension, as well as other value-added propositions to governments, corporations and telecommunications operators in the Americas, Europe and North Africa. It is also a leader in the broadcasting and distribution of audiovisual content in both Spanish and Portuguese, including the transmission of leading direct-to-home (DTH) and high definition television (HDTV) digital platforms, as well as transmission and audiovisual signal management out of Hispasat Peru's teleport in Lurín.

These activities are carried out through the parent company of the subgroup, Hispasat, S.A., which operates and markets those satellites not located in Brazilian orbital positions; and through the companies Hispasat Canarias, S.L. (sole-shareholder company) and Hispamar Satélites, S.A., Hispamar Exterior, S.L. (sole-shareholder company), and partially through Hispasat México, S.A. de C.V., all of which operate and market those satellites located in Brazilian orbital positions. The company Hispasat Perú S.A.C. manages and transports the signals of the wholesale video signal distribution business for the LATAM region from its teleport in Lurín, Peru. In August 2022, the AXESS subgroup, which provides satellite connectivity services to the corporate and governmental segments in the LATAM and EMEA regions and is made up of 12 companies, became part of this corporate structure within the larger Hispasat subgroup.

The Hispasat subgroup has a corporate presence across 12 countries: Spain, Brazil, Peru, Mexico, Colombia, Ecuador, Chile, Argentina, Colombia, the United States, Germany and the United Kingdom and serves customers in more than 50 countries.

As discussed earlier, a new satellite, known as Amazonas Nexus, was successfully launched on 7 February 2023 (orbital position 61º West). It is a high-performance geostationary satellite that will bring high-speed internet access to the entire American continent, North and South Atlantic air corridors and remote regions such as Greenland and the Amazon forest. It is designed specifically to provide high-quality connectivity in aircraft and boats and will help reduce the digital divide in Latin America swiftly and efficiently.

This launch has made Hispasat the world's first satellite operator to offset the carbon footprint derived from the entire launch process through a reforestation programme to be carried out by its subsidiary Sylvestris, which is part of Hispasat's sustainability plan, aligned with the sustainability commitments of Redeia.

Since its launch, Hispasat has entered into several agreements for the long-term lease of Amazonas Nexus capacity with operators and service providers in the government space and players in the mobile connectivity space.

On 3 May 2023, Spain's Ministry of Economic Affairs and Digital Transformation, acting through the Secretary of State for Telecommunications and Digital Infrastructure, awarded Hispasat the tender for the European funded ÚNICO plan to extend broadband connectivity to rural areas of Spain. Hispasat has been providing the adjudicated service since 12 June 2023, having deployed, via satellite technology, the infrastructure needed to provide ultra-fast internet in areas all over Spain where the speed provided by fixed technology is under 50 Mbps, thus providing an affordable service with a speed of at least 100 Mbps until 31 December 2027. It has also met the cost of setting up a platform and installing the equipment associated with end user registration. A total of 40.3 million in aid has been granted to Hispasat in order to set up the service and establish a platform with network resources, along with 36 million euros to cover, through the retail operator, the registration of end users.

A group of European space and telecommunications companies, including Hispasat, have formed a consortium to bid for the future European satellite constellation, IRIS2 (Infrastructure for Resilience, Interconnectivity and Security by Satellite). IRIS² aims to provide a new secure and resilient connectivity infrastructure for European governments, businesses and citizens alike.

This association will set up a highly qualified European telecommunications and space team composed of representatives of these companies to leverage their expertise and capabilities in the field of secure satellite communications solutions. The consortium will encourage start-ups, mid-caps and SMEs to join this association, which will ultimately result in a more innovative and competitive European space sector for the emergence of new business models.

The integrated team will look to foster collaboration between all European space actors operating along the connectivity value chain, with the aim of enabling the EU's strategic autonomy through the provision of sovereign, secure and resilient government services there to protect European citizens. The team will also seek to unlock synergies between government and commercial infrastructures. The partners are also well positioned to provide commercial services aimed at bridging the digital divide across various regions of Europe, while also expanding Europe's global reach and competitiveness as a space and digital power in the global market.

IRIS² will offer resilient and secure connectivity solutions to governments to protect European citizens, while also providing commercial services for the ultimate benefit of European economies and societies. It will also bolster the EU partnership policy by offering this infrastructure outside Europe. IRIS² is the EU's new flagship space programme for a digital, resilient and safer Europe.

Fibre optic business

The Group's fibre optic business primarily operates in Spain, doing so through the subsidiary Red Eléctrica Infraestructuras de Telecomunicación, S.A. (hereinafter Reintel), which is the Group company responsible for operating fibre optic networks and rendering telecommunications services to third parties. The Group holds a 51% stake in Reintel and a 49% stake in Kohlberg Kravis Roberts & Co. L.P. (KKR), through its subsidiary Rudolph Bidco S.À.R.L.

Reintel is a neutral provider of telecommunications infrastructure. Its principal activity is leasing dark fibre and associated infrastructure. Reintel also provides maintenance services for telecommunications equipment.

At present, the Company operates a fibre optic network in excess of 52,200 km rolled out over the electricity transmission grid and the railway network, guaranteeing transparent access on equal terms to its customers and to telecoms sector players.

The telecommunications business associated with fibre optics has been performing well, thanks to the Company's proactive commercial management and an efficient and stable cost structure.

2 Business performance

2.1 Key financial figures

Revenue

Revenue and **share in profits of companies accounted for using the equity method (engaged in similar activities to those of the Group)** amounted to 2,129.2 million euros, up 3.1% on the 2,065.4 million euros reported as of December 2022. The revenue performance by the main business line was as follows:

- **Management and operation of national electricity infrastructure:** The revenue generated by this activity totalled 1,625.2 million euros, up 1.6% on the previous year. This is due to higher revenues from transmission activity (+16.2 million euros), with a negative extraordinary impact in 2022 arising from system operation activities (+8.7 million euros), following the review of the parameters for the second regulatory period of 2023–2025, together with an increase in projects for third parties (+1.2 million euros).

- **International electricity transmission:** Revenue plus the Group's share of profits at investees totalled 135.7 million euros, up 14.8% year-on-year. The breakdown of that growth is as follows:

  - Revenues climbed from 70.6 million euros in 2022 to 74.4 million euros in 2023. The 5.4% increase is largely due to the higher turnover generated by Redenor (Chile), following the start-up of phase two of the project, and also at Tesur 4 (Peru), following the start-up of the facilities associated with this project in January 2023.

  - The Group's share of international investee profits was 61.3 million euros, up from 47.7 million euros in 2022. This improvement largely follows the inclusion of new assets at the Argo subsidiary in Brazil in November 2022 and an increase in earnings at TEN (Chile).

- **Telecommunications:** This business generated revenue plus investee profits of 399.3 million euros in 2023, compared with 371.1 million euros in 2022.

  - **Satellite business:** Satellite revenues plus the share in the profits of investee companies improved by 9.1% during the period compared to the same period of the previous year to reach 249.3 million euros. This positive trend was down to an increase in revenues from Axess (44.5 million euros), given that it was included in the scope of consolidation for the whole of 2023 (2022: five months), partially offset by lower revenues due to the scheduled termination of certain video services in Brazil. The improvement in earnings from investees, which climbed from 2.3 million euros in 2022 to 4.0 million euros in 2023, was largely due to a higher contribution from Hisdesat.

  - **Fibre optic:** This segment generated a turnover of 150.0 million euros, up 5.2% on 2022 (+7.4 million euros), largely due to the linking of certain contracts to inflation.

Other operating income and self-constructed assets. Both items totalled 126.2 million euros in 2023, compared to 140.6 million euros in the previous year.

Self-constructed assets dropped from 62.9 million euros in 2022 to 58.3 million euros in 2023, mainly due to the lower volume of construction at the international business, partially offset by higher activation of projects in Spain.

Other operating income includes the Chira – Soria pumping station, which has been classified as a financial asset under concession since December 2022. This accounting treatment led to revenues of 57.8 million euros in 2023, 50.1 million euros associated with construction costs and 7.7 million euros from applying the project's financial rate of return. The remainder of this item amounted to 10.2 million euros, down on the 2022 figure due to lower income from insurance claims as a result of a lower claims ratio.

Operating expenses

Operating expenses amounted to 747.6 million euros, up 4.6% year on year. The main reason for this growth is the inclusion of Axess in the scope of consolidation in August 2022 (+35.2 million euros). Comparable operating expenses increased by 3.4%, mainly due to an increase in the Group's activity.

- **The cost of supplies and other operating expenses** climbed from 504.1 million euros in 2022 to 533.2 million euros in 2023. Note that this amount includes, as mentioned earlier, certain items that are not comparable with the previous year.

- **Personnel expenses** came to 214.5 million euros, up 3.9 million euros year on year. The incorporation of Axess staff, which adds 6.7 million euros to this item, the impact of the costs associated with the new collective bargaining agreements signed at the beginning of the year (estimated at roughly 3.7 million euros), and the higher average headcount, with a cost impact of approximately 3.5 million euros, are largely to blame for this increase, which was offset by the non-recurring impact stemming primarily from the redundancy incentive plan at the end of the previous year (13 million euros).

The **headcount** at 31 December 2023 was 2,477 employees, compared with 2,420 a year earlier. Meanwhile, the **average headcount** was 2,447, compared with 2,250 at December 2022. The increase in both the year-end and average headcount is largely due to the increase in Hispasat's workforce following its acquisition of Axess, as well as an increase in personnel at the Group's regulated business in order to cope with higher investments.

Earnings

Gross operating profit (EBITDA) amounted to 1,507.8 million euros, above the figure reported in 2022 (+1.1%). The trend in EBITDA by business is as follows:

- **Management and operation of national electricity infrastructure:** EBITDA amounted to 1,141.7 million euros, up 0.8% year on year, due to the effect of higher revenues from transmission and the system operator, partially offset by an increase in operating expenses.

- **International electricity transmission:** EBITDA at this business amounted to 105.0 million euros, revealing year-on-year growth of 16.1%, largely due to the increased contribution made by the Argo investees, following the consolidation of new assets, and the company Transmisora Eléctrica del Norte (TEN).

- **Telecommunications:** EBITDA from telecommunications activities stood at 239.7 million euros, 5.4% below the figure generated in 2022.

  - At the **satellite business**, EBITDA amounted to 126.0 million euros, down 21.7 million euros on 2022, following the planned expiry of certain video services in Brazil, partially offset by the revenues generated by the Amazonas Nexus satellite, which has been in commercial operation since July 2023.

  - Meanwhile, EBITDA at the **fibre optics** business came to 113.7 million euros, up 7.6% year on year, due to the impact of inflation on contracts and control over operating costs.

EBIT amounted to 989.7 million euros, up 2.9% on the figure reported in 2022. This performance is due to an increase in EBITDA and a slight drop in depreciation and amortisation, following the end of the useful life of the Amazonas-2 satellite (replaced by Nexus) and higher revenues from subsidies received by Hispasat under the 'Único' programme.

Financial income/(expense) improved by 13.6% during the period to reach -79.5 million euros, compared to -92.0 million euros in the previous year. The change in financial expenses, increasing from -116.5 million euros in December 2022 to -133.1 million euros in 2023, was largely due to the higher average cost of debt, which increased from 1.62% to 2.14%. This item was more than offset by an increase of

51.5 million euros in financial income, more than two times the figure reported a year earlier, thanks to the efficiencies achieved in managing and placing existing liquidity, as well as lower average gross debt.

The **effective income tax rate** applicable to the Group was 20.9%, slightly below the 21.7% paid in 2022. This slight drop in the tax rate is mainly due to the higher contribution to profits made by equity-accounted investees, recognised net of tax.

Lastly, **consolidated profit attributable to the parent** came to 689.6 million euros, up 3.7% on 2022, with profit attributable to non-controlling interests also higher, at 30.0 million euros in 2023 compared to 16.5 million euros in 2022, after factoring in the effect of the sale of Reintel in June 2022. The performance of this item by line of business is as follows:

- **Management and operation of national electricity infrastructure:** The net profit generated by this activity came to 545.8 million euros, which is 32.2 million euros less than in 2022. This increase is largely due to higher EBITDA, as mentioned earlier, as well as an improvement in financial income/(expense).

- **International electricity transmission:** this activity generated a net profit of 50.3 million euros during the period, compared with 54.7 million euros in the previous year, following an increase in borrowing costs.

- **Telecommunications:** Net profit at this segment dropped from 82.7 million euros in 2022 to 57.4 million euros in 2023, following a drop in earnings from satellite activities (for the reasons mentioned earlier), coupled with an increase in the weight of non-controlling interests in fibre optic activities.

Investments

Redeia has been steadily ramping up the implementation of its investment plan in the national regulated business, having exceeded 800 million euros in 2023 and with its responsibilities in this regard forming the backbone of the energy transition. This performance signals a prolonged period of high investment over the rest of the decade.

Investments linked to the **management and operation of national electricity infrastructure** amounted to 824.5 million euros during the period, up 55.0% on the same period of the previous year, with Redeia working hard to facilitate Spain's energy transition by paving the way for a greater integration of renewable energies. The breakdown by business line is as follows:

- **Development of the national transmission network** a total of 744.6 million euros was allocated to this item, compared to 448.8 million euros in the previous year, due to further efforts to build new lines and substations, together with the progress made in building interconnections with other countries and between islands.

- Meanwhile, the **System Operator** invested 22.1 million euros, compared to 19.0 million euros in 2022.

- Last but not least, investment in **storage capacity in the Canary Islands** amounted to 57.8 million euros, compared to 64.2 million euros in 2022.

Total investment in **international electricity infrastructure management and operation** came to 5.9 million euros, compared to 238.2 million euros in 2022, which included Argo's acquisition of five new transmission lines in Brazil. In 2023, investment reflected the completion and commissioning of various ongoing projects in Peru and Chile.

In the realm of **telecommunications**, a total of 119.2 million euros was channelled into the **satellite business**, mainly in connection with the new Amazonas Nexus satellite and the deployment of backhaul services in Mexico. In the same period of 2022, total investment in the satellite business came to 209.6 million euros. This figure included the acquisition of Axess in August 2022, bringing the organic investment in 2022 to 82.4 million euros. Investment in the fibre optics business amounted to 8.3 million euros, compared with 5.4 million euros in 2022.

Meanwhile, a total of 38.2 million euros was set aside for other investments. This item includes infrastructure for the Group and the investments made by Elewit, Redeia's private equity investment vehicle.

Cash flows

Funds from operations (FFO), after tax, amounted to 1,156.3 million euros.

Working capital presented a cash outflow of 664.4 million euros during the period, compared to a positive inflow of 420.2 million euros in the previous year. This abrupt change is largely due to the refunds made of overcharges collected in previous years. The outstanding amount is due to be repaid in the coming months.

Investments made during the year amounted to 996.2 million euros, down 3.5% on the previous year, as investment activity in 2022 included (as mentioned earlier) a total of 118 million euros due to the acquisition of the satellite company Axess Networks, as well as Argo's acquisition of five new transmission lines in Brazil in exchange for roughly 200 million euros.

Changes in other assets and liabilities relate mainly to the 500 million euros of proceeds raised through a hybrid bond issue at the end of January 2023. This item also includes subsidies received in the period, largely in connection with Hispasat's programme to extend broadband connectivity to rural areas. In 2022, this item included the proceeds obtained from the sale of the 49% stake in Reintel to KKR in exchange for roughly 1 billion euros.

The 4.7% growth in **dividends**, to reach 569.3 million euros, was due to the fact that this item includes payments made by Redeia investees to non-controlling interests.

These items led to an increase in **net financial debt** of 341.6 million euros compared to the same figure at 31 December 2022.

Trend in net debt

Net financial debt stood at 4,975.4 million euros at 31 December 2023, up 7.4% on the 4,633.8 million euros reported at year-end 2022.

At year-end 2023, all of the Group's financial debt was **non-current**. In terms of interest, **89%** of the Group's debt is arranged at fixed rates and the remaining **11%** at **floating rates**.

In 2023, the **average cost** of the Group's financial debt was **2.14%**, compared to 1.62% in the previous year.

Meanwhile, **average gross debt** was **5,934 million euros**, compared with 6,341 million euros in the previous year.

Redeia has pledged that **100% of its financial debt will be tied to ESG criteria by 2030**. Moreover, it was firmly on track to meeting this target, as at year-end 2023 **59%** of the Group's borrowings already included **ESG criteria**, up from 42% at 31 December 2022.

Equity

At 31 December 2023, Redeia's equity amounted to 5,529.1 million euros, up 634.8 million euros on the figure reported at 31 December 2022, mainly due to the classification of the 500 million euros of hybrid bonds issued in January 2023 as equity instruments, as well as the contribution of retained earnings for the year and the distribution of dividends essentially for the year 2022.

2.2 Financial indicators

Thousands of euros

	2023	2022	Chg. %
Gross operating profit (EBITDA)	1,507.8	1,491.3	*1.1%*
Investments	996.2	1,032.3	*(3.5)%*
Net financial debt	4,975.4	4,633.8	*7.4%*
Equity	5,529.1	4,894.3	*13.0%*
Dividends paid	569.3	543.9	*4.7%*
Leverage	47.4%	48.6%	*(1.27)%*
Debt Coverage Ratio (Net financial debt/EBITDA)	3.3	3.1	*6.5%*

3 Liquidity and capital

The Group's liquidity policy has been designed to ensure payment obligations are met, diversifying how financing requirements are covered and when debt matures.

The Group's robust liquidity position allows for prudent liquidity risk management. This position is essentially based on cash flow generation, mainly through regulated activities; sound management of collection and payment periods; and the financial capacity obtained through short- and long-term credit facilities.

At 31 December 2023 the undrawn balance on credit facilities amounted to 1,676 million euros (1,795 million in 2022 euros) and cash surpluses totalling 675 million euros were available (1,510 million euros in 2022). The average maturity of the debt drawn down at the end of the period was 4.5 years (5.0 years in 2022).

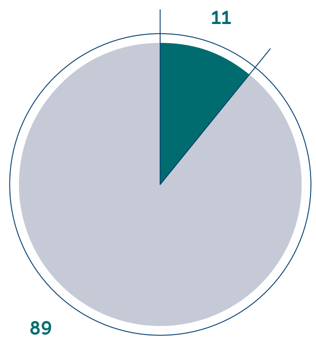
The Group's financial strategy has aimed to reflect the nature of its businesses, at all times adhering to the legislation in force. The activities conducted by the Group are very capital-intensive, wherein a large portion of investments mature over long periods. In addition, these assets are remunerated over long periods of time, meaning that financial debt is primarily long-term and fixed-rate. The Group's strategic commitment to long-term, enterprise-wide sustainability is also present in its responsible and transparent management style, which promotes sustainable sources of financing.

Financial debt structure / %

Fixed vs. floating

11%
Floating rate

89%
Fixed rate



The Group's capital structure policy ensures a financial structure that optimises the cost of capital through a sound financial position, effectively balancing the generation of value for shareholders with competitive costs of financing. Capital is periodically monitored through the gearing ratio, which in 2023 stood at 47.4% (48.63% in 2022). This ratio is calculated as net financial debt divided by equity plus net financial debt.

To maintain and adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders, reimburse capital or issue new shares.

4 Risk management

Redeia has a Comprehensive Risk Management System in place designed to ensure that any risks that could affect the achievement of its strategies and objectives are systematically identified, analysed, assessed, managed and controlled, framed by uniform criteria and within the established risk levels, in order to facilitate compliance with the strategies and objectives of the Company. The Comprehensive Risk Management Policy was approved by the Board of Directors of the Group's parent company. This Comprehensive Risk Management System, the Policy and the General Procedure regulating it are based on the COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management - Integrated Framework).

The ERM system is implemented in accordance with ISO 31000 on risk management principles and guidelines, which is comprehensive and ongoing in nature. Risk management is also strengthened at the business unit, subsidiary, support area and corporate level.

The end-to-end risk management and control policy and procedure define the various duties of the governing bodies and those of each organisational unit, as well as the information flow and activities to be performed.

4.1 Corporate risks

The types of risk to which the Group is exposed (corporate risks) as regards the achievement of its strategies and objectives can be classified as follows:

Strategic risks

- Risks related to the regulatory framework in which the Group operates.
- Business risks associated with the business context itself or with decisions of a strategic nature.
- Risks related to sustainability and good governance.

Operational risks

- Risks associated with planned assets and/or those in progress.
- Risks associated with assets currently in service.
- Risks relating to information systems.
- Risks relating to personnel and their organisation.
- Compliance risks.

Financial risks

- Market risk.
- Risks related to the solvency of the Company.
- Counterparty risk.
- Underwriting risks.

The Corporate Risk Map depicts the Group's most significant risks and is prepared on the basis of a bottom-up methodology, whereby the risks are identified, analysed and assessed by the different organisational units before being escalated for validation by the executive officers, general managers and corporate heads, until such time as they are ultimately presented to the Chair of the Group, the Executive Committee, the Audit Committee and the Board of Directors.

The main risks to which the Group is exposed and that could affect achievement of its objectives are regulatory risk, including tax risks, in as much as the Group's principal business lines are subject to regulations, operational risk, primarily arising from the activity carried out in the electricity and telecommunications sectors, financial risk, market risk and environmental risk.

The ERM policy includes the policy for controlling and managing tax risks. It also covers financial risk management, as described in the note to the consolidated annual financial statements on the financial risk management policies.

The Company's Sustainability Report provides further details of the Group's main risks at present, as well as risks which could emerge in the future.

4.2 Climate change risks

The Group also manages climate change risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Aside from reviewing the governance criteria, the Group has a specific methodology to prioritise these criteria and quantify their economic impact, which has been implemented on the basis of various scenarios.

Governance

Climate change risk management is built into the Company's risk management and such risks are subject to the governance model for this purpose described above. The pertinent risks are included in the Corporate Risk Map.

In addition to being supervised by the Audit Committee of the Board of Directors, as part of its oversight role over the end-to-end risk control system, climate risks and opportunities are passed on to the Board's Sustainability Committee. This Committee's duties include reviewing the corporate responsibility and climate change policies to enable decisions to be made considering the results of the risk analysis.

The strategic plans incorporate the lines of action, objectives and high-level responsibilities in relation to climate change. The business areas set out the goals, actions and specific responsibilities in their operational plans in order to keep exposure to climate change risks within acceptable levels.

Identifying and quantifying risks and opportunities

Climate change risks and opportunities comprise both physical risks and opportunities related to changes in climate factors (which could have a direct effect on the facilities or on the services rendered by the Group) and transition risks and opportunities (related to changes stemming from the fight against climate change: technological, market and reputational).

The Company has a specific methodology in place for the identification, ranking and economic quantification of the risks.

As indicated by the TCFD recommendations, the analysis is carried out taking into account various physical and transition scenarios:

- The physical scenarios considered are as set out in the Assessment Report AR5 [(1)] of the Intergovernmental Panel on Climate Change (IPCC) (Representative Concentration Pathways RCP 2.6, RCP 4.5 and RCP 8.5). Projections by the Spanish Meteorological Office (AEMET) in the case of Spain and by the World Bank in the case of LATAM have been used to adjust the values of climate factors.

- Scenarios published by the International Energy Agency (IEA) in its WEO-2023 report are used as a reference for transition scenarios. These scenarios are fleshed out with additional information referring to relevant factors based on the business and geographical area. In the case of electricity business risks in Spain, the scenarios included in the National Energy and Climate Plan (NECP) (trend and target scenarios) —which would correspond to the International Energy Agency's STEPS and NZE2050 scenarios— are used.

Transition risks and opportunities are analysed over the short, medium and long term. The economic impact or monetisation of the risks is quantified for a period of 10 years. The process of identifying and quantifying risks and opportunities is reviewed and updated at least annually.

Conclusions: Relevant risks and opportunities

The following risks could materialise in the short and medium term:

Physical risks:

- Damage caused to overhead power lines by extreme winds.

- Fire damage caused to power lines and substations.

The impact of these risks would materialise as damage to infrastructure, with or without affecting the electricity supply; an increase in maintenance costs, affecting third parties or the environment; and impacts on reputation.

The estimated economic impact of these risks is significantly reduced and does not exceed 2% of the Group's profit. This is due to the roll-out of specific projects and the application of different adaptation measures, including insurance policies.

- Decline in water availability for hydroelectric generation. Were it to materialise, this risk would affect the operation of the electricity system by effectively reducing power availability, lack of firm power and lack of resources for pumping (flexibility mechanism). It would have no financial impact.

Transition risks:

- Insufficient information for the real-time operation of the system due to an increase in renewable generation facilities with outputs below 1 MW (current observation threshold set by the System Operator).

- Power disconnections due to a prevalence of renewable energy facilities within the power mix without the technical capabilities needed to cope with disturbances.

- Additional restrictions on renewable energy production and incidents that could affect security of the supply in the Canary Islands, due to the significant rise in the share of renewable energies in the energy mix forecast for future years.

(1) IPCC Fifth Assessment Report (2014), which is drawn up by scientists from different countries. RCP 4.5 is a target scenario and RCP 8.5 is a trend scenario, in which further changes in climate parameters are envisaged.

- Loss of firm generation capacity due to the closure of conventional power plants.

  The impact of these risks include increased difficulties with regard to system operation, further caps on production and additional technical constraints, and a possible effect on supply, which could in turn harm the Company's reputation.

  Red Eléctrica works hard to integrate renewables safely into the electricity system, thus minimising the materialisation and impact of these risks.

- Stricter legal requirements governing the use of fluorinated gases (SF_6).

  The new requirements could lead to a rise in taxes associated with the use of gas, as well as increased management and maintenance costs to ensure that new requirements are met. Restrictions on the use of gas could also entail technical problems and high costs.

  It should be highlighted that the Company has implemented a raft of measures to minimise SF6 leaks, and to roll out projects focused on sourcing alternative solutions. Notably, the Company is involved in work groups and legislative processes, and continues to collaborate closely with the authorities, all of which significantly helps to anticipate risk.

- Long lead time in commissioning the infrastructure needed for the energy transition: international interconnections.

  To meet the objectives of the energy transition, the transmission network must be developed. However, due to social aversion to this type of infrastructure and the long waits to obtain the necessary authorisations for its development, there could be difficulties in bringing the required facilities into service.

  To reduce this risk, preliminary studies are key in analysing the viability of the infrastructure proposed in the planning. Numerous programmes have also been implemented relating to management of stakeholders and public engagement, together with other projects to improve infrastructure development processes, such as planning the materials supply and service requirements.

- Overload of grid access procedures due to high interest among renewable generation developers and consumption and storage facilities.

  Procedural setbacks can lead to an increase in claims and lawsuits that could result in sanctions or negatively affect the company's reputation. To reduce this risk, the company is firmly committed to making further progress in digitalising and automating processes and collaborating more with the regulator in improving levels of regulatory support.

Thanks to all these actions to address the various risks, the annual economic impact estimated for these transition risks would be less than 2% of the Group's profit.

Opportunities:

Energy transition policies provide huge opportunities for the Group, connected to the development of infrastructure to make the transition possible.

- Development of the existing network: integration of new renewable energy capacity, interconnections, high-speed trains and support for an increased electrification of society (investment in lines, substations, interconnections, protection systems and other network infrastructure control and monitoring equipment).

- Development of storage in non-mainland systems.

- Development of infrastructure for the energy transition in Latin America.

Moreover, new telecoms business opportunities have been identified in relation to digitalisation and increased connectivity.

- Deployment of infrastructure to help reduce the digital divide in telecommunications (digital connectivity via satellite and roll-out of broadband services).

Lastly, the Group's improved performance in mitigating and adapting to climate change is expected to be a boon for its reputation and could lead to:

- Better financing opportunities and/or higher stock prices.

5

Disclosures regarding average supplier payment term. Additional Provision Three - "Disclosure requirements" under Law 15/2010, of 5 July 2010

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding the information that must be disclosed in the notes to the financial statements on average payment periods to suppliers in commercial transactions, the average supplier payment period in the case of Spanish Group companies was 44 days at year-end 2023 (41 days in 2022).

The disclosures required by this resolution are contained in note 21 to the Group's consolidated financial statements for 2023.

6

Events after 31 December 2023

Subsequent to the reporting date, specifically on 3 January 2024, Redeia, through its subsidiary Red Eléctrica Financiaciones, S.A.U., and under the scope of the Euro Medium Term Note (EMTN) Programme of the latter, issued 500 million euros of green bonds on the euromarket that are secured by Redeia Corporación, S.A. and Red Eléctrica de España, S.A.U.

The proceeds will be used to finance and/or refinance eligible assets under the umbrella of Red Eléctrica de España, S.A.U.'s green finance framework.

The notes, which were paid in on 17 January 2024, mature in 10 years and carry an annual coupon of 3.00%; they were issued at a price of 99.405%, implying a yield of 3.07%.

7

Outlook

As regards the management of the different businesses, Redeia will continue to undertake its activities, implementing a model encompassing two major lines of action in equal proportion: operations subject to market risk which offset the concentration of regulatory risk, and regulated operations which offset market risk. Along these lines, it will continue to perform the role of Spanish Transmission System

Operator (TSO), helping to make the energy transition in Spain a reality; continue to foster connectivity as a leading operator of both fibre optic and satellite telecommunications infrastructure; consolidate its international business; and invest in technological acceleration and innovation.

Executing the strategy, underpinned by efficiency, digital transformation and personnel development, will enable the Group to adapt to the new, stricter regulatory and remuneration environment, and to generate more ways of creating value.

Redeia will uphold its commitment to maximising value for its shareholders, offering an attractive return in the form of dividends and generating value through efficient management of its activities, analysing alternatives for expanding its core business, maintaining a robust capital structure and working to guarantee electricity supply, propelling a fair ecological transition with sustainability criteria.

Redeia will therefore continue to seek the generation of long-term value, creating lasting, competitive advantages and improving the company's corporate reputation, whilst focusing on providing optimum service to society – the differentiating feature of its management.

Likewise, Redeia will concentrate on unlocking shared value by working in collaboration with stakeholders and combating territorial, digital and gender inequality.

It is determined to forge ahead with its fulfilment of the 2030 Sustainability Commitment and to maximise the contribution of all Group companies in order to meet the global targets, noteworthy among which are the UN Sustainable Development Goals (SDGs).

7.1 Outlook for the management and operation of national power transmission infrastructure

Advancements in regulated activities, aimed at making the energy transition in Spain a reality, primarily observe the following lines of action:

- Integrating more renewable sources of energy generation within the electricity system, supporting the change to zero emission carriers and greater energy efficiency.
- Making the user the centre of the electricity system, providing new services for an increasingly demanding and discerning user in terms of data and information.
- Developing storage based on the management needs of the system in order to implement a more flexible electricity system.
- Digitalisation and roll-out of smart grids, proposing new technological solutions to maximise the use of transmission assets.
- Achieving a higher degree of interconnection, furthering integration with the European market and improving the functioning of non-mainland systems.

All of these challenges will require a significant level of investment in the transmission network in the coming years, with a considerable technological component, which will be rolled out in an increasingly strict regulatory and remuneration environment.

Redeia will ensure its financial policy is in line with the remuneration regime for transmission activities, which involves maintaining a suitable financial structure to safeguard the Group's financial solvency, its compliance with the ratios laid down by the Spanish National Markets and Competition Commission (CNMC) and having a robust credit position.

7.2 Outlook for the management and operation of international electricity infrastructure

The Group will continue to focus its international business activity on strengthening its outreach in countries where it has a presence, specifically Peru, Chile and Brazil, as a way to diversify business.

Work will also remain ongoing to explore viable and alternative financing streams at opportune market junctures in order to optimise the Group's capital structure and as a way of expanding the core business.

7.3 Outlook for telecommunication activities

Satellite business

The satellite communications industry is growing and in 2023 it returned to the level of total revenues that the sector had reported back in 2019. The forecast for the next decade is for cumulative growth of more than 15% to be delivered by both GEO satellites (traditional satellite operators) and non-GEO constellations.

The satellite industry is the midst of a process of transformation and change, resulting firstly from growing fixed and mobile connectivity needs and secondly from the entry of new competitors that are deploying satellite constellations. This complex environment, with multiple variables and facets, is shaping the way in which the industry is evolving and adapting to the new way of things.

The sector is evolving and we are witnessing two processes: first, explosive growth in connectivity and data transmission services and second, a reduction in satellite video services. This demand for connectivity has been accompanied by a requirement for operators to move up the value chain by providing a comprehensive service to their customers, which, when added to the fact that technological evolution cycles have accelerated, has led to the development of new forms of organisation and more flexible and adaptable service models.

Hispasat's last strategic plan was approved in late 2022 with the aim of making further progress towards the lines of action defined and shifting the commercial activity away from the traditional business while simultaneously bringing on board a new focus and direction towards verticals with greater future growth potential. The aforementioned plan is expected to enable the Company to scale up and become a provider of services and solutions via satellite to meet the growing demand for global connectivity and data services with a guarantee of quality, security and resilience, whilst pushing Hispasat forward to become the go-to supplier of innovative products and services, ensuring profitability and growth, and responding to the current and future challenges of its customers and shareholders.

In addition, the telecommunications activities carried out by Reintel, as a provider of telecommunications infrastructure, will focus on the backbone fibre network market, specifically the lease of dark fibre in the infrastructure associated with telecommunications sector players.

The incorporation of KKR as a strategic shareholder in 2022 will enable Reintel, in the long term, to benefit from growth opportunities and maximise its capacity to generate value from its telecommunications business.

Reintel continues to implement its commercial plan and undertake the investments requested by customers, while also broadening its portfolio of fibre products in a bid to increase its revenues. Meanwhile, it is making progress in interconnecting rail and electricity fibre networks with the aim of offering new solutions to customers, such as new redundant sources and access points, without ever neglecting the high standards of service that it provides to its customers

7.4 Other activities

When it comes to innovation, Elewit will help the Group to consolidate its commitment to innovation, entrepreneurship and technological development, which are the cornerstones of sustainability against a backdrop of transitions in both the energy and telco sectors.

Through Elewit, Redeia will harness the potential of technology to further its various businesses and pursuits, while also exploring new value-added businesses. Initiatives focused on new tech verticals will be explored, such as cybersecurity, energy, AI and advanced analytics, Industry X.0, the Internet of Things (IoT), new communication technology and satellites, platforms and networks of the future, and any other technology with potential that is detected in the constant screening of and interaction with the tech ecosystem.

Ultimately, Elewit will enable Redeia to forge stronger ties with society, to increase the availability of its infrastructure, to strengthen system security, to maximise the integration of renewable energies and the use of its assets, to enhance the efficiency and sustainable management of its assets, and to improve the health and safety of people.

8 Innovation

Redeia continued its efforts to innovate in 2023, managing a total of 78 innovation projects with a total expenditure of 6.51 million euros during the year. It also launched startup investment processes totalling 2.08 million euros, bringing the total investment in innovation and technological development to 8.59 million euros.

In 2023 Elewit continued to roll out all the necessary tools to capture and bring to fruition initiatives/projects at any stage of maturity that could further improve innovation at Redeia. One of the ambitions is to have a balanced portfolio of initiatives in terms of stage of technological maturity, thus providing both operational innovation that can be swiftly applied to businesses/activities, and more disruptive innovation linked to the tech required to address the challenges of the ecological transition and connectivity.

Along these lines, the achievements over the course of the year can be grouped as follows:

- Venture Client Programs: culmination the 4th Venture Client Programme, with the completion of seven pilots for the agile development and testing of new solutions to resolve internal needs within the company related to cybersecurity and the design of critical assets such as submarine cables, and to reduce the risk of failures in power lines, while also identifying possible risks to workers in the field so as to increase levels of safety.

- Corporate Venture Capital (CVC): the company has continued to build a portfolio of innovative tech firms. In 2023, it added STELLAR to its portfolio, a startup dedicated to the development of connectivity solutions that combine the telecommunications and automotive sectors. Meanwhile, Redeia continues to support the growth of its existing investees (Aerolaser and Hesstec). In June 2023, energy transition fund ADARA VENTURES ENERGY I, FCRE, of which Elewit is an anchor investor, was filed with the CNMV. The fundraising process among institutional, public and private investors proceeded well during the period, with the first close of the fund expected to take place in 2024, thus marking its operational start-up.

- Ecosystem creation: further progress was made throughout 2023 in building an ecosystem that will ultimately unlock a large number of technological opportunities. According to Redeia's Strategic Plan, robotics and cybersecurity were prioritised during the year. This meant building new relationship models with allies, partners and collaborators capable of helping to create new projects and investment opportunities, fitting in with the key challenges of technological innovation. Along these lines, Redeia works closely with more than 65 different innovation agents (entrepreneurs, investors, universities, research and technology centres, other corporations, opinion leaders, etc.) so as to ensure a constant supply of new ideas and knowledge. To ensure the proper management and monitoring of these external relations, Redeia has devised a scorecard containing various key indicators, including the quantification of categories or roles within the Redeia ecosystem, the various types or mechanisms of collaboration, and geographical and technological diversification, thus providing a broad view of the ecosystem from multiple angles.

- Intrapreneurship: Launch of the 2nd intrapreneurship programme, which ultimately led to the selection of the following projects:
  - e-commerceland: an online platform and marketplace to help maximise the availability of land for the energy transition through energy communities by matching supply with demand.
  - EFIsite: virtual assistant to help individuals optimise their energy consumption by receiving personalised tips on how to improve levels of energy efficiency at home.
  - Continuation of the SafeDelimit project (under the 1st Intrapreneurship Programme), with the aim of materialising the letters of interest generated and unlocking the value of the underlying product.

- Tech Innovation Lab: the Lab aims to catalyse innovation at Redeia by enabling the introduction and swift adoption of disruptive technologies that are built into the innovative technological solutions being developed, thus ensuring the success of the innovation process from start to finish. In order to finance and promote the development of major projects, in 2023 Redeia relied on the support for innovation available from various public bodies under public-private partnerships. Proposals for two European projects were drawn up, for which Redeia received funding: MISSION (alternative solutions to SF_6) and TwinEU (use cases of digital twin application in the OS).

  A total of 12 innovative technology solutions were adopted in 2023, including a new design for the insulating crossarms that will ultimately reduce the footprint of HV power lines, reducing the easements needed for their use, making the designs more attractive, and improving levels of environment protection and sustainability (CICA project). We also incorporated the use of a hybrid autonomous auxiliary power supply system, based on the use of photovoltaic technology and batteries, thus allowing any substation (in this case, the Platea substation) to use more sustainable technology with which to supply its auxiliary services (PLATEA RENEWABLE project). Further highlights included a solution to improve the sensorisation of submarine cables through fibre optics (MISTRAL project), and the development of new models capable of forecasting the dynamic capacity of transmission lines by directly integrating the thermal ampacity model into the forecasting algorithm, thus making the models more efficient (met4DLR project).

- Project Management Office: monitoring of the innovation funnel, with more than 100 initiatives received, 78 projects ongoing, and 12 innovative technological solutions adopted in 2023.

- Unlocking value: Elewit continues to unlock the value of the innovation processes that go on at Redeia. To succeed in this task, Elewit works relentlessly to identify projects that will lead to solutions that can be implemented both internally and at other companies. This activity is carried out with the support of key partners for each R&D project, who can then bring the resulting solutions to market and compensate Redeia in the form of discounts, royalties or fees and commissions. Elewit unlocks this value through various initiatives. All of them are key, as they help to improve both Elewit's positioning and that of the solutions stemming from Redeia's R&D activities, thus making Elewit and Redeia key players and touchstones for other companies in their industry.

More precisely, the following actions were carried out in 2023:

- Marketing and dissemination actions in relation to DALIA (end-to-end solution for asset inspection using drones and AI), with the submission of bids to ARGO (Brazil), UTE (Uruguay) and CCNCM S.A.C. (Peru), as well as presentations of PDEye (partial discharges) and Overstory (digitalisation of existing plant cover).
- Expansion of the portfolio to include three new solutions through which Redeia can earn royalties and acquire the solutions at a discount or on other advantageous terms: ZEPAS (portable transformer), SERPAT (tools for improving grounding at substations) and STRATEGOS (solution for optimising the project portfolio). The only formality yet to be completed is the signing of the ZEPAS and SERPAT exploitation agreements.
- Presentation of two offers for innovation services to third parties (InnaaS – Innovation as a Service): first, the implementation of a Venture Client programme at ARGO and second, an offer made to Grupo Energía de Bogotá, in which Elewit would help the company to develop innovation skills within the organisation. Service propositions were also presented to various Spanish companies, including e-redes and Roadis.
- Elewit and Redinter both took part in the XIX ERIAC seminar held in Brazil by setting up a stand in the exhibitors' area offering corporate information and innovation solutions. Elewit also presented three technical articles related to the solutions stemming from the innovation projects ZEPAS, PDEye and SF_6-SO_2 Sensorisation, with the sensorisation proposal receiving an award.

Thanks to the work carried out alongside Redinter and Aerolaser in Latam, the DALIA solution was approved for implementation at ARGO (Brazil) and UTE (Uruguay).

• Venture Building: The aim of this project is to spot attractive new business logics present within the market and underutilised assets, technology or knowledge within Redeia with the potential to respond to market needs, provided that investing in a new company is considered the best way forward to unlock the full potential of these businesses. Further progress was made towards the Venture Builder programme in 2023, with the aim of boosting investment in startup companies by harnessing the market opportunities offered by technology.

9 Own shares

At a meeting on 31 March 2020, the Company's Board of Directors decided to suspend own share transactions as of 14 April 2020, except where such transactions relate to employee remuneration.

Consequently, only one transaction took place in 2023, involving the sale of 387,883 own shares associated with Group employee remuneration, with a par value of 0.19 million euros and a cash value of 5.8 million euros.

At 31 December 2023, the Company held own shares representing 0.21% of its share capital; more precisely, it held 1,112,017 shares with a unit par value of 0.50 euros per share and an aggregate par value of 0.56 million euros, which it acquired at an average price of 17.53 euros per share (note 13 to the financial statements) and a market value of 16.6 million euros.

The Parent has complied with the requirements of article 509 of the Spanish Companies Act, which provides that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold any own share or any Parent company shares.

10
Other relevant information

10.1 Stock market performance and shareholder return

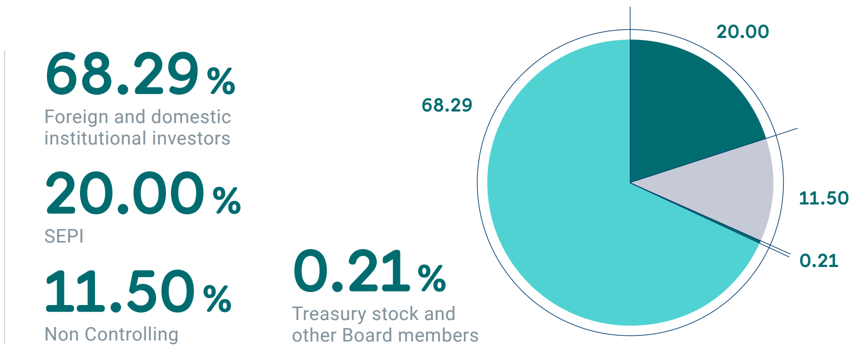
All of the shares in Redeia Corporación, S.A., the Group's listed company, are quoted on the four Spanish stock exchanges and are traded through the Spanish automated quotation system.

The Company is also part of the IBEX 35 index of blue chip stocks, with a weighting of 1.55% at year-end 2023.

At 31 December 2023 and 2022, the Company's share capital was represented by 541,080,000 shares, with a unit par value of 0.50 euros, all of which were fully subscribed for and paid up.

At year-end, the free float was 70.19%, 20% of which corresponds to Sociedad Estatal de Participaciones Industriales ("SEPI"), 5% to Pontegadea Inversiones, SL.(2), 4.60% to Blackrock (corresponding to the percentage of voting rights attaching to the shares) and 0.21% to the stakes held by Board members and treasury stock.

The shareholder structure is as follows:



- 68.29% of the shares are in the hands of foreign and domestic institutional investors. Of these investors, 11.5% are Spanish, while the remaining 88.5% of the institutional tranche is made up of foreign investors, mainly located in the United States and the United Kingdom.

- The state industrial holding company, SEPI for its acronym in Spain, holds 20% of the shares.

- Retail investors account for 11.50% of the capital.

- The Company's treasury stock and shares held by other Board members account for 0.21%.

Redeia's share price stood at 14.91 euros at close of trading on 31 December 2023. The share price was down 8.3% in the year, due to the successive interest rate hikes that took place during the period and the uncertainty surrounding the upcoming regulatory review of the electricity transmission business in the coming months. The share price fluctuated between 17.13 euros, which was reached on 4 January 2023, and 14.405 euros on 3 October 2023.

A total of 295.5 million shares were traded on the Spanish continuous market during the year as a whole, which is equivalent to 54.6% of the number of shares comprising its share capital. Cash transactions amounted to 4,625.1 million euros.

10.2 Dividend policy

Redeia will follow the dividend policy described in its 2021–2025 Strategic Plan, which initially envisioned a dividend payment of 1 euro per share until 2022, and a floor of 0.80 euros per share as of 2023.

(2) Amancio Ortega Gaona directly holds 99.99% of the voting rights of Pontegadea Inversiones, S.L.

The Group's stronger financial situation —largely due to the sale of the stake held in Redeia Infraestructuras de Telecomunicación— allowed it to raise the shareholder return to 1 euro per share in 2023.

Dividends paid in 2023 out of prior-year profit amounted to 539.6 million euros.

The dividend paid out of 2023 earnings proposed by the Board of Directors and pending approval by the shareholders at their Annual General Meeting amounts to 1 euro per share.

The dividend will be paid in two instalments – an interim dividend already paid in January 2024 and a final dividend halfway through the year once the financial statements have been approved by shareholders at the Annual General Meeting.

10.3 Credit ratings

On 2 June 2023 the credit rating agency Standard & Poor's issued a report on the Company, maintaining not only the same rating but also the outlook. This means that the parent, Red Eléctrica Corporación, and its subsidiary, Red Eléctrica, maintain long-term ratings of "A-" and short-term ratings of "A-2", with a stable outlook.

On 9 October 2023 the credit rating agency Fitch Ratings once again assigned the Company a long-term rating of "A-", with a stable outlook. Following this announcement, the parent, Red Eléctrica Corporación, and Red Eléctrica maintain long-term ratings of "A-" and short-term ratings of "F1" with Fitch, with a stable outlook.

10.4 Excellence

Redeia has a Policy of Excellence, which was updated in 2021. It sets out the Company's principles and commitment to excellence in management, which is focused on the creation of sustainable value that meets or surpasses the requirements and expectations of the stakeholders present within Redeia's ecosystem, acting as a lever for achieving truly excellent results both now and down the line.

In 1999, the Company adopted the EFQM (European Foundation for Quality Management) excellence management model as a tool to improve management, under which external assessments are performed on a regular basis. In 2022 Redeia arranged for an external assessment of Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U. in accordance with the EFQM 2020 model, obtaining a score of above 700 points and earning, in the process, the EFQM 700+ Seal of Innovation and Sustainability Excellence. Following this assessment, the model will be expanded to cover Redeia's other business activities. Work began in 2023 on extending the model at the subsidiaries Reintel (linked to Redeia's telco business) and Redinter (linked to Redeia's international business).

In 2023, Redeia earned the Ambassador of European Excellence award from Club de Excelencia en Gestión, EFQM's main partner in Spain, for scoring more than 700 points in the latest EFQM assessment and demonstrating a firm commitment to excellent, innovative and sustainable management.

Redeia also has quality assurance systems certified under ISO 9001 in place at its parent company and at the Group's main subsidiaries, along with certification under international standard UNE-ISO 19650-1 and 2 for its information management systems in building and civil engineering works. Notably, it is following the BIM (Building Information Modelling) collaborative work methodology as it builds the Salto de Chira pumped-storage hydroelectric power station in Gran Canaria.

11 Non-financial statement in compliance with Spanish Law 11/2018, of 28 December 2018

11.1 About the Non-Financial Statement / GRI 2-1

Scope of the NFS

The Non-Financial Statement (NFS) responds to the reporting requirements set out in Law 11/2018, of 28 December 2018, on non-financial and diversity information, which is reported with reference to the standards of the Global Reporting Initiative (GRI).

Section 11.9 of this document, titled "Content index required by Law 11/2018 of 28 December 2018 on non-financial and diversity information", details the specific reporting framework for each item required by the Law. For those requirements that do not pertain to any specific reporting framework, the Company uses an internal framework and details in the respective section what this internal framework entails in order to facilitate understanding.

The scope of the NFS encompasses the entire consolidated Group, comprising Red Eléctrica Corporación, S.A. and Subsidiaries. Law 11/2018, of 28 December 2018, stipulates that the Group's subsidiaries are not required to draw up an NFS as their information is included in the Group's consolidated NFS. In those cases in which any of the companies in which Redeia has a shareholding are taken into account, this will be specified where appropriate. The report makes reference to the investments held in ARGO and TEN, to which the equity method is applied.

As regards information on the main risks associated with the significant investments accounted for using the equity method, the Group carries out a risk assessment that takes into consideration both financial and non-financial aspects, both at the time the investments are made and subsequently as part of the Group's regular monitoring of its risks. The results of these analyses are not considered significant to warrant their inclusion in the NFS for 2023.

After publishing its NFS, Redeia also releases a sustainability report, which supplements the NFS and also undergoes external assurance.

It should be noted that in 2023, Redeia implemented a system of Control over Non-financial Reporting (ICnFR), which includes the documentation of processes, critical risks and key controls in compiling the non-financial information disclosed in its Non-Financial Statement. This mitigates the risk of material misstatement of the information and responds to the demand for transparent, comparable and accurate non-financial information.

Materiality Study / GRI 3-1, 3-2

In 2022, with a view to making further progress towards the 2030 Sustainability Commitment and defining its 2023–2025 Sustainability Plan, Redeia updated its Materiality Study for the purpose of identifying material topics.

The Materiality Study is based on an analysis of the Group's sustainability context in order to build an overall picture of the environment in which the organisation operates. This then allows the Group to review sustainability planning for the 2023–2025 period. In defining the context, the Group considers all the business activities and the geographical areas in which it operates.

The sustainability context includes: a trend analysis that defines and/or will define the overall sustainability, industry and geographical framework in which Redeia carries out its activity; the identification of good practices to ascertain the level of maturity of the Group's sustainability performance with respect to comparable benchmark companies; and an analysis of internal information to identify the requirements and expectations of stakeholders and other issues of relevance with a view to their incorporation in the commitments and corporate planning. Please note that the Group's stakeholders were involved in this study in order to gauge their requirements and expectations. In this respect, strategic interviews were conducted with Group management, key technical personnel and representatives of external stakeholders in order to build knowledge on the challenges, risks and opportunities regarding sustainability from both an internal and external perspective. Specifically, representatives of the following stakeholder groups were involved in the 2022 analysis of the sustainability context: business partners, suppliers, technology research and development centres, social agents and associations, environmental groups, consumer associations and end consumers, rating agencies, the media, industry associations, professional and business bodies and associations, other companies in the sector and competitors.

The methodological approach applied in the 2022 materiality study is based on the concept of double materiality. This concept makes it possible to identify those sustainability matters relevant to Redeia that affect its value proposition, performance, position and growth ("outside-in" perspective) and that have an impact on people, society and the environment ("inside-out" perspective).

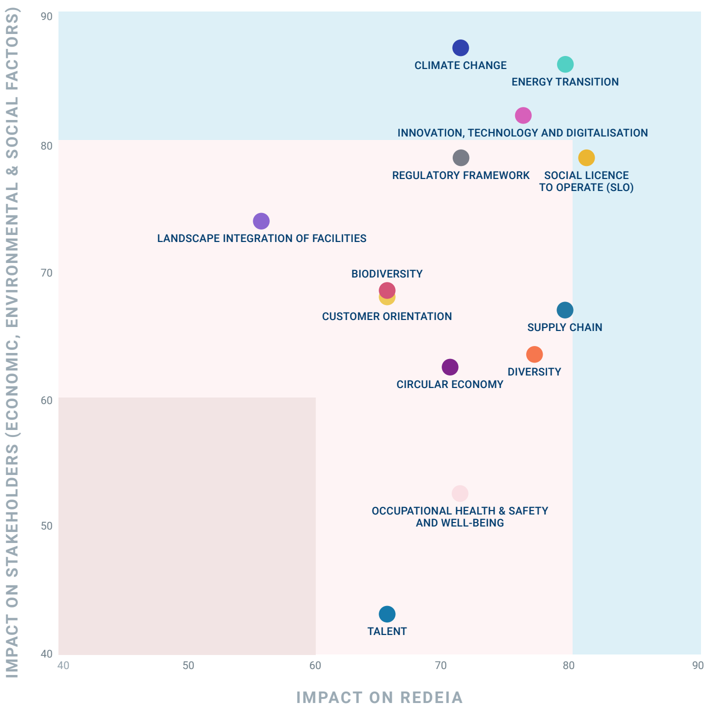
The solution provided in this analysis has been designed taking into account the recommendations of the world's leading voices on international sustainability, including most notably the IQNet SR10 Social Responsibility Management System, ISO 26000 Guidance on Social Responsibility, Global Reporting Initiative (GRI), SASB (sector materiality map) and the AA1000 Assurance Standard (Materiality principle).

This analysis revealed a total of 13 material topics, which determine the information disclosed in Redeia's sustainability report.

Material topic prioritisation matrix

It is worth noting that, compared to the previous materiality study carried out in 2019, there are fewer material topics (16 topics in 2019). This shows that the Group has become more mature in its sustainability management, enabling it to filter and focus on those issues that are genuinely relevant to the achievement of its strategic objectives.

As there were no significant changes in trends, business model, or other matters that might affect the material topics to have been identified, it was not considered necessary to conduct a materiality review in 2023.



Prioritisation of issues

CRITICAL

1 Energy transition
2 Innovation, technology and digitalisation
3 Social Licence to Operate (SLO) (•)
4 Climate change

HIGH

5 Regulatory framework (•)
6 Supply Chain
7 Diversity
8 Biodiversity
9 Customer orientation
10 Circular economy
11 Landscape integration of facilities (•)
12 Occupational health & safety and well-being
13 Talent

(•) New materiality issue with respect to the matrix of 2019.

11.2 Description of the Group's business model / GRI 2-1, 2-6

Redeia has consolidated itself as a global operator of essential infrastructure, managing electricity transmission networks in Spain and Latin America, along with telecommunications networks (satellites and fibre optics).

- Red Eléctrica. Construction and maintenance of power lines and electricity substations along the transmission network in Spain (including international and inter-island interconnections), ensuring continuity of supply and the safe and secure integration of renewable energy. This includes the design and construction of storage infrastructure in the Canary Islands to ensure the sound operation of the electricity system and to improve the integration of renewable energy and the security of supply on the islands. Meanwhile, Red Eléctrica acts as operator of the electricity system through its electricity control centres, thus guaranteeing at all times the proper functioning of the electricity supply process, including not only the mainland system but also the non-mainland systems.

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

- Reintel. Commercial operation of the excess fibre optic network capacity associated with both the electricity transmission network and the rail network, as well as technical spaces for hosting telecommunications equipment in Spain.

- Hispasat. Satellite communications services for video, data transmission and mobility services through various satellites in operation.

- Elewit. Group firmly committed to innovation and technology by accelerating technological innovation, creating competitive advantages and business opportunities to make the Group a benchmark for technology in the energy transition. It also relies heavily on traceability and accessibility of information, as well as the provision of innovation and technological development services to third parties.

2030 Sustainability Commitment

Redeia has embraced a strategic commitment to long-term, Group-wide sustainability. In 2017, the Board of Directors approved the Group's 2030 Sustainability Commitment. Through this commitment, Redeia aims to achieve long-term continuity through a business model that is capable of responding to the challenges of the future while observing the principles enshrined in the Sustainability Policy.

The 2030 Sustainability Commitment is backed by the Board of Directors and the Group's management team, whose message is transmitted across the entire organisation with a view to encouraging a proactive attitude and making sustainability an integral part of day-to-day decision-making. Notably, a Sustainability Committee was set up within the Board of Directors in 2018 due to the strategic importance of sustainability for Redeia, as set out in the Group's 2021–2025 Strategic Plan. The Sustainability Steering Committee and the Corporate Division for Sustainability and Studies play a key role, showing that the Group's senior decision-making bodies and indeed of all areas of the Company are heavily involved in the implementation, supervision and monitoring of the 2030 Sustainability Commitment.

In 2019, the Board of Directors approved the Group's 2030 sustainability objectives, which set out 11 proposals to measure fulfilment of the commitments established in the four sustainability priorities, focusing on those aspects that provide answers to the great global challenges lying ahead on the 2030 horizon. The objectives, which are defined by the Sustainability Steering Committee and validated by the Sustainability Committee of the Board of Directors, are aligned with the priorities of the 2030 Sustainability Commitment, the Group's Strategic Plan and the UN Sustainable Development Goals (SDGs).

The 2030 Sustainability Commitment is deployed through multi-year plans. The 2023–2025 Plan was approved on 25 October 2022 by the Board of Directors, following its approval by the Executive Committee, the Sustainability Steering Committee and the Sustainability Committee of the Board, and took effect on 1 January 2023.

The Plan is aligned with the 2021–2025 Strategic Plan (in which sustainability underpins the entire strategy) and envisions 14 lines of action, 194 actions and 87 quantitative and strategic targets. By the end of 2023, it had reached a degree of compliance of 52%.

The preparation of the 2023–2025 Sustainability Plan has made it possible to define mid-term objectives to achieve the goal set for 2030 and, as a result, to redefine and/or specify the 11 existing objectives.

Redeia's 2030 sustainability priorities and targets

Decarbonisation of the economy

Act as a proactive agent in the energy transition towards a zero emissions model, based on the electrification of the economy and the efficient integration of renewable energy through a robust and better-connected network and the development and operation of energy storage systems.

1. Reduce Scope 1 and 2 emissions[(2)] by 55% and Scope 3[(3)] emissions by 28% with respect to 2019.

2. Empower society to be actively involved in the energy transition process.

3. Safely integrate 100% of the renewable energy available in the electricity system: 74% of renewable energy in electricity generation[(4)].

4. 100% sustainable financing.

Responsible value chain

Extend the responsibility commitment to all the links in the value chain, from employees to suppliers and customers, by forging alliances, all underpinned by the company's model of good governance and integrity.

5. Have a net positive impact on the natural capital of the area surrounding new facilities.

6. Become a leading company in circular economy:

- Zero landfill waste within the Group.
- 6.5m^3 of water consumption per employee per year at Group workplaces.

7. Drive change among suppliers. At least 25 supplies with the greatest impact on the transmission network, based on circularity (life cycle analysis), climate change, security, diversity and biodiversity criteria.

Contribution to the development of the local area

Contribute to economic, environmental and social progress in the local area, by providing an essential service in a safe and efficient way, fostering environmental conservation, enhancing people's quality of life and social well-being and involving communities in the development of the company's activities so as to generate tangible mutual benefits.

8. Be a benchmark in gender equality: achieving 50% of women on Redeia's Board of Directors and management team within the Group.

9. Promote the inclusion of segments of society at risk of social and workplace exclusion.

10. Narrow the digital divide: all people living in the vicinity of the company's facilities to be connected.

Anticipation and action for change

Foster a corporate culture of innovation and flexibility that enables us to identify growth opportunities and tackle future challenges by staying ahead of and adapting to global trends and to the regulatory environment emerging from the new energy model.

11. Be a benchmark in technological innovation. Adoption of 64 technological solutions at Redeia that provide solutions to the Group's key challenges by delivering both tangible and intangible value.

(2) Scope 1 emissions: Direct emissions from sources owned or controlled by the Group (SF_6, combustion emissions from vehicles and generators and emissions from air conditioners). Scope 2 emissions: Indirect emissions from electricity consumption (includes transmission grid losses).

(3) Scope 3 emissions: Indirect emissions resulting from the Group's activity but generated by sources not controlled by the Group (supply chain, business travel, employee commuting, logistics, waste, etc.).

(4) Scenario under the 2030 NECP: 74% renewable energy within the generation mix. To succeed, the company aims to integrate 100% of available renewable energy into the electricity system.

Stakeholder management model

The aim of Redeia's stakeholder management model (understood as groups that are affected by the Company's activities or services, and which, in turn, through their decisions and opinions can influence Redeia's financial performance, strategic objectives and/or reputation), is to develop a relationship with its stakeholders based on trust and focusing on the creation of shared value.

When designing the management model, Redeia looked closely at the provisions of the main stakeholder management regulations and benchmarks, notably AA1000, ISO 26,000, IQNet SR10 and the Global Reporting Initiative (GRI), in order to ensure that the Company analyses the main impacts of its activities on its stakeholders, as well as the influence that these stakeholders exert, or could exert, on the Company. Thus, the Company gears stakeholder relations towards the creation of shared value, strengthening the positive impacts and swiftly identifying any negative impacts that might affect the relationship, with a view to minimising them.

The stages of the management model are identification, segmentation and prioritisation of stakeholders, the definition of the relationship framework and, finally, assessment of the management and the model as a whole.

The Group undertakes an annual programme of perception studies aimed at assessing stakeholder satisfaction with its performance and gauging their needs and expectations. As well as being a tool to foster dialogue and closer relationships with stakeholders, the studies are also an important driver of continuous improvement for the Group.

In 2020, the review of the stakeholder management model began. The overriding aim of this review is to build an up-to-date and prioritised inventory for each Redeia company, which will serve as the starting point to define new practicable stakeholder relationship frameworks that are tailored to each company and are updated to the reality of the company.

Redeia stakeholders

- Regulatory and government bodies
- People
- Economic and financial ecosystem
- Clients
- Suppliers
- Social ecosystem
- Business ecosystem

In 2023, the Company worked hard in implementing its corporate stakeholder management model at the various subsidiaries that make up the larger group.

11.3 Information on environmental matters

GRI 103-1, 103-2, 103-3

Redeia's commitment to the environment originates at the Board of Directors and is rooted in the Environmental Policy, which sets out an explicit commitment to the prevention of pollution and the precautionary principle. **GRI 2-23** The involvement of all of the organisational units and of all of the Group's employees is essential to the implementation of this commitment.

Redeia Corporación, S.A., Red Eléctrica de España S.A.U., Red Eléctrica Andina S.A., Red Eléctrica Chile SpA., Redeia Infraestructuras de Telecomunicación, S.A and Hispasat S.A. have all implemented an environmental management system, certified in accordance with ISO 14001, to help ensure the continuous improvement of their environmental performance. Red Eléctrica Spain also meets the requirements established by the EU Eco-Management and Audit Scheme (EMAS).

The Group companies incurred ordinary expenses of 24.9 million euros in protecting and improving the environment in 2023 (24.9 million euros in 2022), essentially due to the adoption of measures intended for protecting biodiversity, fire prevention, landscape integration, climate change, pollution prevention and eco-innovation projects. Expenses incurred in managing and operating national electricity infrastructure (Red Eléctrica) amounted to 23.9 million euros (24.4 million euros in 2022).

A total of 2.9 million euros (4.5 million euros in 2022) was spent on environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures). The significant difference with respect to last year is due to the fact that the Mallorca–Menorca III marine campaign was carried out in 2022.

The Company's main environmental impacts are those related to the construction of the electricity transmission network facilities and their physical presence within the environment. The Group works to minimise these impacts, considering the entire life cycle of its facilities and paying special attention to the protection of biodiversity. In view of its role as a leading player in the transition towards a carbon-free energy model, Redeia has embraced a specific commitment in relation to the fight against climate change. Thus, the Group's environmental commitment takes shape across three main fronts: Environmental management and integration of facilities in the environment, Biodiversity protection, and Climate change, as described below.

11.3.1 Environmental management and integration of electricity facilities into the environment

The main approach for making facilities compatible with the environment is the selection of routes and sites so that the environmental impact is as low as possible. Additionally, the application of preventive and corrective measures and the monitoring of strict environmental criteria make it possible for potential effects on the environment to be reduced significantly. The best tool to guarantee this process is an Environmental Impact Assessment. By law, most of the Group's projects are subject to this procedure. The measures implemented include those carried out during the construction of facilities to minimise land clearing and the impact on vegetation, fauna and the socio-economic environment (infrastructure, crops and archaeological heritage), as well as pollution prevention measures.

Actions during the maintenance phase aimed at mitigating the noise generated by certain electrical substations (programmes for measuring and adjusting the operating parameters of certain power equipment to reduce noise levels and the design of acoustic screens) and reducing light pollution are also noteworthy. To address the latter issue, in recent years the Company has worked on implementing the necessary measures to enable facilities to be shut down at night, thereby limiting light pollution as much as possible while also achieving significant energy savings.

Thanks to the criteria considered when designing the facilities, electromagnetic field (EMF) strength is kept within the exposure limits for the general public in accordance with Council Recommendation 1999/519/EC of 12 July 1999.

Lastly, visual impact assessment methodologies and tools have been improved, areas affected by works have been restored and specific landscape integration projects have been undertaken so as to mitigate the visual impact of the facilities.

In addition to the measures aimed at making facilities compatible with the environment, it should be highlighted the importance to the Group of working towards and making significant headway on the sustainable use of resources. The 2030 sustainability objectives include becoming a leading player in circular economy. The goals to be achieved and the actions to be carried out are enshrined in the Circular Economy Roadmap, which targets the following dimensions:

- Materials. Reducing the consumption of raw materials by promoting the use of recycled and recyclable materials, including eco-design actions, all of which calls for close collaboration with suppliers. Of particular note is the "Sustainable Procurement" project launched in 2022, which aims to make circular economy criteria a key part of the procurement process. Over the course of 2023, the Company worked with the suppliers of four key inputs by following the Life Cycle Analysis methodology, developed in 2022, with the aim of implementing circular economy requirements for such supplies, which will ultimately allow for the procurement of new equipment and more sustainable materials. A roadmap was also drawn up in order to achieve the objectives of including circular economy criteria in 10 critical supplies by 2025 and in 25 supplies by 2030, in line with the targets that have been set.

- Waste. Actions focused on achieving the goal of zero waste to landfill at Red Eléctrica by 2025 and zero waste to landfill by 2030 for the larger group. Notable progress has been made towards the "zero landfill waste" project, following the adoption of measures that resulted in 98.9% of all waste generated (hazardous and non-hazardous) (92.7% in 2022) being recycled (this broad category includes reuse, recycling, composting, anaerobic digestion and regeneration).

- Land. Actions aimed at minimising the risk of land or groundwater contamination due to hydrocarbon leaks or spills, as well as the cleaning-up of land affected by accidents using sustainable techniques. Along these lines, the objectives for 2025 have been set: Zero serious accidents on site and zero contaminated sites.

- Water. Seeking solutions to improve efficiency and optimise use, with the 2025 target of limiting water consumption per employee to 6.5 m^3 at all group workplaces.

11.3.2 Protecting biodiversity / GRI 304-1, 304-2, 304-3

The protection and conservation of biodiversity has always been a core concern within the Company's environmental management and a key factor in the group's strategy, as embodied in a specific commitment to biodiversity updated in 2023. The commitment includes the aim of generating a positive impact on biodiversity in the areas where the company operates by 2030, a challenge that is in line with the sustainability objective of generating a net positive impact on the natural capital located in and around the group's new facilities by 2030.

To meet these ambitious goals, a 2030 biodiversity roadmap has been drawn up based on a natural capital approach (nature versus society), which takes shape in the form of specific steps and goals set out in the 2023–2025 Sustainability Plan.

Biodiversity impacts, dependencies, risks and opportunities

Redeia has carried out an initial identification and assessment of the impacts and main dependencies on biodiversity for the electricity transmission activity, as this is the Company's main business.

This exercise yielded a materiality matrix of environmental impacts on biodiversity, which shows those natural assets that sustain the biggest impacts: habitats, species (flora and fauna) and natural landscape. To complete the exercise, the Company conducted a preliminary identification of priority ecosystem services in terms of materiality of impact.

The results obtained have since been verified using the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool, suitably adjusted to the energy transmission business (Services, Electricity services, Transmission and distribution of electricity). In the case of biodiversity risks and opportunities, work has also begun on an approach aligned with the guidelines established by the TNFD (Taskforce on Nature-related Financial Disclosures) and the SBTN (Science Based Targets Network).

Managing biodiversity

The Company manages biodiversity by using the mitigation hierarchy. First and foremost, avoiding areas that are protected or highly biodiverse is essential when deciding on the location of facilities (in electricity transmission infrastructure in Spain, only 15.4% of lines and 5.6% of substations are located in protected areas).

The second step is to minimise possible repercussions, which is achieved by taking the necessary preventive and corrective action, including the restoration of habitats wherever possible. Lastly, any residual impacts are offset through a variety of environmental improvement initiatives and conservation projects, undertaken in collaboration with the government, non-governmental bodies and other entities.

Red Eléctrica works on new power line and substation projects after carrying out rigorous environmental impact studies, which include a quantitative assessment as to the impacts (both negative and positive) on biodiversity, defining the baseline impact and designing the projects in such a way that they achieve a positive impact in terms of biodiversity throughout their life cycle. This methodology began to be implemented in 2023 in projects submitted for environmental impact assessment and will allow progress to be measured and ensure compliance with the positive biodiversity impact target set for 2030.

The main effects of the Group's activities on biodiversity can be seen on habitats and species. The former are primarily associated with the impacts on vegetation of felling and pruning to open up firebreaks, while the latter stem from the risk of birds colliding with earth wires.

Habitat protection and conservation (vegetation)

In 2023, Redeia updated its explicit commitment to protecting vegetation and combating deforestation, as a result of its own operations and the activities of its supply chain.

The Company works tirelessly to prevent and fight forest fires, which pose one of the biggest threats to forest conservation. Aside from the proper maintenance of firebreaks, the Company has strict work and supervision procedures in place to reduce the risk of fire in and around its facilities. It actively and continuously collaborates with the public entities involved in forest management, through formal collaboration agreements (15 in effect in 2023) that include actions and the provision of material for forest fire monitoring, prevention, training and awareness.

Despite the application of best prevention and mitigation practices, the elimination of plant species that are incompatible with safety at the facilities is inevitable in some cases. In such scenarios, although this does not affect deforestation, the Company undertakes to compensate the entire amount of trees removed by carrying out various planting and reforestation activities or actions aimed at the conservation of native forests. In 2023, 8 hectares (ha) of riverside vegetation was repopulated in and around San Fernando de Henares in Madrid.

As part of the Redeia Forest project, a total of 39,574 trees (pine, chestnut, oak and birch) were planted in an area spanning 47.8 ha in the provinces of Lugo, Orense and Pontevedra, bringing the project's total to 852,546 trees planted across 1,041 ha of land since it was launched back in 2009.

Other habitat conservation projects carried out include the Red Eléctrica Marine Forest project to restore *posidonia oceanica* seagrass, having rehabilitated 2 ha in the bay of Pollença, Mallorca, which is currently in the stage of scientific control and monitoring by IMEDEA UIB-CSIC joint research centre.

Meanwhile, Redinter signed a specific agreement in 2023 for the reforestation of 4 ha of Polylepis shrub and tree species at the Salinas y Aguada Blanca National Reserve in Peru.

Protection and conservation of birdlife

After selecting the best route, the main measure implemented to reduce the risk of birds colliding with ground wires is to use bird-saving devices. Thanks to the "Birds and power lines: Mapping of bird flight paths" project, the Company has identified the top-priority areas (where the risk is highest) and is making progress towards installing bird-saving devices on the lines located within those areas, with the aim of reaching 100% coverage by 2025. In 2023, bird-saving devices had been installed on 77.4% of transmission lines located in these high-risk areas.

The Company promotes and performs numerous initiatives to conserve birdlife, primarily geared towards improving their habitats, drawing on knowledge of their behaviour and condition, as well as boosting the population of species that are more sensitive to the presence of power lines, thus helping to offset those impacts that cannot be prevented or mitigated. In 2023, work went ahead on various initiatives for the protection of the Iberian imperial eagle (in the Doñana natural park), the Bonelli's eagle (in Valencia, working alongside the University of Valencia), the golden eagle (in the territories of Caparroso and Cadreita, working alongside the Government of Navarre), the lesser kestrel (studying the use of substations as roosts during summer migration in Aragon and Navarre), the Egyptian vulture (alongside the Regional Government of Andalusia), and the osprey (at the Barbate reservoir, alongside the Migres Foundation), all in Spain, as well as initiatives to protect the black tern in Chile. There is also an ongoing collaboration with the Autonomous University of Barcelona to assess the potential of the electricity transmission network as infrastructure capable of building and improving biodiversity in firebreaks thanks to sustainable treatment of the plant cover.

11.3.3 Climate change / GRI 305-5

Redeia, mainly through its activities in the electricity business, is a key and proactive agent in the energy transition towards a zero emissions model, the main elements of which should be: the electrification of the economy, the full integration of renewable energy into the energy mix, and efficiency, while always ensuring the security of supply. Furthermore, the Group's activities in developing telecommunications to make further progress towards digitalisation and connectivity can also make a significant contribution to the ongoing process of decarbonising society.

Redeia's activities are therefore key to achieving the climate and energy objectives in Spain and Europe, both in the medium (2030) and long term (climate neutrality by 2050). Notably, the Company embraced a public and voluntary commitment in 2011 to combating climate change, which is embodied in its commitment to achieve net zero by 2050, in its emission reduction targets and in its Climate Change Action Plan, which were updated in 2021 to align them with the global ambition of limiting the average temperature increase to 1.5 °C.

Emission reduction targets, validated by the Science Based Targets initiative (SBTi)

Medium term – 2030 (validated in June 2022)

- Reduction in Scope 1 and Scope 2 emissions of 55% by 2030 with respect to 2019.
- Reduction in Scope 3 emissions of 28% by 2030 with respect to 2019.
- Suppliers accounting for 2/3 of supply chain emissions must have science-based targets in place within five years.

Long term – 2050 (validated in February 2023)

- Reduction in Scope 1 and Scope 2 emissions of 90% by 2050 with respect to 2019.
- Reduction in Scope 3 emissions of 90% by 2050 with respect to 2019.

Emission offset targets

- All (100%) Scope 1 emissions to be offset as of 2023.

The company achieved this target ahead of schedule in 2022, and reached it again in 2023.

Climate Change Action Plan

The Climate Change Action Plan covers the following lines of action:

- **Contributing to a more sustainable energy model** by taking the necessary steps so that the objectives set out in the National Energy and Climate Plan (NECP) can be achieved by 2030 and, by extension, the European energy and climate objectives:

  - Ongoing investment to develop a robust, smart and interconnected transmission network that enables the electrification and connection of new renewable energy capacity.

  - Maximum integration of renewables by optimising the operation of the electricity system, using artificial intelligence as a decision-making and predictive tool, integrating more evenly-distributed generation, and developing storage systems.

  - Furthering efficient grid management by fostering technological innovation, incorporating new elements and services and applying new flexibility measures.

- **Reduction in greenhouse gas emissions** resulting from the Group's activities. The main measures implemented apply to the following areas of action:

  - Reduction in SF_6 emissions by controlling and reducing leaks, renewing switchgear equipment, and taking steps to limit the growth of installed gas, including the increased use of alternatives to gas.

  - Reduction in energy consumption and associated emissions: increased use of renewable sources (100% renewable contracted energy target by 2024), development of energy-efficiency measures, and more sustainable mobility initiatives.

  - Reduction in the emissions associated with the supply chain:
    - Roll-out of collaboration programmes with suppliers aimed at setting reduction targets in line with the SBTi.
    - Incorporating sustainability criteria into procurement decisions, prioritising more sustainable supplies and fostering changes to allow for an effective reduction in emissions.

  - Offsetting of emissions to make progress towards the Group's carbon neutrality, mainly through the 'Redeia Forest' project and by purchasing carbon credits in the voluntary market.

- Positioning and outreach: ensuring all stakeholders are involved in Redeia's commitment, disseminating knowledge and providing complete and transparent information on the electricity system and its role in the energy transition, as well as on various energy efficiency measures.

- Climate change adaptation: in order to address both the inevitable physical changes in the climate parameters, as well as the social, economic and regulatory changes associated with the fight against climate change, the Company regularly identifies and evaluates the risks and opportunities arising from climate change and applies various measures defined within the framework of this analysis. As per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the financial impacts of the relevant risks and opportunities are quantified, considering different physical and transition scenarios. Details of the TCFD recommendations are provided in note 4 of the consolidated management report.

11.3.4 Environmental indicators

GRI 302-1, 302-2, 303-1, 305-1, 305-2

	2023	2022	DIF. %
Direct greenhouse gas emissions (Scope 1) (tCO_2 eq.) * (1)	28,692	20,542	39.7%
Indirect greenhouse gas emissions (Scope 2) (tCO_2 eq.) * (2)	591,970	727,214	-18.6%
Electricity consumption (MWh) * (3)	20,835	20,604	1.12%
Fuel consumption (MWh) * (4)	10,889	10,473	3.8%
Consumption of energy from renewable sources as a percentage of total energy consumption (%) * (1)(5)	61	61	0%
Water consumption (m^3) * (6)	34,851	36,.069	-3.4%
Hazardous waste (kg) * (7)	3,877,443	781,169	396%
Non-hazardous waste (kg) * (7)	683,734	755,189	-9.4%
Recycled waste (%) * (8)	98.9	92.7	6.6%
Number of environmental accidents ** (9)	8	5	60%
Lines with bird-saving devices installed in critical priority areas (accumulated kilometres at the end of each year) *** (10)	767.4 (77.4% of the total to be installed)	681.2 (70.1% of the total to be installed)	12.6%

* Indicators that include information for all Group companies.

** Scope: Red Eléctrica de España SAU, Red Eléctrica Corporación SA, Red Eléctrica Andina SA and Red Eléctrica de Chile SpA.

*** Scope: Red Eléctrica de España SAU.

(1) The increase in Scope 1 emissions was largely due to an accident at a substation that resulted in the emission of 201 kg of SF_6 (4,724 t CO_2 eq). Without the accident, the figure would have been 23,968 t of CO_2 eq. Emissions are calculated under the operational control approach. Information on the scope and methodology of the inventory can be found on the corporate website.

(2) The reduction in emissions is mainly due to the improvement in the emission factor of the electricity mix in Spain, which in 2023 had a higher proportion of renewable energies than in 2022 (average factor 0.122 tCO2eq/MWh, compared to 0.163 tCO_2eq/MWh), largely associated with increased hydroelectric generation (41% more hydro generation than in 2022), a sizeable increase in solar generation (47.6%) and a reduction in combined cycle generation (32% less than in 2022) and coal-fired generation (50% less than in 2022). Emissions are calculated under the operational control approach. Information on the scope and methodology of the inventory can be found on the corporate website.

(3) Most of the energy supply contracts managed by the Company are for green energy or offer guarantees of the renewable origin of the energy, which represented 93% of the total electricity consumed in 2023 (the remaining consumption relates to workplaces that are leased, or workplaces that do not have electrical hook-ups and therefore receive their supply from the transmission network).

(4) Fuel consumption of fleet vehicles, generators and heating.

(5) Includes renewable energy as a percentage of total energy consumed (electricity and fuels). It does not include the percentage of renewable energy corresponding to the energy mix of each country (only that acquired contractually) or the percentage of biofuel contained in vehicle fuels.

(6) The data covers all personnel, including collaborators (100%). The water consumed comes from the municipal supply network (72.12%), wells (25.72%) and cisterns (2.16%). In some centres there are reservoirs for the accumulation of rainwater for sanitary use, fire prevention and irrigation. The reservoirs do not have mechanisms to record the stored water so it is not possible to calculate the percentage usage of rainwater. While water is not a material topic for Redeia, the decision was made to disclose information in this respect and to seek assurance thereon, as it is nonetheless an aspect required by certain sustainability indices.

(7) Redeia's waste generation is associated with the maintenance and construction of the facilities, which is needed to keep the assets in the best possible condition. Due to the nature of these activities, it is very hard to predict trends in the quantities of waste produced as they are linked to the number and types of actions carried out each year. This means that it is not possible to reduce waste without reducing the maintenance work required and the adaptation of facilities. The significant increase in the amount of hazardous waste generated in 2023 is due to renovation and upgrade actions carried out at some of the substations, which generated a large quantity of waste oil-contaminated equipment, all of which has been properly recycled.

(8) Percentage of waste generated (hazardous and non-hazardous) that has been recycled (this broad category includes reuse, recycling, composting, anaerobic digestion and regeneration).

(9) Relevant accidents are considered to be those categorised as significant, severe or major in the internal classification (level 3 accidents and above on a scale of 1 to 5). They do not include bird collisions.

(10) The target value varies slightly each year, depending on Red Eléctrica de España's infrastructure (new lines and modifications to existing ones) and on the updating of accident figures. The signalling percentage refers to the target value set each year. In 2023, a total of 990.9 km of line was to be fitted, while in 2022 this figure came to 972.1 km.

11.4 Information on labour and employee-related issues

GRI 103-1, 103-2, 103-3

Our people

Redeia's Personnel Policy sets out the principles that govern the management of people through leadership, efficiency, innovation, cultural transformation and personal and professional fulfilment, focusing on the employee experience.

Compliance with these principles helps to achieve the organisation's purpose and strategic objectives, in keeping with the values, principles and behaviour guidelines enshrined in the Group's Code of Ethics and Conduct.

Furthermore, existing rules and regulations include standards for the execution of processes and activities concerning human capital that are applicable to the different Redeia companies, notably those related to learning, diversity management, the right to disconnect and the organisation's technical procedures for safety at construction sites and during maintenance and upkeep work.

Redeia is firmly committed to the professional development of its personnel and to maintaining their internal employability during their tenure, through integration, development, learning and mobility programmes.

To succeed in this task, work continued throughout 2023 on the sustainable management model of diverse and committed talent, an essential part of the People and Culture Department's Operational Plan, which uses a systematic approach to attract, discover, develop, train, transform and retain talent and exchange knowledge. The model pursues excellence to ensure that the Company remains a national and international benchmark. This is to be achieved through six lines of action, with the first —transformational leadership— being key to the achievement of the others: attracting talent, learning, development, knowledge management and differentiation.

Relying on digitalisation, technology, innovation, sustainability and diversity, Redeia seeks to become a leader in the transformation of talent and corporate culture while involving society in the organisation's challenges, fostering actions that motivate and inspire both within the Company and beyond.

This ongoing transformation is driven and galvanised through leadership and people development through Redeia's Leadership Model and Skills Model, which set out how to achieve the objectives and challenges set.

The ultimate aim of all this is to maintain firm commitments that result in excellent employee contributions on the path to achieving the objectives set out in Redeia's 2021–2025 Strategic Plan. On this front, in 2023 efforts were made to:

- Position the Company's leaders as the spearheads of the transformation so that they can promote and develop self-leadership habits among others that foster responsibility, self-management and self-learning. This is carried out through a 360 degree assessment process that identifies areas for improvement and deploys resources and development programmes, such as the new *Lidera* programme, designed on the basis of the leadership model.

- Plan talent needs, by identifying new profiles and positions, treating diversity and inclusion as competitive advantages that bring opportunities and benefits to both the organisation and the broader society through the creation of specific programmes for the new profiles identified.

- Develop talent within the organisation through programmes such as *Talentia* for employees with managerial potential, *Gestores* for those tasked with people management processes, and specific programmes for data analysts and other business IT roles.

- Foster self-development, by offering a bespoke selection of initiatives that allow employees to manage their own development, and by engaging leaders in the achievements of their teams. The new Redeia Skills Model, first rolled out in 2022, continued to be implemented throughout the year, so as to align growth with the Company's objectives.

- Implement the Development Recommendations so that employees can work, either autonomously or accompanied, on the skills chosen in each case in response to the Skills Model. These recommendations include internal mobility (through temporary placements, coverage of vacancies and international mobility), postings to projects and training actions.

As a means of verifying the efficiency and effectiveness of the people management processes deployed, the key people management indicators are continuously monitored.

Key people indicators

	2023	2022	Chg. %
Total headcount	2,477	2,420	2.4%
Women (%)	28.9	27.9	3.6%
Men (%)	71.1	72.1	-1.4%
Women in management positions (%)	36.2	35.3	2.5%
Persons with disabilities (total no.)	24	20	20.0%
Net job creation (no. of positions)	57	70	-18.6%
Average age	45.0	45.3	-0.7%
Average length of service (years)	14.3	14.5	-1.4%
Overall turnover (%) (1)	6.6	6.0	10.0%
Internal movement (%)	7.4	5.8	27.6%
Permanent contracts (%)	98.7	99.2	-0.5%
Management team as % of total headcount	6.6	7.6	-13.2%
Training hours per employee	37	36	2.8%
Average investment in training per employee (€)	1,618	1,517	6.7%
Accident frequency rate (2)	1.14	1.30	-12.3%
Serious accident frequency rate (3)	0.02	0.06	-66.7%

(1) Total turnover: staff departures in 2023 divided by active staff at 31/12/2023, counting both voluntary and non-voluntary departures.
(2) Frequency rate: number of work-related accidents resulting in lost time per million hours worked.
(3) Severity rate: number of working days lost due to occupational accidents + incapacity scale, per thousand hours worked.

a) Employment

At year-end 2023, Redeia had a headcount of 2,477 employees. Of the total, 83.2% (2,060 employees) worked in Europe and 16.8% in America (417 employees). All staff members enjoy stable, high-quality employment (98.7% of them are on a permanent contract), with the focus on employability and functional mobility as a lever for growth and professional development (7.4% on internal mobility schemes).

Redeia's commitment to stable, high-quality employment is also reflected in the low unwanted external turnover rate (3.4%) and the average length of service of employees (14.3 years).

Workforce by age, gender and employee category / GRI 2-7

		2023	2022
By age	Under 30	182	146
	30 to 50	1,610	1,533
	Over 50	685	741
	Total	**2,477**	**2,420**
By gender	Women	715	674
	Men	1,762	1,746
	Total	**2,477**	**2,420**
By employee category	Management team	163	184
	Qualified staff	2,105	2,004
	Administrative personnel	209	232
	Total	**2,477**	**2,420**

Workforce by country, gender, age and employee category / GRI 2-7

Workforce in Germany	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	1	0	4	0	5
Qualified staff	0	0	1	0	1	0	2	0	9	4	6	4	19	8
Administrative personnel	1	1	5	4	2	3	0	0	2	1	3	2	13	11
Total	**1**	**1**	**6**	**4**	**3**	**3**	**2**	**0**	**11**	**6**	**9**	**10**	**32**	**24**

Workforce in Argentina	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	0	0	0	0	1	1	2	2	0	0	3	3
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**2**	**2**	**0**	**0**	**3**	**3**

Workforce in Belgium	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Qualified staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**

Workforce in Brazil	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	1	0	0	0	0	1	1	1	1	2	3
Qualified staff	0	0	10	9	2	3	1	2	13	12	6	7	32	33
Administrative personnel	6	6	2	2	1	1	5	4	5	5	2	3	21	21
Total	6	6	12	12	3	4	6	6	19	18	9	11	55	57

Workforce in Chile	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	4	5	0	0	4	5
Qualified staff	1	1	6	5	0	0	2	1	24	19	4	3	37	29
Administrative personnel	0	0	3	4	0	0	0	0	1	2	0	1	4	7
Total	1	1	9	9	0	0	2	1	29	26	4	4	45	41

Workforce in Colombia	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	4	0	1	0	0	0	6	0	0	0	11
Qualified staff	3	1	19	17	1	0	21	19	54	46	0	0	98	83
Administrative personnel	10	10	20	16	1	1	2	2	11	11	0	0	44	40
Total	13	11	39	37	2	2	23	21	65	63	0	0	142	134

Workforce in Ecuador	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	1	1	0	0	0	0	2	2	0	0	3	3
Administrative personnel	0	0	2	1	0	0	0	0	0	1	0	0	2	2
Total	0	0	3	2	0	0	0	0	2	3	0	0	5	5

Workforce in Spain	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	39	37	20	20	0	0	41	39	51	53	151	149
Qualified staff	54	43	288	252	95	93	61	44	880	851	402	434	1,780	1,717
Administrative personnel	0	0	22	21	52	61	0	0	0	0	18	20	92	102
Total	54	43	349	310	167	174	61	44	921	890	471	507	2,023	1,968

Workforce in the United States

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	0	0	0	0	0	0	0	0	2	0	2	0
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	2	0	2	0

Workforce in the United Kingdom

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	1	0	0	0	0	0	0	0	0	0	1
Qualified staff	0	0	2	0	0	0	0	0	2	2	0	0	4	3
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Total	0	0	2	1	0	0	0	0	2	2	0	1	4	5

Workforce in Greece

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	1	0	0	0	0	0	0	0	1
Qualified staff	0	0	0	1	0	0	0	0	0	2	0	0	0	3
Administrative personnel	0	1	0	1	0	0	0	0	0	0	0	0	0	2
Total	0	1	0	2	0	1	0	0	0	2	0	0	0	6

Workforce in Luxembourg

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	0	0	1	1	0	0	0	0	0	0	1	1
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	1	1	0	0	0	0	0	0	1	1

Workforce in Mexico

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Qualified staff	0	0	2	2	0	0	2	1	9	3	1	1	14	7
Administrative personnel	1	1	4	7	0	0	3	3	5	11	0	0	13	22
Total	1	1	6	9	0	0	5	4	14	14	1	2	27	30

Workforce in the Netherlands

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	0	0	0	1	0	0	0	1	0	0	0	2
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	1	0	0	0	1	0	0	0	2

Workforce in Peru

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	2	3	4	4	6	7
Qualified staff	1	1	25	24	0	1	5	3	75	68	6	9	112	111
Administrative personnel	0	0	10	10	1	1	0	1	7	9	2	2	20	22
Total	1	1	35	34	1	2	5	4	84	80	12	14	138	140

Workforce in Senegal

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administrative personnel	0	0	0	0	0	0	0	0	0	1	0	0	0	1
Total	0	0	0	0	0	0	0	0	0	1	0	0	0	1

Workforce in South Africa

	Women						Men						Total	
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Management team	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Qualified staff	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Administrative personnel	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Total	0	0	0	0	0	0	0	0	0	0	0	2	0	2

Total number and distribution of employment contract types by age, gender and employee category

		Permanent contracts		Temporary contracts	
		2023	2022	2023	2022
By age	Under 30	159	132	23	14
	30 to 50	1,601	1,529	9	4
	Over 50	685	740	0	1
	Total	**2,445**	**2,401**	**32**	**19**
By gender	Women	701	667	14	7
	Men	1,744	1,734	18	12
	Total	**2,445**	**2,401**	**32**	**19**
By employee category	Management team	163	184	0	0
	Qualified staff	2,078	1,986	27	18
	Administrative	204	231	5	1
	Total	**2,445**	**2,401**	**32**	**19**

Average number of permanent and temporary contracts by age, gender and employee category

		2023		2022	
		Average permanent contracts	Average temporary contracts	Average permanent contracts	Average temporary contracts
By age	Under 30	140.13	20.30	129.07	13.70
	30 to 50	1,631.80	9.20	1,463.74	3.80
	Over 50	645.81	0.00	639.26	0.90
By gender	Women	686.67	13.71	603.70	6.34
	Men	1,728.96	17.84	1,629.15	4.19
By employee category	Management team	160.81	0.00	168.14	0.00
	Qualified staff	2,042.07	26.51	1,699.70	15.41
	Administrative	212.57	5.21	365.62	1.58

In 2023 and 2022, the workforce did not include any part-time personnel.

Number of dismissals by age, gender and employee category

		2023	2022
By age	Under 30	1	0
	30 to 50	12	10
	Over 50	6	4
	Total	**19**	**14**
By gender	Women	4	6
	Men	15	8
	Total	**19**	**14**
By employee category	Management team	1	2
	Qualified staff	15	9
	Administrative personnel	3	3
	Total	**19**	**14**

Note. Data of employees with an employment relationship with Redeia: including employees who have an employment relationship at any Redeia company under the parameters set out in Article 1 of the Workers' Statute (*Estatuto de los Trabajadores*), excluding those joined via a commercial relationship.

There have been no collective redundancies. All dismissals were on an individual basis. Furthermore, none of the individual dismissals that took place in 2023 are related to internal reorganisation, changes in the organisational structure or overlapping areas or functions and are instead due mainly to employment breaches.

Remuneration

Redeia rewards its employees in all the countries in which it operates in accordance with the general principles of its remuneration model, which meets the unified criteria of:

- Internal equity and external competitiveness.
- Consistency with the organisational and development model.
- Opportunities for further wage growth.
- Separate recognition of outstanding contributions.

All of the above, with strict regard to prevailing legislation in each territory and ensuring equality and non-discrimination in each case.

This remuneration models sets out retain, motivate and engage employees, while helping to accomplish the objectives set and ensure compliance with the Company's strategy.

Redeia applies a total remuneration model that includes both tangible or financial items (fixed remuneration, variable remuneration, recognition programmes, employee perks and flexible pay arrangements) and intangible and emotional items (work-life balance, health, performance and recognition, development and career opportunities).

Of Redeia's total staff, 36% receive variable remuneration. This remuneration scheme is based on pre-established objective KPIs and follows best practice when it comes to target setting and the weights assigned to each category. It is also pegged to each subject's position within the organisational structure. All members of the management team receive annual variable remuneration.

With the aim of mainstreaming the sustainability strategy across the Company, Redeia takes ESG criteria into account when setting annual management targets. Leadership targets are also included, whereby the remuneration of the management team is linked to Redeia's leadership model.

There are long-term targets as well, which are remunerated through various incentive plans that respond the Company's strategic needs.

Redeia has a flexible remuneration system that can be configured to deliver bespoke remuneration tailored to the circumstances of each employee, including products such as health insurance, training, life insurance, public transport cards, luncheon vouchers and childcare vouchers, as well as Redeia Corporación, S.A. stock option programmes.

As part of the talent differentiation process, Redeia recognises the contributions made by all employees through remuneration processes that reward the effort, responsibility and commitment shown by all workers to the various annual activities that are planned and the Company's own objectives.

There are also recognition programmes in place to reward those employees who come up with innovative and efficient ideas, or help the Company to raise revenue.

There are rules in place to ensure that all remuneration practices are non-discriminatory, with no biases whatsoever on the basis of gender, age, origin, sexual orientation, gender identity, religion and race, among others, thus guaranteeing absolute non-discrimination in the application of remuneration practices and policies.

With the aim of increasing wage transparency, various training sessions on remuneration were held with the organisation's leaders in 2023 to reinforce their role as a key communication channel in the main people management processes.

In view of the global inflationary outlook 2023, Redeia took various actions to adapt to this context and improve the well-being of its employees. Indeed, wage adjustments and extraordinary non-vested payments were made for those employees particularly affected by inflation.

Average workforce remuneration by gender, age and employee category (€)
GRI 405-2

Redeia rewards its professionals under principles of equity and fairness, based on their level of responsibility and professional experience. The annual salary review processes differentiate on the basis of the contribution made over the year and the results of their achievements, and never on the basis of gender, age, origin, sexual orientation and identity, religion or race, thus ensuring non-discrimination when implementing remuneration practices and policies.

Redeia, following market recommendations and best practice, counts all of the remuneration items and other benefits of its employees when calculating average remuneration and the pay gap. **/ GRI 405-2**

2023	Women Under 30	Women 30 to 50	Women Over 50	Men Under 30	Men 30 to 50	Men Over 50	Average total women	Average total men	Average total
Management	-	131,978	182,794	-	153,697	182,940	149,203	169,443	162,117
Qualified staff	43,106	57,260	71,386	34,157	61,322	77,369	58,111	63,834	62,442
Administrative personnel	17,100	26,810	47,719	20,415	28,521	54,397	34,001	36,828	34,884
Total	37,616	59,297	76,139	33,002	64,346	87,799	60,810	69,068	66,687

2022	Women Under 30	Women 30 to 50	Women Over 50	Men Under 30	Men 30 to 50	Men Over 50	Average total women	Average total men	Average total
Management	-	114,484	204,962	-	141,221	182,466	145,107	162,364	156,268
Qualified staff	36,840	51,906	64,934	30,443	53,115	66,176	52,680	55,695	55,009
Administrative personnel	14,316	27,703	43,158	17,175	21,735	52,914	31,527	31,175	31,406
Total	29,600	54,671	74,890	27,947	56,761	78,742	56,829	61,842	60,447

The gross pay gap is expressed as a percentage and is calculated as the difference in the average total pay between women and men divided by the average total pay of men. However, this figure does not reflect the wage reality at Redeia, as the calculation does not consider the level of responsibility and/or role in the various positions, or tenure or predominance of male workers within the sector, among other relevant factors.

In order to make further progress in wage transparency and in analysing the gender pay gap, in 2023 the adjusted pay gap was also calculated and disclosed for the first time, with the aim of reflecting these differences, given that this calculation methodology allows them to be identified and allows for a more reliable analysis.

	2020	2021	2022	2023
Ratio of average pay of men to women **/G RI 405-2**	91.04%	93.49%	91.89%	88.04%
Gross pay gap (%)	8.96%	6.51%	8.11%	11.96%
Adjusted pay gap (%)	4.85%	4.40%	5.10%	5.00%

Notably, the adjusted pay gap methodology delves deeper into the reasons for the gender pay gap, thus allowing the enterprise to detect any adjustments that may be needed in order to monitor the situation and narrow the gap.

To achieve this, a mathematical correlation analysis is used, in which the internal variables that have the greatest impact on pay are identified, and the gap is then recalculated by eliminating the effect of significant variables such as country, level of responsibility and/or role across the various positions, tenure, and so on.

In 2024, further action will be taken as a show of Redeia's firm commitment to reducing the pay gap.

Following the entry into force of Royal Decree 902/2020 in 2020, on equal pay for women and men, the company has been keeping an annual pay register, which is available to the workers' legal representatives. Notably, this register has allowed the company to implement certain improvements, including the active management of its systems for the reliable updating of pay information and the continuous review of the adequacy of employee segmentation.

Average remuneration by gender and age

		2023	2022
By age	Under 30	34,989	28,698
	30 to 50	62,922	56,194
	Over 50	84,774	77,790
	Total	**66,687**	**60,447**
By gender	Women	60,810	56,829
	Men	69,068	61,842
	Total	**66,687**	**60,447**

As regards the remuneration of the Board of Directors, there is no gender-based pay difference amongst the members of the Board, as disclosed in note 25 to the consolidated financial statements, as long as they hold the same position as directors of the company. Any possible differences are due solely to the fact that they may hold other positions on the board, above and beyond their directorships, such as chairman of board committees, lead independent director, or by virtue of the commercial contract that the roles of non-executive chairman and chief executive officer have with the company.

In 2023, total remuneration accrued by senior management personnel amounted to 3,301 thousand euros and is recognised as personnel expenses in the Consolidated statement of profit or loss. In 2022, total remuneration accrued by senior management personnel amounted to 3,174 thousand euros. These sums include the annual variable remuneration accrued based on the achievement of the targets set for each year. After delivery of the corresponding objectives has been verified, the variable remuneration is paid out in the early months of the following year, adjusted for the definitive delivery metrics.

Implementation of policies on disconnecting from work

Redeia is aware that the digital transformation includes more flexible work organisation models, which can lead to situations where the boundaries of working hours become blurred, thus creating situations where an employee's work genuinely interferes with their personal life

Article 88, governing the right to disconnect, of the Spanish Data Protection and Digital Rights Act (Organic Law 3/2019 of 5 December 2019), requires companies to meet with workers' representatives and draw up an internal policy for employees (including those in management positions) that defines how this right to disconnect can be exercised and the actions taken to train employees and raise awareness about the reasonable use of technology to prevent the risk of IT fatigue.

As a clear commitment to promoting the right to disconnect, in 2021 the Digital Disconnect Protocol came into force, which explains how employees may exercise this right, along with the training and awareness-raising actions to be carried out on the reasonable use of devices and other forms of technology. This protocol, together with the flexible working hour arrangements made available to Redeia's employees, means that employees can enjoy a healthy balance between their personal and professional lives.

b) Organisation of working time

The actual effective working day established for employees complies with legal standards on minimum rights and with the relevant collective bargaining agreements applicable at all Group companies.

A real and effective timetable of between 1,686 and 1,690 hours per annum is established for 70% of the workforce. This is distributed according to the needs and circumstances of each work centre, with a basic 7-hour day schedule on every working day of the year, and considerable flexible as to starting times (from 07:30) and finishing times (from 14:00).

The Company also implemented a voluntary hybrid working system in 2023, to which 96% of the eligible workforce (75% of the total workforce) adhered, whereby employees may choose to work remotely on around 47% of their annual working days, with the option to do so from up to two different locations (typically first and second homes).

Workers may also request a reduction in their annual working hours, with the Company offering better percentages than the minimum legal standards, in cases of birth, adoption, foster care or adoption until the infant is nine months old, or for the direct care of a child under 13 years of age or a disabled person who does not perform a paid activity, or due to illness of the worker him or herself.

In the event of genuinely exceptional personal and health situations that fall outside the scope of this general framework, the work-life balance officer studies and assesses each case and working hours may then be adapted accordingly, based on the specific needs of the employee concerned.

Number of hours of absenteeism

	Men		Women		Total	
	2023	2022	2023	2022	2023	2022
Hours lost due to occupational accidents sickness (1)	1,595	1,731	1,113	473	2,708	2,204
Hours lost due to non-work-related illness (2)	52,899	72,103	26,425	36,389	79,323	108,492
Hours lost due to occupational health and safety (3)	54,494	73,834	27,538	36,862	82,031	110,696
Hours lost due to absenteeism (4)	96,219	*	52,718	*	148,937	*
Hours lost due to unjustified absences (5)	2,403	*	1,327	*	3,730	*

* Note that 2023 includes information on absenteeism and unexcused absences for the first time, meaning that no such information is available for 2022.

(1) Hours of absence due to occupational accidents include occupational accidents + commuting accidents.

(2) Hours lost due to non-work-related illness. sum of days of temporary disability due to non-work-related illness + Illness < 3 days.

(3) Hours lost due to health and safety: sum of days of non-work-related temporary disability + Illness < 3 days + commuting accidents.

To calculate this data, the annual working hours for each company were divided by the total number of calendar days per year, which is the ratio deemed appropriate to take into account all days of absence without considering whether or not they are working days so as to be able to make them equivalent to the number of days actually lost.

(4) Absenteeism hours: this takes into account hours lost for health and safety reasons, plus absences due to excused leave (holidays and similar breaks are not counted).

(5) Unexcused absence hours: all other hours of unexcused absences.

Work-life balance management

GRI 401-2

True to its commitment to ensuring a healthy work-life balance, Redeia continues to build to a work-life balance management model based on continuous improvement.

Achievement of the objectives set for 2023 came to 80%, with the work-life balance officer playing a key role by delivering personalised responses to more than 83% of the personal situations raised by workers.

The work-life balance management model also happens to be one of the central pillars of the **Healthy Organisation model** and the **Diversity model**, and includes over 70 work-life balance measures and related actions.

The vast majority of the measures included in the scope of the model are applicable to all companies and are divided into the following blocks:

- Leadership and management styles.
- Quality of employment.
- Flexible working time and workplace.
- Family support.
- Personal and professional development.
- Equal opportunities.

Redeia shares its experience and expertise at the **Observatory for a Healthy Work-Life Balance and Shared Parental Responsibility**, which is headed up by Universidad Pontificia de Comillas (ICADE-ICAI). The observatory conducts applied, high quality and interdisciplinary research so as to offer companies and institutions alike relevant information and reliable data that have been benchmarked against international standards, thus enabling other organisations to fashion their work-life balance policies based on specific and fact-checked sector studies.

Occupational health and safety **/ GRI 403-4, 403-8, 403-10, 404-1, 404-2**

Through the engagement and leadership of the management team, Redeia promotes best practices in safety, health and wellness. Its healthy company management model has evolved with the new AENOR standard towards a healthy organisation model and is fully aligned with Redeia's Strategic Plan, People Operational Plan and 2030 Sustainability Commitment.

Within this broad framework, the healthy organisation model revolves around four main lines of action:

- Workplace health and safety: providing all the means and resources needed to perform professional duties in the best possible safety conditions.
- Commitment to the community: through Company actions that have a real impact on improving the health and well-being of its employees' families and the communities in which it operates.
- Lifestyles: providing employees with tools to improve their physical and mental health, thus contributing to their well-being and quality of life.
- Culture focused on well-being: implementing management and work organisation tools and resources conducive to the physical and psychosocial well-being of workers.

The model is deployed through annual programmes that pursue continuous improvement and seek to consolidate Redeia as a leader in best practices for health, safety and well-being, and an advocate of preventive monitoring and good health.

Redeia has a strategy and a specific action plan that promotes best practices in relation to occupational risk during all activities and work carried out at its facilities. The objective is to go beyond mere legal compliance, by training, informing and raising awareness about the obligations and responsibilities that exist and engaging the entire organisation and its stakeholders to achieve this goal.

In this context, higher risk tasks and activities are monitored on an ongoing basis through safety inspection programmes, as well as stricter supplier qualification requirements, which are essential to achieving the high levels of safety required.

Notably, a total of 13,982 safety inspections were carried out in 2023 on sites and facilities (11,740 in 2022) in order to anticipate and detect possible risk situations and prevent accidents from occurring. As a result of all the activities performed to control and monitor works, over 1,100 corrective actions were required, of which 86.7% were resolved while the rest are in the process of being resolved.

To minimise the risks associated with construction and maintenance tasks at electricity facilities, Redeia places special emphasis on training, awareness, consultation and engagement (through the Health & Safety Committee, internal audits and working groups), improving safe conduct and the safety measures in place while work is being carried out by internal and external (contractors) personnel. In recent years, several initiatives aimed at reducing accidents during the works execution phases have been deployed.

In 2023, the initiatives set out in the 2020–2023 Health and Safety Action Plan were undertaken, with the aim of addressing the strategic challenge of becoming a zero accidents group. Two main lines of action were established in this regard:

- Culture of prevention: to instil a culture of prevention focused on the well-being of all people who work at the facilities by fostering a safe working environment and ensuring more effective communication of all aspects that improve safety when carrying out an activity.

- Innovation: focusing on innovation as a driver of digital transformation in the field of occupational safety. To succeed, Redeia manages innovation in health and safety by putting technology to work for people.

Workplace safety and well-being plan 2024–2025

With the primary aim of building prevention into Redeia's processes and culture on the path to achieving the "zero accidents" objective, the new 2024–2025 Workplace Safety and Well-being Plan was drawn up in 2023. The plan is divided into four main areas of action: culture and leadership, innovation and digitalisation, well-being, and collaboration with stakeholders.

In drawing up the new plan, Redeia looked at more sources of information in order to have as broad a picture as possible of the current situation. Aside from analysing the organisational context and the results of the previous action plan, a listening process was carried out for the first time in 2023 to gather the views of as many people as possible from along the entire value chain of safety and well-being at Redeia. A total of three training days were held, involving more than 750 people organised into 88 work teams, one of which was aimed exclusively at personnel belonging to Redeia's suppliers.

The first assessment of the preventive culture in accordance with the international NOSACQ-50 model was also carried out in 2023. The process included both qualitative and quantitative methods and the results were very positive, confirming high standards when it comes to the implementation of safety and security aspects (proactive-generative level), as well as high levels of engagement across the entire organisation.

Health and safety communication and awareness-raising plan

In 2023, Redeia pressed on with its health and safety communication and awareness plan with the aim of further entrenching the culture of prevention that proved to be so successful and popular in 2022.

Under the slogan of *"Está en tus manos"* ("It's in your hands"), various communication actions were undertaken to raise awareness of the importance of prevention and to promote a preventive culture. Highlights included initiatives such as the 3rd Prevention Week at Redeia, where more than 550 people shared ideas to improve safety and well-being within the Company and videos were posted on a wide range of topical issues and concerns.

Under this plan and following also the preventive actions envisioned in the Workplace Safety Action Plan 2020–2023, highlights included the training sessions delivered to all construction and facility maintenance personnel in relation to the technical and legal side of prevention.

Further to the commitments made with suppliers, the Company also carried out various initiatives to track and monitor the accident rate, which also provided an opportunity to share lessons learned and improvements to be made. By getting suppliers involved in these events, the participants can exchange ideas and share experiences concerning the preventive culture for companies that carry out the same activities at Redeia facilities.

Innovation in safety and wellness

In 2023 Redeia championed digitalisation and technological innovation not only as operational tools, but also as catalysts for employee wellness. A particular highlight was the EMOTION project, which looks to make emotional wellness part of the risk prevention strategy. Thus, occupational safety is no longer limited to the physical side, as mental and emotional health are now equally as important.

Collaboration with startups from Elewit's venture client programme was also stepped up, leading to the exploration of new complementary functionalities with the EMOTION project, harnessing artificial intelligence (AI) to detect in real time emotional states that could compromise security in high-risk situations.

Meanwhile, the implementation of the new “Protected Zones” platform in late 2023 marked a turning point in the Company's approach to safety and efficiency in relation to the operations of the transmission grid. Inspired by the 5 Golden Rules of electrical safety, this platform ensures operational integrity and safety for all involved by providing unprecedented levels of traceability.

All these initiatives have allowed the Company to steadily bring down its overall accident rates, covering not only its own employees (severity rate: 0.02), but also contractor personnel (severity rate: 0.50).

In late 2022, Hispasat (with its three Spanish subsidiaries) joined Redeia's Joint Prevention Service. In 2023, a needs analysis and feasibility study were carried out with the aim of unifying the tools and platforms used by all Redeia companies assigned to this service.

Health and wellness

In relation to health and wellness, and aside from the usual health surveillance activities that take place, Redeia continued to pursue various campaigns aimed at improving lifestyle habits, such as nutrition consultations, physiotherapy, physical fitness and sports activities co-financed by the company, with upwards of 450 people taking part in these activities in 2023.

Highlights in 2023 included the definition of the Company's own wellness model and strategy, demonstrating the corporation's firm commitment and making Redeia a pioneer when it comes to such matters.

This model views employee wellness from a holistic and global perspective, establishing five central pillars (physical, emotional, professional, social and financial) that include the various initiatives that the Company makes available to its people in order to ensure their well-being. The model also provides measurement systems for assessing the value proposition or range of initiatives made available to people and gauging each individual's self-perception as to their level of well-being. Armed with this information, the Company can then measure the level of satisfaction with the company's proposition.

Redeia also preventively monitors the health of its employees on an ongoing basis through individual and collective health surveillance in the form of periodic health examinations and consultations. Thanks to the preventive measures put in place, no incidents or risks of specific illnesses associated with the professional activities carried out or related to the workplace were identified during the period.

Following Redeia's success in adapting its Healthy Company Model assurance to that of a Healthy Organisation, Hispasat followed suit in 2023 and working conditions were adapted so as to extend this certification to Redinter's subsidiaries in Peru and Chile in 2024. Regulatory audits were also performed on the companies that form part of the Joint Health and Safety Service.

Last but not least, an action plan was put in place in 2022 and 2023 in response to the findings of the Psychosocial Risk Assessment carried out in 2021, with the following key milestones reached in 2023:

- Incorporation of wellness objectives and strategic lines of action in the 2024–2025 Workplace Safety and Wellness Action Plan.

- Training and coaching in emotional skills for personnel exposed to high-risk activities, within the framework of the EMOTION project, focused on: emotional self-leadership, communication and healthy conflict resolution, and self-awareness. The programme will continue to run throughout 2024.

- Availability of a psychological support service for workers and their first-degree relatives, ensuring full support for employees in coping with situations that might affect their emotional and mental well-being.

- Development of actions aimed at fostering effective leadership that promotes the well-being of teams based on development, motivation and the creation of safe psychological environments.

Workplace accidents and occupational diseases

In 2023, the key accident rates for Redeia employees were 1.14 (frequency) and 0.02 (severity). In 2022, the frequency rate stood at 1.30, while the severity rate was 0.06.

			2023			2022
	Men	Women	Total	Men	Women	Total
Lost-time accidents	5	0	5	3	2	5
Fatal accidents	0	0	0	0	0	0
Days lost due to accidents (1)	66	0	66	143	75	218
Accident frequency rate (2)	1.66	0.00	1.14	1.08	1.87	1.30
Accident severity rate (3)	0.02	0.00	0.02	0.05	0.07	0.06

(1) The calculation is based on 6,000 working days for a fatal accident and 4,500 days for total permanent disability.
(2) Frequency rate: number of work-related accidents resulting in lost time per million hours worked.
(3) Severity rate: number of working days lost due to occupational accidents + incapacity scale, per thousand hours worked.

Notably, for yet another year there were still no cases of occupational diseases.

a) Management-employee relations

At Redeia, listening is a key tool in getting to know the current situation of its employees and implementing initiatives that meet their needs. In 2023, the role of the management team as the main channel for internal communication with the teams was further consolidated and specific leadership targets were added to improve matters further.

The Company also designed a methodology for listening to its employees by "taking pulses". This method allows the Company to gauge the opinions of various segments on specific and relevant issues that affect the day-to-day work of the workforce. For example, employees were asked to assess the implementation and success of the hybrid work model at Redeia's various companies.

These regular "pulses" allow Redeia to measure the impact and level of satisfaction with its actions, and thus to know how they influence people's well-being. All of this is achieved through simple and agile (and much more regular) surveys.

The methodology was first applied in 2023 to learn more about the working climate within the Company, making it a key tool in understanding its strengths and spotting those aspects that could be improved upon and that influence the day-to-day lives of employees.

Redeia also happens to consider internal communication as a key factor for sharing its mission and strategic goals, involving employees in the organisation's various projects and improving the work climate, thus helping to boost pride in belonging.

The main focus of internal communications was as an adjunct to the Company's transformation and the introduction of new, more agile, flexible and collaborative ways of working that enable Redeia to achieve the challenges set out in new strategic plan.

The various internal channels include NuestraRED, the collaborative intranet system, featuring the most relevant news related to the Company and offering users direct access to applications, communities, spaces and tools geared towards boosting effective communication, innovation and agility across the organisation, making it a simple, useful and easy-to-access tool that is on hand for all employees during the cultural transformation.

NuestraRED also has an exclusive area for the management team, known as the Leaders Portal, providing specific information related to team management, people management processes, development and training, thus helping to galvanise leadership within the organisation.

***Employees covered by a collective bargaining agreement* / GRI 402-1 / 2-30**
Redeia guarantees the right to trade union membership, association and collective bargaining within the framework of the provisions of the International Labour Organization (ILO), the Spanish Constitution, prevailing employment law and the relevant collective bargaining agreements in effect.

Thus, Redeia's Code of Ethics and Conduct explicitly enshrines respect for the right to collective bargaining and freedom of association, which, in turn, is reiterated and embodied in Redeia's pledge to promote and ensure respect for human rights. Meanwhile, the collective bargaining agreements of Red Eléctrica de España, S.A.U., Redeia Corporación, S.A. and Redeia Infraestructuras de Telecomunicación, S.A. (the three Redeia Group companies subject to their own collective bargaining agreement) govern dialogue between employer and employee and the system of worker representation at the Company through the various committees in place, each with their own specific remit.

Thus, negotiations with the Workers' Legal Representatives form a regular part of Redeia's labour relations, maintaining ongoing dialogue with them and with their respective trade union organisations in order to establish the rights and duties of the parties, thus ensuring respect and recognition of the aforementioned rights.

Employees covered by a collective bargaining agreement

	2023	2022
Employees in Spain	87%	86%
Employees in Brazil	95%	91%

In the other countries where Redeia has a significant present (Peru, Chile and Colombia), 62% of employees were covered by a collective bargaining agreement in 2023 (66% in 2022).

On the subject of collective bargaining, it should be noted that in 2023, the 1st Collective Bargaining Agreement of Redeia Corporación, S.A. and the 12th Collective Bargaining Agreement of Red Eléctrica de España, S.A.U. were signed, filed and published in the Official State Gazette, thus marking an end to the bargaining processes that began in 2022.

Following the signing of these agreements, which were unanimously agreed by each negotiating committee, close employer-employee dialogue was struck up at both companies through the various committees set up under the terms of the agreements, comprising representatives of the employer and of the employees and which were called upon to address working conditions. A number of new committees were set up in 2023, notably the Closed Shift Special Regime Committee at Red Eléctrica de España, S.A.U. and the Monitoring Committees of the Remote Work Collective Agreement at Red Eléctrica de España, S.A.U. and Redeia Corporación, S.A.

In the meantime, the monitoring committees of the Equality Plans of Red Eléctrica de España, S.A.U., Redeia Corporación, S.A. and Redeia Infraestructuras de Telecomunicación, S.A. continued to hold regular meetings throughout the year.

Redeia looks to involve its workers in the Company's management through various internal channels of communication and through social dialogue in the form of briefings, consultations and participation of workers' representatives via the different committees in place.

Summary of collective bargaining agreements in the area of health and safety

Redeia Corporación, S.A., Red Eléctrica de España, S.A.U., Redeia Infraestructuras de Telecomunicación, S.A. and Hispasat, S.A. each have an Occupational health and safety committee set up, in accordance with prevailing legislation. These committees are collegiate bodies with equal representation between employer and employees and are there to provide regular and periodic consultation regarding the companies' occupational health and safety actions.

The Redeia Corporación, S.A. committee comprises three representatives proposed by the company and three health and safety officers; the Red Eléctrica de España, S.A.U. committee comprises six representatives proposed by the company and six health and safety officers (a number that exceeds the representation required by law); the Red Infraestructuras de Telecomunicación, S.A. committee comprises two representatives proposed by the company and two health and safety officers, as does the committee set up at Hispasat, S.A. The representatives and officers sitting on all these committees have been selected from among the workers' representatives, who represent all of the employees at each of these companies. Expert roles from the Group's joint health and safety service also attend the meetings of these committees.

The committees meet every quarter (in accordance with Occupational Risk Prevention Law 31/1995) and at the request of any of the parties. The meetings are held to monitor health and safety activities, discuss new legislative developments, review processes and internal rules and regulations, and analyse and keep track of results, occupational health and safety programmes, and safety equipment and materials. The minutes of these meetings are made available to all employees under a dedicated section of the corporate intranet sites. The committees also receive the results of the internal and external audits that are carried out and any improvement actions that may be implemented.

b) Training / GRI 404-1 / 404-2

Redeia develops the organisation's talent by training employees and refreshing their skills amid the current environment of change and building the right strategy to retain critical talent.

The learning model encourages leaders, acting in their transformative role, to support their collaborators, in particular by accompanying them in their own professional development.

Each employee is free to implement their choice of individual learning plan. This enables them to develop and grow by requesting those initiatives that they believe will help them achieve their objectives and improve the contribution they make. The learning plan also allows them to take part in the initiatives assigned to them in view of their profile and in response to the needs of the organisation.

The catalogue of training options is generated by identifying initiatives that support the achievement of the objectives set out in the Strategic Plan, which makes it possible to directly and/or indirectly assess how the learning acquired is aiding in this achievement through indicators and scorecards.

The training catalogue is constantly evolving in response to different learning styles and people and to new methodologies, with regular improvements made to aspects such as accessibility via new online courses, and prioritising the digitalisation of training resources, thus allowing the company to better focus the content while freeing up hours more time during the day that can be spent on training and optimising costs, a trend that is analysed on an annual basis.

Learning is provided through Campus, which serves as a springboard for rolling out the organisation's strategy, values and culture. It is a meeting place and a space for learning and development, helping to manage stakeholder knowledge and covering the various areas targeted for learning.

A digital version has been deployed across all of the countries in which Redeia is present. Available via the Virtual Campus, it is an open learning environment with a catalogue of more than 800 resources where employees can pursue their learning plan using any type of digital device. This virtual version favours self-learning by allowing users to self-enrol on open courses, which account for more than 45% of the total range. In 2023, a total of 92,100 hours of training were delivered (43% online training and 57% in-person), equivalent to 37 hours per employee, at an investment of 1,617 euros per employee.

Training hours by employee category and gender

			2023			2022
Redeia	Men	Women	Total	Men	Women	Total
Management team	6,583	4,012	**10,595**	11,413	7,058	**18,471**
Qualified staff	58,791	17,990	**76,781**	49,237	15,104	**64,341**
Administrative	2,002	2,721	**4,723**	2,173	2,995	**5,168**
Total	67,377	24,723	92,100	62,823	25,157	87,980

Redeia's commitment to the hands-on training of recent graduates is articulated through various internship programmes and/or educational collaboration agreements, the aim of which is to support access to employment for newly qualified professionals, to have a pool of internal talent and to reinforce the brand image as an employer.

c) Integration and universal accessibility for people with disabilities

Disability is one of the main vectors of the Integral Diversity Plan 2023–2025, which sets out to achieve at least 40% of the minimum legal requirement (2%) of direct hiring of people with disabilities and increasing by 20% the volume managed via Special Employment Centres for the provision of services at Redeia.

Redeia currently has 24 employees with a disability equal to or greater than 33%, and at four companies the General Law on the Rights of Persons with Disabilities is applicable, with all of them remaining fully compliant.

It is Redeia's aim not only to comply with minimum legal requirements but to go one step further in integrating people with disabilities in the workplace. To succeed, the company has pledged to draw up a Disability Plan for the 2024–2030 horizon, with measures and actions to achieve the direct employment of 40 people with disabilities by 2030. Undoubtedly, this is a measure that will cover various aspects related to disability that will contribute not only to the job market and societal integration of people with disabilities, but also to the awareness among Redeia staff on this hugely important issue for the Company.

Another key initiative that will help to integrate this segment of society is the regular donations made to entities devoted to the social and occupational integration of people with disabilities, and which support Redeia in carrying out the various actions envisaged under its annual diversity programme related to disability, which in turn contributes to social improvement.

It should be noted that, as regulated in Article 25 of Spanish Law 31/1995, on the prevention of occupational risks, special protection is assured for those employees who, due to their own personal circumstances or known biological condition —including those with recognised physical, mental or sensory disabilities— are especially sensitive to occupational risks. In their particular case, all the necessary preventive and protective measures are provided.

More precisely, specific medical examinations are carried out, and aptitude for the job and any possible needs to adapt the workstation or change to another position are assessed.

When it comes to accessibility features, all corporate buildings comply with prevailing law and regulations, both from the time of their construction and when undergoing subsequent refurbishment or renovation.

One of the most highly valued disability projects among employees is the Family Plan, consisting of personalised assistance to improve the social and labour integration of the disabled family members of the employees.

Redeia also takes part in various institutional and private campaigns to foster the social and occupational integration of persons with disabilities, as well as awareness campaigns. Volunteering initiatives are also carried out and have proved to be very popular among employees.

Meanwhile, the corporate website of Redeia was developed using website accessibility criteria with Level AA conformance to Web Content Accessibility Guidelines 2.0 (WCAG 2.0) of the World Wide Web Consortium (W3C) Web Accessibility Initiative (WAI).

d) Equality and diversity / GRI 406

Redeia's commitment to diversity, inclusion and non-discrimination is embodied in its 2023–2025 Comprehensive Diversity Plan, which is aligned with the Group's 2021–2025 Strategic Plan and the 2030 Sustainability Commitment. It seeks to inspire and become a benchmark for the Company itself and within the wider social, labour and human environment, through the Company's commitment to talent diversity, social inclusion, employment and non-discrimination, breaking down stereotypes and cultural barriers.

Aims of the 2023–2025 Integrated Diversity Plan

- Embed diversity across all Redeia processes, especially people management, taking account of everything that this implies (gender, age, disability, etc.) and thus instilling a culture of diversity, equal opportunities, equity, inclusion and non-discrimination.
- Extend the diversity, equity and inclusion strategy across the entire value chain.
- Partner with official organisations, academic institutions, stakeholders and other social agents in campaigns, observatories and projects that enable the Company to become a benchmark as a social agent that helps to create a more diverse society.
- Reducing any inequalities that arise (corporate and wage or digital gaps).
- Put mechanisms in place to prevent discriminatory bias.
- Support the inclusion of socially excluded and/or vulnerable people within the job market.

Gender equality targets for 2025

- Women to account for 38% of the management team.
- Women to account for 31% of the workforce.

Achievements in 2023

- 36.2% of women in management positions (35.3% in 2022), exceeding the 2023 target (35.0%).
- 28.9% women in the workforce (27.9% in 2022).

Gender equality is a key topic under the new Comprehensive Diversity Plan and includes the principles of equal employment opportunities, the promotion of women to positions of responsibility, equal pay between men and women, the promotion of shared family responsibility, the prevention of harassment on moral, sexual and gender grounds and the prevention of gender-based violence. These aspects are monitored through a scorecard, which allows the Group to measure the progress made towards the objectives in place.

These two objectives are included in the scorecard of the Integrated Diversity Plan, which also features other metrics such as employee perception of diversity and work-life balance. Other indicators related to gender violence awareness and knowledge management among the different generations in the workforce have also been put in place.

With regard to the LGTBI segment, Redeia is a member of the REDI association (Business Network for LGBTI Diversity and Inclusion). REDI is the first ecosystem of companies and professionals in Spain working to promote safe and respectful work environments for all people, regardless of their identity, sexual characteristics, gender expression or sexual orientation.

As a further show of its commitment to quality, Redeia has a significant female presence among its senior management, with 50% of senior managers being women, as well as on the Board of Directors, where women account for 50% of the total, the highest among all IBEX 35 blue-chip companies.

In 2023, Redeia continued its Management of Diversity and Female Leadership programme, which aims to train and raise awareness, through workshops and focus groups targeting all Company employees, with the aim of championing gender equality and creating diverse environments through:

- Raising awareness of the importance of diversity and fostering inclusion within the organisation while reducing unconscious biases.
- Working on tools to improve self-leadership, assertiveness and self-confidence.
- Creating a more positive impact through work-life balance measures.
- Working on personal visibility and awareness of how one's image affects others.

The In©lusionate programme, launched in 2022 and aimed at the management team, was completed in 2023. This programme, which seeks to raise awareness of the importance of diversity and gender equality as enablers of effective equality and, in doing so, raise global awareness of inclusive leadership and equal opportunities within teams, involved a total of 38 workshops and webinars in 2023, all with the aim of acquiring tools to help raise awareness of emotions, the impact they have on one's individuality and the influence of differences in people's identities on leadership actions.

An awareness-raising event was also held during the year so that the entire management team could learn more about diversity, equity and inclusion, with the aim of learning and applying inclusive behaviours on a day-to-day basis to help teams build greater trust and collaboration.

Notably, the management team has permanent access to a specific channel on diversity, inclusion and equity.

A further highlight was the renewal of the EFR (family-friendly company) badge, thanks to the 71 different actions that the Company practises and preaches, broken down as follows:

- 27 job quality measures, presenting the following subgroups: job stability, flexicurity, health and well-being, employee benefits/flexible compensation, payroll or social security supplements, various discounts and other perks, and mobility mechanisms.
- 12 measures on working hours and workspace flexibility, with the following subgroups: flexible daily working hours, teleworking, working alongside others, paid leave and other forms of flexibility.
- 18 measures to support the family members of employees, with the following subgroups: parenting, family and children.
- 5 measures to promote personal and professional development, with the following subgroups: employability training, emotional intelligence and temporary flexibility associated with training.
- 9 equal opportunities measures, with the following subgroups: generations, gender and equal opportunities training.

11.5 Information on respect for human rights

GRI 103-1 / 103-2 / 103-3 / 2-26 / 406 / 407 / 408 / 409 / 411-1 / 412-1 / 412

In 2017 Redeia's Sustainability Steering Committee approved the Company's human rights management model, which structures and systematises the various actions needed to ensure protection and respect for human rights, as well as to address any risk in this regard as may be generated by the Company or by any third party with which it has relations.

Given that human rights form part of the bedrock on which Redeia's values rest and are an intrinsic part of the UN's 2030 Agenda for Sustainable Development, the Company manages human rights on the basis of continuous improvement, assessing its performance in this field at least once a year, and updating its policies and commitments accordingly whenever new human rights principles emerge.

Redeia's human rights management model, based on the methodology defined by the UN Guiding Principles on Business and Human Rights, encompasses all business activities and geographical areas in which the Company operates and is built around four main pillars.

1. Commitment to human rights

Respect for human rights is one of the ten principles underpinning Redeia's 2030 Sustainability Commitment and therefore a key aspect considered in the Company's decision-making, thus aiding in the achievement of the UN Sustainable Development Goals (SDGs).

The Company has embraced an explicit and public commitment to respecting human rights in every country in which it operates, focusing on the freedoms and rights of vulnerable groups such as indigenous people, women, children, persons with disabilities, the LGBTI community and migrant workers, and it extends this respect more broadly to its relationships with third parties.

This commitment, formalised in 2022 through the Ten Principles for respect for human rights, has been made public through the Commitment to the promotion and respect of human rights, which was approved by the Board of Directors in order to cement the corporate values, principles and rules of conduct set out in Redeia's Code of Ethics and Conduct and in its Sustainability Policy.

This Commitment is founded upon the internationally recognised principles enshrined in the Universal Declaration of Human Rights and its implementing conventions, the International Covenant on Economic, Social and Cultural Rights and the various conventions and protocols of the International Labour Organization. It was also deemed necessary to include in this Commitment emerging human rights (e.g. the right to a healthy environment or the right to decent work). This Commitment is binding on all employees and members of the governing bodies of the companies that form part of Redeia as they go about their business activities and fulfil their responsibilities. It also applies to the companies in which the Group holds a majority stake, regardless of their geographical location and activity. Companies at which Redeia is not a majority shareholder, or over which it does not exert control, are encouraged to embrace this Commitment.

These Ten Principles are reviewed on an annual basis, as new rules or standards may have emerged, the company may have expanded to other sectors or geographies, and disclosures may have been received through the various speak-up mechanisms that Redeia makes available to its stakeholders.
Furthermore, in order to extend its sustainability principles across the supply chain, Redeia's Supplier Code of Conduct insists that all suppliers respect human rights. On accepting the General Terms of Business, all of the Company's suppliers undertake to comply with the Code of Conduct, which can be substantiated via social audits.

2. Human rights due diligence process

Due diligence is a process whereby the impacts that the Company may cause, on human rights in this instance, are identified, assessed, corrected, mitigated and prevented. Notably, Redeia has been carrying out regular due diligence processes since 2013, involving all Group companies, in order to identity possible risks stemming from its direct and indirect activities.

In 2022, Redeia updated its due diligence procedures in respect of its own activities and relationships with third parties, bringing them into line with domestic and international legislation and current trends, as well as with emerging rights and new rights-holders on whom its activities could have an impact.

The due diligence process is divided into three stages:

- Human rights risk map: based on the human rights and rights-holders that could be affected by Redeia's activities, the negative, potential and actual impacts are identified, prioritised and assessed, using an in-house methodology based on the likelihood of the impact occurring and its severity. This risk map is reviewed once a year.

- Implementation of risk prevention and mitigation measures: Redeia looks at the risk map and then implements what is considers to be suitable risk prevention and/or mitigation measures at the departments or processes concerned, including specific improvement targets and associated deadlines.

- Monitoring of the measures put in place: regular assessments are carried out in respect of the previously defined qualitative and quantitative indicators. How often these assessments take place depends on the seriousness of the risks involved: at least once every three months for those considered serious, and at least once a year for all others. If deviations are observed, or if the results are not as desired, Redeia works with the stakeholder concerned to reframe the measures.

In order to ensure continuous improvement in this field, Redeia reviews the internal regulations that govern this mechanism once a year.

The 2023 review took into account all the Company's activities in Europe, Peru, Chile, Brazil, Argentina and Mexico (including the ARGO investees and TEN). The findings show that, as regards the sectors in which the Company operates, Redeia's primary human rights risks are linked to forced and child labour, human trafficking, freedom of association and right to collective bargaining, equal pay, discrimination, health and safety, decent work, data privacy and security, identity and social, cultural and economic rights of indigenous peoples, private property, fair taxation, corruption, a healthy environment and ethical management. This review has served to strengthen the Company's policies, commitments and control mechanisms to minimise these risks, ensure respect for human rights and remedy possible human rights abuses.

The results of this due diligence process have shown once again that the Company carries a low level of risk and runs suitable controls. As a result, there have been no human rights abuses and so no remedial action has been proven necessary to date.

Most notably, no risks carrying both a high probability of occurrence and a severe impact were they to materialise have been identified, thanks to the prevention measures put in place by the Company through its internal rules and regulations. The risks carrying the highest impact severity are those related to corruption, child labour and human trafficking, although all of them have excellent mitigation mechanisms in place thanks to various internal procedures that minimise their likelihood of occurrence ("very low" ranking of 1.3 out of 5). The risk related to working conditions (psychosocial risks, overwhelming workload or lack of digital disconnection) is the most likely risk identified throughout the company, though again it is situated in the "very low" range (1.7 out of 5), having fallen by 0.2 points compared to the previous year. This all goes to show that Redeia runs a very tight ship when it comes to prevention, thanks to its internal rules and regulations and standard controls.

Special mention should also go to Redeia's efforts to analyse the effects on its activity on local communities, especially indigenous populations. Communities were identified in Peru, Chile and Brazil. However, it was found that there are no indigenous settlements or communities lying within the sphere of influence of Redinter's activities. Therefore, there is no risk of such communities being affected. To confirm this, work was carried out in Peru to search for parallelisms between the UN Guiding Principles on Business and Human Rights and the environmental impact studies undertaken by Redinter.

The Company also extends its human rights commitment to third parties with which it either has, or intends to build, some sort of relationship and applies due diligence measures based on the risk posed by the third party in question. Prior to formalising any arrangement with a third party, Redeia first carries out an analysis to obtain information on that party's integrity and respect for human rights, focusing on the rights-holders identified previously. To succeed in this task, a series of due diligence measures have been established that are applied based on the risk posed by the third party and the nature of the relationship expected to ensue. This process is put into motion whenever a new relationship begins that involves corporate transactions, trading partners, external agents, public administrations, the management team, collaborating entities in the social sphere, land owners and holders, suppliers or customers.

Moreover, through the suppliers portal, Redeia has also put in place mechanisms to prevent human rights abuses along its supply chain. No suppliers were identified in 2023 that could be implicit in human rights abuses and, therefore, no contract or order had to be terminated on these grounds.

Last but not least, as a final control mechanism in relation to human rights, Redeia has its Corporate Responsibility Management System (IQNet SR10) certified annually. This process means auditing all of the Group's work centres in three-year cycles. Annual assurance is also arranged or renewed for its Criminal Compliance Management System (UNE 19601) and Anti-Bribery Management System (UNE-ISO 37001).

3. Grievance mechanisms

Redeia has an Ethics and Compliance Channel that can be accessed by all stakeholders, as a formal mechanism to respond to enquiries or complaints related to human rights. The Company has other communication channels whereby its stakeholders can voice their concerns regarding any issues. These channels include the *DÍGAME* service, which handles complaints and enquiries from external stakeholders regarding system operation and the transmission network; the ASA channel, which has been set up for suppliers; the *DÍGAME INTERNACIONAL* service, focused on the business in Latin America; and the Hispasat speak-up service.

In order to adequately handle enquiries from stakeholders on potential human rights abuses, the Group has made progress in improving the process to identify enquiries or requests received through its various channels. Notably, Redeia did not receive any claims relating to human rights through its *DÍGAME, DÍGAME INTERNACIONAL, ASA* or Hispasat channels in 2023.

4. Communication

Redeia keeps its stakeholders apprised of its performance when it comes to human rights through its Sustainability Report and its website. The results of this due diligence process have demonstrated once again that the Company carries a low risk level in terms of human rights and has suitable controls in place. As a result, no remedial action has been necessary thus far.

11.6 Information on the fight against corruption and bribery / GRI 103-1 / 103-2 / 103-3 / 2-23 / 2-26 / 406-1

Ethics and compliance are central pillars there to ensure the proper course of business at Redeia. This means acting with the utmost integrity in discharging the Company's obligations and commitments, and in all relations and collaborations with its stakeholders.

Redeia has a series of corporate rules of conduct that set out the values, principles and standards of conduct that must be adhered to by all persons at the Company when going about their professional activities.

Code of Ethics and Conduct

Redeia's Code of Ethics and Conduct applies to all Company personnel. It establishes and facilitates commitment to the ethical values, principles and standards of conduct that must govern professional activity within the organisation.

The latest version of Redeia's Code of Ethics and Conduct, approved by the Board of Directors on 26 May 2020, addresses the ethics management requirements and recommendations prescribed by the United Nations (mainly through the Sustainable Development Goals, the Ten Principles of the Global Compact and the Universal Declaration of Human Rights and its implementing conventions), the Organisation for Economic Co-operation and Development (OECD), the International Labour Organization (ILO) and Transparency International, among others. The Code was also amended on 30 May 2023 to bring it into line with Law 2/2023, of 20 February, on the protection of persons who report regulatory infringements and the fight against corruption.

Ethics and Compliance Channel

Redeia provides employees and stakeholders alike with an Ethics and Compliance Channel through which they can voice any doubts they may have regarding the interpretation of the ethical values, principles and conducts set out in the Code, or suggest improvements. It also functions as a whistleblower channel for reporting any breach of the Code, legislation, internal regulations or the commitments assumed by the organisation, as well as any possible irregularity or breach related to bad financial, accounting or commercial practices.

Redeia's Ethics and Compliance Channel is run by the Ethics Officer working alongside the Compliance area, and its operation is regulated in the channel user handbook.

The channel is regularly audited and provides user confidentiality through a secure software application that ensures close monitoring of all enquiries and complaints received.

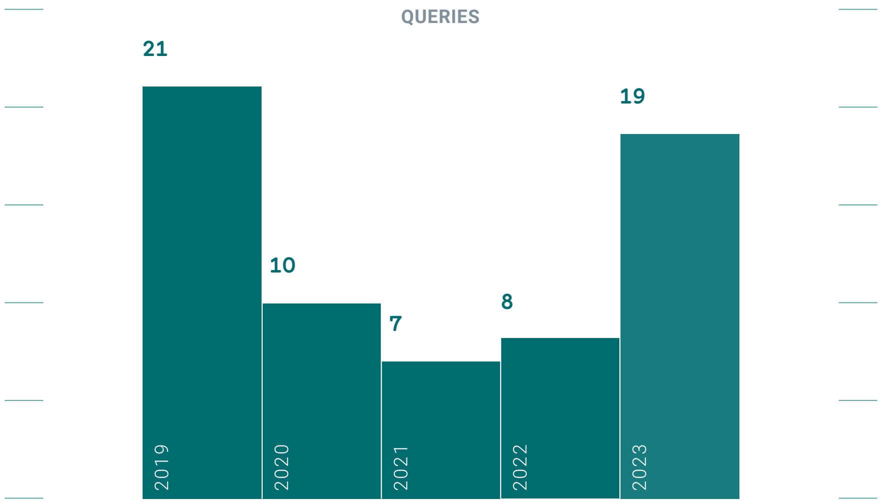
Ethics and Compliance Channel management system

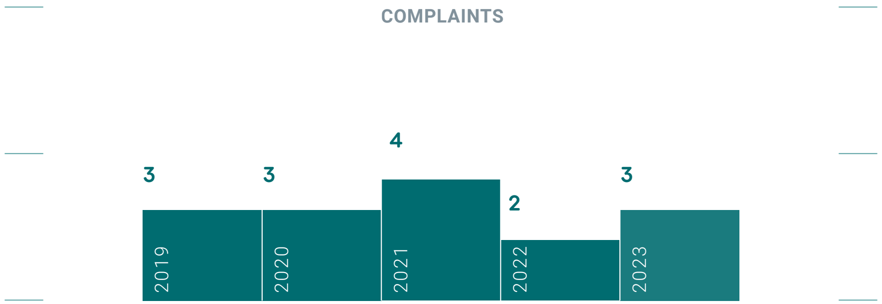
In 2023, Redeia embarked on a project to adapt its Ethics and Compliance Channel to prevailing law and best practices (more precisely, Spanish Law 2/2023, of 20 February 2023, on the protection of persons who report regulatory breaches and the fight against corruption, European Directive 2019/1937, and ISO 37002 on whistleblowing management systems). This project ultimately led to the approval of the Ethics and Compliance Channel Management System and Whistleblower Protection Policy, which sets out the principles and safeguards for the Ethics and Compliance Channel Management System as a formal mechanism for raising queries and reporting non-compliances and irregularities. The Ethics and Compliance Channel Management System Guide was also updated in the period.

The company also happened to design and implement a protocol regulating internal investigations linked to the Ethics and Compliance Channel. At Redeia, internal investigations are carried out in strict compliance with applicable legislation and the commitments embraced by the organisation in its Code of Ethics and Conduct, its Compliance Policy and in the aforementioned Policy of the Ethics and Compliance Channel Management System and on Whistleblower Protection, and while respecting the rights and freedoms of all employees and third parties involved. To help disseminate and enforce the protocol, training workshops were held for those employees directly involved in such investigations.

Therefore, Redeia has established a common approach that must be followed by all Group companies when conducting investigations related to the Ethics and Compliance Channel management system, including the precise steps to be followed during the investigation and the nature of the proceedings to be carried out, among other aspects.

Queries and disclosures received through the Ethics and Compliance Channel





None of the disclosures involved non-compliances in relation to the organisation's criminal risks.

Compliance system

Redeia's Compliance System is aligned with the best practices in this area, so as to support the organisation in fulfilling its obligations and commitments.

Redeia's Compliance Policy, the latest version of which was approved by the Board of Directors on 30 May 2023, sets out the organisation's commitment to the prevention and detection of, and response to, any unlawful conduct or any action that fails to comply with the commitments assumed voluntarily, in accordance with the values, principles and conducts enshrined in the Code of Ethics and Conduct. The Policy sets out Redeia's express commitment to compliance with the criminal and anti-bribery laws applicable to the organisation and its rejection of any form of criminal conduct, in keeping with the values, principles and conducts enshrined in Redeia's Code of Ethics and Conduct.

Redeia's Compliance area is entrusted with the design, development, implementation and monitoring of the organisation's compliance system.

The main goals of the compliance system are to:

- Establish a system of control and supervision to mitigate compliance risks within the organisation.
- Make available the principles and rules that should govern the performance of all members of the organisation and the instruments required to this end.
- Optimise and improve the management of risks of non-compliance.
- Raise awareness among Redeia members of the importance of the compliance system and of adapting their conduct to the values and conducts set out in the Code of Ethics and Conduct.
- Raise awareness among Redeia's members and stakeholders of the importance of reporting, through the Whistleblowing Channel, suspicious actions and possible non-compliances, including those that fall within the scope the management system for the channel.
- Crystallise Redeia's commitment to the prevention of any conduct that is unlawful or runs contrary to its voluntary commitments.
- Make clear to all persons subject to the compliance system that any breach of its principles and guidelines will lead to disciplinary action.
- Deploy appropriate control measures to mitigate the risk of non-compliances occurring within the organisation, as well as reactive and corrective measures when non-compliances are detected.
- Maintain supporting evidence of compliance with the Company's obligations and commitments.

Crime prevention and anti-bribery compliance system

Redeia has a crime prevention and anti-bribery system that aims to identify the rules, procedures and tools in place within Redeia to prevent non-compliances with the criminal legislation applicable to the Company and its personnel. The management and prevention of any criminal risks that could affect Redeia, based on its activities and business sectors, are thus incorporated into its control processes.

The Board of Directors, as the ultimate body tasked with risk management at Redeia, in accordance with applicable regulations, has entrusted the Crime Prevention and Anti-bribery Committee with Redeia's Crime Prevention System. The Crime Prevention and Anti-bribery Committee is responsible for overseeing and monitoring Redeia's crime prevention and anti-bribery system and works to ensure that the main criminal risks are suitably identified, managed and disseminated internally.

The Crime Prevention and Anti-bribery Committee is an independent body which reports its activities to the Board of Directors, via the Audit Committee. It also provides the Board of Directors with information on the adequacy and effectiveness of the crime prevention and anti-bribery system.

The crime prevention and anti-bribery systems of Redeia's Parent, Red Eléctrica Corporación, and its subsidiary, Red Eléctrica, have been certified under UNE 19601 and ISO 37001 standards. The certification process for these systems was carried out by AENOR in accordance with the aforementioned standards. In 2023, the Company successfully passed the follow-up audit carried out by AENOR, thus confirming the ongoing compliance and effectiveness of the system.

In 2023, no Redeia company was investigated or found guilty of any non-compliance in connection with the organisation's criminal risks.

Anti-corruption, anti-fraud and anti-money laundering
The Code of Ethics and Conduct and the crime prevention and anti-bribery system, which include aspects related to the fight against corruption and money laundering, constitute an effective mechanism in detecting and treating possible instances of corruption and fraud.

Redeia has a Guide for the Prevention of Corruption: Zero Tolerance, approved by the Board of Directors in 2023, which sets out the expected conducts, commitments and main controls in place at the Company associated with corruption, including money laundering.

This guide was reviewed and updated in 2023, with its scope extended to cover (internal) fraud and to bring it fully in line with Redeia's Code of Ethics and Conduct and Compliance Policy. The updated guide was approved by the Board of Directors of Redeia Corporación in January 2023.

The review process involved the participation of Transparency International and looked closely at best practices and international standards in this field (ISO 37001).

No complaints were filed in 2023 in connection with potential instances of corruption at any Redeia company, and no Redeia company was investigated or found guilty by any court in connection with acts of non-compliance linked to corruption or money laundering.

11.7 Information on social issues

GRI 103-1 / 103-2 / 103-3 / 413-1

11.7.1 The Company's commitment to sustainable development

Economic and social contribution of investments

Redeia focuses its social commitment towards unlocking shared value by pursuing actions and investments that are aligned with its business goals, which not only generate shared value, but also happen to have a positive impact on the quality of life of the communities living in the areas where the Company's assets are located. This also means the Company is helping to address global challenges, such as the UN Sustainable Development Goals or the European 2030 energy strategy.

Once again in 2023, Redeia's investment benefited society due to its dynamic effect on economic activity because, by encouraging production, it leads to an increase in wealth (as measured by GDP) and, as a result, in jobs and tax revenue, which can be used to improve the general well-being of society. All this stems not only from the Group's direct investments, but also the increase in activity driven by the circular flows of the economy.

Since 2017, Redeia has used a methodology based on multipliers computed using Input-Output Tables (drawn up by official statistics offices in each country) to estimate the level of general activity generated as a result of an initial investment. The calculations take into account the direct, indirect and induced effects.

Effecs of investments

Direct effect	Indirect effect	Induced effect
Estimation and valuation of the production chain, jobs and income that an initial investment generates within the economic system.	Income and jobs created when the beneficiaries of the initial investments acquire other goods and services (intermediate consumption) from other production systems, which in turn acquire goods and services from their own suppliers.	Impact arising from all the income generated in the previous stages. This effect thus incorporates the effect of the final consumption arising from the wage income generated and the tax revenue obtained by the general government when taxing the various economic activities and the income generated.

Social and economic contribution in Spain

In 2023, Redeia's total investment in Spain, through activities carried out at Red Eléctrica, Reintel, Elewit and Hispasat, amounted to 943 million euros, of which an estimated 224 million euros was spent on importing the products needed to run their businesses. The remainder, approximately 719 million euros, was invested directly in Spain. The investment in Spain generated 1,388 million euros of output within the business sectors concerned, which is almost double the investment made in the country, thus contributing 608 million euros to Spanish GDP (around 29.5% of Redeia's revenues in 2023) and generating economic activity equivalent to 9,089 jobs. All of this combined generated tax receipts of 231 million euros (roughly 23% more than the amount provisionally collected in 2023 in respect of the special tax on electricity [(5)]).

Total effects of investment in Spain

	Direct	Indirect	Induced	Total
Production (€ million)	719.2	586.6	81.7	1,387.5
Income-GDP (€ million)	301.8	267.1	39.2	608.1
Employment (no. of jobs)	4,698	3,865	525	9,089
Tax revenue (€ million)	118.9	99.2	13.5	231.6

Note: the mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

(5) Royal Decree-Law 17/2021 reduced the excise tax on electricity from 5.1% to 0.5% and it has remained at that rate since September 2021.

Social and economic contribution in Chile

In 2023, through its subsidiary Red Eléctrica Chile, Redeia invested a total of 5 million dollars in the transmission network, almost all of which involved direct investment in Chile. This investment generated 8.4 million dollars of output within the business sectors concerned, thus contributing 4.1 million dollars to GDP within the country and generating economic activity equivalent to 110 jobs. All of this combined generated tax receipts of 0.8 million dollars.

Total effects of investment in Chile

	Direct	Indirect	Induced	Total
Production ($ million)	4.5	3.3	0.7	8.4
Income-GDP ($ million)	2.2	1.5	0.4	4.1
Employment (no. of jobs)	66	36	8	110
Tax revenue ($ million)	0.5	0.3	0.1	0.9

Note: the mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

Social and economic contribution in Peru

In 2023, through its subsidiaries in Peru, Redeia invested a total of 1.7 million dollars in the transmission network, all of which was invested directly in Peru. The investment in Peru generated around 2.9 million dollars of output within the business sectors concerned, which is almost double the direct investment made (1.7 million dollars) in the country, thus contributing 1.2 million dollars to GDP within the country and generating economic activity equivalent to 65 jobs. All of this combined generated tax receipts of 0.2 million dollars.

Total effects of investment in Peru

	Direct	Indirect	Induced	Total
Production ($ million)	1.7	1.1	0.1	2.9
Income-GDP ($ million)	0.6	0.5	0.1	1.2
Employment (no. of jobs)	35	27	4	65
Tax revenue ($ million)	0.1	0.1	0	0.2

Note: the mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

Social and economic contribution in Brazil

In 2023, Redeia continued to strengthen Brazil's transmission grid through its stake in Argo, with 34 million dollars, of which an estimated 4 million dollars related to imports. The investment in Brazil generated around 82.1 million dollars of output within the business sectors concerned, which is almost double the direct investment made (29.9 million dollars) in the country, thus contributing 34 million dollars to GDP and generating economic activity equivalent to 2,330 jobs. All of this combined generated tax receipts of 13.6 million dollars.

Total effects of investment in Brazil

	Direct	Indirect	Induced	Total
Production ($ million)	29.9	41.0	11.2	82.1
Income-GDP ($ million)	15.0	14.9	4.1	34.0
Employment (no. of jobs)	1,303.0	785.0	242.0	2,330.0
Tax revenue ($ million)	6.1	5.9	1.6	13.6

Note: the mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

Impact of the business on local communities and the natural habitat

Redeia focuses its socio-environmental commitment towards unlocking shared value with society by pursuing actions and investments that are aligned with its business goals and that not only generate value for Redeia, but also have a positive impact on society, the local community and its inhabitants.

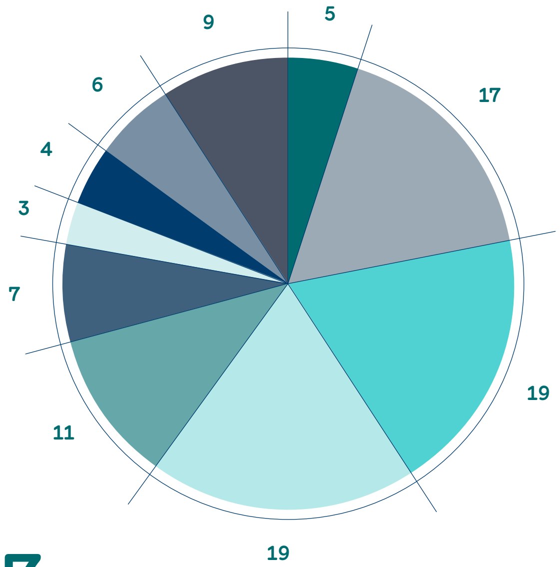
It also helps tackle various challenges, such as the UN Sustainable Development Goals (SDGs) or those envisaged as part of the European energy strategy.

Shared value is created by Redeia both in the way it develops and builds infrastructure and in the way it operates and delivers services to the effective systems in which it operates and to its customers. This activity generates opportunities to unlock shared value throughout the infrastructure life cycle.

In addition, Redeia supplements its projects in the area with collaboration schemes to nurture institutional and social relationships, transparently seeking collaboration agreements, disseminating information about the electricity network's performance and fostering involvement in projects and initiatives that boost socio-economic development, education, equal opportunities, biodiversity and the conservation, protection and enhancement of natural and cultural heritage in the local areas.

In 2023, the Group contributed over 10 and a half million euros (10,631,911, to be precise), calculated using the London Benchmarking Group (LBG) methodology) for the development or promotion of social initiatives.

Social contribution / %



5% Commitment to presence in organizations and sectorial institutions

17% Commitment to Outreach, Education and Training

19% Commitment to Biodiversity

19% Commitment to Local Development

7% Institutional Commitment

6% Management costs

11% Commitment to Climatic Change

3% Commitment to Cooperation and Corporate Volunteering

4% Commitment to Heritage and Culture

9% Reputational Commitment

Of the 838 social initiatives undertaken (246 more than in 2022), 372 targeted the socio-economic development of the local area, including municipal infrastructure construction or improvement projects, efforts to nurture the area's cultural wealth and restoration of emblematic and socially significant buildings with an impact on tourism.

To further strengthen Redeia's commitment to local areas, in 2021 a new social innovation approach was defined, placing a greater importance on the "S" of society, with a view to making it one of the transformative levers capable of generating solutions to real needs.

The new approach aims to reduce digital, territorial, generational and gender inequality so as to improve the lives of citizens in local communities. It takes the form of an Action Plan that involves 11 lines of action, all linked to the UN Sustainable Development Goals; the Demographic Challenge Action Plan of the Spanish Ministry for the Ecological Transition and the Demographic Challenge (MITERD); the Company's 2021–2025 Strategic Plan; and the 2030 Sustainability Commitment.

Dissemination of knowledge

With regard to knowledge-sharing, Redeia has always played a key role through activities that seek to enhance knowledge of the Spanish electricity system. This now takes on even greater importance given the sizeable challenge posed by the new energy transition model through the decarbonisation of the economy, since a more informed society has better able to develop and maintain the new sustainable energy model.

The company has 15 partnership agreements in effect with universities and training entities and in 2023, more than 1,500 people visited Red Eléctrica's facilities and control centres (CECOEL, CECRE and island control centres), both in person and via virtual tours.

In 2023, contributions to foundations and non-profit organisations totalled 1,730,000 euros. In 2022, contributions to foundations and non-profit organisations totalled 1,579,000 euros. This figure includes contributions made under institutional or academic collaboration agreements, membership fees to national and international organisations, and donations for social purposes.

Corporate volunteering

The corporate volunteering model extends the Company's social action by driving and reinforcing collaboration in solidarity activities that respond to the social needs, problems and interests defined in its action guidelines.

The business model follows a strategic and transformational approach, aimed at championing volunteering actions that not only steer in-house talent towards corporate volunteering actions, but also provide innovative solutions to social and environmental problems.

The actions carried out in 2023 were in response to the interest shown by participating volunteers and were targeted primarily at improving the quality of life for groups at risk of social exclusion, fostering employability and meeting specific, real needs of society. The volunteering actions are adapted to the social reality and needs of each country in which Redeia is present.

Notably, Redeia achieved a level of participation among individual volunteers of 24.9% (26.7% in 2022), which was once again higher than the target set at the beginning of the year (20%).

Main corporate volunteering actions in 2023

Role-playing activity with women facing social exclusion, alongside Fundación Quiero Trabajo	Five company volunteers took part in the activity to help women with additional difficulties to find employment and to improve and foster their independence and confidence, all with a view to their inclusion in the labour market.
Virtual charity race alongside Fundación Aldeas Infantiles	Activity carried out via a sports mobile app that measures physical activity and translates it into kilometres. The distances covered by the companies taking part are then converted into a monetary contribution for Fundación Aldeas Infantiles. 12 volunteers took part in the competition, finishing in third place.
Cooperation with the people of Ukraine through the International Red Cross – MBT sporting event at Meandros de Sástago	A total of 2,750 euros was donated thanks to the involvement of 275 runners in total. Volunteers from the local area also helped to organise the race.
Magician workshops with Fundación Abracadabra de Magos Solidarios (a charitable organisation centred around magic and magicians) at care homes for people with disabilities	Two magician workshops involving eight company volunteers were held for the benefit of nursing home residents, fostering collaboration among the elderly during their leisure time.
Food collection drive for Associació Tardor's charitable canteen in Palma de Mallorca	25 volunteers collected 70kg of food that was then handed out to various low-income families.
Drive to collect milk alongside FESBAL (Spanish Federation of Food Banks)	A total of 3,468 litres of milk were collected for the benefit of 1,850 families.
Partnership with Fundación Pequeño deseo to design "Superhero Kits" for hospitalised children	Framed in the "International Children's Day", 230 kits were made (110 in territories and 120 in Madrid) and the kits were then donated to eight hospitals from around the country.
Drive to collect children's books and gifts for the elderly	Christmas-related activity to provide books to children and gifts for the elderly alongside Cruz Roja and Mensajeros de la Paz. A total of 110 gifts were collected.
School kits	Activity linked to the start of classes for children living in poverty and extreme poverty in the company's areas of direct influence in the cities of Arequipa, Cusco, Moquegua, Puno and Tacna (Peru). A total of 1,690 school kits were handed out to children and teachers.
Charity race: For a happy childhood from Aldeas Infantiles	A total of 17 workers and their families took part in this race, which aims to benefit vulnerable children.

Participation in organisations **/ GRI 2-26**
The Group is an active member of various international organisations and associations, particularly within the European Union, with a view to raising awareness of its stance on fundamental aspects of its activity, building strong alliances and contributing to the achievement of common objectives.

The Group participates in international electricity-related organisations such as ENTSO-E (European Network of Transmission System Operators for Electricity), RGI (Renewable Grid Initiative), IESOE (Electricity Interconnection in South-Western Europe), Med-TSO (Mediterranean Transmission System Operators), CIGRE (International Council on Large Electric Systems), SNMPE in Peru (National Mining, Energy and Oil Company), Asociación de Transmisoras in Chile (Transmission

Association), Fundación España-Perú, ENERCLUB (Spanish Energy Club) and AEEE (Spanish Association for the Energy Economy).

Turning to the satellite business, Hispasat is involved in the International Telecommunication Union (ITU), the Spanish Association of Technology Companies for Defence, Aeronautics and Space (TEDAE), the Inter-American Telecommunications Commission (CITEL), the Spanish Aerospace Technological Platform (PAE), the EMEA Satellite Operators Association (ESOA), and the Inter-American Association of Telecommunications Companies (ASIET).

Redeia also takes part in various national organisations and associations that pursue different objectives:

- Sharing and spreading best practices in the business context, such as AEC (Spanish Association for Quality), ASCOM (Spanish Association for Compliance), UNE (Spanish Association for Standardisation) and Emisores Españoles.

- Promoting the Group's commitment to sustainability, through Club de Excelencia en Sostenibilidad, Forética, Club Excelencia en Gestión e Innovación, and the Transparency International Spain Integrity Forum.

11.7.2 Subcontractors and suppliers

GRI 414-1 / 308-1 / 308-2

As a result of market globalization, geopolitical and macroeconomic factors, energy transition, legislative changes and other related risks, Redeia continues to pursue a sustainable supply chain management model, through which it promotes ethical and sustainable practices across all processes, enabling it to ensure the supply. Redeia deploys this management model based on the principles of non-discrimination, mutual recognition, proportionality, equal treatment, transparency and free competition. In doing about this task, it observes applicable legislation and its own codes, policies and internal regulations, all the while focusing on continuous improvement and seeking to create value for the company through ethical and transparent management and risk minimisation.

Redeia works hard to instil among its suppliers, as a strategic stakeholder, a commitment to the sustainable management model.

In 2023, Redeia worked with 2,069 suppliers in transactions worth 1,103 million euros (accredited investment and spending). Of that amount, 69.1% related to services and works, while the remaining 30.9% pertained to materials and equipment.

Aside from these suppliers, a further 1,224 subcontractors are authorised to perform work within electricity transmission grid facilities. Redeia's overall local purchases indicator (percentage of purchases from suppliers based in the same country as the company) is 86.0%. This indicator breaks down as follows: 86.6% for companies based in Spain, 98.1% in Chile, 53.8% in Peru, 96.5% in Brazil, 99.2% in Mexico, 100% in Argentina and 90.8% in Colombia. This enables Redeia to act as a driver of local growth by fostering business and industrial and social development through job creation all along the supply chain.

Through its own supplier classification and qualification platform, companies looking to become suppliers are required to accept the Supplier Code of Conduct and confirm that they do not carry any ESG risk that might pose an unacceptable risk to Redeia. Further screening is carried out to ensure that they meet the minimum requirements and standards of quality for each supply. They are also asked to provide proof of having a stable financial position and of having taken out a civil liability insurance policy, along with references of previous projects and experience.

Should further environmental and social requirements exist (beyond those required for approval), these will be duly conveyed by the Group's technical areas as part of the technical specifications, making them another requirement in the tender process.

The continuous monitoring process is there to ensure that the supplier is able to perform the contracts signed with the company and continue to fulfil the relevant tender and supplier approval requirements. The main screening actions are as follows: (1) business (monitoring of the financial solvency of all approved suppliers and application of mitigating measures, continuous oversight of legal matters such as being up-to-date with payment of the required taxes, social security contributions and public liability insurance, etc.); (2) technical; (3) compliance (criminal risk, privacy and cybersecurity); (4) integrity and human rights; (5) sustainability (ESG score); and (6) social responsibility (verification of proper adherence to the Code of Conduct for Suppliers through social audits).

In order to verify compliance with the Supplier Code of Conduct, social audits were carried out on 52 suppliers in 2023, of which 16 related to the audit plan for suppliers with ESG risk defined by Redeia, representing 61.5% compliance with this plan. As a result of the audits, 22 action plans were agreed upon with 12 suppliers, so that the supplier's adherence can be monitored and the improvements recorded. The results of these audits and their findings are shared internally, placing special emphasis on the detection of major non-compliances.

11.7.3 Consumers / GRI 2-29 / 416-1

1. Redeia

Redeia seeks to build long-lasting relationships based on trust with its stakeholders and is therefore aware of the need to engage in constant dialogue with them. To succeed in this task, it has deployed various communication channels with multiple contact methods available, through which consumers can convey all manner of queries related to the services provided by Group companies.

With a view to achieving this goal, the Company has a robust model to communicate with stakeholders at the Group level; a system that ensures the traceability of communication and guarantees that all issues are resolved within the allotted time frames.

Enquiries received in 2023 by type and Group company break down as follows:

	2022	2023					
	Total Redeia 2022	Total Redeia	Red Eléctrica	Redinter	Reintel	Hispasat Spain	Hispasat rest of
Claims	94	87	86	0	0	1	0
Incidents	5,668	7,029	-	-	802	2,386	3,841
Support	9,982	11,203	3,878	563	-	3594	3168
Grievances	*34*	*23*	*16*	*4*	-	*3*	*0*
Queries	*8,341*	*8,726*	*2,267*	*13*	-	*3,319*	*3,127*
Suggestions	*5*	*5*	*5*	*0*	-	*0*	*0*
Requests	*1,402*	*1,997*	*1,392*	*546*	-	*47*	*12*
Notifications	*200*	*452*	*198*	*0*	-	*225*	*29*
Total enquiries	15,744	18,319	3,964	563	802	5,981	7,009

The activities of Redeia Group companies have no impact whatsoever on the health and safety of consumers.

2. Red Eléctrica

Since 2008 the *DÍGAME* service has been successfully providing a professional response to enquiries received from external stakeholders regarding Red Eléctrica's running of the electricity system and management of the transmission network, who have several channels of communication at their disposal (telephone, email, online contact form, post or certified fax). The service is manned by employees of Fundación Juan XXIII Roncalli, a non-profit entity that facilitates the workplace integration of people with disabilities.

In 2023, a total of 3,964 enquiries were received and handled, with customers being the stakeholder group that accounted for the highest number (1,361), followed by local stakeholders (825), investors and shareholders (761), and sectors and business associations (654). To a lesser extent the Group also interacted with suppliers, regulatory bodies, opinion leaders and other stakeholders.

34,3% Clients

20,8% Local stakeholders

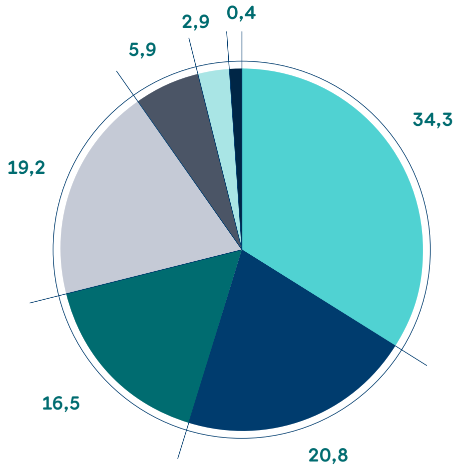
16,5% Business sectors and associations

19,2% Investors and shareholders

5,9% Technology suppliers and providers

2,9% Regulatory agencies and government

0,4% Opinion leaders



Although Red Eléctrica responds to all enquiries received, it places particular emphasis on claims, as they tend to draw attention to non-compliances with the commitments undertaken, or report actual damage caused as a result of the Company's activity that requires a prompt solution.

Of the 86 claims received in 2023, 44 fell under Red Eléctrica's remit and were admitted for processing. Of these, 39 were upheld (accepted as being correct and reasonable, either fully or partially).

The bulk of the claims admitted referred to the impact of Red Eléctrica's facilities in relation to felling and clearing of vegetation or damage to infrastructure.

Claims received

	2023	2022
By type		
Quality and continuity of supply	8	10
Impacts of facilities	35	28
Measures	0	1
Other	1	6
Total	44	45
By stakeholder		
Local stakeholders	39	38
Business sectors and associations	5	4
Clients	0	3
Total	44	45

Of the 44 claims admitted, 31 had been resolved at the close of 2023, while seven related to the impact of the Company's facilities and six concerned quality and continuity of supply and had yet to be resolved at year-end owing to their complexity. The Company also continued to handle two ongoing claims from 2022.

In the case of the electricity transmission activity, it should be noted that due to the criteria applied in the design of the facilities, the levels of the electric and magnetic fields (EMFs) remain below those recommended by the Council of the European Union (Official Journal of the European Communities 1999/519/EC: limitation of exposure of the general public in areas where they spend significant time – 5 kV/m for the electric field and 100 µt for the magnetic field). The main criteria applied are as follows:

- Construction of double circuits and phased transposition in power lines.

- Raising the height of supports, thus increasing safety distances.

- Minimum distances from the lines to population centres and isolated homes.

To verify compliance with recommendations, Red Eléctrica has a tool that uses certain line parameters to accurately gauge the maximum levels of EMFs that the facilities are able to generate.

3. Redinter

The *DÍGAME Internacional* service offers a communication channel through which stakeholders can submit enquiries regarding the Company's activities in Peru and Chile. These can be submitted via various communication channels (telephone, email, online form, reception desk, on-site office or community liaison officers), all of which are logged accordingly.

In 2023, a total of 563 enquiries were received and managed in Latin America, with the regulatory bodies being the stakeholder group that accounted for the highest number (419), followed by communities and local stakeholders (84), and other groups (60).

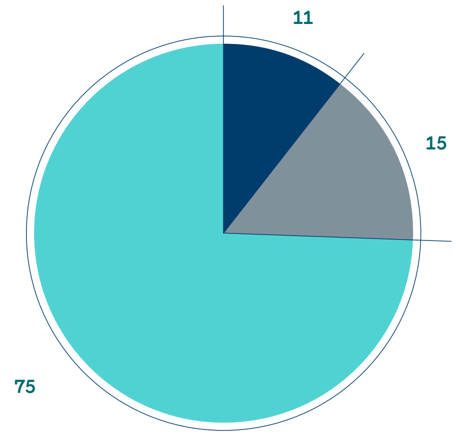
In Peru, a total of four complaints were received, seeking compensation for the use of the easement strip and insisting on compliance with social commitments, but no claims. Meanwhile, no complaints were received in Chile. At 31 December 2023, 66 enquiries in Peru and four in Chile were still in the process of being resolved.

Enquiries at Redinter by stakeholder / %

75%
Regulator

15%
Local stakeholders

11%
Other



4. Reintel

Reintel has its own 24/7 customer support and supervision centre, which controls and monitors the status of the network and handles incidents and scheduled work of customers, with the aim of offering a reliable service of the utmost quality.

In 2023, this firm commitment to customers was evidenced by the direct response given by its call centre to 802 incidents relating to the grid. Of the total incidents to have affected customers, 60% stemmed from power failures, third-party construction work, natural causes and vandalism, while the remaining 40% were due to scheduled work on the grid.

These incidents were handled and resolved as part of normal business within the timeframes stipulated in the customers' contracts, without giving rise to any claims for financial penalties.

5. Hispasat

Hispasat remains in constant and direct dialogue with its clients through various systems and tools, including its call centre. A telephone channel operating 24 hours a day, seven days a week, with service in three languages (Spanish, Portuguese and English). It also has a support centre, a Network Management System (NMS) portal, a SIGO portal and the Hispasat website.

As of 31 December 2023, Hispasat had received a total of 12,990 enquiries, with the proportion between incidents and queries being substantially similar to the level reported in 2022. The enquiries received related to operational matters, incidents, requests for information or guidance, changes, and questions or concerns over services provided, among other matters.

11.7.4 Tax information / GRI 207-4

Redeia is committed to compliance with tax laws and the fulfilment of its tax obligations, seeks a cooperative relationship with the taxation authorities and considers it important to contribute to economic and social development by paying taxes in all the countries in which it operates.

In 2023 and for the fourth year running, the Group topped the tax responsibility transparency ranking of IBEX 35 companies, earning a *`t*** de transparente'* (T for Transparency) mark of tax transparency from Fundación Haz. To attain this accolade, the voluntary transparency shown by IBEX 35 companies as regards their tax obligations is analysed.

The Group's tax strategy has been approved by the Board of Directors and provides a consistent and reliable approach to tax matters in line with the Group's strategy. It embodies the Group's vision and objectives in tax matters and is based on three core values: transparency, good governance and responsibility.

The Board of Directors has also approved the Group's Tax Risk Control and Management Policy and its inclusion in the Comprehensive Risk Management Policy. The tax risk control and management systems are described in the Corporate Governance Report.

The Group's Tax Strategy and ERM policy can be found on the corporate website.

Both the Code of Ethics and Conduct and the Tax Strategy set out the Group's pledge not to create companies in countries considered tax havens in order to evade tax.

The Group has no presence and carries out no activity in countries considered tax havens or non-cooperative jurisdictions under applicable laws and regulations.[6] [7]

(6) First and tenth additional provision and second transitional provision of Law 36/2006, of 29 November 2006, on measures for the prevention of tax fraud (as amended by Law 11/2021, of 9 July 2021, on measures to prevent and combat tax fraud, effective 11 July 2021); Order HFP/115/2023, of 9 February 2023, listing those countries and territories, as well as harmful tax regimes, considered to be non-cooperative jurisdictions; the European Union list of non-cooperative jurisdictions and territories for tax purposes; and the OECD list of non-cooperative tax havens.

(7) In August 2022, the Axess group was acquired. The group has subsidiaries in various countries, including a company resident in Panama, which will be wound up in 2023.

There now follows information on profits obtained country by country, with the relevant information retrieved from the consolidated financial statements.

It also includes taxes on profits paid by country and public grants and other forms of aid received.

Country-by-country earnings

Profit/(loss) before income tax includes consolidated data by country.

Pre-tax profit/(loss) obtained by country
Millions of euros

	2023	2022
Spain	832	801
Brazil	50	51
Luxembourg	16	11
Peru	13	14
Mexico	5	-
Chile	-6	-7
Colombia	1	-
Cyprus	-1	-
Other (*)	-	-
Total	**910**	**870**

(*) Includes France, United Kingdom, Germany, Cyprus, Greece and Denmark in Europe, and the United States, Argentina, Ecuador and Venezuela in the Americas, all with amounts below 1 million euros.

In Spain, the profit generated on the sale of the 49% stake in Reintel (970 million euros) had no impact on the consolidated statement of profit or loss for 2022 as it involved the sale of a non-controlling stake, with the Group retaining control over the company.

Income tax paid

With a view to following best practices in sustainability and voluntarily offering greater transparency in tax matters for its various stakeholders, Redeia has been calculating and publishing its total tax contribution as part of its sustainability report since 2014, showcasing the significant economic and social contribution made by the taxes it pays.

The Group's total tax contribution to public authorities across all the countries in which it operates amounted to 646 million euros in 2023, of which 278 million euros related to taxes borne and 368 million euros to taxes withheld and paid on behalf of others.

Corporate income tax paid in each country in 2023 and 2022 – meaning the amounts paid in respect of Corporate income tax – is as follows: This table does not include income taxes paid by companies consolidated using the equity method (mainly located in Brazil and Chile).

Corporate income tax paid
Millions of euros

	2023	2022
Spain	194	355
Peru	7	8
Brazil	1	1
Mexico	2	-
Colombia	2	-
Other (*)	-	-
Total	**206**	**364**

(*) Includes France, Luxembourg, the United Kingdom, Germany, Cyprus and Greece in Europe, and the United States, Argentina, Ecuador and Venezuela in the Americas, all with amounts below 1 million euros.

The increase in the amount paid in 2022 in Spain is mainly due to the effect of the minimum payment rule when calculating the tax group's tax instalment payments, following the sale of the 49% stake held in Reintel. The annual income tax return filed in July 2023 requested a rebate of the higher amount paid.

The jurisdiction of Brazil does not include income taxes paid by companies consolidated using the equity method (Argo subgroup).

Public aid received

In 2023, a total of 42 million euros was received in grants from official bodies (55 million euros in 2022). In 2023, the amount corresponds mainly to the subsidies received by Hispasat for the Unique Rural Project.

Grants received in 2023 and 2022, broken down by country and expressed in thousands of euros, are as follows:

Public grants received
Millions of euros

	2023	2022
Spain	42	-
Total	**42**	-

11.8 EU Taxonomy Information

The Taxonomy Regulation (UE) 2020/852[(8)] aims to help channel capital into activities that make a substantial contribution to achieving the objectives of the European Green Pact.

In 2018, the European Commission published its "Action Plan: financing sustainable growth", which marked the start of a comprehensive strategy on sustainable finance. One of the objectives established in that action plan was to redirect capital flows towards sustainable investment in order to achieve sustainable and inclusive growth.

The Taxonomy Regulation sets out the criteria for determining whether an economic activity is considered environmentally sustainable for purposes of determining the degree of environmental sustainability of an investment.

(8) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The EU's environmental objectives as set out in the Taxonomy Regulation are as follows:

a) climate change mitigation;

b) climate change adaptation;

c) sustainable use and protection of water and marine resources;

d) transition to a circular economy;

e) pollution prevention and control;

f) protection and restoration of biodiversity and ecosystems.

An economic activity shall be considered environmentally sustainable, i.e. it shall be considered aligned with the Taxonomy, when it contributes substantially to one of these six objectives, without causing significant harm to any of the other five, and provided that it is carried out in compliance with minimum social safeguards: the Organisation for Economic Co-operation and Development (OECD) guidelines on multinational enterprises, the United Nations (UN) guiding principles on business and human rights, and the core conventions of the International Labour Organization (ILO).

In June 2021, Commission Delegated Regulation (UE) 2021/2139 [(9)] was published, establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

Furthermore, in July 2021, Commission Delegated Regulation (EU) 2021/217810 specifying the content and presentation of the information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU, was adopted.

On July 15, 2022, the Complementary Climate Delegated Act was published in the OJEU, which included, under strict conditions, specific nuclear and gas activities in the list of economic activities covered by the taxonomy.

Lastly, on 21 November 2023, Commission Delegated Regulation (EU) 2023/248611 was published, establishing the technical screening criteria for determining those activities that substantially contribute to the other non-climate environmental objectives of the European Union: the sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. This particular Delegated Act also expands upon the economic activities that contribute to climate change mitigation and adaptation, and introduces amendments to the Delegated Act on the disclosure of information on the taxonomy of the European Union.

(9) Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

(10) Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

(11) Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

The Taxonomy distinguishes between Taxonomy-eligible and Taxonomy-aligned economic activities as follows:

a) Eligible economic activity: that described in the delegated acts adopted as per Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria set out in those delegated acts.

b) Taxonomy-aligned economic activity: an economic activity that contributes substantially to one of the six EU environmental objectives (meets the established technical screening criteria), does not cause significant harm to any of the other five, and is carried out in compliance with minimum social safeguards.

The following steps have been taken in studying and analysing the degree of eligibility and alignment of Redeia's activities to the Taxonomy:

a) Classification and grouping of the economic activities of Redeia companies.

b) Eligibility analysis of the activities identified by checking the activities included in the various Delegated Acts to have been published.

c) Assessment of compliance with the technical screening criteria set out in Commission Delegated Regulation (EU) 2021/2139 for the contribution to the environmental objectives of climate change mitigation and adaptation.

d) Analysis of the "Do No Significant Harm" (DNSH[(12)]) principle. Activities must not cause significant harm to the other EU environmental objectives defined in Regulation (EU) 2020/852.

e) Verification of compliance with minimum social safeguards.

(12) Do Not Significant Harm (DNSH).

Based on the analysis performed, the following classification of eligibility and alignment of Redeia's activities is established.

Redeia companies	Redeia activities	Activity description – Commission Delegated Regulation 2021/2139	Eligible activities	Aligned activities
Red Eléctrica de España S.A.U.	Activity 1. Management and operation of national electricity infrastructure. Includes electricity transmission, system operation and management of the transmission network for the Spanish electricity system.	Activity: 4.9 Transmission and distribution of electricity. Description: "Construction and operation of transmission systems that transport the electricity via the extra high-voltage and high-voltage interconnected system."	YES 100% eligible	YES 100% aligned
Red Eléctrica Internacional, S.A.U. (REDINTER), REA, REDESUR, TESUR, TESUR 2, TESUR 3, TESUR 4, REDELNOR, CCNCM, RECH, REDENOR, REDENOR 2.	Activity 2. Management and operation of international electricity infrastructure. Includes the construction and management of high-voltage electricity transmission networks in Latin America.	Activity: 4.9 Transmission and distribution of electricity. "Construction and operation of transmission systems that transport the electricity via the extra high-voltage and high-voltage interconnected system."	YES 100% eligible	NO
Hispasat subgroup (Hispasat)	Activity 3. Telecommunications – Satellite Business.	Activity not covered by Commission Delegated Regulation 2021/2139 and Commission Delegated Regulation 2023/2486.	NO	NO
Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL)	Activity 4. Telecommunications – Fibre Optics.	Activity not covered by Commission Delegated Regulation 2021/2139 and Commission Delegated Regulation 2023/2486.	NO	NO
Other Redeia companies	Activity 5. Other businesses, Corp. and adjustments	Activity not covered by Commission Delegated Regulation 2021/2139 and Commission Delegated Regulation 2023/2486.	NO	NO

Eligibility analysis of the activities carried out by Redeia

The analysis reveals the eligibility classification set out below. Redeia's activities that are eligible under the Taxonomy are as follows:

- Management and operation of national electricity infrastructure. (Activity 4.9)
- Management and operation of international electricity infrastructure. (Activity 4.9)

The telecommunications activities carried out by Hispasat and Reintel are not considered eligible as they are not included in any of the Delegated Acts to have been published to date.

Considerations regarding climate change adaptation

The first two activities are listed in both Annex I and Annex II of Commission Delegated Regulation 2021/2139 (see note 8 on page 49) and are eligible for the climate change mitigation and adaptation objective through activity 4.9.

The following section, "Compliance with technical screening criteria for substantial contribution to the climate change mitigation objective", focuses on Redeia's contribution to activity 4.9 in respect of that objective. However, it is important to underscore the role played by Red Eléctrica de España S.A.U. as a whole, as a key element in adapting the energy system to the risks associated with climate change.

The effects of climate change could physically affect electricity transmission facilities and influence future patterns of energy generation and consumption, which would impact the activity of Red Eléctrica as electricity system operator.

In 2023, Red Eléctrica performed a new process of identifying its risks and opportunities associated with climate change, and has evaluated, prioritised and identified improvements that will be implemented in 2024.

The exercise of identifying physical climate risks has been carried out based on the classification of climate-related hazards from the list in section II of Appendix A of Commission Delegated Regulation 2021/2139.

The physical risks identified have been assessed considering the criteria of exposure, sensitivity and capacity to adapt. Different physical scenarios have been considered in the analysis.

Climate-related risks are assessed in the short, medium and long term (the most significant changes and impacts are expected by the end of the century), based on the Representative Concentration Pathways (RCP) scenarios of the Intergovernmental Panel on Climate Change (IPCC). Therefore, the entire lifetime of the projects is considered in the assessment (the lifetime of transmission projects is at least 30–40 years).

In the case of Spain, the projections made by the Agencia Estatal de Meteorología (AEMET – Spain's National Meteorology Agency) for the most important scenarios of the fifth IPCC report (AR5) have been considered.

The assessment process for the year 2023 revealed the following main physical risks:

Physical risks

	2022	2026	2030	2050	
				RCP 4.5	RCP 8.5
Damage to outdoor transmission grid infrastructure	M-L	N/A	N/A	M-H	M-H
Damage to overhead power lines by extreme winds	H	H	H	H	H
Fire damage to power lines and substations	M-H	M-H	M-H	M-H	M-H
Lower efficiency of PV generation due to rising temperatures	L	N/A	L	MB	M-H
Reduction in water availability for hydroelectric generation	L	N/A	M-L	M-H	H
Increased absenteeism associated with climate change	L	L	L	L	M-H

H: High / M-H: Medium-High L: Low M-L: Medium-Low N/A: Not applicable.

The adaptation measures implemented to minimise the risk of extreme events affecting outdoor facilities consist of creating wind maps and reviewing construction parameters, reinforcing vulnerable lines, developing and implementing contingency plans (including the availability of emergency support), and optimising maintenance work (e.g. MANINT Project – Smart Maintenance).

The adaptation measures implemented to minimise the risk of fire in power lines and substations are based on the optimisation of firebreak maintenance plans (VEGETA project), fire prevention procedures, early fire detection measures (PRODINT project), training, awareness raising and the development of emergency plans.

In addition, the following measures are planned for the physical risks identified for 2050:

- In a bid to prevent damage to outdoor equipment in the transmission grid, a detailed study will be conducted into the trend in temperatures and by region so as to determine whether changes in the technical specifications of the equipment are needed.

- As for the diminished efficiency of photovoltaic generation due to rising temperatures, and the reduction in the availability of water resources for hydroelectric generation, work is currently ongoing to develop mechanisms and flexibility measures to cover demand.

Climate-related risk management is part of the Company's risk management system. Therefore, the established governance model applies to this type of risk.

Currently, work is continuing to establish and reliably differentiate the proportion of the national electricity infrastructure management and operation activity that substantially contributes to the climate change adaptation objective. Therefore, this activity is currently considered eligible, though not aligned with the climate change adaptation objective.

Considerations regarding protection and restoration of biodiversity and ecosystems

In addition to the eligible activities described above, Redeia carries out environmental improvement actions and recovery and conservation projects. This activity is considered to be covered by Annex IV of Commission Delegated Regulation 2023/2486 through activity 1.1. This activity is defined as: "Initiation, development and realisation on own account or on a fee or contract basis, of conservation activities, including restoration activities, aimed at maintaining or improving the status and trends of terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species."

The protection and conservation of biodiversity has always been a core concern within the Company's environmental management, including a specific commitment within biodiversity management of generating a positive impact on biodiversity in the areas where the Company operates by 2030.

Therefore, and according to the above description, all those environmental improvement actions, recovery and conservation projects carried out in collaboration with the administration, non-governmental organisations and other bodies, as well as specific measures in relation to projects for new electrical installations, aimed at improving terrestrial and marine habitats, ecosystems and species of flora and fauna, could be considered as Taxonomy-eligible activities.

However, it is currently not possible to establish a proportion of eligibility for these activities, and the information currently available is not precise enough to be able to account for their key performance indicators.

Alignment analysis of the activities carried out by Redeia

An assessment of compliance with the technical screening criteria of the climate change mitigation and adaptation objectives has been carried out in respect of the eligible activities described above, revealing that Redeia's activity aligned with the EU Taxonomy is:

- Management and operation of national electricity infrastructure.

This activity contributes substantially to the EU's climate change mitigation objective, as it complies with the technical screening criteria set out in Commission Delegated Regulation 2021/2139.

Compliance with the technical criteria of substantial contribution to the climate change mitigation objective

The electricity transmission activity, at national level, meets criteria [13] a) and b) defined in point 4.9 of Annex I of Commission Delegated Regulation 2021/2139, as it belongs to the interconnected European system, and the new electricity capacity connected to the transmission network, from 2017 to the present, is exclusively renewable.

The operation of the national electricity system, in turn, meets criteria d) and e). [14]

The operation of the electricity system is playing a leading role in the energy transition by taking on the challenge of integrating renewable energy, new energy uses and flexible assets into the system.

As system operator, Red Eléctrica works to safely integrate as much renewable energy as possible. The control and monitoring of this type of energy is carried out by CECRE (Renewable Energy Control Centre). This enables reduction of CO2 emissions thanks to the fact that demand can be covered by this type of energy without affecting the security or quality of supply.

Furthermore, to facilitate the incorporation of non-dispatchable energy and avoid wasting the energy generated when demand is low, Red Eléctrica works on the development of energy storage instruments based on both hydroelectric power generation systems and other technologies (R&D+i). To this end, it carries out prospective evaluations on the impact of new storage facilities on the integration of renewable energy, identifies the technical or management characteristics necessary for greater integration, and as a consequence of both actions, makes legislative and regulatory proposals to the competent authority. These systems will also help significantly improve the efficiency of the electricity system as a whole and optimise electricity infrastructure.

(13) Criteria as defined in point 4.9 of Annex I of Commission Delegated Regulation 2021/2139:

1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:

(a) the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;

(b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 g CO2/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;

(c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 g CO2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.

(14) (d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation;

(e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources.

Assessment of compliance with the "Do No Significant Harm" (DNSH) principle

Redeia's activities do no significant harm to the other environmental objectives defined in the Taxonomy Regulation.

Sustainable use and protection of water and marine resources.

Redeia's activities do not have any significant impact on this environmental objective, taking into account both the direct effects and the main indirect effects throughout the life cycle. No risks of environmental degradation related to the preservation of water quality have been identified, nor significant impacts on the good ecological status or potential of bodies of water (surface water and groundwater); or on the good environmental status of marine waters.

During the process of designing the facilities, a detailed study is carried out to avoid any type of impact on surface watercourses. As regards groundwater, numerous preventive and corrective measures are implemented to prevent the contamination of groundwater by leaks or spills of oils, fuels and hazardous substances. Containment systems (especially for power equipment containing large quantities of oil) and protocols are in place to ensure an immediate response to possible events to mitigate the consequences of accidents, should they occur.

Transition to a circular economy.

Redeia works together with the stakeholders in its value chain so that the equipment and materials used in all its activities are produced from reused or recycled materials and that, at the end of their useful life, they are also recycled, reused or recovered, thus closing the circle of sustainability for all the equipment and materials used.

In terms of waste management, the objective has been set for 2030 to achieve the reduction, reuse, recycling or energy recovery of all waste generated. To this end, an action plan is in place to recover 100% of the waste generated.

Pollution prevention and control; Construction activity.

The principles set out in the IFC's Environmental, Health, and Safety Guidelines for Electrical Power Transmission and Distribution are followed in all construction activities for electricity transmission network facilities.(15)

Red Eléctrica has also implemented an Environmental Management System (EMS) certified under ISO(16) 14001 and the EMAS.(17) The ISO certifications cover the CFI guidelines.

During the construction phase, the necessary preventive and corrective measures are implemented to minimise the potential effects of the project. To guarantee the effectiveness of the measures in place, environmental monitoring programmes are defined and developed. These are applied during the construction of the facilities and in the early years of their operation, and facilitate the definition of new measures if necessary. The environmental monitoring of construction sites supervises the work done by contractors to meet environmental requirements.

Environmental monitoring of works and "environmental certification" (environmental requirements must be met by contractors for full certification of construction works) are very important to ensure alignment with environmental criteria.

Pollution prevention and control; PCBs.

In the carrying out of its maintenance activities, Red Eléctrica has no direct contact with PCBs. The power equipment owned by Red Eléctrica does not contain PCBs.

Pollution prevention and control; Electromagnetic fields.

The activities comply with the applicable standards and regulations to limit the effects of electromagnetic radiation on human health. Thanks to the criteria applied in the design of the facilities, the levels of electric and magnetic fields (EMF) are kept below those recommended by the Council of the European Union.(18)

Measurements give maximum levels (at the closest point from the ground to the conductors) ranging from 3–5 kV/m for the electric field and 1–15 μT for the magnetic field on 400 kV lines. In addition, the field strength decreases very rapidly as the distance to the conductors increases: at a distance of 30 metres, the electric and magnetic field levels range from 0.2–2.0 kV/m and 0.1–3.0 μT, respectively, and are normally less than 0.2 kV/m and 0.3 μT from 100 metres away.

(15) Corporate Finance Institute.

(16) International Organization for Standardization.

(17) Eco-Management and Audit Scheme.

(18) Official Journal of the European Communities 1999/519/EC: limitation of exposure values for the general public in places where they are likely to remain for a considerable time, of 5 kV/m for the electric field and 100 μT for the magnetic field.

Assessment of compliance with the "Do No Significant Harm" (DNSH) principle

In the case of 220 kV lines, these levels are lower, ranging between 1–3 kV/m for the electric field and 1–6 μT for the magnetic field at the closest point to the conductors. At a distance of 30 metres, the electric and magnetic field levels range between 0.1–0.5 kV/m and 0.1–1.5 μT, and are generally lower than 0.1 kV/m and 0.2 μT from 100 metres away..

Protection and restoration of biodiversity and ecosystems

All Redeia projects are assessed from an environmental perspective, and the competent environmental authorities are informed and their approval is requested, even in the case of projects that are not legally required to be subjected to the environmental impact assessment procedure.

Most of Redeia's projects are subject by law to this environmental impact assessment procedure, which is carried out in accordance with Directive 2011/92/EU, Spanish legislation (Law 21/2013 of 9 December 2013 on Environmental Assessment) and applicable regional regulations.

Where the environmental impact assessment is carried out, the required mitigation and compensation measures are implemented to protect the environment and, therefore, biodiversity. These measures encompass those established by the environmental body and included in the project's environmental authorisations.

For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 Network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (KBAs), as well as other protected areas), an assessment is conducted when needed and the necessary mitigation measures are then implemented based on the findings.

Those projects that could directly or indirectly affect Natura 2000 Network sites are subject to the environmental assessment procedure, even if their thresholds do not reach those defined in the Annexes of Law 21/2013 on Environmental Assessment.

Minimum social safeguards

Redeia has embraced an explicit and public commitment to promoting and respecting human rights in all its activities and in all the territories and countries where it operates.

The Company pays special attention to vulnerable groups, and as such instils this in the corporate culture through the Ten Principles for respect for human rights, included in its Commitment to the promotion of and respect for human rights, the Code of Ethics and Conduct and the Sustainability Policy.

With a view to extending this behaviour throughout the supply chain, the human rights obligation is extended to suppliers through the Code of Conduct for Suppliers. In the development of these Principles and Codes, human rights internationally recognised in national and international laws and benchmarks have been taken into account:

- OECD Guidelines for Multinational Enterprises.
- OECD Guidelines for Responsible Business Conduct.
- The UN Guiding Principles on Business and Human Rights.
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.
- The eight ILO core conventions.
- International Bill of Human Rights.

In addition, the Company develops the necessary tools in terms of due diligence in integrity and human rights, both for its own activities and in its relations with third parties, in order to mitigate the risk of Redeia being linked to third parties associated with conduct which is not in line with its ethical values. To such end, since 2013 it has carried out periodic due diligence analyses that involve all Group companies in order to identify possible risks stemming from its direct and indirect activity.

For further information, see section 11.5 "Information on respect for human rights" and section 11.6 "Information on anti-corruption and anti-bribery" of the Non-Financial Statement included as part of this Management Report.

Key performance indicators: Turnover, CapEx and OpEx associated with Taxonomy-aligned activities (eligible and aligned activities)

In July 2021, European Commission Delegated Regulation 2021/2178 was published, implementing Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements. This Regulation specifically sets out the environmentally sustainable economic activities and the methodology to comply with the Taxonomy disclosure obligation.

Annexes I, II, III, IV, V, VII, IX and X of Commission Delegated Regulation 2021/2178 have recently been amended in accordance with Annex V of Commission Delegated Regulation (EU) 2023/2486, published on 21 November 2023, extending the coverage of the disclosure of information on economic activities contributing to the other environmental objectives of the European Union: sustainable use and to the protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity.

Under Article 8 of the Taxonomy Regulation, non-financial undertakings are required to disclose the following information:

a) The proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

b) The proportion of their capital expenditure (CapEx) and the proportion of their operating expenditure (OpEx) related to assets or processes associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

The quantitative and qualitative information to be reported (KPIs) and the criteria for preparing such indicators are also described.

In relation to the calculation of KPIs, Annex I of Commission Delegated Regulation 2021/2178 and Annex V of Commission Delegated Regulation (EU) 2023/2486 show the content of the KPIs to be disclosed by non-financial undertakings, categorically specifying that the following information must be reported for each of the indicators:

Turnover:
The proportion of turnover, to be calculated as the share of net turnover derived from products or services, including intangible assets, associated with Taxonomy-aligned economic activities (numerator), divided by net turnover (denominator). This applies to both the eligible activities of Red Eléctrica and those pertaining to the electricity transmission business in Peru and Chile.

Capital expenditure (CapEx):
The denominator shall include additions to tangible and intangible assets during the reporting period before depreciation, amortisation and any new valuation, including those resulting from revaluations and impairments, for the relevant period, excluding changes in fair value. The denominator shall also

include additions to tangible and intangible assets resulting from business combinations.

The numerator equals to the part of the capital expenditure included in the denominator that is related to assets or processes associated with economic activities that make a substantial contribution to any of the EU environmental objectives. This applies to both the eligible activities of Red Eléctrica and those pertaining to the electricity transmission business in Peru and Chile.

Operational expenditure (OpEx):
The denominator shall include direct non-capitalised costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, and any other direct expenditures related to the day-to-day maintenance of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The numerator shall include the part of operating expenditure included in the denominator which: (a) relates to assets or processes associated with economic activities that make a substantial contribution to any of the environmental objectives of the European Union, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development. This applies to both the eligible activities of Red Eléctrica and those pertaining to the electricity transmission business in Peru and Chile.

The procedures followed to determine the numerator and denominator of each Redeia key indicator are compliant with the considerations set out in Annex I of Commission Delegated Regulation 2021/2178, and in Annex V of Commission Delegated Regulation (EU) 2023/2486.

Likewise, the accounting regulations referred to in relation to Turnover, CapEx and OpEx correspond to the accounting regulations applicable to Redeia.

Therefore, it has not been necessary to make any adaptation or interpretation in this respect.

Based on the foregoing, Redeia's information for 2023 and 2022, in accordance with the Taxonomy Regulation, is as follows:

Taxonomy-eligible and Taxonomy-aligned activities. Key performance indicators. These activities relate to the business carried out by Red Eléctrica:

	2023	2022
Turnover	78.5%	79.2%
CapEx	83.4%	76.7%
OpEx	88.9%	90.0%

Taxonomy-eligible but not Taxonomy-aligned activities. Key performance indicators. These activities correspond to the electricity transmission business carried out by the subsidiaries in Peru and Chile:

	2023	2022
Turnover	3.6%	3.5%
CapEx	0.6%	4.3%
OpEx	4.8%	4.2%

The percentages assigned to the contribution made to each EU environmental objective are provided in Annex I, "Templates with information on Key Performance Indicators".

These templates are in accordance with Annex V of Commission Delegated Regulation 2023/2486 of 27 June 2023 amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for these economic activities.

The criteria applied to calculate Redeia's KPIs are set out below.

Explanation of the KPIs

As set forth in point 1.2. titled "Specification of the disclosures accompanying the KPIs of non-financial undertakings" of Commission Delegated Regulation 2021/2178 of the European Commission implementing Article 8 of the Taxonomy Regulation:

Determination of numerator and denominator of KPIs
Point 1.2.1. of the Regulation states that non-financial undertakings shall explain:

a) how turnover, capital expenditure and operating expenditure were determined and allocated to the numerator;

b) the basis on which the turnover, capital expenditure and operating expenditure were calculated, including any assessment in the allocation of revenues or expenditures to different economic activities.

The following steps were taken to calculate the ratio of Taxonomy-aligned Turnover, CapEx and OpEx in respect of the Group total:

1. The Taxonomy-eligible activities were identified. As detailed above, these activities are as follows:

   • Management and operation of national electricity infrastructure. (Activity 4.9).

   • Management and operation of international electricity infrastructure. (Activity 4.9).

2. Of those eligible activities, the activities aligned with the Taxonomy were identified. As detailed above, these activities are as follows:

   • Management and operation of national electricity infrastructure. (Activity 4.9).

3. The companies that carry out these activities have been identified within the consolidated Group:

   • Management and operation of national electricity infrastructure: Red Eléctrica.

4. Within Red Eléctrica an analysis has been carried out to determine which activities or businesses meet the criteria to qualify as Taxonomy-aligned activities.

   The activities carried out by Red Eléctrica are classified as follows:

   a) Electricity transmission (Taxonomy-aligned activity).

   b) System operation, mainland and non-mainland (Taxonomy-aligned activity).

   c) Other activities. Supplementary activities carried out by Red Eléctrica related to its main activities of electricity transmission and system operation (Taxonomy-aligned activities).

   In view of the foregoing, all activities carried out by Red Eléctrica are considered Taxonomy-eligible and Taxonomy-aligned activities.

   In relation to Turnover, since the description provided by the Regulation meets the accounting criteria for the classification of "Revenue" in the financial statements, this figure was considered directly, net of consolidation adjustments, i.e. Red Eléctrica's contribution to the consolidated revenue figure. Consolidated revenue is as shown in note 23 to the 2023 consolidated financial statements.

   As regards CapEx, the description included in the Regulation matches that relating to the accounting of additions to fixed assets. Therefore, the additions to property, plant and equipment and intangible assets, as set out in Red Eléctrica's financial statements, could be considered directly. Consolidated CapEx is as shown in note 7 to the 2023 consolidated financial statements.

In relation to OpEx, since the Regulation determines that only activities that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, and any other direct expenditures related to the day-to-day maintenance of assets of property, plant and equipment must be considered, a differentiation is made, from the total expenditure, those that meet the aforementioned definition.

With regard to the OpEx of the activities of management and operation of National Electricity Infrastructure (an activity carried out by Red Eléctrica) and the management and operation of International Electricity Infrastructure (an electricity transmission activity carried out in Peru and Chile), it should be noted that all the activities carried out by the Redeia companies that engage in this activity correspond to actions related to the proper performance of their business. For this reason, in determining OpEx, all the expenses incurred by the companies were taken into account (supply expenses, other operating expenses, personnel expenses, from which self-constructed assets have been deducted as they are considered in the CapEx figure).

As regards the OpEx denominator, in the case of Red Eléctrica de España, and for the electricity transmission activities carried out in Peru and Chile, the same figure was considered as in the case of the numerator, and for the other Redeia companies, their asset maintenance costs were considered. Based on the above, the activities carried out by Reintel and Hispasat were also considered.

As laid down in the Regulation, and in relation to the calculation of the numerator of the ratios, it was ensured that Taxonomy-aligned activities were considered only once, as they are specific activities carried out by Red Eléctrica, and not by other Redeia companies, nor were these activities duplicated.

In the case of the denominator, the Turnover and CapEx figures used are those recorded in the Group's consolidated financial statements. In the case of OpEx, the consolidated Group OpEx was calculated on the basis of the criteria set out in the Taxonomy, ensuring that it does not include duplicated expenses between Redeia companies.

5. After identifying the Taxonomy-aligned activities, the Turnover, CapEx and OpEx ratio was calculated by including in the numerator the figures provided for Turnover, CapEx and OpEx of Red Eléctrica, and in the denominator, the total Turnover, CapEx and OpEx of Redeia, taking into account the above comments.

In relation to Taxonomy-eligible but Taxonomy non-aligned activities, which correspond to the management and operation of international electricity infrastructure, the procedure was similar to that described in the case of Red Eléctrica. In this case, these activities are carried out by Red Eléctrica Internacional (Redinter), through its electricity transmission investees in Peru and Chile.

The activities carried out by these companies were considered fully Taxonomy-eligible but not Taxonomy-aligned.

Regarding Turnover and CapEx (additions to fixed assets), a procedure similar to that described in relation to Red Eléctrica's Taxonomy-aligned activities was followed.

As far as OpEx is concerned, expenses directly related to asset maintenance activities were again differentiated for the purposes of calculating the numerator. In relation to the denominator, the OpEx considered for the Group was the same as that considered in the case of the Taxonomy-aligned OpEx.

Contextual Information

The Taxonomy Regulation states, in point 1.2.3 of Annex I, that non-financial undertakings shall explain the figures of each KPI and the reasons for any changes in those figures in the reporting period.

Since the numerator of the KPIs corresponds to the activities of Red Eléctrica, they indicate the weight of the activities carried out by this company within Redeia as a whole.

As is reflected in the figures provided, these activities represent a very significant percentage of all Group's activities. Therefore, it can be concluded that most of the activities carried out by Redeia are aligned with the Taxonomy Regulation.

As regards the comparability of the information between 2023 and 2022, and as shown in the above results, the indicator that improves significantly is that relating to the CapEx of the Taxonomy-aligned activities associated with Red Eléctrica de España. This is due to the fact that the additions of fixed assets at this company increased significantly in 2023 compared to 2022. In the case of Peru and Chile, the CapEx figure in 2023 was below the figure for 2022, resulting in a decrease in the percentage of Taxonomy-eligible activities in 2023 compared to 2022.

Meanwhile, the Turnover and OpEx indicators are found to be substantially similar between 2023 and 2022.

APPENDIX I. INFORMATION ON KPIs ON TURNOVER, OpEx AND CapEx FOR TAXONOMY-ELIGIBLE, ENVIRONMENTALLY SUSTAINABLE, TAXONOMY-ELIGIBLE BUT TAXONOMY NON-ALIGNED AND TAXONOMY NON-ELIGIBLE ACTIVITIES.

Information on KPIs on turnover, OpEx and CapEx for taxonomy-eligible, environmentally sustainable, taxonomy-eligible but taxonomy non-aligned and taxonomy non-eligible activities

				Substantial contribution criteria						No significant harm criteria									
Economic activities	**Code**	**Turnover in 2023 (€)**	**Proportion of 2023 Turnover (%)**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Circular economy**	**Pollution**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Circular economy**	**Pollution**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned turnover (A1) or Taxonomy-eligible turnover (A.2) – 2022**	**(E)**	**(T)**
				Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned activities)																			
Management and operation of national electricity infrastructure	4.9 CCM	1,620,866	78.5 %	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	79.2%	E	
Turnover from environmentally sustainable activities (Taxonomy-aligned activities) (A.1)		1,620,866	78.5 %	78.5% (d)	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	79.2%		
Of which enabling		1,620,866	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	E	
Of which transitional		0 %	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities)																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
Management and operation of international electricity infrastructure	4.9 CCM (a)	74,267	3.6 %	EL	EL	N/EL	N/EL	N/EL	N/EL								3.5%		
Turnover from Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities) (A.2)		74,267	3.6 %	3.6% (d)	0%	0%	0%	0%	0%								3.5%		
Total (A.1 + A.2)		**1,695,133**	**82.1 %**	**82.1%(c)**	**0%**	**0%**	**0%**	**0%**	**0%**								**82.7%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Telecommunications – Satellite	-	245,134	11.9 %																
Telecommunications – Fibre Optics	-	96,537	4.7 %																
Other businesses, Corp. and	-	27,267	1.3 %																
Turnover from Taxonomy non-eligible activities (B)		368,938	17.9 %																
TOTAL (A+B)		**2,064,071**	**100.0 %**																

Information on KPIs on turnover, OpEx and CapEx for taxonomy-eligible, environmentally sustainable, taxonomy-eligible but taxonomy non-aligned and taxonomy non-eligible activities

Templates taken from Commission Delegated Regulation 2023/2486 of 27 June 2023 amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for these economic activities.

(a) The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:
- Climate change mitigation: CCM
- Climate change adaptation: CCA
- Water and marine resources: WTR
- Circular economy: CE
- Pollution prevention and control: PPC
- Biodiversity and ecosystems: BIO

(b) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
EL – Taxonomy-eligible activity for the relevant objective

(c) To avoid double counting, in the cells for "substantial contribution criteria" to climate change mitigation and adaptation objectives for "Total (A1 + A2)", eligibility is presented for the climate change mitigation objective only.

(d) This percentage is calculated from the contribution of the corresponding column to the total (A+B) in the last row of the table.

(E): Category enabling activity.
(T): Category transitional activity.

	Proportion of turnover/total turnover	
	that is Taxonomy-aligned for the relevant objective	Taxonomy-eligible for the relevant objective
CCM	78.5%	82.1%
CCA	0%	82.1%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0% (e)

(e) Within the management and operation of national and international electricity infrastructures, projects are undertaken for the improvement and recovery of habitats, ecosystems and species, which constitute eligible activities in accordance with Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852. However, information is not currently available in sufficient detail to be able to account for its key performance indicators.

Information on KPIs on turnover, OpEx and CapEx for taxonomy-eligible, environmentally sustainable, taxonomy-eligible but taxonomy non-aligned and taxonomy non-eligible activities

				Substantial contribution criteria						No significant harm criteria									
Economic activities	**Code**	**CapEx 2023 (€)**	**Proportion of CapEx 2023 (%)**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Circular economy**	**Pollution**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Circular economy**	**Pollution**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy-aligned CapEx (A1) or Taxonomy-eligible CapEx (A.2) – 2022**	**(E)**	**(T)**
				Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N; N/EL(b)	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned activities)																			
Management and operation of national electricity infrastructure	4.9 CCM	767,993	83.4%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	76.7%	E	
CapEx from environmentally sustainable activities (Taxonomy-aligned activities) (A.1)		767,993	83.4%	83.4% (d)	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	76.7%		
Of which enabling		767,993	100%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100%	E	
Of which transitional		0%	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities)																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
Management and operation of international electricity infrastructure	4.9 CCM (a)	5,895	0.6%	EL	EL	N/EL	N/EL	N/EL	N/EL								4.3%		
CapEx from Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities) (A.2)		5,895	0.6%	3.6% (d)	0%	0%	0%	0%	0%								4.3%		
Total (A.1 + A.2)		**773,888**	**84.0%**	**84% (c)**	**0%**	**0%**	**0%**	**0%**	**0%**								**81.0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Telecommunications – Satellite	-	119,222	13.0%																
Telecommunications – Fibre Optics	-	8,856	1.0%																
Other businesses, Corp. and	-	18,632	2.0%																
CapEx from Taxonomy non-eligible activities (B)		146,710	16.0%																
TOTAL (A+B)		**920,598**	**100.0%**																

Information on KPIs on turnover, OpEx and CapEx for taxonomy-eligible, environmentally sustainable, taxonomy-eligible but taxonomy non-aligned and taxonomy non-eligible activities

Templates taken from Commission Delegated Regulation 2023/2486 of 27 June 2023 amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for these economic activities.

(a) The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:
- Climate change mitigation: CCM
- Climate change adaptation: CCA
- Water and marine resources: WTR
- Circular economy: CE
- Pollution prevention and control: PPC
- Biodiversity and ecosystems: BIO

(b) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
EL – Taxonomy-eligible activity for the relevant objective

(c) To avoid double counting, in the cells for "substantial contribution criteria" to climate change mitigation and adaptation objectives for "Total (A1 + A2)", eligibility is presented for the climate change mitigation objective only.

(d) This percentage is calculated from the contribution of the corresponding column to the total (A+B) in the last row of the table.

(E): Category enabling activity.
(T): Category transitional activity.

	Proportion of turnover/total turnover	
	that is Taxonomy-aligned for the relevant objective	Taxonomy-eligible for the relevant objective
CCM	83.4%	84.0%
CCA	0%	84.0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0% (e)

(e) Within the management and operation of national and international electricity infrastructures, projects are undertaken for the improvement and recovery of habitats, ecosystems and species, which constitute eligible activities in accordance with Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852. However, information is not currently available in sufficient detail to be able to account for its key performance indicators.

Information on KPIs on turnover, OpEx and CapEx for taxonomy-eligible, environmentally sustainable, taxonomy-eligible but taxonomy non-aligned and taxonomy non-eligible activities

Economic activities	Code	OpEx 2023 (€)	Proportion of OpEx 2023 (%)	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	No significant harm criteria: Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned OpEx (A1) or Taxonomy-eligible OpEx (A.2) – 2022	(E)	(T)
				Y;N; N/EL (b)	Y;N; N/EL (b)	Y;N; N/EL (b)	Y;N; N/EL (b)	Y;N; N/EL (b)	Y;N; N/EL (b)	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;	Y;N;			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned activities)																			
Management and operation of national electricity infrastructure	4.9 CCM	767,993	83.4%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	90%	E	
OpEx from environmentally sustainable activities (Taxonomy-aligned activities) (A.1)		767,993	83.4%	83.4% (d)	0%	0 %	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	90%		
Of which enabling		767,993	100 %	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	100 %	E	
Of which transitional		0 %	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities)																			
				EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL	EL;N/EL										
Management and operation of international electricity infrastructure	4.9 CCM (a)	22,404	4.8%	EL	EL	N/EL	N/EL	N/EL	N/EL								4.2%		
OpEx from Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities) (A.2)		22,404	4.8%	4.8%	0%	0%	0%	0%	0%								4.2%		
Total (A.1 + A.2)		**436,483**	**93.7%**	**93.7% (c)**	**0%**	**0%**	**0%**	**0%**	**0%**								**94.2%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Telecommunications – Satellite	-	5,120	1.1%																
Telecommunications – Fibre Optics	-	24,401	5.2%																
Other businesses, Corp. and	-	-	-																
OpEx from Taxonomy non-eligible activities (B)		29,521	6.3%																
TOTAL (A+B)		**466,004**	**100.0%**																

Information on KPIs on turnover, OpEx and CapEx for taxonomy-eligible, environmentally sustainable, taxonomy-eligible but taxonomy non-aligned and taxonomy non-eligible activities

Templates taken from Commission Delegated Regulation 2023/2486 of 27 June 2023 amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for these economic activities.

(a) The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:
- Climate change mitigation: CCM
- Climate change adaptation: CCA
- Water and marine resources: WTR
- Circular economy: CE
- Pollution prevention and control: PPC
- Biodiversity and ecosystems: BIO

(b) Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective
EL – Taxonomy-eligible activity for the relevant objective

(c) To avoid double counting, in the cells for "substantial contribution criteria" to climate change mitigation and adaptation objectives for "Total (A1 + A2)", eligibility is presented for the climate change mitigation objective only.

(d) This percentage is calculated from the contribution of the corresponding column to the total (A+B) in the last row of the table.

(E): Category enabling activity.
(T): Category transitional activity.

	Proportion of turnover/total turnover	
	that is Taxonomy-aligned for the relevant objective	Taxonomy-eligible for the relevant objective
CCM	88.9%	93.7%
CCA	0%	93.7%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0% (e)

(e) Within the management and operation of national and international electricity infrastructures, projects are undertaken for the improvement and recovery of habitats, ecosystems and species, which constitute eligible activities in accordance with Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852. However, information is not currently available in sufficient detail to be able to account for its key performance indicators.

11.9 Content index required by Law 11/2018, of 28 December 2018, on non-financial and diversity information

Content	Page	Reporting framework
Description of the business model: Business environment Organisation and structure Markets served Objectives and strategies Key factors and trends that could affect future performance	31-32	(*) 2-1, 2-6, 3-1, 3-2.
I. Information on environmental matters		
Management approach	32-39	(*) 103-1, 103-2,103-3
Present and foreseeable impact of the company's activities on the environment, health and safety.	34	103-1
Environmental assessment or certification procedures.	33	UNE-EN ISO Standard 14001. Certified Environmental Management System.
Resources allocated to preventing environmental risks.	33-34	33-34 Environmental accounting regulations.
Application of the precautionary principle	33	(*) 2-23
Provisions and guarantees for environmental risks.	33-34	Internal framework. Amount spent on environmental aspects associated with investment projects.
Pollution		
Measures to prevent, mitigate or remediate the effects of carbon emissions (also includes noise and light pollution).	37-38	Internal framework. Measures for the prevention of noise, light and atmospheric pollution, as well as measures for the reduction of carbon emissions. The Company's activities do not cause emissions of ozone-depleting substances, such as NOx, SOx or other significant air emissions, since they do not involve the burning of fossil fuels (the Company does not generate electricity), with the exception of the fuels used in certain generators and in vehicles, which are not considered to be significant under this approach.

Continued on next page

Content	Page	Reporting framework
Circular economy and waste prevention and management		
Measures for the prevention, recycling, reuse and other recovery and disposal of waste.	34-35	103-2
Actions to combat food waste.	Not material	These types of actions are not carried out due to the nature of the Group's activities, which do not involve food management or therefore waste.
Sustainable use of resources		
Water consumption and supply.	39	(*) 303-1
Consumption of raw materials and measures to improve efficiency.	Not material	The Company's activities do not entail direct consumption of raw materials.
Direct and indirect energy consumption.	39	(*) 302-1 / 302-2
Measures taken to improve energy efficiency.	37-38	103-2 y 302
Use of renewable energies.	39	103-2 y 302
Climate change		
Key elements of the greenhouse gas emissions generated.	39	(*) 305-1 / 305-2
Measures taken to adapt to the consequences of climate change.	37-38	(*) 305-5
Voluntary medium and long-term emission reduction targets set and steps taken.	37-38	103-2, 305-5

Continued on next page

Content	Page	Reporting framework
Protecting biodiversity		
Measures to preserve and restore biodiversity.	35-37	(*) 304-1 / 304-3
Impacts caused by activities or operations in protected areas.	35-37	(*) 304-2
II. Information on labour and employee-related issues		
Management approach	40-59	(*) 103-1, 103-2,103-3
Employment		
Total number and distribution of employees by gender, age, country and employee category.	42-45	(*) 2-7
Total number and distribution of employment contract types by gender, age and employee category.	45-46	(*) 2-7
Average annual number of permanent, temporary and part-time contracts by gender, age and employee category.	46	Spanish Law 11/2018, on non-financial information and diversity: Average annual number of contracts, broken down by gender, age and employee category.
Number of dismissals by gender, age and employee category.	46	Spanish Law 11/2018, on non-financial information and diversity: Number of dismissals in the year by gender, age and employee category.
Pay gap.	48	(*) 405-2
Average pay by gender, age and employee category.	47-49	Spanish Law 11/2018, on non-financial information and diversity: Average total wages by gender, age and employee category.
Remuneration of like positions or average remuneration in the company.	48	(*) 405-2
Average remuneration of directors by gender.	49	Spanish Law 11/2018, on non-financial information and diversity: Average remuneration of the members of the Board of Directors by gender.

Continued on next page

Content	Page	Reporting framework
Average remuneration of management personnel by gender.	48-49	Spanish Law 11/2018, on non-financial information and diversity: Remuneration of middle managers by gender.
Implementation of policies on disconnecting from work.	49	Internal framework. Measures to disconnect from work.
Employees with disabilities.	57-58	General Law on the Rights of Persons with Disabilities (LGD). Percentage of employees with a disability.
Organisation of work		
Organisation of working time	50	Internal framework. Real and effective working day.
Number of hours of absenteeism	50	Internal framework. Number of hours of absenteeism.
Measures aimed at facilitating a work-life balance and encouraging sharing of responsibilities between both parents.	50-51	(*) 401-2
Health and safety		
Occupational health and safety conditions.	51-54	(*) 403-10 / 404-1 / 404-2
Number of work-related accidents and ill health by gender, frequency and severity.	54	Related regulations per Ministry of Work standards *https://herramientasprl.insst.es/Accidentesdetrabajo/RecursosAdicionales.aspx*
Management-employee relations		
Organisation of employee dialogue, including procedures on worker communication, consultation and negotiation.	54-55	(*) 402-1
Percentage of employees covered by collective bargaining agreements by country.	55	(*) 2-30
Summary of collective bargaining agreements, particularly in the field of health and safety.	56	(*) 403-4 / 403-8

Continued on next page

Content	Page	Reporting framework
Mechanisms and procedures that the Company has in place to promote the involvement of workers in its management in terms of information, consultation and participation. (28)	54-56	Internal framework. Climate survey and communication channels.
Training		
Policies implemented.	56-57	(*) 404-2
Total hours of training by employee category.	57	(*) 404-1
Universal accessibility for people with disabilities		
Universal accessibility for people with disabilities.	57-58	Internal framework. Accessibility measures.
Equality		
Measures taken to promote equal treatment and equal opportunities for women and men.	58-59	Internal framework. Measures adopted to promote diversity.
Equality plans: job stimulation measures, protocols against sexual harassment and gender bias.	58-59	Internal framework. Diversity plan.
Integration and universal accessibility for people with disabilities.	57-59	Internal framework. Hiring of people with disabilities and integration and accessibility measures.
Policies against all kinds of discrimination and, as the case may be, diversity management.	57-59	406

(28) Changes made to the information disclosed in the NFS following the entry into force of Law 5/2021, which amends the revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, on the promotion of long-term shareholder engagement at listed companies.

Continued on next page

Content	Page	Reporting framework
III. Information on respect for human rights		
Management approach.	60-62	(*) 103-1, 103-2,103-3
Implementation of human rights due diligence procedures.	61-62	(*) 407-1 / 408-1 / 409-1
Prevention of risks of human rights violations and, where applicable, measures to mitigate, manage and redress any such violations.	61-62	(*) 411-1 / 412-1 / 412-3
Reported human rights violations.	62	(*) 2-26
Promotion of and compliance with the provisions of the conventions of the International Labour Organization with regard to respect for freedom of association and the right to collective bargaining; elimination of discrimination in employment and occupation; elimination of forced or compulsory labour; effective abolition of child labour.	60	406, 407, 408, 409
IV. Information on the fight against corruption and bribery		
Management approach.	63-66	(*) 103-1, 103-2,103-3
Measures to prevent corruption and bribery.	63-66	(*) 2-23 / 2-26 / 406-1
Anti-money laundering measures.	63-66	(*) 2-23 / 2-26 / 406-1
Contributions to foundations and non-profit organisations.	70	Internal framework. Contributions to foundations and non-profit organisations.

Continued on next page

Content	Page	Reporting framework
V. Information on social issues		
Management approach.	66-78	(*) 103-1, 103-2,103-3
The Company's commitments to sustainable development		
Impact of the Company's activity on employment and local development.	66-68	(*) 413-1
Impact of the Company's activity on local populations and the local area.	69-70	(*) 413-1
Relations with local community players and types of dialogue.	70-71	(*) 413-1
Association and sponsorship actions.	71-72	(*) 2-28
Subcontractors and suppliers		
Inclusion of social, gender equality and environmental issues in the purchasing policy.	72-73	(*) 414-1
Attention given to social and environmental responsibility in relations with suppliers and subcontractors.	72-73	(*) 414-1
Supervision systems and audits and results.	72-73	(*) 308-1 / 308-2
Consumers		
Consumer health and safety measures.	74-75	(*) 416-1
Grievance mechanisms in place.	73-76	(*) 2-29
Complaints received and resolution thereof.	73-76	(*) 2-29

Continued on next page

Content	Page	Reporting framework
Tax information		
Country-by-country earnings.	77	(*) 207-4
Income tax paid.	78	(*) 207-4
Public aid received.	78	(*) 201-4

VI. Taxonomy Regulation on sustainable finance in the European Union

1. Volume of Taxonomy-eligible and Taxonomy-aligned turnover	87-94	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.
2. Eligible and aligned CapEx	87-91 y 95-96	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.
3. Eligible and aligned OpEx	87-91 y 97-98	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.
4. Further information to the key performance indicators (accounting policy, assessment of compliance with the Regulation and contextual information)	78-86	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.

(*) This table shows the equivalence between the requirements of Spanish Law 11/2018 and the GRI standards. Red Eléctrica has published non-financial information since 2003 in accordance with successive versions of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

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Annual Corporate Governance Report

The annual corporate governance report is an integral part of the management report and is available at:

http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-78003662

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Annual Report on Director Remuneration

The annual report on director remuneration is an integral part of the management report and is available at:

https://www.cnmv.es/Portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-78003662

Independent Assurance Report on the "Information Regarding Internal Control over Financial Reporting (ICFR) System"

Building a better working world

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INDEPENDENT ASSURANCE REPORT ON THE "INFORMATION REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM"

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Shareholders of REDEIA CORPORACIÓN, S.A.

Scope

In accordance with your request, we have carried out a reasonable assurance engagement to report on design and effectiveness of the Internal Control over Financial Reporting (ICFR) system of REDEIA CORPORACIÓN, S.A. and its subsidiaries (the Group) and on the description included in the Section F of the Annual Corporate Governance Report for the year ended December 31, 2023. This system is based on the criteria and policies defined by the Directors of REDEIA CORPORACIÓN, S.A. and in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

An internal control over financial reporting system is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail, (ii) guarantee that these transactions are performed only in accordance with the authorizations established; (iii) provide reasonable assurance that transactions are recognized appropriately to enable the preparation of the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorized acquisition, use or sale of the company's assets that could have a material effect on the financial information.

Inherent limitations

Given the inherent limitations of any Internal Control System over Financial Reporting, regardless of the quality of its design and operation, it can only allow reasonable, but not absolute, security in relation to the objectives it pursues, so that errors, irregularities or fraud may occur that may not be detected. On the other hand, the projection of the internal control assessment into future periods is subject to risks, such as that internal control may become inadequate as a result of future changes in applicable conditions, or that the level of compliance with established policies or procedures may be reduced in the future.

Directors' responsability

The Directors of REDEIA CORPORACIÓN, S.A. are responsible for adopting the appropriate measures to reasonably guarantee the implementation, maintenance and supervision of an adequate Internal Control System over Financial Information, as well as the evaluation of its effectiveness, the development of improvements to said system and the preparation and establishment of the content of the information related to the ICFR attached.

Independent Assurance Report on the "Information Regarding Internal Control over Financial Reporting (ICFR) System"

continued

Our responsibility

Our responsibility is to express an opinion on the design, effectiveness and description of the Internal Control System over Financial Reporting based on the work performed by us and on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Reasonable assurance work includes understanding the Internal Control System over Financial Reporting, assessing the risk that there may be material internal control weaknesses, that controls are not adequately designed or operating effectively, and conducting tests and evaluations on the design and effective implementation of the system, which are based on our professional judgment, and the performance of such other procedures as may be deemed necessary.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other issues

This report can under no circumstances be considered an audit report carried out in accordance with prevailing audit regulations in Spain. This question does not change our opinion.

Opinion

In our opinion, as of December 31, 2023, the Group maintained, in all material respects, an effective Internal Control over Financial Reporting (ICFR) based on the criteria and policies defined by the Directors of REDEIA CORPORACIÓN, S.A. and in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

In addition, the description of the SCIIF included in Section F of the Group's Annual Corporate Governance Report as of December 31, 2023 has been prepared, in all material respects, in accordance with the requirements established in article 540 of the Corporate Enterprises Act and with Circular 5/2013 of the Spanish National Securities Market Commission (CNMV) dated June 12, 2013 and amendments the most recent being CNMV Circular 3/2021, of September 28, for the purposes of the description of the ICFR in the Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed in the original version in Spanish)

David Ruiz-Roso Moyano

February 27, 2024

Independent Limited Assurance Report of the Consolidated Non-Financial Statement

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INDEPENDENT LIMITED ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL STATEMENT

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Shareholders of Redeia Corporación, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Information Statement (hereinafter NFS) for the year ended December 31, 2023, of Redeia Corporación, S.A. and subsidiaries (hereinafter, the Group), which is part of the Group's Consolidated Management Report.

The content of the Management Report includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our assignment has been exclusively limited to the verification of the information shown in table "Content index required by Law 11/2018, of 28 December 2018, on non-financial and diversity information" of the accompanying Statement.

Responsibility of the Board of Directors

The preparation of the NFS included in the Consolidated Management Report of the Group and its content is the responsibility of the Board of Directors of Redeia Corporación, S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the *Global Reporting Initiative Sustainability Reporting Standards* (GRI standards) selected, as well as other criteria described in accordance with that indicated for each subject in table "Content index required by Law 11/2018, of 28 December 2018, on non-financial and diversity information" from the accompanying NFS.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality management

We have complied with independence and other ethical requirements of the International Code of Ethics for Accounting Professionals (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our Firm applies International Standard on Quality Management 1 (ISQM 1), which requires us to design, implement and operate a system of quality management including policies and procedures

Independent Limited Assurance Report of the Consolidated Non-Financial Statement

continued

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regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team consisted of experts in the review of non-financial information and, specifically, information on economic, social, and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work performed. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).

The procedures carried out in a limited assurance engagement vary in nature and execution timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- Analyzing the scope, relevance and integrity of the content included in the NFS for the year 2023 based on the materiality analysis made by the Group and described in section "Materiality Study", considering the content required by prevailing mercantile regulations.
- Analyzing the processes for gathering and validating the data included in the 2023 Non-Financial Statement.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2023 NFS.
- Checking, through tests, based on a selection of a sample, the information related to the content of the 2023 NFS and its correct compilation from the data provided by the information sources.
- Obtaining a representation letter from the Board of Directors and Management.

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Conclusion

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group NFS for the year ended December 31, 2023 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria of the selected GRI standards, as well as other criteria, described as explained for each subject matter in the table "Content index required by Law 11/2018, of 28 December 2018, on non-financial and diversity information" of the of the aforementioned NFS.

Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Elena Fernández García

February 27th, 2024

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Valuing the essentials