

The Red Eléctrica Group takes on initiatives to the global fight against climate change

Red Eléctrica adapts its risk management model to the TCFD recommendations

- The Company has analysed the risks and opportunities arising from the impact of climate change on its facilities and on the safety and reliability of the national electricity system.
- This new measure is added to the Group's Sustainability Commitment which, among other objectives, works to reduce CO₂ emissions by 40% by 2030, and achieve carbon neutrality by 2050.

Madrid, 13 December 2019

Throughout 2019, Red Eléctrica has carried out an ambitious project with the participation of more than 60 technical experts from various of its business units and corporate areas, and with the maximum involvement of the senior management. During these months, the Group's long-term risk and opportunity management model has been adapted. Within the framework of this model, the process for identifying risks and opportunities associated with climate change has been reviewed, taking into consideration different scenarios. Thus, the climate projections proposed by the Spanish Meteorological Agency (AEMET) have been taken into account based on the scenarios defined in the Fifth Assessment Report (AR5) of the UN's Intergovernmental Panel on Climate Change (IPCC). Moreover, the energy and climate targets proposed in the Spanish integrated National Energy and Climate Plan (NECP) have also been considered.

In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the risks and opportunities associated with changes in climate variables that can directly affect the facilities or the reliability of the electricity system, from a physical point of view, have been analysed. Similarly, the risks and opportunities associated with regulatory, technological, market and reputational changes (linked to transition) arising from policies to combat climate change have also been studied.

New methodology

Furthermore, the Company has designed a new system for the assessment of risks and opportunities and a new methodology for their quantification in financial terms. The new methodology allows to adopt the necessary adaptation and mitigation measures to address the potential impact on our facilities in order to minimise the effects of extreme weather conditions that may occur at the end of their useful life, as in the Red Eléctrica Group we have some infrastructure that must serve society for more than forty years.

In 2015, the Financial Stability Board (FSB), at the request of the G20 leaders, established the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD published its recommendations in June 2017 seeking to promote that companies assess their resilience to different climate scenarios and projections, and which call for the disclosure of consistent and reliable information on climate change, so that investors can take into account the risks and opportunities arising from climate change.

This work represents a breakthrough in terms of adaptation to climate change, one of the relevant points that the Red Eléctrica Group has included in its Commitment to the fight against climate change, which the Company

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maintains since 2010. In addition, with the publication of the results of this work, the Group will take strides forward regarding the transparency in the information it provides to its stakeholders.

Commitment to reduce emissions

The works regarding adaptation complement the Group's commitment in terms of reduction of emissions. In this regard, the Group has already announced its commitment to a 40% reduction in emissions per MWh transported in 2030 compared to 2015 (target validated in 2018 by the SBTi, whose mission is to help set strategies against climate change and validate business objectives ensuring they are consistent with the overall goals adopted in Paris in 2015). Furthermore, in November this year, the Group signed up to the 'Business Ambition for 1.5°C initiative; a pledge by companies to help curb climate change promoted by UN Secretary-General, Antonio Guterres.