

2021

Sustainability Report



→ **Interactive PDF**



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102-7 / 102-8

Value Creation of The Red Eléctrica Group Business Model +i

< 2 >

→ Our resources

INFRASTRUCTURE

49,166 km of line circuit in service

93,871 MVA of transformer capacity

56,257 km of fibre optic network

1 satellite control centre

6,104 substation bays

2 electricity control centres

7 satellites in operation

CORPORATE GOVERNANCE

93.6% Average percentage of votes in favour of the items on the agenda of the General Shareholders' Meeting

58.3% Independent Board Members

12 Board Members

50% Women on the Board

FINANCIAL RESOURCES

2,027 M€ revenue

576 M€ investment

3,037 companies that work with the Group do so under the Company's general conditions of contract framework

HUMAN RESOURCES

2,117 employees in the Group

65 hours of training per employee

2,407 € investment in training per employee

INNOVACIÓN

11.4 M€ total investment in innovation and technological development

124 innovation projects

ENVIRONMENT

26.9 M€ allocated to the protection of biodiversity and other concepts

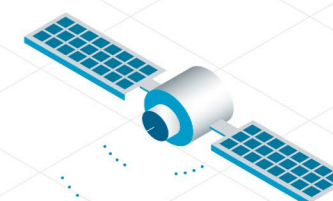
38 initiatives geared towards the protection and conservation of biodiversity

SOCIETY

8.5 M€ investment in the communities where we are present

457 social initiatives

→ Our +i sustainability priorities



Telecommunications business
HISPASAT (satellites)

5

1 Electricity business in Spain
RED ELÉCTRICA DE ESPAÑA

1
Electricity Control Centre

4

4 Telecommunications business
REINTEL (dark fibre)

3 Energy storage in the Canary Islands
REINCAN

6 Technology and innovation services
ELEWIT

2 Electricity business abroad
RED ELÉCTRICA INTERNACIONAL
(Peru, Chile and Brazil)

→ Value created

SHAREHOLDERS AND INVESTORS

539 M€ distribution of dividends

10,294 M€ capitalisation

EMPLOYEES

187.3 M€ personnel costs

98.6% fixed contracts

34.1% women in the management team

50% women on the executive committee

1.98 Occupational accident frequency rate

CUSTOMERS

98.48% availability rate of the electricity grid on the Spanish peninsula

99.89% availability rate of the transmission system managed in Peru

99.92% availability rate of the transmission system managed in Chile (TEN)

100% availability of the payload of the satellite fleet

SUPPLIERS

702.8 M€ in purchases of goods and services

86.5% purchases from suppliers within the European Union

ENVIRONMENT

32,449,031 tonnes of CO₂ avoided

48.4% of Spain's generation mix integrates renewables

71.1% of electricity line in critical priority zones marked with bird-saving devices

SOCIETY

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

USD 37.5 M & USD 8.7 M GDP contribution as a result of investments made in Chile and Peru respectively

775 M€ total tax contribution for the year

Letter from the Chairwoman and from the Chief Executive Officer

102-14



2021 was an important year for the Red Eléctrica Group as it was marked by the approval of our **2021-2025 Strategic Plan**; a plan focused on making the ecological transition a reality in order to move towards a more decarbonised economy, and which at the same time has helped consolidate our position in important growth vectors such as our business activity abroad and in the field of telecommunications. Furthermore, 2021 was a year in which we also continued to prioritise a corporate culture of innovation, talent and commitment to sustainability as the levers that guarantee the Group's long-term business continuity and sustainability over time

We are convinced that there is no dichotomy between sustainability and economic recovery because there is no growth without sustainable development. We are therefore committed to a **green recovery** as a key tool for growth and job creation. Moreover, we have defined and put in place the framework to continue moving forward. The European Commission's Green Deal sets out the ambitious but well-aimed objective of achieving climate neutrality by 2050; a goal we are pushing towards following the guidelines established in Spain's National Energy and Climate Plan for the 2030 horizon.

BEATRIZ
CORREDOR
SIERRA

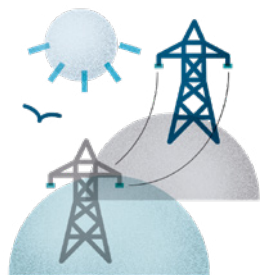
Chairwoman
of the Red
Eléctrica Group



ROBERTO
GARCÍA
MERINO

Chief
Executive
Officer





This year we have showcased the commitment of the Red Eléctrica Group to sustainable development with the holding of the **2021 Sustainability Conference**, in which, under the title 'Recovery from an ESG perspective', we had thirty national and international experts sharing their insights with us on the contribution of companies to recovery, taking into account environmental, social and governance aspects.

2021 was a year with relevant milestones that we would also like to highlight:

- Significant progress has been made on three new submarine links between islands [Ibiza-Formentera, Lanzarote-Fuerteventura and Tenerife-La Gomera], and this will definitively improve the security and quality of supply and will act as a lever to help in the energy transition in the Balearic Islands and the Canary Islands.
- Thanks to the work of our Control Centre for Renewable Energies [CECRE], we have contributed to reaching new all-time highs in instantaneous power, hourly energy, daily energy and coverage of instantaneous demand using wind and photovoltaic energy.

We are convinced that no growth is possible without sustainable development, which is why we want to play a leading role in the transformation of the energy model, promoting two key vectors: electricity and telecommunications connectivity, thus advancing towards an energy transition, that will be the driving force behind a green and digital economic recovery.

- Obtaining the administrative authorisations and permits and the declaration of public utility to start work on the Salto de Chira pumped-storage hydroelectric power station project on the island of Gran Canaria. This energy storage project will facilitate the transformation of the energy model in the Canary Islands into a model based on renewable energy.
- Consolidation of REINTEL's position in the telecommunications sector through the agreement with the KKR fund, which has become a long-term strategic partner of the Group's subsidiary responsible for managing and operating the dark fibre optic business.
- Launching of the first intra-entrepreneurship programme of the Red Eléctrica Group through Elewit, a subsidiary company of the Group. The programme is

committed to driving internal talent and is designed to help turn the Company's professionals into true advocates of innovation.

- Adaptation of our green financing framework to the European Union Taxonomy and the second issuance of green bonds by Red Eléctrica for an amount of 600 million euros.
- Raising our ambition in the fight against climate change, with the approval of new targets for 2030 that entail a commitment to reduce Scope 1 and 2 emissions by 55% and Scope 3 emissions by 28%.
- We continue to position ourselves at the forefront of gender equality, not only as a company that has achieved parity on the Board of Directors and continues to increase the percentage of women on the management team but also because we are one of only two companies in the IBEX 35 chaired by a woman.
- Presentation of our new approach to social innovation with which we will contribute, hand in hand with the third sector, local agents and other companies, to reducing the territorial, digital, gender and intergenerational inequalities faced by rural areas in Spain.

We would like to highlight that in 2021, together with the 30th anniversary of the launch of the first HISPASAT satellite, we celebrated the **15th anniversary of the Control Centre for Renewable Energies (CECRE)**. Today it continues to be a benchmark centre worldwide and a pioneering facility that is key to progressing towards a more sustainable future.

All these achievements would not be possible without the enormous talent and professional and personal qualities of all the people who work in the Group and who enable us to respond to the challenges we face. That is why, together, we will continue to strengthen our commitment to serve society and be a lever for progress, generating value from our position as a neutral operator of two essential services: the electricity supply and telecommunications connectivity.



IN 2021

the Control Centre for Renewable Energies (CECRE)

CELEBRATED ITS 15TH ANNIVERSARY, THIS CENTRE IS A KEY FACILITY FOR THE ENERGY TRANSITION



A benchmark report at the forefront of reporting standards

→ ABOUT THIS REPORT

The Sustainability Report of the Red Eléctrica Group reflects the Company's commitment and contribution to sustainable development and its ability to take on global challenges. In this respect, this report incorporates the **latest trends in reporting and offers transparent, reliable and balanced information** on the Company's management and performance during 2021, focusing on those aspects identified as material issues. / 102-50

This focus on quality, rigour and transparency in the Company's yearly communication with stakeholders regarding the progress made in the implementation of the 10 Principles of the United Nations Global Compact



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

in the areas of human rights, labour standards, the natural environment and the fight against corruption and in support of the Sustainable Development Goals (SDGs), has enabled the Company to reach the 'Advanced-level' reporting status, the highest qualification awarded by the United Nations Global Compact.

Furthermore, the Sustainability Report of the Red Eléctrica Group **was ranked in the fifth position of the 2021 Reporta Report**. Red Eléctrica is the only company in its sector that has managed to remain in the top five positions for the last three years.

Reporting framework

The Red Eléctrica Group has published the 18th Edition of this Report, which since 2003 has been prepared in accordance with the **Global Reporting Initiative (GRI)** Guidelines and includes the additional information applicable and required in the Electric Utilities sector supplement in its G4 version.


Specifically, the 2021 Sustainability Report has been prepared following the GRI Standards: **Comprehensive option. / 102-51 / 102-52 / 102-54**

Noteworthy has been the **early adoption of the new GRI standards**, GRI 207 on Tax matters, GRI 303 on Water and effluents and GRI 403 on Occupational Health and Safety.

In 2019, the Red Eléctrica Group became the first company in the IBEX 35 to incorporate the Sustainability Accounting Standards Board (SASB) reporting standard in its annual sustainability report.

Since 2019, the Red Eléctrica Group has incorporated the information in accordance with the **Sustainability Accounting Standards Board (SASB) reporting standard for those aspects applicable to the Electric Utilities and Power Generators and Telecommunications Services** sectors. The incorporation of this reporting framework, a benchmark for the investment markets, makes the Red Eléctrica Group the first in the IBEX 35 to follow this standard in its annual Sustainability Report.


Since 2020 the Report integrates the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, created by the **Financial Stability Board (FSB)** and the requirements of the Climate Disclosure Standards Board (CDSB) framework on environmental and climate change reporting. Both provide clear, concise and comparable information that connects ecological risks and opportunities to the business strategy and value creation model.

The *Annex*  section of this Report includes a table of contents concerning GRI, SASB, TCFD and CDBS reporting standards.

Similarly, it responds to **Recommendation 55 of the Good Governance Code of Listed Companies of the National Securities Market Commission (CNMV)**

and also includes aspects defined by the International Integrated Reporting Council (IIRC) for the drafting of comprehensive reports.

Scope, content and assurance

Regarding the scope of coverage, the Sustainability Report of the Red Eléctrica Group contains relevant information on the management approach, actions, and results of the Group's activities. The shareholding structure of the Group is described in the Consolidated Annual Accounts Report  and the Group's



governance structure is detailed in the 'Red Eléctrica Group' ↪ section of this report. / 102-10. If and when the information reported does not cover the full scope desired, the corresponding chapter of each Report can provide more in-depth data / 102-45

In order to assess the evolution of the performance of the Red Eléctrica Group over time, the report provides data from previous years. Regarding previous reports, no relevant information has been reformulated, although it is possible that data has been updated or that the calculation formula for a specific indicator has changed, in which case the changes are indicated in the corresponding section. / 102-48

To verify and guarantee the reliability of information to be presented to the various stakeholders, the Red Eléctrica Group has submitted this report to **external assurance** by Ernst & Young, who conducted a **limited assurance review**. As a result of the verification process, an Independent Assurance Report is prepared, including the objectives and scope of the process as well as the verification procedures used and the conclusions reached. Said report is included in the *Annexes* ↪ section of this document. / 102-56

To our readers

The Red Eléctrica Group invites the readers of this report to explore in greater detail the information about the Company's management and performance via the data published on its corporate website or through the Annual Corporate Governance Report and the Consolidated Annual Accounts of the Red Eléctrica Group. These data include the Management Report regarding the Group's

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

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

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

CORPORATE WEBSITES

www.ree.es/en
www.reinternacional.com/en
www.reintel.es/en
www.hispasat.com/en/inicio
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WHISTLEBLOWING CHANNEL

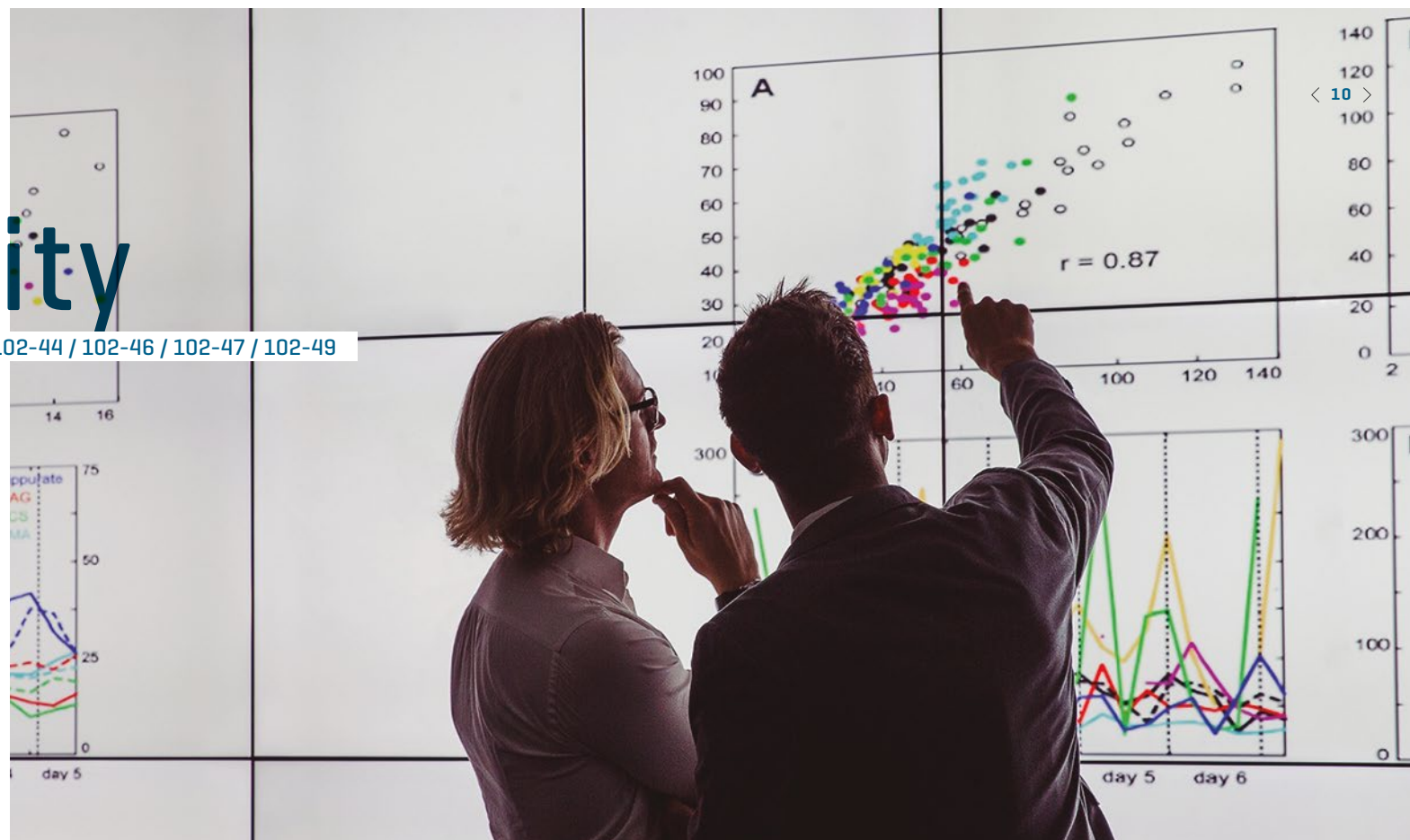
<https://www.ree.es/en/corporate-governance/ethics-and-compliance>

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 +34 91 659 99 83

Materiality

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



→ In 2019, to move forward with the 2030 Sustainability Commitment, the Group updated its Materiality study in accordance with the **Global Reporting Initiative (GRI)** standards for the drafting of sustainability reports with the aim of identifying the relevant materiality aspects.

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



The 2021 update of the Materiality Study is based on the 16 already identified issues and focuses on defining criteria that enable a more technical prioritisation of the aspects aligned with the Group's current reality.

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The sustainability context includes an analysis of trends, which define and/or will define the global, sectoral and geographical sustainability framework in which the Group operates; the identification of good practices to ascertain the degree of maturity of the Group's sustainability performance with regard to other comparable benchmark companies; and the analysis of internal information, the aim of which is to identify stakeholder requirements and expectations and relevant aspects for their integration into corporate commitments and planning. It should also be noted that the development of this study involved the active participation of the Group's stakeholders in determining their requirements and expectations. In this regard, strategic interviews were conducted with members of the Group's management and technical staff from key areas, as well as with representatives of external stakeholders, to understand the internal and external perspective in relation to the sustainability challenges, risks and opportunities facing the Group. Specifically, the 2019 Sustainability Context Analysis involved representatives of the following stakeholder groups: business partners, suppliers, research and technological development centres, social agents and associations, environmental groups, consumer and end consumer associations, rating agencies, the media, industry associations, professional and business organisations and associations, companies in the sector and competitor companies.

This analysis led to the identification of a total of 16 relevant issues.

2021 Update

In the last two years, several events have taken place, such as the creation of the new technology company [Elewit], the acquisition of 89.68 % of the shares of HISPASAT S.A., the situation arising from COVID-19 and the approval of the new Strategic Plan for 2021-2025, among others. This context has made it necessary to update the materiality study.

The 2021 update of the Materiality Study is based on the 16 already identified issues and focuses on defining criteria that enable a more technical prioritisation of the aspects aligned with the Group's current reality.

In this regard, the prioritisation of issues is based on the concept of dual materiality, which, as established by the European Commission, the CNMV [National Securities Market Commission] or GRI [Global Reporting Initiative], among others, takes into account the following:

- How sustainability aspects influence the value of the Company [financial materiality or inward impacts].
- How the Company impacts the economy, the natural environment and society [environmental and social materiality or outward impacts].

The table on the right details the technical criteria used in the 2021 update from this two-pronged approach.

Financial materiality or inward impacts

- Contribution to the Group's Strategic Plan
- Contribution to the Group's 2030 Sustainability Goals
- Assessment of the management team ⁽¹⁾
- Integration into the corporate risk map ^(*)

⁽¹⁾ In 2021, a survey of the Group's management team was carried out with 52 % participation in order to obtain their assessment of the priority and relevance of the materiality issues.

⁽²⁾ The ISO 26000 criteria establish whether the mismanagement or non-management of the issue involves: non-compliance with the law, inconsistency with international standards of business conduct, potential human rights violations, practices that endanger health and life and/or procedures that seriously affect the environment.

⁽³⁾ In 2019, as part of the initiative to update the perception studies, a materiality section was included in which the stakeholders involved assessed the relevance and priority of the issues, in terms of sustainability, and evaluated the performance that they perceived the Company was achieving for each of them.

^(*) Assessment criteria included as a new feature in the 2021 update of the Materiality Study.

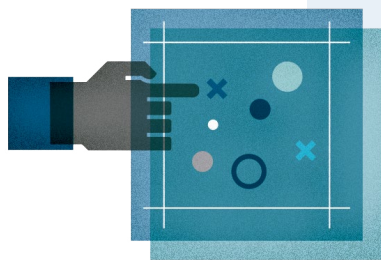
Environmental and social materiality or outward impacts

- Contribution to the Sustainable Development Goals (SDGs)
- Impact on ISO 26000 criteria regarding social responsibility ⁽²⁾ ^(*)
- Results of external stakeholder perception studies ⁽³⁾ ^(*)

DRAFTING PROCESS OF THE MATERIALITY STUDY

	Objective	Development
Issue identification	Analyse the sustainability context to identify the major impacts, risks and opportunities that affect or may affect the sustainability of the Group. The process is carried out with the active participation of stakeholders.	The Company identified a total of 16 relevant issues in the analysis of the sustainability context, and that includes the following analysis: <ul style="list-style-type: none"> • Trend analysis. • Industry Benchmarking. • Strategic interviews with the senior management team and key technical personnel at the Company. • In-depth interviews with external stakeholders. • Analysis of internal information.
Issue prioritisation	Internal and external assessment of the criticality of the identified issues for achieving the Company's long-term objectives and maximising its contribution to fulfilling the overall goals.	The prioritisation matrix provides a dual analysis of the issues, revealing both their internal importance, assigned by the senior management team and key technical personnel of the Company and their external reputation, based on the value given by the external stakeholders who were consulted.
Issue evaluation and validation	Cross-cutting analysis within the organisation of the results arising from the issue identification and issue prioritisation phases.	The validation phase included within the design of the 2030 Commitment to Sustainability has had the participation of key areas of the Red Eléctrica Group and with whom the results of the previous phases were assessed, and the opportunities associated with each of the material issues were identified, as well as their impact on the 2018-2022 Strategic Plan and any connection with the Sustainable Development Goals.

→ Prioritisation matrix

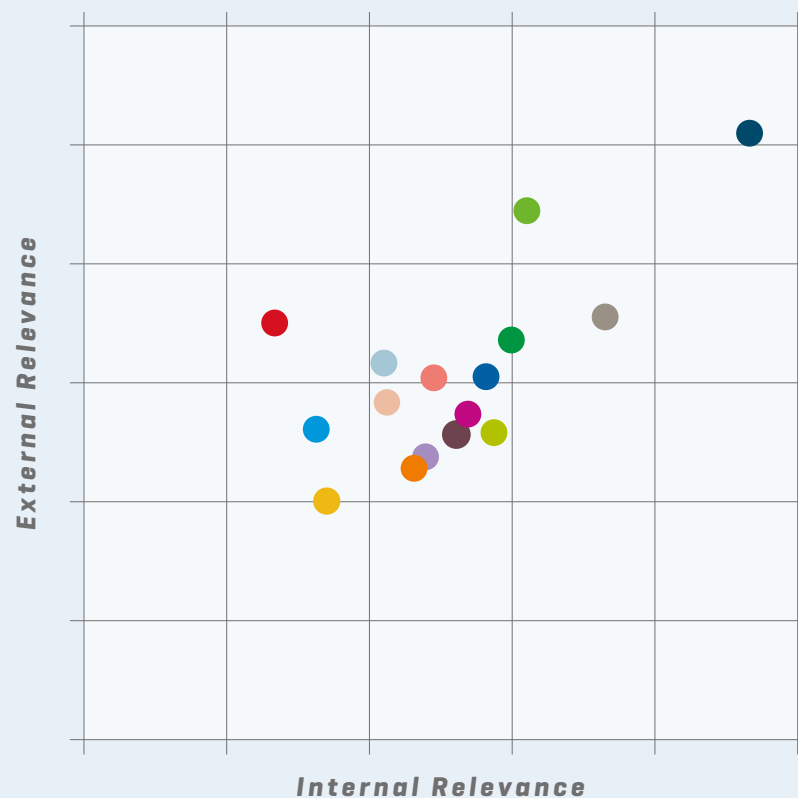


PRIORITISATION MATRIX REGARDING THE GROUP'S RELEVANT ISSUES

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

Noteworthy is that the Energy transition, Climate emergency and Innovation and technology remain as priority issues. Talent and the Digital Divide continue to be issues with a lower priority level. There is also an evolution in the priority of social matters. 'Occupational health & safety and well-being' (moving from 11th to 5th place) and 'Ties with the communities' (moving from 12th to 7th place) have increased in importance.

In 2022, a new Sustainability Plan for 2023-2025 will be defined, aligned with the Group's Strategic Plan and the 2030 Sustainability Goals, for which an in-depth review of the Company's materiality issues will be carried out.



- | | |
|---|-----------------------------------|
| ● Energy transition | ● Financial strength |
| ● Climate emergency | ● Corporate governance and ethics |
| ● Innovation and technology | ● Digital transformation |
| ● Biodiversity and natural capital | ● Supply Chain |
| ● Occupational health & safety and well-being | ● Contribution to society |
| ● Diversity | ● Customer orientation |
| ● Ties with the communities | ● Talent |
| ● Circular economy | ● Digital Divide |

A business model focused on the creation of value

Letter from the Chairwoman and from the CEO

A benchmark report at the forefront of reporting standards

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6 Decarbonisation of the economy

7 Responsible value chain

8 Contribution to social, economic, and environmental development

Annexes

MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1

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Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goal (ODS)	Impact Int. Ext.
Energy transition	The need to develop a new energy model, driven by European policies, overall climate goals and cost reduction, has implications for the business models of energy companies that must respond to specific challenges, the main ones being the integration of a higher percentage of renewable sources in the energy mix, the need to have energy storage systems to address the variability of non-manageable energy and the increased electrification of the system and ever-growing need for energy efficiency.	<p><i>Climate change and the Energy transition</i> ➔</p> <p><i>Sustainable development of the transmission grid</i> ➔</p> <p><i>Integration of renewables</i> ➔</p> <p><i>Flexibility of the system</i> ➔</p>	201-2 / EU10	  	• •
Climate emergency	Meeting the target of limiting the increase in global warming to 1.5 °C is only possible by adopting and developing ambitious efficiency and emission reduction strategies. The business sector must assess the risks arising from climate change and take a proactive stance in mitigating the problem by contributing to the achievement of the targets defined in the Paris Agreement.	<p><i>Trends and opportunities</i> ➔</p> <p><i>Risk Management</i> ➔</p> <p><i>Climate change and the Energy transition</i> ➔</p> <p><i>Reduction of the carbon footprint</i> ➔</p>	102-29 / 201-2 / 302 / 305 / EU12	  	• •
Innovation and technology	The fourth industrial revolution will mean the development of new technologies that merge the physical and digital world. In this regard, in the coming years, it is expected that tools, such as artificial intelligence, robotisation and virtualisation will be part of the processes, which in turn will provide greater efficiency and security. Furthermore, it will also allow the further development of internal innovation fabric and the establishment of collaborations with external agents to enable the incorporation of new ideas within the Company.	<i>Transformation: digital, cultural and technological innovation</i> ➔	102-31 / 203-1	   	• •

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MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1

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Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goal (ODS)	Impact Int. Ext.
Digital transformation	Advanced data analytics (big data, predictive analysis, etc.) will provide flexibility to the management of data, its traceability and the possibility of monitoring it, thus enabling the complete control of the data. Thanks to these systems, the information generated by the internet of things (IoT) can be analysed and interpreted, obtaining an unprecedented vision and amount of valuable data that robotisation will take to the physical plane.	Transformation: digital, cultural and technological innovation ↗ Comprehensive Corporate Security ↗	The current GRI Standards do not include indicators linked to this issue	 	•
Biodiversity and natural capital	Biological diversity is under threat worldwide, which will affect the quality and quantity of resources that can be obtained from ecosystems. Similarly, the climate emergency will put additional pressure on ecosystems and contribute to worsening the world's sixth mass extinction.	Responsible Environmental Management ↗ Conservation of natural capital ↗	102-15 / 102-29 / 102-31 / 303 / 304 / 306-1 / 306-3 / 306-5	   	• •
Corporate governance and ethics	Companies integrate sustainability into their corporate governance structures and design incentives linked to sustainability goals, with an impact on remuneration schemes at the highest level of management, in order to ensure that the goals of the governing bodies and the management team are geared towards achieving the business purpose. All this reflects a growing ESG shareholder activism marked by an increase in passively managed assets, the concentration of equity in a smaller number of managers and the greater presence of institutional investors who integrate ESG criteria into their decision-making process.	Corporate Governance ↗ Ethics and Compliance ↗	102-16 / 102-17 / 102-18 to 102-39 / 205-1 to 205-3	 	• •

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Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goal (ODS)	Impact Int. Ext.
Diversity	Companies are aware that having diverse environments according to different factors [age, knowledge, culture, skills] brings many advantages to organisations. Concerning gender equality, there is consensus that cultural stereotypes that have limited women's ability to take advantage of career opportunities to the same extent as their male peers must be addressed.	Employees ↗	102-8 / 102-22 / 102-24 / 102-35 / 401-1 / 405 / 406-1	  	• •
Financial strength	Investors have progressively moved towards more responsible positions in their asset allocations, thus consolidating the concept of socially responsible investment (SRI). Sustainable loans and green bonds are also one of the fastest-growing market segments, although they still occupy a marginal position in the global market.	Financial Strength ↗	201-1 / 201-2 / 201-4		• •
Contribution to society	Society increasingly demands that companies carry out their business activity to ensure the provision of a service and guarantee that this is done responsibly besides generating value for society, especially in the areas in which they operate. Stakeholders expect companies to be involved in the solution to the main social and environmental problems, integrating these aspects into their business strategies and measuring and clearly communicating the value that their business activity brings to society.	Contribution of the Company's activities ↗ Socio-economic development of the territory ↗	102-12 / 102-13 / 201-1 / 204-1 / 401-1	    	•

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MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1

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Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goal (ODS)	Impact Int. Ext.
Circular economy	The need to make more efficient use of natural resources has precipitated a change in production models and consumption patterns, encouraging reuse and savings in the consumption of materials. At the same time, growing restrictions on access to some of these resources have led to greater price volatility, which generates significant uncertainty in the business activities of companies.	Responsible Environmental Management 	306-2 / 306-3 / 306-4	  	• •
Occupational health & safety and well-being	Poor occupational health and safety performance can be a risk that can have a high impact on a Company's reputation. In addition, a new trend in the field of occupational health is the consideration by companies of issues such as the well-being or the care of employees' mental health to prevent accidents arising from situations of emotional stress.	Employees 	403 / 409-1 / EU18		• •
Ties with the community	The level of conflict with local communities has increased due to opposition to the development and construction of new infrastructure. Companies should consider citizens as a potential ally for the implementation of their projects. In this regard, it is essential to generate trust and develop effective communication channels in order to produce positive results and impacts for all the players involved.	Relationship with the socio-economic environment 	102-21 / 102-43 / 413-1 / 413-2		•

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Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goal (ODS)	Impact Int. Ext.
Supply chain	The supply chain is a strategic component of business activity given the potential economic, environmental, and even reputational impacts of inadequate management. This is particularly evident in terms of sustainability, where companies must extend their commitment to suppliers. Supply chain performance is key to achieving common goals. Other opportunities are arising from this increased engagement of companies with their suppliers and the generation of alliances that allow access to new best practices and raise awareness on the relevant know-how.	Supply Chain 	102-9 / 102-10 / 204-1 / 308 / 407-1 / 408-1 / 409-1 / 414	  	•
Customer orientation	A new generation of consumers with growing expectations in their relationship with companies is becoming more evident. Given this, companies focus their efforts on maintaining a constant dialogue with customers to know their expectations in order to improve the services provided. This becomes especially relevant in the context of growing consumer empowerment. Customers demand joint value creation with companies and increased access to relevant information.	Customer orientation 	102-21 / 416 / EU26, EU28 and EU29 / 418-1		•

Continued on next page

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





7 Responsible value chain

8 Contribution to social, economic, and environmental development

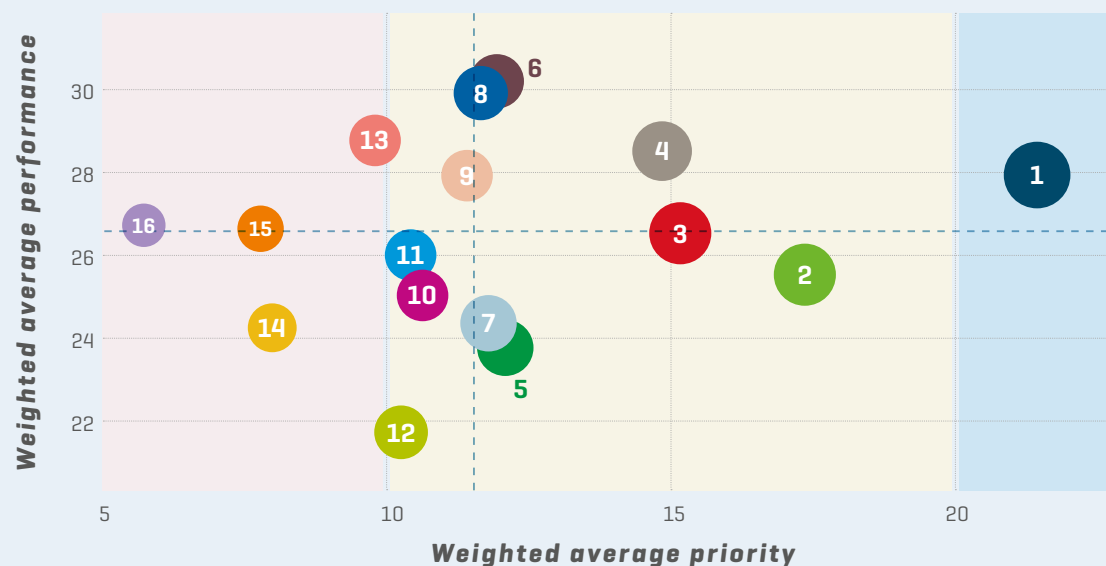
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MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1

< 19 >

Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goal (ODS)	Impact Int. Ext.
Talent	Companies must adapt to the characteristics and preferences of new generations of employees in order to be more competitive in attracting new talent and retaining existing talent, particularly digital talent. The shortage of professionals trained in these new areas in the market and the increasing competition from employers for their services poses a major challenge. Similarly, in contexts of business growth and diversification, where there are increasingly large and diverse workforces, it is necessary to promote a business culture based on common corporate values.	Employees ↗	401-1 / 404-1 / 404-2 / 404-3 / 412-2	  	•
Digital divide	The spread of new technologies and Internet access worldwide is an indicator of economic growth. However, this expansion has occurred unevenly, resulting in the creation of a digital divide that, if maintained, could increase the existing situation of inequality both between countries and between regions within countries.	Socio-economic development of the territory ↗	The current GRI Standards do not include indicators linked to this issue	   	• •

→ Stakeholder materiality matrix



STAKEHOLDER MATERIALITY

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

With the information gathered in the perception studies conducted over the last three years, a matrix is obtained, which enables the priority of the issues to be analysed in relation to the Group's performance, in accordance with the average assessment received from the average scores of each of the stakeholder groups surveyed. The average relevance can also be seen depicted by the size of the coloured circles [in the graphic on the right].

Evidently, the Energy transition issue is the most relevant aspect [identified by the majority as one of the most significant aspects], and the one with the highest

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

Priority

P >= 20	Critical
10 < P < 20	Very relevant
0 < P <= 10	Relevant

Performance

D = 40	Differentiating level
30 < D < 40	Advanced level
20 <= D < 30	Adequate level
D < 20	Opportunity for improvement

priority, being ranked as a critical issue. Climate emergency, Contribution to society and Innovation and technology are also considered highly relevant for all stakeholders. In terms of weighted average performance, the performance regarding these three aspects is ranked as adequate. For the four issues identified as a priority, the assessment is very homogeneous across the various stakeholder groups. It should also be noted that Financial Strength, Health and Safety and Well-being practically reach the advanced performance level.

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

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PRIORITY OF ISSUES BY STAKEHOLDER GROUP

CATEGORY	STAKEHOLDER GROUP	YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Social Environment	Business and Professional Associations	2021																
	Local Councils	2021																
	Educational institutions	2019																
	Environmental groups	2021																
	NGOs and Foundations	2019																
Opinion Generators	Financial analysts	2020																
Investors, Shareholders and Partners	Financial institutions	2020																
The Media	The Media	2020																
Suppliers	Suppliers	2020																
Business Sector and Professional Associations	Social agents and associations	2019																

>= 20 critical
 Between 10 and 20 very relevant
 <= 10 relevant

1 Energy transition
2 Corporate governance and ethics
3 Financial strength
4 Talent
5 Occupational health & safety and well-being
6 Diversity
7 Innovation and technology
8 Digital transformation

9 Digital divide
10 Supply Chain
11 Climate emergency
12 Circular economy
13 Biodiversity and natural capital
14 Customer orientation
15 Ties with the communities
16 Contribution to society

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1.1

The Company

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



→ Our purpose



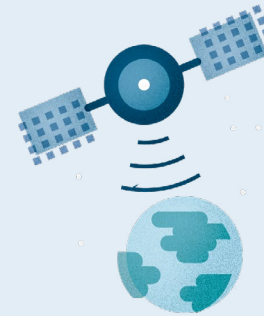
Guarantee the electricity supply and connectivity

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

→ Our hallmarks



ELECTRICITY



TELECOMMUNICATIONS



TALENT

→ Our ethical values



RESPECT



INTEGRITY



SUSTAINABILITY

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1.2 Business activities

102-2 / 102-4 / 102-6

Presence of the Red Eléctrica Group in the world

< 25 >

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

→ **ELECTRICITY BUSINESS IN SPAIN: RED ELECTRICA DE ESPAÑA (REE)** 

ELECTRICITY BUSINESS ABROAD: RED ELÉCTRICA INTERNACIONAL (Peru, Chile and Brazil) 

TELECOMMUNICATIONS: REINTEL and HISPASAT 

TECHNOLOGICAL INNOVATION: Elewit 

Countries where HISPASAT services were contracted in 2021

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

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1.3

A Success Story



In 1985, Red Eléctrica de España, S.A. was set up as the first company in the world dedicated exclusively to the transmission of electricity and the operation of an electricity system.

Since then, the Company has assumed the responsibility of developing a business model capable of converting challenges into opportunities, based on excellence, innovation, integrity and transparency and making our activity compatible with environmental care and the generation of shared value for society.



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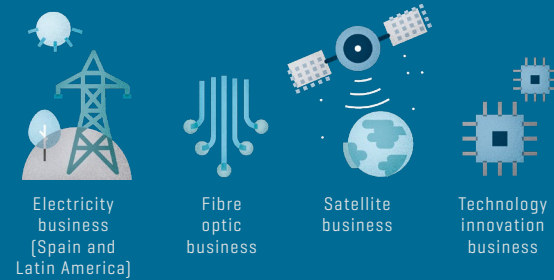
8
Contribution to social, economic, and environmental development

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

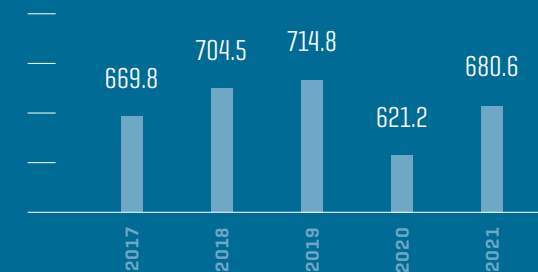
For more than three decades, the mission of the Red Eléctrica Group has remained clear: to be useful to society, generating value from our position as a global operator of essential infrastructure.

→ **Diversified in the key sectors of the economy**



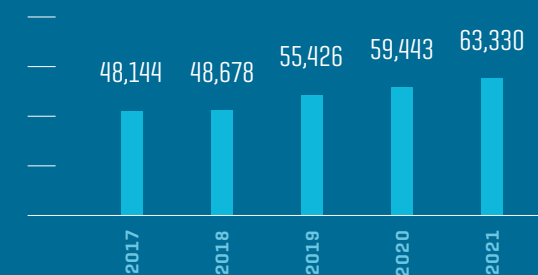
→ **Stable more financially sound and with better capitalised businesses**

Net profit / M€



→ **Necessary to make the energy transition possible**

Installed renewable power capacity / MW



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

continued

→ Beneficial for society from a social standpoint

98.48 %

availability of the electricity grid in Spain (mainland system)

99.89 %

availability rate of the transmission system in Peru

99.92 %

availability rate of the transmission system in Chile (TEN)

100 %

availability of the payload capacity of the satellite fleet

→ Committed to sustainable development

Member of the most prestigious sustainability indexes worldwide



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Relevant events during the year

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→ Relevant events during the year



JAN 2021 FEB 2021 MAR 2021 APR 2021 MAY 2021 JUN 2021 JUL 2021 AUG 2021 SEP 2021 OCT 2021 NOV 2021 DEC 2021

Approval of the 2021-2025 Strategic Plan by the Board of Directors.

Second issue of green bonds by Red Eléctrica in the amount of 600 million euros.

Commencement of the permitting process of the draft project for the Spain-France electricity interconnection across the Bay of Biscay.

- 15th anniversary of the Control Centre for Renewable Energies [CECRE].
- HISPASAT is granted 80.7 million US dollars in financing for the Amazonas Nexus project by the Export-Import Bank of the United States [EXIM-Bank].

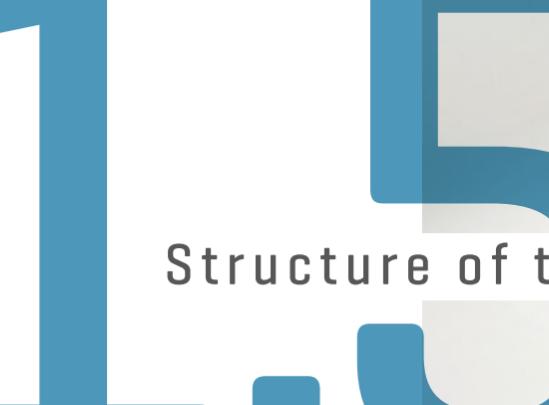
Commissioning of the 220 kV Centinela substation in Chile.

- Adaptation of the Company's green financing framework to the European Union Taxonomy.
- Launch of the Red Eléctrica Group's first intra-entrepreneurship programme.

Commencement of works for the laying of the new submarine link that will connect the islands of Lanzarote and Fuerteventura.

- Hosting of the Red Eléctrica Group's 2021 Sustainability Conference.
- Presentation of the Group's new approach to social innovation (the fight against inequality).
- Commencement of works on the new electricity link that will strengthen the electricity connection between the islands of Ibiza and Formentera.

- Obtaining administrative authorisations and permits, and declaration of public utility for the Salto de Chira pumped storage hydroelectric power station project.
- Agreement for the sale of 49% of REINTEL to KKR.
- Approval of new climate change targets: commitment to reduce Scope 1 and 2 emissions by 55% and Scope 3 emissions by 28% by 2030.
- 83.6% of instantaneous demand covered by wind energy (28 December at 3:03 a.m.).



1.5

Structure of the

Structure of the Red Eléctrica Group

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



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RED ELÉCTRICA CORPORACIÓN

Structure of the Group as at 31 December 2021

ELECTRICITY BUSINESS IN SPAIN

100
%



CONSTRUCTION OF INTERNATIONAL INTERCONNECTIONS SPAIN-FRANCE

50
%



inelfe

ELECTRICITY BUSINESS ABROAD

100
%



100
%

REDESUR (Peru)

TESUR (100 %)
TESUR 2 (100 %)
TESUR 3 (100 %)
TESUR 4 (100 %)

Red Eléctrica Andina - REA (Peru) (100 %)

REDELNOR (Peru) CCNCM (100 %)

Red Eléctrica Chile
TEN (50 %)
REDENOR (70 %)
REDENOR 2 (100 %)

Red Eléctrica Brazil
ARGO ENERGÍA (50 %)
ARGO I (50 %)
ARGO II (50 %)
ARGO III (50 %)

TELECOMMUNICATIONS BUSINESS

100
%



RESTEL

89,68
%

hispasat

INNOVATION, FINANCING AND RISK REINSURANCE

100
%



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Economic and business context

→ MACROECONOMIC ENVIRONMENT

- After the collapse of 2020, the global economy is experiencing a powerful strong but uneven recovery. Forecasts from major international financial institutions predicted strong global growth projections for 2021. In its World Economic Outlook, the International Monetary Fund (IMF) forecasted that the worldwide economy would grow by 5.9% in 2021 and 4.9% in 2022. Other organisations such as the World Bank and the Organisation for Economic Co-operation and Development (OECD) projected slightly more moderate global growth in 2021, at 5.6%, which in any case is the highest post-recession growth rate in the last 80 years.





Global economic growth of

IN 2021 ACCORDING
TO THE ESTIMATE OF THE
INTERNATIONAL MONETARY FUND

5.9%

the highest post-recession growth rate in 80 years

- The economic recovery in 2021 has strained commodity markets and put upward pressure on prices across the board. According to the International Energy Agency's (IEA) World Energy Outlook 2021, crude oil prices rose from USD 20/barrel immediately after the pandemic in mid-2020 to around USD 70/barrel in mid-2021. Natural gas prices have also risen globally, reaching their highest levels in Europe during the second half of 2021 (more than ten times the historic lows reached in June 2020). Coal prices in 2021 also experienced strong growth thanks to a rebound in demand, especially in Asia. High natural gas and coal prices have translated into higher energy prices in many markets, particularly where renewable energy production has been relatively low.
- As a consequence of high energy and raw material prices and supply-demand mismatches, the IMF forecasted a global inflation rate of 4.3% in 2021. For Western Europe, the inflation rate in 2021 was projected to be 2.1% (partly due to low prices in the first months of the year), for North America 4.3% and 2.9% for the Asia-Pacific region.

- As for the financial policies implemented to promote economic recovery, as a general rule, the world's major economies implemented stimulus plans throughout 2021 to accelerate the recovery. In the United States, for example, the Biden Administration presented the 'Build Back Better Plan', approved by Congress, which envisages an investment of two trillion US dollars in various areas, such as infrastructure.
- In Europe, on 21 July 2020, the Member States reached an agreement at the European Council (an agreement proposed by the European Commission in May 2020) on the recovery plan for the EU in the wake of the COVID-19 crisis. This is the **Next Generation EU Fund**, to which a total of 750 billion euros (based on 2018 prices) has been allocated. Two of the main pillars that shall receive grants and loans from this fund are the green transition and the digital transformation.

Spain

- In Spain, the economic stagnation due to the restrictions caused by the COVID-19 pandemic in the first months of 2021 actually transformed into strong economic growth in later months following the good vaccination

campaign and the decrease in the number of severe cases of COVID-19. In this regard, the Bank of Spain, in its macroeconomic projections for the Spanish economy (2021-2024) published in December 2021, forecasted a GDP growth in Spain of 4.5% for the year. The projections of the Bank of Spain also forecasted an average inflation rate for 2021 in Spain of 3%.

- The Spanish government, in line with the European recovery mechanism and to channel Next Generation EU funds, approved the **National Recovery, Transformation and Resilience Plan** [PNRTR] on 30 April 2021. This Plan details reforms and investments to be deployed in 2021-2023, totalling 69.528 billion euros from Next Generation EU funds that do not need to be paid back. Of the total funds Spain will receive, 39.1% will go to green transformation and 29% to digital transformation.

ENERGY LANDSCAPE

Spain

- The energy environment in Spain has also been marked by the COVID-19 epidemic and the economic recovery. Firstly, the variation in the annual demand of the national electricity system for 2021 registered a fall of 2.5% compared to the previous year. Electricity prices in Spain also increased considerably compared to the previous year: in 2021, the total average final price was 118.66 €/MWh, compared to 40.38 €/MWh in 2020.



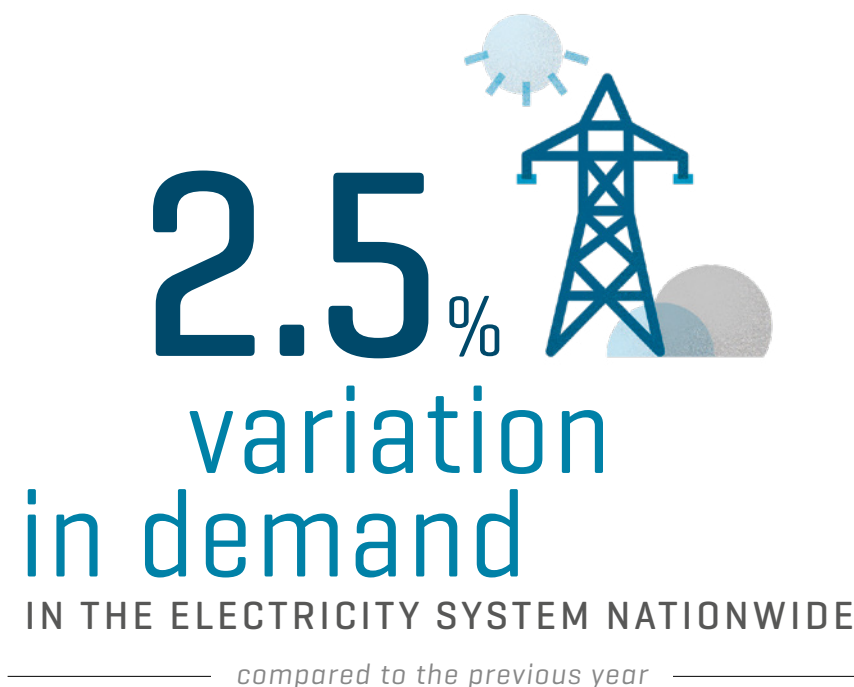
The National Recovery, Transformation and Resilience Plan for 2021-2023, will involve a total investment of 69.528 billion euros.

• One of the main regulatory milestones in the first half of 2021 was the publication of **Law 7/2021 on Climate Change and Energy Transition** approved on 21 May 2021. This Law, which applies to various sectors, sets minimum energy and climate targets for Spain for 2030, in alignment with Spain's 2021-2030 National Energy and Climate Plan (NECP). Additionally, in line with the provisions of the European Climate Law, a net-zero emissions target has been set for 2050.

• As of June 2021, the new regime applicable to access tolls and fees related to electricity transmission came into force. This was established in Royal Decree 148/2021, published on 9 March, which sets out the methodology for calculating the fees related to the electricity system, and in CNMC Circular 3/2020, of 15 January, which establishes the method for calculating the access tolls for electricity transmission and distribution. These new regulations allow all consumers to have a toll price that is based on hourly discrimination in terms of power and energy consumption, increasing the price difference between peak and off-peak consumption periods.

• As of last summer, as a result of the escalation of prices in the electricity and gas sectors, the Government began to introduce a series of measures aimed at reducing the cost of electricity bills and protecting consumers:

- Royal Decree-Law 12/2021 of 24 June adopting urgent measures in the field of energy taxation and energy generation, along with the management of the regulatory levy and the water-use tariff, introduced certain tax measures, such as the reduction of VAT, applied to the electricity bill, from 21% to 10% up until 31 December 2021, or the suspension of the Tax, that is applied in Spain, on the Cost of Electricity Production.
- In September, an even more important Royal Decree-Law was published due to the scope of the measures adopted; Royal Decree-Law 17/2021, of 14 September, on urgent measures to mitigate the impact on the



gas and electricity retail markets of the steep rise in natural gas prices. The measures include the reduction of the Special Tax on Electricity from 5.1% to 0.5%, the introduction of a mechanism to reduce the excess remuneration caused by the high price of natural gas on international markets [subsequently clarified in Royal Decree-Law 23/2021] and a 96% reduction in electricity system fees.

- The Government has also sent the preliminary draft bill to the Congreso de los Diputados [the Spanish equivalent of the UK's House of Commons] for its approval in order to create the National Fund for the Sustainability of the Electricity System, which will progressively eliminate the premiums linked to renewables, high-efficiency cogeneration and waste to energy [known as RECORE in Spain] from the regulated costs of the electricity system. Furthermore, it also sent the preliminary draft bill to take action on the remuneration of non-emitted CO₂ from the electricity market, which aims to have generators that have zero carbon emission technologies

installed before 2003 [the year the CO₂ market began] pay back part of their revenues from the sale of energy, equivalent to 90 % of their 'carbon dividend'.

- Lastly, it should be noted that 2021 saw the start of the new Remuneration Framework for Renewable Energy in Spain (REER), established at the end of 2020 with Royal Decree 960/2020, of 3 November, which regulates the remuneration scheme for the generation of electricity from facilities that use renewable energy sources. Throughout 2021, two auctions were held under this new remuneration framework: the first in January and the second in October. With the holding of these two auctions, a total of 2,902 MW of photovoltaic energy and 3,256 MW of wind power were allocated, thus complying with the indicative calendar for allocating the new REER, which established a planned aggregate capacity of 2,500 MW from wind power technology and 2,800 MW from photovoltaic technology by 2021.

Europe

- The European institutions continue to make progress in the implementation of the **European Green Deal** guidelines presented by the European Commission in December 2019, to decarbonise the European economy and achieve climate neutrality by 2050:
 - The revision of Regulation 347/2013 on guidelines for trans-European energy infrastructure (TEN-E Regulation) aims to adapt it to the new roadmap set out in the European Green Deal. The revision is currently being processed by the European Parliament and the Council.
 - On 9 July 2021, Regulation (EU) 2021/1119 of the European Parliament and the Council of 30 June 2021 establishing a comprehensive framework for achieving climate neutrality [commonly known as the European Climate Law] which was published in the Official Journal of the European Union. This Law establishes the objective of climate neutrality by 2050 and the reduction of greenhouse gas emissions by at least 55 % by 2030 [compared to 1990 levels].



- On 14 July 2021, the European Commission presented the 'Fit for 55' package, a set of legislative provisions to achieve the aforementioned emissions reduction target of at least 55 % by 2030. Among the proposals contained in the package are the revision of the Renewables Directive [with a new renewable energy target of 40 % by 2030], the revision of the Energy Efficiency Directive, the revision of the Energy Taxation Directive and the proposal for a new Carbon Border Adjustment Mechanism (CBAM).
- In addition to these regulatory proposals as part of the European Green Deal, several strategies have also been put forward that lay down the roadmap for the European Union energy policy in fundamental sectors such as:

- The EU's hydrogen strategy aims to develop clean hydrogen to contribute to the decarbonisation of the European economy, setting a 2030 target of at least 40 GW of renewable hydrogen electrolyzers.
- The EU's strategy for integration of the energy system, which seeks to integrate the different sectors (electricity, gas, transport, industry, buildings) to achieve further emission reductions by replacing fossil fuels with renewable energy.
- The EU's strategy for offshore renewable energy proposes a roadmap for making renewables a central element of the electricity system by 2050.

Subsidiaries in other countries

- With regard to national regulation in Peru, on 20 June 2019, Supreme Resolution No. 006-2019-EM was published, by which the Multi-sector Commission for the Reform of the Electricity Subsector (CRSE) was created to review and adjust the current regulatory framework, in order to optimise the efficient development of the Peruvian electricity market aligned with international standards and best practices thereby ensuring the sustainability of the electricity subsector.



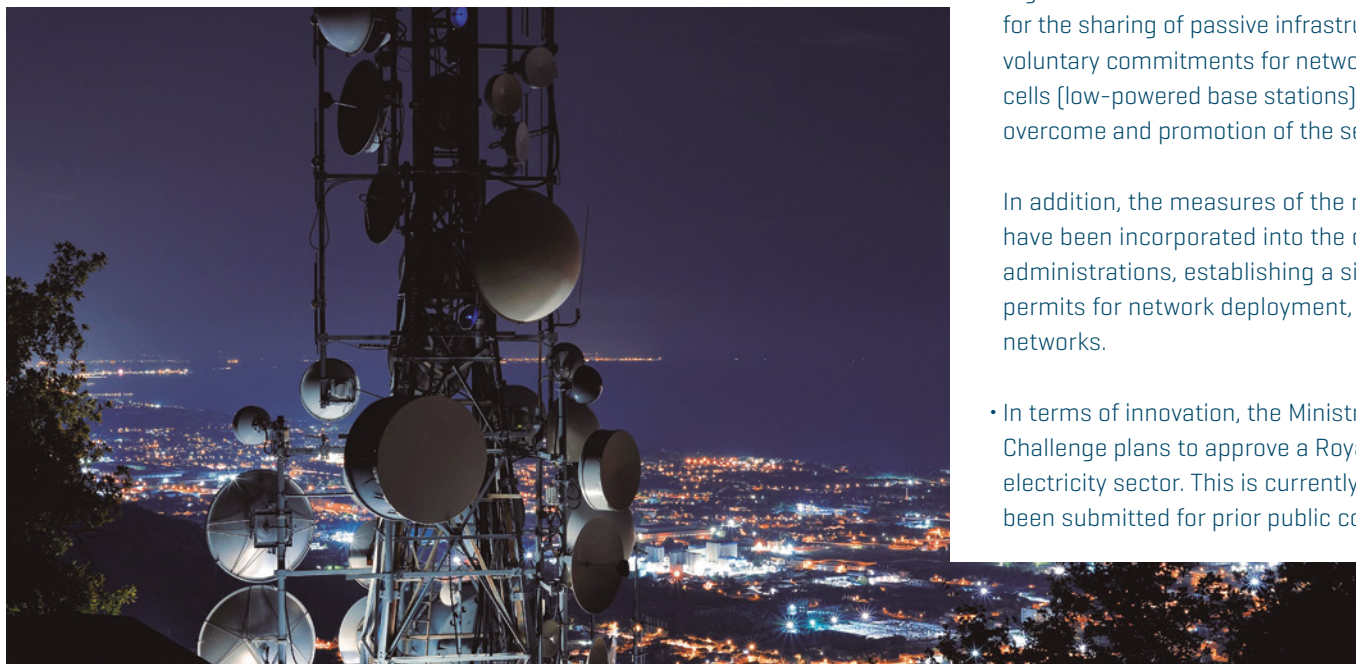
- In the first quarter of 2022, a technical document is expected to be published containing institutional, legislative proposals and regulatory reforms that promote modernisation and resolve the challenges encountered in the electricity industry. These changes in the regulatory framework are aimed at ensuring there is sufficient generation, as well as the incorporation of renewable energy, smart metering, distributed generation, demand-side management and the harmonious development of the electricity and natural gas sectors.
- In the specific case of the transmission sub-sector, the following issues will be addressed: expediting the enlargement of the electricity transmission system; efficiency and transparency in transmission grid access; simplification of remunerative schemes; and international cross-border connections.
- In reference to the regulatory environment applicable to **Chile**, noteworthy is the enactment of Supreme Decree No. 37 of the Ministry of Energy, which approves the Regulation of Transmission Systems and Transmission Planning, which has not yet completed its administrative processing stage (it is currently being processed by the Office of the Comptroller General of the Republic). The Decree establishes the regulation of open access to transmission facilities and, in particular, the possibility of access to fibre optic data transmission by interested third parties (particularly electricity generation companies).

As part of the 2021 milestones, in April, the National Energy Commission (CNE) in Chile issued the Final Technical Report of the Transmission Expansion Plan for the National Electricity System (SEN) for 2020, which contains a total of 46 projects to expand the grid. Regarding the 2021 Transmission Expansion Plan, in November, the CNE called for interested parties to register or update their registration in the Citizen Participation Registry.

Regarding cybersecurity, on 29 September 2021, the CNE issued Exempt Resolution No. 383, which initiates the procedure for the development of

the Technical Standard on Cybersecurity and Information Security. The main purpose of this regulatory procedure will be to establish the regulatory framework that includes the general foundations of Cybersecurity and Information Security, which should be considered as minimum guidelines to be met by electric utilities for the management of both these aspects.

In the context of the COP26 in Glasgow, the Chilean government delivered its Long-Term Climate Strategy to the UN Climate Change Secretariat, a roadmap that sets out the specific sectoral objectives and targets that will allow Chile to become carbon neutral by 2050 at the latest. By 2030, 80 % of Chile's electricity generation must be of renewable origin in accordance with this Strategy.



- Finally, with regard to **Brazil**, it is worth noting that the Brazilian government presented the National Green Growth Plan on 25 October 2021. The Plan will offer financing and subsidies to incentivise sustainable projects and business activities in order to make the country carbon neutral by 2050.

TELECOMMUNICATIONS AND TECHNOLOGICAL INNOVATION LANDSCAPE

Spain

- The law that establishes the regulatory framework for telecommunications in Spain, Law 9/2014, of 9 May, on General **Telecommunications**, is currently under review, being processed in the *Congreso de los Diputados* (the Spanish equivalent of the UK's House of Commons). The text introduces improvements to facilitate the deployment of very high-capacity networks, as well as more flexible regulation to reach co-investment agreements between operators and a boost for the sharing of passive infrastructure. It also includes the establishment of voluntary commitments for network access, the possibility of deploying small cells (low-powered base stations) with far fewer administrative hurdles to overcome and promotion of the secondary market for radio spectrum.

In addition, the measures of the recently adopted EU Connectivity Toolbox have been incorporated into the draft law. This will boost coordination between administrations, establishing a single point for information and processing of permits for network deployment, which will speed up the implementation of the networks.

- In terms of innovation, the Ministry of Ecological Transition and Demographic Challenge plans to approve a Royal Decree on regulatory innovation in the electricity sector. This is currently being processed by said Ministry, having been submitted for prior public consultation in July 2021.

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2.2

Strategic plan



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

The 2021-2025 Strategic Plan prioritises the development of the energy transition in Spain in order to advance towards a decarbonised economy efficiently, promoting the growth achieved in the field of telecommunications

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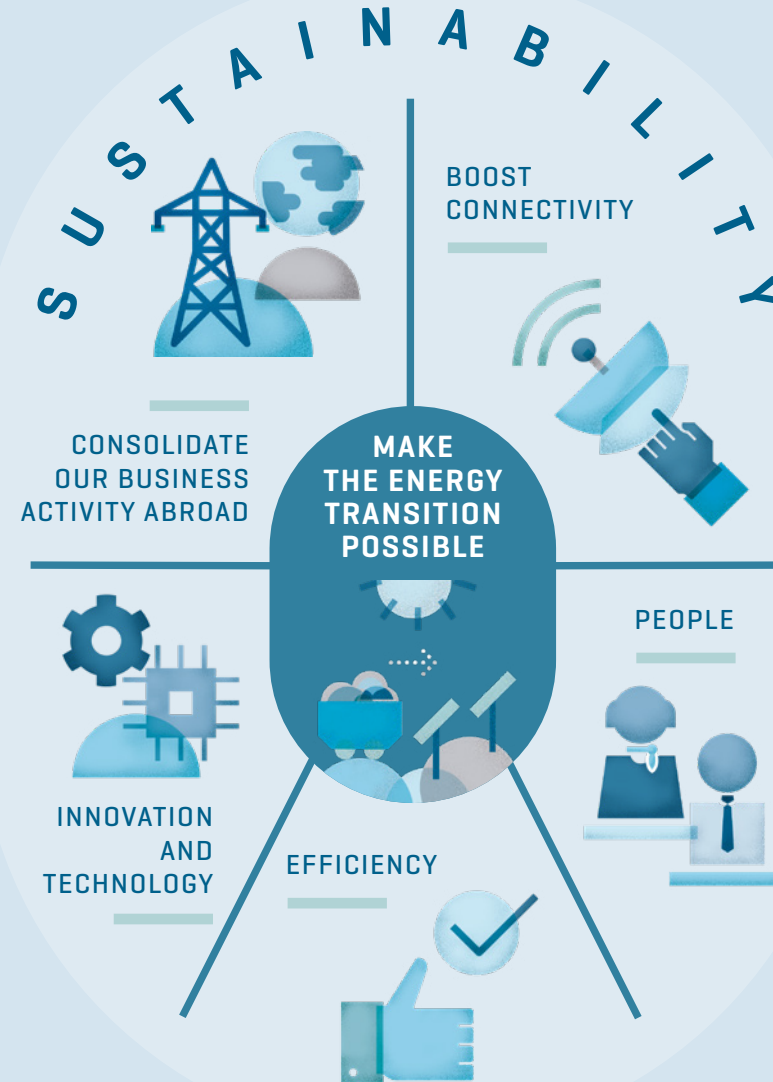
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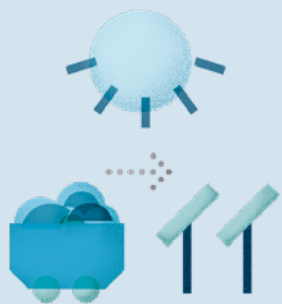
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2021-2025 Strategic Plan of the Red Eléctrica Group

and consolidating the Group's activity abroad, guaranteeing the financial and operational efficiency of the Group, innovation, talent and sustainability as the basis of the corporate culture and generating positive impacts through alliances with the social environment and with companies in the sector.



STRATEGIC PILLARS



Making the energy transition a reality in Spain

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

- Developing infrastructure necessary to reach a Net-Zero Carbon economy.
- Designing, building and operating energy storage facilities as tools available to the electricity system operator.
- Operating a more complex, dynamic and digital electricity system.

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Commencement of the laying of the new submarine link between Lanzarote and Fuerteventura, which will improve the security and quality of supply on both islands.



REE is a key player in the ecological transition for the mass incorporation of renewables into the Spanish electricity system.

- Start of work on the new electricity link that will strengthen the electricity connection between Ibiza and Formentera
- Commissioning of the new Mudarra-Renedo line in the provinces of Palencia and Valladolid.

- Bringing into service the new 220 kV Mazaricos-Lousame line.
- Initiating the deployment of the new telecommunications network, which affects practically the entire transmission grid and will enable services to be provided with greater

agility, precision and availability.

- Commissioning of a 16-kilometre underground line between Valencia and La Eliana.
- Favourable environmental impact statement for the Salto de Chira pumped storage hydroelectric power station.
- Administrative authorisation and permits from the Government of the Canary Islands to begin work on the Salto de Chira pumped storage hydroelectric power station.

STRATEGIC PILLARS



Boosting connectivity

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

- Boosting the satellite business as a lever to reduce the digital divide and orienting the company towards the provision of mobility and connectivity services.
- Strengthening the current fibre optic business.
- Developing new opportunities around the deployment of 5G.

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Agreement for the sale of 49% of REINTEL to KKR for 971 million euros to boost the ongoing business and take advantage of future growth opportunities.
- Acquisition of the signal management and transmission business of Media Networks Latin America by HISPASAT.
- Launch of 100 Mbps satellite broadband service aimed at rural areas.
- Development of pilot projects on the potential of 5G in the management of electricity infrastructure.



Consolidating the international business

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

- Organic growth and consolidation in Brazil, Peru and Chile for the

construction, management and operation of electricity transmission grids.

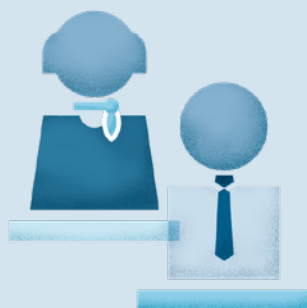
- Analysing opportunities for expansion in countries with a stable remuneration model based on revenue flows that are steady and predictable over time.

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Commissioning of the 220 kV Centinela substation in Chile.
- Acquisition of Rialma III in Brazil through the company ARG0.
- Progress in the construction of projects in Peru, Chile and Brazil.

The Red Eléctrica Group is committed to connectivity in an increasingly interconnected world with greater needs in data transmission.

STRATEGIC PILLARS



Managing people

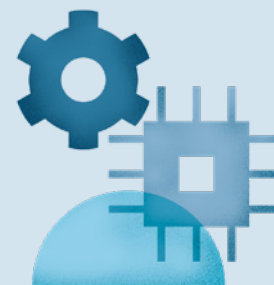
The Red Eléctrica Group will promote cultural transformation, sustainable management and will seek to convert the organisation into a benchmark as a healthy workplace. Specifically, it will focus its efforts on:

- Actively promote, develop and evaluate the Healthy Workplace Model, pursuing the safety and well-being of people to achieve healthy work environments from a unique perspective of occupational and personal health.
- Drive the transformation of the Group by developing an innovative, agile and collaborative culture, empowered by self-leadership, to achieve a more resilient organisation capable

of tackling the challenges of the Strategic Plan in an environment of change and, acting throughout the employee life cycle, attracting the best professionals, optimising staffing needs in accordance with the priorities established at any given time, constantly developing talent, anticipating needs and positioning the Group as a benchmark employer.

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Recognition of the Red Eléctrica Group by the Refinitiv 2021 Diversity and Inclusion Index as the most diverse and inclusive Spanish company [ranking 18th in the world].
- Launch of the female leadership and diversity management programme to promote equality and boost the development of female talent within the organisation.



Innovation and technology

The Red Eléctrica Group will promote a leading position in innovation in the energy and telecommunications sectors with Elewit as the driving force and it will develop entrepreneurship programmes as tools for open innovation and cultural transformation, consolidating the technology scouting service to stay abreast of new developments to understand the impact of disruptive technologies on the different activities and businesses of the Group.

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Red Eléctrica, Elewit and the Dutch startup Overstory digitise the map of the vegetation underneath high-voltage

electricity lines in Spain by applying machine learning.

- HISPASAT, Elewit and the startup Nexmachina spearhead two pilot projects to provide IoT [Internet of Things] connectivity via satellite to the Sierra de Aralar mountain range and to a fishing boat in Guipúzcoa.
- Launch of the *Despega* intra-entrepreneurship programme to promote a culture of innovation and to facilitate the sharing of the best ideas of the Group's employees.



STRATEGIC PILLARS



Efficiency

Facing the investments derived from the energy transition and the development of new activities foreseen in the Strategic Plan, in a more demanding business landscape that results in scarce and more limited financial resources, makes it necessary to adapt the capital structure of the Group and its companies, responding to the commitment to financial discipline and credit solvency and taking advantage of the benefits offered by sustainable financing (green and social instruments). In this regard, the Red Eléctrica Group is committed to operational and financial efficiency, continuous improvement and comprehensive corporate security that guarantees the resilience and continuity of the business, as key factors to develop the Group's strategic pillars.

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Fitch Ratings and Standard & Poor's maintain REC's long-term rating at A- with a stable outlook.
- Update of the Green Financing Framework to adapt it to the European Union Taxonomy. The consideration of Red Eléctrica's activity as a whole as sustainable implies a broadening of the focus of green financing, from financing projects or investments to financing net assets.
- Bond issue in the Euromarket for 600 million euros to finance eligible projects within the Green Financing Framework of Red Eléctrica de España S.A.U.



Sustainability

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

Development Goals (SDGs) of the United Nations.

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

Progress made in 2021 regarding the 2021-2025 Strategic Plan

- Approval by the Board of Directors of the new emission reduction targets and climate change action plan.
- Presentation of the Group's new social innovation approach focused on the fight against inequality.
- Holding of the Red Eléctrica Group Sustainability Conference entitled 'Recovery from an ESG perspective'.
- Continued inclusion of the Company in the sustainability indexes as one of the most sustainable companies in the world [Dow Jones Sustainability Index, Euronext VigeoEiris, FTSE4Good and MSCI, among others].

The Red Eléctrica Group is committed to operational and financial efficiency and continuous improvement.

→ Our 2021-2025 Commitment

FUTURE DEVELOPMENT

The Group's future growth strategy will focus on the development of the **transmission infrastructure** needed to make the energy transition a reality, energy **storage projects** for system management, and the incorporation of technological tools and solutions that respond to the future electricity system through reliable and smart grids that will contribute to maintaining the security of supply.

To meet the challenges of decarbonisation set by the European Union through Spain's National Energy and Climate Plan (NECP), major national and international **interconnection** axes will be needed, both terrestrial and submarine, as well as making the most of the existing grid and facilitating the connection of renewable energy generators and the construction of new smart **grid facilities**.

In the international sphere, the Red Eléctrica Group will continue to focus on the consolidation and growth of the electricity business in the markets in which it is present.

On the other hand, an increasingly interconnected world with greater data transmission needs will ensure a growing demand for telecommunications infrastructure. The Red Eléctrica Group will facilitate **connectivity** by strengthening the current fibre optic business and will promote the satellite business as a lever to reduce the digital divide. The incorporation of partners in certain strategic assets will help the Group to take advantage of growth opportunities and maximise the value-generating capacity of its telecommunications business.

In the coming years, through Elewit, the Red Eléctrica Group will consolidate its **commitment to innovation, entrepreneurship and technological development** as key elements of sustainability in an environment of transition in the world of both energy and telecommunications.

TOTAL INVESTMENT

→ 4.4 Bn€

~ 75% earmarked for the transmission grid, cross-border connections, energy storage and system operation

FINANCIAL EFFICIENCY 2025

→ EBITDA Margin

70%

→ Net financial DEBTA / EBITDA

< 5x

→ FFO/DEBT Ratio

> 15%

→ Maintain a solid credit rating

DIVIDEND POLICY

→ 2021-22

1.0 € share

→ 2023-25 At least

0.8 € share



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Corporate Governance



Key indicators 2021

93.6% average percentage of votes in favour of the approval of resolutions at the General Shareholders' Meeting.

50% women on the Board of Directors.

62.02% shareholder attendance at the General Shareholders' Meeting.

58.3% independent directors.

2021 milestones

Amendment of the Regulations of the Board of Directors with respect to the regime of related-party transactions, directors' remuneration, directors' general duty of diligence, etc., and of the Corporate By-laws and the Regulations of the General Shareholders' Meeting to incorporate identification and attendance at meetings via remote means.

Approval of the Related-Party Transactions Protocol, which includes the internal identification procedure, analysis, approval, monitoring, information and control of such transactions.

Approval of the new Board Directors' Remuneration Policy for 2022-2024.

Challenges for 2021

Promoting the Protocol for the Board of Directors' involvement with the Group's employees and updating of the Action Plan.

Supervising the implementation of diversity policies within the Board of Directors and throughout the organisation, and approval of the Diversity Policy of the Board of Directors and the procedure for the appointment of directors.

Moving forward with the monitoring of the implementation of the Group's Strategic Plan and full commitment of the Board of Directors to sustainability [ESG] to develop the Group's businesses.

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Governance Structure



3.2

Corporate Shareholding Structure



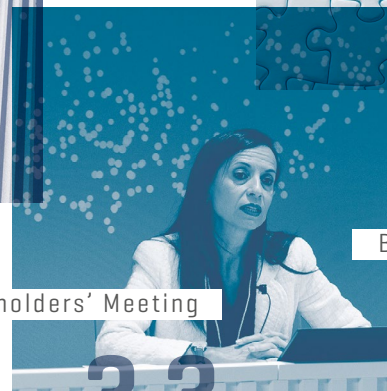
3.4

Board of Directors



3.3

General Shareholders' Meeting



CORPORATE GOVERNANCE

The Red Eléctrica Group has a **robust and transparent corporate governance system** that, through the adoption of best practices and international recommendations, constitutes an essential strategic element to ensure good governance of the Company.

The Board of Directors is fully committed to the development and improvement of good corporate governance, voluntarily implementing measures and initiatives that go beyond legal compliance, to strengthen its commitments and align the interests of the Company with those of its shareholders, investors, markets and other stakeholders.

The Corporate Governance Policy was updated in 2020 to adapt it, among other aspects, to current legislation on corporate governance matters and the internal regulations of the Red Eléctrica Group, as well as to incorporate the good governance recommendations generally recognised in international markets, adapted to the needs and business reality of the Red Eléctrica Group and the best practices applied by comparable companies, both in the IBEX 35 and internationally.

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3.1

Governance structure

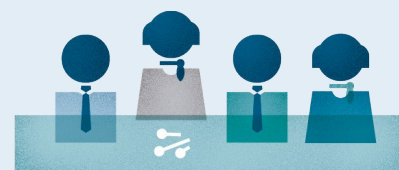
→ The governance and management of the Red Eléctrica Group and the parent company, Red Eléctrica Corporación, S.A. [REC], are entrusted to the General Shareholders' Meeting and the Board of Directors.

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

Since November 2018, the Company has had three Board Committees [Sustainability Committee, Audit Committee, and Appointments and Remuneration Committee].

Governance structure

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



GENERAL SHAREHOLDERS' MEETING



BOARD OF DIRECTORS

Audit Committee

Appointments and Remuneration Committee

Sustainability Committee



MANAGEMENT TEAM

Internal rules of governance / as at 31 Dec 2021

- Code of Ethics.
- Corporate By-laws.
- Regulations of the Board of Directors.
- Internal Code of Conduct on the Securities Market.
- Regulations of the General Shareholders' Meeting.
- Procedure on proxies, voting and information by remote means at the General Shareholders' Meeting [referring to the General Shareholders' Meeting held in 2021].
- Operating Rules of the Shareholders' Electronic Forum [referring to the General Shareholders' Meeting held in 2021].

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Corporate Shareholding Structure

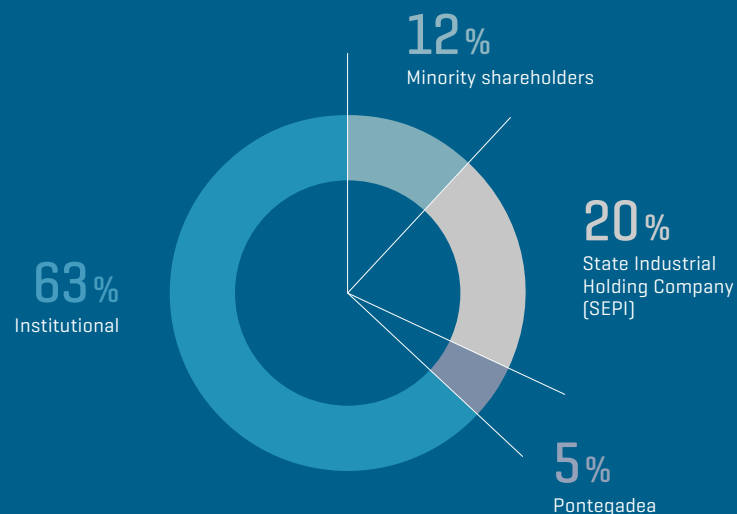
→ As at 31 December 2021, the Company's share capital is comprised of 541,080,000 fully subscribed and paid-up shares belonging to a single class and series, each with a par value of 0.5 euros, represented by book entries and listed on the four Spanish stock exchanges.

In 2021, the share capital of the Company was comprised of a 20% shareholding owned by SEPI, with the remaining 80% being free float. For more information on the Company's shareholding structure, consult the Significant Holdings and Bought-back Shares section of the CNMV website [Spanish National Securities Market Commission]. [↪](#)

The shareholding limits for participation in the Company's share capital, established by law which seek to guarantee the independence of the Company vis-a-vis all other electricity sector activities and agents are the following:

- Any individual or legal entity may participate, provided that the sum of their direct and indirect interests in the Company's share capital does not exceed 5% and they do not hold more than 3% of the voting rights. These shares may not be syndicated for any purpose.
- Entities that engage in activities in the electricity sector, and those individuals or legal entities that directly or indirectly hold more than 5% of its capital, may not exercise more than 1% of the voting rights in the Company.
- The special regime for the State Industrial Holding Company [SEPI] is maintained, whereby it must hold at least 10% of the share capital in all cases.

→ Shareholding structure / %



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

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3.3

General Shareholders' Meeting



The General Shareholders' Meeting represents all shareholders and exercises the duties assigned to it as the governance body of the Company. The rules on the organisation and functioning of the General Shareholders' Meeting are set out in the Corporate By-laws [↪](#) [Articles 11 through 18, both inclusive] and in the Regulations of the Shareholders' Meeting. [↪](#)

Attendance, representation and the right to information

Red Eléctrica pays special attention to the shareholders' right to information, as reflected in Article 15 of the Corporate By-laws and in the Regulations of the General Shareholders' Meeting, which also facilitates the maximum participation of shareholders. Some of the key mechanisms are:

- Implementation of the electronic voting system at the General Shareholders' Meeting since 2005.
- Publication on the corporate website of complete information on the Meeting.
- Live broadcast of the Meeting via the Internet, with simultaneous translation in English and sign language in Spanish.

Contemplated in the Corporate By-laws and in the Regulations of the Shareholders' Meeting

- Possibility of issuing voting certificate.
- No minimum number of shares required to attend the Meeting.
- External audit of the management processes of the General Shareholders' Meeting.
- Separate voting on each of the items on the Agenda that were submitted for approval at the Meeting.
- Representation at the Meeting by any person, without having to be a shareholder.
- Possibility of attending the Meeting virtually, via a live streaming broadcast, allowing remote electronic voting during the Meeting.



In 2021, the General Shareholders' Meeting was held exclusively via remote means, guaranteeing the attendance and voting rights of all shareholders.

- Shareholders' Electronic Forum.
- Possibility of attendance via remote means, if and when approved by the Board.
- Shareholders and investors office.
- Dissemination via social networks.

2021 GENERAL SHAREHOLDERS' MEETING

Key Indicators

Capital stock
€ 270,540,000.00

Shares
541,080,000

Voting rights
541,080,000

Minimum number of shares to attend the Meeting
1

Attendance at the General Meeting
62.02%

Average percentage of votes in favour
93.6% ^[1]

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

The General Shareholders' Meeting of 29 June 2021 was held exclusively via remote means as a result of the health crisis caused by COVID-19 [in compliance with Royal Decree-Law 34/2020, of 17 November, on urgent measures to support business solvency and the energy sector, and in the area of taxation, amended by Royal Decree 5/2021, of 12 March, on urgent measures to support business solvency in response to the COVID-19 pandemic]. Therefore, the Meeting was not physically attended by shareholders or their representatives and, in general, by any other person except those who were indispensable for the organisation of the Meeting. This was done in order to safeguard the general interests and health of all persons involved in its organisation, as well as in the interest of all shareholders and other stakeholders while guaranteeing shareholders' rights at all times.

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

Summary of the resolutions approved by the General Shareholders' Meeting in 2021

- Approval of the Consolidated Annual Accounts and Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A. and dependent subsidiaries for the 2020 financial year.
- Approval of the proposed allocation of profits adopted by the Board of Directors and, consequently, allocating profits for the 2020 financial year.
- Approval of the report on non-financial information for the Consolidated Group of Red Eléctrica Corporación, S.A. for the 2020 financial year.
- Approval of the management performance of the Board of Directors of Red Eléctrica Corporación, S.A. during the 2020 financial year.
- Appointment of Mr. Marcos Vaquer Caballería, Ms. Elisenda Malaret García and Mr. José María Abad Hernández as independent directors. Ratification and appointment of Mr. Ricardo García Herrera as a nominee director.
- Amendment of the Corporate By-laws and the Regulations of the General Shareholders' Meeting to adapt them to Law 5/2021, of 12 April, which amends the Consolidated Text of the Companies Act, approved by Royal Decree-Law 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies and to introduce certain technical modifications and drafting amendments.
- Approval of the Annual Report on Remuneration of the Directors of Red Eléctrica Corporación, S.A. and the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A., for the 2021 financial year.
- Approval of the remuneration through the delivery of Company shares as provided for in the new Long-Term Incentive Plan for the Promotion of the Energy Transition, Reduction of the Digital Divide and Diversification.
- Approval of the Remuneration Policy for the Directors of Red Eléctrica Corporación, S.A. for 2022-2024.
- Reappointment of the statutory auditor of the parent company and of the consolidated Group.

[1] In the resolutions concerning the remuneration of the Board of Directors, the State Industrial Holding Company (SEPI) abstains automatically as it is the criterion it adopts in all listed companies in which it does not have a majority shareholding. Excluding the aforementioned resolutions, the 2020 General Shareholders' Meeting had an average percentage of votes of 98.8% in favour of the approval of all the items on the agenda.

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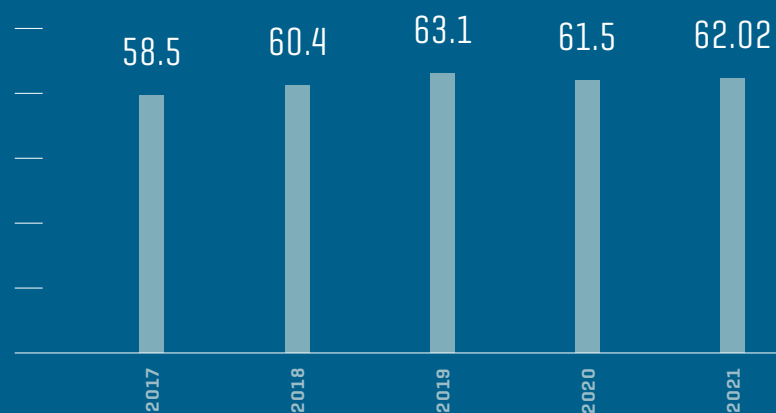
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→ Attendance at the General Shareholders' Meeting / % over capital stock



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93.6% AVERAGE PERCENTAGE
of votes in favour
IN THE APPROVAL OF RESOLUTIONS AT THE 2021
ORDINARY GENERAL SHAREHOLDERS' MEETING

A SUSTAINABLE GENERAL SHAREHOLDERS' MEETING

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

The Company obtained the Sustainable Event certification from AENOR for its 2021 General Shareholders' Meeting.

It is worth mentioning that, as in the previous year, the 2021 General Shareholders' Meeting was held via remote means. This fact has once again been a conditioning factor regarding the application of most of the foreseen sustainability measures.



In addition, it should be noted that, on the occasion of the General Shareholders' Meeting held in 2021, the Company conducted a **study of minority shareholders** to ascertain their degree of satisfaction with the event, the results of which led to an action plan for improvement to be implemented at the next General Shareholders' Meeting. The satisfaction survey of the 2021 General Shareholders' Meeting was carried out online through the website and by telephone through the *DÍGAME* Stakeholder Attention Service and achieved an overall perception index of 7 points out of 10.

Main results

Objectives for sustainable events of the Red Eléctrica Group

Minimising the carbon footprint of the event.

Universal access to the event.

Guaranteeing the health and safety of all participants.

Promoting the contracting/hiring of services from vulnerable groups.

Raising awareness regarding sustainability among participants at the event.

Integrating circular economy criteria in the carrying out and organisation of the event.

2021 measures

Calculation of the carbon footprint of the event.

Accessibility to the event for the hearing impaired.

Accessibility to all documentation regarding the Meeting.

Guaranteeing the health and safety of all participants.

Promoting the contracting/hiring of services from vulnerable groups.

Raising awareness regarding sustainability among participants at the event.

The holding of the Meeting via remote means has meant that there was practically no need for any staging or decorative materials for the event.

2021 Achievements

0.50 t CO₂ eq. offset (42% less than in 2020).

100% of content interpreted with sign language.

12% of documents accessible to visually impaired people.

0 accidents occurring at the event.

17% [1 out of every 6 suppliers contracted employed people from vulnerable groups].

387 views during the live streaming broadcast of the Meeting.

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5 Anticipating change and taking action

6 Decarbonisation of the economy

7 Responsible value chain

8 Contribution to social, economic, and environmental development

Annexes

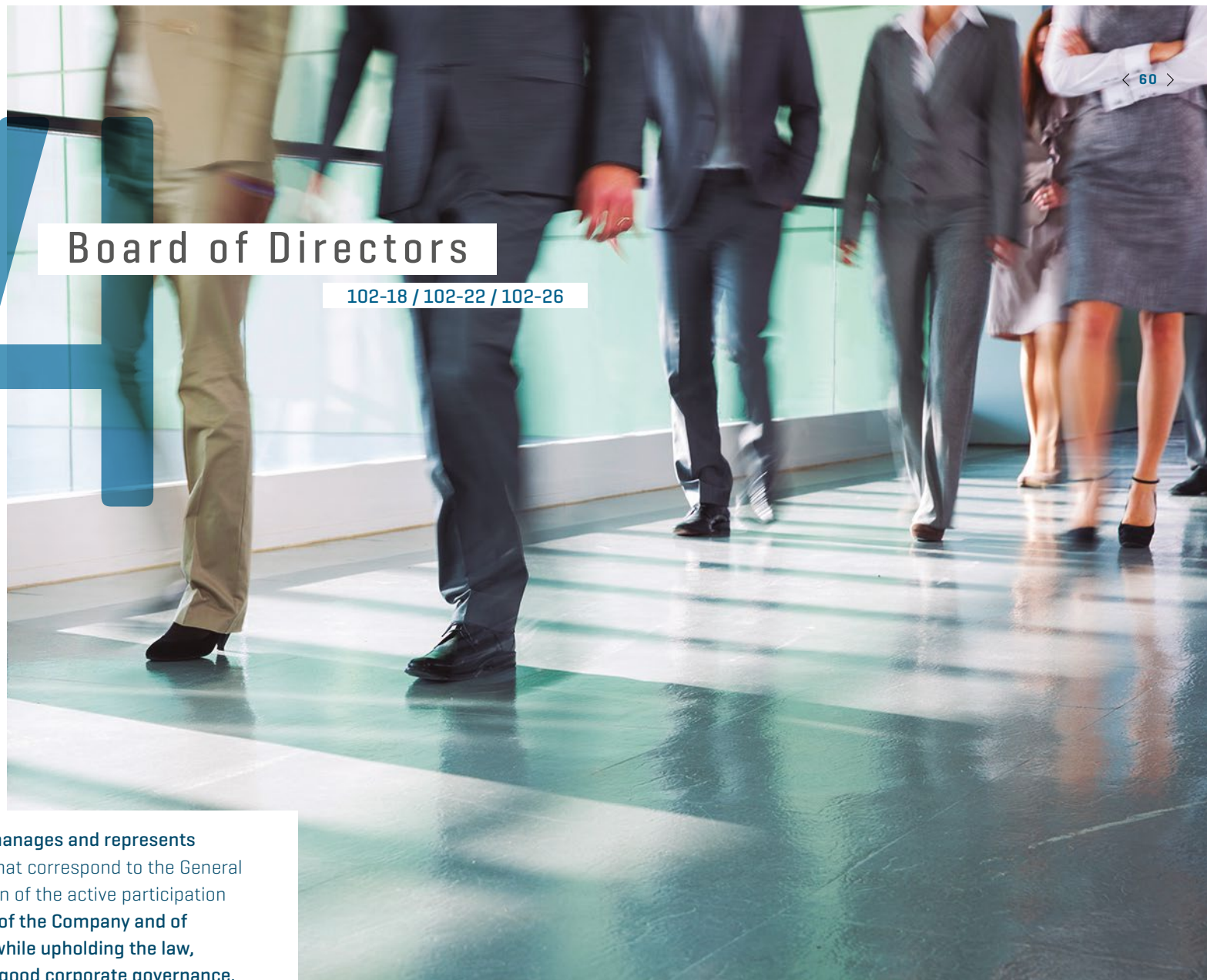
3.4

Board of Directors

102-18 / 102-22 / 102-26



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



Board of Directors

As at 31 December 2021



CHAIRWOMAN

Beatriz Corredor Sierra

CHIEF EXECUTIVE OFFICER

Roberto García Merino

EXTERNAL INDEPENDENT DIRECTORS

Carmen Gómez de Barreda
Tous de Monsalve

Chairwoman of the Sustainability Committee and Lead Independent Director

Socorro Fernández Larrea

Chairwoman of the Appointments and Remuneration Committee

Antonio Gómez Ciria

Chairman of the Audit Committee

José Juan Ruiz Gómez

Member of the Audit Committee

Marcos Vaquer Caballería

Member of the Appointments and Remuneration Committee

Elisenda Malaret García

Member of the Sustainability Committee

José María Abad Hernández

Member of the Audit Committee

EXTERNAL NOMINEE DIRECTORS (SEPI)

Mercedes Real Rodríguez

Member of the Audit Committee

María Teresa Costa Campi

Member of the Sustainability Committee

Ricardo García Herrera

Member of the Appointments and Remuneration Committee

SECRETARY OF THE BOARD OF DIRECTORS

Carlos Méndez-Trelles García

Non-Board Director

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

Approval

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

Decision-making

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

Assessment

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

During 2021, the Board of Directors held thirteen meetings and during these meetings there was only one non-attendance, in which the director appointed a proxy, with instructions, so that the number of attendances in person was 155, which corresponds to a percentage of 99.36 %.

A business model focused on the creation of value

Letter from the Chairwoman and from the CEO

A benchmark report at the forefront of reporting standards

1 The Red Eléctrica Group

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7 Responsible value chain

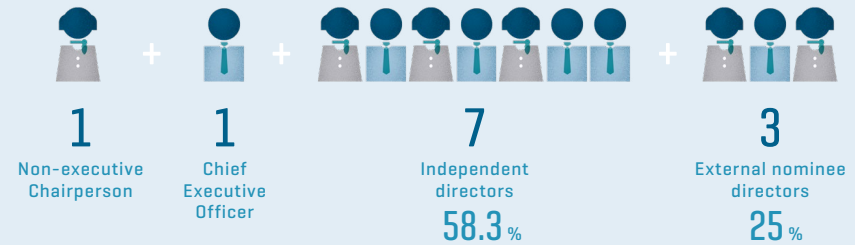
8 Contribution to social, economic, and environmental development

Annexes

→ **A reduced,⁺ⁱ balanced and efficient Board of Directors / 405-1**

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

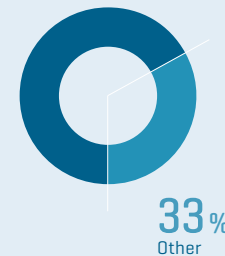
BOARD OF DIRECTORS / 12 members



APPOINTMENTS AND REMUNERATION COMMITTEE
3 members



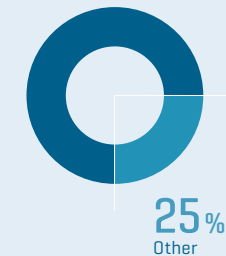
67%
Independent directors



AUDIT COMMITTEE
4 members



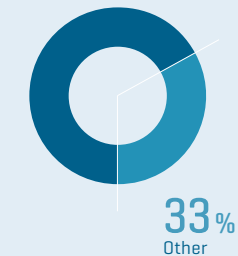
75%
Independent directors



SUSTAINABILITY COMMITTEE
3 members



67%
Independent directors



13
Meetings

99.36 %
Attendance at the Meetings

0.002 %
Total voting rights

155
total attendances (in-person or virtual)

66.7 %
of Board directors reappointed in the last 4 years

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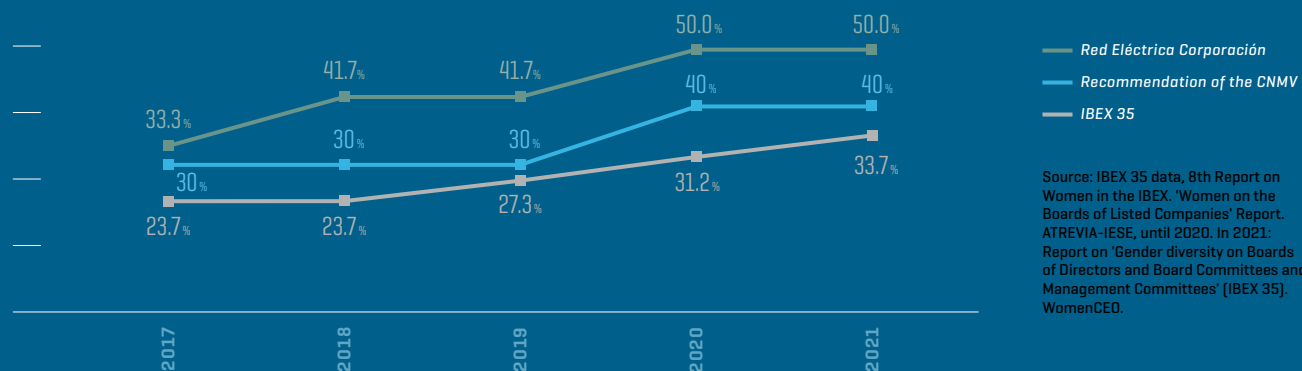
8 Contribution to social, economic, and environmental development

Annexes

→ Diversity on the Board of Directors / 405-1

31.12.2021

WOMEN ON THE BOARD. RED ELÉCTRICA CORPORACIÓN VS IBEX 35 / %

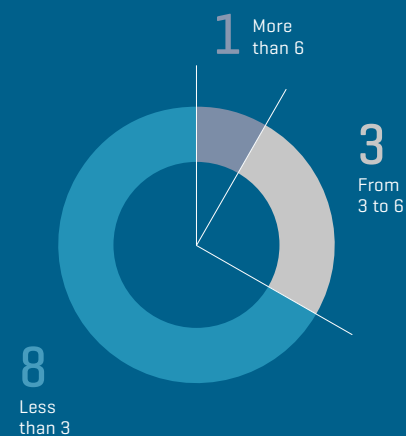


GENDER / No.

50% of the Board members are women

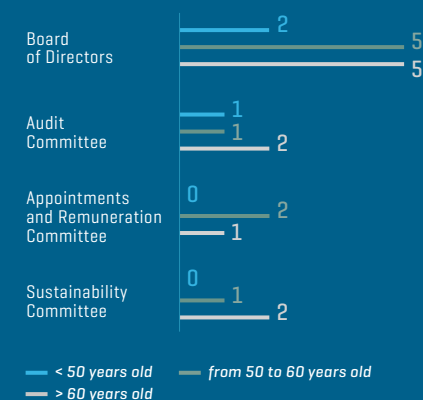
	Men	Women
Board of Directors	6	6
Audit Committee	1	3
Appointments and Remuneration Committee	1	2
Sustainability Committee	3	0

LENGTH OF SERVICE / No. of years



AGE / years

The average age of Board members is 56.7



BALANCE OF POWERS

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

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

102-23

Responding to the commitment undertaken at the General Shareholders' Meeting held in April 2012, and the commitment to best international practices in corporate governance, the Board of Directors of Red Eléctrica submitted the separation of the positions of Chairperson of the Board and the CEO of the Company, as well as the consequent appointment of a new executive Board director, for approval by the General Shareholders' Meeting at its extraordinary session held in July 2015 and convened solely for this purpose. Both proposals received a favourable vote of 99% of shareholders, with an attendance figure of 58%. The Board of Directors, in July 2015, appointed the new executive Board director as the new CEO of the Company.

In order to complete the process for the separation of powers, a transition phase was established which culminated at the Annual Ordinary General Shareholders' Meeting in 2016 with the full separation of the duties between the Chairperson

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

of the Board and the Chief Executive Officer. As of said Meeting, the Chairperson of the Board of Directors has been attributed exclusively the responsibilities inherent to said position.

Of note is that the Board of Directors, at its meeting held on 28 January 2020, accepted the irrevocable resignation tendered by the former Chairman as a director and, consequently, as non-executive Chairman of the Board of Directors and of the Company. At that same meeting, the Board resolved to implement the **Contingency Plan for succession of the Chairperson**, a plan that was a key tool to distribute the functions, performed by the Chairman up until that time, between the CEO, the Lead Independent Director and the Chairperson of the Audit Committee.

Hence, after the activation of said Plan and as a result of its implementation, the following took place:

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

Furthermore, the Board of Directors, in the meeting held on 25 February 2020, resolved to appoint **Ms. Beatriz Corredor Sierra** Board director of Red Eléctrica Corporación, S.A., within the category of 'other external', at the proposal of the Appointments and Remuneration Committee, until the first General Shareholders' Meeting in 2020 was held. Her appointment was submitted for ratification by the Ordinary General Shareholders' Meeting of the Company held on May 14, 2020, obtaining a percentage of votes in favour of 98.48%.

Similarly, in accordance with the provisions of article 21 of the Company By-laws and article 9 of the Regulations of the Board of Directors and upon a prior favourable report by the Appointments and Remuneration Committee, the Board agreed at its session of 25 February 2020, to appoint Ms. Beatriz Corredor Sierra as Chairwoman of the Board of Directors and non-executive **Chairwoman of the Company**.

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



and Chief Executive Officer in the structure and composition of the Board of Directors. This new structure allows the coexistence of the management functions regarding the supervision of the Group's strategies and of their execution and modification, spearheaded by the Group's non-executive Chairperson, who assumes the strategic corporate functions, such as regulation, sustainability, institutional relations, communication, compliance, internal audit and risk control, among others, as well as the leadership and promotion of the Group's technological and digital transformation process and the function of ensuring the principle of independence of the electricity system operator and the adequate separation between regulated and non-regulated activities, with the management of the Group's business, managed directly by the CEO; a system that constitutes an international model of good corporate governance.

Moreover, the figure of the **lead independent director** created in 2013 has remained unchanged, despite the fact that it is not mandatory for the Company as the Chairperson of the Board does not have the status of executive director, and, together with the responsibilities attributed to the Chairperson, is recognised by shareholders and proxy advisors as an **efficient corporate governance practice**. At its meeting

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

Audit Committee

This Committee is assigned, among other functions, those of providing support to the Board in its role as monitor of the process for the drafting of financial and non-financial information, the oversight of internal control and risk management systems, the independence of the external auditor, as well as the monitoring of the compliance with legal provisions and internal regulations and those relating to the shareholders of the Company, along with those duties and powers which the Board of Directors expressly attributes to said Committee.

The Activity Report of the Audit Committee for 2021, published on the corporate website, includes detailed information.

Appointments and Remuneration Committee

This Committee has duties and powers assigned to it regarding the appointment and removal of Board directors and senior-level executives that report directly to the Board, the Chairperson or the CEO. These powers also encompass the oversight of the remuneration policy of the Board, as well as the fulfilment of the duties and responsibilities of the Board members and their observance of the corporate governance principles and guidelines, in addition to those applicable to the relationship with the employees of the companies of the Red Eléctrica Group.

Noteworthy, among the functions related to the employees of the companies, is the function of permanently keeping updated a protocol of the Board's relationship with the employees of the companies of the Group that seeks to ensure the adequate protection of their well-being and interests, thus responding to the most advanced international good governance practices, especially those contemplated in the new Code of Corporate Governance of the United Kingdom.

The Activity Report of the Nomination and Remuneration Committee for 2021, published on the corporate website, includes detailed information.

	Audit Committee	Appointments and Remuneration Committee	Sustainability Committee
Composition	4 members	3 members	3 members
Chairperson	Independent director	Independent director	Independent director
Independent directors	75 % [3]	66.7 % [2]	66.7 % [2]
Nominee directors	25 % [1]	33.3 % [1]	33.3 % [1]
Women on the Board	25 % [1]	33.3 % [1]	100 % [3]
Meetings	14	13	12
In-person attendance	100 % [56]	100 % [39]	97.22 % [35]



The creation of the Sustainability Committee in 2018 was voluntary and contributes significantly to the ranking of Red Eléctrica in the field of sustainability.

Sustainability Committee

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

This Committee is assigned, among other functions, regarding ethical leadership, the oversight of the Group's strategy and practices in relation to the 2030 Sustainability Commitment and the Sustainability Policies and their link to the Strategic Plan. This Committee also oversees compliance with the Group's sustainability policies, aimed at achieving the Sustainable Development Goals, monitors stakeholder relationship processes and oversees and coordinates the information reporting process regarding sustainability.

The Activity Report of the Sustainability Committee for 2021, published on the corporate website, includes detailed information.

RELATIONSHIP OF THE BOARD OF DIRECTORS WITH THE MANAGEMENT TEAM

102-19 / 102-20

The policy of the Board of Directors is to delegate the day-to-day management of the Company and that of the Group to the executive bodies and the management team and focus its activity on the overall function of supervision and approval of the essential guidelines for action.

As a result of the separation of the duties and powers of the Chairperson of the Board and of the Chief Executive Officer, the Company has two clearly

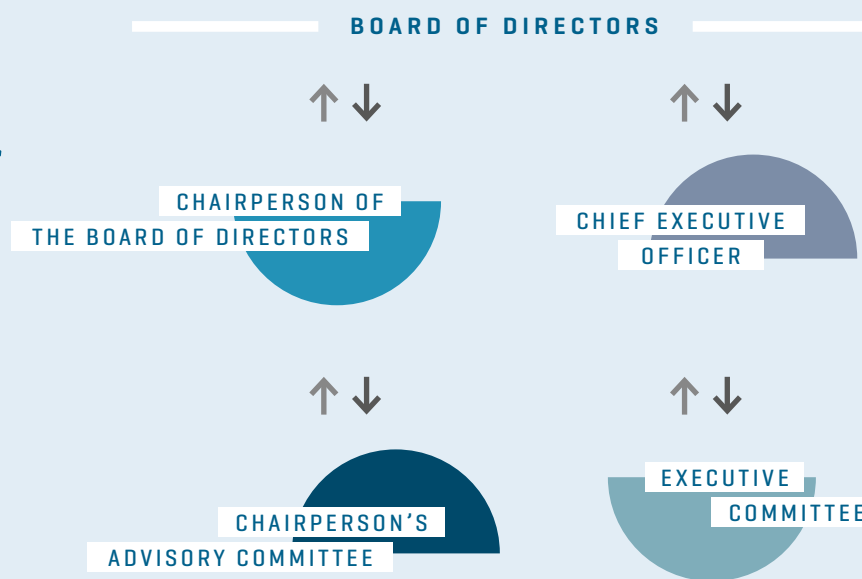
Relationship of the Board of Directors with the Management Team

differentiated management bodies composed of senior-level executives: the Chairperson's Advisory Committee, headed by the Chairperson of the Board, and the Executive Committee, chaired by the CEO. In both committees, the secretary of the Board of Directors acts as the secretary.

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

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

It should be noted that in 2019 Red Eléctrica created the TSO Supervisory Committee, chaired by the Chairperson of the Board, and the Regulations of the Board were modified to strengthen the Board's role as supervisor and guarantor of the functional independence of the Electricity System Operator.



DIALOGUE BETWEEN STAKEHOLDERS AND THE HIGHEST GOVERNANCE BODY

102-21 / 102-33 / 102-34

One of the underlying principles of the Corporate Governance Policy of Red Eléctrica and that serves as a benchmark for the performance of the Company in its relationship with its stakeholders is: **to consolidate, develop and nurture symmetrical mechanisms of dialogue and engagement with shareholders, investors and key stakeholders**, guaranteeing transparency, active listening and equal treatment, seeking to improve relationships, increase levels of engagement and thereby increase their level of trust in the organisation.

In compliance with this principle, the Company strives to fulfil the demands of institutional shareholders, given their noteworthy presence in the Company's



YEAR AFTER YEAR, THE RED ELÉCTRICA GROUP

strengthens relations, INCREASES ITS COMMITMENT

AND REINFORCES THE CONFIDENCE OF SHAREHOLDERS,
INVESTORS AND THE MAIN STAKEHOLDER GROUPS

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shareholding structure, as well as the most relevant proxy advisors and other stakeholders, in order to improve its relationship with them, increase commitment and strengthen their trust, notwithstanding the guarantees and equal treatment enjoyed by other shareholders.

In this regard, the Company has a policy regarding the **Criteria for reporting economic-financial, non-financial and corporate information for shareholders, institutional investors, proxy advisors and other stakeholders** ↻ updated by the Board on 22 December 2020 to adapt the policy to Recommendation 4 of the Good Governance Code of Listed Companies, following the update of said Code in June 2020 by the National Securities Market Commission [CNMV]. These criteria guarantee the proper exercise of the rights and interests of stakeholders and favour commitment to shareholders through open, transparent and continuous dialogue. The Board of Directors is the body in charge of reviewing the criteria and overseeing their compliance.

Red Eléctrica provides its shareholders with **periodic and standardised information** that communicates the corporate environmental, social and good governance objectives that are part of the Company's business interest. In no case does the Company facilitate institutional shareholders with information that could place them in an advantageous or privileged position with respect to other shareholders, but it does provide them with publicly available information in a rational and orderly manner.

Since 2016, the Company has regularly organised **roadshows** for its main proxy advisors regarding corporate governance matters. These roadshows are presented by the Company's top executives and have the active participation of the Lead Independent Director.

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

mechanisms for the interaction with stakeholders, among which the following are noteworthy:

- Whistleblowing channel and Compliance with the Code of Conduct and Ethics.
- Social representation/committees.
- Stakeholder satisfaction reports.
- *DÍGAME* Service.

< 70 >

SELECTION OF BOARD DIRECTORS - SKILLS AND COMPETENCIES MATRIX

102-24

The system used for the selection, appointment and re-election of members of the Board of Directors is expressly governed by the Corporate By-laws and the Regulations of the Board. Similarly, the Corporate Governance Policy of the Red Eléctrica Group includes the principle of ensuring the existence of appropriate procedures for the selection of Board directors, which guarantee **reasonable balance and comprehensive diversity within the Board of Directors** for the proper performance of its mission.



The Company provides stakeholders with regular and timely access to relevant, adequate and reliable information, both in relation to the Company's rules and governance, as well as data on the results achieved.

In this regard, the Appointments and Remuneration Committee has criteria that define the ideal profile to take up the position of Board director, describing the qualities, competencies and experience that the ideal candidate should meet to occupy the position of Board director.

Moreover, in 2018, the Appointments and Remuneration Committee and the Board of Directors have assessed the competencies and knowledge of the members of the Board of Directors, culminating with the approval of the new **Board of Directors' skills and competencies matrix**, personalised for each Board director. The Board's skills and competencies matrix is a tool of good governance that facilitates the supervision of the overall and individual balance, diversity and quality of the Board of Directors, at all times, and is aligned with international practices and most advanced recommendations on corporate governance.

The application of the matrix of individual skills and competencies of Board directors, which reflects the competencies, experience, knowledge, professionalism, suitability, independence of criteria, qualities and capabilities established by the Corporate Governance Policy for the members of the Board of Directors, facilitates the supervision of comprehensive diversity in the composition of the Board of Directors in order to make the most appropriate and informed decisions at all times.

The matrix consists of three blocks [1. Experience-knowledge in the business sectors of the Company's activities and its strategic priorities; 2. Duties and functions related to the responsibilities of the Board; and 3. Diversity] that consist, in turn, of a total of twenty-three categories which reflect the

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

experience and knowledge of the members of the Board on aspects such as: the energy and telecommunications sector; financial; capital markets; strategy and business development; infrastructure management; Boards of Directors of public and private entities; sustainability; risk management and compliance; digital transformation, and gender, age or length of service as a Board director, among others.

The aforementioned skills and competencies matrix is continuously revised and updated so that it remains current and perfectly aligned with the strategy of the Red Eléctrica Group. Additionally, the skills and competencies matrix was reviewed and updated in 2021 with the support of an external international consultant.

In addition, before issuing its report or formulating a proposal for the appointment of a Board director, the Appointments and Remuneration Committee always analyses the diversity of profiles and contributions of the current members of the Board of Directors, in order to ensure that at all times the Board has the knowledge and experience necessary to address successfully upcoming challenges and efficiently and proactively progress in the fulfilment of the strategies and objectives of the Company.

For the drafting of the aforementioned appointment proposal, the Appointments and Remuneration Committee request, when deemed necessary, among other recommendations and suggestions, the opinion of international external advisors specialised in the selection process of board directors. The members of this committee propose different candidates and issue the corresponding reports in which they assess the competencies and experience of each candidate. These reports are carefully analysed and evaluated by the Appointments and Remuneration Committee so that they can draft the proposal for the appointment of a Board director and subsequently submit it to the Board.

To this end, when evaluating the candidates participating in the selection process, the procedure takes into account, among other things, the competencies, training, experience, professionalism, suitability, gender, impartiality, knowledge, qualities, abilities and availability of the members of the Board of Directors at all times, as it is the Appointments and Remuneration Committee that takes on the most relevant role in this process, with the possibility of contracting external advisory services (head hunters) if considered appropriate.

The appointment and removal of Board directors as well as the ratification of appointments by co-optation, if applicable, is subject to approval at the General Shareholders' Meeting.

CONFLICTS OF INTEREST

102-25

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

Concerning directors of the Management team, conflicts of interest are regulated within the Code of Conduct and Ethics and in the Guide for the Management of Conflicts of Interest approved in 2018, as set out in the section in this report entitled '*Ethics and Compliance*'. 



ASSESSMENT OF THE COMPETENCIES AND PERFORMANCE OF THE BOARD

102-27 / 102-28

For many years now, Red Eléctrica has been applying the principle of conducting an **annual assessment of the functioning and performance of the Board of Directors**, the Chairperson of the Board, the Chief Executive Officer of the Company as well as of the Committees of the Board, ensuring that this is conducted with the support of independent external advisors. The process carried out in 2021 counted once again with the collaboration of an external consultant and was carried out under the oversight of the Appointments and Remuneration Committee in coordination with the lead independent director. A summary of its main conclusions is voluntarily published in the Annual Corporate Governance Report.

In terms of knowledge development, the company has an Induction **Plan for new directors**, which includes the information and basic training that must be



DURING 2021 THE ANNUAL ASSESSMENT OF the functioning and performance of the board of directors

was conducted with the support of independent external advisors

provided to the directors who have recently joined the Company. It should be noted that the said Plan includes information on sustainability matters, among other aspects. Said Plan was updated by the Board in 2021.

Besides, internal information programmes on national and international trends in Corporate Governance may be established periodically.

One of the tools that have contributed to increasing the efficiency of the Board and its Committees has been the **Board of director's intranet**, in which the documentation on the sessions of the Board of Directors and its Committees is published, as well as corporate information of interest. Also, noteworthy in this aspect in 2019 was the complete **digitalisation of the sessions of the Board of Directors and of the Board's Committees** which allows the holding of meetings through mobile devices (tablets and smartphones) and facilitates access to a custom-designed corporate intranet.

BOARD REMUNERATION

102-35 / 102-36 / 102-37

The Company carries out comparative analyses with other comparable companies and maintains permanent contact with its shareholders and proxy advisors. As a result of these analyses and the market study carried out by the Company with the support of an international consultant, a new remuneration structure was established, replacing variable remuneration with fixed remuneration, thus eliminating the variable remuneration component of external directors. Only the Chief Executive Officer's remuneration includes variable elements linked to short and long-term performance and aligned with the Company's key objectives.

Red Eléctrica applies the principle of maintaining a **remuneration policy** for the Board of Directors based on the **principles of moderation, relationship with its effective dedication, alignment between the strategies and long-term interests of the Company and its shareholders and other stakeholders, and includes performance incentives** whose monetary value would, in no way, have an influence on the independence of the Board director.

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

The proposal regarding the remuneration of the Board was approved by a clear majority at the General Shareholders' Meeting held on 29 June 2021 with just 0.37 per cent of dissenting votes. For many years now, the State-owned Industrial Holding Company (SEPI) has abstained from voting at the Ordinary General Shareholders' Meeting on proposals regarding the remuneration of the Board and, it is a well-known fact, that this is the stance the SEPI maintains in the listed companies in which it has a minority shareholding.

Noteworthy aspects regarding the remuneration of the Board

Since 2010, Red Eléctrica, as proof of its commitment to transparency with its shareholders, has **voluntarily submitted the Annual Report on Remuneration**



of Board Directors and, since 2007, the proposal for the **annual remuneration of the Board of Directors, to the approval of the Ordinary General Shareholders' Meeting, as separate and independent items on the Agenda of the General Shareholders' Meeting.** Therefore, the proposals and reports on these matters are submitted to the shareholders and are binding in nature.

In 2021, this same course of action was continued and the 2020 Annual Report on Remuneration of Board Directors and the 2021 proposal for the remuneration of the Board of Directors were submitted to the shareholders' approval (binding vote) as separate and independent items of the Agenda of the Ordinary General Shareholders' Meeting. In this way, Red Eléctrica Corporación S.A., has continued to align itself with the best practices of corporate governance, which aim to provide shareholders with sufficient autonomy and impartiality to vote individually and separately on each of the wide range of items on the Agenda, which correspond to the competence of the General Shareholders' Meeting.

In addition, as of 2015, Red Eléctrica also submits the Remuneration Policy for Board Directors to the General Meeting for approval. Due to the fact that the period of validity [2019, 2020 and 2021] of the Remuneration Policy for Board Directors of Red Eléctrica Corporación, S.A., approved by the General Shareholders' Meeting on 22 March 2019, expired in 2021, the new **Remuneration Policy for Board Directors**, applicable for 2022, **was approved for the following three-year period by the General Shareholders' Meeting** held on 29 June 2021.

It should be noted that in 2021 the remuneration system for the Chief Executive Officer, as well as for the senior-level executives, includes fixed elements and variable components tied to short and long-term goals, aligned with the objectives and strategies of the Red Eléctrica Group.

In particular, the variable annual remuneration of the CEO is based on compliance with a combination of predetermined and quantifiable business objectives, measured at Group level - which have a 75% weighting in the total variable annual remuneration - as well as compliance with the operational objectives of the management team linked to the businesses of the Red Eléctrica Group - which have a 25% weighting in the total variable annual remuneration. Among the latter is the objective connected to sustainability, which has a weighting of 10% and which is linked to the fulfilment of a series of crucial projects to make progress regarding the Sustainability Plan of the Red Eléctrica Group and ensure the Company's continued presence in the most relevant indexes in the field of sustainability.



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

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With regard to multi-year variable remuneration, once the 2014-2019 plan regarding objectives had finalised, on 23 February 2021 the Board of Directors approved the new 2021-2025 Strategic Plan, as well as the **Long-Term Incentive Plan** to Promote the Energy Transition, Reduce the Digital Divide and Promote Diversification, whose objectives are linked to the targets set out in the Group's new Strategic Plan and are aligned with the guidelines established in the current Remuneration Policy for Board Members. The Plan has a **duration of six years** and will end on 31 December 2025. Entitlement to receive the incentive is conditional on the fulfilment of objectives linked to the new 2021-2025 Strategic Plan, as well as on the obligation to remain in the Company during the complete term of the Plan. Furthermore, it should also be noted that 10% of the incentive is linked to Sustainability.

Similarly, the General Shareholders' Meeting held on 29 June 2021 approved the remuneration through the delivery of Company shares as provided for in the new Long-Term Incentive Plan for the Promotion of the Energy Transition, Reduction of the Digital Divide and Diversification, aimed at executive directors and members of the management team of the Company and of the companies belonging to the Red Eléctrica Group who, due to their position or responsibility, are considered to contribute decisively to the creation of value and are included in the Plan during its term.

Principles of the Remuneration Policy

The Remuneration Policy of Board Directors, approved by the Annual

General Shareholders' Meeting held in on 29 June 2021, is based on the criteria of the previous policy and is based on the principles shown in the table below.

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

All detailed information on the remuneration of the Board of Directors can be found in the Annual Report on Remuneration of Board Directors and in the Remuneration Policy for Board Directors, published in the **Corporate Governance** [↪](#) section of the corporate website.

Common general principles regarding remuneration

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

Bespoke principle for the remuneration of the Chief Executive Officer

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

Bespoke principles for the remuneration of non-executive directors

- Non-inclusion of variable components in their remuneration in order to guarantee total independence.
- Incentivising in nature, but the amount should not condition their independence.

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COMMITMENT to SUSTAINABILITY

Key indicators 2021

83% progress made in the fulfilment of the 2020-2022 Sustainability Plan.

3,843 stakeholder requests managed.

8 points out of 10 in the perception index of all stakeholder groups analysed.

2021 milestones

Holding of the Sustainability Conference 'Recovery from an ESG perspective'.

Progress made in updating the Stakeholder Management Model.

Adaptation to the new EFQM 2020 model.

Challenges for 2022

Update of the Materiality Study and the Sustainability Plan.

Progress will be made in the digitalisation of sustainability information and its internal control system.

Steps forward will continue to be made in the application of the new Stakeholder Management Model.

Holding of the second edition of the Sustainability Conference.

Awards and recognitions

Silver Class distinction in the Electric Utilities sector in The Sustainability Yearbook 2022 published by S&P Global.

5

Anticipating

change and taking action

7

Sustainable value chain

Decarbonisation
of the economy

6

Contribution to social, economic,
and environmental development

8

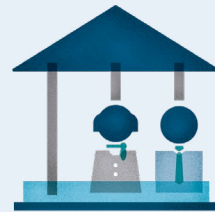
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The 2030 Sustainability Commitment of the Red Eléctrica Group

→ **The 2030 Sustainability Commitment of the Red Eléctrica Group**, approved by the Board of Directors, materialises the commitment made by the Company to its long-term continuity and success through a business model capable of creating shared value for all its stakeholders through the responsible execution of its activities.

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

Principles that underpin Sustainability in the Red Eléctrica Group



CORPORATE GOVERNANCE AND ETHICS



FINANCIAL SUSTAINABILITY



TRANSPARENCY



CREATING SHARED VALUE



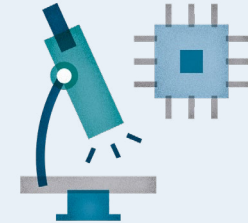
CORPORATE RESPONSIBILITY AND EXCELLENCE



TALENT, DIVERSITY AND EQUALITY



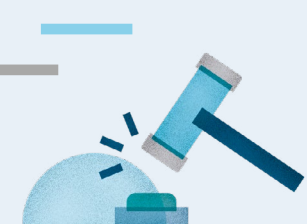
CARING FOR THE ENVIRONMENT



INNOVATION



PARTNERSHIP WITH STAKEHOLDERS



RESPECT FOR HUMAN RIGHTS

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

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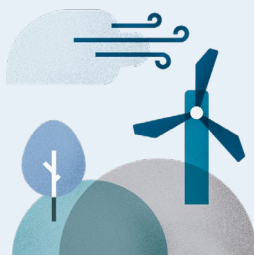
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Sustainability priorities of the Red Eléctrica Group



Anticipating change and taking action

Promote a **corporate culture of innovation and flexibility** that allows the Company to identify growth opportunities and respond to the challenges of the future, anticipating and adapting both to global trends and to the regulatory environment arising from the new energy model.

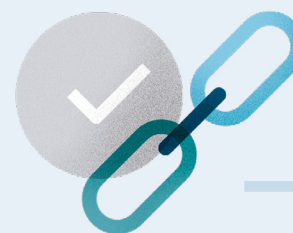


Decarbonisation of the economy

Be a **proactive agent in the energy transition towards a zero-emission model**, advocating for the electrification of the economy and the efficient integration of renewable energy, through a robust and better-interconnected grid, as well as through the development and operation of energy storage systems.

Responsible value chain

Extend the Company's responsibility commitment to all links in the value chain, **ranging from employees to suppliers and clients**, accomplishing this through the creation of alliances and by basing it on our corporate governance and integrity model.



Contribution to social, economic and environmental development

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

The 2030 Sustainability Goals of the Red Eléctrica Group

In 2019, the Red Eléctrica Group took another step forward to drive its Sustainability Commitment by defining **eleven sustainability objectives with a 2030 horizon** that are measurable

and aligned with its Strategic Plan. Said goals, defined by the Sustainability Steering Committee and validated by the Sustainability Committee and

approved by the Board of Directors, contribute directly to the fulfilment of the Sustainable Development Goals.

2030 SUSTAINABILITY GOALS OF THE RED ELÉCTRICA GROUP

Decarbonisation of the economy



1
55 % reduction in Scope 1 and 2 **emissions** and 28 % reduction in Scope 3 emissions compared to 2019.

2
Empower 100 % of society for their active participation in the **energy transition** process.

3
Safely integrate 100 % of the available **renewable energy** into the electricity system, minimising the curtailment of renewable energy generation and accelerating progress towards meeting the energy transition targets.

Responsible value chain



4
Be the driving force that promotes change in the way our **suppliers** operate.

5
Be a company **financed under ESG criteria** by 2030.

Contribution to social, economic and environmental development



6
Be a company of reference in **gender equality**: achieve parity in the executive management team by 2030.

7
Be a leading company in terms of **diversity**: inclusion of groups at risk of social and labour exclusion.

8
Generate a positive net impact on the **natural capital** of the areas in which our facilities are located.

9
Eliminate the **digital divide** completely: promote connectivity of 100 % of people located in the vicinity of our facilities.

Anticipating change and taking action



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

11
Be a leading company in the **circular economy**.

The priority SDGs for the Red Eléctrica Group

Contribution to the Sustainable Development Goals (SDGs)

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

In this regard, due to the nature of its activity and that of the countries in which it operates, the Red Eléctrica Group has identified six priority SDGs and establishes how it can contribute to the fulfilment of each goal. It is worth mentioning that, as a socially



responsible agent, the Red Eléctrica Group addresses the overall 2030 United Nations Agenda through its performance regarding sustainability.

2021 Sustainability Conferences 'Recovery from an ESG perspective'

In October, the Red Eléctrica Group held the 2021 Sustainability Conference under the title 'Recovery from an ESG perspective'. The conference, held at the Reina Sofia Museum, was a forum for reflection and debate on how companies can contribute to the recovery taking into account environmental, social and governance aspects.

Some thirty national and international experts shared their insights on current issues, such as the climate crisis, the energy transition, sustainable financing, social inequality and the green reconstruction, as an opportunity to move towards a sustainable future.

ORGANISATIONAL STRUCTURE

The 2030 Sustainability Commitment has the full support of the Board of Directors and the management team of the Red Eléctrica Group. This support and the commitment's underlying message are conveyed to the entire organisation with the aim of generating a proactive attitude that incorporates sustainability criteria into the day-to-day decision-making process.

It should be noted that the Red Eléctrica Group voluntarily set up a **Sustainability Committee** in 2018 as part of the committees of the Board of Directors, mainly owing to the strategic nature that sustainability has within the Company. During 2021, the Sustainability Committee met monthly to monitor progress on the 2030 Sustainability Commitment and oversee the main actions and proposals in this field.

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

DUTIES AND RESPONSIBILITIES REGARDING SUSTAINABILITY

Approval

Board of Directors

- Approve the Corporate Responsibility Policy.
- Approve the Company's sustainability goals for 2030.

Sustainability Committee

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

Executive Management Committee

- Approve the strategic elements related to the management of sustainability.

Monitoring and Assessment

Sustainability Steering Committee

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

Oversight

Corporate Sustainability and External Relations area

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

Implementation

Organisational areas

- Carry out their activities and projects in accordance with the principles and guidelines set out in the 2030 Sustainability Commitment, ensuring the involvement of all collaborators concerned.
- Participate in the implementation of the management model.



2020-2022 SUSTAINABILITY PLAN

The 2030 Sustainability Commitment is deployed through multi-year plans.

The 2020-2022 Sustainability Plan was approved by the Executive Committee in July 2020 following a review by the Sustainability Committee of the Board of Directors.

The vision of the 2020-2022 Sustainability Plan is to maximise the contribution of the Red Eléctrica Group towards solving global challenges, consolidating its position as a worldwide benchmark in sustainability.

The new plan is made up of 17 lines of action aligned with the Group's Strategic Plan and the Sustainable Development Goals [SDGs] and consists of a total of 39 targets, 71 key performance indicators [KPIs] and 210 actions.

2020-2022 SUSTAINABILITY PLAN: COURSES OF ACTION

Decarbonisation of the economy



1
Leading role in the energy transition.

2
Mitigation of climate change: reduction of the carbon footprint.

Responsible value chain



3
Exemplary performance in corporate governance, compliance and ethics.

4
Contribution to financial strength.

5
Guarantee occupational health and safety, and well-being.

6
Consolidation of a customer-centric culture.

7
Progress in the social acceptance of electricity infrastructure.

8
Conservation of biodiversity and natural capital.

9
Responsible management of the supply chain.

Contribution to social, economic and environmental development



10
Promotion of biodiversity.

11
Elimination of the digital divide.

12
Consolidation of a positive social footprint.

Anticipating change and taking action



13
Acceleration of innovation and technology.

14
Boost for digital transformation.

15
Development of the necessary talent.

16
Adaptation to climate change.

17
Transformation towards a circular economy.

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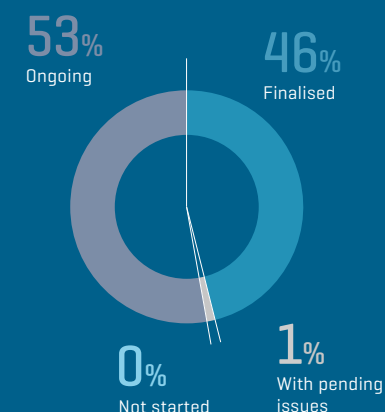
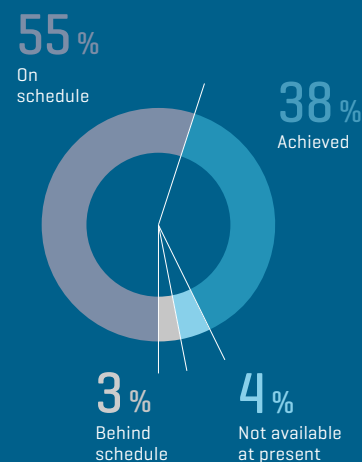
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→ 2020-2022 Sustainability Plan: preliminary figures for 2021

73 KPIs defined to monitor the achievement of 39 goals

210 actions [83% average rate of progress]



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

In 2021, the managerial objective was defined on the basis of the degree of fulfilment of the 2020-2022 Sustainability Plan and the Company's presence in the main sustainability indexes.

CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM

Red Eléctrica regularly assesses its management system through tools that allow the degree of fulfilment of the commitments taken on to be evaluated and the progress made in the defined objectives to be measured.

It should be noted that the Red Eléctrica Group annually defines a **sustainability objective for the management team**, comprised of those projects that are most relevant and that have the greatest impact on the 2030 Sustainability Commitment.

Red Eléctrica's corporate responsibility management system is certified according to the international standard **IQNet SR10** [Social Responsibility Management System], whose adequate implementation is assessed annually through external audits. In 2021, the requirements for the renewal of this certification were met. Furthermore, Red Eléctrica Andina [REA S.A.C., REDESUR S.A., TESUR, TESUR 2 and TESUR 3] has kept abreast of the requirements to maintain this certification in 2021.

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

Guarantee of excellence

The Red Eléctrica Group has the commitment to excellence in management as one of the pillars of its corporate culture. The Company has a Policy of Excellence, revised in 2021, which establishes the principles in relation to the commitment to excellence in management. This is focused on the creation of sustainable value that satisfies or exceeds the requirements and expectations of the stakeholders within the ecosystem of the Red Eléctrica Group, acting as a lever for the achievement of outstanding results in the present and in the future.

Red Eléctrica adopted the **EFQM [European Foundation for Quality Management] excellence model** in 1999 as a tool to achieve enhanced performance in the Company's management and since then, it has conducted external evaluations regularly as required by this model. Red Eléctrica has maintained the **validity of the European Excellence 500+ Seal** granted by EFQM through 2020, after the external evaluation carried out in 2017 in which it scored over 700 points.

Red Eléctrica adopted the EFQM [European Foundation for Quality Management] excellence model in 1999 as a tool to achieve enhanced performance in the Company's management and since then, it has conducted external evaluations regularly as required by said model.

Following the publication of the EFQM 2020 model, Red Eléctrica has developed a project to assess the degree of adaptation to the new 2020 model as a reference framework in the process of transforming the organisation, prior to the external assessment that is scheduled to be carried out in 2022. Red Eléctrica's commitment to excellence is validated by obtaining external certifications from certifying entities of recognised prestige, which guarantee that the organisation successfully implements certifiable management systems in the execution of its activities. Similarly, Red Eléctrica has quality systems certified in accordance with the ISO 9001 standard in the main subsidiaries of the Group.

Noteworthy is the certification of the international standard UNE-ISO 19650-1 and two related to Information Management Systems for construction of buildings and civil engineering works, which use the Building Information Modelling [BIM] collaborative work methodology in the construction project of the Salto de Chira pumped storage hydroelectric power station in Gran Canaria.

4.2

102-40 / 102-42

Stakeholder management model



The main objective of the Red Eléctrica Group is to achieve a long-lasting relationship based on mutual trust with its stakeholders, who are groups affected by the Company's services or activities and those whose opinions and decisions that have an influence on the financial results of the Company and may have an impact on its reputation.

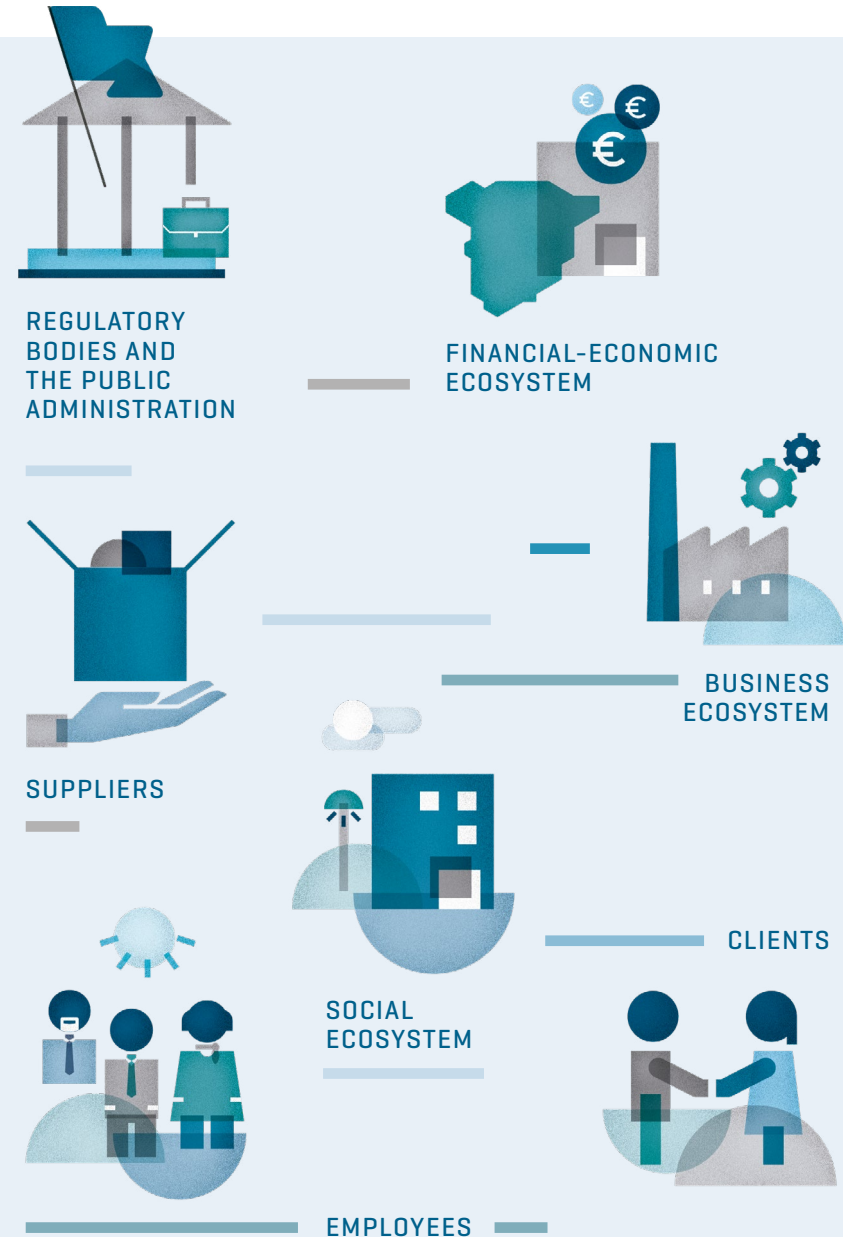
The **Stakeholder Management Model** of the Red Eléctrica Group incorporates the requirements established in the rules and standards of reference in the field, such as AA1000, IQNet SR10, ISO26000 or the Global Reporting Initiative. This model seeks to ensure that relevant economic, social and environmental



→ Stakeholder Groups

The Stakeholder Management Model of the Red Eléctrica Group incorporates the requirements set out in the rules and standards of reference in this field.

aspects associated with the activities and services of the Red Eléctrica Group that may have an impact on its stakeholders are adequately managed, thereby avoiding the risk of not promptly identifying issues that may affect the Company's relationship with its stakeholders.



This model encompasses the following phases:

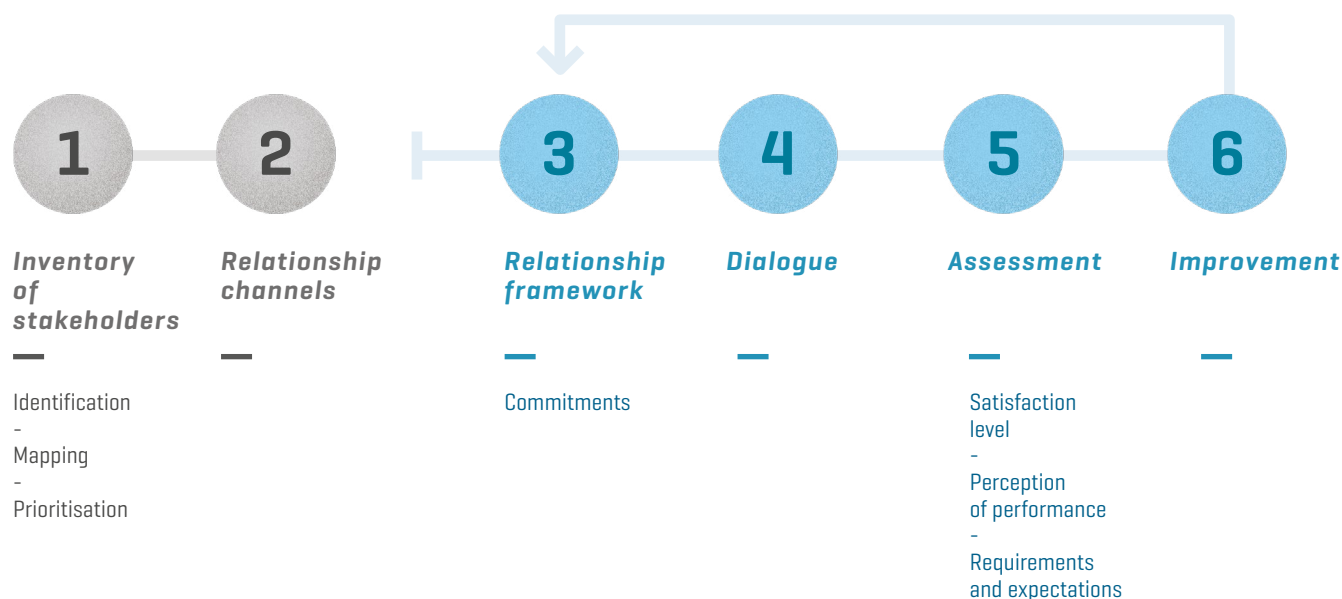
- The **stakeholder identification and segmentation phase** regarding the range of groups that comprise each stakeholder group which is carried out by analysing the interrelationships between the processes and activities of the Company with its socio-economic environment.
- The **prioritisation phase** is performed by analysing the influence that each stakeholder group has on the achievement of the Company's strategic objectives and the impact that the Company's activities have on each stakeholder group being considered.
- The **relationship framework** helps categorise the type of relationship with each stakeholder group and defines the most appropriate relationship channels,

In 2020, the Company started a project aimed at conducting a broad review of the stakeholder management model aimed, on the one hand, at defining common ways of working with regard to stakeholders in the different companies of the Group and, on the other, at ensuring that all of them have a prioritised inventory appropriate to the reality of their activity and their geographical location, which serves as a starting point for the definition of new frameworks for relationships with stakeholders, which is updated to the reality of the Group.

In the context of this initiative, the following activities were carried out in 2021:

- Reviewing and documenting the Company's stakeholder identification process.
- Updating the factors for their prioritisation, as well as the method for assessing this priority, based on the analysis of the Company's impact on the stakeholder, the influence of the stakeholder group on the Company and the possible factors that may cause a breakdown in the relationship.
- Drafting of documentation for both the current relationship framework and for the relationship channels between the Company and each stakeholder group.

STAKEHOLDER MANAGEMENT MODEL



These improvements to the management model have been applied, in this first phase, to Red Eléctrica Corporación and Red Eléctrica de España S.A.U. and as a result, the stakeholder inventory has been updated, which is now composed of the following categories: regulatory bodies and the public administration, the financial and economic ecosystem, the business ecosystem, suppliers, clients, employees and the social ecosystem.

In 2022 and 2023, progress will continue to be made in applying the new Stakeholder Management Model in the various companies within the Group.

Noteworthy projects in 2021 within the framework of the Stakeholder Management Model

- **LISO project (social licence).** The purpose of the project is to facilitate the development of new transmission grid facilities in order to meet the Group's energy transition objectives and its Strategic Plan, by reinforcing its legitimacy as a promoter of critical infrastructure within the territory.

During 2021, new tools were defined and applied to the project portfolio to strengthen the LISO project; specifically, a new territorial diagnostic tool which, together with the bolstering of the management of priority stakeholder groups, will help promote and reach consensus on the key aspects of the projects.

Similarly, the relationship between financial investment to generate shared social value in the territory where the Company carries out its activity as TSO and the fulfilment of the investment objectives of the project portfolio has been made obvious through the approval of a financial budget for this purpose of between 50 and 55 million euros for the period 2021-2026.

- **Stakeholder management in investment projects.** The Company is working to integrate information on stakeholder management in projects into corporate tools, identifying the stakeholder group, the phase each project is in, and the details of the course of action applied to each stakeholder group, among others.



Work will also be done on graphically showing the value of the classification of each stakeholder group, taking into account the following concepts: interest, impact and influence in order to be able to clearly identify those stakeholder groups whose needs must be met more swiftly and with greater attention.

THE DÍGAME SERVICE 102-43 / 102-44

Red Eléctrica de España

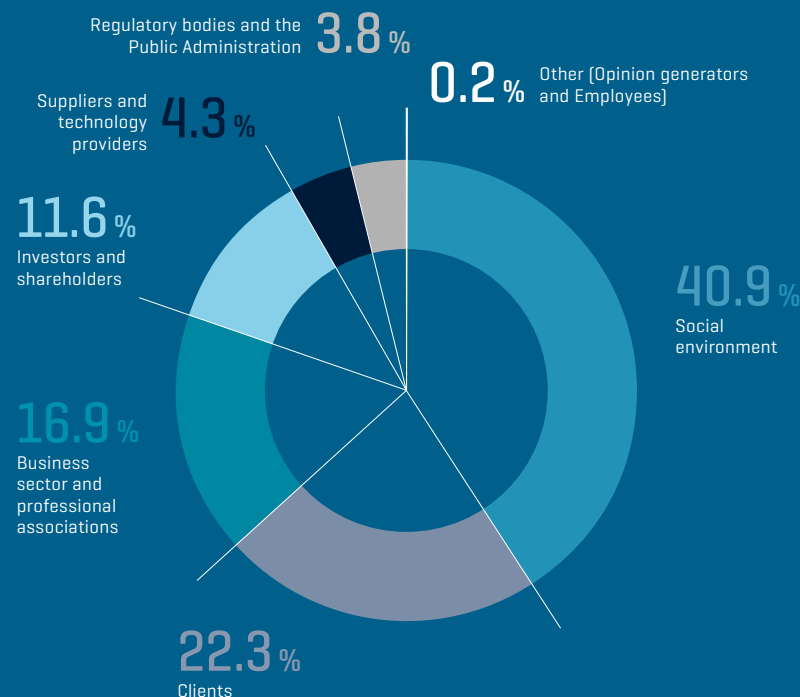
The DÍGAME service has guaranteed, since 2008, the professional management of enquiries related to Red Eléctrica's services regarding the operation of the national electricity system and the management of the transmission grid submitted by external stakeholders through the Group's various communication channels available (phone, e-mail, online web form and post or registered fax). This service is staffed by personnel from the Juan XXIII Roncalli Foundation, a non-profit organisation that facilitates the professional integration of people with some type of disability.

Throughout 2021, the Group's services that receive requests from external stakeholders have been working to define a corporate procedure that determines the guidelines to be followed in order to manage any communication received. This common procedure has also been adapted to the Group's various incoming communications channels to reflect the particularities of each of them based on the differences in their business activities.

Enquiries received

Throughout 2021, a total of 3,843 enquiries were received and managed, with the social environment being the stakeholder group which made the most enquiries (1,571), followed by Clients (858) and Business sectors and associations (653), and Investors and shareholders (442). To a lesser extent, there were also enquiries from regulatory bodies and administrations, suppliers and other stakeholder groups.

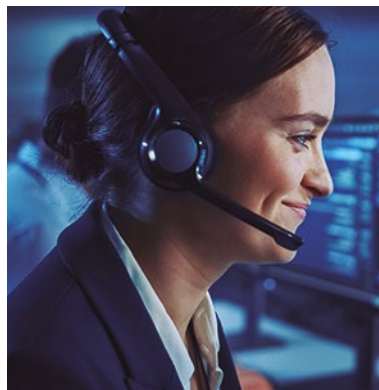
→ Enquiries received through the DÍGAME Service - 2021 / %



[1] The term 'enquiries' refers to any communication between the Red Eléctrica Group and a stakeholder group and these are classified as: grievances (encompassing potential claims, incidents and complaints), queries, requests for information, suggestions, offering up information and acknowledgements.



The DÍGAME Service provides stakeholders with a professional management service for enquiries and requests.



Applicable grievances managed

Of the 103 grievances received, 44 have been considered 'applicable' as they correspond to the functions and responsibilities of Red Eléctrica de España. Of these, 34 have been upheld (i.e., grievances accepted based on arguments submitted, in full or in part, and which are considered to be true and justifiable).

Most of the grievances received relate to the impacts of facilities and infrastructure belonging to Red Eléctrica de España, mainly in aspects regarding the felling and clearing of vegetation or damage to infrastructure.

88.6% of the applicable grievances were resolved by the close of 2021. Of the 11 grievances that remained open at the end of 2020, 9 were fully closed during 2021, with 2 grievances related to the impact of facilities/infrastructure still pending to be completed, which, due to their complexity, are in still the process of being resolved.

By type of grievance

Impact of facilities	29
Quality and continuity of supply	13
Other	2
Total	44

By claimant [stakeholder group]

Social environment	36
Business sector/Professional associations	6
Clients	2
Total	44

88.6% GRIEVANCES CLOSED
of those deemed
APPLICABLE WERE
RESOLVED IN 2021



International DÍGAME Service

During 2021, the channel for enquiries, which are classified as: grievances [encompassing potential claims, incidents and complaints], queries, requests for information, suggestions, offering up information and acknowledgements has been consolidated in Latin America through a procedure that establishes the response times and the prioritisation of communications received from external stakeholders [organisations, entities, communities, associations, clients or the general public].

In Peru, no claims were registered during 2021, while of the five registered in Chile, two are related to REDENOR and three to REDENOR 2. With regard to complaints, five were received in Peru, two of which correspond to REDESUR, one to Concesionaria Línea de Transmisión [CCNCM], one to TESUR and one to TESUR 4. Chile, on the other hand, did not report any complaints.

As at the date on which this report was closed, there are 13 enquiries in Peru that are in the process of being managed, while in the case of Chile, there is only 1.

Information on the attention channels available to stakeholders of REINTEL and HISPASAT is detailed in the [Customer Orientation](#)  section of this report.

By type

	Peru	Chile
Request for info	532	29
Enquiry	46	35
Complaint	5	0
Claim	0	5
Total	583	69

PERCEPTION SURVEYS

102-43 / 102-44

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

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

The assessment and analysis of the needs obtained from the perception surveys entail drafting an **improvement action plan** and the subsequent monitoring of the fulfilment of such actions. The results of the studies and the action plans are communicated to the stakeholder group concerned, with the goal

of reaching consensus regarding the best proposals put forward by the Company. Additionally, the degree of fulfilment of the action plan is also communicated to the pertinent stakeholder group.

In 2021, the Company conducted perception studies of the following stakeholder groups: minority shareholders, social agents and associations, clients, local councils and environmental groups. Internally, a perception study was carried out on the services provided by the general archive, on the internal assessment of material issues and studies aimed at assessing the management of IT services and the satisfaction of IT application users.

The **perception index** of all the stakeholder groups analysed showed an overall result of 8 out of 10.

→ Global indicators of the stakeholder perception survey

Perception index ⁽¹⁾

Perception level

Overall assessment of services

Assessment of the communication and information

Assessment of the execution of activities

Reputation

	2019	2020	2021
	8.1	8.0	8.0
	8.2	8.2	8.1
	8.0	8.0	7.9
	8.0	7.9	7.8
	8.4	8.2	8.2
	8.2 ⁽²⁾	8.0 ⁽²⁾	8.0 ⁽²⁾

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

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

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

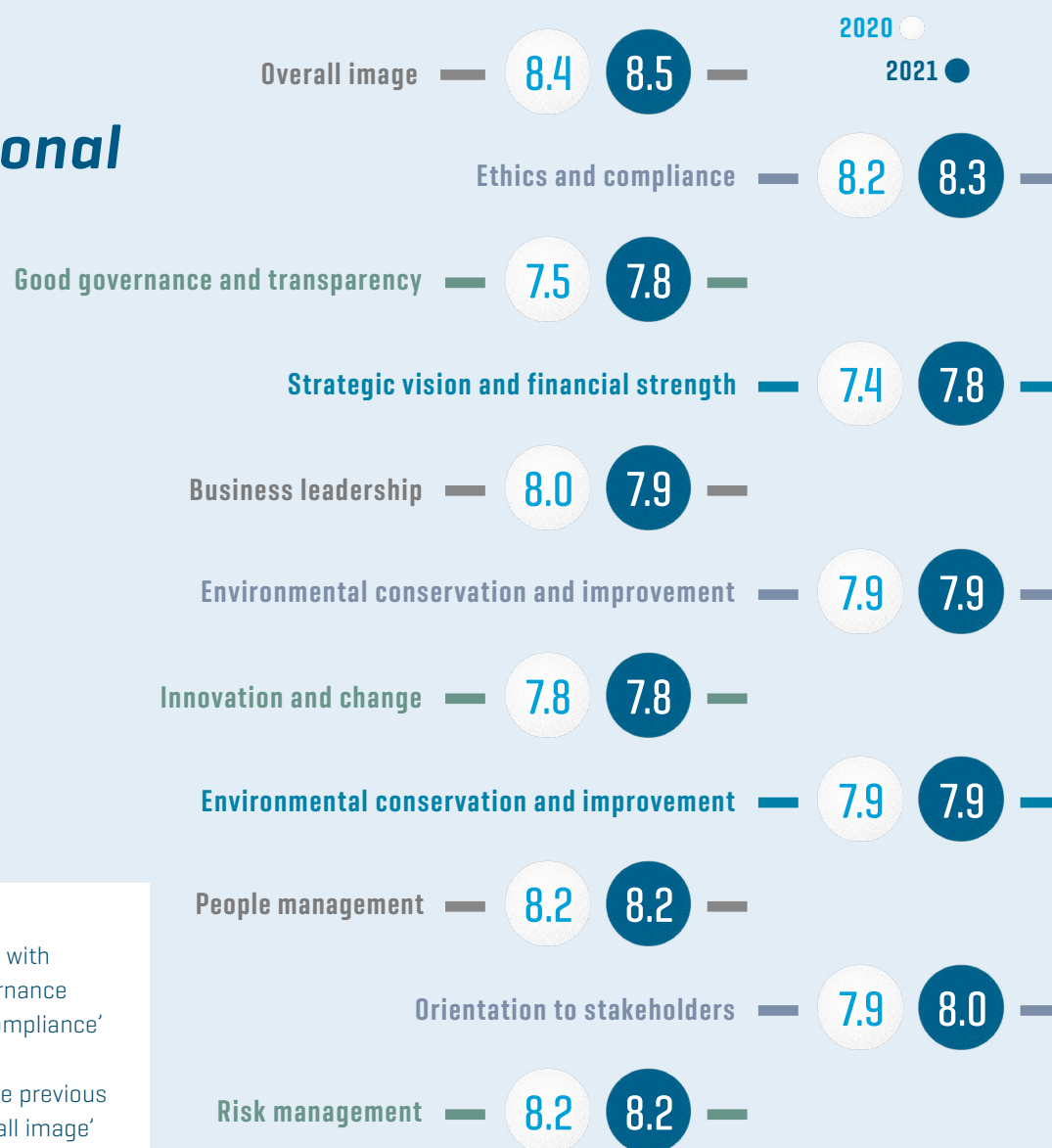
[2] Starting in 2019, this indicator is calculated based on the assessment values obtained for each of the aspects that make up the reputation of the Red Eléctrica Group, whereby there is no direct traceability with the reputation values provided for previous years, which would trace directly with the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



→ Assessment of the reputational aspects



With regard to the evolution of reputation, the improvement in the perception of 'Strategic vision and financial strength' is noteworthy, with a 5.4% improvement over the previous year, followed by 'Good governance and transparency', with a 4% increase. Reputation for 'Ethics and compliance' and 'Orientation to stakeholders' also improved, albeit more slightly [approximately 1.2%]. The only aspect perceived less well than in the previous year was 'Business leadership', with a slight drop of 1.2%. The 'Overall image' of the Company, with a score of 8.5, is the aspect of reputation most highly rated by stakeholders.



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4.3

Leadership in Sustainability

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The presence of the Red Eléctrica Group in the **most internationally recognised sustainability indexes** shows its firm commitment to sustainability and its commitment to responsible transparency and accountability towards stakeholders.



Additionally, the Company is voluntarily adhered to various initiatives that strengthen its commitment to sustainability, among which noteworthy are the following: the United Nations Global Compact Principles, the UN Women's Empowerment Principles, the New European Green Deal, Climate Ambition Alliance, Caring for Climate, the Biodiversity Compact, the Code of Good Tax Practices and the initiative CEO for Diversity, among others.

/ 102-12

The Sustainability Yearbook 2022, published by S&P Global, has awarded the Company the Silver Class distinction in the Electric Utilities sector.

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RESULTS OF THE SUSTAINABILITY ASSESSMENTS

Sustainability Analysts

	Scale	Results	Evolution
S&P Global	0 - 100	87	↓
Vigeo Eiris	0-100	67	→
FTSE 4 Good	0 - 5	4.3	↑
MSCI	CCC - AAA	AAA [7.7]	↓
ISS ESG	D- / A+	B+	→
Stoxx Global ESG Leaders	•	•	→
Sustainalytics	0 - 100	78.7	↑
Bloomberg GHG	0-100	73.7	↑
CDP Climate Change	F - A	A-	↓

PRESENCE IN SUSTAINABILITY INDEXES

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



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4.4

Transparency and Communication

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→ The Red Eléctrica Group is committed to transparency and disclosure as a pillar of its relationship with the various stakeholder groups. For this reason, it is committed to active, fluid and continuous communication to continuously disseminate information on the functions of the Transmission System Operator (TSO) and the activity of the rest of the Group's companies, under criteria of objectivity and truthfulness, offering clear, reliable and balanced information to all its stakeholders.



GROUP WEBSITES: MAKING MORE DETAILED INFORMATION AVAILABLE TO SOCIETY

The corporate website, www.ree.es, is an interactive space where information and knowledge about the Company is published with the aim of showcasing the commitment of the Red Eléctrica Group to transparency. Furthermore, the website provides additional information about its business activities and contributes to promoting digitalisation, reliability and trust, and strengthens direct contact with its stakeholders. The Group also has the websites of REINTEL [www.reintel.es], HISPASAT [www.hispasat.com], Elewit [www.elewit.ventures] and Red Eléctrica Internacional [www.reinternacional.com], providing specific information on all these businesses.

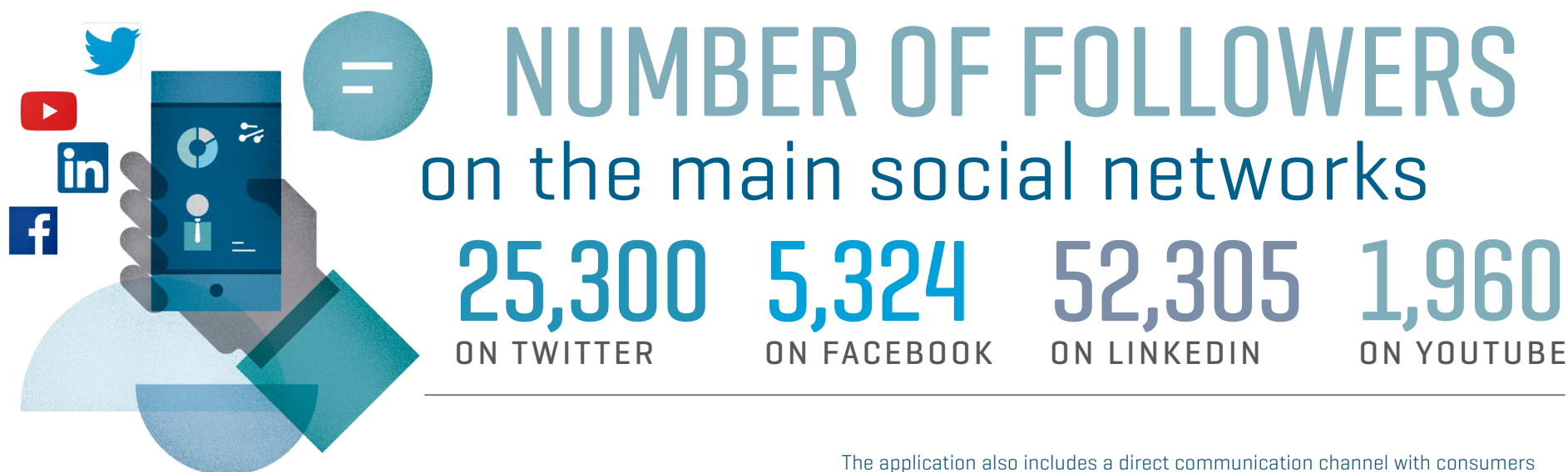


In 2021, progress has continued to be made with new content, such as information on the voluntary price for small consumers (PVPC) or the status of the 2021-2026 Electricity Planning. Additionally, a virtual exhibition dedicated to *Posidonia oceanica* has been launched, and regular users of **REData** have more information and graphs with data on installed power capacity or final demand and data regarding the Red Eléctrica Index (IRE). New content has also been added to the Group's Compliance and whistleblowing channel.

In addition, the Company has launched the newsletter service, *Red al Día*, with a new design. This newsletter service that provides alerts regarding information in the fields of current affairs, shareholders and investors and corporate publications has a database of 7,000 subscribers.

The Group, through both the corporate website and the **Red2030** blog, a site focused on the Company's sustainability, commitment and actions taken, increase the visibility and publish information about the various areas of energy, technology and telecommunications the Company is engaged in. Furthermore, it provides information on those activities aimed at contributing to the transition towards a fair and inclusive sustainable development model, and the degree of fulfilment of the Sustainable Development Goals (SDGs). These information

In 2021, the Red Eléctrica Group continued to promote the transparency and disclosure of information with new digital media and audiovisual content.



channels have echoed the Group's commitment to the territory in which it operates, especially in rural areas through social innovation initiatives that seek to curb depopulation and reduce the digital divide, among other inequalities, and also favour the regeneration and conservation of the natural environment and the communities where the Company is present.

redOS, an app available to everyone

In 2021, the Company took an important step forward with the incorporation of more data in the redOS application for mobile devices, the app that offers the most relevant indicators on the behaviour of the electricity system in real time.

Among the new features, two user profiles have been included to reach all audiences, one more professional and the other aimed at consumers, with general, simple and easy-to-understand information. In addition, the tool has been made more flexible by offering users the possibility of sorting the contents according to the information that is most relevant to them and allowing them to share information with others.

The application also includes a direct communication channel with consumers via push notifications through which it can make recommendations to users on how to consume electricity more efficiently and responsibly, with the aim of placing the user at the heart of the green transition.

In 2021, the redOS app received an award at the IX eneTIC Awards in the category 'Energy Transition & Sustainability' in recognition of Red Eléctrica de España's commitment to information transparency and to society as a whole.

Strengthening social channels

The social channels are an essential tool for disseminating the Group's activity and contribute to consolidating information transparency and improving ties with the various stakeholder groups.

In 2021, the Group reinforced its audiovisual web content with a simple and highly educational format, with the aim of reaching more people through enhanced segmentation. It also launched an information and dissemination campaign on digital channels, on the functions of the TSO, to publicise the activity of the transmission grid operator and manager of the Spanish electricity system in a highly visual and entertaining way and thus reach all stakeholder groups.

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ANTICIPATING CHANGE *and* TAKING ACTION

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5.1

Trends and opportunities

5.3

Comprehensive corporate security

5.4

Transformation:
corporate culture and digital
& technological innovation

5.2

Risk management

ANTICIPATING CHANGE *and* TAKING ACTION

The Red Eléctrica Group takes on the following commitment as one of its sustainability priorities: promote a corporate culture of innovation and flexibility that allows the Company to identify growth opportunities and respond to the challenges of the future, adapting to and anticipating both global trends and the regulatory environment arising from the new energy model.

5.1

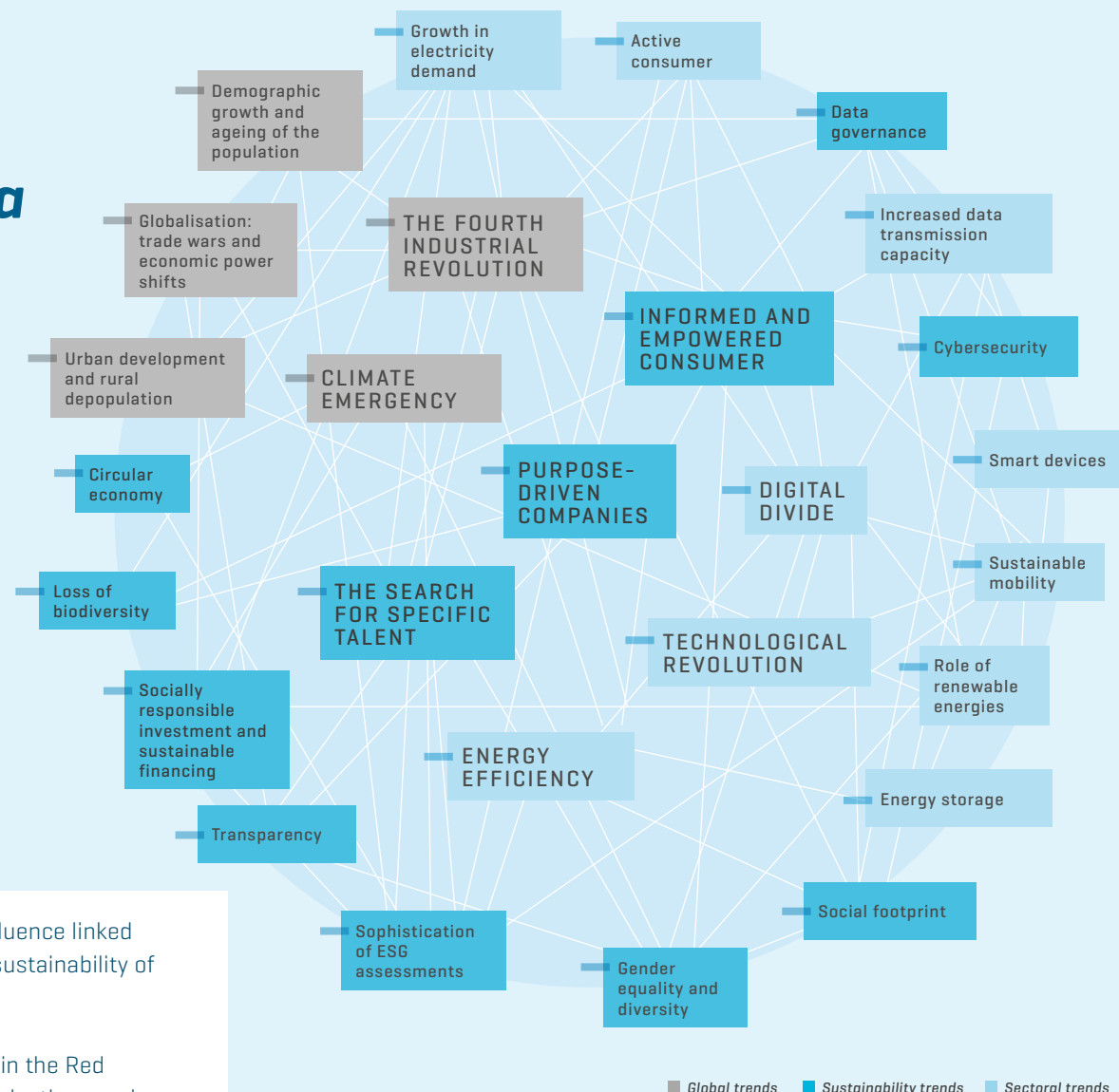
Trends and opportunities

102-15

Within a socio-economic environment like the current one we are living in, and in which global challenges mark the agendas of companies and determine their long-term **continuity and sustainability**, the Red Eléctrica Group regularly carries out a thorough analysis of its **sustainability context**, identifying the main trends, in order to establish the key issues with a relevant present and future influence on the Group's business model. These trends are classified as follows:

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

Trend map of the Red Eléctrica Group



- **Sustainability trends.** Key trends with a global level of influence linked to specific areas of management with an impact on the sustainability of companies.
- **Sectoral trends.** Key trends with a high level of influence in the Red Eléctrica Group's areas of activity: electricity, telecommunications and technology.

OPPORTUNITIES ARISING FROM CLIMATE CHANGE / 201-2

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

The Red Eléctrica Group applies a methodology for the identification, prioritisation and economic quantification of opportunities associated with climate change that considers the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, takes into account different scenarios and is aligned with risk management.

Following the TCFD recommendations, the identification and the assessment of opportunities are systematically reviewed once a year, and the results will be submitted to the Sustainability Committee of the Board of Directors, in



The Board of Directors annually oversees the identification and assessment of climate-related opportunities with the aim of taking these opportunities into consideration in the Group's decision-making processes and strategic and operational plans.

The transition OPPORTUNITIES,

REPRESENT SIGNIFICANT OPPORTUNITIES FOR THE RED ELÉCTRICA GROUP AND ARE LINKED TO THE NECESSARY CHANGES REQUIRED IN THE FIGHT AGAINST CLIMATE CHANGE

[regulatory, technological, market and reputational]



order to strengthen the consideration of opportunities in the decision-making process and in the Group's operational and strategic plans.

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

These policies entail, among other aspects, greater electrification, a larger share of renewable energy in the energy mix and changes in mobility policies, with the promotion of rail transport and the implementation of electric vehicles.

In this context, the electricity transmission grid, in addition to its essential role in transporting energy to the distribution networks and enabling the connection of new renewable power capacity, plays a fundamental role in providing critical

services for the security of supply [reliability, wave quality, response capacity when faced with excess energy generation and the control of voltage level and frequency], which become even more relevant in a more decentralised system and with new elements [digitization, distributed generation, self-consumption...], requiring greater coordination between all agents.

All these aspects imply a clear need for **new investments to tackle the challenges posed by the energy transition** and, therefore, represent a clear opportunity for growth for the Company. It should be noted that these opportunities have also been identified for the Group's business in Latin America, where the development of the transmission grid will also be required to meet the challenges associated with the climate targets of the different countries.

In addition, it should be noted that **digitalisation and increased connectivity** are fundamental and necessary elements for the decarbonisation of the economy. In this regard, policies focused on reducing the digital divide and improving the quality of connectivity in the territories represent a great opportunity for the Group's telecommunications business.

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

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TRANSITION OPPORTUNITIES FOR THE RED ELÉCTRICA GROUP

New investments for the energy transition

Development of the existing grid: integration of new installed renewable power capacity, interconnections, power supply for the high-speed train and support for an enhanced electrification of society (investment in lines, substations and interconnections).

- Type of impact: revenue.
- Time horizon: short-medium term.
- Quantification: high.

Development of infrastructure associated with new functionalities and services: protection systems, FACTS equipment and other grid infrastructure control and monitoring equipment.

- Type of impact: revenue.
- Time horizon: short-medium term.
- Quantification: high.

Development of energy storage in island systems.

- Type of impact: revenue.
- Time horizon: medium-long term.
- Quantification: high.

Development of infrastructure for the energy transition in Latin America.

- Type of impact: revenue.
- Time horizon: medium-long term.
- Quantification: high.



New business opportunities linked to digitalisation and increasing connectivity

Development of infrastructure that promotes the reduction of the digital divide in telecommunications (digital satellite connectivity and broadband deployment).

- Type of impact: revenue.
- Time horizon: short-medium term.
- Quantification: high.

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

Increase in share price.

- Type of impact: financing and capital.
- Time horizon: medium term.
- Quantification: medium.

Financial opportunities linked to the accreditation of projects in green bond schemes.

- Type of impact: financing and capital.
- Time horizon: short-medium term.
- Quantification: medium.

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5.2

Risk Management

102-11

Key indicators in 2021

More than 500 action plans to reduce the level of risk.

More than 300 indicators to monitor risk evolution.

2021 Milestones

Update of the Comprehensive Risk Management Policy.

Update of the acceptable risk level established by the Group

Implementation of the improvements resulting from the external assessment of the Comprehensive Risk Management System carried out in 2020.

Challenges for 2022

Development of the model for analysing the actions carried out to mitigate risks.

Analysis of insurance management as a mitigating measure for the Group's relevant risks.

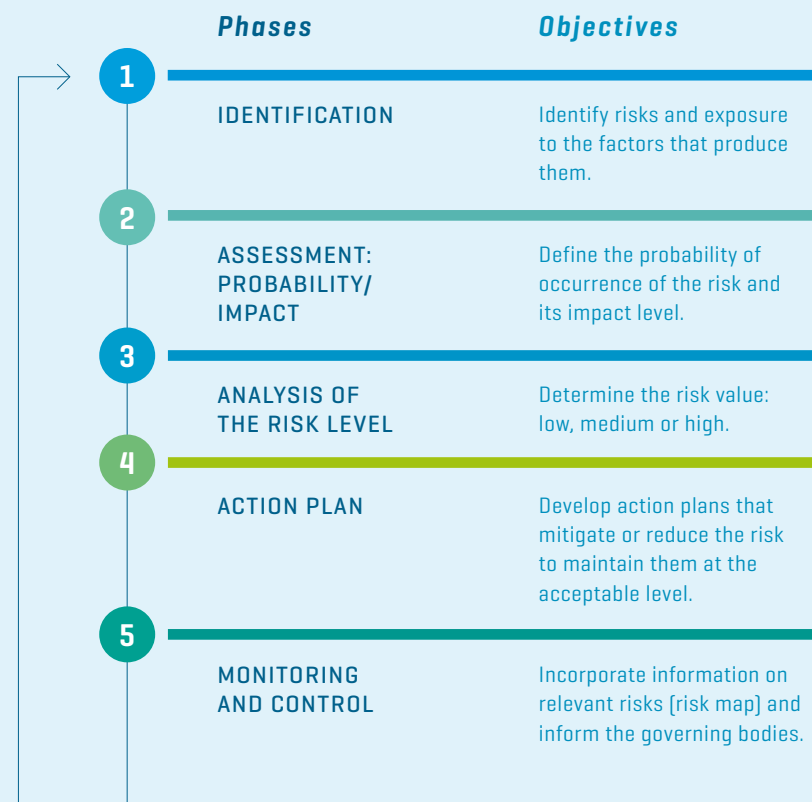
Identification and internal analysis of the main emerging risks with a possible impact on the Group.

→ Comprehensive risk management and control procedure

The Red Eléctrica Group has a **Comprehensive risk management system** in place in order to facilitate fulfilment of the Group's strategies and objectives, ensuring that the risks that could have an impact on them are identified, analysed, assessed, managed and controlled systematically, with uniform criteria and within the level of acceptable risk approved by the Board of Directors.

The management System conforms to the ISO 31000 standard regarding risk management principles and guidelines and is ongoing and comprehensive in nature. Said management is established per business unit, subsidiary and support areas at a corporate level.

The Red Eléctrica Group has a Comprehensive Risk Management Policy and general Procedure for comprehensive risk management and control, based on the COSO^[1] ERM 2017 Enterprise Risk Management-Integrated Framework that was revised and updated during 2021.



Comprehensive Risk Management System

Comprehensive risk management policy



Comprehensive risk and control management procedure



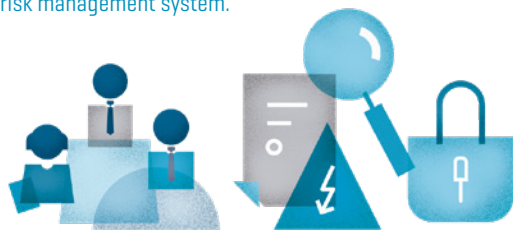
[1] Committee of Sponsoring Organizations of the Treadway Commission.

ORGANISATIONAL STRUCTURE REGARDING RISK MANAGEMENT AND CONTROL / 102-30 / 102-31

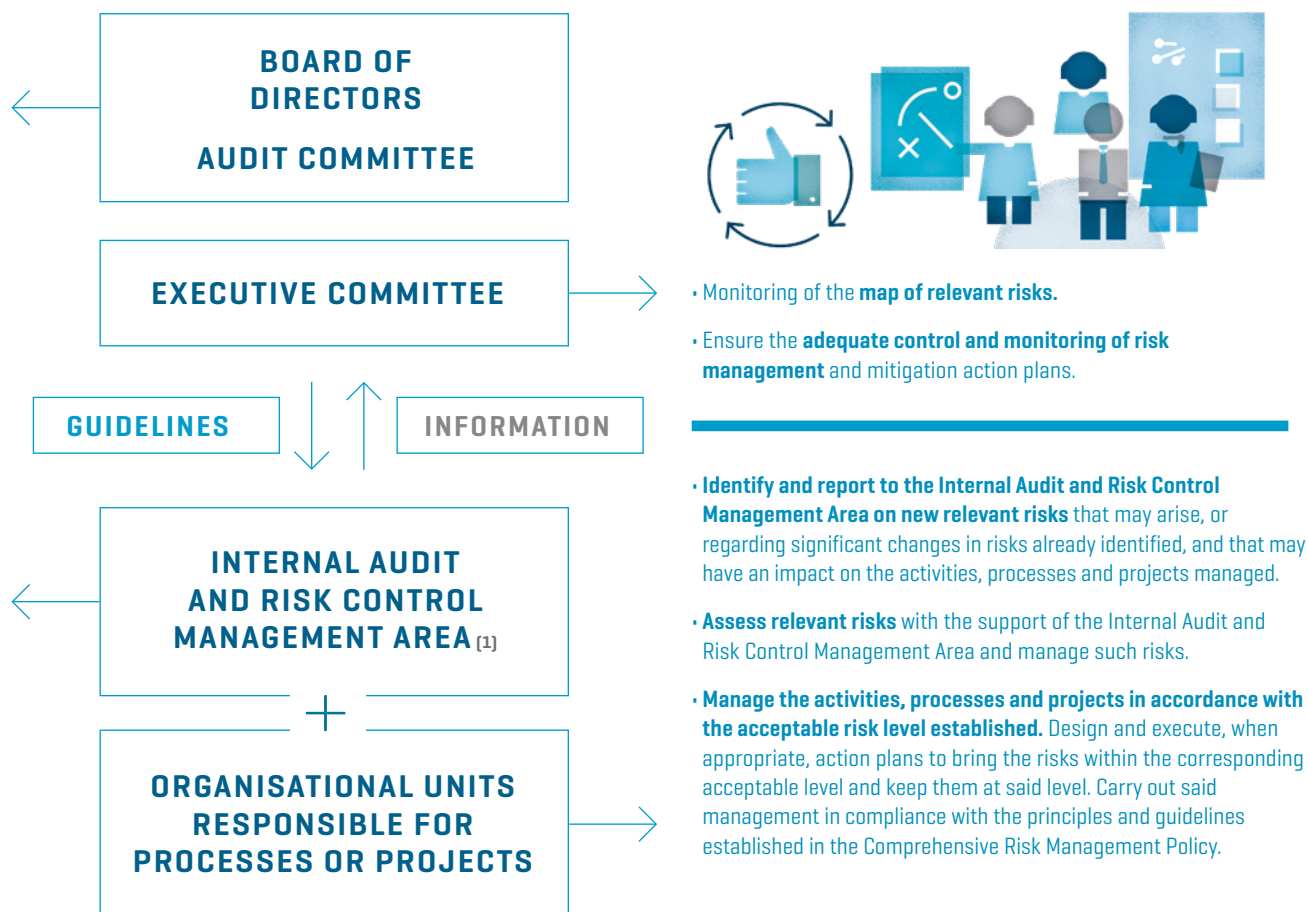
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ORGANISATIONAL STRUCTURE REGARDING RISK MANAGEMENT AND CONTROL

- Approve the **Comprehensive Risk Management Policy of the Group**.
- Approve the **criteria of the acceptable risk level**.
- **Periodic monitoring of the efficiency** of the comprehensive risk management system.



- **Support organisational units** of the Group in the implementation of the Comprehensive Risk Management and Control Procedure.
- Control that the risks **are managed within the acceptable risk level** established and in accordance with the principles and guidelines set out in the Comprehensive Risk Management Policy.
- **Monitor the risk level of the Group** and the evolution of its risks.
- Ensure the **flow of information on risks to the bodies responsible for their control** and from these to the units responsible for the management of the corresponding processes or projects.



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

RISK STRUCTURE

102-15

The core business of the Red Eléctrica Group is the transmission of electricity and the operation of the electricity system in Spain. Said activities are regulated in as far as they are critical to the security and continuity of the electricity supply in Spain and are carried out exclusively by the Group. This aspect establishes this specific business as a regulated activity and therefore affects not only the setting of regulated income and the social, economic and environmental elements but also the conditions that must be met by the Company when undertaking its main activity and determines the risks to which it is exposed.

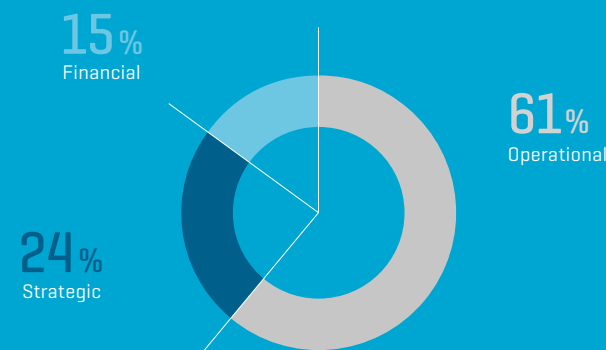
The Group also carries out electricity transmission activities outside Spain [Chile, Peru and Brazil] and provides telecommunications services to third parties, mainly through the leasing of dark fibre optic backbone networks and the operation of satellite infrastructure.

The Company has a **taxonomy or classification of risks** to facilitate a more complete identification of threats and allow a more detailed analysis. This structure allows the risks identified to be classified into three levels of aggregation.

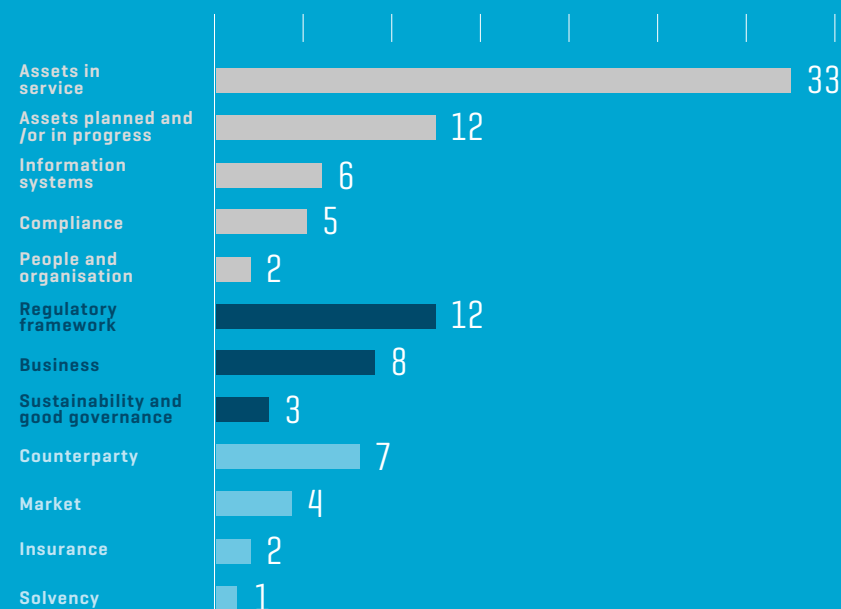
As a result of the risk analysis carried out by the Red Eléctrica Group, in the most recent risk map presented, led to the identification of **95 risks**, whose distribution in the first two levels of aggregation can be seen in the following graphics.



→ Risk distribution [first level] / %



→ Risk distribution [second level] / N°

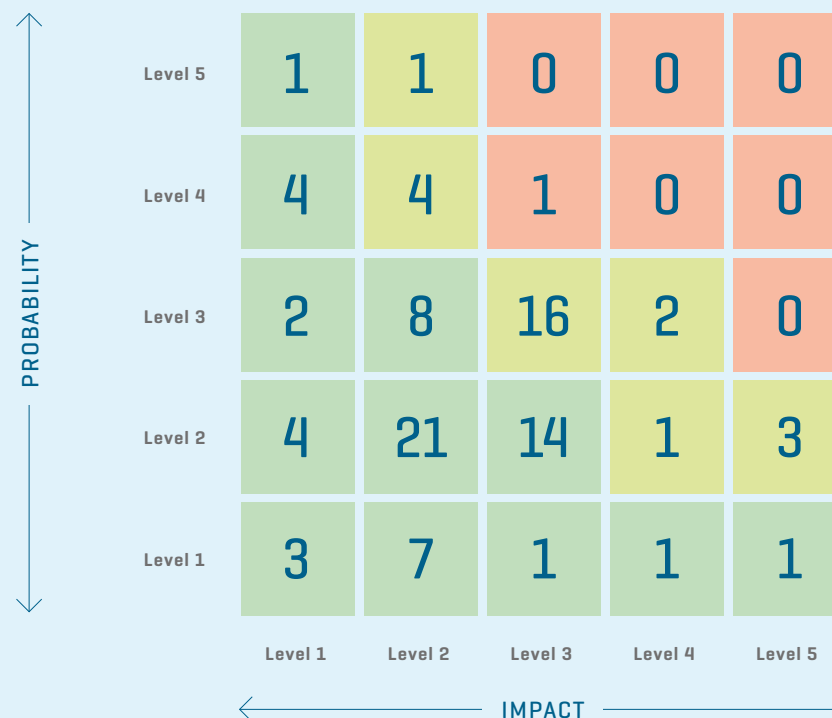


Risk distribution (impact/ probability)

ACCEPTABLE RISK LEVEL

The Risk Management System of the Red Eléctrica Group establishes a methodology for determining the level of risk. In this way, all risks identified are classified individually into three categories: **high-level risks, medium-level risks and low-level risks.**

The risk level is established by combining two variables, the **probability** of occurrence and the **impact** the risk would potentially have on the Company and on the four key elements of the business should it materialise (as shown in the graphic on the right).



Business elements to gauge the risk impact

Electricity supply

Energy not supplied (ENS) to which the possible event would give rise.

Achievement of the Strategic Plan

Degree of impact on the achievement of the Strategic Plan.

Reputation

Stakeholder perception as a result of failing to meet their expectations and dissemination of the project via communication channels and social networks.

Financial loss

Impact on the income statement, after corporate tax.

Depending on the probability of occurrence and the level of impact of each risk, it is included under the corresponding element in the **probability / impact** matrix, which automatically determines the level of risk. The following matrix reflects the distribution of the 95 risks identified according to their valuation.

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

The **overall acceptable risk level** that the Group is willing to assume for each of the axes of impact considered in the Comprehensive Risk Management

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

System is approved by the Board of Directors. As a general rule, the overall risk level in each axis should not exceed the acceptable risk level approved for each one.

In 2021, the overall acceptable risk levels for each of the four impact axes [electricity supply, achievement of the strategic plan, reputation and financial loss] were reviewed and updated to align them with the latest revisions of the 2021-2025 Strategic Plan.



On the other hand, as established in the Comprehensive Risk Management Policy, any individual risk that does not exceed the low risk level is considered acceptable. Risks that exceed this level must be subject to actions until it is within the acceptable level. Risk management must be carried out by applying coherent criteria that take into consideration the importance of the risk and that of the cost and the means/resources necessary to reduce it. However, for activities that have an impact on the electricity system, the impact of these risks must also be taken into account.

RISKS MATERIALISED IN 2021

In relation to operational risks, it is necessary to highlight that the facilities of the transmission grid are exposed, permanently, to events that may have an impact on the continuity and security of the electricity supply. These events are mainly caused by third parties and by meteorological phenomena. Should these events materialise, the Group has insurance policies that limit the potential impact these events may have on the income statement.



Red Eléctrica de España faced the challenges posed by **STORM PHILOMENA**

AND STORM HORTENSIA IN JANUARY 2021,
ACTIVATING FROM THE OUTSET ALL THE HUMAN
AND TECHNICAL RESOURCES NECESSARY

to repair damaged assets and restore the service in the shortest time possible

In **January 2021**, the snowstorm and freezing temperatures unleashed by storm Philomena placed many parts of the Spanish mainland in a difficult position. Due to the intensity of the snowfall and sub-zero temperatures, 50 incidents were registered in the transmission grid, all of them minor, which were detected and suitably isolated by the protection systems without generating any power cuts.

In the same month, storm Hortensia again put a large part of the peninsula on alert due to strong winds, affecting the Cerrato-San Sebastián de los Reyes high-voltage line in the province of Valladolid. This incident did not cause a power outage in the area. In both cases, Red Eléctrica de España activated from the outset all the human and technical resources necessary to repair the damaged assets and restore the service in the shortest time possible.

On **24 July 2021**, a fault in the French electricity system, as reported by the French system operator [RTE], coinciding with a wildfire being extinguished by the use of seaplanes and led to the disconnection of the two circuits of the

electricity interconnection between Spain and France, causing the peninsular electricity system to be cut off from the rest of Europe. This isolation caused a drop in frequency in the system due to the loss of energy that was being imported at that time [2,500 MW], which led to the activation of the automatic load shedding protections to guarantee the safety of the system, avoiding a greater impact and ensuring that essential services were not affected. Around 2,350 MW were lost in the Spanish electricity system throughout the peninsula. Red Eléctrica de España activated all the necessary resources foreseen for a situation of these characteristics and after the disturbance, the system was stabilised, the interconnection with France was reconnected and consumption was recovered, with supply being restored throughout the system in one hour and three minutes after the incident occurred.

MONITORING AND RESPONSE PLANS

In the process of identifying, analysing, assessing and controlling risks, the necessary actions are established to reduce the level of risk and bring it into line with the acceptable risk level.



The current Risk Management System includes the monitoring of more than 500 action plans aimed at reducing the level of risk and encompasses more than 300 indicators to control their evolution.

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

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

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

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

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

Furthermore, the Risk Control area carries out actions with other companies of the Group to develop risk management in line with the Comprehensive Risk Management System. During 2021, it has collaborated with the subsidiary ARGO on the definition of the criteria and methodology to be used to identify and assess its risks. Additionally, significant progress has been made with the subsidiary HISPASAT to adapt its risk management methodology in order to adapt it to that of the Red Eléctrica Group.

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT / 102-15 / 102-29

Strategic risks

	Risk	Description	Potential impact	Main actions for the management of risks
Regulatory framework	Changes in electricity system regulation	<ul style="list-style-type: none"> Regulatory changes occurring that could have a negative impact on the activities related to transmission and system operation and telecommunications activities. 	Decrease in the remuneration of the regulated business, which accounts for most of the Group's revenues.	<ul style="list-style-type: none"> Dialogue with the Regulator. Presentation of proposals to the Regulator. Active presence in national and international organisations to defend the Group's stance.
	Regulatory risks of the business abroad	<ul style="list-style-type: none"> Regulatory changes that could negatively affect subsidiaries abroad. 		<ul style="list-style-type: none"> Maintaining good relations with entities and organisations where the Company's subsidiaries are located. Monitoring of regulation.
	Other regulatory risks	<ul style="list-style-type: none"> Tax risks. Changes in environmental regulation. 	<p>Increased costs due to increased tax and environmental requirements.</p> <p>Operational costs associated with the increase in regulatory requirements.</p>	<ul style="list-style-type: none"> Adherence to the Code of Good Tax Practices. Establishing the tax strategy of the Red Eléctrica Group. Incorporation of Tax Risk Policy into the Comprehensive Risk Management Policy of the Group. Adaptation to the legislation related to climate change.

Continued on next page

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

Strategic risks

	Risk	Description	Potential impact	Main actions for the management of risks
Business	Circumstantial risks	· Risks related to the series of elements (economic, political and social) that affect the situation of a specific country or geographical area.	Unfavourable impacts derived from the situation of the country where the activity is carried out.	· Country-risk analysis. · Monitoring of the economic, political and social evolution of the country.
	Technological risks	· Risks associated with not staying abreast of technological advances in the energy and telecommunications sectors.	Loss of opportunities associated with the energy and telecommunications transition.	· Consolidation of Elewit, a startup company of the Group responsible for promoting technological innovation. · Launching of the Elewit commercial brand to promote the presence of Group in the innovation ecosystem. · Deployment of venture client programmes, the corporate venture capital (CVC), the technology labs or the creation of a global innovation hub (GIH). · Technological monitoring. · Management of the portfolio of Innovation Projects. · Grid2030 Programme.
Sustainability and good governance	Risks of non-compliance with best practices in sustainability and good governance	· Risks associated with not adopting the best practices in sustainability, good governance and transparency, which entail a deterioration in the perception of the Company by the stakeholders.	Loss of the Group's reputation, of socially responsible investment and of the percentage of votes in favour of resolutions submitted to the General Shareholders' Meeting for approval.	· Corporate Responsibility and Corporate Governance Policies. · Execution of the 2030 Sustainability Commitment and the fulfilment of the 2030 Goals aligned with SDGs. · Sustainability Committee of the Board and the Executive Sustainability Committee. · Status of non-financial information and the Sustainability and Corporate Governance reports. · Participation in the assessments linked to the main sustainability indexes. · Corporate Responsibility Management System certified according to SR10. · Stakeholder Management Model. · Approval of communication criteria with shareholders, institutional investors and proxy advisors.

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

Operational risks

	Risk	Description	Potential impact	Main actions for the management of risks
Assets planned and/or in progress	Risks associated with the investment plan	<ul style="list-style-type: none"> Difficulties in the permitting process for electricity infrastructure. Risks associated with social opposition to infrastructure. Risks associated with the execution of investment projects for new electricity transmission infrastructure and of telecommunications that entail deviations in cost and/or deadlines. 	Financial loss due to delays in incorporating assets into the remuneration model.	<ul style="list-style-type: none"> Strengthening ties with the communities in the territories where the facilities are located. Institutional collaboration agreements. Monitoring of the Investment Plan and Transmission Grid Planning. Monitoring of the associated budget. Inspection of construction works. Development of the risk management model for investment projects. INTEGRA project, to facilitate the adequate planning for the supply of services and material needs.
	Risks related to power outages and the evacuation of generation	<ul style="list-style-type: none"> Risk of a breakdown/fault occurring in the facilities that may significantly impact the electricity system, causing power outages on the Spanish Peninsula or on the islands. 	Electricity supply interruptions and possible sanctions arising from claims regarding the service.	<ul style="list-style-type: none"> Emergency equipment and procedures. Periodic inspections of equipment and systems. Preventive and predictive maintenance programmes. Renovation and improvement plans for facilities. Improvement of grid meshing and increase in the construction of facilities to respond to the Electricity Infrastructure Planning approved by the Government. Contracting insurance policies to cover possible damages that can be derived from an incident. Contingency plans. MANINT project, to optimise the management and maintenance of transmission grid assets. Risk assessment model associated with transmission grid assets.
Assets in service	Risks associated with the operation of the electricity system	<ul style="list-style-type: none"> Human errors in the coordination or configuration of equipment. Malfunction of telecommunications. Failure of computer systems that support the activity. 	<p>Potential non-availability or reductions in the normal operation of facilities.</p> <p>Increase in claims due to supply interruptions.</p>	<ul style="list-style-type: none"> Specific actions for strengthening the transmission grid. Power service restoration plans. Plan for the renovation and improvement of facilities. Improvement of the telecommunications systems. Implementation of security mechanisms in the IT systems used. Ongoing training of system operators. Contingency plans.

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

Operational risks

	Risk	Description	Potential impact	Main actions for the management of risks
Assets in service	Risks associated with the provision of telecommunications services	<ul style="list-style-type: none"> Faults/breakdowns in the facilities that may lead to incidences in the provision of telecommunications services. 	Service interruptions and possible sanctions due to claims.	<ul style="list-style-type: none"> Ongoing monitoring of the functioning of the system. Analysis and strengthening of infrastructure.
	Risks that may affect the security of the facilities	<ul style="list-style-type: none"> Impact on security in facilities (substations, control centres, buildings, etc.) such as vandalism, sabotage, theft, terrorism, etc. 	Damage to facilities and possible effects of this on the availability of the service provided.	<ul style="list-style-type: none"> Security systems in facilities. Permanent security surveillance of facilities. Contact with the Spanish Civil Guard and National Police. Comprehensive Corporate Security Management Model. Consultation and collaboration with the CNPIC (National Centre for Critical Infrastructure Protection). Operator Security Plan (OSP) and Specific Protection Plans (SPP).
	Risks of impacts on the environment	<ul style="list-style-type: none"> Impact on flora. Impact on fauna, especially birdlife. Contamination of soil and water. Impact on archaeological heritage. Risk of fires. 	<p>Damage to the environment with relevant consequences that could involve sanctions, in addition to the costs associated with repairing the impacts caused by the event.</p> <p>Reputational loss of the Group.</p>	<ul style="list-style-type: none"> Application of strict environmental criteria in all phases of planning, construction and maintenance of facilities. Environmental supervision of construction works. Biodiversity strategy and actions. Development of research projects and fire prevention plans. Projects for birdlife conservation. Environmental training courses for field staff. Environmental awareness of suppliers. Implementation of Environmental Work Certification. Establishment of collaboration agreements in the field of environmental protection with the various Autonomous Communities. Fire protection plans. Contingency plans. Environmental Management System certified in accordance with ISO14001.

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Operational risks

	Risk	Description	Potential impact	Main actions for the management of risks
IT/Information systems People and organisation Compliance	Risks related to cyber security	<ul style="list-style-type: none"> · Risks associated with the non-availability of systems. · Risks associated with unauthorised access to specific IT applications. 	Impacts on the normal operation of equipment and services as well as reputational loss depending on the extent of the impact of the incident.	<ul style="list-style-type: none"> · Firewalls and anti-intrusion systems. · Antivirus systems. · Increase in the security of access requirements. · Mechanisms for the detection of incidents. · Software updates. · Hacking simulations. · Training and awareness programmes. · Comprehensive Corporate Security Management Model. · Consultation and collaboration with the CNPIC (National Centre for Critical Infrastructure Protection). · Development of the Operator Security Plan (OSP) and Specific Protection Plans (SPP). · Contingency plan in the event of cyber incidents.
	Risks related to people	<ul style="list-style-type: none"> · Risks derived from workforce ageing. · Accident rate. · Adaptation of the occupational health and safety risk prevention system. 	Reputational and financial loss to the Group arising from possible claims.	<ul style="list-style-type: none"> · Professional development plans. · Contracting of young employees with potential. · Comprehensive age management model. · Cultural transformation project: Imagina · Maintenance and improvement of the structured prevention system in accordance with the ISO 45001 Standard. · EFR 1000 certifications. · Application of the personnel performance appraisal system. · Technical procedures for the organisation of security. · General procedure for managing accidents and events. · Prevention Task Force of the Group.
	Compliance risks	<ul style="list-style-type: none"> · Non-compliance with legislation, internal regulations and commitments assumed by the Group. · Corruption and fraud. 	Reputational and financial loss for the Group as a result of possible sanctions.	<ul style="list-style-type: none"> · Code of Ethics and Professional Conduct of the Red Eléctrica Group, Ethics Manager and the Compliance and whistleblowing channel (enquiries and grievances). · Criminal Prevention and Anti-bribery Management System certified according to UNE 19601 and ISO 37001 Standards · Internal audits. · Implementation of the Compliance System encompassing 16 regulatory areas. · Committee on Criminal Prevention. · Compliance Unit and control and supervision bodies (criminal prevention and data protection). · Development of a due diligence model regarding counter-party compliance. · Training and awareness-raising plan regarding ethics and compliance.

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Financial risks

	Risk	Description	Potential impact	Main actions for the management of risks
↑ Market and solvency ↓	Risk of increased costs of equipment and raw materials	<ul style="list-style-type: none"> · Risks associated with the increase in the price of equipment and raw materials. 	Increased cost of the activity and impact on the profitability of certain investment projects.	<ul style="list-style-type: none"> · Promoting competitiveness in the supply chain. · Increase normalisation and standardisation. · Drafting of turnkey contracts. · Guaranteeing the price of raw materials and/or the EUR€/USD\$ exchange rate in large projects.
	Risks associated with variations in market conditions	<ul style="list-style-type: none"> · Risk associated with variations in interest rates and credit margins or inflation that may affect the Company's results. · Possible negative effects of an unfavourable change in currency exchange rates. 	Financial impacts derived from market fluctuations affecting both debt and investment.	<ul style="list-style-type: none"> · Periodic reviews of interest rates and their impact on financial accounts. · Maintenance of percentages in the fixed / variable financial structure. · Monitoring possible actions that would imply a downgrading revision of the ratings from credit-rating agencies. · Development of financial risk policy and instruments for its management and control. · Establishment of new financing mechanisms that allow access to markets in an agile and efficient manner. · Establishment of hedging mechanisms for transactions carried out in currencies other than the euro. · Design of an international financing scheme.
↑ Counterparty ↓	Non-compliance by third parties	<ul style="list-style-type: none"> · Risk associated with non-compliance by third parties of the payment obligations established. · Risk associated with dependence on suppliers and providers. · Incidence in accounts receivables regarding agreements signed with clients regarding telecommunications services. 	Impact on the normal functioning of the activity. Financial loss due to price renegotiations and contract cancellations.	<ul style="list-style-type: none"> · Monitoring of the quality of the service provided. · Monitoring of the client portfolio. · Request for bank guarantees and financial considerations to grant the credit facilities requested by customers. · Development of contracting strategies for key services by the procurement department.
↑ Insurance ↓	Inadequate coverage in the event of an accident	<ul style="list-style-type: none"> · Insufficient coverage when faced with a significant increase in claims. · Loss of solvency of the reinsurance company. 	Increase in costs.	<ul style="list-style-type: none"> · Provision of supplies. · Continuous monitoring of the number of claims. · Risk reinsurance. · Development of a third-party integrity due diligence model. · Ethics and compliance awareness and training plan.

EMERGING RISKS

In 2021, identification and analysis of potential **emerging risks** was initiated, understood as those new risks whose origin differs from those traditionally managed, resulting from economic, social, technological, political and environmental transformation and with possible impacts of a special relevance for the organisation, which given their nature are difficult to predict, estimate and assess and their time horizon is uncertain.

This category of risks also refers to those that already exist and have been identified but which may undergo significant changes in the medium and/or long term, either due to their scope or to a considerable change in the consequences they generate.



All these risks resulting from the previous analysis will be assessed and addressed internally on a case-by-case basis during 2022.

RISKS ASSOCIATED WITH CLIMATE CHANGE / 201-2

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

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

The Red Eléctrica Group follows the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)** in its management of climate risks.

The Group is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures in its management of opportunities and risks related to climate change.

To this effect, in 2019, the governance model was reviewed and updated, and a new methodology was developed for its identification, prioritisation and financial quantification. This model was put in place that very year for the electricity business and in 2021 was extended to the businesses in Latin America and those related to telecommunications.

As a result, a total of **106 potential risks** have been identified [45 related to the electricity business in Spain, 31 related to the electricity business in Latin America and 30 for the telecommunications business] which have been evaluated considering the criteria of exposure, sensitivity and adaptability. It should be noted that the process takes into account both economic variables and other business indicators [impact on the electricity supply, impact on the telecommunications service]. Furthermore, as included in the

TCFD recommendations, different physical and transition scenarios have been considered in the analysis.

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

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CLIMATE CHANGE SCENARIOS

Physical scenario ^[1]

IPCC

2030-2050-2070 Horizon

RCP * 8.5

RCP 6.0

RCP 4.5

RCP 2.6

Energy transition scenarios ^[2]

[IEA**/NECP]

2030 Horizon

Business As Usual [BAU] status quo

Base NECP trend
[STEPS***] scenario

Sustainable Development Scenario [SDS]

Net Zero Emissions by 2050 [NZE 2050]
NECP target scenario

- No climate policies are implemented.
- Very significant increase in emissions.

- Trend development of climate policies.
- Emissions growth in excess of the Paris Agreement target.
- Scenario compatible with an average temperature increase of **2.7°C** by 2100.

- Relevant policy changes needed to achieve the Paris Agreement target.
- The SDS is compatible with an average temperature increase of **1.65°C** and NET ZERO with an increase of **1.5°C** by 2100.

[1] In the case of Spain, the projections developed by the State Meteorological Agency (AEMET) for the most important scenarios of the fifth report (AR5) of the Intergovernmental Panel on Climate Change (IPCC) have been considered. In the case of Latin America, the projections made by the World Bank for these same scenarios have been taken as a reference.

[2] The scenarios proposed by the International Energy Agency in its World Energy Outlook 2020 report have been considered as a benchmark, which are completed with additional information on the relevant variables depending on the business and geographical area. In the case of the electricity business in Spain, the scenarios proposed in Spain's National Energy and Climate Plan (NECP) have been considered. This Plan sets out the following targets for 2030: a 23% reduction in emissions compared to 1990 levels and reaching a level of 74% renewables in the electricity generation mix. These targets are aimed at achieving carbon neutrality by 2050 (which implies a 90% reduction in emissions compared to 1990 levels and reaching a 97% share of renewables in final consumption, with the electricity sector being 100% renewable), and are therefore in line with the NZE 2050 scenario and IPCC 2.6, and therefore in line with the objective of limiting the temperature increase to below 1.5°C.

[*] RCP – Representative Concentration Pathway. [**] International Energy Agency. [***] STEPS [Stated Policies Scenarios].



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Physical risks

Relevant risks associated with climate change

- Impact on outdoor facilities (electricity lines) due to extreme events (wind). ^[1]
- Fires beneath electricity lines and in the vicinity of electricity substations. ^[1]

Potential impact on the business

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

Mitigating actions

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

Transition risks

Relevant risks associated with climate change

- Claims/grievances due to limitations to renewable production and incidents that may impact the security of supply in the Canary Islands, associated with the noteworthy increase in the share of renewables in the energy mix foreseen in the coming years. (it is foreseen that it will increase from 17% to over 50% in the 2030 horizon). ^[1]
- Loss of staple generation sources associated with the closure of coal-fired, combined cycle and nuclear power stations. ^[2]

Potential impact on the business

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

Mitigating actions

- Development of system operation tools and the safe integration of renewables (Control Centre of Renewable Energies, CECRE). Adaptation to more demanding monitoring and control requirements.
- Development of prediction models regarding renewable generation.
- Construction of new transmission lines to evacuate renewable energy.
- Strengthening of cross-border connections.
- Promotion of flexibility initiatives and smart grids.
- Development of large-scale energy storage projects (Salto de Chira pumped storage hydroelectric power station) and energy storage batteries in non-peninsular territories and in networks at an end-user level (innovation projects).
- Insurance policies.

- Difficulties in commissioning the infrastructure needed for the energy transition (mainly linked to the social opposition to this type of infrastructure and the long periods of time needed to process the permits required for its development). This same risk is identified and analysed specifically in the case of cross-border connections. ^[1]

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

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

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Transition risks / continued

Relevant risks associated with climate change

- Risks associated with the regulatory framework established for the construction and management of energy storage facilities in non-peninsular systems. ⁽³⁾
- Remuneration framework associated with adapting the grid infrastructure to the needs arising from climate change. ⁽³⁾

- Increased legal requirements associated with the use of fluorinated gases (SF₆). ⁽¹⁾

Potential impact on the business

- Economic loss associated with an unfavourable regulatory framework.
- Costs associated with adapting infrastructure to the physical conditions resulting from climate change.
- Increase in costs linked to taxes related to the use of SF₆ gas.

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

Mitigating actions

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

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

[1] Monetised risks. The annual financial impact for each of the risks is less than 2% of the Group's results. [The calculation of the impact takes into account the result of the mitigation measures implemented. For example, in the case of physical risks, the financial impact is significantly reduced thanks to insurance policies].

[2] No financial risk for the organisation.

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

No relevant risks have been incorporated as a result of the risk identification and assessment process carried out in 2021 for the electricity business in Latin America and for the telecommunications businesses.

The management of climate-related risks is integrated into the Company's risk management system, which is why the established **governance model** applies to these types of risks. Nonetheless, in addition to being supervised by the Board's Audit Committee, as befits its oversight function regarding the comprehensive risk control system, climate risks are escalated to the Sustainability Committee. Among the functions of this Committee is that of reviewing the sustainability and climate change policies, which must facilitate the integration of the results of the analysis of risks and opportunities arising from climate change into the Group's decision-making process.

It should be noted that, in the case of climate risks, the Internal Audit and Risk Control Management Area and the Corporate Sustainability and Research

Area share the following functions: supporting the organisational units in the identification, assessment and management of risks; monitoring the level of risk and its evolution and informing the bodies responsible for its control and the units responsible for its management.

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

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

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Comprehensive Corporate Security

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Key indicators in 2021

100% fulfilment in the implementation of the supply chain management process.

82% fulfilment of Comprehensive corporate security plan.

2021 milestones

Deployment and implementation of the risk analysis and business continuity model in the Red Eléctrica Group.

Deployment and implementation of the supply chain security risk management model.

Challenges for 2022

Develop and implement the ability to manage comprehensive security in the supply chain.

Increase the ability to anticipate actions and implement prevention measures in the Red Eléctrica Group.



The Red Eléctrica Group is committed to implementing **comprehensive corporate security** throughout the entire organisation, which includes the protection of critical infrastructure and the safety of people and information assets.

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

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

The purpose of the Red Eléctrica Group in terms of comprehensive corporate security is to **protect the Company from the possible materialisation of threats and risks that may put at risk** not only its human resources and assets but also the continuity of the services provided and the viability of the business.

Comprehensive corporate security, aligned with the business strategy, is shared by all the people that form the Red



The Group's approach to comprehensive corporate security protects the Company from the possible materialisation of threats and risks that may put at risk not only its human resources and assets but also the continuity of the services provided and the viability of the business.

Eléctrica Group and is part of its corporate culture. To this end, the Company has **a Strategic and Tactical Security Action Plan** and an organisational and relational model regarding comprehensive corporate security for the entire Group.

COMPREHENSIVE CORPORATE SECURITY MANAGEMENT MODEL

The governance, management and operation model of the Red Eléctrica Group is based on good practices and reference standards in this field. The model encompasses the eleven key areas where the organisation must have the ability to respond effectively in order to maximise its resilience in adverse situations.



KEY AREAS OF THE COMPREHENSIVE CORPORATE SECURITY MANAGEMENT MODEL

Risk management

Automated and dynamic handling of security risk.

Security plan

Draft, implement and monitor the security plan, as well as establish collaboration and cooperation mechanisms.

Assets, changes and configuration

Asset management in accordance with security guidelines during the asset's life cycle.

Exchanges of information

Definition and implementation of a secure information management model.

External dependencies

Establish the necessary control mechanisms associated with the services provided by the supply chain.

Personnel involved in security

Implementation of a corporate security structure and improving the security level awareness among staff.

Incidents and continuity of operation

Increase resilience when faced with adverse situations or undesired events.

Threats and vulnerabilities

Definition and implementation of a management model for the control of threats and vulnerabilities of assets, including intelligence services.

Identity management and Access control

Establish mechanisms to control access to the the Company's infrastructure and facilities implementation of a identity management system.

Regulatory compliance

Definition and implementation of a regulatory framework for comprehensive corporate security, as well as compliance with national and international regulation regarding security matters.

Situational awareness

Monitoring and reporting of the security status of the Red Eléctrica Group.

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

- **Comprehensive corporate security governance.** The tier responsible for defining the strategic objectives in terms of comprehensive security, fundamentally through a Comprehensive Corporate Security Strategic Plan, and for monitoring its correct implementation in accordance with the business objectives and strategies.



- **Comprehensive corporate security management.** The tier responsible for defining the Comprehensive Corporate Security Plan that must meet the requirements defined by the security governance, as well as managing the functions and security processes that derive from said plan.

- **Comprehensive corporate security operations.** The tier responsible for the execution of comprehensive corporate security processes related to infrastructure, always working within the guidelines and limits set by security management.

COMPREHENSIVE CORPORATE SECURITY ACTION PLAN

For the implementation of the Management Model, the Red Eléctrica Group has a **Master Plan** that defines the activities to increase the maturity of the capabilities associated with the Model and contributes to bringing the vision of the Company's Strategic Plan to fruition.

The overall objectives of the Comprehensive Corporate Security Action Plan are based on the protection of people, the continuity of the service, the viability of the business and the protection of assets, seen from four perspectives: Security, clients, processes and knowledge.

The Comprehensive Corporate Security Plan defines the activities to increase the maturity of the capabilities associated with the Management Model and contributes to materialising the Strategic Plan's vision.

COMPREHENSIVE CORPORATE SECURITY ACTION PLAN: AXES OF ACTION

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

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

- Comprehensive corporate security plan
- Situational awareness

2 Comprehensive identity and access management within the Red Eléctrica Group

Definition of identity and access management protocols within the Group, adapting them in accordance with the hiring of resources and the training of employees and collaborators.

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

3 Business continuity management and integration of the response to incidents

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

- Incidents and continuity of the operations



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

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

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

5 Improvement and integration of prevention and monitoring capabilities

Definition of the threat level and vulnerability management policy for the Red Eléctrica Group, defining the intelligence and information analysis model, allowing for resilient and flexible systems that are adaptable to given situations.

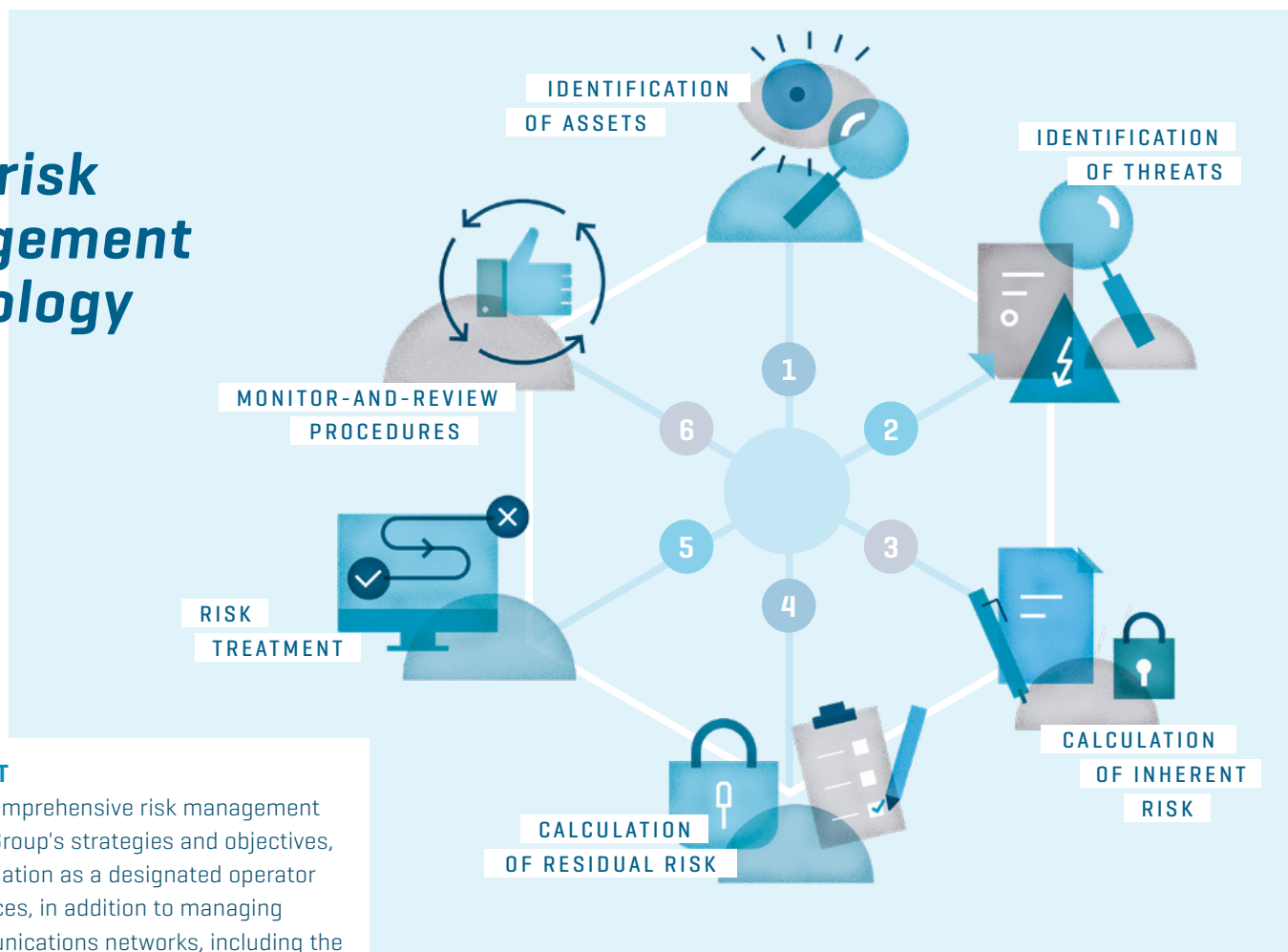
- Threats and vulnerabilities

6 Governance and comprehensive management of the overall risk

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

- Risk management
- Exchange of information

→ *Current risk management methodology*



COMPREHENSIVE RISK MANAGEMENT

The Red Eléctrica Group has established a comprehensive risk management system that facilitates compliance with the Group's strategies and objectives, which ensures compliance with current legislation as a designated operator of critical infrastructures and essential services, in addition to managing electricity transmission grids and telecommunications networks, including the need to extend cyber security to industrial environments and increasing the Group's resilience.

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

In order to understand the comprehensive corporate security risks correctly, the Group has developed a methodology based on the international standard ISO 31000:2018 Risk Management-Guidelines, which defines in general terms the set of activities to be considered in the risk management process. The methodology established by the Red Eléctrica Group to carry out the risk management process consists of six different phases.

COMPREHENSIVE SECURITY MANAGEMENT MODEL IN THE SUPPLY CHAIN

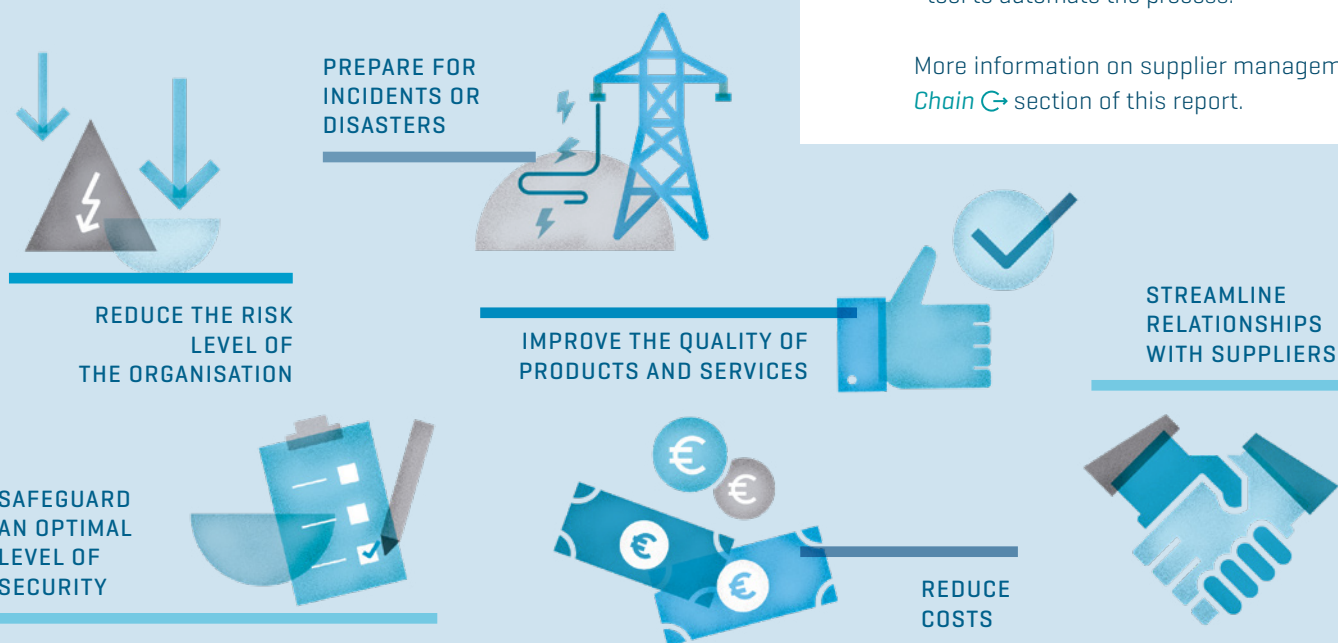
In 2021, as part of its commitment to the responsible management of its suppliers, the Company continued to work on implementing of a Comprehensive Security Management Model in the supply chain, developing it and promoting it within the group of suppliers that work with the Group.

The project aims to ensure that the products and services provided to the Red Eléctrica Group meet optimum security levels, in line with business expectations and minimising the cost. In this way, supplier security management allows the following:

- Manage the security aspects of contracts with suppliers, from the tendering phase to its termination.
- Control and reduce the risk associated with the products and services contracted.
- Evaluate and periodically review the security protocols related to products and services provided by suppliers.
- Maintain an updated supplier security control framework and a management tool to automate the process.

More information on supplier management can be found in the [Supply Chain](#)  section of this report.

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



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During 2021, work was done on managing the cyber risks faced by the organisation's employees, preparing them for new ways of working that involve more mobility.

TRAINING, SENSITISATION AND AWARENESS-RAISING PLAN

The Red Eléctrica Group has implemented a training plan to enhance the skills of its workforce in order to fill the gap that exists regarding professionals and talent in the cybersecurity market. To this end, the areas, roles and training necessary for each of them have been identified and an annual training plan is carried out.

Aware that cybersecurity no longer only affects technology but also people due to their exposure to phishing attacks, identity theft or gaining access to critical company information through misconfigured accounts in the cloud, etc., in 2021, work was carried out on cyber risk management for the organisation's employees, preparing them for the new ways of working that entail greater mobility. The aim of this preparation was twofold: on the one hand, to detect employees' weaknesses in terms of security, in order

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→ Training and awareness-raising plan

to specialise the training of the different groups according to their current understanding and awareness, and on the other hand, to measure the results and establish a continuous training process.

→ Cybersecurity for employees



Cyber risk and alertness assessment

Personalised security awareness



Cybersecurity drills

CREATION OF A SECURITY CULTURE

- Encourage the secure and safe use of information.
- Provide the necessary concepts to protect the Group.
- Onboard employees on the Group's comprehensive corporate security systems.

SECURITY-ORIENTED EMPLOYEE

- Protect the integrity of each employee.
- Protect the information that each employee uses and/or handles.
- Protect the assets of the Red Eléctrica Group.
- Conduct talks to families of employees to raise awareness on security.

CREATION OF A SECURITY CULTURE

SECURITY-ORIENTED EMPLOYEE

Objectives

RISK MITIGATION

INCREASED KNOWLEDGE

RISK MITIGATION

- Mitigate the possible effects of security risks.

INCREASED KNOWLEDGE

- Be aware of the consequences of possible security incidents.
- Know how to act in emergencies.

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Transformation: culture, digital and technological innovation

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Key indicators in 2021

100% of the areas that received electronic notifications from the Public Administration did so via the digital post office.

13 departments integrate *Agile* in some of their processes or projects.

8 high-impact innovative technological solutions reach the industrialisation stage in less than one year.

Technological innovation initiatives deployed in 100% of the Group's key challenges.

99.5% fulfilment of the Efficiency Plan through the Intelligent Automation Service.

1,206 people trained in new digital tools.

2021 milestones

Implementation and deployment of the digital post office.

Implementation and consolidation of the *Imagina* communication model.

Creation of an Asset Management Expertise Centre for the design of innovative solutions for the management of electricity grids.

Launch of the Red Eléctrica Group's first intrapreneurship programme.

Incorporation of new domains in the Data Lake, deployment of self-service data and introduction of data quality in corporate reports.

Challenges for 2022

Consolidation of the *Agile* culture to optimise the Group's organisation and processes.

Consolidation of the Leadership Model.

Consolidation of the streamlined generation of technological innovation initiatives aligned with all the established strategic lines.

Increase in the go-to-market strategy regarding the technology solutions of the Group.

Anticipating the data governance function through the appointment of a Business Analyst and their corresponding training, and the incorporation of new use cases for the Data Lake.

Awards and recognition

Startup Olé Entities Award given to Red Eléctrica de España in the Corporate Manager of Essential Infrastructure category for its role in the innovation and entrepreneurship ecosystem.





The Red Eléctrica Group understands transformation as all those actions deployed to drive, anticipate and bring about the necessary changes to meet the present and future requirements of the Company, maintaining a reliable, agile, flexible, innovative, disruptive, profitable and sustainable position, in which its people are committed to the culture and purpose of the organisation.

The **Group's Transformation Model** responds to the strategic transformation initiatives set out in the 2021-2025 Strategic Plan and considers people to be the most important asset for achieving the objectives set. This transformation path is driven by three totally interrelated axes (culture, digital and technological innovation), the deployment of which involves the fulfilment of **15 cross-cutting objectives** with a direct impact on people and on the Group's strategic challenges.

REtaTe Project

The main transformation project carried out during 2020 and 2021 is **REtaTe**, the purpose of which is to respond to the challenges of the Group, taking into account the new business context.

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

Within this framework, 142 initiatives proposed by Group professionals were analysed through the 'I have an idea' channel set up for this purpose on the corporate intranet. Of these, 77 initiatives have been accepted and are currently underway, and 65 have been rejected (because the idea was already submitted and the initiative is already underway, they are not considered

viable or do not provide clear efficiencies). Additionally, the Efficiency Plan approved by the Group's CEO needs to be taken into account, as said Plan has enabled **nine processes** in different areas **to be automated in 2021** and eight automated in 2020.

CULTURE: IMAGINA PROJECT

Imagina is the cultural transformation project of the Red Eléctrica Group, through which an innovative, agile and collaborative culture is developed through self-leadership in order to achieve an organisation that is more resilient to change and capable of facing the challenges posed by the Strategic Plan. These initiatives, based on challenges focused on improving the cultural, technological, workspace and process aspects of the Company, are communicated and promoted within the Group by an extensive network of Imagineers. The Imagineers encompass 161 people who act as a representative figure of all Red Eléctrica Group employees and who are responsible for transmitting the progress

of the project throughout the organisation, encouraging participation in the different initiatives and enabling an open communication channel.

Throughout 2021, the Company held twelve single-topic sessions focused on “Staying abreast of innovation”, with an average attendance of 90 *Imagineers* and an average rating of 4.3 out of 5. It has also published 21 news items through 7 “Staying abreast of Imagina news” newsletters.



CULTURAL TRANSFORMATION INITIATIVES IN 2021

Transformational leadership

For the period 2021-2025, various actions have been established to consolidate the leadership model, promoting those management capabilities that the Group needs in order to successfully meet the strategic challenges.

Progress made in 2021

- 98% of the management team has been evaluated through the 360° feedback process based on the expected behaviours set out in the new model.
- 100% of the management team continued to work on their Personal Development Plan for improvement.
- Launch on the corporate intranet, NuestraRED, of an exclusive space where news and content of general interest to the management team can be shared.
- Launch of a learning platform on trends and knowledge related to leadership and the leader's communication manual.
- Development of a masterclass programme on leadership and people management, with world experts.

The digital office

The digital office is the cultural transformation initiative that facilitates the implementation of new ways of working, fostering collaboration and enabling the exchange of and access to information in any type of situation, in order to facilitate business continuity.

In this area, the digital post office was created in 2020 to respond to the technological and legal demand for communication with public administrations, as well as to digitalise correspondence from any stakeholder group. Throughout 2021, the scope of this project continued to be broadened.

Progress made in 2021

Electronic notifications:

- Monitoring of more than 10,200 public administration offices via the digital post office tool.
- More than 11,100 notifications captured automatically for companies of the Group.
- More than 1,400,000 automatic accesses to electronic offices.

- Support for more than 150 people regarding cultural change through training sessions and supporting them in the onboarding process.
- Implementation of the digital post office in 100% of the areas which, in 2020, reported receiving notifications from the Public Administration.

ImpúlsaTE

This project places the employee at the centre to encourage the self-management and self-development of people. During 2021, the focus has been placed on the following areas:

- Promotion of self-management of Red Eléctrica Group professionals with the launch of 'My Profile', a space where professionals can self-manage their personal information, employment information and remuneration information.
- Induction and integration plan, with the launching of the 'On boarding' project focused on new employees, to improve knowledge of the organisation, accelerate the learning curve and generate a good employee experience.

- Talent development through the self-development ecosystem available to all employees, with a series of resources that contribute to the improvement of key skills.

Results in 2021

- 3,147 challenges defined
- 805 feedbacks sent.
- 342 Personal development plans

Agile mindset

Agile is a methodology that has been implemented in the Group since 2020, which allows the organisation to be more agile and productive, and which facilitates the timely delivery of the added value linked to this initiative.

Results in 2021

- Creation of the Agile Campus and a dissemination campaign was made available.
- Implementation of the Agile philosophy in more than 16 initiatives, and 94 people were trained in the Agile initiative.
- Renewal of the Agile space on the corporate intranet 'NuestraRED'.

CULTURAL TRANSFORMATION INITIATIVES IN 2021

- Consolidation and development of the Agile Campus, with new services defined.
- Delivery of two Agile workshops.
- 13 departments of the Company integrating Agile in some of their processes or projects.
- 3 in-depth initiatives and 5 cross-cutting initiatives for organisational units.
- 9 processes reviewed under the Agile methodology.
- 9 process owners identified, 6 project managers and 15 facilitators.

Efficient and healthy collaboration

This project aims to make work performance more collaborative, efficient and healthy, promoting responsible attitudes and behaviours, both individually and among employees. It involves new lines of work that help employees learn to manage multitasking, prioritise and make rational and healthy use of collaboration tools, among other issues.

Results in 2021

- Publication of seven communication pieces related to efficient collaboration.
- Participation of 32 Imagineers in a pilot test to develop their time management skills.

Digital training

Through the Digitall by Campus programme, employees have the possibility to design their own personalised training itinerary.

Results in 2021

- More than 400 participants in the current training programme.

ZAPIENS

This initiative, developed during 2021 in pilot format, is a chatbot tool that implements artificial intelligence, which provides an automatic response to a user's questions on topics related to Workplace Safety, Travel, Human Resources and Personal protective equipment. If no answer is obtained, the question is sent to an expert, and this will help in the machine learning process.

Results in 2021

- 6,374 questions were asked during the term of the pilot project.
- 3,011 questions answered automatically by ZAPIENS with a 47% degree of accuracy.



In 2021, 100% of the management team continued to work on their personal development plan for improvement within the framework of the Group's new leadership model.

→ Scope of actions to ensure the implementation of cybersecurity measures

DIGITAL TRANSFORMATION

Digital transformation is a process of change in operations, business models and ways of working, thanks to the rapid development of new digital technologies, which add value to the organisation and contributes to the achievement of the challenges that the Red Eléctrica Group will address in the coming years.

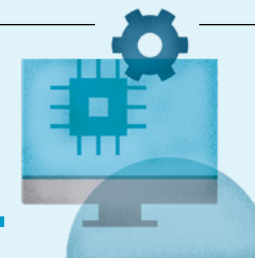
The digital transformation axis seeks to facilitate the working practices for people, improve processes, making them more efficient, and guarantee the value of the data while always ensuring cyber security measures.

In 2021, the global search engine was launched; the new more interactive version of the 'NuestraRED' intranet with new collaborative workspaces and more efficient tools, such as *Impulsa Tiempos*, *Impulsa Espacios* and *Impulsa Viajes*.

Supporting people in the adoption of new digital tools, which promote productivity, collaboration, mobility and efficiency, was a priority in 2021. Thus, a comprehensive plan has been deployed with training, informative actions and personalised attention through different channels set up for this purpose. Training and dissemination continued regarding different tools [Office 365, Adobe Sign, Colibra, the global search engine and Power BI and Power Automate]. Under this plan, 1,206 people from the Red Eléctrica Group have received training on new digital tools.

→ Evolution of services

LAUNCHING OF THE CORPORATE SECURITY SERVICES
[IT, Operation Technologies and Physical Security]



→ Evolution of technical measures



SECURITY IN NEW TECHNOLOGIES

PROTECTION AGAINST LEAKAGE OF INFORMATION



PROTECTION OF EQUIPMENT

→ Evolution of processes



INFORMATION SYSTEM CONTINGENCY PLANS



ACCESS SECURITY

In 2021, the Red Eléctrica Group automated 9 processes, worked on 23 technology projects and trained 1,206 people on different digital tools.

If the introduction of new tools and the change management associated with them has been important, it has been no less significant to guarantee an adequate level of cyber security, minimising risks and with the capacity to respond to incidents.

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

To improve efficiency, within the framework of the REtaTe project, we continued to analyse the Company's processes from a digital transformation perspective, especially those that are major consumers of resources, to minimise costs, reduce times and identify areas for improvement. The **Intelligent Automation Service** has conducted this analysis, which aims to automate processes through technologies such as RPA (Robotic Process Automation), virtual assistants, advanced analytics and artificial intelligence. Following the studies of 127 of the Company's processes, this service has automated 15 of them, 9 of which were addressed in 2021.

In addition, work has been carried out on the **OPTIMIZA** programme, which aims to optimise the implementation of corporate processes in IT applications based on four transformation levers: new ways of working and user experience, reporting and analytics model, simple, integrated and automated processes and a new digital platform.



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

In 2021, the Company worked on **23 technological projects** aimed at improving the architecture of the Red Eléctrica Group's IT systems; implementing and developing the technical and procedural security measures of the systems; incorporating technologies that facilitate mobility and collaboration and that align management processes and hence improving internal management procedures.

In addition, capitalising on the value of data, which optimises the decision-making process to facilitate the generation of competitive advantages and maximising it as a potential developer of new business models, has become a priority for the Company. In this regard, action has been taken to promote and implement a **data-centric organisational approach**, establishing it as the backbone of the digital transformation of the business, providing cultural and process changes for the implementation of this approach, implementing technological solutions that enable its deployment [Collibra, Corporate

Data Lakes and Data Self-service], as well as a global methodology for the monitoring and management of data quality.

One of the main lines of action of the digital transformation is to **develop IT systems and solutions that enable the energy transition**, thus strengthening the position of Red Eléctrica de España as Transmission System Operator [TSO], with actions focused primarily on the following: the integration of renewables, the transformation of operating systems, transformation in the field of transmission grid asset management and HV electricity transmission projects, and their structural information.

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→ Systems and solutions that enable the energy transition

→ Operation

INTEGRATION OF RENEWABLES

Projects:

- QUIJOTE
- VOLTAIREE

TRANSFORMATION OF SYSTEM OPERATION SYSTEMS

Projects:

- EUROTRANS
- ESIOS QH
- SIMEL
- PASOS
- COORDINET

New SP7 Control System

→ Transmission

TRANSFORMATION OF PROJECT MANAGEMENT FOR TRANSMISSION GRID PROJECTS

Projects:

- AGORA

ASSETS OF THE TRANSMISSION GRID AND THEIR STRUCTURAL INFORMATION

Projects:

- MANINT
- SIGIPM
- KAIROS
- MOVIMAN
- ORIGEN

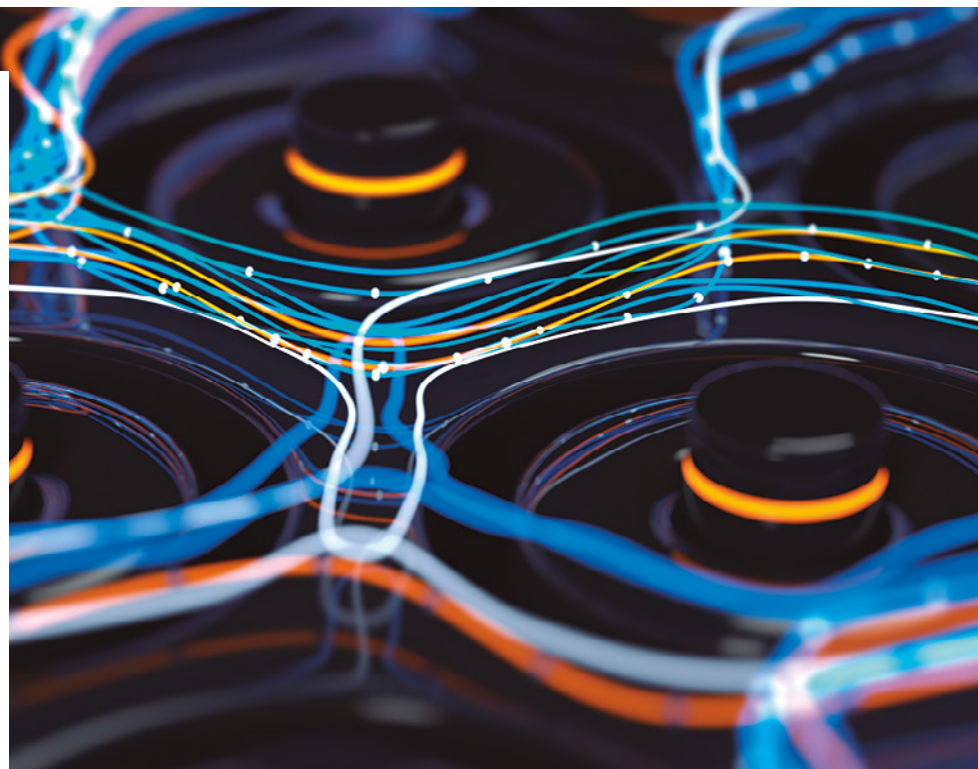
However, the digital axis not only works for the transformation of the TSO role but also for **the transformation of the entire Red Eléctrica Group**. For this reason, a centralised governance, management and operation model has been defined, whose strategic lines are the following: to contribute to business growth in the companies of the Group; increase the level of efficiency in the processes and organisation of Information Technologies in these companies and apply an excellence model. In this regard, the following centralised services have been established: technological infrastructure, digital workstations, corporate applications, customer service, cyber security, critical business systems [24/7] and data governance services.

TECHNOLOGICAL INNOVATION

Elewit has established itself as the technology platform of the Red Eléctrica Group that is focused on providing solutions to the new challenges faced by the electricity and telecommunications sectors, with the goal of driving the energy transition and connectivity to create a sustainable future.

With the backing of Elewit, the Red Eléctrica Group has refocused its innovation and technological development activity around key challenges and key technologies that maximise the Group's contribution to the energy transition and the development of telecommunications.

Similarly, to achieve its objectives and take advantage of internal and external opportunities that are at a very early stage [simple ideas] or at a stage of maturity [start-ups], the following tools or capabilities have been deployed: Venture Client; Corporate Venture



Elewit has consolidated its position as the technology platform of the Red Eléctrica Group, whose purpose is to offer solutions to the new challenges faced by the electricity and telecommunications sectors.



Capital [CVC]; intrapreneurship; ecosystem generation; technology Lab; technology factory; Project Management Office, Global Innovation Hub; Go to Market, and Venture Building.

Venture Client

Elewit's Venture Client model focuses on the agile introduction of innovation within the Red Eléctrica Group, through solutions from various start-ups, which are selected to explore different use cases and applications that can enhance the Group's activity and improve existing technologies and processes.

The deployment of the first two Venture Client programmes has given rise to 15 pilot projects with 10 start-ups selected from among more than 900 companies analysed with a potential fit with the needs of the Red Eléctrica Group's business units. In the third programme, 8 start-ups have been selected to present their solution to the Selection Committee at the beginning of 2022 and from which between 4 and 6 companies will be chosen.

In addition to the Venture Client programme, Elewit has channelled other opportunities arising from the interest of the business units, leading to several pilots with start-ups. Around 164,000 euros have been invested in these pilot projects.

Corporate Venture Capital

The Corporate Venture Capital model seeks to attract companies to the Red Eléctrica Group that have a strong strategic fit and a high innovation component. This helps to strengthen the Group's core business and enables the organisation to stay abreast of new trends, incorporating new technologies and thus generating competitive advantages.

The Venture Capital investment strategy is materialised through investments in venture capital funds or through direct investments, as indicated on the [Elewit website](#). ↪

The most relevant milestones in 2021 were: the investment in Hesstec, a specialist company in providing energy storage solutions for the new generation of electricity grids; the investment in Aeroláser, a Spanish company specialised in providing innovative technological solutions, dedicated to the development of sensors and advanced applications in geospatial technology; and the collaboration with the accelerator Space Camp, of the Seraphim fund, which focuses on finding companies in the aerospace sector to scale and prepare them for the investment process.

Intrapreneurship

DESPEGA is the first intrapreneurship programme of the Red Eléctrica Group. Launched in 2021, it allows employees with an entrepreneurial spirit to turn their ideas into real projects, leading their development with the possibility of devoting 100% of their time to it, with the support and resources of the Red Eléctrica Group.

On first call, 17 proposals were received from employees from various departments of the Group, specifically from Red Eléctrica de España and

HISPASAT. Six entrepreneurial projects were pre-selected as finalists, which were presented to the final selection committee made up of the Company's senior management team or Group directors.

The committee selected the three winning projects that will become part of the programme as of January 2022 in a first phase called Bootcamp, lasting three months, including intensive training as entrepreneurs, with training in sales, business models, agile methodologies, finance, legal aspects, operations and



logistics management, presentation skills, etc. The objective is to present a viable business plan that shows the potential of the project, which will determine whether the projects go on to the next Venture Creation phase, lasting six months, in which they will be assigned a first budget to develop a commercial prototype and validate whether they have a place in the market.

Communication and generation of ecosystems

In 2021, the Red Eléctrica Group consolidated its position in the innovation ecosystem through its collaboration with startups, universities, technology centres and other corporations. As a member of the ecosystem, Elewit identifies and generates opportunities and shared value through collaboration between the internal talent of the Red Eléctrica Group and external talent.

Thus, the Company signed two new framework agreements with universities that serve as a basis for developing projects in various areas of interest. Elewit currently has nine collaboration agreements in force with universities and technology centres. It also signed twelve new partnerships with companies and institutions that serve as a basis for project development and company scouting.

In 2021, Red Eléctrica consolidated its position in the innovation ecosystem through its collaboration with start-ups, universities, technology centres and other corporations.

ELEWIT'S TECHNOLOGY factory allows minimum viable products to be taken from idea

TO INDUSTRIALISATION, IN AN AGILE WAY, HELPING

to turn technological innovation opportunities into reality



Elewit joined the Spain Entrepreneurial Nation Strategy in 2021. In addition, it deployed a new tool that is used to launch technological challenges within the ecosystem, helping to stay abreast of new technologies and triggering innovative and disruptive responses to some of our business challenges.

Detailed information on Elewit's current partners can be found on its [website](#).

Various communication actions have been carried out in 2021, including the sponsorship of Startup Olé and South Summit as an innovation partner, participating in different activities of the event [jury in the startup competition and round table regarding Corporate Venturing]. The Red Eléctrica Group was recognised for its role in the innovation and entrepreneurship ecosystem. In addition, a webinar was held for Spanish universities and technology centres, the Elewit corporate channel was launched on YouTube and several innovation sessions were held.

Technology Lab

Elewit concentrates all its capabilities in its Technology Lab to explore new technologies and provide cross-cutting support to technological innovation

initiatives and projects underway in the different phases of the innovation cycle and facilitates the incorporation of innovative technological solutions to solve the challenges of the Red Eléctrica Group.

During 2021, collaboration was carried out with the TecNALIA technology centre to identify relevant innovation initiatives in technologies such as artificial intelligence, the Internet of Things and 5G, and with Gartner to have more information on the market, its trends and the perspectives of other analysts on different technologies.

Technology Factory

The Technology Factory allows minimum viable products to be taken from idea to industrialisation in an agile way and to bring to fruition the technological innovation opportunities of the Red Eléctrica Group.

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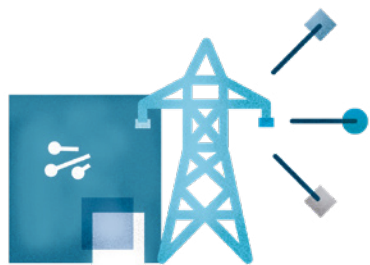
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Grid2030

Project Management Office

This office centralises the planning and management of Elewit's innovation projects and programmes and provides the Lab with specific management tools and resources.

Throughout 2021, the Red Eléctrica Group managed 124 innovation projects, which have entailed a financial investment in innovation of 9.1 million euros. Moreover, 2.3 million euros in funding processes for startups were also launched, which represents a significant effort in technological innovation and development that amounts to 11.4 million euros. The following are the most relevant innovation projects:


- 5G/ maximising the use of electricity grid infrastructure and use cases.
- DALIA [Automated Detection of Anomalies in Overhead Lines].
- EPICS.
- Cyber deception platform.
- NEWTON /ReeView electricity calculation software.
- Participation in CDTI Missions.

Grid2030 is a pioneering multi-year collaborative innovation programme in Spain, through which the Red Eléctrica Group and Innoenergy explore disruptive innovations of a technical or socio-economic nature related to the operation of the electricity system and its transmission grid.

In 2021, the **ENIGMA project** (Electric Grid AI) – a project selected in the second call of the Grid2030 initiative – was finalised. This project was mainly focused on studying frequency stability in an electricity subsystem through the simulation and application of neural networks and Deep Reinforcement Learning methodologies in order to analyse the results obtained.

Similarly, an advanced version of the single-node electricity grid simulator for the island of Gran Canaria was obtained, which is necessary for studying and training use cases.

Furthermore, the **FST project** of the CIRCE technology centre and EFACEC Alta Tensión [Spain/Portugal], which consisted of the design, development and testing of a new power electronics device based on silicon carbide semiconductors, with multiple possible applications as a transformer and converter from alternating to direct current, and vice versa, with active control and new functionalities, was completed. This project was part of the first call of the programme.

With the completion of both projects, the multi-annual **Grid2030**  programme came to an end.

Global Innovation Hub

This tool is a meeting forum for professionals of the Red Eléctrica Group to exchange experiences and know-how in the field of innovation, in order to promote transformation and support the growth of the innovation ecosystem in the Group. During 2021, six sessions were held on innovation using satellites, REINTEL, artificial intelligence, overview of digital platforms, intrapreneurship and 5G.

Go to Market

Throughout 2021, Elewit continued to shape and refine its commercial activity. The development and implementation of a commercial framework process was an important milestone that supports the consolidation of the various go-to-market opportunities that arise.

On the other hand, Elewit has participated in different forums to publicise its activity, initiatives and products, such as the World Entrepreneurship Day, scouting in the European initiative REInA [Rural European Innovation Area], and various presentations in forums such as **WAKEUP Spain**, the Spanish Energy Club, the Conference on maintenance in the energy sector organised by AEM [the Spanish Maintenance Association] or the Innovation Fridays of ENTSO-E [European Network of Transmission System Operators for Electricity].

SAGA is one of the most mature products in Elewit's portfolio and as a result has monopolised a significant part of the commercial efforts. In this regard, during the first half of 2021, the collaboration agreement between Red Eléctrica de España and its Belgian counterpart Elia was successfully reached. Both TSOs will create an 'Asset Management Expertise Centre' to jointly design innovative solutions for the management of their electricity grids and have been working since then on the joint evolution of the SAGA platform, the software developed by Red Eléctrica that uses artificial intelligence to optimise the management of in-service assets.



Similarly, Elewit is working on several initiatives with other TSOs worldwide, all at different levels of maturity, increasing the visibility and profile of SAGA in Europe, Asia and the Americas.

During 2021, the analysis of the commercial potential and market interest of several technological solutions developed by the Group was conducted.

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MAIN TECHNOLOGICAL SOLUTIONS DEVELOPED BY THE RED ELÉCTRICA GROUP

Remote Detection and Classification of Possible Visual Anomalies in Overhead Power Lines (**DALIA**) ↻

Initiative that allows the inspection of lines using LiDAR technology or photogrammetry.

Automatic identification of tree species and scrubland

Initiative that uses Artificial Intelligence [AI] to identify and assess the vegetation that grows under or near transmission lines.

Protected areas

Project to guarantee the safety of people and facilities during discharging operations, eliminating risk situations and aligned with the Red Eléctrica Group's strategic objective of zero accidents.

Platform for partial discharges

Predictive maintenance project that increases the availability of the transmission grid thanks to a more precise knowledge of the condition of the assets.

Lessons Learned Management Model

Initiative to promote the Lessons Learned Management Model developed and integrated in the Group, thus making it possible to offer, adapt and implement this model in other companies.

PRODINT

Initiative for the commercialisation of the PRODINT device, a fire detection sensor that arose as an intrapreneurship initiative of the Group, which enables early detection of fires and the issuing of alerts.

Detection of damage or possible threats to underground and submarine cables

Product for the detection of damage or possible threats to underground or submarine cables through the use of fibre optics.

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Venture Building

During 2021, Elewit launched a Venture Building initiative together with an operating partner with a medium/long-term portfolio vision and with the objective of launching at least one company per year over the next three or four years. The strategic vision of this initiative focuses on identifying underutilised assets, technology or knowledge within the Red Eléctrica Group with the potential to respond to detected market needs from which venture capital businesses can emerge, i.e., where the creation of a new company is the appropriate tool to take advantage of the full potential of these businesses.



Elewit is working on several initiatives with other TSOs around the world, all of them at different levels of maturity, increasing the visibility and profile of SAGA in Europe, Asia and the Americas.

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DECARBONISATION *of the* ECONOMY

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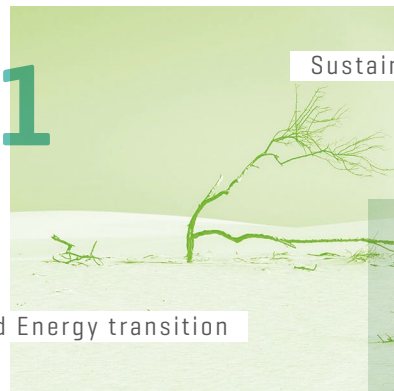
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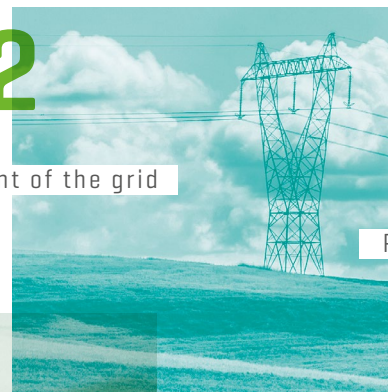
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Climate change and Energy transition



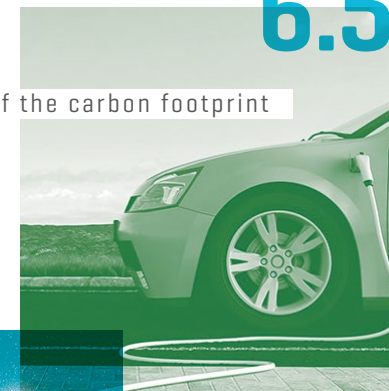
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Sustainable development of the grid



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Reduction of the carbon footprint



Integration of renewable energy

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Flexibility of the Electricity System: new tools to serve the needs of the system operator



DECARBONISATION of the ECONOMY

The Red Eléctrica Group undertakes the following commitment as a sustainability priority: Be an active agent in the energy transition towards a zero-emission model, advocating for the electrification of the economy and the efficient integration of renewable energy through a more robust and interconnected grid, as well as through the development and operation of energy storage systems.

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Climate change and Energy transition

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

The Red Eléctrica Group actively participates in the **energy transition towards a net-zero model**, committing to the electrification of the economy and the efficient integration of renewable energy, through a robust and better interconnected grid, the development and operation of energy storage systems and the promotion of new services and innovative activities that facilitate coordination between the various agents.





International CHALLENGE 1.5°C

ENSURE THAT THE RISE IN TEMPERATURE STAYS BELOW

— according to the Intergovernmental Panel on Climate Change (IPCC) —

CLIMATE CHANGE: A CALL TO ACTION

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The challenge of combating and tackling climate change is a priority on the global agenda. The Paris Agreement, reached at the 21st Conference of the Parties [COP21] in 2015, marked a relevant milestone, and since then, the international community has been working on the development of the mechanisms for its implementation.

The main element of the Agreement is the commitment of the signatory parties to keep the rise of global average temperatures below 2 °C with respect to pre-industrial levels, striving to limit it to 1.5 °C. In 2018, the Intergovernmental Panel on Climate Change [IPCC] published a technical report confirming the urgent need to increase climate change targets to more ambitious levels and work to keep the temperature rise below 1.5 °C. This urgency has been recognised by the international community and increasing the ambition of climate action was one of the central aspects of the last COP26 held in Glasgow in 2021.

The European Green Deal sets out a new strategy to reconcile economic growth with emission reductions, prosperity and social justice. In 2021, the EU adopted the **European Climate Law**, which includes a binding target of **climate neutrality by 2050** and an intermediate target of at least 55% reduction of greenhouse gas emissions by 2030 compared to 1990 levels. In order to implement the necessary changes to achieve these targets, the EU has also adopted the **Fit 55 package**, which contains various legislative proposals aimed at transforming the European economy and society for a sustainable future and which is expected to be approved in the coming years.

In 2021, Spain also approved the **Climate Change and Energy Transition Law**, which includes the targets included in Spain's 'National Energy and Climate Plan [NECP] 2021-2030' and in the 'Long-term strategy for a modern, competitive and climate-neutral Spanish economy by 2050' which is fully aligned with the European targets and the ambition of not exceeding a temperature increase of 1.5 °C.

In all these plans and strategies, the transition towards an **energy model that allows affordable and clean energy** for all is identified as the main vector for achieving the Decarbonisation goal [SDG 7] and the Climate Action goal

[SDG 13]. In this context, the role of the electricity sector is crucial as it facilitates the incorporation of renewable energy into the generation mix and is key to achieving improvements in energy intensity and efficiency values. This fact is fully reflected in the goals adopted by Spain, which include the commitment to achieve an electricity system with at least 74% renewable energy capacity, in order to reach a level of 42% of renewable energy in the generation mix by 2030.

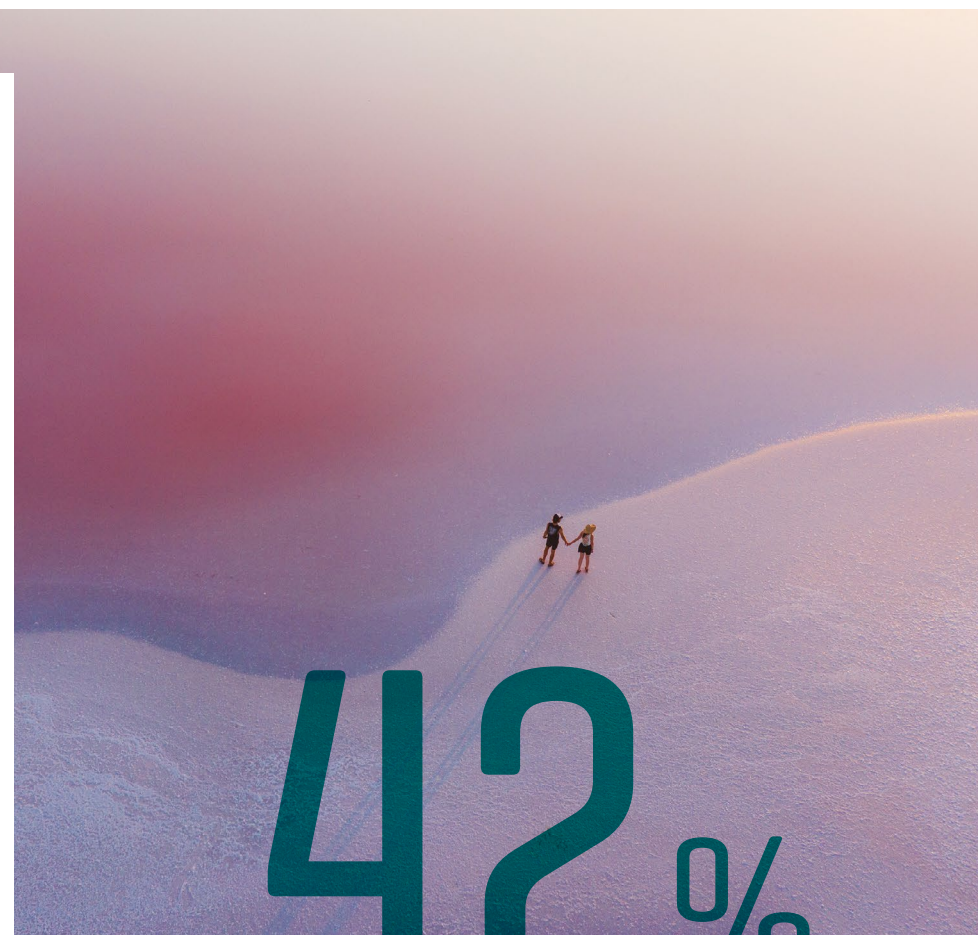
THE COMMITMENT OF THE RED ELÉCTRICA GROUP IN THE FIGHT AGAINST CLIMATE CHANGE

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

This position of the Company is reflected in its 2021-2025 Strategic Plan, which aims to drive the green and digital transformation and whose central pillar is to make the energy transition a reality in Spain, being a key agent for the massive incorporation of renewables into the electricity system.

The elements that will be decisive in order to advance in this transition are the development of a robust, smart and increasingly interconnected transmission grid, the establishment of energy storage systems that maximise the integration of renewables and increase the flexibility, efficiency and security of the system and the incorporation of tools that enable the operation of a more complex, dynamic and digital electricity system of the future.

In addition, since 2011, the Red Eléctrica Group has stated its **voluntary commitment to the fight against climate change**, which is materialised in specific objectives and a **Climate Change Action Plan**.



42%
of renewables

IN THE GENERATION MIX
IS SPAIN'S TARGET FOR 2030

— To meet this target, it is necessary to achieve a 74% share of renewables in electricity —



The Red Eléctrica Group has increased its climate ambition with the updating of its emission reduction targets.

The emission reduction targets have been updated during 2021, in order to increase the Company's climate ambition and align it with the global objective of limiting the increase in average temperature to 1.5 °C.

The Red Eléctrica Group's emission reduction targets for 2030, defined according to the criteria of the Science-Based Target initiative, are the following:

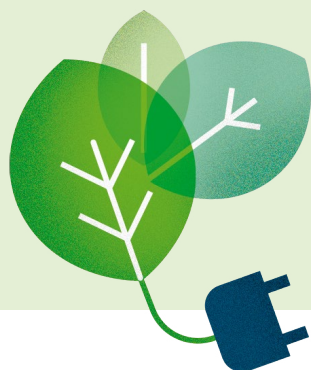
- 55% reduction of Scope 1 and 2 emissions compared to 2019.
- 28% reduction in Scope 3 emissions compared to 2019.
- Suppliers accounting for 2/3 of supply chain emissions need to have science-based targets implemented within five years.

CLIMATE CHANGE ACTION PLAN: COURSES OF ACTION

Contribution to a sustainable energy model

Actions related to the activity of Red Eléctrica as transmission agent and electricity system operator, and which are necessary in order to achieve Spain's National Energy and Climate Plan (NECP) by 2030.

- **Development of infrastructure** to facilitate the electrification of the economy, connect new renewable energy power capacity and provide the power to feed the railway network. Noteworthy is the development of electricity interconnections, both international and between islands, which guarantee supply when dealing with the variability associated with renewable generation. This information is detailed in the *Sustainable*



development of the grid → section of this report.

- Achieve the maximum level of **integration of renewable energy** into the electricity system through the optimisation of system operation and the operation of the Control Centre of Renewable Energies (CECRE), the improvement of generation forecasting tools, the greater integration of distributed generation and the development of energy storage systems that will enable the integration of renewables, while guaranteeing the security of the system. This information is detailed in the *Integration of renewable energy* → section of this report.
- Make progress in the **efficient management of the grid**, promoting technological innovation (smart grids and digitalisation), incorporating new elements and services and applying new flexibility measures. This information is expanded upon in the *'Flexibility of the Electricity System: new tools to serve the needs of the system operator'* → section of this report.

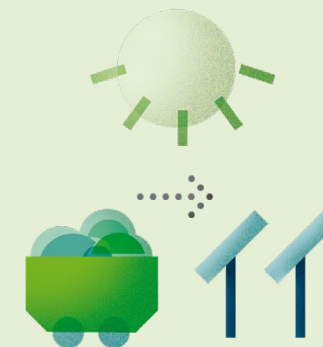
[1] The new targets were submitted for approval in December 2021, but given the new system established by the initiative, formal approval is expected in 2022.

Reducing the carbon footprint

The Company has approved **new emission reduction targets** in line with the criteria of the Science-Based Target initiative (SBTi) [1]. It should be noted that, in addition to increasing the effort to **reduce Scope 1 and 2 emissions**, **Scope 3 emission reduction targets** have been incorporated for the first time.

The main areas of action in order to achieve the targets are:

- Reduction of SF₆ emissions, through leakage control and reduction, the renewal of switchgear and the establishment of measures to limit the growth of installed SF₆ gas.
- Reduction of energy consumption and associated emissions through increased use of renewable energy and the development of energy efficiency measures and a higher level of sustainable mobility.



- Reduction of emissions associated with the supply chain:
 - Development of collaborative programmes aimed at encouraging the setting of reduction targets aligned with SBTi's of suppliers.
 - Consideration of sustainability criteria in purchasing decisions, prioritising the most sustainable supplies and promoting changes that result in a reduction of emissions.
- Offsetting emissions to move towards the Group's carbon neutrality target, mainly through the Red Eléctrica Forest project.

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

CLIMATE CHANGE ACTION PLAN: COURSES OF ACTION



Adaptation to climate change

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

The Company periodically identifies and assesses both **risks and opportunities derived from climate change** and applies various measures defined within the framework of this analysis. Since 2018, the Company has made significant

progress in the implementation of the recommendations of the Task Force on **Climate-related Financial Disclosures (TCFD)**, as a result of carrying out an in-depth review of governance and the process of identifying the risks and opportunities associated with climate change, incorporating the consideration of different scenarios and improving the economic quantification of the same. Information related to this work and the risks and opportunities reviewed is included in the '**Trends and Opportunities**' ↻ and '**Risk Management**' ↻ sections of this report.

The Company's stance and the disclosure of relevant information

The Red Eléctrica Group undertakes to extend its commitment to climate change and to engage its stakeholders in matters related to climate change. The main objective is to **disseminate complete and transparent knowledge regarding the electricity systems and its role in the energy transition**, in addition to promoting different energy efficiency measures.

In 2021, together with seven other European companies, an informative document was published on the **role of Transmission System Operators (TSOs) in the decarbonisation of the energy system**.

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

Since 2018, the Red Eléctrica Group integrates the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



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Sustainable development of the grid

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Key indicators in 2021

390.6 M€ of investment in the transmission grid.

205.8 km of new line circuits and 134 new substation bays.

2021 milestones

Development of the phase of proposals and concerns and the second phase of studies of the 2021-2026 Transmission Grid Planning proposal.

Significant progress made on the Ibiza-Formentera interconnection (27.7 M€), the Caparacena-Baza-Ribina axis (23.2 M€), the Norte-Eastern axis (16.6 M€) and the Lanzarote-Fuerteventura interconnection (11 M€).

Approval of the Environmental Impact Assessment (EIA) for the TESUR 4 project (Peru).

Commissioning of the Centinela substation (Chile).

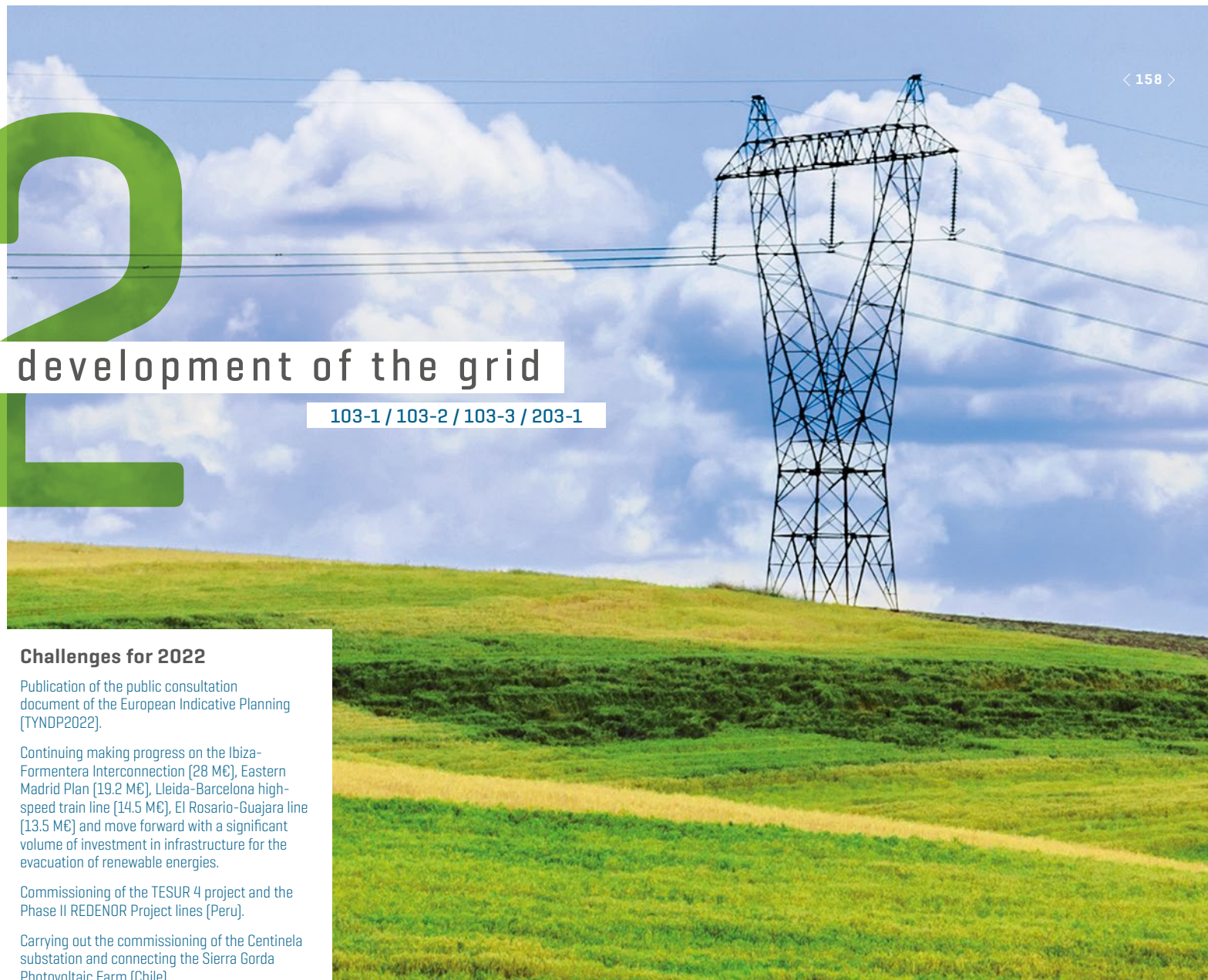
Challenges for 2022

Publication of the public consultation document of the European Indicative Planning (TYNDP2022).

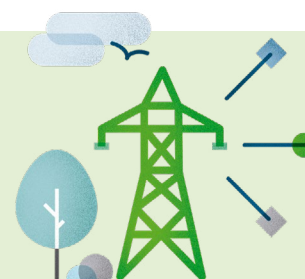
Continuing making progress on the Ibiza-Formentera Interconnection (28 M€), Eastern Madrid Plan (19.2 M€), Lleida-Barcelona high-speed train line (14.5 M€), El Rosario-Guajara line (13.5 M€) and move forward with a significant volume of investment in infrastructure for the evacuation of renewable energies.

Commissioning of the TESUR 4 project and the Phase II REDENOR Project lines (Peru).

Carrying out the commissioning of the Centinela substation and connecting the Sierra Gorda Photovoltaic Farm (Chile).



Cornerstones of the Electricity Transmission Grid Planning



SECURITY OF SUPPLY



ENVIRONMENTAL SUSTAINABILITY



ECONOMIC EFFICIENCY

SUSTAINABLE DEVELOPMENT OF THE GRID EU10

The current infrastructure planning, approved by the Council of Ministers of the Spanish Government in October 2015, covers a period of six years and is binding in nature for Red Eléctrica de España. In July 2018, the Council approved an Amendment of specific aspects of said Planning, and in June 2019 and in April 2021, a set of adaptations of a technical nature.

The **2015-2020 Electricity Grid Planning** includes the projects of new infrastructure of the transmission grid necessary to guarantee the electricity supply nationwide, considering the aspects of economic efficiency and sustainability of the electricity system. In addition, physical, technological and environmental viability have been taken into account in the analyses carried out, prioritising those alternatives that allow a better use of the existing grid. The current Planning in force also includes a non-binding annexe for those facilities considered necessary with a post-2020 horizon, so that the administrative permitting process can begin.

Due to its significant influence on improving the quality and security of the electricity system and the integration of renewable energy, a fundamental

The strengthening of international interconnections and links between islands and with non-mainland systems is an essential aspect of infrastructure planning.

aspect of the 2015-2020 Electricity Planning is the development of interconnections between electricity systems: international interconnections, links between island systems and connections between the Spanish peninsula and the non-peninsular electricity systems.

These projects generate benefits that translate into financial improvements for the system. Thus, after the commissioning in October 2015 of the new direct current cross-border connection between Spain and France (Santa Llogaia-Baixàs), a cumulative saving of 700 million euros has been obtained for the Spanish electricity system in this six-year period, of which 600 million euros correspond to savings in the day-ahead market.

2021-2026 Electricity Grid Planning

In February 2019, the **planning process for the 2021-2026 electricity transmission grid** was launched following the publication of Ministerial Order TEC/212/2019, of 25 February, kicking off the procedure for making proposals for the development of the electricity transmission grid with a 2026 horizon. This Order establishes the guiding principles of this process, which include as new innovative aspects the fulfilment of the commitments set out in the target scenario of Spain's National Energy and Climate Plan (NECP) for 2021-2030, the evacuation of renewable energy in those areas where there are high renewable resources and it is environmentally feasible to operate and manage the infrastructure and transport the energy generated. It also ensures the compatibility of the development of the electricity transmission grid with environmental restrictions.

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

The development of the transmission grid infrastructure included in the planning takes into account the aspects of economic efficiency and sustainability of the electricity system.

and the Demographic Challenge (MITERD), meeting the deadlines that had been established.

After sending the 'Initial Proposal for the development of the transmission grid', the Ministry of Ecological Transition and the Demographic Challenge, as owner and the entity responsible for the planning process, manages the next steps of the process in which the CNMC (Spanish National Markets and Competition Commission) and the 17 Regions (Autonomous Communities) in Spain, in addition to Ceuta, and Melilla participate during the consultation phase in which parties can submit proposals and concerns, pursuant to that established in Royal Decree 1955/2000.

Specifically, between February and April 2021, the Ministry published the **2021-2026 Planning proposal**, accompanied by the strategic environmental study and a non-technical summary of the same for the fulfilment of the hearing process, consultation with the Public Administrations and interested parties affected and publishing public information. Subsequently, between April and June 2021, the System Operator prepared the proposal for the development of the 2021-2026 Planning. Also in June 2021, the CNMC (Spanish National Markets and Competition Commission) published the report on the proposed planning of the electricity transmission grid for the period 2021-2026.



THE INTERCONNECTIONS WITH FRANCE AND PORTUGAL DECLARED AS

PROJECTS OF Common Interest (PCIs)

THE DECLARATION OF A PROJECT AS A PCI GIVES
IT THE STATUS OF A PRIORITY AND STRATEGIC PROJECT

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European indicative planning - ENTSO-E TYNDP – and Projects of Common Interest (PCIs)

Every two years, the European Network of Transmission System Operators for Electricity drafts a non-binding Ten-Year Network Development Plan (TYNDP), which describes the future evolution of the European electricity system.

In September 2021, ENTSO-E published the final draft of the ten-year plan that includes, among other things, an executive report and regional reports corresponding to each of the four main corridors defined by the European Union. Spain is part of the 'NSI West Electricity Corridor' region.

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

Related to the projects considered in the TYNDP, in November 2021, the European Commission adopted the 5th list of Projects of Common Interest (PCIs). These are energy infrastructure projects necessary for the development of priority corridors or areas in the European Union. The declaration of a project as a PCI

gives it the status of a priority and strategic project, making it eligible for certain benefits in order to speed up its commissioning. These projects benefit from improved regulatory conditions, simplified permitting procedures and increased public participation through public consultations, lower administrative costs, the possibility of receiving subsidies for studies and, exceptionally, for the work, and eligibility for special funding under the so-called Connecting Europe Facility. The list adopted in 2021 by the European Commission includes four projects promoted by Red Eléctrica de España together with neighbouring TSOs:

- Interconnection between Aquitaine (France) and the Basque Country (Spain) [Bay of Biscay project].
- Interconnection between Aragon (Spain) and Pyrénées-Atlantiques (France).
- Interconnection between Navarra (Spain) and Landes (France).
- Portugal-Spain interconnection between Beariz-Fontefría (Spain), Fontefría (Spain)-Ponte de Lima (Portugal) and Ponte de Lima-Vila Nova de Famalicão (Portugal), including substations in Beariz (Spain), Fontefría (Spain) and Ponte de Lima (Portugal).

During 2022, this list of PCIs will be submitted to the European Parliament for approval.

Implementation in ENTSO-E of the European Resource Adequacy Assessment (ERAA)

In November 2021, for the first time, ENTSO-E published the report and results of ERAA.

The ERAA is a major step forward in terms of joint coverage analyses of the European interconnected system, compared to previous Mid-Term Adequacy Forecasts.

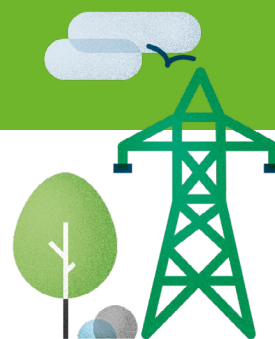
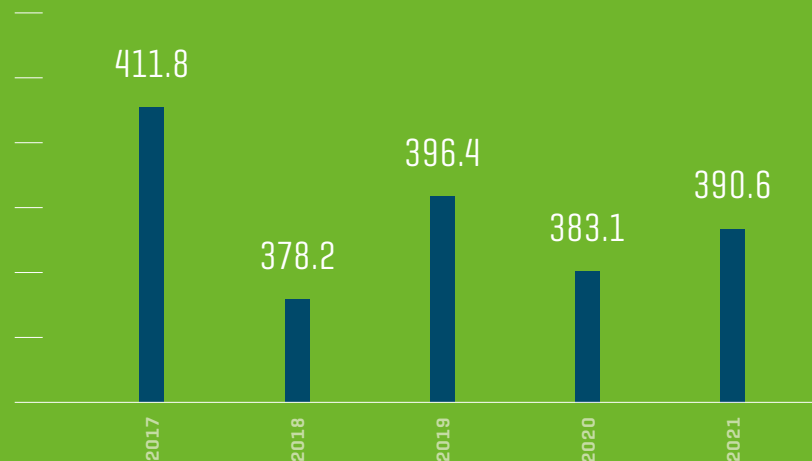
The ERAA analyses how the electricity demand of the next decade can be covered by a system that needs to be increasingly compatible with the decarbonisation targets. This analysis is a fundamental tool for regulators, system operators and other stakeholders to determine the future coverage needs of the European interconnected electricity system. The ERAA analyses will be repeated every year using the most up-to-date generation, demand and flexibility hypotheses.

CONSTRUCTION OF THE TRANSMISSION GRID / EU4

In 2021, investment in the transmission grid was basically allocated to: security of supply, the resolution of technical constraints, the development of interconnections between electricity systems, providing electricity to power the high-speed train and enabling grid access for the evacuation of energy from wind farms.

Throughout 2021, the Company commissioned 205.8 km of new line and 134 new substation bays, and increased the transformer capacity by 850 MVA, with an overall investment in the transmission grid of 390.6 million euros.

→ Investment in the transmission grid / M€



205.8 km
of new line

COMMISSIONED BY RED ELÉCTRICA
DE ESPAÑA IN 2021

In addition to 134 new substation bays

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DEVELOPMENT OF THE TRANSMISSION GRID IN 2021

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Axis	Objective and 2021 actions	Year forecasted for commissioning
Ibiza-Formentera interconnection	Construct the 132 kV underground-submarine transmission line to interconnect the islands of Ibiza and Formentera, thus bolstering the inter-island transmission grid.	Forecasted for 2023
Caletillas-El Rosario	Increase the security of supply and reliability of the transmission grid in the metropolitan area of Santa Cruz de Tenerife, strengthen the transmission grid and reduce its vulnerability to incidents. The El Rosario substation was commissioned in December 2021.	Forecasted for 2024
Caparacena-Baza-Ribina	Facilitate the evacuation of ordinary regime energy, renewable generation, cogeneration and generation from waste, as well as increasing the meshing of the transmission grid, support for distribution and relevant infrastructure. The Caparacena substation was commissioned in March 2021.	Forecasted for 2024
North-Eastern	Improve the evacuation of electricity from Asturias to supply Cantabria and the Basque Country. The actions under construction were the extension of the Itxaso substation, commissioned in September 2021, as well as the Güeñes-Itxaso line.	Forecasted for 2024
Mainland-Balearic Islands	Construct the second 220 kV underground-submarine transmission line to interconnect the mainland [Valencia] with the island of Majorca, thus bolstering the inter-island transmission grid.	Forecasted for post-2025
Viesgo – Eastern Cantabria	Reinforce the 220 kV transmission grid in the area of Cantabria and provide support for the distribution network. The Cicero-Solórzano line was commissioned in 2015 and the Astillero substation in December 2021.	Forecasted for post-2025
Lousame-Tibo-Mazaricos	Strengthen the grid, increase the capacity to evacuate generation and provide support for distribution in the northwest of Galicia. The Mazaricos and Lousame substations were commissioned in 2019, as well as the 220 kV incoming and outgoing lines at the Lousame substation and the commissioning of the Lousame-Mazaricos line in 2021.	Forecasted for 2023

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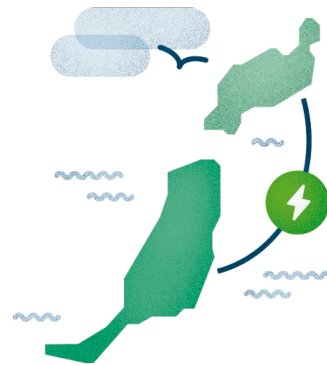
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DEVELOPMENT OF THE TRANSMISSION GRID IN 2021

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Axis	Objective and 2021 actions	Year forecasted for commissioning
Carmonita	Power the high-speed train and facilitate the evacuation of renewable generation. The Carmonita substation was commissioned in October 2021 and the line in December 2021.	Finalised
Oriol	Improve the quality and reliability of supply in the Cáceres area, as well as increase the capacity for the evacuation of hydroelectric generation and increase the capacity of the Spain-Portugal interconnection. Both actions were completed in June 2021.	Finalised
Tintaya Nueva-Azángaro	Strengthen the transmission of existing energy in southern Peru, especially in the areas of Cusco and Puno.	Commercial operation forecasted for 2022
Centinela substation	Improve power distribution, voltage profiles and strengthen the electricity system in the north of Chile to help power the mining companies in the area and for the Antofagasta Region.	Commissioned in August 2021
Enlargement of the Centinela substation and sectioning of the 2 x 220 kV El Cobre-Esperanza Line	Improve power distribution, voltage profiles and strengthen the electricity system in the north of Chile to help power the mining companies in the area and for the Antofagasta Region.	Forecasted for 2023
Connection of the Sierra Gorda Photovoltaic Farm	Integrate the largest photovoltaic plant in Chile into the national electricity system, connecting it to the Centinela substation.	Forecasted for 2022
Enlargement of Nueva Pozo Almonte substation and extension of the: 220 kV Pozo Almonte-Nueva Pozo Almonte line, 220 kV Nueva Pozo Almonte-Cóndores line, 220 kV Nueva Pozo Almonte-Parinacota line	Improve power distribution, voltage profiles and strengthen the electricity system in the north of Chile to help power the mining companies in the area and for the Arica and Iquique Region.	Forecasted for 2022



Lanzarote-Fuerteventura interconnection

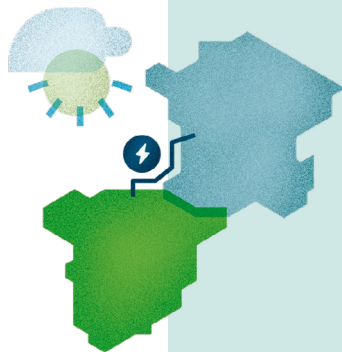
The current Lanzarote-Fuerteventura electricity system is weak and presents a high risk of power outages, and the transmission grid fails to meet basic security of supply criteria.

In view of this situation, a plan has been drawn up to improve the transmission grid, consisting of the creation of a new 132 kV double-circuit Tías-Playa Blanca axis between Macher and Matas Blancas on the island of Lanzarote, as well as a new 132 kV submarine link between the islands.

- **Tías-Playa Blanca axis.** Comprising of the Tías 132/66 kV substation, commissioned in 2020, with 20 substation bays, two transformers and three reactors; the Playa Blanca substation, commissioned in 2019, with 11 substation bays, two transformers and one reactor; and the Tías-Playa Blanca line, planned to be commissioned in 2024, with 28.8 km of overhead line circuit and 6.9 km of underground line circuit.

- **Lanzarote-Fuerteventura interconnection.** This will consist of two underground cable sections of 1.8 km and 0.64 km on the islands of Lanzarote and Fuerteventura, respectively, and a 14.5 km submarine link. The interconnection will involve a single high voltage alternating current circuit with a power of 120 MVA and a voltage of 132 kV. This new interconnection will bolster the existing 66 kV alternating current link between the two islands commissioned in 2005. Currently, both islands have an electricity system that jointly has 476 MW of conventional and renewable installed power capacity, and this new line will enable this capacity to be taken full advantage of. The commissioning of this interconnection is scheduled for 2022.

Interconnection with France across the Bay of Biscay



The purpose of this new interconnection with France [currently undergoing marine studies as well as technical and environmental studies] responds to the need to continue increasing the interconnection capacity with Europe, in order to achieve the European energy targets that allow access to clean, competitive and safe energy for all citizens.

The project consists of a **submarine double link in direct current** which is 393 km in length, of which 300 km are submarine, and which has a power capacity of 2,000 MW. With this project, whose commissioning is scheduled for 2027, the electricity exchange capacity with the European electricity system will be raised to 5,000 MW.

The project is currently in the phase prior to the start of construction works, focused on archaeological studies in French waters and other technical and environmental studies necessary for the administrative processing of the project. In parallel, the public information period began in 2021.

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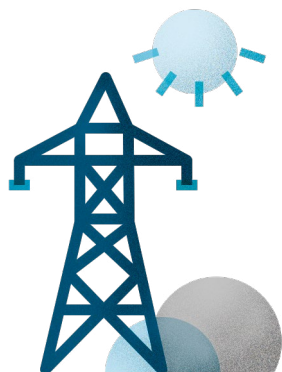
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→ Peninsular and non-peninsular transmission grids

km of 400 kV line

km of 220 kV line

km of 150-132-110 kV line

km of <110 kV line

Total km of line circuit

400 kV substation bays

220 kV substation bays

150-132-110 kV substation bays

<110 kV substation bays

Total substation bays

Transformer capacity [MVA]

Provisional data pending audit - in progress.

	2019	2020	2021 ⁽¹⁾
km of 400 kV line	21,748	21,764	21,768
km of 220 kV line	19,853	19,886	20,068
km of 150-132-110 kV line	697	753	753
km of <110 kV line	2,067	2,078	2,098
Total km of line circuit	44,365	44,482	44,687
400 kV substation bays	1,538	1,549	1,591
220 kV substation bays	3,340	3,319	3,376
150-132-110 kV substation bays	151	151	159
<110 kV substation bays	922	951	978
Total substation bays	5,951	5,970	6,104
Transformer capacity [MVA]	91,591	93,021	93,871

→ Kilometres of line circuit

Overhead lines [km]

Submarine cable [km]

Underground cable [km]

Total

	Spanish peninsula	Balearic Islands	Canary Islands	Total
Overhead lines [km]	40,348	1,113	1,237	42,698
Submarine cable [km]	265	582	30	877
Underground cable [km]	596	206	311	1,113
Total	41,208	1,901	1,578	44,687

Provisional data pending audit - in progress.



MAINTENANCE OF THE TRANSMISSION GRID

The mission of Red Eléctrica de España is to guarantee that the facilities of the transmission grid are always in optimum condition, in terms of availability and reliability, through the application of **sustainable, efficient and safe maintenance policies**. To do this, the Company annually establishes a maintenance programme, which includes all the activities and resources necessary to guarantee the security and continuity of the electricity supply.

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NOTEWORTHY MAINTENANCE ACTIONS IN 2021

MANINT

Deployment of the new asset management model in the Company, based on the new maintenance strategies aimed at asset risk management, which eliminates the traditional approach of frequent maintenance. In 2021, the correct operation of the platform was verified, training sessions were given both in the head office and in regional offices, and the algorithms defined together with the new process were validated. In addition, the planning of part of the maintenance activity for 2022 has been configured with a holistic and optimised vision, and the deactivation of maintenance plans in SAP has begun.

SIMON

Continued deployment of the comprehensive asset monitoring system (SIMON), together with the management of the first results obtained from the integrated substations in 2020. The capacity to capture real-time data on the status and condition of substation equipment has been increased, enabling the Centre for Comprehensive Maintenance of Facilities (CMI2) for the early and accurate detection of potential faults, providing relevant information on the equipment to optimise its maintenance.

Remote maintenance

Integration of new remote maintenance procedures in protection devices, remote control equipment, off-grid diesel generators and rectifiers, in order to reduce the need for personnel to travel to the facilities, with the consequent reduction of the associated electrical risk and the reduction of CO₂ emissions. In addition, the capacity for remote resolution of faults has been improved, thus reducing response times to incidents in the transmission grid.

Use of remote-controlled aerial drones

Progress made in the use of remote-controlled aerial drones for the inspection of lines, which will result in improvements in terms of occupational health and safety as it will not be necessary to climb the towers, this will also make the inspections more efficient and with better results in terms of the quality of the data obtained.

VEGETA

Start of the annual implementation of the VEGETA project for the cyclic management and control of vegetation in seven regional areas, generating the pertinent documentation regarding the implementation of the cyclical vegetation measures applied.

DAS technology

Continuation of the identification of new potential uses for Distributed Acoustic Sensing (DAS) technology related to the appearance of changes in the environment surrounding the cable (protection devices, terrain, sea currents, etc.). Tests have also been carried out to detect potential external aggressive actions on the cables such as being dragged by a ship's anchor/fishing nets in deep water and collisions involving divers in shallow water.

SERVICE QUALITY

EU28 / EU29

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

→ Service quality indicators

Peninsular Transmission Grid

Grid availability [%]

Energy Not Supplied [ENS] [MWh]

Average Interruption Time [AIT] [minutes]

Balearic Islands Transmission Grid

Grid availability [%]

Energy Not Supplied [ENS] [MWh]

Average Interruption Time [AIT] [minutes]

Canary Islands Transmission Grid

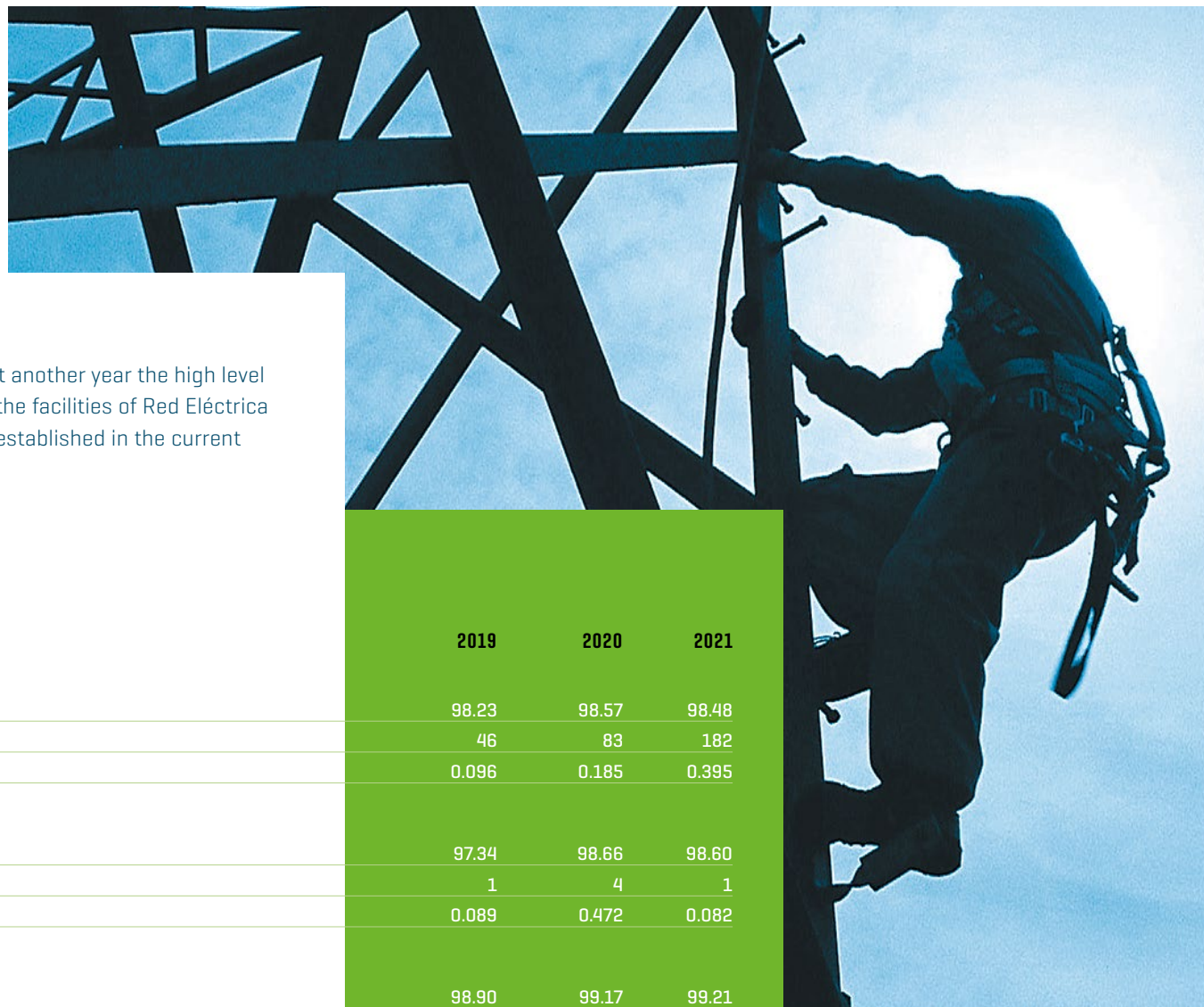
Grid availability [%]

Energy Not Supplied [ENS] [MWh]

Average Interruption Time [AIT] [minutes]

Provisional data pending audit - in progress.

	2019	2020	2021
Grid availability [%]	98.23	98.57	98.48
Energy Not Supplied [ENS] [MWh]	46	83	182
Average Interruption Time [AIT] [minutes]	0.096	0.185	0.395
Grid availability [%]	97.34	98.66	98.60
Energy Not Supplied [ENS] [MWh]	1	4	1
Average Interruption Time [AIT] [minutes]	0.089	0.472	0.082
Grid availability [%]	98.90	99.17	99.21
Energy Not Supplied [ENS] [MWh]	2,626	65	33
Average Interruption Time [AIT] [minutes]	155.517	4.285	2.118



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E.3

Integration of renewable energy

Key indicators in 2021

63.3 GW of installed renewable power capacity in the national electricity system [56.4% of total installed capacity].

48.4% of energy production from renewable sources in the mainland electricity system.

19.9% of energy production from renewable sources in the Canary Islands' electricity system.

6% of energy production from renewable sources in the Balearic Islands' electricity system.

2021 milestones

New all-time record highs for instantaneous power, hourly energy, daily energy, coverage of instantaneous demand in the mainland electricity system using energy produced using wind and solar technologies.

New all-time record highs for instantaneous power, hourly energy and coverage of demand with photovoltaic energy production in the Balearic Islands' electricity system.

New all-time record highs for instantaneous power, hourly energy and coverage of demand with wind energy production in the Canary Islands' electricity system.

All-time lows in the production of energy from coal-fired power stations.

Challenges for 2022

Start of construction and earth-moving works regarding the high-voltage overhead line and adaptation works for the Santa Águeda substation [Salto de Chira pumped storage hydroelectric power station].



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

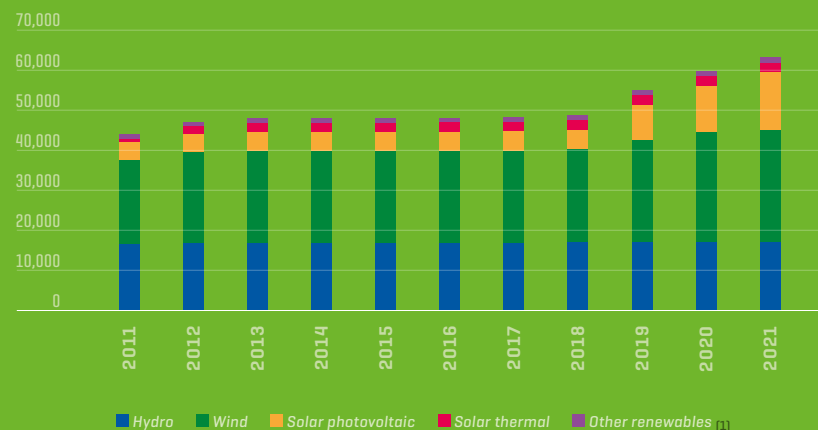
INTEGRATION OF RENEWABLE ENERGY

In recent years, Red Eléctrica de España has successfully taken on the challenge of integrating a large amount of new renewable capacity, as a result of the 2017 renewable auctions carried out by the Ministry of Ecological Transition and the Demographic Challenge [MITERD]. Installed renewable power capacity in the Spanish electricity system increased by 6.4 GW in 2019, and 4.8% in 2020. Similarly, in 2021, the **installed renewable power capacity increased by an additional 3.4 GW**, bringing the total installed renewable power capacity in the Spanish electricity system to 63.3 GW, which represents 56.4% of the overall installed power capacity nationwide.

The integration of this new renewable power capacity, mostly wind and photovoltaic, means a strong boost to the energy transition and compliance with the integration path set out in Spain's National Energy and Climate Plan [NECP], with a 2030 horizon.

In order to facilitate the integration of renewable energy, Red Eléctrica de España has made all the necessary resources available for this process, including the deployment of actions from the System Operation and

→ Evolution of installed renewable power capacity / MW



(1) Includes biogas, biomass, geothermal, marine hydro, wind-hydro and renewable waste-to-energy generation.

The efforts made by Red Eléctrica de España to integrate renewable energy into the Spanish electricity system have made it possible to reach a total of 63.3 GW of installed power capacity coming from renewable energy sources, 56.4% of the overall installed power capacity nationwide.



→ Record all-time high values in the peninsular system in 2021

	Photovoltaic generation	Wind energy generation
Instantaneous power	9,337MW [14/05/2021 at 2:34 p.m.]	20,130 MW [08/12/2021 at 1:34 p.m.]
Hourly energy	9,283 MWh [14/05/2021 at 3:00 p.m.]	19,899 MWh [08/12/2021 at 2:00 p.m.]
Daily energy	88,017 MWh [06/05/2021]	415,981 MWh [08/12/2021]
Instantaneous demand coverage	36.8 % [06/06/2021 at 4:06 p.m.]	83.6 % [28/12/2021 at 3:03 a.m.]
Monthly demand coverage	-	-

Transmission areas of the Company, to enable access and connection while always complying with the technical and administrative requirements established in the current legal system.

Peninsular electricity system

To make the operation of an electricity system possible, under safe conditions, with such a high penetration of renewable energy, the monitoring and control tasks undertaken by the **Control Centre**

of Renewable Energies (CECRE) of the Red Eléctrica Group is key. In 2021, the CECRE celebrated its 15th anniversary since it was launched, and today it continues to be a pioneering control centre of worldwide reference for the integration of renewable energy.

The work of the CECRE has made it possible for **new record highs** to be recorded in 2021 for instantaneous power, hourly energy and daily energy and coverage of instantaneous demand with both wind and photovoltaic production.

15 years later, the Control Centre of Renewable Energies (CECRE) continues to be a pioneering control centre of worldwide reference for the integration of renewable energy.

In line with previous years, it is worth highlighting the significant contribution of wind generation, whose contribution to total energy production reached 23.6%, which ranks this technology in first place in terms of the share of the different types of energy in demand coverage. Similarly, in the months of January, February, March, May, November and December 2021, wind power generation was the technology with the greatest contribution to the total energy production of the peninsular electricity system, reaching 30.1%, 30.7%, 26.1%, 23.7%, 28.8% and 29.8%, respectively.

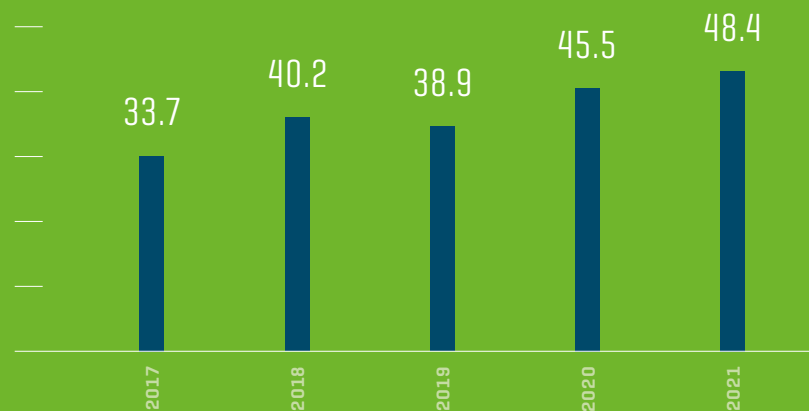
The increase in the contribution of renewable generation to help cover the demand of the electricity system entails a decrease in the generation of energy from fossil fuels. In this regard, noteworthy is the drop in energy generation from coal-fired power stations. The average contribution of these facilities has remained below 3.2% of total energy mix during 2021, falling to an all-time low of 0.9% in February. This fact contributes to the reduction of CO₂ emissions and marks a step forward along the path to achieving decarbonisation targets. From 2015 to the present, CO₂ emissions associated with national electricity generation have been reduced by more than half, from 77.6 million t CO₂ eq. in 2015 to 36.0 million t CO₂ eq. in 2021.

Balearic Islands electricity system

The energy transferred from the Spanish mainland to the Balearic archipelago through the HVDC link helped cover 16% of the overall annual demand of the Balearic Islands in 2021 and reached peaks of up to 37% of hourly



→ Renewable energy generation on the Spanish peninsula / % ^[1]

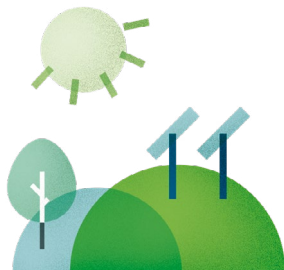


[1] Includes: hydro, wind, solar photovoltaic, solar thermal, other renewable and renewable waste-to-energy generation.

48.4%

OF THE TOTAL ENERGY DEMANDED
IN THE PENINSULAR ELECTRICITY SYSTEM

was generated using
renewable sources



consumption, which has made it possible for renewable generation to cover 13% of the demand on the Islands.

In 2021, the production of electricity from coal-fired generation reached an all-time low of 53 GWh, which covered just 1% of the demand, this was due to the permanent decommissioning of the generation units (G1 and G2) and the restriction in the use of the G3 and G4 generation units in the Alcudia II thermal power station to 1,500 hours up to 16 August and 500 hours as of 17 August until 31 December.

The installed solar photovoltaic generation capacity in the Balearic Islands grew from 103 MW at the end of 2020 to 149 MW in 2021, representing an increase of 45% over the year, the largest increase in renewable installed capacity in recent years.

→ Record all-time high values in the Balearic Islands system in 2021

	Photovoltaic generation	Wind energy generation
Instantaneous power	105.97 MW [11/10/2021 at 1:37 p.m.]	127.10 MW [28/08/2021 at 1:50 p.m.]
Hourly energy	102.66 MWh [11/05/2021 at 2:00 p.m.]	
Daily energy	807.56 MWh [12/05/2021]	
Monthly demand coverage	19.1% [16/05/21 at 3:10 p.m.]	20.9% [08/05/21 at 3:15 p.m.]



THE MONTHLY INTEGRATION of renewable energy ON THE ISLAND OF EL HIERRO REACHED 51%

for the year as a whole. Thanks to the continuous revision of the criteria regarding system operation on the island

→ Record all-time high values in the Canary Islands system in 2021

Canary Islands electricity system

The installed wind energy power capacity on the Canary Islands has increased over the last year from 458 MW to 571 MW, which represents an increase of 24.7%, while generation from renewable sources in the Canary Islands generation mix has represented 19.9% of the total, 2.7% more than in 2020. This relevant increase in installed renewable power capacity on the Canary Islands, wind power in particular, has led to a review of the operating criteria of its systems, in order to ensure the integration of energy under safe conditions for the Canary Islands electricity system as a whole.

Instantaneous
wind energy

Hourly wind
energy

Daily wind energy

Hourly
renewable energy

Instantaneous demand coverage
with renewables

Gran Canaria

197.57 MW
[06/11/2021 at 3:33 p.m.]

186.4 MWh
[28/09/2021 at 9:00 p.m.]

3,949.9 MWh [09/09/2021]

212.9 MWh
[28/06/2021 at 2:00 p.m.]

59.7%
[23/05/2021 at 3:30 p.m.]

Tenerife

208.60 MW
[09/12/2021 at 6:00 p.m.]

204.25 MWh
[10/12/2021 at 11:00 a.m.]

4,322.5 MWh [10/12/2021]

275.5 MWh
[10/12/2021 at 1:00 p.m.]

69.8%
[19/05/2021 at 10:50 a.m.]

Lanzarote-Fuerteventura

70.4 MW
[23/07/2021 at 4:27 p.m.]

64.84 MWh
[09/12/2021 at 7:00 p.m.]

1,150.4 MWh [23/07/2021]

76.33 MWh
[23/07/2021 at 2:00 p.m.]

43.6%
[23/07/2021 at 10:50 a.m.]

For the island of El Hierro, an electricity system that is particularly relevant due to the Gorona del Viento hydro-wind power station, the continuous review of its operating criteria has enabled it to achieve even higher levels of renewable integration. In this regard, in July, the integration of renewable into this system reached 81% for the month, achieving a level of 51% for the year as a whole.

ENERGY STORAGE

Red Eléctrica de España, pursuant to Law 17/2013, is the company responsible for developing energy storage projects through pumped storage hydroelectric power stations whose main purpose is to guarantee supply, system security and the integration of non-manageable renewable energy in isolated electricity systems.

The Salto de Chira pumped storage hydroelectric power station (Gran Canaria, Spain)

The **Salto de Chira** project is a key element in promoting the energy transition in the Canary Islands and enables progress to be made towards a new, safer, more efficient, decarbonised and environmentally friendly energy model.

The **Salto de Chira** pumped storage hydroelectric power station, located on the island of Gran Canaria, was designed by Red Eléctrica de España and entails the construction of a power station capable of maximising the integration of stored renewable energy into the electricity system. This will be accomplished by pumping water that is held in a water reservoir downstream back up to the upper reservoir so that it can be used to generate electricity at a later stage. Therefore, it will be possible to use this pumped storage hydro capacity at times when there are lower levels of generation from other renewable sources, and consequently, avoid or reduce the need to use non-renewable sources to cover demand.

This power station will go one step further as, in addition to its capacity to store a large amount of renewable hydro energy and its flexibility and frequency regulation capacity, it will also be able to meet the objectives that led to its design: the integration of renewable energy, the security of the system and the guarantee of supply.

With an investment of over 400 million euros, Red Eléctrica de España will undertake the construction of a 200 MW pumped storage hydroelectric power station. This represents around 36 % of the peak demand in Gran Canaria.

With an investment of over 400 million euros, the Salto de Chira pumped storage hydroelectric power station will have 200 megawatts of turbine power capacity [which represents around 36% of the peak demand in Gran Canaria] and 3.5 GWh of energy storage capacity. The project includes the construction of a seawater desalination plant, and the associated marine construction works, as well as the facilities necessary for its connection to the transmission grid.

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

The year 2021 has seen a milestone in the development of the project, as once the **Environmental Impact Statement (EIS)** had been obtained, which has taken into

→ Benefits of the Salto de Chira pumped storage hydroelectric power station ⁺ⁱ

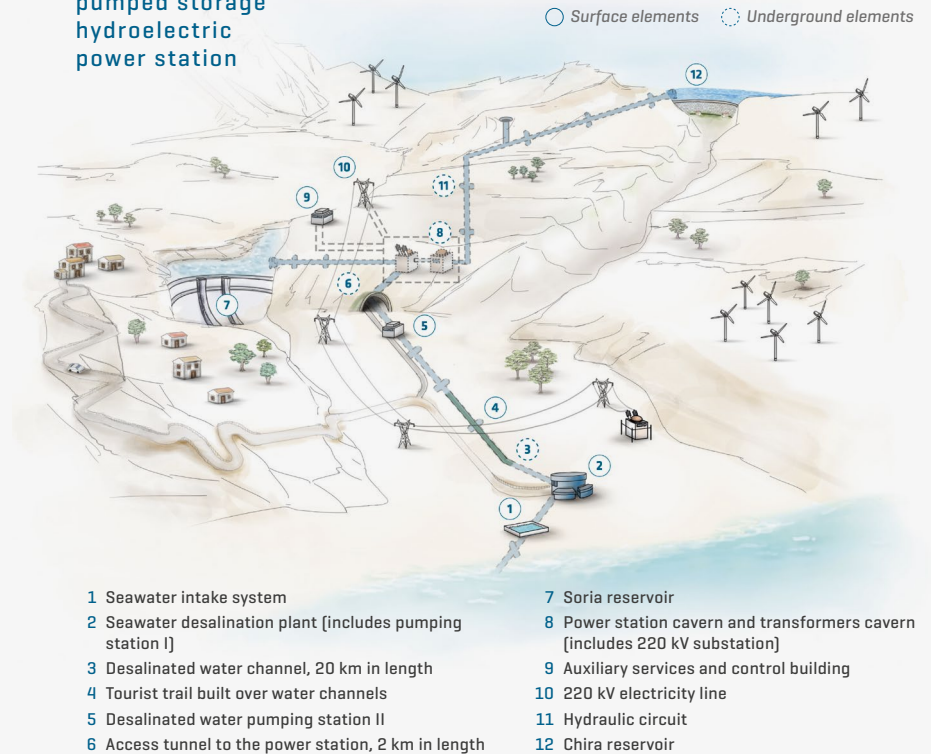
account the strict environmental criteria adopted in the design phase, in addition to all the rest of the relevant permits, the preliminary and implementation works for the construction of the seawater desalination plant have begun.

The processing and subsequent issuance of the EIS and the terms under which this statement has been drafted constitutes an endorsement of the Red Eléctrica Group's commitment towards the Canary Islands society regarding sustainable development, respect for the environment and the conservation of biodiversity as priority axes adopted in the design of the project.

With an execution period of 70 months, 2022 is a key year in the development of the project, as in addition to the progress of the construction works of the seawater desalination plant and the launch of the associated works, the awarding of the main contracts for the project and the construction of the high-voltage overhead line will take place.

- *Increased integration of renewable energy.*
- *Reduction of Greenhouse Gases [GHGs]*
- *Greater guarantee of supply*
- *Heightened system security*
- *Improved energy independence and cost savings*
- *Reduction of the pressure/stress on hydro*
- *Reduction of the digital divide*

Key elements of the Salto de Chira pumped storage hydroelectric power station



Salto de Chira, an innovative project

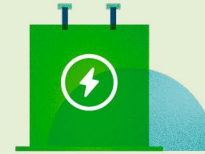
The design and modelling of the Salto de Chira pumped storage hydroelectric power station is carried out using **Virtual Design & Construction [VDC] technology**. This technology uses five dimensions, the three spatial, plus time and cost, and allows the optimisation of the design and construction processes,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

The Salto de Chira pumped storage hydroelectric power station in figures

In the last quarter of 2021, the preliminary works began for the construction of the Salto de Chira power station.

51 %
Penetration of renewable energy by 2026

3.5 GWh
Energy storage capacity



200 MW
Turbine power capacity



Over 20 %
reduction of CO₂ emissions



More than
100,000
hours of engineering work



2.7 Million m³
Desalinated water produced annually



4,366
Jobs created at an international level



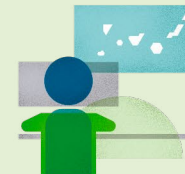
122 M€
Savings in variable generation costs



> 400 M€
Planned investment



3,518
Jobs created in the Canary Islands



1.2 %
of the Canary Islands GDP



From a sustainability point of view, due to the virtual modelling technology used, adjustments can be made to the design taking into account the true on-site requirements, thus enabling the Company to reduce the volume of paper used for updated printed project documentation.

Additionally, the use of virtual reality for the design process enables the optimal usage of construction site locations and allows the geometries of the site to be adjusted, integrating them into the landscape and minimising the visual impacts of the power station, reducing effects on the environment and on the archaeological and ethnological heritage of the island of Gran Canaria.

From an occupational health and safety point of view, most accidents in construction are due to decisions made at the design stage. The VDC methodology underpins this idea, incorporating preventive measures from the design stage, immediately generating awareness of the hazards during the various stages of a project and associating the preventive measures that can be implemented in each case. A good implementation of health and safety aspects in VDC allows for a virtual construction of the building, facilitating the detection, elimination and/or minimisation of risks to people generated in the life cycle of the project [design, construction, maintenance and demolition].

Technically, Salto de Chira entails an innovative engineering project that incorporates reversible pumped storage hydro turbine units, synchronous machines, electronic power converters, hydraulic short-circuit scheme and an equipment control system that provides the project with greater flexibility and performance.

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

The criteria adopted in the design of the Salto de Chira pumped storage hydroelectric power station contribute to reinforcing the commitment to innovation of the Red Eléctrica Group.

Another innovative aspect of the power station project is the incorporation of sustainability criteria as of the earliest design phases. An example of this is the design of the main control building in accordance with LEED Platinum certification criteria. This certificate, based on scientific standards, rewards the use of sustainable strategies in all construction processes of the building, from the suitability of the site to the efficient use of water and energy, the selection of sustainable materials and the environmental quality standards used within the premises of the facility.

Other energy storage projects

With the same objective of incorporating new energy storage technologies to integrate renewable energy, guarantee the supply and security of the system, Red Eléctrica has undertaken relevant projects in this field. Among these noteworthy is OSMOSE. This European H2020 project aims to identify and develop the optimal combination of flexibility for the European electricity system in order to facilitate the energy transition. The project is in the process of developing four large-scale demonstrators in Spain [Canary Islands electricity system] to analyse the hybridisation of different energy storage technologies.

The project is in the validation phase of a prototype demonstrator of a hybrid energy storage device and its associated controls.

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Flexibility of the Electricity System: new tools to serve the needs of the system operator

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Key indicators in 2021

27 R&D projects underway, aimed at improving the tools for system operation.

16 suppliers subscribed to the interruptible load service in the Canary Islands' electricity systems.

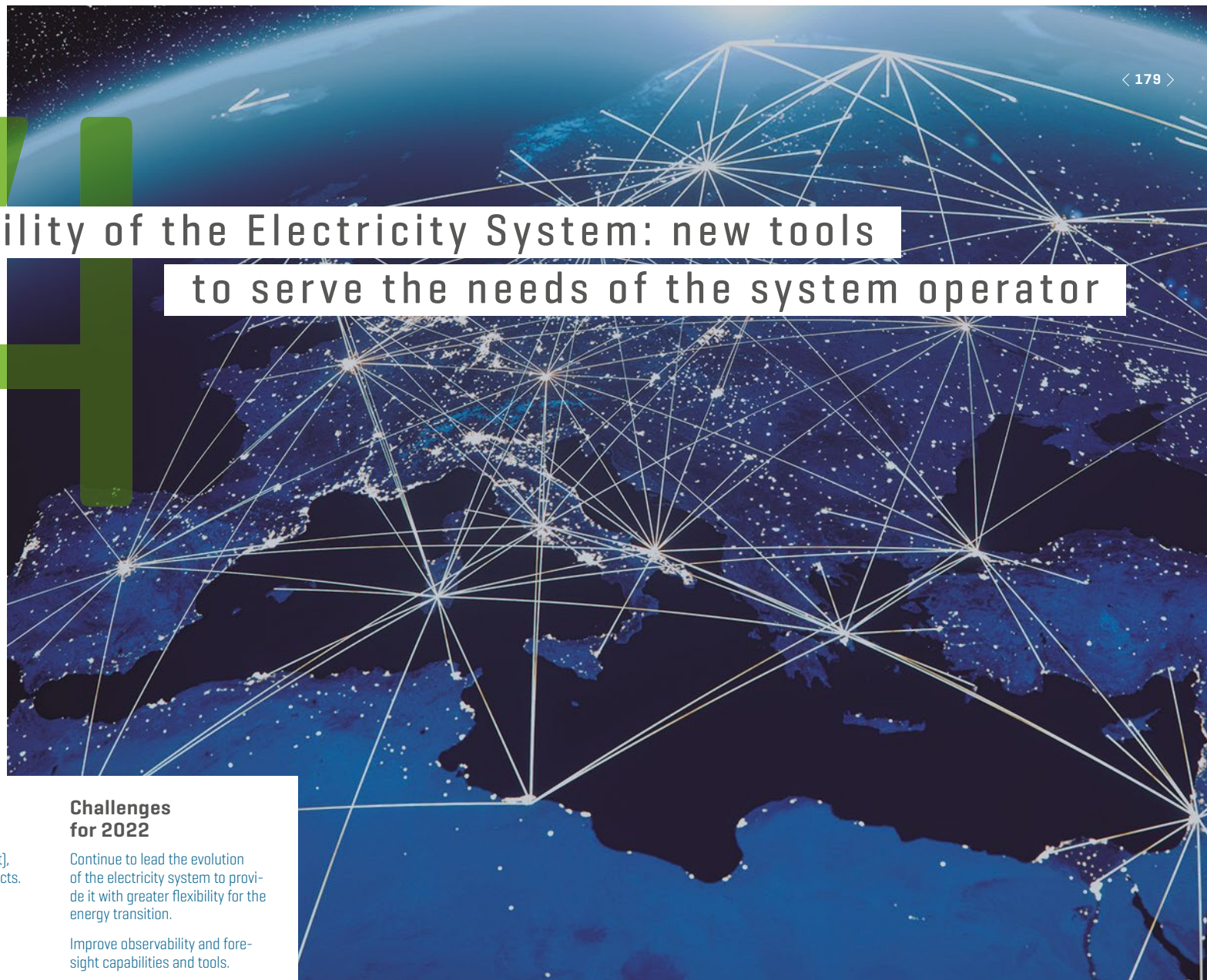
2021 milestones

DLR (Strategic Foresight), ENIGMA and RITSE projects.

Challenges for 2022

Continue to lead the evolution of the electricity system to provide it with greater flexibility for the energy transition.

Improve observability and foresight capabilities and tools.



The Red Eléctrica Group continues working actively on the promotion, development and dissemination of initiatives that enable the current operation of the electricity system to move forward by providing it with greater intelligence to make the energy transition possible. The new energy model is characterised by a high presence of renewables and, therefore, greater variability in the generation that will be balanced through the use of new flexible resources in all the elements of the electricity system [generation, demand and energy storage] in order to achieve this goal.

MAKING THE TRANSFORMATION TOWARDS A MORE FLEXIBLE OPERATION OF THE ELECTRICITY SYSTEM

The new tools for the operation of the system, based on **digitalisation** and the use of **emerging technologies**, will allow greater integration of renewable energy and an improvement in efficiency, facilitating the energy transition and the fulfilment of the targets established in these matters aimed at reversing the process of climate change.

The following details the set of initiatives in which the system operator is involved, which will seek to improve demand forecasting, grid planning, controllability of the system and the provision and management of greater information to favour its operation.

ACTIVE DEMAND-SIDE MANAGEMENT

Balancing Services

During 2021, Red Eléctrica de España has continued the line of work initiated in 2019 to allow the participation of demand and energy storage in the balancing services. The process was concluded following the approval in December 2019

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MAIN INITIATIVES IN 2021

Quijote

A new initiative that will enable, through the scheduling of automatic actions, including the automatic reduction of power of the generation facilities, to quickly solve possible violations of the safety criteria and reduce constraints on generation.

VoltaiREE

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

CECOPMU (phasor measurement in the control centres)

Advanced monitoring of the electricity system from the control centre thanks to a measurement system with synchrophasor technology that allows the main electrical magnitudes (voltage, intensity and frequency) to be monitored, thus providing a real-time vision of the state of the electricity system and enabling the operation of an electricity system with a greater presence of renewable energy.

DLR project: Strategic foresight

Analysis of different approaches for future forecasting of overhead transmission line capacity. This solution will support and extend the use of DLR in real time.

CITRIS

The study compared different alternatives: commercial solutions [Enline], academic solutions [WIND3D-ULPGC] and Red Eléctrica's own developments [using interpolations and machine learning techniques]. Project to develop a system for real-time calculation of inertia in electrically isolated systems.

Continued on next page

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of the Terms & Conditions related to balancing and after getting the go-ahead in December 2020 to take the necessary actions to adapt the Operating Procedures in the field of scheduling, balancing services, settlement and metering. As a result, demand-side management can, as of 26 January 2021, participate in system balancing services, also with aggregation via the commercial agent.

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

Interruptible load service

Order IET/2013/2013, of 31 October 2013, introduced the incorporation of a new allocation mechanism for the interruptible load demand-side management service [interruptibility] based on an auction procedure. During 2021, no auctions for the provision of the Interruptible Load Service have been conducted following

HESSTEC INERTIA +

Analysis of the Intelligent Node Management System [InMS] that enables optimisation in the operation of Hybrid Energy Storage Systems [HES], operating jointly with renewable sources, in scenarios with a high penetration of these, to provide a mix of services, prioritising the functionality of Grid Forming Converters [GFC]. This system will be based on the analysis of the joint operation of renewable power stations with hybrid systems.

HESSTEC RES +

Analysis and characterisation of the InMS, operating on a hybrid energy storage system, to support the integration of renewables into the grid. This system will be based on the retrofit of existing renewable generation power stations, combining HESSTec's energy storage and management technology [InMS].

ENIGMA

Study on the implementation of optimisation and reinforced learning techniques for power-frequency controls of generators connected to the grid through new power electronic converters on the island of Gran Canaria.

RITSE

Innovative control systems to improve the transient and small-signal stability of the electricity system, acting on the behaviour of HVDC-VSC [DVAC] links, battery storage systems [BATTERTIA - Battery Grid Interface for Improved Transient Stability] and the correct coordination of both [DVAC+BATTERTIA].

Controls for operators Grid Forming Converters

Acquisition of the knowledge and tools necessary to carry out safety studies of electricity systems, with a penetration of almost 100 % of generation based on electronic converters. Under these conditions, the requirements for the converters connected to the grid will be analysed so that they behave as Grid Forming Converters.

this framework, therefore the service has not had active providers in the peninsular system since 1 July 2020.

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

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6.5

Reduction of the carbon footprint

103-1 / 103-2 / 103-3

Key indicators in 2021

670,163 tCO₂eq Scope 1 and 2 emissions.

80.6% of electricity consumed is generated from renewable sources.

43% reduction in Scope 1 and 2 emissions compared to 2015 and 18% compared to 2019.

2021 milestones

Update of Scope 1 and 2 emission reduction targets.

Definition of Scope 3 emission reduction targets.

Definition of a new Action Plan to fight climate change.

Challenges for 2022

Define the neutralisation and compensation strategy, towards net zero.

Develop renewable energy installations for self-consumption in work centres.

Awards and recognition

Recognised as a CDP Supplier Engagement Leader 2021.



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

In 2018, the Science-Based Target initiative [SBTi] approved the emissions reduction targets of the Red Eléctrica Group; targets which responded to a level of ambition needed to limit the increase in global warming to no more than 2°C. Therefore, the Company undertook the commitment to reduce Scope 1 and 2 emissions per MWh transported by 40% in 2030, compared to 2015, which in absolute terms, was equivalent to a 30% reduction in emissions for the same year

In 2021, the Group defined its **new emission reduction targets**, approved by the Board of Directors, with a high level of ambition and focused on climate neutrality. Specifically, for 2030, a Scope 1+2 emissions reduction target of 55% compared to 2019 was approved, in line with the global objective of limiting the increase in temperature to 1.5 °C. Notably, a net reduction of 28% of Scope 3 emissions by 2030 compared to 2019 levels has been defined for the first time. Both targets meet the criteria and have been submitted to the SBTi initiative and are expected to be approved in the second half of 2022.



The Board of Directors approved the Group's new 2030 targets, which set a commitment to reduce Scope 1 and 2 emissions by 55% and Scope 3 emissions by 28% compared to 2019 levels, in line with the global objective of limiting the temperature increase to 1.5°C.

In order to incorporate the actions and projects necessary to achieve these new goals, a new **Climate Change Action Plan** was defined and approved in 2021.

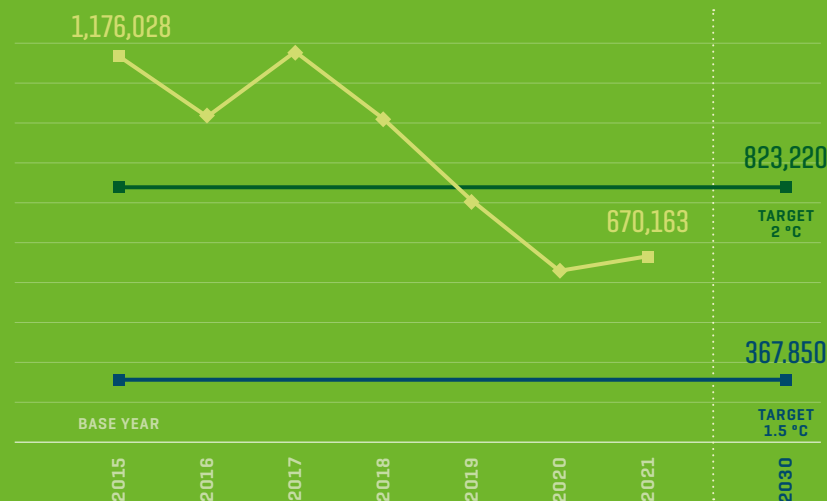
Throughout this section, we present the main courses of action foreseen by the Company for the coming years that are included in the Action Plan. Also detailed are the main efforts carried out and progress made in each area of action.

CALCULATION OF THE CARBON FOOTPRINT

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

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

→ Greenhouse Gas Emissions (Scope 1 & 2) / t CO₂ eq



Note: The percentage reduction of the 2030 target refers to 2019 levels, recalculated to take into account the emissions of the entire Group.



In 2021, a new Climate CHANGE ACTION PLAN

WAS DEFINED AND APPROVED

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

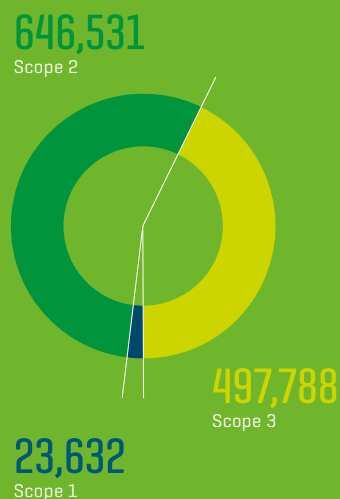
[1] Scope of the data.

Spain includes REE (Red Eléctrica de España S.A.U.), REC (Red Eléctrica Corporación S.A.), REI (Red Eléctrica Internacional), REINCAN (Red Eléctrica Infraestructuras en Canarias), REINTEL (Red Eléctrica Sistemas de Telecomunicaciones) and Elewit.

LATAM includes the companies in Peru (REA, REDESUR, TESUR, TESUR 2, TESUR 3, TESUR 4, REDENOR and CCNCM) and in Chile (RECH, REDENOR, REDENOR 2).

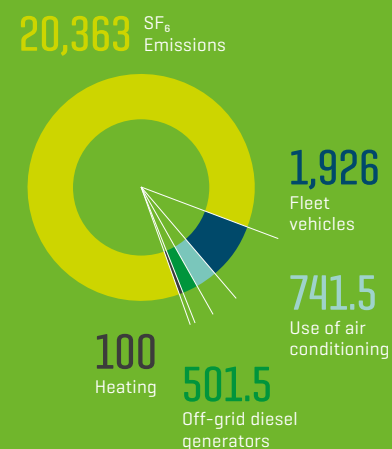
HISPASAT mainly includes HISPASAT, S.A. and Hispamar Satélites, S.A. (Brazil).

→ Emissions of the Red Eléctrica Group / t CO₂ eq



→ Emissions by type of source / t CO₂ eq [1]

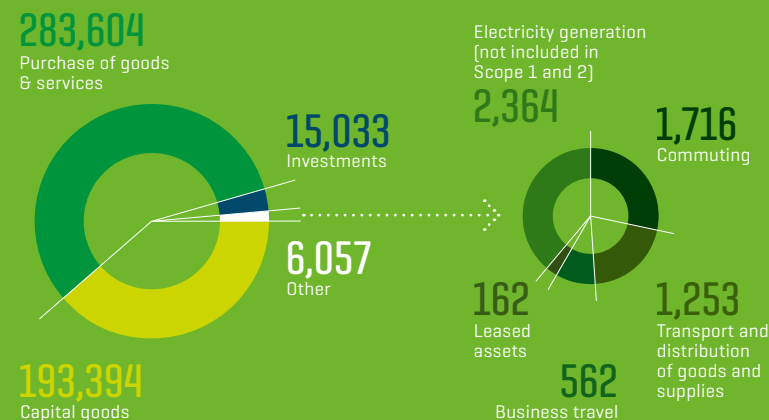
Scope 1 emissions



Scope 2 emissions



Scope 3 emissions broken down by source



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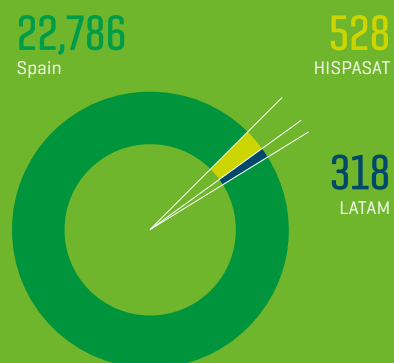
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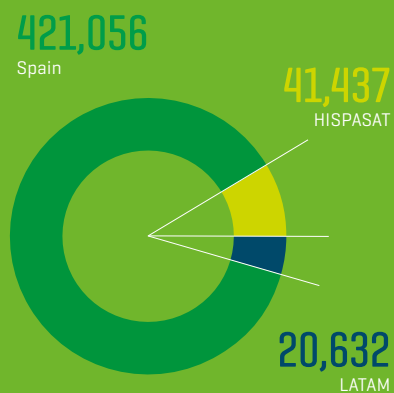
→ Emissions per company of the Group / t CO₂ eq ⁽¹⁾

305-1 / 305-2 / 305-3

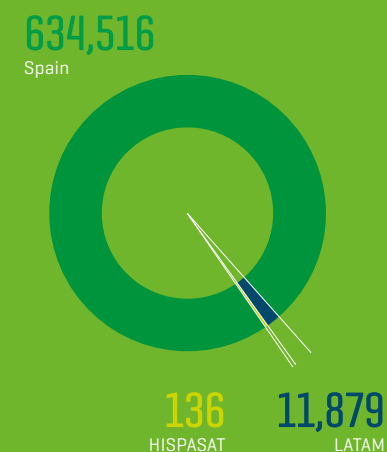
Scope 1



Scope 3



Scope 2



[1] Scope of the data.

Spain includes REE [Red Eléctrica de España S.A.U.], REC [Red Eléctrica Corporación S.A.], REI [Red Eléctrica Internacional], REINCAN [Red Eléctrica Infraestructuras en Canarias], REINTEL [Red Eléctrica Sistemas de Telecomunicaciones] and Elewit.

LATAM includes the companies in Peru [REA, REDESUR, TESUR, TESUR 2, TESUR 3, TESUR 4, REDENOR and CCNCM] and in Chile [RECH, REDENOR, REDENOR 2].

HISPASAT mainly includes HISPASAT, S.A. and Hispamar Satélites, S.A. [Brazil].

→ Objectives

Specific SF₆ reduction target

- 25 % net reduction of SF₆ emissions compared to 2015 by 2030
- Maximum cumulative emissions in the period 2021-2030: 244,507 tCO₂eq

Progress made in 2021 in regard to the target ⁽¹⁾

- 35.6 % reduction in SF₆ gas emissions compared to 2015
- 2021 Cumulative emissions: 20,363 tCO₂eq

(1) SF₆ gas emissions are directly related to the amount of gas installed and the age of the equipment. In 2030, a significant increase in installed gas is expected, associated with the development of the transmission grid and an increase in the average age of installed equipment. Considering these circumstances, it is expected that in the coming years the trend will show an increase in emissions.

CONTROL OF SF₆ EMISSIONS

The main direct emissions derived from the activities of the Red Eléctrica Group are those of sulphur hexafluoride [SF₆]. This gas, despite its high global warming potential, has enormous technical advantages. It is a non-toxic gas that allows the distances between the various elements of the facilities to be much less, which makes it possible for the overall size of the facilities to be reduced and, therefore, enable them to be better integrated into the environment.

SF₆ emissions are mainly associated with small leaks in the equipment due to it losing its gas tightness, or due to leaks during gas decanting and accidents or breakdowns that may occur. For the Red Eléctrica Group, this is a priority issue, which is why it has implemented different reduction initiatives that have been reinforced and completed with the approval of the new Climate Change Action Plan.



Red Eléctrica has implemented different initiatives to reduce SF₆ emissions that have been reinforced with the approval of the new Climate Change Action Plan.

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KEY ACTIONS

SF₆ Gas inventory

Improvement in the procedures for the recording of leaks and the monitoring thereof.

Training

The Company has two legally certified centres that can provide training on SF₆ gas handling. 483 employees have been trained since 2013 [444 of them have an official SF₆ gas handling certificate]. There are six training sessions planned for 2022.

Renewal and replacement of switchgear

The progressive renewal of old equipment and equipment with very high leakage rates of SF₆ represents a significant control measure in quantitative terms. In this regard, it is worth highlighting the start of the project to renovate the equipment in the Litoral 400 KV substation, one of the facilities in which the highest level of gas emissions has been registered due to its years in service and the environmental factors that have arisen in recent years.

Measures for the prevention, detection and control of SF₆ Gas

The preventive maintenance work and the efforts made by the Company to reduce the leak detection and intervention times, as well as in the development of more effective leak repair methodologies, make it possible for SF₆ emissions to be kept at low levels, not exceeding an average emission rate of 0.2 %.

The new action plan envisages reinforcing all these actions and includes additional measures such as the definition of design criteria for installations that limit the degradation of materials and, therefore, leakage and the incorporation of requirements in procurement tenders that help to minimise gas losses [rapid intervention in cases of leakage and equipment design criteria, among others].

Noteworthy are the various innovation projects on which work has been carried out in recent years:

- **‘Development of SF₆ leak repair methodology in GIS facilities’**, which enables the repair of breakdowns/faults in GIS substations without the need to disassemble the damaged sections, which significantly speeds up the work.
- **‘Implementation of an SF₆ leaked gas capture system in indoor GIS substations’** has enabled to identify different compounds with high affinity for SF₆ and whose behaviour and effectiveness was field-tested by means of a pilot project carried out in 2021.

Reduction of SF₆ installed gas. Search for SF₆ gas alternatives

The Red Eléctrica Group is committed to promoting the development of alternatives to the use of SF₆, which are currently under development. The Company has begun to work on the assessment and application of different solutions at lower voltages and passive elements in substations. Concerning this last point, two very relevant pilot projects have been launched, in which the use of an alternative gas has been planned for 400 kV insulation gas ducts and substation busbars. In addition, it should be noted that the Red Eléctrica Group has two 66 kV cubicle-type GIS with alternative gases, located in the Canary Islands for use as mobile substation bays and is assessing the applicability of SF₆-free circuit breakers for this same voltage.

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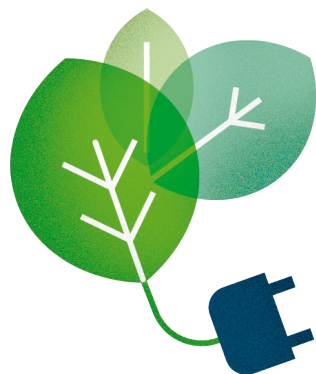
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[1] The increase in installed gas is mainly due to the commissioning of new facilities and the replacement of old equipment with SF₆ insulated equipment.

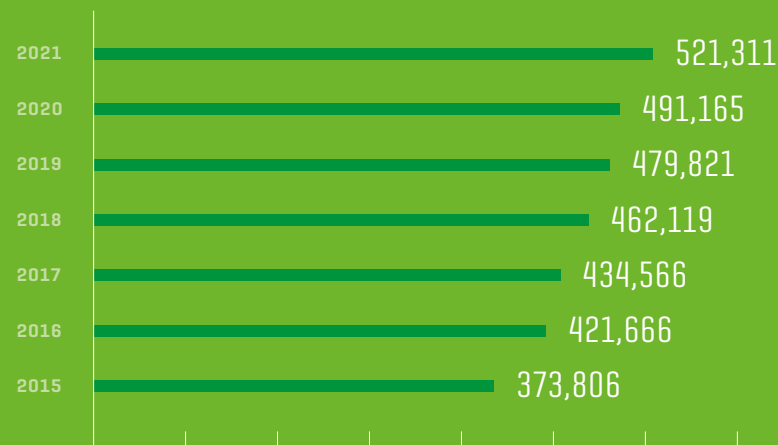
The commissioning of these facilities is essential for the development of the transmission grid necessary in order to undertake the energy transition.

[2] The rates reflected in the graph are calculated using real data collected in the field and include, in addition to leaks as a result of maintenance work, the estimated emissions corresponding to the end of the life cycle of the equipment.

The maximum leakage rate for in-service equipment established in the Voluntary Agreement for the management of SF₆ signed in 2015 is based on the number of years the equipment has been in service. This annual rate is fixed at 0.5% for equipment commissioned as of 2008 (equipment installed before 2008 is known to have higher leakage rates).

The low emission rates reflect the enormous effort of the Company in improving the management and control of SF₆ emissions. Specifically, the decline shown in recent years due to the breakdown repair work performed since 2018. In addition, as of 2019, there has been no accident that has led to a gas leak.

→ Evolution of installed SF₆ gas in Red Eléctrica de España / kg [1]



→ SF₆ emission rate / % of gas over installed gas [2]



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

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

→ Objectives

REDUCTION OF ENERGY CONSUMPTION AND ASSOCIATED EMISSIONS

One of the pillars of the climate change commitments of the Company is to undertake energy efficiency at all levels. There are different projects and measures aimed at reducing the consumption of electricity in the different facilities of the Company.

EFFICIENCY MEASURES

Efficiency targets and reduction of emissions associated with electricity consumption [compared to 2015]

- Reduction of emissions associated with electricity consumption: 90 % by 2030.
- Reduction of electricity consumption in work centres: 30 % by 2030.

Progress made in 2021 regarding the targets

- Reduction of emissions associated with electricity consumption in work centres: 94.6 %.
- 13 % Reduction in electricity consumption in work centres in 2021 compared to 2015.

Note: the work centres of the subsidiaries REA, RECH and HISPASAT are not included in the target. The update of these targets and the incorporation of all the companies of the Group is planned for 2022.

Buildings

- Energy management system certified** under the ISO 50001:2001 standard in the buildings of the Head Office and the Campus Red Eléctrica.
- Buildings with reduced energy consumption. The buildings in which the control centre and the technology company of the Group, Elewit, are located, include a system that helps maximise the available geothermal energy and have construction measures that significantly reduce their electricity consumption.
- Efficiency measures in buildings.** In 2021, the implementation of a set of energy efficiency measures was approved, the associated estimated savings of which is expected to exceed 1,700,000 kWh in the period 2021-2030. In 2021, improvement measures were carried out on the air conditioning (replacement of cooling equipment with efficient heat pumps), lighting (installation of LED lamps) and the incorporation of consumption monitoring systems, which will lead to an estimated annual energy saving of 150,938 kWh.
- Design of the main control building of the **Salto de Chira pumped storage hydroelectric power station** in accordance with the criteria of **LEED Platinum** certification [US Building Council].

IT Systems

- Renewal of IT equipment and systems** in accordance with maximum efficiency criteria. In 2021, a renewal of equipment (data storage systems) was carried out, representing an estimated reduction in annual electricity consumption of 4,039 kWh.
- Application of **efficient use policies** in all end-user IT systems.
- Consolidation of the **use of collaborative communication platforms** that reduce work-related travel or commuting. This aspect has been especially relevant in the last two years, due to the COVID-19 pandemic.
- Migration to and intensive use of **virtual servers** (since 2015), which improve energy efficiency if compared to physical servers.

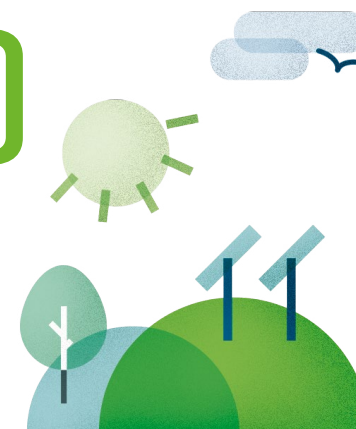
Substations

- Rationalising the use of lighting:** thanks to the improvement in remote control systems for outdoor lighting, currently there are 426 substations whose night-time exterior lighting does not switch on unless necessary, representing an estimated annual saving linked to this measure stands at 10,050,655 kWh.

80.6% of the electricity CONSUMED

IN THE RED ELÉCTRICA GROUP COMES FROM RENEWABLE SOURCES

[green energy or energy with guarantees of origin, GoO]



Use of renewable energy

In addition to having a key role in the integration of renewable energy into the Spanish electricity system as a whole, The Red Eléctrica Group is committed to the use of renewables to cover the electricity consumption of its facilities. The majority of the electricity supply contracts signed by the Company for its operations and activities are for green energy or with a guarantee of renewable origin, representing 80.6% of the electricity consumed in 2021. The remaining consumption corresponds to work centres under a lease contract or that do not have a local electricity distribution network connection, whereby the transmission grid directly supplies the electricity. At the moment, the work centres in Latin America - LATAM [which were included in the report this year] do not have this type of contract. The Group's goal is to have 100% of its contracted electricity from renewable sources by 2024.

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

In addition, the Red Eléctrica Group plans to **implement self-consumption facilities in 21 work centres** that will start to be put into operation during 2022.

The following specific projects are noteworthy:

- Solar photovoltaic installation at the Arganda control centre (HISPASAT) which will be commissioned in 2022. The use of 100% of the energy generated will be for self-consumption, without generating surpluses. The expected coverage is 26.5% of the annual electricity consumption needs of this satellite control centre.
- Solar photovoltaic installation at the Tres Cantos Training Campus. This installation, which is expected to be commissioned in 2022, will produce 78 MWh per year, of which 76 MWh will be used for self-consumption [representing around 16% of the building's total consumption] and 2 MWh will be fed into the grid.

Sustainable mobility

The Red Eléctrica Group is working on the optimisation of work-related travel and in the reduction of the emissions associated with them. The Company has a **Sustainable Mobility Plan** in place to incorporate a new culture of mobility within the Company. Among the most important measures developed in recent years, noteworthy are the following:

- **Efficient management of fleet vehicles.**

The Company is committed to using the best technologies currently available [100% of the new vehicles incorporated into the fleet shall be either hybrid, plug-in hybrid or electric cars] and to optimise their use through the application of CARS [Agile, Responsible and Safe Driving System], which facilitates the use of efficient routes and promotes responsible driving. Since 2015, the Company maintained the 'Ecological Fleet Accreditation' in its 'Master' category [the most demanding one] received from the Fleet Managers Association (AEGFA) and the Institute for Diversification and Energy Saving (IDAE).

- **Measures to optimise business-related travel,** through the incorporation of sustainability criteria in the Company's work-related travel policy and the improvements in communication tools to reduce the need for travel [video conferences and platforms for remote access]. The latter have been decisive in facing the situation derived from the pandemic.

- **Rationalising the use of private vehicles in the daily commute to work centres.**

The Company has a Company bus service and shuttle services connecting the office with various locations. The transport pass is included among the options of the benefit in kind for employees and the use of car-sharing is promoted. Additionally, the Company has various electric vehicle charging points on their premises for use by employees.

79.5 % of the Group's fleet of vehicles [including passenger cars, 4x4s, vans, car-derived vans, trucks, shared leasing, management vehicles and pool of electric vehicles] have an energy rating of 'A'.

CARBON FOOTPRINT IN THE SUPPLY CHAIN

The emissions associated with the supply chain are those that have the greatest impact on the indirect emissions of the Company (Scope 3). Between 2019 and 2021 a **Collaboration Programme with suppliers** was carried out with the following objectives:

- Involve suppliers in the Group's commitment to fight climate change, providing appropriate guidelines in order to promote changes in their management and promoting collaboration.
- Integrate more direct information in the calculation of Scope 3 emissions, to improve their analysis and monitoring.
- Be willing to establish ambitious commitments for the reduction of Scope 3 emissions.

Between 2019 and 2021, we have worked with 20 suppliers relevant to the organisation, which together represent around 51% of the emissions in the supply chain.

→ Objectives

In 2019, an initial analysis was carried out that enabled each of the suppliers to be qualified with a level of maturity in terms of climate change, which has made it possible to deploy different and specific development and collaboration programmes depending on the characteristics of each supplier, with various initiatives having been carried out such as training workshops on calculating the carbon footprint for the different Scopes, support for the verification of the emissions inventory and training related to Net-Zero.

In 2021, the Board of Directors of the Red Eléctrica Group approved **specific reduction targets for Scope 3**, which means that in the coming years, efforts will be increased to extend the Group's climate change commitment to the supply chain, developing new initiatives and intensifying collaboration with its suppliers.

- Suppliers accounting for 2/3 of supply chain emissions need to have science-based targets implemented within five years.
- 28 % reduction in Scope 3 emissions compared to 2019 levels. ^[1]

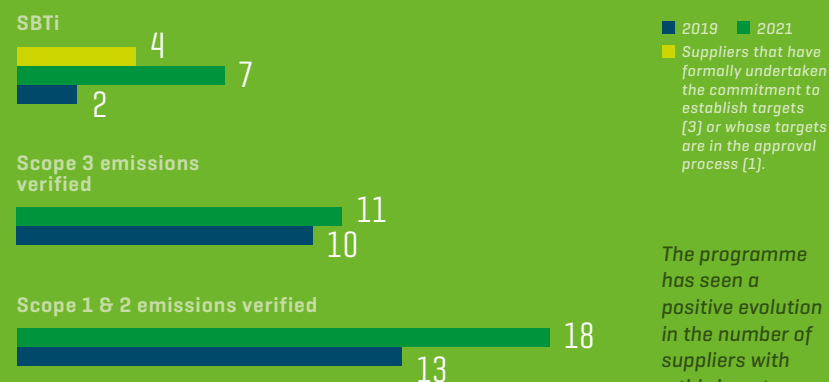
[1] Emissions associated with the supply chain account for 96 % of total Scope 3 emissions.

The Red Eléctrica Group was recognised by CDP as a Supplier Engagement Leader 2021



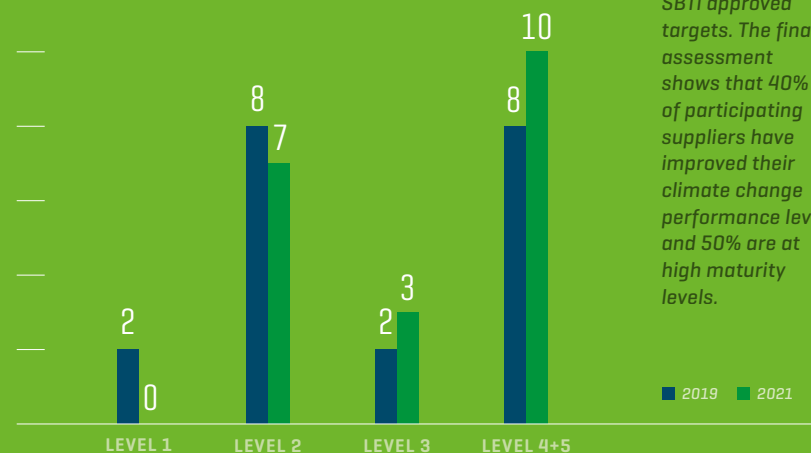
→ Collaboration Programme with suppliers

Evolution of the collaboration programme (no. of suppliers)



The programme has seen a positive evolution in the number of suppliers with a third-party verified emissions inventory and, very importantly, in the number of suppliers with SBTi approved targets. The final assessment shows that 40% of participating suppliers have improved their climate change performance level and 50% are at high maturity levels.

Maturity level of maturity (no. of suppliers)





In 2021, the Company purchased 1,538 VCUs to offset emissions derived from the daily commutes of its employees and from the use of fleet and shared leasing vehicles of the entire Group.

OFFSETTING OF EMISSIONS

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

In line with the foregoing, the 'Red Eléctrica Forest' project is detailed in the *Conservation of Natural Capital* [↗](#) section of this report and is carried out by the Company to help offset part of its emissions.

On the other hand, and for the ninth consecutive year, the company has purchased carbon credits from the voluntary carbon market a total of **1,538 VCUs [Verified Carbon Units]**, verified under the Verified Carbon Standard [VCS] associated with the reforestation and avoiding deforestation project in the **Tambopata National Reserve and Bahuaja-Sonene National Park in the Madre de Dios Amazon region (Peru)**.

The carbon credits purchased offset 6.5 % of the Company's direct emissions, which would correspond to the emissions associated with the use of back-up off-grid diesel generators and emissions related to the use of fuel used for heating.


The Company is currently developing a new emissions neutralisation and offsetting strategy, which will be published in 2022.

TRANSMISSION GRID LOSSES

103-1 / 103-2 / 103-3 / EU12

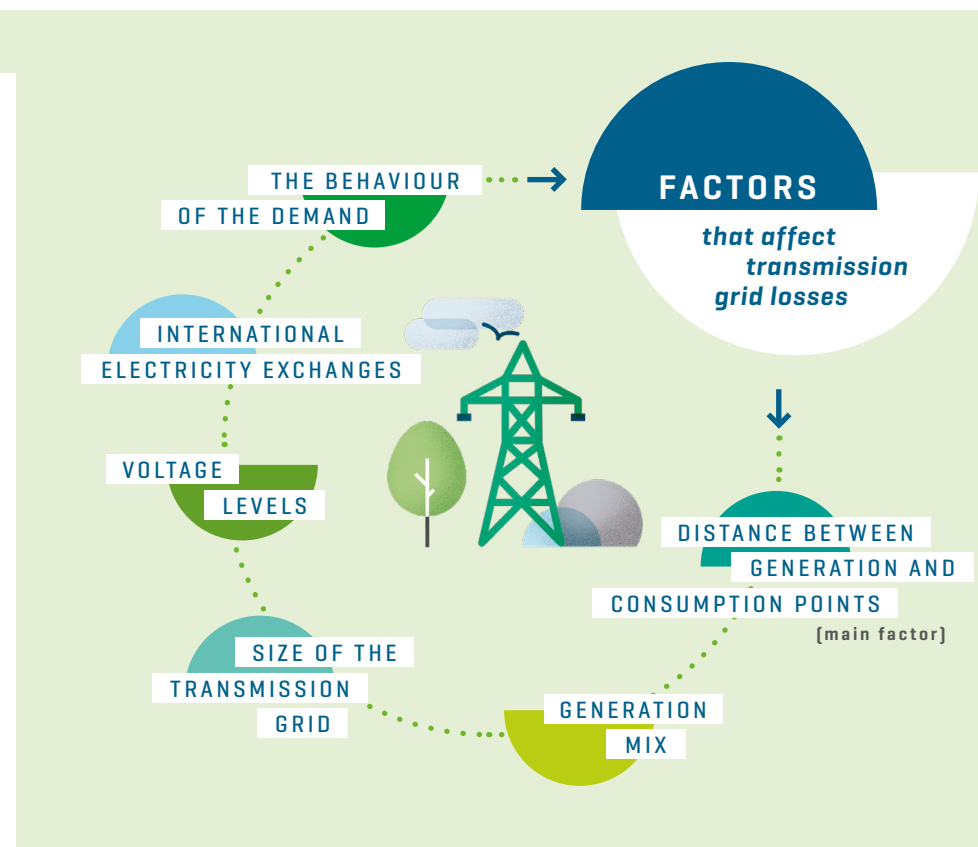
The emissions associated with energy losses in the transmission grid are accounted for within the emissions of Scope 2, as indicated by the GHG Protocol. These are calculated taking into account the energy dissipated in the form of heat by electricity lines in the transmission grid (transmission grid losses) and the emission factor of the energy mix (calculated by Red Eléctrica according to the amount of energy generated by the different technologies). None of these variables are under the direct control of Red Eléctrica de España, although it should be noted that increased efforts to integrate more renewable energy into the energy mix results in a lower emission factor and, therefore, a greater reduction in emissions associated with losses.

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

Several factors generate losses: the Joule effect, the corona effect and the own consumption of the electricity substations necessary for their correct operation. Of these, the most relevant, without a doubt, is the **Joule effect**,  associated with the flow of current through the conductors.

Red Eléctrica de España works to improve the aspects that depend on its management and that can influence the reduction of these losses. Among them, the following actions are noteworthy:

- Development and meshing of the transmission grid.
- Increase in the number of conductors per circuit.

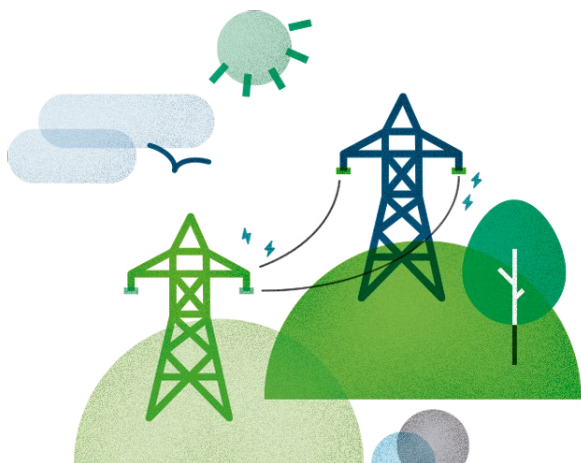


- Use of technologies and systems that offer the best performance.
- Maintenance of the facilities in the best conditions to ensure their proper functioning.

The first two measures seek to create parallel routes in order to allow a given intensity to flow, which in turn results in lower resistance and, therefore, reduced losses. However, all these improvements have a minor impact on the evolution of energy losses while other aspects not controlled by Red Eléctrica have proven to have a greater overall impact on this aspect.

Increased losses are mainly due to the following: distances between generation and consumption points (losses increase notably when there are significant distances), the amount of energy demanded in the year, the electricity generation mix, international electricity exchanges, the shape of the demand curve and weather conditions. It is important to highlight that the **evolution of the electricity system towards a more decarbonised and flexible one** in which the participation of renewables (generation generally far from consumption points), the demand (greater electrification) and international energy flows **will entail a higher level of losses**.

The electricity generation mix and the flows in the transmission grid depend on the rules of the electricity market, regulated by an independent body. The function of Red Eléctrica de España, as operator of the electrical system, is carried out in accordance with specific and mandatory operating procedures. In accordance with these procedures, it is not possible to operate the electricity system based on loss reduction criteria, so the Company has little capacity to act in relation to said reduction.

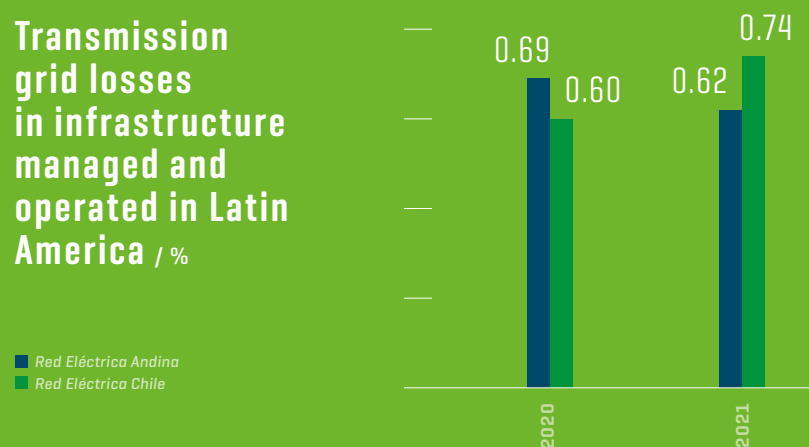


→ Transmission grid losses with regard to the demand in Spain / %



Note: the increase in the percentage of losses is mainly associated with the increase in the share of renewable energy in the peninsular mix that went from 44% in 2020 to 46.7% in 2021.

→ Transmission grid losses in infrastructure managed and operated in Latin America / %



■ Red Eléctrica Andina
■ Red Eléctrica Chile

Carbon footprint indicators

Key to the companies included [scope of the data]

- REE [Red Eléctrica de España S.A.U.]
- REINTEL
- REC [Red Eléctrica Corporación S.A.]
- Elewit
- REI [Red Eléctrica Internacional, which includes REDESUR, Red Eléctrica Andina, REDELNOR and Red Eléctrica Chile]
- HISPASAT



→ Fuel consumption / litres 302-1

	2015	2019	2020	2021
Diesel (1)	450,752	443,251	409,252	436,398
Petrol (1)	23,799	250,643	246,415	394,270
Gasohol (1)	-	-	1,278	3,435
Biodiesel (1)	121	0	0	0
LPG Autogas (1)	33	0	0	0
Off-grid diesel generating units (2)	5,061	2,472	243,124	235,000
Heating oil (3)	-	-	50,282	34,859

As of 2020, the data has a Group-wide scope.

(1) Includes fuel consumed by fleet vehicles and shared leasing.

(2) In 2020, the methodology for calculating this indicator was modified.

(3) This type of fuel is only consumed at HISPASAT facilities in Spain.

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→ Electricity consumption / kWh 302-1

< 198 >

Total

2015	2019	2020	2021
16,169,682	14,051,381	18,254,864	19,770,100

Note. Includes the consumption of the Head Office, the electricity control centres (centres that operate 24/7 and have a high energy consumption) and the work centres (Regional offices and maintenance centres). Except for 2015, consumption of electric vehicles and the electricity consumption of telecommunications shelters (REINTEL's activity) are included. As of 2020, the data corresponding to REI and HISPASAT are included (5,081,212 kWh correspond to the subsidiary companies)

In 2019, 87% of the electrical energy consumed came from renewable sources. This percentage dropped slightly in 2020, to 79%, due to the incorporation into the inventory of facilities in LATAM (REI), which at the moment do not have a renewable energy supply contract. In 2021 this figure rose to 80.6%.

→ Total energy consumption ⁽¹⁾ 302-1

Fuel consumption [joules]

2015	2019	2020 ⁽²⁾	2021 ⁽²⁾
21,024,947	20,905,365	27,693,250	30,785,060

Electricity consumption [kWh]

$7.59 \cdot 10^{13}$	$7.56 \cdot 10^{13}$	$10 \cdot 10^{13}$	$11.08 \cdot 10^{13}$
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Note. 1 kWh = $36 \cdot 10^6$ joules; 1 litre of diesel fuel = $37 \cdot 10^6$ joules; 1 litre of gasoline = $34 \cdot 10^6$ joules, 1 litre of gas oil = $37 \cdot 10^6$ joules; 1 litre of biodiesel = $32.79 \cdot 10^6$ joules; 1 litre of LPG = $25.7 \cdot 10^6$ joules.

(1) Total energy consumption = fuel consumption + electrical energy consumption.

(2) The increase as of 2020 is linked to the incorporation of the companies REI and HISPASAT and to the change in the methodology for calculating the diesel consumption of auxiliary diesel generating units.

In 2021, 52% of the direct energy consumed was from renewable sources (the ratio remains the same as in 2020).

→ Indirect energy consumption. Electrical energy 302-1

Transmission grid losses [MWh] ⁽¹⁾

2015	2019	2020	2021
3,943,023	4,088,490	4,190,759	4,790,251

Transmission grid losses [joules]

$1.42 \cdot 10^{16}$	$1.47 \cdot 10^{16}$	$1.51 \cdot 10^{16}$	$1.72 \cdot 10^{16}$
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Note. The data reflected in this table include the losses in the peninsular system and those of the Balearic Islands and Canary Islands systems. As of 2020, losses from installations in REI are also included, which in 2021 amounted to 44,071 MWh.

(1) Variations in transmission grid loss values are mainly related to generation and demand characteristics for each year (generation mix - distance between generation points in relation to consumption points - international exchanges, total demand and the shape of the demand curve). These factors depend on the electricity market and cannot be controlled by Red Eléctrica de España. However, the Company is working to identify and improve those areas where it could have an influence. The increase in 2021 is mainly associated with the increase in demand compared to 2020 (pandemic year) and the higher share of renewable energy in the mix (the increase in renewable generation is associated with a higher % of losses).

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→ External energy consumption. Internal logistics 302-2

	2015	2019	2020	2021
Fuel consumption [litres]	238,240	194,558	149,437	209,109
Fuel consumption [joules]	$8.82 \cdot 10^{12}$	$7.19 \cdot 10^{12}$	$5.53 \cdot 10^{12}$	$7.73 \cdot 10^{12}$

Applies to REE and REINTEL activities.

Note 1. This fuel consumption corresponds to the transportation of materials between the Company's various facilities (internal logistics). Does not include other types of transportation of materials or people.

Note 2. 1 litre of gas oil = $37 \cdot 10^9$ joules

→ Energy intensity 302-3

	2015	2019	2020	2021
Electricity consumption per employee in Head office [kWh/employee] ⁽¹⁾	7,126	5,645	5,630	6,859
Transmission grid losses – peninsular and insular systems [MWh/MWh transported] [%] ⁽²⁾	1.503	1.548	1.667	1.854
Average consumption of vehicles for logistical use [external] [litres/100 km]	26.6	22.8	21.0	22.3

⁽¹⁾ For the calculation, all personnel working in the Head Offices -Moraleja and Albatros- (employees of the Group, interns, temporary workers and collaborators) are taken into account.

⁽²⁾ The percentage indicated corresponds to the energy dissipated in losses with respect to total demand.

→ Reductions in electricity consumption 302-4

	kWh/annual	Joules/annual
Efficiency measures in work centres: lighting and HVAC systems [replacement of old equipment for efficient heat pumps]	150,938	$5.4 \cdot 10^{11}$
Efficiency measures in electricity substations: switching off of night-time lighting	10,050,655	$36 \cdot 10^{12}$
Efficiency measures in computer IT equipment: renewal of data storage systems	4,039	$1.45 \cdot 10^{10}$

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→ Indirect GHG emissions (Scope 1) ⁽¹⁾ / tCO₂eq

305-1

	2015	2019	2020	2021
SF ₆ ⁽²⁾	31,651	21,289	22,214	20,363
HVAC systems	840	450	1,185	741
Fleet vehicles	2,124	1,646	1,529	1,926
Off-grid diesel generating units	182	229	485	501
Heating	-	-	144	100
Total direct emissions	34,797	23,614	25,557	23,632

As of 2020, the data has a Group-wide scope. The year 2019 has been defined as the **new base year** for the emission reduction targets, so the emissions in that year have been recalculated to consider all the subsidiaries of the Group. Scope 1 emissions for the base year are: **24,662 tCO₂eq**.

(1) The calculation of emissions is performed from an operational control perspective. The information on the inventory scope and methodology is available on the REE corporate website. The inventory was submitted to independent review in accordance with ISAE 3410.

(2) Taking GWP (Global Warming Potential) at 100 years: 22,800 (Source IPCC, Intergovernmental Panel on Climate Change: 4th assessment report).

→ Indirect GHG emissions linked to electricity generation (Scope 2) ⁽¹⁾

/ tCO₂eq

305-2

	2015	2019	2020	2021
Associated with electricity consumption ⁽²⁾	5,441	587	649	625
Derived from transmission grid losses ⁽³⁾	1,135,791	780,865	600,175	645,906
Total indirect emissions	1,141,232	781,452	600,824	646,531

As of 2020, the data has a Group-wide scope. The year 2019 has been defined as the **new base year** for the emission reduction targets, so the emissions in that year have been recalculated to consider all the subsidiaries of the Group. Scope 2 emissions for the base year are: **792,782 tCO₂eq**.

(1) The calculation of emissions is performed from an operational control perspective. The information on the inventory scope and methodology is available on the REE corporate website. The inventory was submitted to independent review in accordance with ISAE 3410.

(2) Emissions are calculated under the "market based" approach, applying the emission factors associated with the market agents that supply the electricity. The emissions calculated under the "location-based" approach would total **648,767 tCO₂eq**.

(3) The emissions associated with the transmission grid losses, in the same way as for the emissions associated with the consumption of electricity, do not occur during the activities of Red Eléctrica de España as they take place at the various electricity generation points.

These emissions are calculated not only taking into account the emission factors corresponding to each system (Spanish mainland, Balearic Islands or Canary Islands), which are calculated by Red Eléctrica de España based on the annual generation balance, but also the emission factors corresponding to each country (taking as a reference the value provided by the IEA for Peru and the value published by the National Energy Commission in Chile). The increase in emissions in 2021 is mainly due to demand recovery and increased transmission grid losses.

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→ Other indirect GHG emissions (Scope 3) / tCO₂eq

305-3

	2015	2019	2020	2021
Purchase of goods and services ⁽¹⁾	304,596	246,917	202,819	283,604
Capital goods	312,797	319,486	162,834	193,394
Energy production (not included in Scope 1 and 2)	1,092	462	709	2,364
Waste	96	62	217	70
Transportation and logistics ⁽²⁾	1,416	2,090	1,178	1,253
Work-related travel ⁽³⁾ ⁽⁴⁾	1,421	1,441	649	562
Commuting ⁽⁴⁾	2,894	4,545	1,114	1,716
Leased assets	117	33	184	162
Investments ⁽⁵⁾	-	-	10,622	15,033
Total indirect emissions [Scope 3]	624,430	575,036	380,326	497,788

As of 2020, the data has a Group-wide scope.

The year 2019 has been defined as the new base year for the emission reduction targets, so the emissions in that year have been recalculated to consider all the subsidiaries of the Group. Scope 3 emissions for the base year are: **617,456 tCO₂eq**.

The calculation of emissions is performed from an operational control perspective. The information on the inventory scope and methodology is available on the REE corporate website. The inventory was submitted to independent review in accordance with ISAE 3410.

(1) For the correct interpretation of the data, it is necessary to consider that the emissions associated with the purchase of goods and services depend on the characteristics of the specific goods and services purchased each year (which entail different carbon emission intensities) and the financial amount earmarked for these purchases.

(2) Corresponds to the emissions associated with internal logistics and other emissions related to the transportation of materials.

(3) Includes trips made by train, plane, own vehicle, rental vehicle and taxi.

(4) The data reflects the situation derived from the COVID-19 pandemic, which entailed a drastic reduction in work-related travel and a situation in which teleworking has predominated.

(5) Incorporates the emissions associated with the Group's shareholding participation in the following companies: Transmisora Eléctrica del Norte S.A, Argo Energia Empreendimentos e Participações S.A. and Hisdesat Servicios Estratégicos, S.A.

→ Greenhouse gas emissions intensity

305-4

	2015	2019	2020	2021
Emission of SF ₆ /installed SF ₆ [%]	0.37	0.19	0.20	0.17
Emissions from fleet vehicles [kg of CO ₂ /km] ⁽¹⁾	0.27	0.16	0.15	0.15
Emissions [Scope 1 and 2]/revenue [tCO ₂ /million euros] ⁽²⁾ ⁽⁴⁾	645	415	315	343
Emissions /revenue [tCO ₂ /million euros] ⁽³⁾ ⁽⁴⁾	22.1	12.47	13.20	12.42
Emissions [Scope 1 and 2]/energy transported [tCO ₂ /GWh] ⁽⁵⁾	4.5	3.0	2.5	2.5

(1) Fleet vehicles + shared leasing (does not include management vehicles).

(2) Emissions of Scope 1 and 2 (including transmission grid losses).

(3) Emissions of Scope 1 + emissions of electricity consumption. Red Eléctrica considers it relevant to monitor this indicator, without including the transmission grid losses.

(4) The emissions and revenue as of 2018 include the activities of the REINTEL subsidiary. The data for 2020 also includes data regarding REI and HISPASAT.

(5) Emissions of Scope 1 and 2 (including transmission grid losses). The total energy transported corresponds to the annual demand as measured at power station busbars (the point where it leaves the power station) and it covers the Spanish mainland, Balearic Islands and Canary Islands systems, and also the energy fed into the REI's infrastructure.

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→ **Greenhouse gas emissions intensity**
305-5

Net savings in 2021	tCO ₂ eq
Emissions savings by contracting electricity with Guarantees of Origin ^[1]	2,236
Switching off of night-time lighting in electricity substations	46.4
Reduction of emissions by carrying out SF ₆ leak repairs on equipment	869
Annual savings ^[2]	tCO ₂ eq/year
Reduction of SF6 emissions by replacing old equipment with equipment with lower leakage rates	93.5

[1] Electricity with Guarantee of Origin: 0 tCO₂/kwh.
[2] Reductions associated with the measures carried out in 2020.
Note: energy efficiency measures do not translate into relevant emissions savings, given that a high % of the energy consumed by the Company comes from renewable sources.

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RESPONSIBLE VALUE CHAIN

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Ethics and compliance



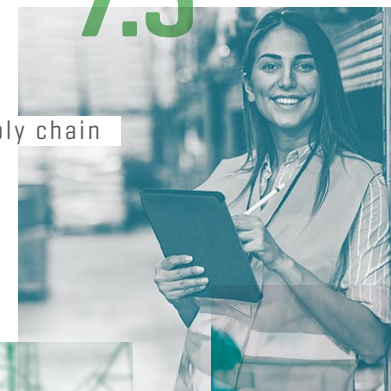
7.2

Economic results and financial strength



7.5

Supply chain



Employees

7.3



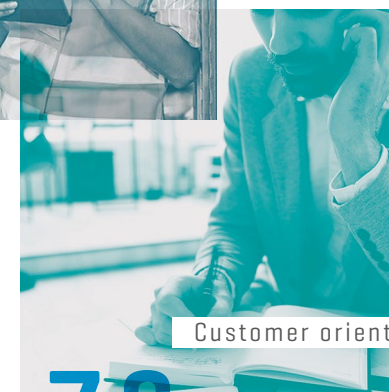
7.4

Responsible environmental management



Customer orientation

7.6



RESPONSIBLE VALUE CHAIN

The Red Eléctrica Group takes on the following pledge as one of its sustainability priorities: extend our commitment to responsibility to all links in the value chain, ranging from our own people to suppliers and customers, accomplishing this through the creation of alliances and by basing it on our governance and integrity model.

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Ethics and compliance

102-16 / 102-17 / 103-1 / 103-2 / 103-3

Key indicators in 2021

100 % of the grievances reported to the ethics manager were resolved within the established timeframe. 83 % of employees received training in aspects regarding ethics and compliance.

No company of the Group has been investigated or convicted of infringements related to criminal risks, including those related to corruption risks.

75 % of employees trained in aspects regarding the protection of personal data.

2021 milestones

Updating of the Group's Compliance Policy.

Implementation of the new monitoring plan for the crime prevention and anti-bribery compliance system.

Development of the Communication, Awareness and Training Plan for the measurement and accreditation of the compliance culture.

Implementation of the global due diligence system regarding counterparty integrity.

Challenges for 2022

Review and update of the Guide for the Prevention of Corruption.

Development of an integrity model for relations with business partners.

Development of a manual for conducting internal investigations related to the Ethics and Compliance Management System.



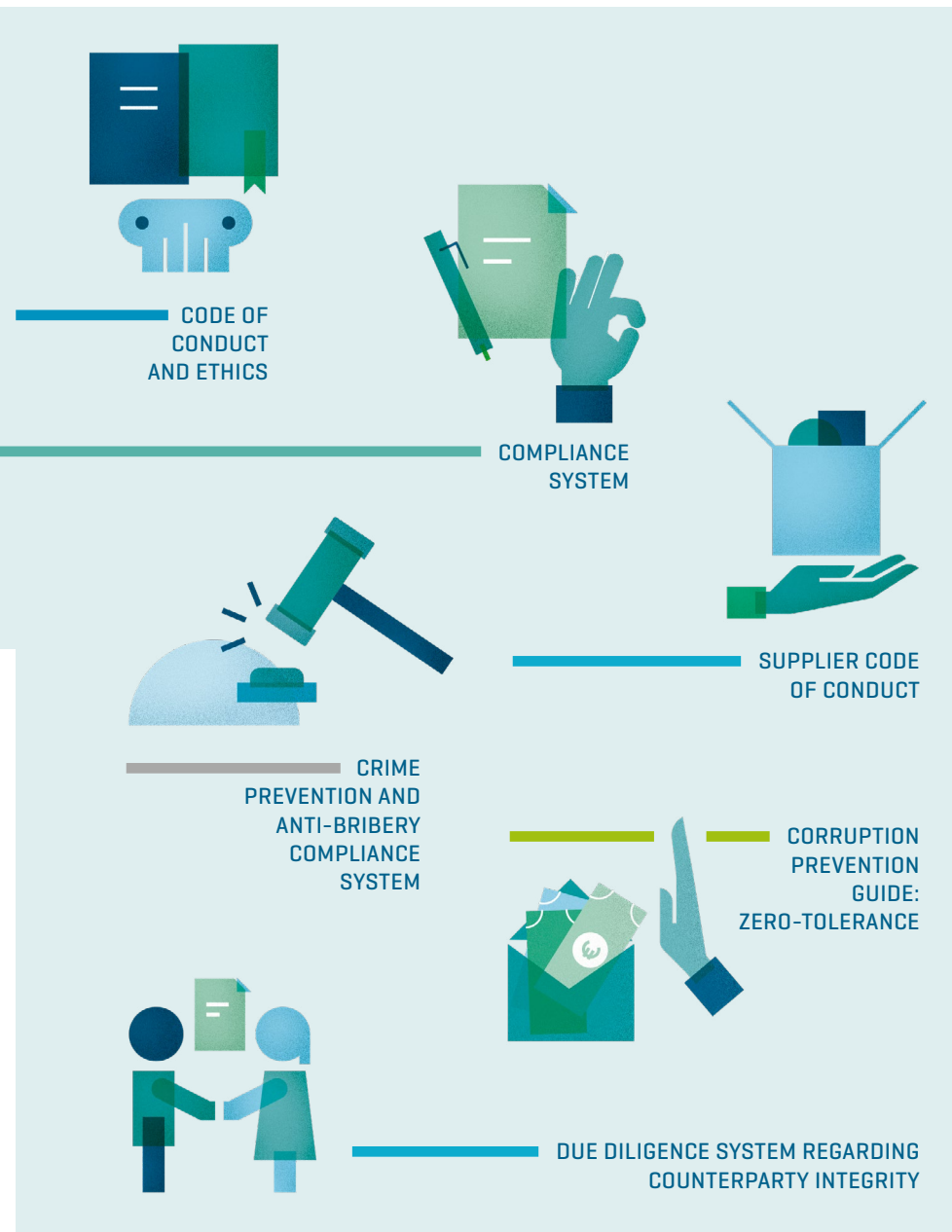
→ Integrity model of the Red Eléctrica Group

Ethics and compliance for the Red Eléctrica Group are fundamental pillars for the proper functioning of the business activity. The Company is dedicated to acting with the utmost integrity in the performance of the obligations and commitments entrusted to it, as well as in the relations it maintains with its stakeholders.

The Red Eléctrica Group has a series of corporate conduct rules that establish the ethical values and professional conduct guidelines that are undertaken by all the people who make up the Company in the performance of their professional duties and responsibilities.

CODE OF CONDUCT AND ETHICS

The **Code of Conduct and Ethics of the Red Eléctrica Group** aims to formalise the commitment of the Group to ethical conduct, consolidating a responsible business model that ensures the creation of shared value, aligning the interests of the organisation with those of its stakeholders.





Through the Ethics Compliance and WHISTLEBLOWING CHANNEL

THE COMPANY'S STAKEHOLDERS ARE PROVIDED WITH A SYSTEM FOR REPORTING POSSIBLE BREACHES OF THE CODE OF CONDUCT AND ETHICS

As well as for consultations regarding ethics and compliance

The current edition of the Code of Conduct and Ethics of the Red Eléctrica Group, approved by the Board of Directors in May 2020, responds to the requirements and recommendations on ethics management established by the United Nations [UN] (through the Sustainable Development Goals, the Ten Principles of the Global Compact and the Universal Declaration of Human Rights and the conventions that develop it), the Organisation for Economic Co-operation and Development [OECD], the International Labour Organisation [ILO] and Transparency International, among others.

The Code of Conduct and Ethics ↪ is structured around **fifteen principles**, that have been established taking into account the criminal risks associated with the activities of the Red Eléctrica Group. For each of the aforementioned principles, a guide regarding conduct related to or contrary to the Code of Conduct and Ethics is established, to avoid the creation of situations favourable to the commission of crime. The business conduct principles and guidelines are structured in three blocks, according to the relationship of the Red Eléctrica Group with the socio-economic environment, employees or the organisation itself.

Supplier Code of Conduct

The Red Eléctrica Group has a specific code of conduct for its suppliers in which it highlights the prevention of corruption, the respect for human rights, and compliance with the requirements of the environment and occupational health and safety by its suppliers in the development of products or the procurement of services requested by the Company, whether they are carried out directly or through other companies.

The Company makes the Red Eléctrica Group's **Ethics Compliance and Whistleblowing Channel** available to suppliers for reporting possible breaches of the Code of Conduct and Ethics or the Supplier Code of Conduct, as well as for consultations on the aforementioned matters.

Detailed information on the Supplier Code of Conduct is described in the [Supply Chain](#) ↪ section of this report.

ETHICS MANAGER AND STAKEHOLDER OMBUDSMAN

To ensure knowledge, application and compliance with the Code of Conduct and Ethics, the Company appointed Carlos Méndez-Trelles García, General

Duties and responsibilities of the Ethics Manager

Counsel and Secretary of the Board of Directors, as Ethics Manager and Stakeholder Ombudsman.

ETHICS COMPLIANCE AND WHISTLEBLOWING CHANNEL 102-17

To promote the application of the Code of Conduct and Ethics, the Red Eléctrica Group has an **Ethics compliance and whistleblowing channel**, available on the corporate website , through which enquiries, grievances or suggestions can be submitted.

The Ethics compliance and whistleblowing channel is managed by the Ethics Manager in coordination with the Compliance area, and its operation is regulated in the Guide for the management of the channel. In 2021, the implementation of the new IT tool was completed, which reinforces the guarantees for the user of the channel and a better follow-up of the enquires and grievances reported to the Ombudsman. This channel is audited periodically and guarantees user confidentiality.

The Red Eléctrica Group has another channel for reporting non-compliance, grievances, enquiries and suggestions regarding ethical matters through the **DÍGAME service** in order to provide a reporting channel for requests from

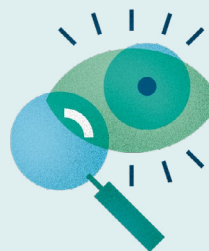
1. RESOLVE ENQUIRIES

in relation to the Code of Conduct and Ethics.



2. INSTITUTE PROCEEDINGS

concerning grievances that have been submitted in relation to the application of the Code.



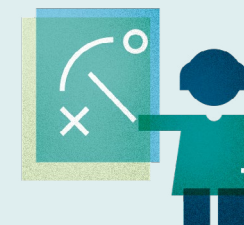
4. DRAFT A PERIODIC REPORT

reviewing the ethics management system and propose actions to improve it.



3. DRAFT ACTION PLANS

to resolve the grievances made and submit them for approval by the Chairperson of the Red Eléctrica Group. If the grievance is related to any member of the Executive Committee or the Board of Directors, it shall be submitted to the Chairperson of the Audit Committee or, if appropriate, to the Chairperson of the Sustainability Committee, depending on the nature of the grievance.



external stakeholders who are not aware of the aforementioned channel. This service transfers to the Ethics Manager the requests received, preserving the confidentiality of those who use the Channel.

In 2021, in order to facilitate access to the Ethics compliance and whistleblowing channel and give it greater visibility, the Ethics and Compliance section of Red

Eléctrica's corporate website [↗](#) was, creating a specific section for said Channel that includes information on the type of communications that can be sent through it, how to manage enquiries and grievances, and the guarantees established for those who use the Channel.

Seven enquiries were submitted to the Ethics Manager in 2021 through the Ethics compliance and whistleblowing channel, with a maximum resolution time of 10 days, in compliance with the rules of the Ethics compliance and whistleblowing channel.

Four grievances were received during the year in relation to compliance with the Code of Conduct and Ethics. None of the grievances relates to infringements of the organisation in the field of criminal risk. More detailed information on these grievances can be found in the *Annual Executive Report on the management of*

In 2021, no grievance was registered through the Ethics compliance and whistleblowing channel regarding possible criminal risks.

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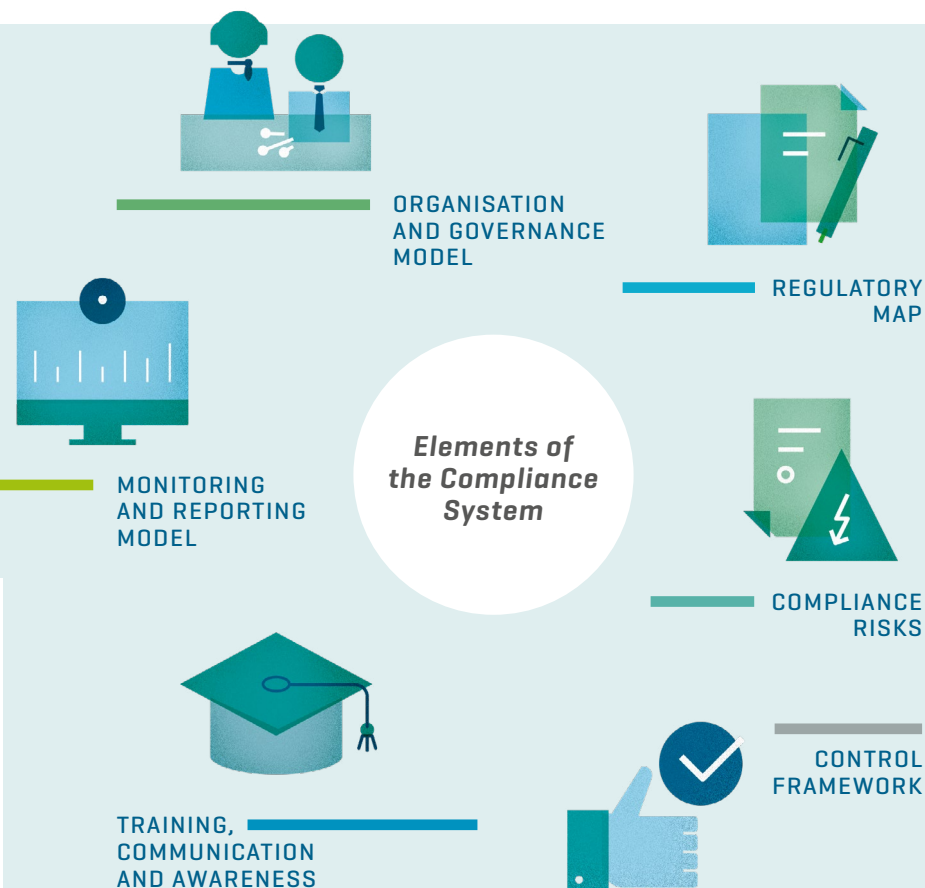
the Code of Conduct and Ethics 2021, [↗](#) which can be found in the Annex section to this report. / 406-1

COMPLIANCE SYSTEM

The Company has a **Compliance System** aligned with best practices, the objective of which is to ensure respect for the obligations established and commitments



Elements of the Compliance System



undertaken; all based on a proactive culture regarding the management of compliance risks.

The crime prevention and anti-bribery compliance system of the Red Eléctrica Group in Spain is in accordance with the provisions of article 31 bis of the Criminal Code and the Circular of the State Attorney General's Office 1/2016 on the criminal liability of legal persons, as well as the UNE 19601 on Crime prevention and ISO 37001 on anti-bribery management systems, respectively.

The Red Eléctrica Group has a **Compliance Policy** approved by the Board of Directors, which establishes the principles that govern the organisation's engagement with prevention, detection and response measures put in place when faced with any alleged conduct that is contrary to legal obligations and commitments that the Company voluntarily undertakes. The Policy contains the Group's express commitment to compliance with crime prevention and anti-bribery legislation applicable to the organisation, as well as the rejection of any conduct of a criminal nature, all of which is consistent with the values, principles and guidelines for conduct set out in the Group's Code of Conduct and Ethics.

Objectives of the Compliance System

- Ensure that all Company employees are aware of and comply with the external and internal obligations set out in the regulations and voluntary commitments and provide due control for their compliance.
- Define and develop a compliance risk map for each of the defined regulatory areas.
- Systematically identify, analyse and assess with uniform criteria the key controls that mitigate compliance risks.
- Inform the control bodies of the Red Eléctrica Group of the status and evolution of compliance in each of the defined regulatory areas.
- Promote a corporate culture based on ethics and compliance.

Regulatory scope



In accordance with the provisions of the UNE 19601 on Crime prevention and ISO 37001 on anti-bribery management systems, respectively, during 2021, the requirement was met for staff of the organisation who were particularly vulnerable (management team), in addition to the Company's governing body, to submit a statement at reasonable intervals confirming compliance with the Crime Prevention and Anti-bribery Policy that is incorporated in the Group's Compliance Policy.

Updating of the Compliance Policy

Following the approval of the Code of Conduct and Ethics in May 2020 and the 2021-2025 Strategic Plan in February 2021, the Company carried out a review and update of the Group's Policy Map to ensure that both its structure and

Cross-cutting

Integrity and ethics management

Criminal law

Specific

Protection of personal data and information	Tax
-	-
Corporate governance	Occupational Health & Safety
-	-
Economic-Financial	Comprehensive corporate security
-	-
Labour law	Transparency in the markets
-	-
Industrial and intellectual property	The natural environment
-	-
Prevention of corruption and conflicts of interest	Procurement
	-
	Due diligence regarding counterparties



the principles contained therein are aligned with the culture of ethics and compliance and with the Company's strategy. The organisation must also respond to stakeholders' demands and promote a common corporate culture among all the companies of the Group.

The main changes incorporated in the updated Compliance Policy were:

- Adaptation to the ISO 37001 standard on anti-bribery management systems, including a specific mention of this area of compliance. Similarly, an additional principle is incorporated in relation to the duty to report suspicious conduct or non-compliance and the claimant's right to indemnity when acting in good faith.

- Alignment with the Code of Conduct and Ethics, incorporating it as one of the elements of the Group's Compliance System.
- Inclusion of guarantees of confidentiality and anonymity for users of the Ethics Compliance and Whistleblowing Channel.

The Company has a Compliance area, as part of the Internal Audit and Risk Control Department, which is responsible for the design, development, implementation and monitoring of the organisation's global compliance system, with the objectives of promoting a global and proactive vision of compliance risks, and ensuring efficient control of such risks, guaranteeing the coordination and homogeneity of their management in the corporate sphere, improving internal control in the Red Eléctrica Group.

Development of a compliance culture

Training and awareness are key factors for the development of a compliance culture within the Group. In this regard, the Company promotes adequate awareness and disclosure actions to the entire organisation regarding the relevance and strategic nature of the Compliance System for the Red Eléctrica Group within the corporate integrity culture of the organisation.

During 2021, the design and execution of the **2021 Awareness and Training Plan** on compliance culture was carried out through an e-learning course on ethics and compliance. The course develops the ethical values, principles and guidelines of the Code of Conduct and Ethics and the principles of the Compliance Policy. Through this training, the Group provides the company's professionals with the tools to resolve possible risk situations in the execution of their duties and

The Red Eléctrica Group continuously promotes a culture based on ethics and compliance, as a fundamental element of due diligence in the management of compliance risks.

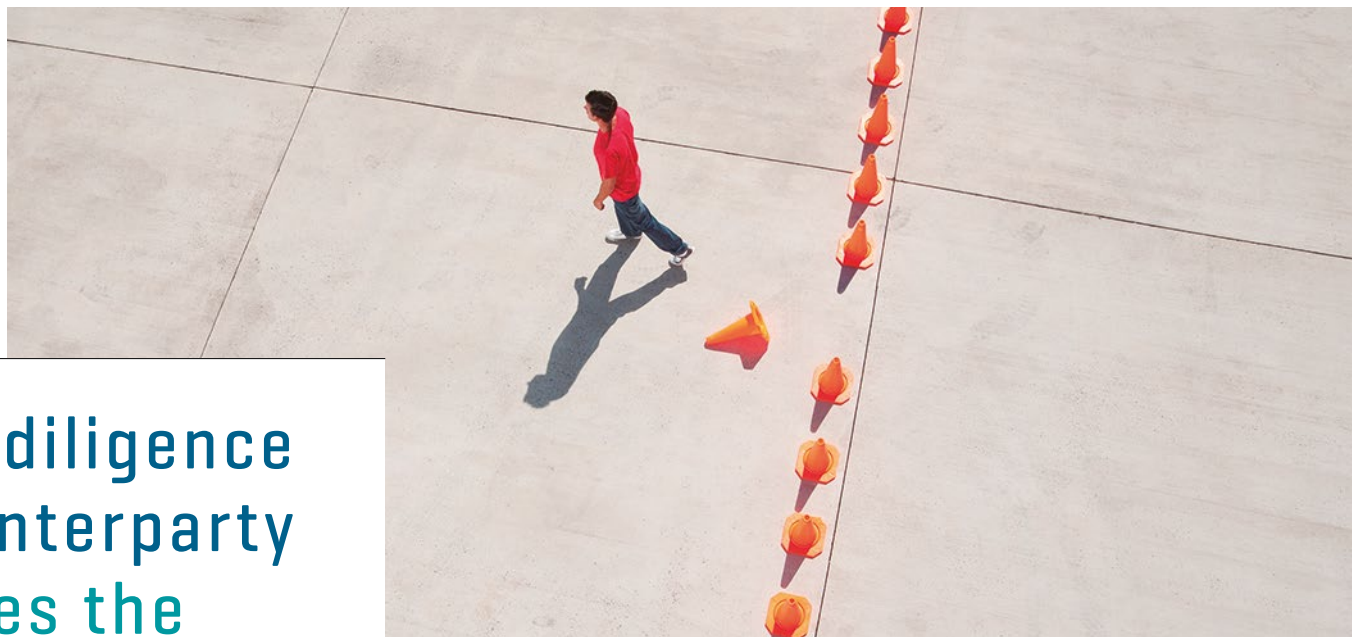
responsibilities, as well as the existing means to communicate any issue related to ethics and compliance.

In 2021, 83% of the Group's employees were trained in Ethics Compliance and the Whistleblowing management channel of the Group, exceeding the target set at the beginning of the year, which sought to train a minimum of 80% of the employees of all the Group's companies in these aspects.

Within the commitment of the Group to ethics and compliance, noteworthy is its participation, as a premium member, in the **Integrity Forum of Transparency International España**. In addition, the Company is a member of the Spanish Compliance Association (ASCOM), whose main objective is to professionalise the compliance function in Spain and participates in the group of large companies that form part of the **Forética Transparency, Good Governance and Integrity Cluster**.

Counterparty integrity due diligence

The Red Eléctrica Group provides its employees with the necessary tools to ensure that the Company's relations with third parties are governed by integrity



The global due diligence system for counterparty integrity enables the assessment of the risks to which the Company is exposed to in order to mitigate them through the establishment of appropriate control measures.

and transparency, which are key to maintaining the trust and reputation of the Group's companies within its stakeholders.

The Company's Compliance Policy includes, among the principles of the Compliance System, the establishment of the due diligence measures necessary for an adequate selection and monitoring, in matters of ethics and compliance, of business partners or counterparties defined as those stakeholders with whom the Group maintains or intends to maintain relations of any nature.

The counterparty due diligence model seeks to promote the highest ethical and compliance standards, the respect for legislation and regulations in force in the field of integrity, as well as promoting a culture of compliance based on the principle of **zero-tolerance for unlawful acts** especially those related to the field of integrity (corruption, bribery, money laundering, financing of terrorism or others of a similar nature).



CRIME PREVENTION and anti-bribery compliance system

ITS PURPOSE IS TO IDENTIFY THE RULES, PROCEDURES AND TOOLS IN PLACE
WITHIN THE GROUP, TO PREVENT NON-COMPLIANCE WITH THE LEGAL REGULATIONS

with criminal impacts on the Company and/or its personnel

In 2021, efforts have continued to be made to promote a Global due diligence system for counterparty integrity to establish the criteria and measures necessary to provide the Group with an adequate selection and monitoring of counterparty integrity. As an additional measure, the 'Dow Jones Risk & Compliance' platform has been implemented as a support tool, by means of which enquiries can be made regarding entities or individuals, non-compliance, illegal conduct or sanctions that may impact integrity.

CRIME PREVENTION AND ANTI-BRIBERY COMPLIANCE SYSTEM

The Red Eléctrica Group has a Crime prevention and anti-bribery compliance system whose purpose is to identify the rules, procedures and tools established in the Group to avoid non-compliance with legal regulations with criminal relevance applicable to the Company and its personnel. The management and prevention of criminal risks that may affect the Group in relation to its activity and business sector is thus incorporated into the due control exercised by the Company.

Throughout 2021, internal and external follow-up audits regarding the crime prevention and anti-bribery compliance system of the parent company of the Red Eléctrica Group, Red Eléctrica Corporación and Red Eléctrica de España were conducted to verify compliance in accordance with the UNE 19601 and ISO 37001. The external audit to monitor the certification was carried out by AENOR, which in December 2020, granted the certification of the crime prevention and anti-bribery compliance system of the said companies pursuant to the aforementioned standards, with the certifier having communicated the conformity and effectiveness of the system.

Crime Prevention Compliance Committee

The Board of Directors, as the highest body responsible for the Group's risk management, in accordance with the applicable regulations and, in particular, with the provisions of article 31 bis of the Criminal Code, has appointed the Crime Prevention Compliance Committee as the specific control body of the Company's crime prevention and anti-bribery compliance system.

The Crime Prevention Compliance Committee is both self-governing and independent, and reports to the Board of Directors, through the Audit Committee,

on the activities carried out by the same, as well as on the adequacy and effectiveness of the crime prevention and anti-bribery compliance system.

In 2021, no company of the Group has been investigated or convicted of infringements related to criminal risks within the organisation or for non-compliance related to criminal risks. The Corporate Crime Prevention Compliance Committee has been informed of the matters within its remit, has had free access to the documentation necessary to carry out its work and has had the cooperation of the various management areas of the Company to perform its functions.

Monitoring of the Crime Prevention and Anti-bribery Compliance System

The Crime Prevention and Anti-bribery Compliance System Monitoring Plan encompasses the activities aimed at overseeing the correct functioning of the same and ensuring that the information on the levels of crime prevention and anti-bribery compliance risk faced by the organisation is kept up to date, so that those responsible for making decisions on the System do so in an informed manner. The Plan includes verification activities, monitoring and follow-up of the System, the results of which are set out in an indicator dashboard for appropriate monitoring.

One of the control objectives included in the Monitoring Plan is the oversight of the design and implementation of the crime prevention and anti-bribery Compliance

MEMBERS

- Ethics Manager and the Stakeholder Ombudsman.
- Director of Internal Audit and Risk Control Management.
- Director of Legal Services.
- Director of Human Resources.
- Head of Risk Control, Compliance and Quality.

DIRECT REPORTS

- Director of Internal Audit and Risk Control Management.
- Director of Regulation Legal Services.
- Director of People and Culture.
- Heads of Compliance in the subsidiaries of the Group.

In addition, the Ethics Manager reports on the grievances submitted with possible criminal implications, maintaining the confidentiality of all information received at all times.



KEY FUNCTIONS

- Supervise the effectiveness of the Corporate Crime Prevention and Compliance System.
- Promote a culture of ethics and compliance.
- Investigate grievances that fall within the Corporate Crime Prevention and Compliance System.
- Prepare an annual report on the follow-up and effectiveness of the Corporate Crime Prevention and Compliance System, to be submitted to the Board of Directors.
- Interlocutor with the judicial/legal authorities.

Map, through the identification and assessment of the risks and control activities that mitigate these risks, as well as the verification of the design and operation of the monitoring activities by an independent entity.

In 2021, in accordance with the Crime Prevention and Anti-Bribery Compliance System Monitoring Plan and following best practices, an international audit firm carried out an external assessment and verification of the design and effectiveness of the key control indicators, relating to the risks of fraud, stock market crime, misappropriation and wrongful disclosure of company secrets, tax fraud, money laundering and the financing of terrorism.

In addition, as complementary work to the first verification cycle, completed in 2020, new key controls associated with public corruption and business corruption risks have been assessed and verified. The work consisted of assessing the design and validating the effectiveness of a total of 54 controls through substantive testing and process testing for the year 2020. The outcome of the verification was satisfactory, as no significant weaknesses in the design and effectiveness of the controls were identified.



In addition, since 2015, the Red Eléctrica Group has had a Guide for the Prevention of Corruption: zero-tolerance.

PREVENTION OF CORRUPTION AND CONFLICTS OF INTEREST 103-1 / 103-2 / 103-3 / 205-1 / 205-2 / 205-3

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The Code of Ethics and the Whistleblowing channel, as a system for the management of enquiries and grievances, constitute an effective mechanism for the detection and handling of possible cases of corruption, fraud and conflict of interest.

Code of Conduct and Ethics

ETHICS COMPLIANCE AND WHISTLEBLOWING CHANNEL

Guide for the Prevention
of Corruption: zero-tolerance

Guide for the management
of conflicts of interest

The Red Eléctrica Group has a **Guide for the Prevention of Corruption: zero-tolerance**, approved by the Board of Directors in 2015, which develops the corporate values and professional conduct guidelines contained in the Code of Conduct and Ethics related to the main manifestations of corruption.

During 2021, in accordance with the guidelines set out in the Code that prohibit contributions to political parties or organisations, there were no donations, grants or loans to political parties made on behalf of the Group. Additionally,

it should be noted that there have been no allegations of possible corruption, nor have any of the subsidiary companies of the Group been investigated or convicted by any court of law for non-compliance related to corruption.

In addition, also during 2021, the process of reviewing the current Guide for the Prevention of Corruption began with the support of Transparency International, obtaining a report on aspects for improvement and recommendations to be taken into account in the review process, which will be carried out during 2022.

In addition, since 2018, the Red Eléctrica Group has published a **Guide for the management of conflicts of interest** in order to fulfil the commitments undertaken in the Code of Conduct and Ethics in this field, to detect and prevent potential conflicts of interest that may affect the management team. This Guide, which is the result of the due diligence of the Group in matters regarding conflicts of interest, incorporates preventive measures to minimise the risks in this sphere.

The Company also has a Consultative Body on conflicts of interest that is responsible for the implementation and proper application of the procedure for the identification, management and resolution of conflicts of interest established in the aforementioned Guide.

In 2021, the Consultative Body processed one enquiry submitted by an employee of the organisation. The Consultative Body declared the existence of a real conflict of interest, and its resolution led to the adoption of measures to safeguard the Group's interests.

PROTECTION OF PRIVACY

The Red Eléctrica Group has a **Data Protection Compliance System**, with the aim of promoting and maintaining a responsible and proactive attitude in the protection of personal data, guaranteeing the good governance of such data and preserving the trust of the Company's stakeholders.



2022

revision of the Guide for the Prevention of Corruption

— With the support of Transparency International —

During 2021, the following actions were carried out in the area of data protection:

- Review of the Action Guide regulating the Data Protection Governance Model: the review included, among other aspects, the inclusion of a specific section on the basic principles governing the processing of personal data within the Group aligned with the Compliance Policy, the adaptation of the standard to the requirements of the Organic Law on the Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD) and the current operations developed in the Company.
- Approval of the internal norm regulating data protection by design and by default.

- Internal audit on data protection: the result of this audit has shown that the Personal Data Protection Model evolved positively since the last audit carried out in 2019. In addition, it has been verified that measures and controls are in place to mitigate the main risks of the processes related to the protection of personal data, and that these are, in general, adequate.

The Data Protection Compliance System of the Group ensures the good governance of personal data in compliance with current legislation.

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DATA PROTECTION GOVERNANCE MODEL

Party responsible

Data Protection Officer (DPO)

Data Protection Advisory Body

Interlocutor network

Function

Ensure compliance with current data protection legislation and liaise with the data protection advisory body in this area.

Support the proper functioning of the Data Protection Compliance System and propose improvements to the System within a legal, technical and organisational scope.

The areas of Compliance, Legal Services, Comprehensive Corporate Security, Information Technology and People & Culture form part of this Advisory body, in addition to the role of the DPO itself.

Deploy the culture of data protection within the Company, connecting the management areas with the fulfilment of the regulatory requirements in this field.

99

IN 2021, ENQUIRIES were received BY THE DATA PROTECTION ADVISORY BODY

of which 98% have been resolved and closed



- Implementation of a platform for the management of consent in the Group: the tool will enable the automated processing of said consents managed by the different areas of the Company.

In 2021, the Data Protection Officer did not receive any grievance regarding breaches related to the protection of personal data and none of the Group companies have been investigated or convicted of breaches related to privacy regulations.

Similarly, three requests were received to exercise the rights related to the protection and processing of personal data, which were duly replied to on time, and the necessary technical measures were taken to provide an effective response to the individuals concerned to exercise their right, pursuant to the protocol for dealing with the General Data Protection Rights of the Red Eléctrica Group and in compliance with the applicable privacy regulations.

Lastly, it should be noted that in 2021, 99 enquiries were received by the Data Protection Advisory Body, 98% of which have been closed. The Advisory Body regularly monitors these enquiries to ensure their correct resolution.

Development of the privacy culture

The Red Eléctrica Group promotes, through the Annual Activity Plan of the data protection compliance system, the adequate training and awareness among its members on the relevance of the data protection compliance system within the integrity culture of the Company.

In 2021, the Group continued with its training and awareness plan regarding data privacy. Since 2019, when the e-learning course on privacy was launched, more than 75% of Group employees have received training in this area. Additionally, this course forms part of the training material for new employees joining the Company.

Proactivity in personal data protection

The Red Eléctrica Group has a conscious, diligent and proactive attitude towards the handling and processing of personal data.

In line with the elements already mentioned, the Company has:

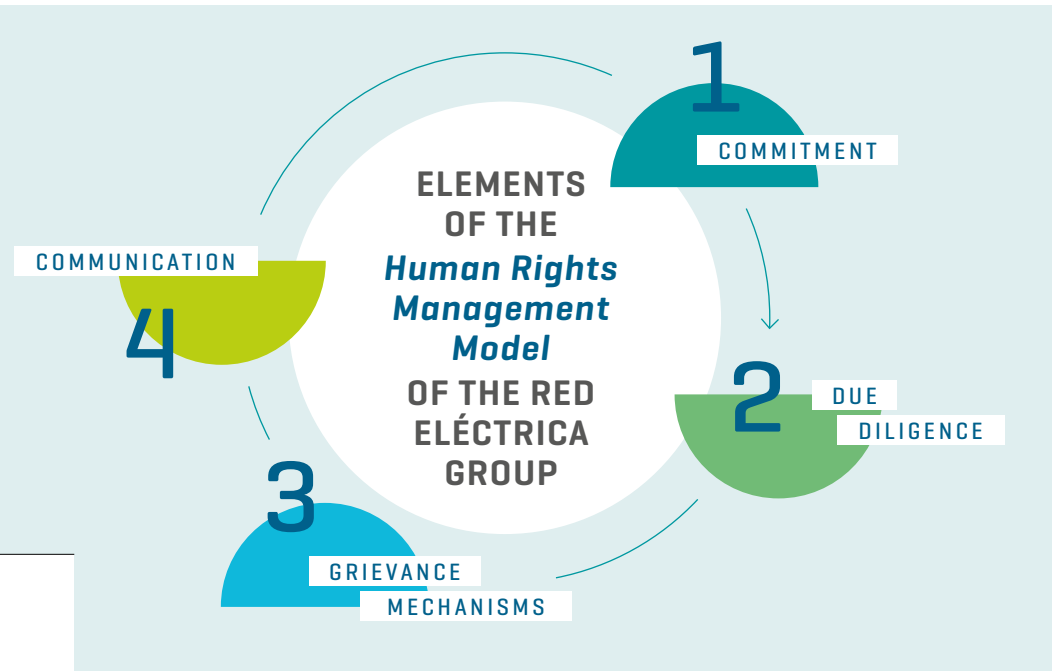
- A **Privacy Policy** that encompasses aspects such as the way in which personal data is processed, how the rights of data owners are guaranteed and how personal data security is managed and guaranteed.
- A **specific risk analysis Methodology** for the processing of personal data, in order to assess these risks and establish security measures and controls that guarantee the rights and freedoms of citizens.
- A methodology for identifying, assessing, qualifying and responding to **security incidents** related to compliance with data protection regulations.
- A **Protocol for managing and dealing with the General Data Protection Rights** of citizens regarding their right to access, rectification, erasure, opposition, portability and limitation of the processing of personal data.
- A **Protocol for contracting** personal data processing agents.
- An **internal standard** that regulates privacy principles by design and by default that incorporates in projects, activities and initiatives an approach oriented towards the principles of risk management and proactive responsibility that protects the rights of owners of personal data.
- A **Monitoring Plan for the control framework** of the organisational and legal measures of the data protection compliance system that is completed on a three-year cycle.
- **Biennial audits** to review the degree of adequacy of the Red Eléctrica Group in terms of data protection and compliance with the benchmark regulations. External audit firms specialising in this field participate in such audits.



HUMAN RIGHTS MANAGEMENT MODEL

In 2017, Red Eléctrica formalised its Human Rights Management Model, approved by the Group's Sustainability Committee. The development of this Model follows the methodology defined by the United Nations Guiding Principles on Business and Human Rights (UNGPs).

The Model covers all the activities of the Red Eléctrica Group, defining global commitments and grievance mechanisms for all business activities and geographical areas in which the Company operates.



The commitment to human rights of the Red Eléctrica Group is reinforced by its adherence to the Ten Principles of the United Nations Global Compact.

Commitment to human rights 407-1 / 408-1 / 409-1


Respect for human rights is one of the ten principles underpinning the Group's 2030 Commitment to Sustainability and a key aspect considered in decision-making to contribute to the achievement of the United Nations Sustainable Development Goals.

The Company maintains an explicit and public commitment to respect human rights in the development of its activity in all the territories in which it operates, with special attention to the freedoms and rights of vulnerable groups, such as indigenous populations, women, children, people with disabilities, ethnic minorities and migrant workers, among others, and to promote the extension of this respect to third parties.

This commitment is formalised in the corporate values and in the principles and behavioural guidelines established in the **Code of Conduct and Ethics**.

Similarly, the Group's Sustainability Policy sets out the principle for the promotion and respect for human rights [prevent forced labour, trafficking of people, child labour and discrimination, promote freedom of association, the right to collective bargaining and equal pay] in the sphere of influence of the Group's companies, acting with due diligence, adequately managing the impacts of its activity or the activities of third parties with which it has a relationship and establishing appropriate remedy mechanisms.

In the undertaking of these commitments, the Red Eléctrica Group takes into account the internationally recognised principles contained in the Universal Declaration on Human Rights and the binding provisions of the Declaration, the International Covenant on Economic, Social and Cultural Rights and the regulations of the International Labour Organisation.

Similarly, to extend the principles of sustainability throughout the supply chain, the **Supplier Code of Conduct** of the Red Eléctrica Group establishes the duty of this stakeholder group to respect the principles of the Universal Declaration on Human Rights, and its associated implementing conventions. Through the acceptance of the general conditions of contract, all suppliers of the Company undertake to comply with the Code of Conduct, which can be verified by carrying out social audits. This information is detailed in the subsection '*Risks and impacts on the supply chain*'  of the 'Supply Chain' section of this report.

In 2021, a training programme focused on human rights management was made available to suppliers, with the support and collaboration of the Spanish Global Compact Network, so that suppliers are aware of the Global Compact Principles on Human Rights and its regulatory framework, as well as the management model of the Guiding Principles on Business and Human Rights,

The commitment to human rights of the Red Eléctrica Group is formalised in its Code of Conduct and Ethics and in its Sustainability Policy.

in order to promote progress in this area. A voluntary questionnaire was also included, which seeks to find out how they manage the risks and opportunities related to human rights in their area of activity. In this way, by gaining clarity on the challenges, progress and opportunities they are facing, the Group can guide its suppliers towards a strategy of continuous improvement and joint learning.

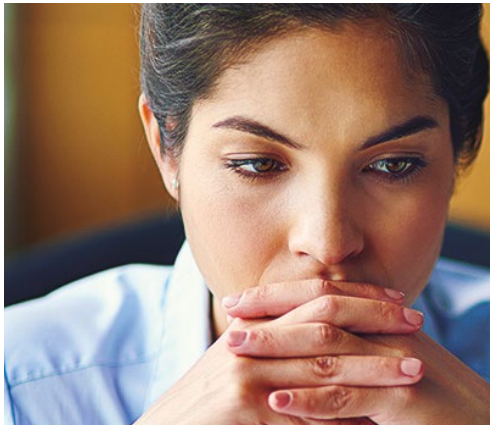
Due diligence process 411-1 / 412-1 / 412-3

Human rights management is addressed based on a continuous improvement approach. Thus, since 2013, the Group has carried out **periodic due diligence assessments** to identify the real and potential impacts of its activities on human rights.

During 2020 and 2021 and due to the opening of new markets and the incorporation of new supply sources outside of Europe, the Company reviewed the human rights analysis prepared in previous years to identify and assess the potential and real impacts [direct and indirect] related to various areas such as recruitment and working conditions, the right to trade union association, occupational health and safety, forced labour and modern forms of slavery, child labour, equality and non-discrimination, in those countries where the Group operates, Spain, Peru, Chile and Brazil. The risk associated with suppliers was also included in this assessment. After completing the identification process, the

Group's activities and those situations that could present a risk of human rights violations were determined. Following this analysis, two new potential impacts have been identified. The first being the Company's presence in Peru, and its most recent expansion into Chile and Brazil, where there is a manifest need to assess the possible impacts on local communities, with special emphasis on indigenous populations. In the second case, it has been determined that investment in new projects expands the set of business partners in countries with diverse standards and labour markets that may generate violations of labour rights or those of equality and non-discrimination.

In order to remedy these potential areas of conflict, in 2021 work was carried out to contribute to an improved management of the potential and real impacts identified regarding human rights in local communities in Peru. This has been done through the search for parallels between the Guiding Principles on Business and Human Rights of the United Nations and the work that the Red Eléctrica Group has been carrying out in Environmental Impact Studies. Progress has also continued to be made in identifying the risk of the right to equality and non-discrimination through the Group's relationships with suppliers.



The Red Eléctrica Group carries out periodic due diligence assessments to identify possible infringements regarding human rights.

During 2022, the Company will continue to strengthen this course of action, identifying and assessing new impacts derived from the Company's relations with its stakeholders, with the ultimate aim of designing measures to prevent the violation of human rights in its area of activity abroad. It will also draw up its Public Commitment to Human Rights and will update its own due diligence processes as well as those established for third-parties.

On the other hand, the certification of the corporate responsibility management system entails auditing all work centres in three-year cycles in aspects linked to respect for human rights.

Noteworthy is that the Company's activities in no way violate the human rights of any vulnerable group. Specifically, the activity carried out by the Group in Peru and Chile has no impact on indigenous populations.

Through the supplier portal, the Group also establishes mechanisms to prevent the violation of human rights in its supply chain: The Group's Code of Ethics and the Supplier Code of Conduct, the clauses included in the Company's general conditions of contract or social audits of suppliers. In 2021, no suppliers were identified that have compromised compliance with human rights.



NO GRIEVANCES regarding human rights

WERE REPORTED IN 2021 THROUGH THE *DÍGAME* SERVICE

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Grievance mechanisms

The Red Eléctrica Group has an **Ethics compliance and whistleblowing channel**, accessible to all its stakeholders, as a formal mechanism for responding to enquiries and grievances regarding human rights. Additionally, the Company has other communication channels open to its stakeholders, where they can share their concerns regarding any matter in the area of human rights, such as the *DÍGAME* service that manages the enquiries and suggestions from external stakeholders and the ASA channel [Procurement Support and Helpdesk] for providing specific attention to suppliers.


In order to adequately manage stakeholder enquiries about possible human rights violations, the Group has made progress in **improving the identification of the grievances received** through its three channels. With this information, it has been possible to identify those areas regarding human rights with the most significant impact due to the Group's activity. Following a revision of the criteria applied, in 2021 the Red Eléctrica Group did not receive any grievance regarding human rights through either its Procurement Support and Helpdesk [ASA] or the *DÍGAME* Service.

Communication

The Red Eléctrica Group makes its stakeholders participant in its performance on human rights issues through the Sustainability Report. In 2021, the Company did not carry out any new training activities for its employees in the field of human rights. / 412-2

Moreover, 100 % of the security guards working in the Company's premises have received the mandatory training on human rights applicable to security companies. / 410-1

During 2021, a specific course on human rights was launched, in collaboration with the Spanish Global Compact Network, which is available to both employees and suppliers. Specifically, during 2021, there were 144 attendees from 104 suppliers who have benefited from this initiative, with an average overall satisfaction score of 9 points [out of 10].

Furthermore, it should be noted that the Company annually publishes its Report on the Management of the Code of Ethics, which includes an analysis of the possible grievances received in this field and whose Executive Report is included in the *Annex*  section of this report.

A business model focused on the creation of value

Letter from the Chairwoman and from the CEO

A benchmark report at the forefront of reporting standards

1 The Red Eléctrica Group

2 Strategy

3 Corporate Governance

4 Commitment to sustainability

5 Anticipating change and taking action

6 Decarbonisation of the economy

7 Responsible value chain

8 Contribution to social, economic, and environmental development

Annexes

7.2

Economic results and financial strength

103-1 / 103-2 / 103-3

Key indicators in 2021

1.52% average cost of debt.
5.0 years average maturity of financial debt.
19% proportion of variable-rate debt.
35% of financing based on ESG criteria.

2021 milestones

Second issue of green bonds by Red Eléctrica de España for 600 million euros.
ESG bank financing in Chile for 120 million US dollars.
ESG bank financing in Peru for 30 million US dollars.
ESG bank financing in REINTEL for 325 million euros.

Challenges for 2022

First green hybrid bond.
Consolidation of an ESG financing ratio of over 35%.

EVOLUTION OF THE FINANCIAL RESULTS

For yet another year, the Red Eléctrica Group has been able to maintain stable growth. The Company has obtained sound financial results and has significantly strengthened its main financial indicators, maintaining a clear focus on operational efficiency and the ongoing generation of value.

FINANCIAL STRATEGY

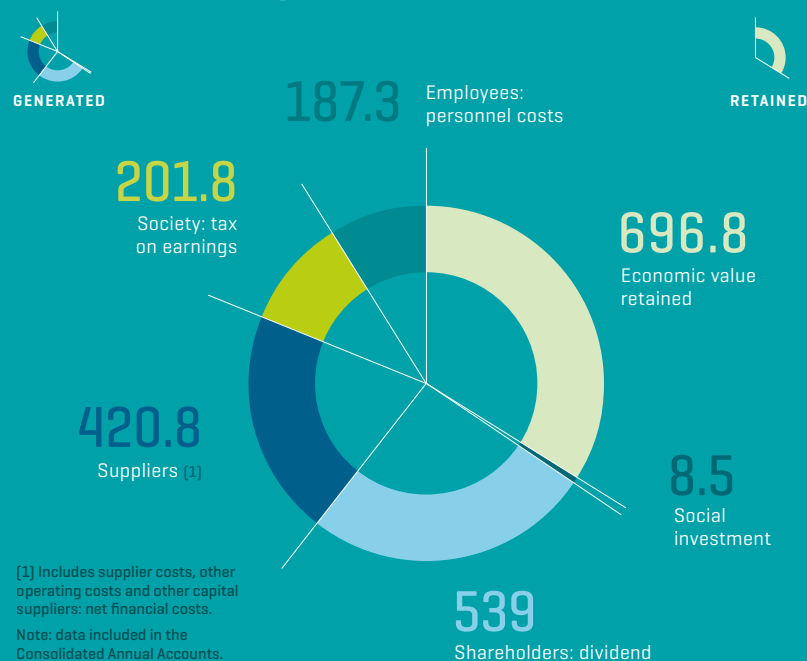
The financial strategy traditionally followed by the Company is geared towards reflecting the nature of the business it carries out while adapting to the legislation in force at each moment. The Group's strategic commitment to sustainability and digital transformation, cross-cutting and with a long-term vision, is also present through a responsible and transparent management that promotes sustainable and innovative sources of financing.

The Company delivered sound results and showed a significant strengthening of its key financial indicators.

→ Key Financial Indicators / m€

	2020	2021
Revenue	1,985.8	1,953.5
Gross operating profit (EBITDA)	1,568.5	1,498.6
Net operating profit (EBIT)	929.0	992.0
Net profit	621.2	680.6
Non-current assets	10,929.5	11,097.1
Net equity	3,492.0	3,685.1
Operating cash flow after tax	1,232.2	1,178.4
Total investment	895.0	576.0
Net Financial Debt	6,113.3	5,647.9

→ Economic value generated and distributed / m€ / 201-1



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Annexes



Sustainable financing

Since 2019, **Red Eléctrica** has had a **green financing framework**, through which it issues green financial instruments to finance and/or refinance projects that promote environmental progress. This framework is the result of the Company's commitment, even prior to the definition of the framework, to the integration of environmental, social and good governance (ESG) criteria in its financing.

→ Evolution of sustainable financing in Red Eléctrica

2017

First company in the utilities sector to transform its **syndicated loan** of 800 million euros into sustainable financing (green financing). The credit conditions are linked to the Company's credit profile and sustainability ratings of Vigeo Eiris, an international provider of ESG research and services for investors and organisations.

2018

Reduction in the cost of its syndicated loan, thanks to the improvement in the rating granted by the Vigeo Eiris rating agency.

2019

New long-term financing of 375 million euros and 30 million US dollars, incorporating sustainability criteria.
-
Drafting of the green financing framework.

2020

Inaugural green bond issue by Red Eléctrica for an amount of 700 million euros and with a maturity of 8.5 years.
-
New financial **transaction in Peru** for an amount of 30 million US dollars, also incorporating sustainability parameters.

2021

Second issue of green bonds by Red Eléctrica for an amount of 600 million euros and a maturity of twelve years.
-
New **transaction in Peru** for a total of 30 million US dollars that incorporates sustainability parameters.
-
First transaction in Chile also incorporating sustainability parameters for an amount of 120 million US dollars.
-
First transaction in the telecommunications business incorporating sustainability parameters for an amount of 325 million euros.



IN JANUARY 2020, Red Eléctrica's inaugural GREEN BOND ISSUE

WAS CARRIED OUT FOR A TOTAL OF 700 MILLION EUROS

Red Eléctrica's assets are considered to contribute to two of the categories established by ICMA and the LMA in their Green Principles:

Category

Eligible green projects

Renewable energy

Projects aimed directly at increasing the production of renewable energy.

Clean transport

Projects aimed at improving the efficiency of the national railway system.


In 2021, the Company updated its green financing framework, **adapting it to the taxonomy of the European Union** and has obtained a favourable opinion from the external agency Sustainalytics confirming its alignment with this taxonomy, thus becoming one of the first TSOs in the world to carry out this adaptation.

Similarly, in 2021 the Red Eléctrica Group became a member of the Nasdaq Sustainable Bond Network, one of the most important professional repositories on sustainable financing. This platform promotes the investment process in sustainable bonds by allowing investors to obtain detailed information for the selection and monitoring of their investments.

Red Eléctrica's green financing framework is aligned with the ICMA [International Capital Markets Association] and the LMA [Loan Markets Association] Green Principles 2021. Eligible assets are also aligned with the European Union's draft taxonomy.

The alignment of the green financing framework with the EU Taxonomy has allowed the concept of projects to be replaced by that of assets, with all Red Eléctrica's assets being eligible as its activity as TSO is considered to comply with the technical and environmental criteria and minimum safeguards required by the European Union.

In May 2021, **Red Eléctrica's second green bond issue was carried out for an amount of 600 million euros** and a maturity of twelve years, a transaction that recorded the lowest credit spread in the Spanish market in the last decade for transactions with a term of more than ten years. The Group's efforts to make all its financing sustainable continued in 2021 with a new transaction in Peru for 30 million US dollars and the first transaction in Chile for 120 million US dollars, both incorporating sustainability parameters. It is also worth highlighting the first sustainable financing implemented in the telecommunications business, when REINTEL signed a syndicated loan for 325 million euros, with a margin that is linked to sustainability parameters.

The *Annex*  chapter of this report includes the Green Bond Report, with detailed information on the financing obtained through the green bond issued and the environmental impacts associated with green projects.

Lastly, it should be noted that the reduction in the cost of its syndicated loan will remain in force until December 2022, as the Group has maintained the rating it received in the assessment of its sustainability performance by Vigeo Eiris in 2021.

Financial debt structure

The transmission of electricity and the operation of the electricity system are highly capital-intensive activities, wherein investments mature over long periods. In addition, the remuneration of these assets occurs over long periods. Therefore, the financial debt of the Company is primarily contracted long-term and is referenced mainly at fixed rates.

Net financial debt at the end of 2021 totalled 5,648 million euros. The average maturity of the debt issued at the close of the year was 5.0 years.

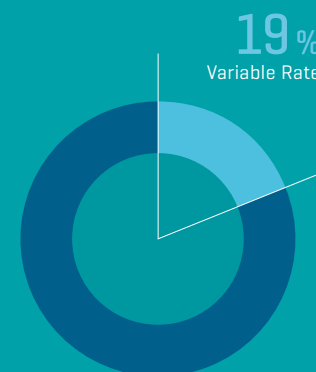
The Group's liquidity position for 2021 is based on its robust capacity to generate cash flows, supported by undrawn credit facilities. As at 31 December 2021, the undrawn amount of these credit facilities is 1.853 billion euros [1.717 billion euros long-term and 136 million euros short-term]. With regard to the classification of financial debt according to maturity, short-term debt is defined as all debt maturing within twelve months as of 31 December 2021.

Credit rating

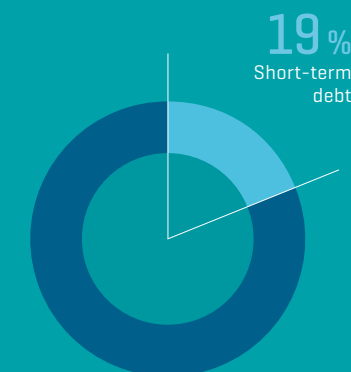
Red Eléctrica has been given a long-term credit rating of 'A-' with a stable outlook by both Standard & Poor's and Fitch a short-term rating of 'A-2' from S&P and 'F1' from Fitch

→ Financial debt structure / %

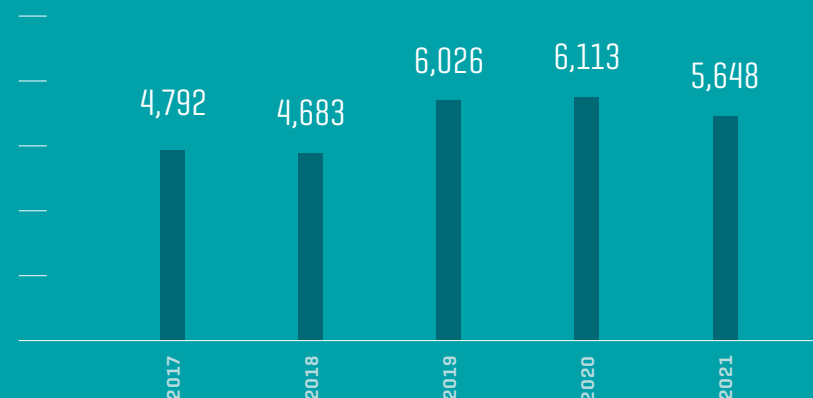
**Fixed rate
vs. variable rate**



**Long-term
vs. short-term**



→ Evolution of net financial debt / M€





Red Eléctrica has been given a long-term credit rating of 'A-' with a stable outlook by both Standard & Poor's and Fitch and a short-term rating of 'A-2' and 'F1' respectively, highlighting the stable and predictable nature of the Company's revenues and its high visibility.

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Standard & Poor's highlights in its report the new Strategic Plan presented by the Company in 2021 and the noteworthy presence of its transmission business within said Plan.

For its part, Fitch bases its rating on the low level of risk in the electricity transmission business and the growing revenue stream from telecommunications activities and international investments.

SHAREHOLDER RETURN

Stock market performance

For yet another year, COVID-19 has largely shaped stock markets throughout the year, with the biggest stock market declines of the year coinciding with the emergence of new waves of the pandemic, such as in January, July and at the end of 2021.



DESPITE THE PANDEMIC, THE YEAR CAN BE CONSIDERED AS

THE YEAR OF ECONOMIC AND stock market recovery

The world economy is estimated to have grown at a rate of more than 5% in 2021

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In addition to the pandemic, issues such as inflation and its effects on the monetary policy followed by central banks or doubts about economic growth caused by bottlenecks in the production system have been the object of concern for investors throughout 2021. Furthermore, the growth in the economic business activity nationwide after the previous year's slowdown due to the COVID, together with the results reported by companies in 2021, are today the elements that are truly driving the markets.

Therefore, despite the pandemic, the year could be classified as the year of recovery. The economic upturn has been accompanied by a recovery in the stock market. It is estimated that the world economy will have grown at a rate of over 5% in 2021, which will allow global GDP to surpass that achieved in 2019, after the slump caused by COVID in 2020.

For their part, world stock markets have advanced at an average rate of over 15%, which has led some indexes to set new all-time highs, as in the case of the main US indexes and, in Europe, the French CAC and the German DAX. At a sectoral level, the financial, energy and technology sectors performed well, while telecommunications and utilities were among the sectors that lagged behind the most during the year.

By geographical areas, the US and European stock markets recorded notable rises, with the French CAC and the American Standard & Poor's indexes performing particularly well, both with annual gains of more than 25%. The performance of the Asian stock markets was more moderate, with the Japanese stock market posting a gain of close to 5%, while the Chinese stock market ended the year with losses, the Shanghai stock exchange registering a fall of slightly more than 5%. Among the stock markets of the emerging countries, the Mexican stock market gained more than 20%.

Without having experienced a bad year, our selective stock market ended the year with a rise of 7.9%. That said, the Spanish stock market lagged behind the European indexes. The high weight in our economy and, consequently, in our stock market indexes, of sectors heavily affected by the pandemic, such as tourism, could explain to a large extent the mediocre performance of our market.

Red Eléctrica's share price

Red Eléctrica's share has performed remarkably well this year. It has outperformed the Spanish selective index in 2021 by registering a gain of 13.4%, after closing the year at a price of 19.025 euros. The share fluctuated between a low of 13.565 euros, set on 26 February, and a high of 19.470 euros, reached on 17 December.

A business model focused on the creation of value

Letter from the Chairwoman and from the CEO

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2 Strategy

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4 Commitment to sustainability

5 Anticipating change and taking action

6 Decarbonisation of the economy

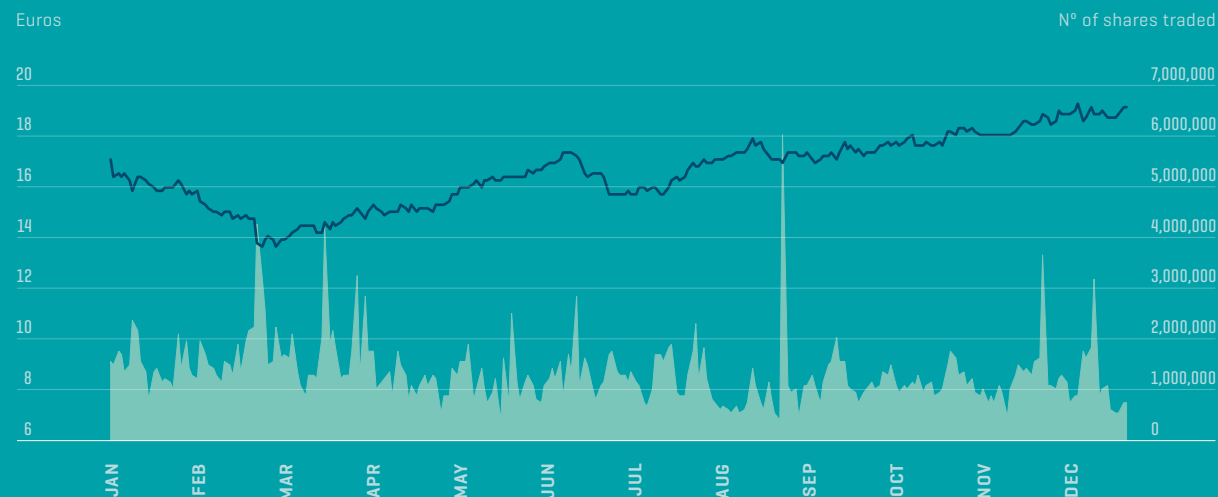
7 **Responsible value chain**

8 Contribution to social, economic, and environmental development

Annexes



→ Share price performance and daily volume



→ Main stock market indicators / m€

	2020	2021
Share price [in €]		
Maximum	19.74	19.47
Minimum	13.105	13.565
Year-end	16.775	19.025
Number of shares [millions]	541.08	541.08
Market capitalisation at the close of the year [in m€]	9,077	10,294
Earnings per share [EPS] [in €]	1.15	1.26
Share price/EPS [No. of times]	14.61	15.1
Dividend per share [in €]	1	1

A total of 427.8 million shares were traded on the Madrid Stock Exchange during the year, equivalent to 79 % of the Company's total number of shares. Purchases made in cash totalled 6.9802 billion euros.

Distribution of dividends

The gross dividend proposed to the General Shareholders' Meeting for the 2021 financial year is 1 euro per share, thus placing Red Eléctrica's shares among those offering one of the most attractive dividend yields on the Spanish stock market. On 7 January this year, a gross interim dividend payout of 0.2727 euros per share was made, with 0.7273 euros per share pending distribution as part of the gross complementary dividend.

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Annexes

7.3

Employees

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Key indicators in 2021

34.1% of women in the management team.

0.9% of people with disabilities.

1.33% overall accident severity rate.

65 hours of training per employee.

2021 milestones

Implementation of the Sustainable People Management model [GPS].

Implementation of the new strategy for attracting and recruiting talent.

Challenges for 2022

Definition of the Group's new collective bargaining framework.

Positioning of the Group as a benchmark as a healthy company, consolidating best practices in work-life balance and well-being.

Awards and recognitions

Leadership in the list of Spanish companies in the Refinitiv 2021 Diversity and Inclusion Index.



STABILITY AND QUALITY OF EMPLOYMENT

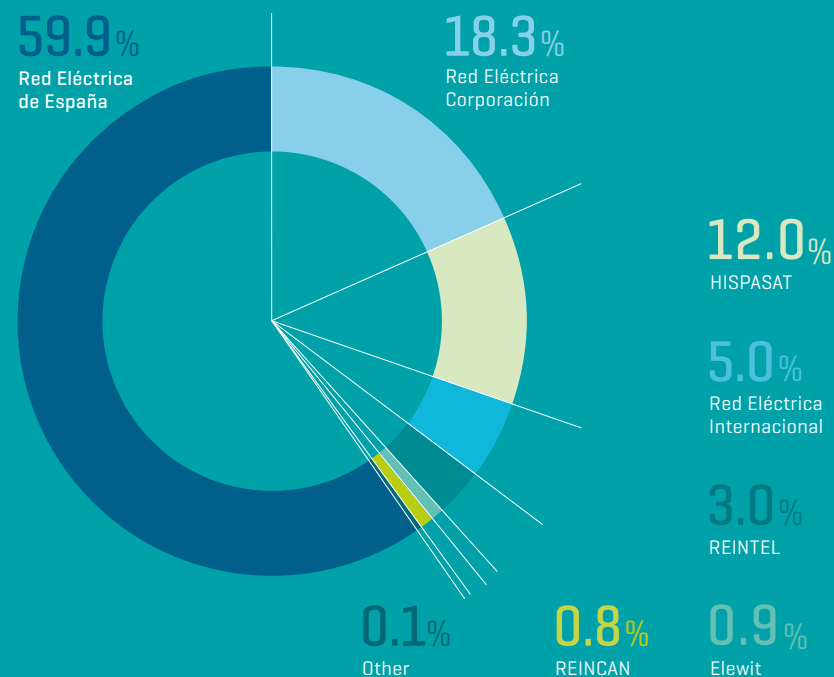
One of the strategic pillars that make the mission, vision and purpose of the Red Eléctrica Group possible is 'People' [employees], which pursues three objectives:

1. Promote cultural transformation, sustainable management and help the organisation become a benchmark as a **healthy workplace**.
2. Seek the occupational health & safety and well-being of people to **achieve healthy working environments**.
3. Develop an innovative, agile and collaborative culture, **promoting talent**, anticipating needs and consolidating the company as an organisation capable of meeting the challenges of the Strategic Plan in an ever-changing environment.

The **2021-2025 Operational Plan of the People and Culture Area** is deployed through two strategic initiatives that seek to develop and implement the cultural aspect of the transformation process in which the Red Eléctrica Group is immersed:

- Be a **benchmark as a healthy workplace**: actively promoting, developing and evaluating the Healthy Workplace Model and pursuing the complete health and

→ Distribution of the workforce broken down by companies of the Group



well-being of people to achieve favourable working environments from a unique perspective of occupational and personal health.

- Carry out a **cultural transformation and a diverse and committed management of talent**: driving the Group's transformation through an innovative, agile and collaborative culture to achieve a more resilient organisation capable of meeting the challenges of the Strategic Plan besides anticipating change and taking action throughout the employee's life cycle.



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→ Distribution of the workforce by country

No. employees

1,917

SPAIN

112

PERU

51

BRAZIL

31

CHILE

3

ARGENTINA

1

COLOMBIA

1

LUXEMBOURG

1

MEXICO

→ Distribution of the workforce of the Red Eléctrica Group

THE RED ELÉCTRICA GROUP

2,117
EMPLOYEES

A workforce with an average age of 45 years and an average length of service of 16 years

A stable, committed and highly qualified team 401-1

As at 31 December 2021, the Red Eléctrica Group had a total workforce of 2,117 people. 90.6% of the total [1,917] carry out their activity in Spain and 9.4% [199 employees] in Latin America and 1 person in Luxembourg.

27%
women



73%
men

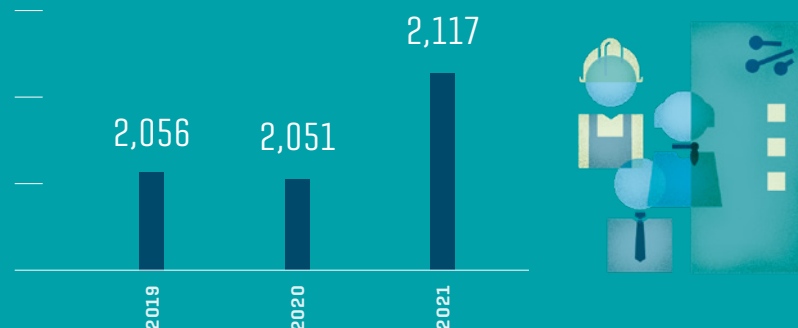


The Group offers its employees stable and quality employment, focusing on employability and functional mobility as a lever for professional growth and development, which is reflected in the low overall external turnover.

The Red Eléctrica Group's workforce increased by 66 people in 2021, 48 of them located in Peru and come from Media Network Latin America (MNLA), a company acquired by HISPASAT.

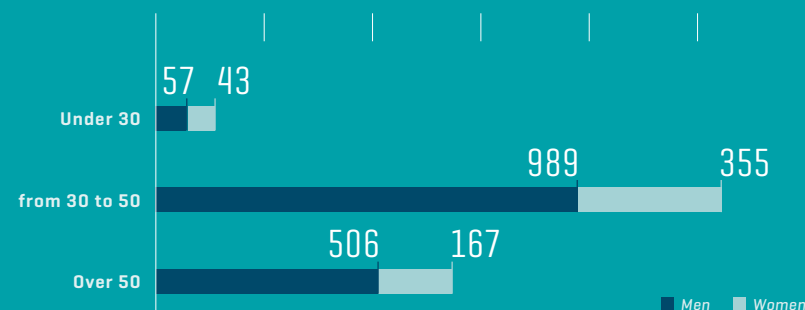
→ Evolution of the workforce of the Red Eléctrica Group

No of employees



→ Distribution of workforce by age and gender

No of employees



Out of a total workforce of 2,117 people

98%

Permanent positions



5%

Overall external turnover

12%

Mobility

→ The total remuneration model of the Red Eléctrica Group ^[1]

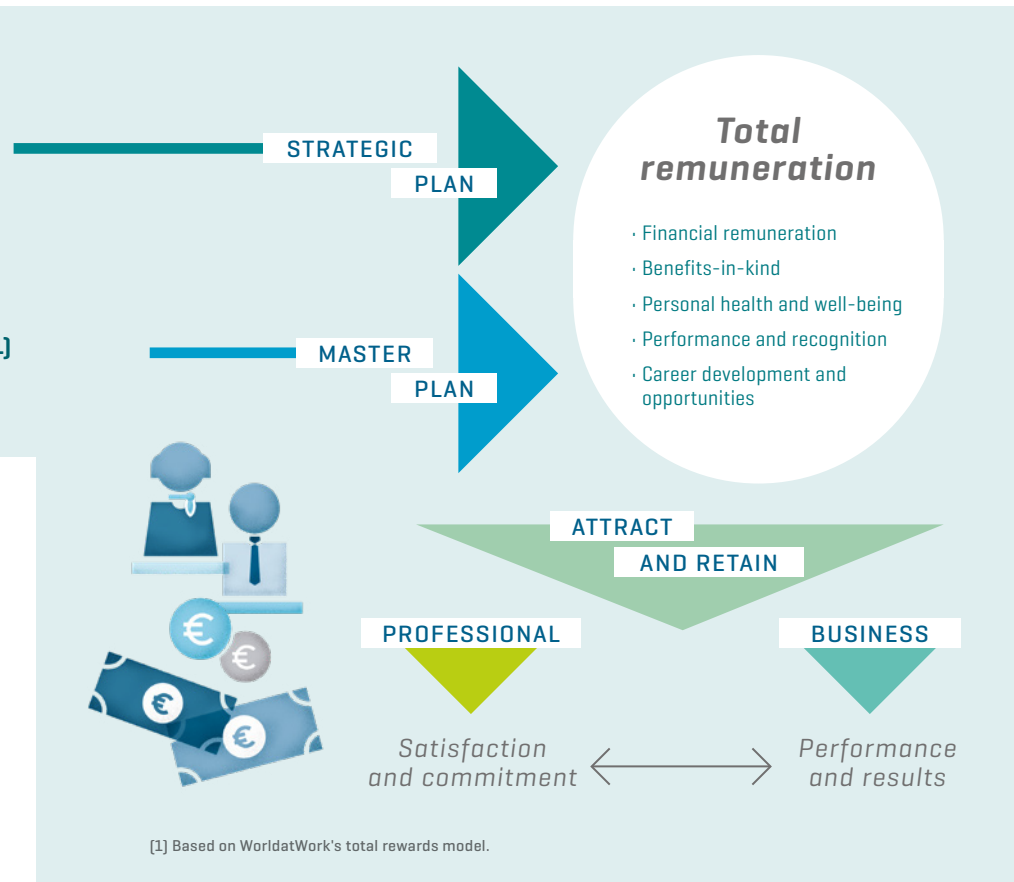
Compensation and remuneration

The Red Eléctrica Group works to consolidate, in all the companies of the Group, a remuneration model that responds to the following universal principles:

- Internal equality and external competitiveness.
- Coherence with the organisational and development model.
- Offering opportunities for salary progression.
- Highlighting superior performance through recognition.
- Equal pay for men and women.

In this regard, the Red Eléctrica Group continues to advance in the **model of total compensation** which contemplates different elements (economic, financial, emotional and intangibles) and that facilitates and supports organisational and cultural transformation and new ways of working within the Company.

With this same approach, the Company has **recognition programmes** linked to the development of innovative ideas that lead to sustainable and efficient management and income generation to encourage the participation of all the Group's professionals.

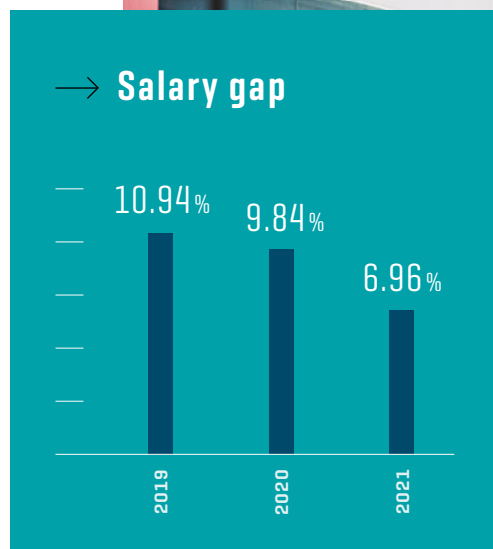


The Red Eléctrica Group rewards its professionals according to principles of equity based on the level of responsibility of the position and professional experience, and its annual salary review processes differentiate according to the contribution made during the year and the result of achievements but never based on gender.

The Group's active monitoring of gender pay equity has led to an improvement in the gross pay gap by almost three percentage points in 2021 compared to the previous year.



Furthermore, in order to advance in transparency and in compliance with market recommendations and best practices, it is worth noting that the Red Eléctrica Group includes the total remuneration and payments of its employees in the calculation of its gross pay gap, including the amounts paid for expenses, overtime and expatriation allowances.



During 2021, the Company worked on the implementation of the remuneration register, as established in Royal Decree 902/2020, to guarantee equal pay in positions of equal merit and ensuring transparency, following consultation with workers' representatives. The Group will continue to work to improve these values.

REMUNERATION MODEL

Non-managerial staff

It consists of a part of fixed remuneration within broad salary bands that allow for differentiated salary recognition and a variable remuneration or extraordinary bonuses that acknowledge the most outstanding contributions. In addition, non-monetary elements are included, which allow the personalised configuration of the professional's remuneration in kind.

In addition to the above, the Company offers its professionals social benefits that are not required by law.

Management team

It includes a fixed remuneration and an annual variable remuneration that values the contribution to the achievement of individual objectives, global company objectives and leadership objectives, the latter being linked to the leadership model of the management team. Similarly, in order to achieve maximum motivation and commitment to the achievement of the Strategic Plan and development as leaders, the management team, at director level and above, has long-term variable remuneration.

DIVERSITY**103-1 / 103-2 / 103-3**

The mission of the **Red Eléctrica Group's 2018-2022 Comprehensive Diversity Plan** is to inspire and be a benchmark, both within the Group and in the social, work and personal environment, through a commitment to diversity of talent, social and labour inclusion and non-discrimination, addressing stereotypes and cultural barriers.

It should be noted that in 2021, the Diversity Charter was renewed until 2023 and the Group was recognised as a leader in the list of Spanish companies in the Refinitiv 2021 Diversity and Inclusion Index.

IS MADE UP OF

17

DIFFERENT

nationalities*The workforce of the Red Eléctrica Group***2018-2022 Comprehensive Diversity Plan****Commitments**

- Create for employees and the rest of the stakeholder groups, a corporate culture favourable to diversity.
- Integrate diversity into all the Group's processes, especially in people management.
- Involve, raise awareness and promote the Group's mission and focus on diversity among collaborators and suppliers.
- Participate with official bodies, academic institutions and other social agents in the campaigns and projects that enable the Group to be a reference as a social agent that contributes to the construction of a more diverse society.

Objectives

- Ensure that at least 35 % of the management team are women.
- 0% pay gap.
- EFR A+ rating.
- Compliance with 70 % of the General Law on the Rights of Persons with Disabilities in Direct Employment.

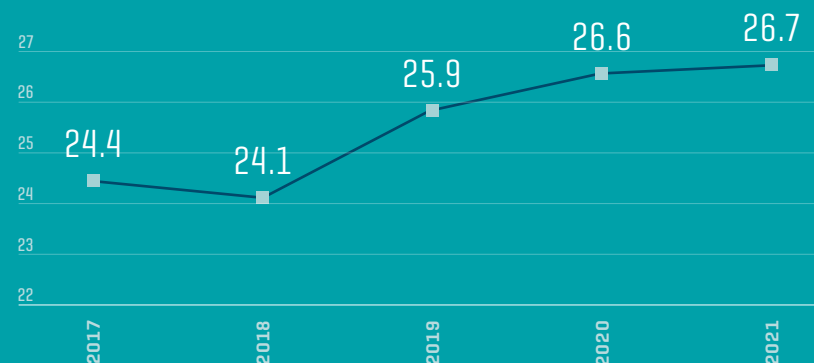
Gender Equality and Equal Opportunities

Gender equality is one of the vectors included in the Comprehensive Diversity Plan and addresses the principles of equal employment opportunities, promotion of women into positions of responsibility, equal pay for men and women, the development of equal-sharing of family responsibilities, prevention of moral, sexual and gender-based harassment and the prevention of gender-based violence. These aspects are monitored through indicators that allow the progress of the defined objectives to be measured.

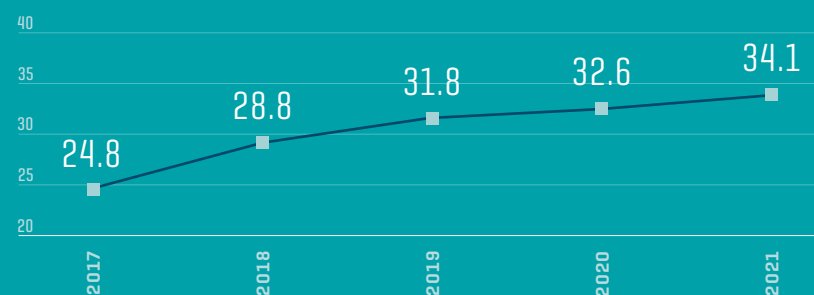
The percentage of **women** in the Red Eléctrica Group's workforce rose to 26.7% in 2021, and the number of women in management positions has increased for yet another year, reaching 34.1% [32.6% in 2020]. It should be noted that these results are very close to achieving the target the target of 35.0%, set for 2022. In addition, it is worth highlighting the significant presence of women on the Executive Committee (55.6% women) and on the Board of Directors (50% female directors).



→ Women on the workforce / %



→ Women in management positions / %



Note. Scope of the data: REE+REC+REINCAN+REI+REINTEL in 2017 and 2018 and the Red Eléctrica Group as of 2019.

The indicator measuring **equal opportunities in promotion** has reached a ratio of 1.67 during 2021, thus exceeding the target of 1.20 set for that year. For its part, **equal opportunities in training** achieved a ratio of 1.00, noteworthy being the participation of Red Eléctrica de España in all editions of the PROMOCIONA programme, with the presence of a female manager in each of the editions.

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NOTEWORTHY ACTIONS PROMOTING EQUALITY IN 2021

Awareness-raising activities and training

- Celebration of the 3rd **Women in REE Week**, with daily actions aimed at raising awareness of the importance of women in society in general and in organisations in particular, and specifically, on the promotion of STEM careers in socially vulnerable adolescents, biases in organisations and the role of women in the rural environment, among others.
- Awareness-raising and communication campaigns against gender-based violence and on the International LGBTI Day and International Day of Persons with Disabilities.

Forums and participation in external working groups

- Collaboration in working groups and forums on diversity, equality and inclusion promoted by institutions such as the IE Business School and *EJE&CON*, *Asociación Española de Ejecutiv@s y Consejer@s*, *Real Instituto Elcano* and *Real Academia de Ingeniería* (participation in the Women and Engineering project to promote the incorporation of women in STEM careers), ASCRI (Spanish Association of Capital, Growth and Investment) CEO for Diversity, UN International Equality Platform for the Energy Sector.
- Women Business & Justice. Round table on Women and Double Discrimination.
- Barcelona Woman Acceleration Week #BWA conference.
- Conference of the Ministry of Ecological Transition and the Demographic Challenge.
- Participation in PwC's Women to Watch.
- Participation in the Carme Chacón Foundation.
- Participation in Women and Leadership [*Mujeres y Liderazgo*] event.

New alliances

- Joining the Business Network for Diversity and Inclusion (REDI) with the aim of generating work environments that are respectful and inclusive of the LGTBI community.
- Membership of the IBEX Gender Equality Index, which promotes the presence of women in IBEX35 companies.
- Participation in the Observatory of the Work-life balance and the equal sharing of family responsibilities promoted by the University of Comillas.
- WOMAN FORWARD. The Company is part of the Think Tank and has participated in various initiatives and events.
- Adherence to the Women's Empowerment Principles (WEP) of the Global Compact, to ClostinGap and to the Target Gender Equality programme of the Global Compact to accelerate women's leadership within the Group.



In 2021, the Red Eléctrica Group launched a training and awareness programme on **Diversity management and female leadership**, aimed at promoting leadership among women who are part of the Group's workforce, which is developed in two distinct modules:

- The first, to raise awareness of the importance of diversity and promote inclusion in the organisation, reducing unconscious biases.
- The second, aimed at finding out the opinion of the Group's professionals on the opportunities offered by the organisation to advance in their professional career and development to discover possible individual limitations.

In both cases, a working methodology based on questionnaires and focus groups has been used, both with management and non-management personnel. The first phase of the programme ends in January 2022 and will continue throughout the year with other actions.

KEY ACTIONS REGARDING DISABILITY

- **Creation of employment:** acquisition of goods and services from Special Employment Centres.
- **Corporate volunteering.**
- **Plan familia** with personalised assistance to improve the social and labour integration of disabled family members of employees of the Red Eléctrica Group.
- **Corporate website developed with accessibility criteria**, in accordance with 'Double A' level, according to the Web 2.0 content accessibility guidelines of the Web Accessibility Initiative (WAI) of the World Wide Web Consortium
- **Inclusive recruitment process.**
- Support for the Adecco Foundation's **Employment for All Programme.**
- **Plan aflora** supports employees who could be eligible for disability certificates.

→ People with disabilities / %

	2019	2020	2021
Red Eléctrica de España	0.88 %	0.86 %	0.64 %
Red Eléctrica Corporación	No Data	No Data	1.28 % ^[1]
REINTEL	3.33 %	3.33 %	3.33 %
HISPASAT	1.95 %	1.95 %	1.95 %

[1] A certificate of exceptionality is being processed in order to complement legal compliance with alternative measures.

Age management

The Red Eléctrica Group has continued working on the **Age Management Plan** that responds to the challenge of the ageing workforce. This Plan represents a significant advance in the Company's commitment to generational diversity, as one more vector of the Comprehensive Diversity Plan.

Inclusion of people with disabilities

With regard to compliance with the General Law on the Rights of Persons with Disabilities (LGD), which applies to the Group's companies in Spain with more than 50 employees, throughout 2021, Red Eléctrica de España has reached 2.62% of equivalent employment of persons with disabilities. 0.64% of this percentage corresponds to direct employment and the rest corresponds to the application of exceptional alternative measures within the framework of the LGD. These measures consist of contracting goods and services in Special Employment Centres and making donations to entities whose mission is the social and occupational integration of people with disabilities and which support the Group in the development of the actions carried out within the annual diversity programme related to disability, contributing in turn to social action.

In addition to internal awareness campaigns, the Group participates in both institutional and private campaigns for the integration of persons with different capacities into the labour market.

Talent Management Model: courses of action

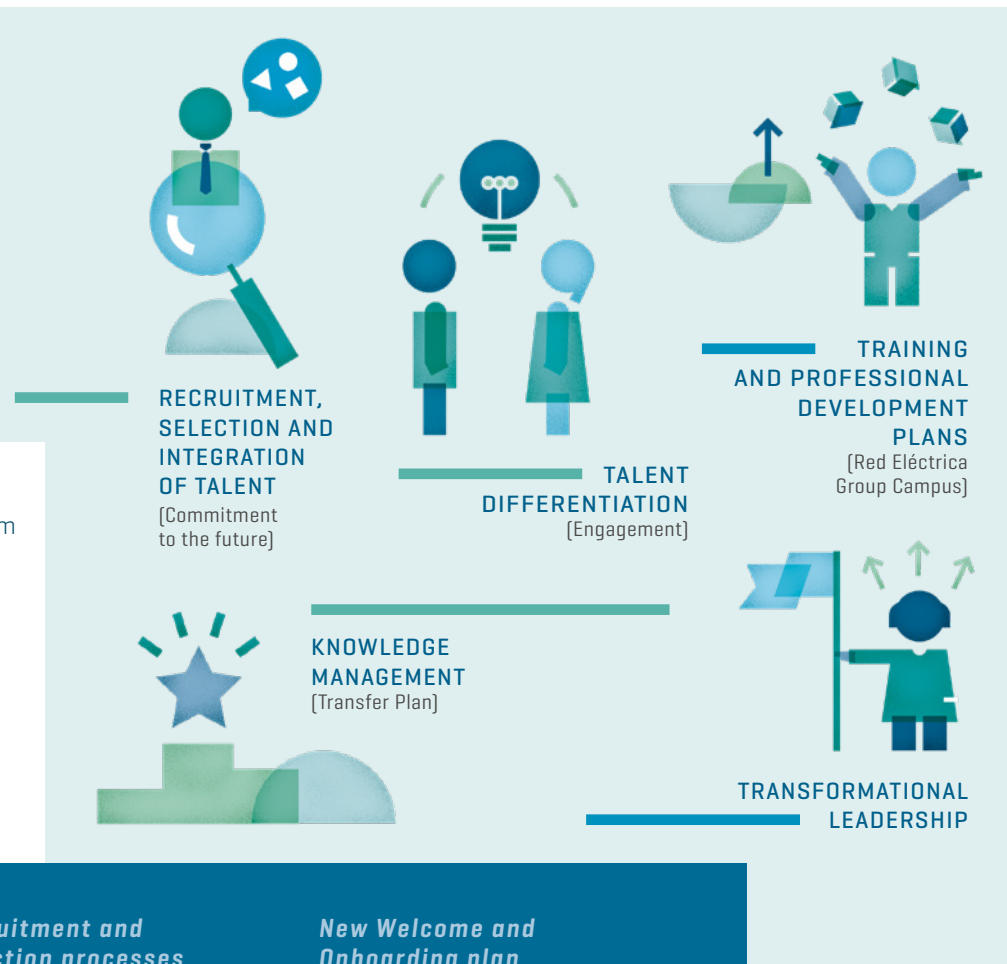
TALENT MANAGEMENT

103-1 / 103-2 / 103-3 / 404-2

The **Talent management model** aims to attract, nurture, develop, train, transform and retain talent, as well as share knowledge.

Attracting, selecting and onboarding of talent

During 2021, the use of a single, standardised tool for the entire Red Eléctrica Group was consolidated, which has centralised the process of attracting and incorporating talent [recruitment, selection and integration], increasing its efficiency and improving the candidate experience and integration into



Sub-processes of the attraction of talent and onboarding process

Attracting talent

Redesigning the positioning of the Red Eléctrica Group as an employer, with the support of a new corporate website for professional careers, with multi-channel job offers and integrations with social networks, enhancing the brand and providing an interactive and improved candidate experience.


Recruitment and selection processes

Enabling a more centralised handling of recruitment and selection processes using a unique tool for the entire Group, allowing both internal and external processes to be managed, and improving the internal customer [employee] experience and management timescales.

New Welcome and Onboarding plan

Providing both new and existing employees with a positive onboarding experience allowing them to learn more about the business and familiarise them with their new position within the organisation. This is accomplished through a multidimensional programme that includes key information about the Company and specific aspects of the position to be occupied by the employee.

the Company, including a new Welcome and Onboarding Plan with the accompaniment of an assigned tutor and in which the line manager maintains a key role throughout the process.

In this context, during 2021 the Group launched the new **Careers**  section on the corporate website, which aims to attract talent through the value proposition of the Red Eléctrica Group's employer brand and through the communication of external vacancies. With the new page, the talent hashtag used on the Group's main social networks, **'Pon tu #TalentoEnRed'** has been launched for the first time and accompanies the publications regarding vacancies and talent.



Iluminamos sueños
Conectamos vida

Pon tu #TalentoEnRed

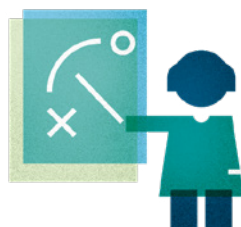
Cooperation with the education sector: incorporation of young talents 404-2

The **training programmes for young graduates** are proof of the Red Eléctrica Group's firm commitment to society and the future. These programmes aim to facilitate access to the labour market for young, qualified professionals.

In order to promote the qualification of higher-level Vocational Training (FP) students, the Group has continued to be actively involved in the theoretical-practical course for the **Dual Vocational Training: Advanced Technical Expert in Power Stations Degree**.

This initiative has various objectives. One is to have professionals with this qualification available for immediate incorporation into expert technical

The Red Eléctrica Group consolidates the Dual Vocational Training: Advanced Technical Expert in Power Stations Degree.



Young Talent Programme – DescubRE

In 2021, a group of twelve people took part in the 3rd edition of this programme, which aims to be a lever and a driving force for the new ways of working and cultural transformation in which the Company is immersed, through the incorporation of young, diverse, creative and innovative talent.

DescubRE is aimed at talented young university students, who for one year form part of the team and can develop their skills by collaborating on cross-cutting transformation projects of the Group. At the same time, they have the opportunity to complement their internship with a 100 % online postgraduate degree in English: **Master decision making and innovation**.

Each participant has an assigned tutor who will work on the achievement of objectives and will be the person who will provide guidance and be in charge of their development.

‘Opera’ Internship

In October 2021, the 9th edition of the Opera Internship was launched for a group of twelve young people. This programme has a duration of eight months in which the beneficiaries have a period of theoretical and practical training in the facilities of the Red Eléctrica Group, including practical training in the OTS (Operator Training Simulator), training in the Control Centres and, as an innovative action, experience in other departments who work closely with the Control Centre, in order to increase cross-cutting knowledge and integration within the activity of real-time operation.

At the end of the internship period, participants will be able to join the Company's talent pool.

maintenance positions, to provide the sector with professionals trained with Red Eléctrica de España's expertise and know-how and to increase the employability of young people for their inclusion into the national industrial fabric.

It is noteworthy that the programme combines training at the Integrated Centre for Industrial Technological Vocational Training in León and at the Red Eléctrica Group Campus, with internships in the eight transmission regional areas of the Company.

During this year, the third annual class of this degree started, which combined three months of virtual training of the theoretical contents of the subjects,

two months of on-site internships at the Campus and three months of work experience in work centres.

This third annual class ended on 30 November 2021, with 16 people having completed the training, two of them women, and it is forecasted that at least 50 % of the students will join the workforce in 2022.

Talent differentiation process: engagement

2021 saw the consolidation of the process of **differentiation and segmentation** of people by talent, i.e., by an equal appreciation of differences in their contribution to the organisation as well as differences in the



capabilities they possess and exhibit in order to sustain and enhance said contribution.

The process effectively separates the assessment of contribution, aligned with the Management by Objectives Model, from the process of assessing and developing key skills. In both processes, feedback is a key tool to provide employees with multiple sources of insight into the evolution of their contribution or skills.

The objectives of this process are:

- Identify those people who bring differential value to the organisation and those who have the skills to increase that value in the future.
- Identify those people who are not contributing adequately to the organisation.
- Make differential and equitable investment decisions according to the talent of the people and the influence that this investment can have on improving results.

As a result of the decisions derived from the talent differentiation process, the **Personal Development Plans** (PDPs) are implemented, individual development and improvement programmes for people where learning and development actions are planned and agreed upon between the manager and the professional to focus on improving the level of contribution. During 2021, 342 people worked on defining their PDP.

In addition, those who bring differential value to the organisation are offered recognition, which may be financial or consist of specific development or visibility actions. Similarly, for those people who show the potential to take on

VARIABLES OF THE TALENT DIFFERENTIATION MODEL

Contribution

How the person contributes value through their work and the fulfilment of their duties and responsibilities to achieve the strategy and sustainability goals of the business.

Capabilities

Appropriate skills, knowledge, motivation and values to sustain and enhance contribution differentiating between those relating to their current level and role and those relating to a higher-level role.

Red Eléctrica Group training in 2021

responsibilities at a higher level, there is a specific development programme that starts with an assessment of this potential and continues with a personalised development programme.

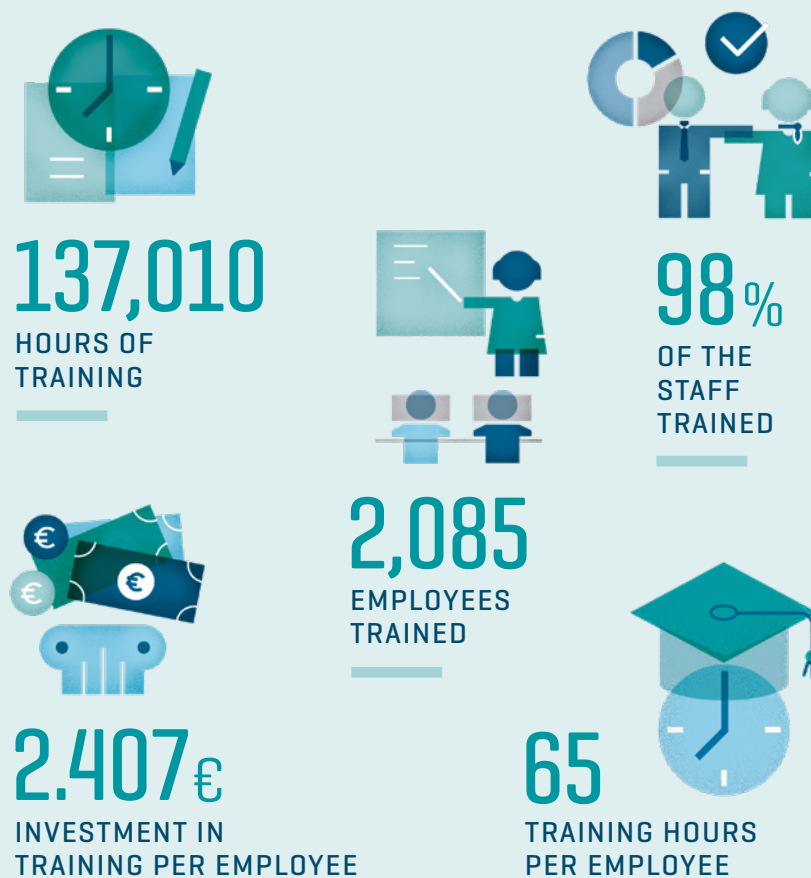
Training and professional development plan: Red Eléctrica Group Campus

In 2021, the Group consolidated the design and optimisation of the training model, aligning the contents with the three learning levers on which the Red Eléctrica Group Campus is based: business knowledge and technical training; strategy and leadership; and cultural transformation and innovation.

The new learning model is based on the employee experience, on the training offer and on a new management system, helping employees to become the players of their own development and their leaders will support them playing a transformational role.

The **strategy and standardisation of learning** is a key element within the overall Talent Management Model. The various training and development programmes are grouped into four lines: technical training, skills development, corporate training and training aimed at specific groups.

A new feature in 2021 is the introduction of the new Individual Learning Plan process, which focuses on the self-development of employees, allowing them to participate responsibly and autonomously in the development of



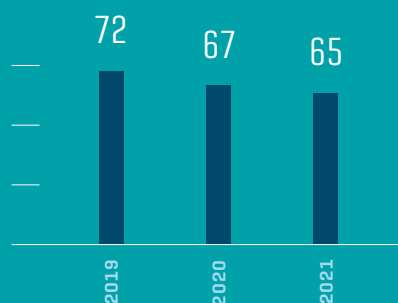
their own Learning Plan, requesting those training actions that they consider contribute to the achievement of their goals and to the improvement of their contribution.

Employees, depending on their professional and personal interests, can choose to participate in any of the 300 plus actions included in the training catalogue.

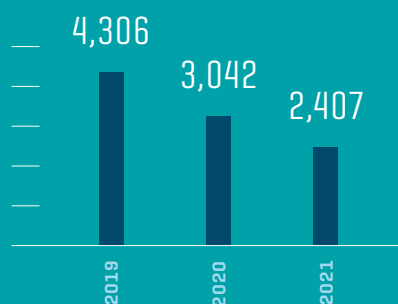
KEY TRAINING ACTIONS DURING 2021

< 248 >

→ Training hours per employee / 404-2



→ Investment in training per employee / %



Training regarding the Quijote Project

Quijote is a project that arose in order to address, with greater security, reliability and quality of electricity supply, the new energy transition scenarios foreseen for 2030 where renewable generation within the generation mix will reach values of 74%.

ICOM Training

Training on the management of work in shared facilities aimed at Operation staff and Regional office personnel, to remind them of the concepts and the particular processing of this type of working situation in shared facilities.

Launch of the Agile Campus

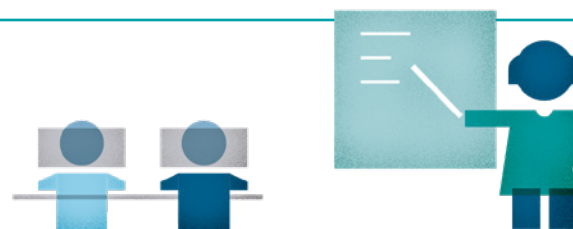
As part of the Agile initiative of the Red Eléctrica Group that consolidates the strategy of implementing agility as a new way of working, the Agile Campus was launched in 2021, where all employees can independently access different learning resources.

Gamified workshop on adapting to change

The objective of this workshop is to work on change management through a simulation that focuses on eliminating the main pitfalls linked to being in your comfort zone, fear, habits and analysis paralysis.

Experiential eSport activity

With the aim of working in a VUCA [Volatility, Uncertainty, Complexity and Ambiguity] environment, which allows you to experience the six critical behaviours for tackling any type of transformation in a working environment: global vision, continuous feedback, confidence in oneself and in others, continuous learning, open mindset and drive and motivation towards achieving the goal.



In the event that a need is not covered, the employee can request training after a prior assessment by their line manager, the Talent and Culture Area will assess the need and manage it accordingly.

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Principles of the Red Eléctrica Campus

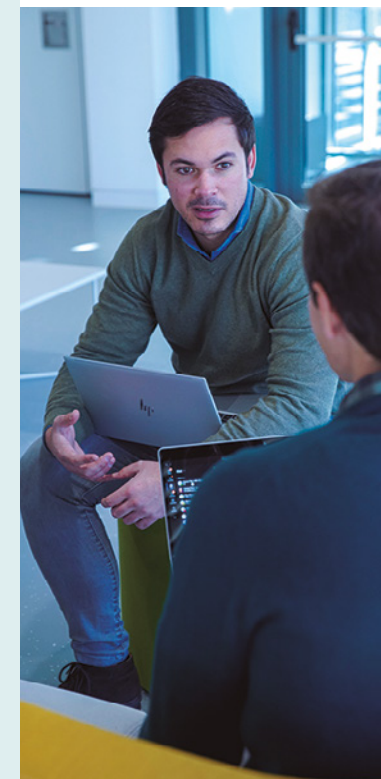
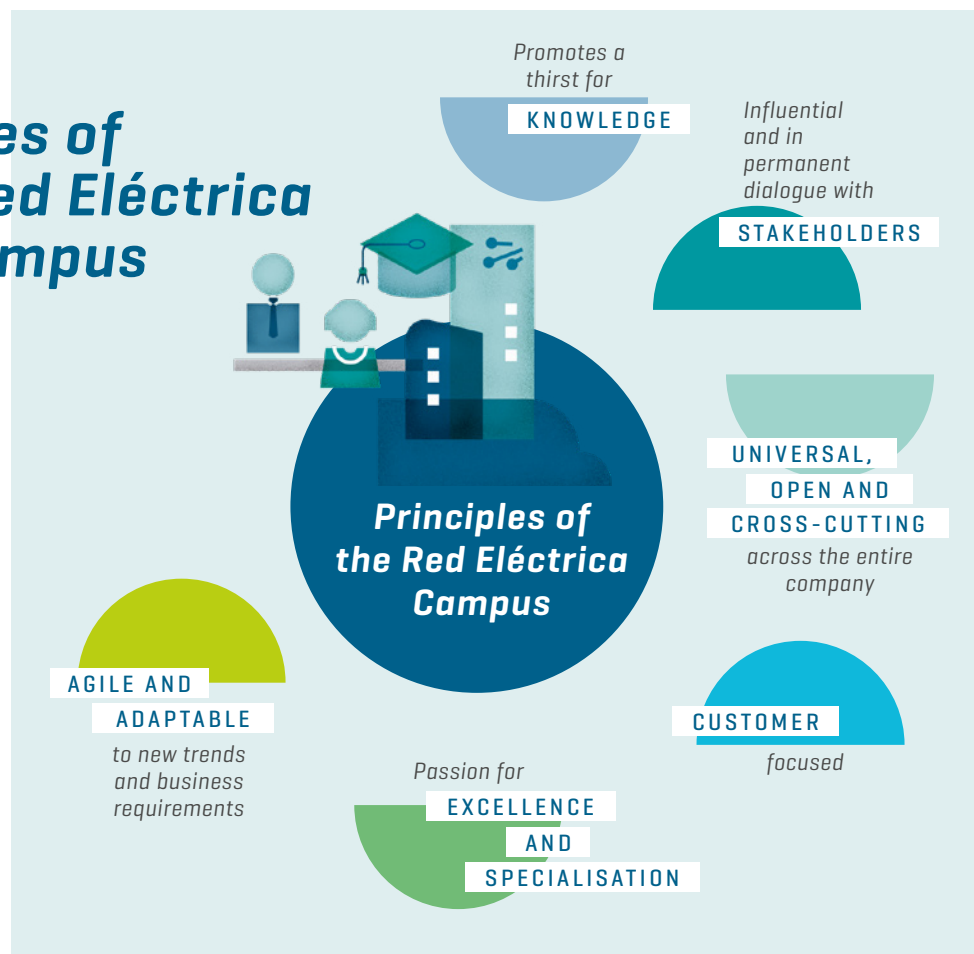
The Red Eléctrica Group Campus

The Red Eléctrica Group Campus is the Company's corporate university.

Its mission is to serve as a platform for the deployment of the Group's strategy, values and culture to facilitate the achievement of business objectives, acting as a meeting place and catalyst for learning and contributing to the management of stakeholder knowledge.

Campus, whose headquarters are located in the Tres Cantos Technology Park in Madrid, represents a new and disruptive approach with respect to previous internal training centres, moving from a mainly technical focus to a comprehensive methodology. The Campus is completed with a virtual Campus, a digital learning environment open to the entire organisation, with a catalogue of more than 800 learning resources, mostly virtual, where employees can work on their training plan in an autonomous and flexible manner.

The Group also has other training centres:



- A training campus in San Sebastián de los Reyes [Madrid] specialising in Gas Insulated Substations, in addition to the El Sabinal Campus [Canary Islands] created in 2019.
- Two accredited training centres created for SF₆ gas handling certification, one located at the San Sebastián de los Reyes Campus [Madrid] and the other at the Vitoria substation [Álava].



12 internal mobility ACHIEVED IN 2021

AS A BASIC ELEMENT TO ACCELERATE THE PROFESSIONAL DEVELOPMENT OF EMPLOYEES, THEREBY INCREASING THEIR VERSATILITY AND EMPLOYABILITY,

in order to respond to business needs in the short and medium term

< 250 >

Mobility model

The development of internal capabilities is one of the keys to addressing business challenges with greater guarantees of success. Therefore, in the Red Eléctrica Group, mobility is promoted as a basic element to accelerate the development and learning process of its professionals, increasing their versatility and employability, in order to respond to the needs of the business in the short and medium term.

This model has evolved seeking to manage mobility in an **agile and efficient manner**, taking into account the needs of the organisation and the professional development of employees and improving the internal customer experience, a fact that is reflected in the 12% internal mobility achieved this year.

Knowledge management

The **Red Eléctrica Group's knowledge management model** serves to channel, manage and facilitate the generation of knowledge that allows the Company to innovate.

This initiative, aimed at sharing technical knowledge, has the objective that experts in each subject disseminate and share their knowledge and experience, encourage debate and the exchange of ideas, and they create a network of contacts that generates new shared knowledge.

A relevant tool is the **'El valor de tu experiencia'** [The Value of Your Experience] project, whose main objective is to transfer the knowledge, core tasks and experience of the experts involved, who at the end of the process will assume the roles and responsibilities, to ensure the preservation and transfer of people's know-how and to ensure optimal performance in change processes.

Transformational leadership

In order to continue moving towards transformational leadership and after defining a model that reflects what is expected of a leader in the Red Eléctrica Group in terms of principles, values and behaviour, the management team development plan has continued, concentrating efforts on focusing development on what each manager needs.

During 2021, various cross-cutting actions were implemented to accompany the management team in its development process, launching an internal

Leadership model



communication guide that includes basic guidelines for communicating effectively with a more approachable, simple, transparent style, in which active listening plays a leading role to generate trust and consolidate the new culture.

With the launch of the Get Abstract online self-training platform, which offers a wide range of resources, an online training programme has been set up that includes sessions developed by world experts in management and leadership.

In addition, all members of the management team have continued to work on Personal Development Plans, defined following the outcome of the 360 process, which was undertaken over the past year.

More detailed information on the **Transformational Leadership Model** can be found in the [Transformation: culture, digital and technological innovation](#) ↗ section of this report.

DIALOGUE AND TRANSPARENCY

Social climate

2021 was a year of changes that have influenced the day-to-day life of the Company and its employees. For this reason, the climate study launched at the end of the year is especially relevant to find out the concerns and doubts generated in the teams. It thus becomes a key tool to focus efforts on the most relevant aspects for everyone. The results and action plans will be

published in 2022, analysing any variations that may have occurred regarding the results obtained in the previous climate survey (2019).



At the beginning of 2021, the last of the COVID pulse surveys was launched to find out how employees felt about the measures that the Company had adopted and adapted in the different moments of the pandemic, with 52% of the workforce participating. The results reflect very positive levels in all categories, with employees generally welcoming the decisions and measures adopted by the Company during the crisis.



→ **Committees** **contemplated within** **the 11th collective** **bargaining agreement**

Social dialogue **102-41 / 402-1**

The Red Eléctrica Group guarantees its employees the right to union affiliation, association and collective bargaining within the framework of existing labour laws and the collective bargaining agreement applicable at any given time.

In the second half of 2021, negotiations for a framework collective bargaining agreement were promoted and initiated for Red Eléctrica de España, Red Eléctrica

Corporación, REINTEL, REINCAN and Elewit, as well as individual equality plans for Red Eléctrica de España (adaptation of the existing Equality Plan), Red Eléctrica Corporación and REINTEL.

2021 was marked by a large number of trade union elections that have led to the renewal of the unitary representation of the majority of the workforce of Red Eléctrica de España, as well as the election of a Works Committee for Red Eléctrica Corporación and a staff delegate for REINCAN.

Occupational Health and Safety Committee
-
Committee on Social Affairs
-
Professional Classification Committee
-
Training Committee
-
Inter-work Centre Committee

Equality Committee
-
Committee for Facilities Personnel (transmission grid)
-
Geographical Mobility Committee
-
Joint Committee on Monitoring and Interpretation of the Collective Bargaining Agreement

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Responsible value chain

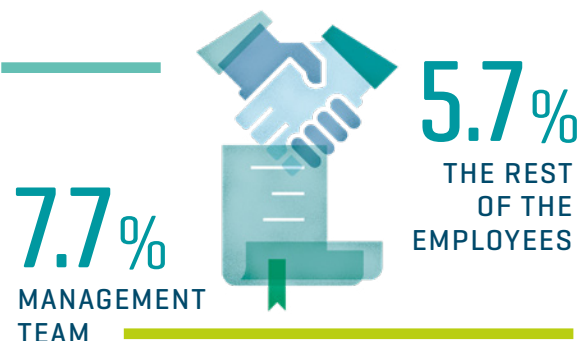
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On the other hand, during 2021, the Inter-work Centre Committee of Red Eléctrica de España met, and the legal representation of the employees that comprise it have been kept informed of those issues of general interest to the workforce. Similarly, various meetings were held with other committees in which the social representatives of Red Eléctrica de España and the works committees of Red Eléctrica Corporación and REINTEL participate.

Consequently, 2021 was characterised by a high level of trade union activity as far as labour relations are concerned. Most of the Group's workforce in Spain is covered by a collective bargaining agreement, with only the management team and employees who voluntarily and reversibly accept the Company management's proposal to opt out of the agreement being excluded from its scope of application.

Exclusion from the scope of application of the collective bargaining agreement



In 2021, work-related 22 claims [settlement forms and legal lawsuits]^[1] which were received through formal mechanisms were managed, of which ten have been resolved and twelve are still pending.

With regard to organisational changes, it should be noted that these are carried out in accordance with the legislation in force. In this respect, those involving geographical mobility of workers are carried out with thirty days' notice, both to the worker and to the social representatives. In all cases, a consultation process is carried out.

In the case of substantial modifications to an employment contract, if they are individual, fifteen days' notice is given both to the worker affected and to the social representatives. In the case of modifications affecting specific groups of employees, a consultation period will be opened with the legal representatives, which may be replaced by a mediation or arbitration procedure.

Internal communication

The Red Eléctrica Group considers internal communication instrumental to sharing the mission and goals of the Company, involving employees in various projects of the organisation and connecting people thus increasing their pride of belonging.

During 2021, internal communication was very much focused on responding to the needs of a workforce, still delocalised due to the circumstances imposed by the pandemic. In this context, during the first half of the year, messages continued to be reinforced through e-mail communications and work was carried out on a new intranet, called 'NuestraRed', which is more powerful, much more accessible and integrated with Office 365, allowing employees to access information from any place and device, being able to consult their day-to-day information from the tool itself [Outlook, Planner, etc.]. In this regard, a new internal communication tool was launched that allows messages to be sent directly to all employees via the chat function of the Teams application. In this way, the Company's main messages are reinforced, using what has already become the main collaboration and work tool.

Similarly, 2021 was the definitive year to boost the role of the management team to act as a communication channel with their respective teams, entailing a closer and more direct one-to-one communication style in order to overcome the challenges posed by remote working during the COVID-19 pandemic.

[1] Administrative proceedings are not included. Also, note that several of the claims originate from previous years and, due to the COVID-19 pandemic, some legal proceedings have been delayed, with some of them scheduled for 2022.

→ Healthy Workplace Model - Principles

Looking ahead to 2022, these new forms of communication will continue to be promoted, taking the development of two-way communication to the next level and improving existing communication channels.

HEALTHY WORKPLACE

103-1 / 103-2 / 103-3 / 403-1 / 403-8

The Red Eléctrica Group promotes best practices in occupational health and safety and well-being through the **Healthy Workplace Management Model** and with the commitment and leadership of the management team.

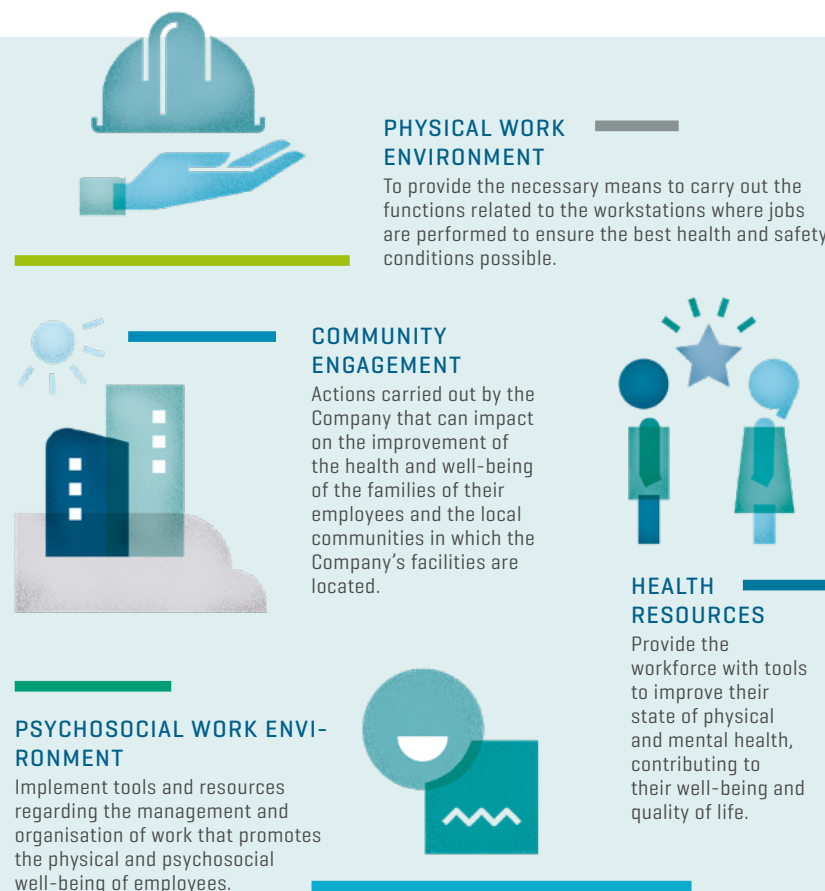
The model is deployed through a multi-year plan and annual programmes that aim to give continuity to the management model through continuous improvement and for the consolidation of the Red Eléctrica Group as a leading company in best practices in the field of occupational health and safety and well-being.

Consultation and participation

403-2 / 403-3 / 403-4

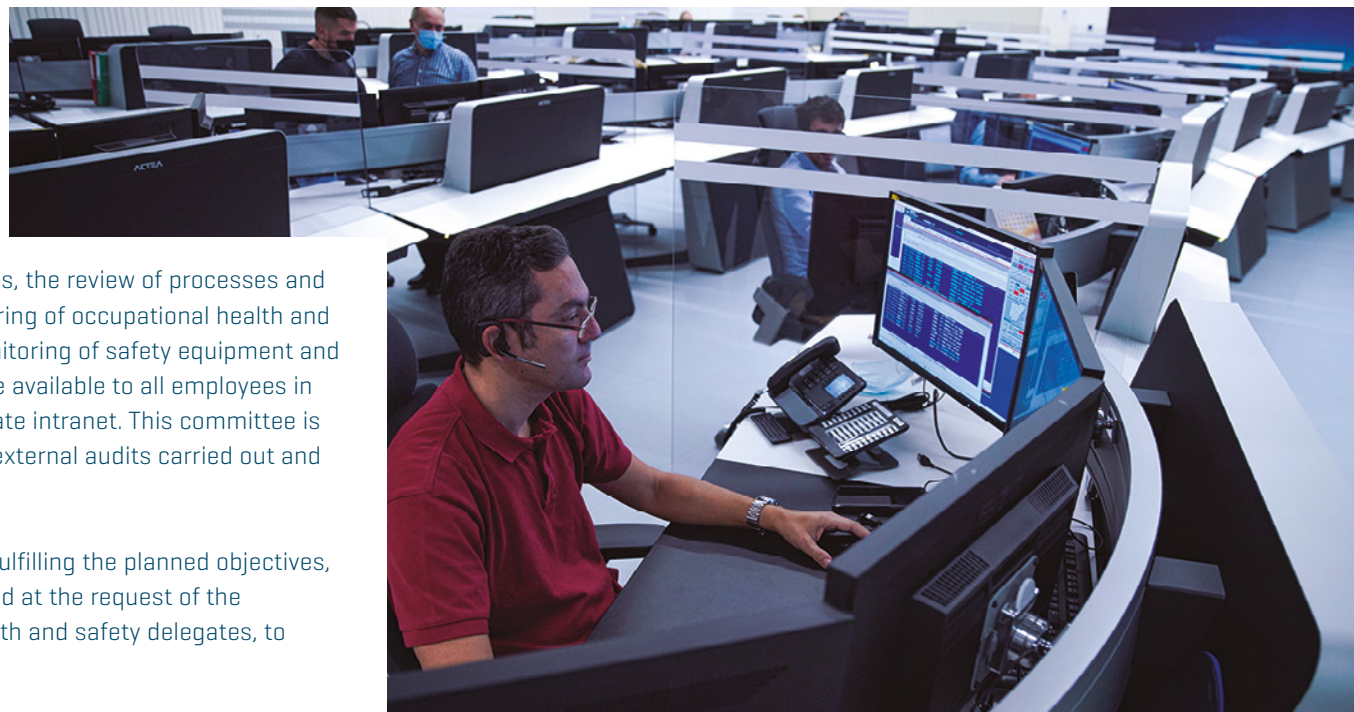
Red Eléctrica de España has an **Occupational Health and Safety (OHAS) Committee** whose composition and functions are set out in Chapter 7 of the 11th Collective Bargaining Agreement.

This Committee is a joint and collective body set up for regular and periodic consultation regarding the Company's actions on the prevention of occupational



risks. The Committee consists of six representatives nominated by the Company and six health and safety delegates chosen from representatives of the workers, representing 100% of the employees. In addition, the Company's Risk Prevention Service experts attend the meetings of this Committee.

The meetings are held on a quarterly basis [in accordance with Law 31/95 on Occupational Risk Prevention] but also held whenever requested by any of the parties. At these meetings, all preventive and health activities are monitored,



as well as the new applicable legal regulations, the review of processes and internal regulations, the analysis and monitoring of occupational health and safety results and programmes, and the monitoring of safety equipment and materials. The minutes of these meetings are available to all employees in a specific section on the *NuestraRED* corporate intranet. This committee is also aware of the results of the internal and external audits carried out and the improvement actions implemented.

In 2021, the committee held four meetings, fulfilling the planned objectives, but two extraordinary meetings were also held at the request of the representatives of the Company and the health and safety delegates, to report on accidents that had occurred.

On the other hand, to reinforce employee participation, there is an internal communication and enquiry channel, specific to this matter, through which suggestions, doubts and proposals for improvement related to safety are channelled.

In 2021, the REINTEL Health and Safety Committee was set up, comprised of two representatives proposed by the Company and two health and safety delegates elected from among the workers' delegates who represent 100 % of the employees. In addition, experts from the Group's joint health and safety service participate in the meetings of this committee.

Physical work environment 403-2 / 403-3 / 403-7

For the Red Eléctrica Group, the **prevention of occupational risks** constitutes a differentiating element and an indispensable requirement to guarantee the health and safety of employees and collaborators.

The Red Eléctrica Group has a **strategy and a specific action plan** that promotes best practices in the field of occupational health and safety risks during the execution of activities and work in its facilities. Its objective is to go one step further than merely complying with legal requirements: training, informing and making everyone aware of the obligations and responsibilities, and seeking the full commitment of the entire Group for its fulfilment.

To minimise the risks involved in construction and maintenance work in electricity facilities, the Group places special emphasis on training, awareness, dealing with enquiries and employee participation (Health and Safety Committee, internal audits and working groups), improving behaviour and safety measures during the performance of work with both its own and external personnel (contractors) and developing a series of actions in recent years aimed at reducing the accident rate during the execution phases of the work.



11,004 occupational health and safety inspections were conducted in 2021 on work at facilities, and more than 1,800 corrective actions were generated, of which 89.8% were implemented.

< 256 >

In terms of risk prevention, the continual monitoring of work and activities of greater risk through safety inspection programmes is key to achieving the high levels of safety required. In this regard, in 2021, there were 11,004 safety inspections carried out on works in facilities, where incidents were detected in 11.3% of the inspections. As a result of all the activities carried out for the control and monitoring of the work, more than 1,800 corrective actions were identified, of which more than 89.8% have been implemented with the remainder yet to be finalised.

The Red Eléctrica Group considers that the knowledge obtained through the collaborative implementation of corrective actions will allow all those involved in the value chain to improve their occupational health and safety processes and bolster their culture of prevention through newly shared knowledge. The

continuous and proactive identification of dangers associated with the processes is a source of added value information to determine the risks and opportunities of the OHAS system.

In addition, this year, the management team continued to carry out **internal safety audits** on construction worksites.

During 2021, the deployment of the actions set out in the 2020-2023 Occupational Health and Safety Action Plan continued, with the aim of responding to the strategic challenge of being a 'Zero Accident' Group and in which two main lines of work have been established:

- **Culture in prevention:** consolidating a preventive culture focused on the well-being of people working in the Company's facilities, promoting a safe working environment, reinforcing the communication of all aspects that contribute to a Ogreater level of health and safety during the performance of the activity.
- **Innovation:** employ innovation as a lever for digital transformation in the area of occupational health and safety. The Company manages innovation in health and safety by making the relevant technology available to people.

With regard to a Culture of Prevention, in 2021, we worked to establish that communication in this area is one of the essential elements for creating and promoting a culture that is sustainable over time and that must be assumed and shared by all. Communication in prevention must be proactive, participatory, timely, proportionate, assertive and incorporate active listening. Based on all these points, the approved action plan includes a series of measures aimed at its improvement.



The actions developed in the **Culture of Prevention** axis have been built around the following objectives:

- Strengthening internal and external communication channels.
- Communication management to improve the culture of prevention.
- Synergies and shared experiences between companies.
- Transmission of knowledge.
- Improvement and optimisation of communication protocols.

Taking into consideration the opportunities linked to **digitalisation**, the purpose of this line of innovation is to improve occupational health and safety conditions and the well-being of the Group's employees and its stakeholders, strengthening the Group's strategic lines in which technology and people converge, as the most important capital of companies.

In 2021, a strategy was drawn up to generate an innovative organisation in the field of occupational health and safety, which allows specific actions to be devised, explored and implemented, in a proactive and shared manner, within the Group's existing coordinated innovation environment. Several pilot

The Red Eléctrica Group promotes active, participative, timely, proportionate and assertive communication to foster a culture of prevention.

projects were also managed, seeking an impact on occupational health and safety processes and leveraging technology with the support of Elewit and the IT Systems Area.

One of the main lines of development has to do with the concept of the connected worker and the technologies that facilitate this. From IoT devices (through sensors that generate alerts) to the deployment of communication networks that provide them with connectivity.

With the startup *ENGIDI*, the value of this technology has been explored to validate its usefulness in anticipating and avoiding situations that could put workers at risk when dealing with electricity.

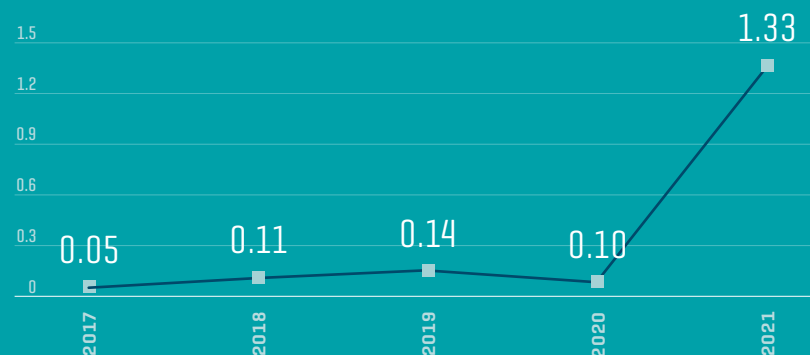
Similarly, artificial intelligence applied to knowledge management has been used in a pilot project called ZAPIENS-CIRIS, and its use for the well-being of workers has been investigated through a proof of concept with the startup called *ERUDIT*.

This type of test allows results to be obtained quickly and facilitates decision-making for future scaling. As a result of a pilot project carried out in 2020 (**Protected Zones**, which applied blockchain technology) and the usefulness demonstrated during its development, the implementation of a new Group platform was launched in 2021, which will allow us to continue improving the execution of Protected Zones, increasing the traceability of the process.

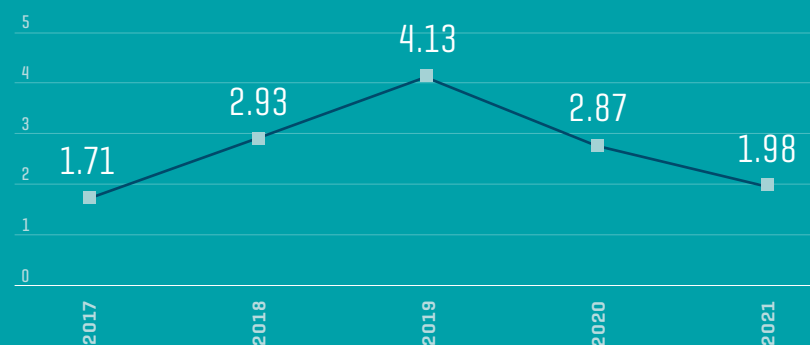
Monitoring and promotion of health and safety and well-being 403-6

The Red Eléctrica Group carries out ongoing preventive monitoring of the health of its employees. This year, 2021, was characterised as a period of transition towards the new normality after the pandemic situation of 2020. The medical service continued to monitor all suspected, possible, probable or confirmed cases of COVID-19, as well as related close contacts. The

→ Accident severity rate



→ Accident frequency rate



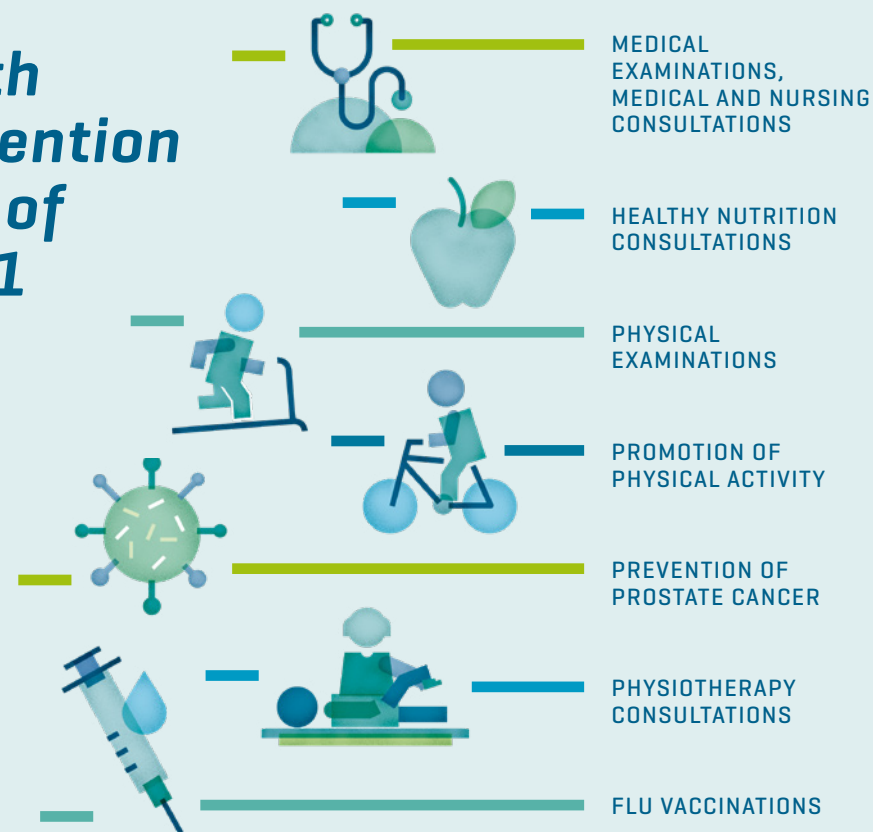
In 2021, the main accident indicators for Group employees stood at 1.98 (frequency rate) and 1.33 (severity rate), the latter having experienced a significant increase compared to previous years due to an accident classified as very serious, due to a fall from a height of a Group employee while working on electricity lines. The worker is currently in the process of recovery.

→ Main actions for health promotion and prevention and the improvement of well-being in 2021



management of the health of workers and situations of cases and contacts was carried out taking into account the changes and adaptations that have led to greater knowledge of the virus and its epidemiological behaviour, applying the Red Eléctrica Group's Protocol for the management of COVID cases and related close contacts, always aligned with the Strategy for the early detection, monitoring and control of COVID-19 and the Procedure for action for occupational health and safety risk prevention services in the face of exposure to SARS-Cov-2.

This monitoring of COVID-19 cases and the following up of close contacts has made it possible to be fully aware of the situation of the Group's workforce with respect to the pandemic and to be able to convey the cumulative data to the Company's management.



Aware of the need to guarantee health and safety from a global perspective and assigning a relevant role to the impact that the pandemic could have on people's well-being, some post-COVID-19 actions have been implemented, physically returning to the office in some of them, with the clear objective of contributing to physical and emotional wellness as well as social well-being.

The healthcare campaigns respond to the analysis of the different health indicators evaluated annually and to previously identified needs, whose main objective is the incorporation of healthy living habits.

The promotion of physical activity, as an essential element to reduce the sedentary lifestyle that the pandemic may have aggravated in some cases, has been characterised by the incorporation of innovation, with the implementation of *REactivaPP*, a mobile app based on artificial intelligence through which the physical activity needs of users are identified, to subsequently propose training plans under the guidance of a virtual assistant. This project is currently in the pilot phase and will be continued throughout 2022.

MAIN TRAINING AND AWARENESS-RAISING ACTIONS IN 2021

Training in occupational health and safety risk prevention

- Courses established in Occupational health and safety training and competency model (AM012).
- Training on stress management, road safety, protected areas and forest fires.

Nutritional campaign

- Online workshops on different healthy food aspects.

Health campaigns in Chile and Peru

- Immunisation and quality of life campaigns through the support of a nutritionist.
- *REactiva* programme to promote healthy lifestyles through recreational and sporting activities.
- Institutional agreements with gyms and human development training centres for employees and their families.



In the area of **psychosocial risk management**, being aware of the impact that the crisis could have on psychosocial health, in the first months of the pandemic, the 'Employee Support Programme' was implemented, which guaranteed online psychological assistance at all times, through a telephone consultation, email or the use of an app. This 24/7 service has been active since March 2020 until today making it possible for all Red Eléctrica Group employees to access it at any time.

Training and awareness 403-5

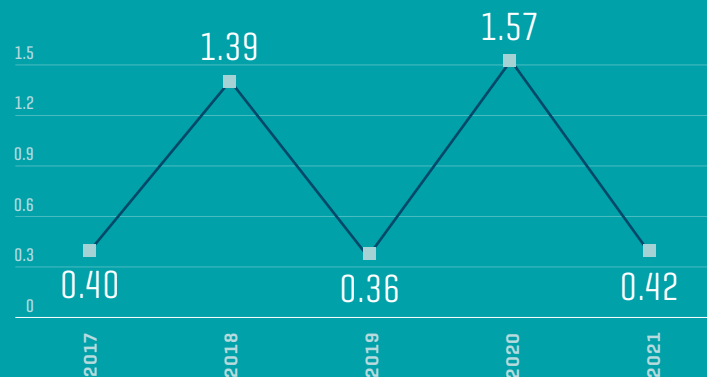
The Red Eléctrica Group considers training and awareness-raising in the field of occupational health and safety risk prevention essential to reduce accidents and to protect the health and safety of its entire workforce.

Workplace safety in the supply chain EU18

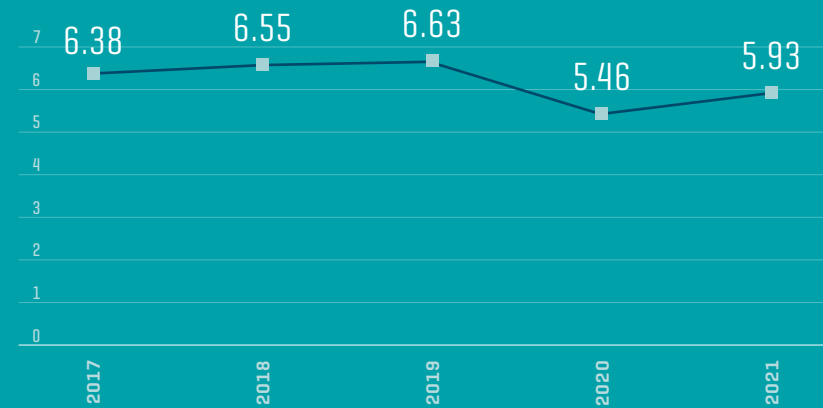
The Red Eléctrica Group promotes development and excellence in the occupational health and safety performance of its suppliers, implementing measures aimed at fostering a **culture of prevention throughout the entire supply chain**.

All suppliers who work in the facilities and work centres of Red Eléctrica de España are approved and qualified in occupational health and safety and, in the case of carrying out activities with risk, these activities are managed by the

→ Accident severity rate in Red Eléctrica Group contractors / EU17



→ Accident frequency rate in Red Eléctrica Group contractors / EU17



3,350 site supervisors and more than 650 worksite managers

HAVE BEEN CERTIFIED BY RED ELÉCTRICA'S HEALTH PREVENTION SERVICE
OVER THE LAST FEW YEARS

→ Areas regarding work-life balance measures

supplier's works supervisors who have been previously certified by Red Eléctrica de España's health prevention service. This has certified more than 3,350 works supervisors, and more than 650 worksite managers belonging to contractors.

In addition, the Company randomly requests, from its suppliers, proof of the health and safety training of its employees. It also requests proof of training in occupational health and safety for any new incorporations into the suppliers' database in the corporate occupational health and safety application [PRER].

It is worth highlighting the holding of a session with suppliers focused on preventing accidents in the electromechanical assembly activity in substations, informing them of the main incidents that have occurred in recent years and sharing the lessons learned from them and the best practices of the main suppliers.

Work-life balance / 401-2

Following the approval in 2018 of the **3rd Comprehensive Work-life Balance Plan**, 2021 was marked by the deployment of the targets set for the year

Leadership and management styles.

- Quality in employment.

- Open workspaces and flexible working schedules.

- Family support.

- Personal and professional development.

- Equal opportunities.



with a 75% fulfilment of the same, highlighting the successful renewal of the Family Responsible Company [EFR] certificate. This management model is one of the fundamental pillars of the Healthy Company Model and the Diversity Model and includes more than 70 work-life balance measures and other associated actions.

Most of the measures included in the scope of Red Eléctrica's Comprehensive Work-life Balance Plan are applicable to all the Group's companies.

The Red Eléctrica Group shares its experience as an expert in the Observatory for the Work-life Balance and the Equal Sharing of Family Responsibilities between Women and Men, led by the Universidad Pontificia de Comillas [ICADE-ICAI]. The objective of this observatory is to work through applied, interdisciplinary and high-quality research, to offer companies and institutions relevant information, reliable data collated with international standards that help other organisations to guide their active work-life balance policies, based on proven specific sectoral studies.

Employment indicators

Key to the companies [scope of the data]

- REE (Red Eléctrica de España S.A.U.)
- REC (Red Eléctrica Corporación S.A.)
- REI (Red Eléctrica Internacional, which includes REDESUR, Red Eléctrica Andina, REDELNOR and Red Eléctrica Chile)
- REINTEL
- Elewit
- HISPASAT
- REDCOR (Reinsurance)



→ Key employment indicators ^[1]

	2019	2020	2021
Total workforce	2,056	2,051	2,117
Women [%]	25.9	26.6	26.7
Men [%]	74.1	73.4	73.3
Women in management positions [%]	31.8	32.7	34.1
People with a disability [%]	0.8	1.0	0.9
Creation of net employment [N° of job positions]	335	-5	66
Average age	44.7	45.0	45.9
Average length of service [years]	15.1	15.6	15.8
Total turnover [%] ^[1]	2.9	0.5	4.9
Permanent contracts [%]	96.7	98.0	98.6

[1] Scope of the data 2019 and 2020: REE+REC – Scope of the data 2021: Grupo Red Eléctrica.

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→ Information regarding employees and other workers / 102-8

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	2019			2020			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Workforce [n° of people]	1,524	532	2,056	1,505	546	2,051	1,552	565	2,117
Employees with permanent contracts [n°]	1,484	505	1,989	1,484	527	2,011	1,532	555	2,087
Employees with temporary contracts [n°]	40	27	67	21	19	40	20	10	30
Permanent contracts [%]	97.4	94.9	96.7	98.6	96.5	98.05	98.7	98.2	98.6
Part-time contracts [n°]	0	0	0	0	0	0	0	0	0
Workers from Temporary Employment Agencies [n°](1)	2	1	3	4	0	4	3	3	6
Interns [n°](1)	10	19	29	2	0	2	7	4	11

(1) These workers are not added to the workforce as they are not employees of the Red Eléctrica Group. They are only taken into account for the calculation of the companies.

→ Workforce distribution by age, gender and professional group / % / 405-1

	2019						2020						2021					
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50	
	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W
Management team	0.0	0.0	64.4	35.6	78.3	21.7	0.0	0.0	62.5	37.5	72.9	27.1	0.0	0.0	58.8	41.2	73.4	26.6
Specialist/technical experts	56.3	43.7	77.6	22.4	87.7	12.3	55.3	44.7	76.9	23.2	85.7	14.3	55.6	44.4	76.5	23.5	84.1	15.9
Administrative personnel	0.0	0.0	10.9	89.1	27.9	72.1	33.3	66.7	0.2	84.9	28.6	71.4	70.0	30.0	20.5	79.5	27.5	72.5
Total	56.3	43.7	73.8	26.2	78.3	21.7	53.6	46.4	73.5	26.5	76.7	23.3	57.0	43.0	73.6	26.4	75.2	24.8

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→ Number of employees broken down by age group and gender / 405-1

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	2019			2020			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 30	67	52	119	60	52	112	57	43	100
30 to 50	978	347	1,325	961	347	1,308	989	355	1,344
Over 50	479	133	612	484	147	631	506	167	673
Total	1,524	532	2,056	1,505	546	2,051	1,552	565	2,117

→ New hires by age group and gender / 401-1

	2019						2020						2021					
	N° of new hires			Recruitment rate [%]			N° of new hires			Recruitment rate [%]			N° of new hires			Recruitment rate [%]		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 30	34	19	53	50.7	36.5	94.6	14	13	27	23.3	25.0	24.1	11	11	22	19.3	25.6	22.0
30 to 50	46	22	68	4.7	6.3	7.6	39	22	61	4.1	6.3	4.7	48	18	64	4.7	5.1	4.8
Over 50	1	0	1	0.2	0.0	0.2	1	3	4	0.2	2.0	0.6	4	5	9	0.8	3.0	1.3
Total recruitment	81	41	122	5.3	7.7	8.6	54	38	92	3.6	7.0	4.5	61	34	95	3.9	6.0	4.5

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→ Employee turnover broken down by age group and gender / 401-1

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	2019				2020				2021			
	N° of people leaving		Turnover rate [%]		N° of people leaving		Turnover rate [%]		N° of people leaving		Turnover rate [%]	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Under 30	4	3	6.0	5.8	3	8	5.0	15.4	4	8	7.0	18.6
30 to 50	20	6	2.0	1.7	22	3	2.3	0.9	25	18	2.4	5.4
Over 50	25	2	5.2	1.5	50	15	10.3	10.2	41	6	8.1	3.6
Total turnover	49	11	3.2	2.1	75	26	5.0	4.8	70	32	4.4	5.8

→ Employees with the possibility of retirement in the next 5 or 10 years / % / EU15

	In the next 5 years (2022-2026)	In the following 5 years (2027-2031)
Management team	16	29
Specialist/technical experts	157	189
Administrative personnel	33	34
Total	206	252

Note: considering retirement age as a sole requirement and estimating this as 65 years of age.

→ Ratio of base salaries of men compared to women / Men-Women ⁽¹⁾ / 405-2

	2019	2020	2021
Management team	13,2	5,7	8,2
Specialist/technical experts	10,6	9,9	8,2
Administrative personnel	4,8	4,5	-5,2
Total ⁽²⁾	10,9	9,8	6,9

(1) Average fixed salary + supplementary allowance. The Chairperson and CEO are excluded.

(2) Average total salary: in 2020, overtime, allowances and expatriation allowances are included in the calculation of average salaries. The data for 2019 has also been recalculated under this same criterion.

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→ Maternity/paternity leave rates / M-P / 401-3

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	2019		2020		2021	
	Men	Women	Men	Women	Men	Women
Employees with the right to M/P leave [n°]	63	19	72	13	138	19
Employees who have taken M/P leave [n°]	63	19	72	13	138	19
Re-incorporations at the end of M/P leave [n°] [1]	61	16	68	11	131	12
Employees with M/P leave who remain on the workforce [%] [2]	97	84	100	80	96	79

[1] The difference between the number of women and men returning to work compared to those who have taken leave is due to parental leave.

[2] Employees who returned to work after M/P leave and continued at work in the twelve months after their reincorporation. Data as at year-end.

→ Average hours of training broken down by professional group and gender / 404-1

	2019			2020			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Management team	41	48	43	87	102	92	74	87	78
Specialist/technical experts	82	70	80	69	60	67	71	51	66
Administrative personnel	15	28	24	57	34	39	43	26	31
Total	77	58	72	70	59	67	70	50	65

→ Percentage of employees whose work performance and professional development is appraised periodically / % / 404-3

	2019		2020		2021	
	Men	Women	Men	Women	Men	Women
Employees with a performance appraisal	100	100	97	91	97	97

→ Employees covered by a collective bargaining agreement by country / % / 102-41

	2019	2020	2021
Employees in Spain	91	91	90
Employees in Brazil	96	98	94

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→ Occupational health and safety indicators / 403-2

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	2019			2020			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average workforce	1,383	462	1,845	1,302	739	2,041	1,522	553	2,075
Hours worked (thousands)	2,275	871	3,146	2,220	1,260	3,480	2,593	944	3,537
Accidents with sick leave	10	3	13	9	1	10	7	0	7
Fatal accidents	0	0	0	0	0	0	0	0	0
Days lost due to accidents ^[1]	324	109	433	173	170	343	4,699	0	4,699
Accident frequency rate	4.28	3.69	4.13	3.52	1.08	2.87	2.70	0.00	1.98
Accident severity rate	0.14	0.13	0.14	0.07	0.18	0.10	1.81	0.00	1.33
Absenteeism rate due to common illness ^[a]	2.38	4.10	2.80	2.26	2.25	2.26	2.35	2.95	2.52
Absenteeism rate due to occupational health and safety ^[b]	2.48	4.18	2.89	2.29	2.34	2.31	2.37	2.97	2.58

[1] The calculation is based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

Serious accident: Those classified as severe by each doctor that issued the sick leave certificate.

Accident frequency rate: The number of work-related accidents with leave of absence per million hours worked.

Absenteeism rate:

[a] Days absent due to common TI (temporary incapacity) > 3 days + days absent TI < 3 days / average workforce x 365 x 100.

[b] Days absent due to common TI (temporary incapacity) > 3 days + days absent TI < 3 days + days absent due to work-related accidents + work-related illness / average workforce x 365 x 100.

→ Occupational health and safety indicators of contractors / EU17

	2019	2020	2021
Average workforce	3,055	2,874	3,004
Hours worked (thousands)	5,282	4,942	5,225
Accidents with sick leave	35	26	31
Fatal accidents	0	1	0
Days lost due to accidents ^[1]	1,903	7,781	2,181
Accident frequency rate	6.63	5.46	5.93
Accident severity rate	0.36	1.57	0.42

[1] Calculation based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

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Responsible environmental management

103-1 / 103-2 / 103-3

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Key indicators in 2021

29.6 million euros earmarked for environmental issues.

88 % of waste recycled.

562.5 km of lines marked with bird-saving devices in critical priority areas (71.1% of the total).

2021 Milestones

Design of the 2030 Biodiversity Roadmap with a focus on natural capital.

Reforestation of 31 ha in Altura (Castellón).

Implementation of the 'zero waste to landfill' action plan.

Challenges for 2022

Reforest 100 ha in Vizcaya.

Develop the life cycle assessment methodology for Group supplies.

Make progress in the implementation of the zero-waste model.





Responsible environmental management



The Red Eléctrica Group carries out all its activities taking into account environmental protection, in accordance with the principles established in its **Environmental Policy**, updated in 2021. This new version, in addition to including the basic issues that were previously included, among which are the commitment regarding the prevention of pollution and the precautionary principle, incorporates concepts that aim to reinforce the Company's commitment and enhance the levers for improving environmental management. Of particular note are the life cycle approach, the reference to stakeholder expectations, extending the environmental commitment to the supply chain and anticipating the implementation of environmental regulations. / 102-11

The main environmental impacts of the Red Eléctrica Group are those that arise from the presence of the electricity grid transmission facilities in the territory, which is why the Company works intensively to make its facilities compatible with the environment, considering their entire life cycle and paying special attention to the conservation of biodiversity. In addition, the Red Eléctrica Group is a major player in the transition towards a decarbonised energy model and has therefore made a specific commitment to the fight against climate change, as is set out in the *Climate Change and Energy Transition* ↪ section of this report.

The environmental commitment of the Red Eléctrica Group not only encompasses its own activities but also extends to its supply chain.



ENVIRONMENTAL MANAGEMENT

Management system

In order to carry out a continuous improvement of environmental performance, Red Eléctrica de España S.A.U., Red Eléctrica Corporación S.A. and Red Eléctrica Andina have implemented an environmental management **system certified according to ISO14001**. In addition, Red Eléctrica de España and Red Eléctrica Corporación comply with the requirements of the **EU Eco-Management and Audit Scheme [EMAS]**.

One of the fundamental elements of environmental management is the **annual Environmental Plan**, whose scope includes all the activities, in a global and cross-cutting manner, of the Red Eléctrica Group that may have an impact on the natural environment. This Plan is divided into three vectors: environmental management of facilities, biodiversity and climate change. It contains the main challenges and objectives to be achieved for each one of them. It also includes all those scheduled actions that are carried out voluntarily each year and that seek to contribute to the fulfilment of the challenges defined. The fulfilment of the 2021 Environmental Plan, comprised a total of 93 actions, stood at 86 %.

Environmental expenditure

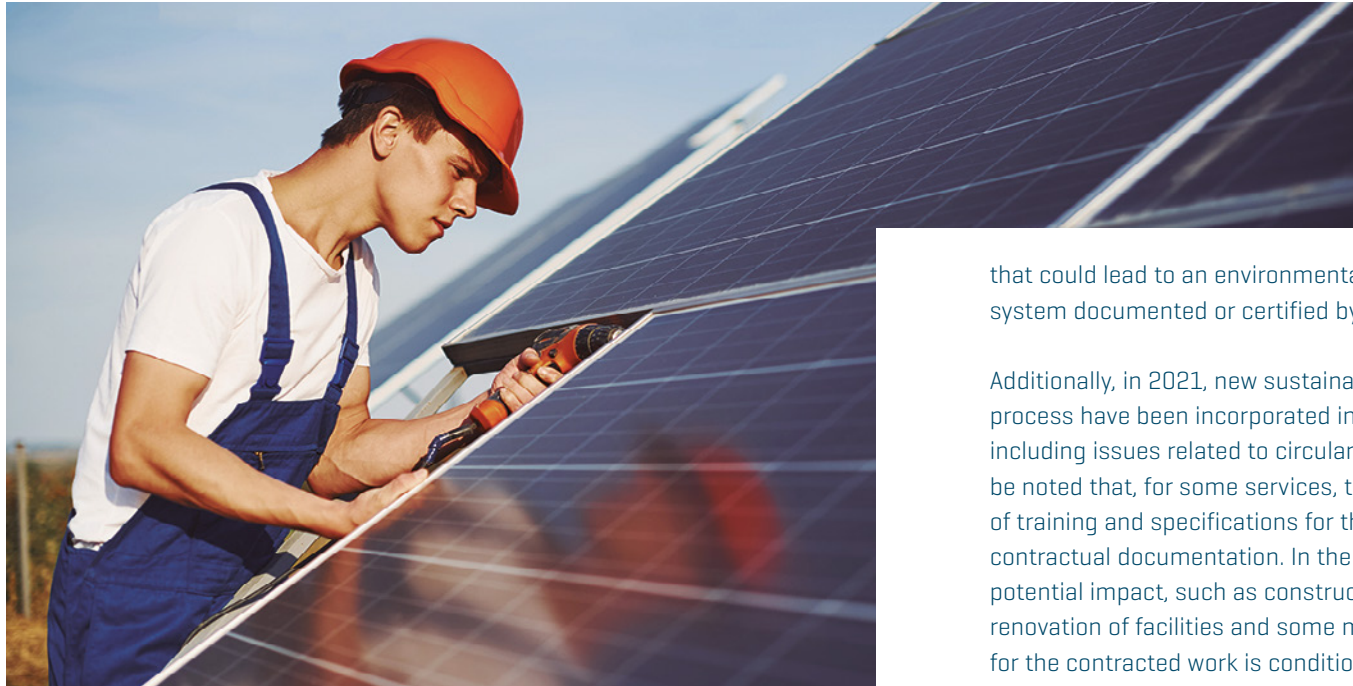
In 2021, the Red Eléctrica Group allocated **26.9 million euros** to environmental issues. In particular, ordinary expenditure for the protection and improvement of the environment regarding the management and operation of the electricity infrastructure business in Spain totalled 22.7 million euros. This was mainly

dedicated to the protection of biodiversity, the prevention of forest fires, landscape integration, dealing with climate change and the prevention of pollution. The amount earmarked for environmental aspects associated with investment projects stood at 3.3 million euros.

In relation to other activities of the Group (Red Eléctrica Andina, Red Eléctrica Chile and HISPASAT), a total of almost one million euros has been earmarked for environmental protection and improvement.

Extending the Company's environmental commitment to the supply chain 308-1 /308-2

Aware of the need to extend its responsibility throughout the supply chain, the Company requires that 100% of the suppliers that provide services or products



The Red Eléctrica Group develops programmes with its suppliers related to key environmental aspects for the Company.

that could lead to an environmental impact have an environmental management system documented or certified by a third party.

Additionally, in 2021, new sustainable criteria regarding the purchasing process have been incorporated into the General Conditions of Contract, including issues related to circular economy and carbon footprint. It should be noted that, for some services, the environmental requirements, in terms of training and specifications for the execution of works are part of the contractual documentation. In the case of the activities with the greatest potential impact, such as construction, enlargements, refurbishment or renovation of facilities and some maintenance activities, a part of the payment for the contracted work is conditional on the result of the environmental certification process, which implies meticulous monitoring of the established environmental requirements.

Furthermore, to improve the environmental performance of the supply chain, Red Eléctrica is developing specific programmes and actions related to key environmental aspects for the Company. Noteworthy in 2021 is the progress made in the collaboration programme with suppliers for the reduction of Scope 3 emissions and the participation in the drafting of the '**Biodiversity in the Supply Chain**' document on best practices in biodiversity, a whitepaper published by Fundación Biodiversidad.

Additional information can be found in the [Reduction of the Carbon Footprint](#) ↗ and [the Supply Chain](#) ↗ section of this report.

During the last three years, Red Eléctrica has continued to work on the feasibility analysis of the infrastructure proposed for the next Transmission Grid Planning for the period 2021-2026

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INTEGRATING FACILITIES INTO THE ENVIRONMENT

The main measure to reduce and even avoid the undesired effects of Company's facilities in the environment and in local communities is the selection of the site where facilities will be located.

In this regard, it is essential to consider environmental and social variables at all transmission grid development stages. This includes carrying out a **viability analysis** of the facilities before their incorporation into the electricity planning proposal that Red Eléctrica de España, as System Operator, submits to the Ministry of Ecological Transition and the Demographic Challenge (MITERD).

As of 2019, the Company has been working on the feasibility analysis of the infrastructures proposed for the next Transmission Grid Planning for the period 2021-2026, having evaluated the different alternatives and studied the complexity of their implementation within the territory.

Once Transmission Grid Planning has been approved, which undergoes a **strategic environmental assessment** procedure, the Company conducts a detailed study of the territory and defines, in coordination with the various public



administrations and main stakeholders, the sites where the substations are to be located and the routes to be used in the construction of electricity lines.

Furthermore, in order to reduce the potential impacts of the infrastructure as much as possible, it is necessary to establish the appropriate preventive and corrective measures to be applied during the construction or maintenance phases. The main tool for defining the best project and appropriate preventive and corrective measures is the **environmental impact assessment** procedure, which most Red Eléctrica projects are subject to by law.

In order to ensure the established measures are launched and effective, **environmental monitoring programmes** are defined and carried out. These are applied in the construction of the facilities and in the first years of operation and facilitate the definition of new measures if deemed necessary.

For facilities in service, the Company carries out periodic inspections in order to verify compliance with environmental standards. It should be noted that in the last 3 years the organisation has defined and implemented the '**Maintenance Management or Territorial**

Red Eléctrica carries out an environmental assessment and has voluntarily established a communication channel with the competent administration even though the law does not require a regulated procedure to this effect.

Observatory' project, which consisted of integrating all the environmental, sectorial and technical conditioning factors that must be considered in the

DEVELOPMENT AND IMPLEMENTATION PHASES FOR TRANSMISSION GRID INFRASTRUCTURE

Infrastructure proposal

[Drawn up by REE]

Environmental Feasibility Study:

- Analysis of all proposals from an environmental point of view.
- Only includes environmentally viable projects.

Transmission grid planning

[Drawn up by MITERD]

Strategic environmental assessment of plans and programmes.

Public consultation and participation of stakeholder groups through the submission of comments, suggestions and/or arguments.

Project design

[new facilities and modifications]

Prior dialogue with stakeholders before defining the project (Autonomous Communities, local councils and NGOs).

Environmental Impact Assessment.

1. Prior consultation with stakeholders.
2. Defining the alternative of least impact.
3. Public information. Submission of comments, suggestions and/or arguments by stakeholders.
4. Proposal for preventive and corrective measures.
5. Publication of results.
6. Environmental permits and authorisations.

Construction or modifications of facilities / infrastructure

Implementation of preventive and corrective measures.

Environmental monitoring (monitoring of preventive and corrective measures).

Monitoring the work of contractors regarding compliance with environmental requirements.

Environmental certification of works taking into account compliance with environmental requirements.

Maintenance

Environmental monitoring programmes in the initial years of operation of a facility.

Periodic inspections of facilities to verify compliance with standards and identify improvement measures.

Application of environmental improvement measures.

corporate mapping system when requesting permits to conduct maintenance work on facilities (more than 70 conditioning factors that may have an impact on neighbouring areas within 200 metres of each side of the line) so that they are accessible to all the Company's personnel, facilitating their analysis and application.

Among the preventive and corrective measures applied, noteworthy are those biodiversity protection measures aimed at the protection of habitats and the conservation of flora and fauna and those geared towards reducing potential impacts on the socio-economic environment. These actions are detailed in the different sections of this chapter.

Relationships with stakeholders

Currently, one of the most relevant issues regarding the integration of facilities into the environment is the improvement of their social acceptance. In this regard, the Company works tirelessly to improve its relationship with

stakeholders, as described in the *Stakeholder Management Model* [↗](#) section of this report, and in the development of public consultation and participation processes. Among other objectives, the aim is to provide greater and more detailed information for stakeholders, enrich the processes for evaluating the environmental impact assessment of projects and minimise possible conflicts.

In 2021, a new methodology was defined for the drafting of environmental impact studies, which incorporates the preparation of sociograms for the areas where new facilities are to be built. These will provide extremely valuable information on the conditioning factors of the social environment, the map of agents and stakeholder groups and their interrelationships, constituting a good instrument for the territorial analysis of such areas.

Socioeconomic environment / 413-2

The presence of electricity infrastructure in no case represents a significant alteration in the way of life of the communities affected.

Main conditioning factors in the definition of locations for the siting of facilities and the design of access routes

- Incompatible use of the land.
- Areas of high agricultural yield and agroforestry plantations.
- Touristic aspects of the territory.
- Cultural aspects of the territory.
- Environmental landscape.

Main preventive and corrective measures

- Use of existing access paths.
- Use of special techniques [e.g., use of boom crane or helicopter] for assembling towers.
- Restoration of areas affected by work: geomorphological recovery of the land, replacement of stones or replanting of crops, restoration of slopes, repair of roads, accesses and enclosures.
- Measures to control particle and dust emissions in work areas (mainly periodic watering down measures. A meshed filtering system and a riprap are installed for this purpose).

These restoration actions may be accompanied by other measures agreed with the landowners, such as the improvement of forest trails or roads, construction of waterways, piped irrigation channels, restoration of enclosures, clearing of shrubland, planting of trees and other one-off actions that may involve a greater scope of work.



→ Case study:

In the case of substations, these produce a total and irreversible occupation of land, and regarding the lines, the occupation is limited to the feet of the towers and the newly created access tracks/paths to the infrastructure. The land surface with overhead electricity lines is subject to a right of way easement during the useful life of the infrastructure.

Agricultural activities are compatible with the lines, allowing all types of crops to be grown underneath them and allowing the free circulation of the machinery necessary for their management.

Social aspects are integrated both in the environmental assessment carried out in the design phase of the facilities and in the management of the infrastructure throughout its useful life.

Noise

On occasions, electricity substations can be an annoyance for the neighbours, due to the noise generated by some of its elements. The Company works on the implementation of the most effective measures for mitigating noise pollution.

Measures to protect the socio-economic environment in the vicinity of the 400 kV Catadau-Torrente line.

- Construction of a riprap and the restoration of a local access road to agricultural lands, which was seriously eroded by runoff rainwater from a nearby ravine.
- Clearing of a path that had been taken over by vegetation, improving access neighbouring of the plots and for hunters using the local game reserves.
- Construction of refuge for rabbits by using pallets that had been left in the area and also using earth that had been used to build the platform for the crane. This is expected to result in an improvement in the local game reserves in the area.



In 2019, a noise analysis study was carried out on the 134 substations that have power transformers on-site, using a combination of direct measurements and the use of predictive software, fed with data from the ACURED innovation project [2016-2018]. In 2020, as a result, it was identified that direct measurements should be taken at the 55 facilities with people living in their vicinity. These measurements have already been completed for 46 substations and the remaining ones will be completed during 2022. Despite adjustments made to some transformers to reduce their noise emission levels, there are still four substations that exceed the desired limits. These will be analysed in detail over the next year, using an acoustic camera to better define the measures to be implemented. In 2022, acoustic screens will also be installed at the La Eliana and Arkale substations.

Light pollution

In certain locations, the night-time lighting of substations could be a source of light pollution. Since 2017, Red Eléctrica de España has been working on the implementation of the necessary measures to be able to proceed with the nightly shutdown of the lighting of the substations and reducing potential light pollution as much as possible. Currently lighting in 83 % of the substations is switched off at night.

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Blending facilities into the landscape

One of the principal challenges regarding the integration of electricity transmission infrastructure into the environment is the ability to blend them into the landscape.

The use and ongoing improvement of the **tools available for assessing the visual impact** of facilities, enables comparisons to be made between different project alternatives, criteria to be defined for the design of the facilities and communication with stakeholders to be improved. These tools, together with the application of **landscape integration measures**, allow progress to be made in reducing the impact of the facilities on the landscape.

Over the last year, work was carried out on the design of measures to integrate the buildings of important projects, such as the converter stations and electricity substations associated with the Spain-France electricity interconnection or

the Peninsula-Balearic Islands II interconnection and the Tenerife-La Gomera submarine cables. The unique Caletillas substation building is particularly noteworthy, with a design that is extremely well blended into its surroundings.

Lastly, in 2021, work was carried out to restore accesses and worksites following the dismantling of the 220kV Trives-Aparecida line, having removed the concrete foundations of the towers and having carried out the sowing of various types of grass seed by hand.

Protection of cultural heritage

The protection of cultural heritage is an important factor in the design and construction of facilities of the Red Eléctrica Group. Before carrying out any earthworks, the Company carries out an **archaeological survey of the land**,

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Assessment tools

Visibility analysis of electricity lines and substations using INGEQIN

The visibility analysis for electricity lines and substations considers the height of the towers and other elements and incorporates the elevations of vegetation and existing buildings, extracted from LIDAR data. In this way, the surfaces from which the different alternatives will be visible are obtained, facilitating the decision-making process and allowing their optimal integration into the environment. INGEQIN is Red Eléctrica's bespoke Geographic Information System.

Visibility analysis of electricity lines in a 3D environment

In the Areas of Special Landscape Impact, the weighted visibility maps are completed with 3D simulations that are progressively improved to increase their realism and, therefore, their potential for being used in communication actions with stakeholders. The main improvement in 2021 was the incorporation into the tool of obstacles that impede visibility (constructions and vegetation).

Landscape integration measure

Restoration of affected areas

Following the finalisation of the works, the Company provides topsoil, redesigns slopes, and returns worksites used for the project to their original state, and carries out sowing and planting works in the areas impacted.

Landscape integration of substations and power converter stations.

The Company develops and designs projects adapted to the environment in which the Company's facilities are to be located, applying measures that allow them to blend in: selection of colours and textures in accordance with each area (buildings and enclosures), creation of vegetation barriers and gardenised areas.

Standardisation and design of towers that blend better into the landscape.

In frequently visited environments of outstanding natural beauty, the use of certain types of towers makes it possible to better integrate the facilities into the landscape and therefore favour their social acceptance.

In 2021, significant progress was made in this regard, including two projects: the design of a compact suspension-design lattice tower structure with insulating cross-arms, and the installation of a fibreglass-reinforced tower in Fuerteventura to test its performance in corrosive environments.

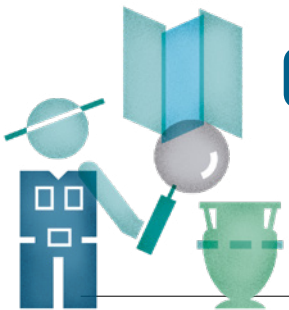
the intensity and scope of which depend on the probability that there is a material of interest in the area. According to the results, the need for the continuous presence of an archaeologist during the works is determined and, if necessary, the preventive measures to be applied during the works are defined. These measures mainly consist of avoiding or protecting specific elements of cultural heritage that are present in the area of the works, although on some occasions it is necessary to carry out excavation work to proceed with the cataloguing or restoration work of such elements.

In 2021, **archaeological supervision** was carried out during the year on 8 substation works and on 25 works related to electricity lines, with intensive supervision being necessary at all substations and on 16 of the lines.

The inclusion of existing constructions and vegetation in the electricity line visibility tool allows for more realistic results to be obtained, which favour their use in communication actions with the various stakeholders.

Among the various projects conducted, the archaeological excavation carried out at the new 400/220 kV substation in San Fernando de Henares [Madrid], where the presence of a Roman rubbish dump has been confirmed and the remains of Celtiberian settlements were discovered after archaeological surveys were carried out.

Permanent presence
of an **ARCHAEOLOGIST** in **100%**
OF THE WORKS CONDUCTED



in 2021 for substations and for 64% for electricity lines

In 2021, in collaboration with the regional government, a Geographical Information System of the cultural heritage of Castilla-La Mancha was developed, providing access to more than 12,500 records of catalogued elements of interest and details regarding their protection status.

It is worth noting that the Company began to work on the **ArqueoRED project** over 5 years ago and the objective is to have the information regarding catalogued cultural heritage digitally mapped and standardised for the entire national territory. The consultation of this information prior to the execution of works in the facilities enables the necessary measures to be defined in each case and thus avoid potential impacts. To date, we have proceeded to compile all available documented information available in a digital format that has been contrasted in the field.

In addition, Red Eléctrica actively collaborates with the public administration in the conservation of heritage by developing cultural projects in the areas surrounding its facilities.

Electric and magnetic fields (EMF) / 416-1

Thanks to the criteria applied by Red Eléctrica in the design of its facilities, the levels of electric and magnetic fields (EMFs) stay below those recommended



by the Council of the European Union [The Official Journal of the European Communities 1999/519/EC: establishes exposure limit values for the general public in sites where they may remain for a period of time at 5 kV/m for electric fields and 100µT for magnetic fields]. The main criteria applied are the following:

- Construction of double circuits and transposition of phases in lines.
- Increasing the height of towers, thus increasing the safety distances.



Red Eléctrica assesses compliance with the regulations on electromagnetic fields for 100% of its facilities.

- Establishing the minimum distance of electricity lines from population nuclei and isolated houses.

In order to verify compliance with the recommendation, Red Eléctrica has a tool that uses specific line parameters to precisely calculate the maximum EMF levels that said facilities could generate, meaning that it is not necessary to carry out on-site measurements except when the values of the parameters necessary for the calculation are not available (as is the case of very old facilities for which a specific EMF measurement plan has already been carried out). In 2021, this tool was used to assess different

situations linked to the facilities that form part of the proposed 2021-2026 Electricity Planning.



Red Eléctrica carries out one-off measurements at the request of interested parties. In 2021, it performed measurements on five lines, results obtained were below the electromagnetic values recommended by the European Union for all except for the following lines:

- 400 kV Grijota-Vitoria line, in the Burgos municipal area: at the request of the town council due to inconvenience to cyclists, a measurement was carried out which showed values higher than the maximum recommended levels. As a solution, the towers were raised [7 metres] to increase the distance of the line from the cycle lane and significantly reduce the value of the electromagnetic field [to 4kV/m], with no further nuisance reported.

- 400 kV Almaraz-Morata 1 and 2 line, Yuncler municipal area, Toledo: in the month of December, the measurement requested by the town council due to inconvenience to cyclists passing under a point on the line was carried out, resulting in electromagnetic field values higher than the maximum recommended levels. The corrective measures will be carried out in 2022.

During the year, with the exception of the aforementioned cases, there were no incidents registered due to non-compliance with the regulations in this matter. / 416-2

In addition, the Company is fully aware that electromagnetic fields represent an issue for concern for those people living in the territories where electricity facilities are located and therefore it pays special attention to this issue and the following courses of action are carried out:

- Participation in national and international forums and working groups [ENTSO-e, CIGRE and EPRI] and collaboration with the public administration [MITERD] and prestigious entities such as the *Salvador Velayos* Institute of Applied Magnetism. In this respect, it is worth mentioning the contact with different experts at national and international level with the aim of establishing a consultative body to collaborate with environmental organisations in the design of guidelines for the evaluation of new projects.
- Information is conveyed to stakeholders, by means of:
 - The **corporate website**. 
 - The publication of new developments in scientific research in this regard. In 2020, the **publication on the effects of electromagnetic fields on human health**  was updated.
 - Responding to enquiries received through the *DÍGAME* Service.




MEASUREMENTS

taken on 5 lines in 2021,

WITH RESULTS BELOW
THE MAXIMUM VALUES RECOMMENDED
BY THE EUROPEAN UNION

— except for electromagnetic field values for two of them —

Biodiversity / 103-1 / 103-2 / 103-3

The protection and conservation of biodiversity have always been basic elements in the environmental management of the Red Eléctrica Group, which has a **specific commitment in this field** . Within the framework of the Company's Sustainability Goals for 2030, the Red Eléctrica Group is committed to generating a **net positive impact on the natural capital in the surroundings of its facilities**.

Up until 2021, the main biodiversity actions had been included in the **Multi-year Action Plan (2017-2021)** and these actions have been now included in the **2030 Biodiversity Roadmap** whose definition was finalised in 2021. This establishes the new strategy and the measures that will allow the Group to improve its sustainable management of natural capital and meet the objective set for this horizon.

The Company maintains alliances in matters of biodiversity conservation with the competent areas of the public administration and other organisations in the different autonomous communities. The following alliances with organisations of reference are also noteworthy:

- Biodiversity Pact. Red Eléctrica is part of the Spanish Initiative for Business and Biodiversity [IEEB] promoted by the Ministry of Ecological Transition since 2013.

- Working group between Red Eléctrica and the Sub-Directorate General for Environmental Assessment of MITERD.
- International Union for Conservation of Nature [IUCN] Centre for Mediterranean Cooperation.
- SEO/BirdLife [Spanish Ornithological Society] for the conservation and protection of biodiversity [2018-2021].



The 2030 Biodiversity Roadmap sets out the new strategy and measures to enhance its sustainable management of natural capital.

- Participation in the Natural capital working group [Natural Capital Coalition] in the Spanish energy sector.
- Natural Capital Working Group of the Spanish Green Growth Group.
- ISO Biodiversity Committee [CTN 328].
- Transnational strategy to combat Pampas grass in the Atlantic Arc.

Biodiversity management

Biodiversity management is carried out taking into account the **hierarchy of impact mitigation**. The potential effects on biodiversity are associated with the presence of the facilities in the territory and with the construction and maintenance of the same. The main impacts are described throughout this chapter.

Avoidance of areas rich in biodiversity is a priority criterion considered when choosing the locations for the siting of facilities. However, bearing in mind that 25% of the surface area of Spain has some form of environmental protection, it is inevitable that in some cases infrastructure will cross or be located in protected areas or areas with species of interest. On these occasions, Red Eléctrica implements all the necessary preventive and corrective measures to **minimise** potential impacts, including the **restoration** of affected areas, when possible.

Red Eléctrica's facilities occupy only 0.08% of the Spanish Red Natura network.

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HIERARCHY OF MITIGATION ACTIONS REGARDING IMPACTS ON BIODIVERSITY

Avoid areas rich in biodiversity

Appropriate design of facilities in the planning and project phases to avoid the development of new infrastructure in areas rich in biodiversity and forested areas [especially those with native vegetation].

It should be noted that in the new methodology for the preparation of environmental impact studies, the commitment not to affect protected areas has been reinforced [no new projects in the Natura + Priority Habitat Network are allowed] and areas with the presence of focal bird species. In addition, the conditioning factors related to the presence of vegetation have been increased.

Minimise impacts Restore affected areas

Definition and application of preventive and corrective measures [including those aimed at the protection of habitats and vegetation during the works, the restoration of the affected areas once the works have been completed, actions to minimise the risk of birdlife collisions and the management of safety corridors to reduce the impact on vegetation].

Offset the impacts generated

Complementary environmental improvement measures, development of biodiversity conservation projects, reforestation work and actions linked to forest fire prevention agreements.

Lastly, the Company carries out different environmental improvement actions aimed at promoting biodiversity in the vicinity of the facilities. In addition, Red Eléctrica promotes and collaborates with the public administration, non-governmental organisations, research bodies and other interested parties in the development of biodiversity conservation projects. These measures and projects are aimed at **offsetting** the impacts that may possibly have been produced during the execution of the activities.

· A business model focused on the creation of value	· Letter from the Chairwoman and from the CEO	· A benchmark report at the forefront of reporting standards	1 The Red Eléctrica Group	2 Strategy	3 Corporate Governance	4 Commitment to sustainability	5 Anticipating change and taking action	6 Decarbonisation of the economy	7 Responsible value chain	8 Contribution to social, economic, and environmental development	· Annexes
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BIODIVERSITY ACTION PLAN [2017-2021]

Most relevant actions	Progress made in 2017	Progress made in 2018	Progress made in 2019	Progress made in 2020	Progress made in 2021
Improve the management of biodiversity in the Company, incorporating new approaches and expanding its scope					
<ul style="list-style-type: none"> · Definition of a new assessment methodology for investment projects. · Promoting the management of biodiversity in the Group's subsidiaries. · Extending the Company's commitment to the supply chain. 	<ul style="list-style-type: none"> · Actions underway. 	<ul style="list-style-type: none"> · Definition of a new methodology for assessing the impact of investment projects on natural capital. · Definition of biodiversity conservation criteria for the selection of suppliers. 	<ul style="list-style-type: none"> · Design of a methodology for the analysis and responsible assessment of natural capital, based on ecosystem services and tested in a practical business case. 	<ul style="list-style-type: none"> · Inclusion of the concept of Net-Zero or positive impact on biodiversity, linked to the design of offsetting actions in Environmental Impact Studies. · Delivery of 2 training workshops on the methodology designed in 2019. · Commencement of the design of the 2030 Biodiversity Roadmap of the Group. · Supplier survey conducted on biodiversity performance. 	<ul style="list-style-type: none"> · Design of the 2030 Biodiversity Roadmap. · Extending the scope of the Roadmap throughout the whole Group. · Incorporation of sustainable procurement criteria. 100% fulfilment.
Make facilities compatible with biodiversity					
<ul style="list-style-type: none"> · Birdlife: Multi-year line marking plan. 	<ul style="list-style-type: none"> · 38% of the critical priority area marked. 	<ul style="list-style-type: none"> · 51% of critical priority areas marked. 	<ul style="list-style-type: none"> · 60.7% of critical priority areas marked. 	<ul style="list-style-type: none"> · 66.5% of critical priority areas marked. 	<ul style="list-style-type: none"> · 71.1% of critical priority areas marked. Fulfilment 71.1%. [Target: 100% of areas marked by 2023].
<ul style="list-style-type: none"> · Forested areas: Signing of agreements for the prevention of forest fires. 	<ul style="list-style-type: none"> · 12 agreements in force. 	<ul style="list-style-type: none"> · 13 agreements in force. 	<ul style="list-style-type: none"> · 10 agreements in force and 3 in the process of being renewed. 	<ul style="list-style-type: none"> · 12 agreements in place and 2 in the process of renewal. 	<ul style="list-style-type: none"> · 11 agreements in force [nationwide]. Fulfilment 50%. [Target: 21 agreements].
<ul style="list-style-type: none"> · Habitat of high ecological value: HÁBITAT Project. 	<ul style="list-style-type: none"> · Obtaining field-validated mapping for 16 Autonomous Communities. 	<ul style="list-style-type: none"> · Field-validated mapping for all the Autonomous Communities and commencement of the second phase. 	<ul style="list-style-type: none"> · Standardisation of the mapping of the different Autonomous Communities. Integration into the corporate mapping database. 	<ul style="list-style-type: none"> · Definition of status/stress/response/monitoring KPIs of the influence that activities have on habitats. · Guidelines formulated for preservation and improvement of conservation status by type of priority habitats of community interest. 	<ul style="list-style-type: none"> · Mapping designed, field-validated state of conservation and management plans for the conservation of the habitats identified in all the Autonomous Communities. Fulfilment 100%.

Continued on next page

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BIODIVERSITY ACTION PLAN (2017-2021) / continued

Most relevant actions	Progress made in 2017	Progress made in 2018	Progress made in 2019	Progress made in 2020	Progress made in 2021
Promote the conservation of biodiversity					
· Participation in flora and wildlife conservation projects (especially birdlife).	· 11 birdlife projects on focal species] in force.	· 12 birdlife projects [on focal species] in force.	· 15 birdlife projects [on focal species] in force.	· 14 birdlife projects in force, 13 of them focal species.	· 12 birdlife projects [on focal species] over the period. 100% fulfilment. (Target: 6 projects per year, 5 of them on focal species).
· Red Eléctrica Forest.	· Surface area recovered: 778 ha recovered. · Investment: 1,843,941 euros.	· 843 ha recovered. · Investment: 2,126,327 euros.	· 843 ha recovered. · Investment: 2,126,327 euros.	· 864 hectares recovered. · Investment: 2,190,581.44 euros.	· 915 ha recovered, with an investment of 2,277,758 euros. Fulfilment 91%. (Target: 1,000 ha recovered and 2,500,000 euros investment).
· Red Eléctrica Marine Forest.	· Agreements signed with the CSIC and the Government of the Balearic Islands.	· 1 hectare planted.	· 1.5 hectares planted.	· 2 hectares planted.	· Posidonia marine forest: 2 ha. · Extension of scientific monitoring agreement with IMEDEA (CSIC). 100% fulfilment.
Raise awareness on Red Eléctrica's stance on biodiversity matters					
· Increase employee awareness.	-- · Publication of information related to biodiversity on the corporate intranet. --				· Publication of internal news and the carrying out of specific campaigns. 100% fulfilment.
· Promote corporate volunteering in the field of biodiversity.	· Volunteering actions within the framework of the Red Natura 2000 day.	· European Red Natura 2000 day; Libera Project campaigns; REE Asturias Forest; Workday for the removal of invasive flora in Valencia.	· Red Natura 2000 campaign; Libera project campaigns; Limne Foundation; Oceans Day; Scopoli's s Shearwater Release project.	· Corporate volunteering actions: 1) #stay in the nest. 2) What is urban biodiversity and how to help by making nesting boxes. 3) #plant a new world from home.	· Voluntary corporate actions: Diary of a naturalist with F. Canarias, Telesforo Bravo, Juan Coello and workshop on living seeds from home with <i>GN Medioambiente</i> . 100% fulfilment.
· Increase the Company's externally visibility with regard to biodiversity.	· Dissemination of projects in the press and on social networks, publication of brochures and videos and participation in forums and specialised working groups.	· Additionally, meetings with journalists, visits to Red Eléctrica's Marine Forest and visit to CIMA, conferences on birdlife.	· Dissemination of projects in the press and via social networks, publication of brochures and videos, and participation in specialised forums and working groups.	· Mapping design finalised and validated in the field, and management plans for the conservation of the identified habitats, in all the Autonomous Communities. 100% fulfilment.	

Continued on next page

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BIODIVERSITY ACTION PLAN (2017-2021) / continued

Most relevant actions	Progress made in 2017	Progress made in 2018	Progress made in 2019	Progress made in 2020	Progress made in 2021
Promote innovation in biodiversity matters					
<ul style="list-style-type: none"> Implementation of innovation projects that contribute to the fulfilment of biodiversity challenges. 	<ul style="list-style-type: none"> <i>Biotransporte</i> Project. <i>Vegeta</i> Project. 	<ul style="list-style-type: none"> <i>Biotransporte</i> Project. <i>Vegeta</i> Project. <i>Prodint</i> Project. 	<ul style="list-style-type: none"> <i>Vegeta</i> Project. <i>Prodint</i> Project. Project for the assessment of natural capital. 	<ul style="list-style-type: none"> <i>Vegeta</i> Project. <i>Prodint</i> Project. 	<ul style="list-style-type: none"> Projects: Naturaleza en RED, Alerion, Vegeta, Bseed WATCH® 7 innovation projects developed in the period. 100% fulfilment. (Target: minimum 3 projects).

New approaches to biodiversity management

Advancing with the commitment of the Red Eléctrica Group, which seeks to generate a net positive impact on biodiversity in the territories where the Company operates, requires working from new perspectives. In this regard, the Group's **Biodiversity Roadmap**, defined with a 2030 horizon, contemplates a **natural capital approach**, understood as the inventory of the assets or natural resources of an ecosystem, biotic or abiotic (biodiversity, air, water, soil, minerals) that, combined or on their own, provide society with benefits: ecosystem services.

The Roadmap consists of five strategic axes that are carried out through specific courses of action and which have concrete measures and actions defined.

The two supporting axes (governance and management) set the framework for the coordination, implementation and monitoring of the Roadmap. They also cover issues related to governance, financing, accounting and assessment, reporting and management of risks and opportunities in natural capital. Regarding assessment, it should be noted that work will be carried out on the validation and application of the **methodology and analysis of responsible assessment of natural capital based on ecosystem services**, designed in recent years.

The three operational axes include actions aimed at creating social and environmental value and making a positive impact on biodiversity:

- **Habitat and species:** actions aimed at protecting and conserving relevant habitats and species and extending the application of the mitigation and conservation hierarchy to all the Group's activities.
- **Social value:** the contribution to social development is addressed through environmental awareness and training actions, in addition to collaboration with public entities and other stakeholders. Of particular note is the course of action aimed at developing the green economy in rural, urban and industrial environments based on the sustainable management of natural capital.
- **Supply chain:** measures aimed at reducing the impact of the Group's supply chain on biodiversity.

In 2021, the 'Guide for the assessment of ecosystem services. Ecosystem services reinforced in the management of vegetation through grazing in the vicinity of electricity transmission grid elements', was designed and published in collaboration with the University of Alcalá, based on the methodology developed in 2020, to analyse the balance of profit and losses in terms of



natural capital associated with the maintenance of electricity line safety corridors through the use of livestock grazing.

Protection of habitats and the conservation of flora and fauna 304-2 / 304-3

In works associated with the **construction of lines or the modification of facilities**, the main impacts to be avoided are the alteration of the habitat of certain species of fauna and flora, and also the impact on vegetation due to the opening up of safety corridors, necessary to prevent fires during the operation of the line. Red Eléctrica incorporates numerous **preventive and corrective measures** in this respect.

Among the **preventive and corrective measures** applied, noteworthy are the following:

- Detailed field studies on specific issues, such as impact reports for Red Natura and surveys to identify the presence of protected flora and fauna.
- Introduction of modifications in the design of facilities to mitigate their impact on flora: compacting or increasing the height of towers, relocation of towers, modification of access roads etc.
- Construction of decanting pools and filtering systems to prevent contamination of waterways.
- Signage and protection of habitats and species of ecological value to avoid them being harmed when carrying out works.
- Use of construction techniques that minimise earthworks and land occupation (reducing the opening up of access roads, size of worksites and storage areas for materials): hoisting structures with a boom crane, hanging of line by hand, or carrying out works using a helicopter or drone.

- Transplanting of flora species affected by the work to other areas to be replanted.
- Biological stoppages in 100% of the works during breeding or nesting periods to reduce impacts on the fauna that may be affected.
- Stoppage of works in periods or situations of high fire risk.
- Recovery of affected areas: restoration of slopes, sowing of seed and the planting of flora.
- Accompanying measures and the development of specific projects to improve biodiversity in affected areas

During 2021, **specific measures** ⁺ⁱ regarding habitat and wildlife protection and conservation were carried out.

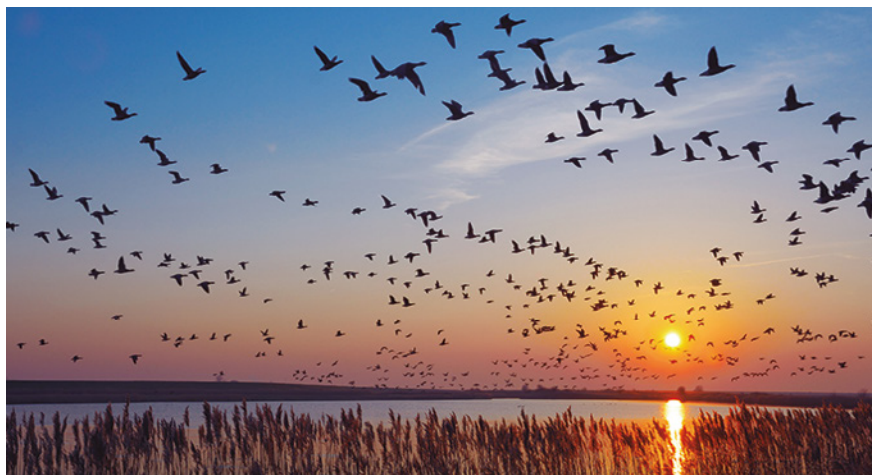
In order to ensure the correct management and conservation of habitats of community interest (HCIs) and other environments of interest during **maintenance work at the facilities**, the **Hábitat Project (2015-2021)** has been carried out. In collaboration with the Autonomous Communities and experts in the field, all the habitats in the vicinity of 100% of the electricity

lines of the transmission grid in Spain have been mapped, characterised and consolidated in a data layer compatible with the corporate geographic information system. In addition, an integrated management proposal has been formulated for each type of habitat, which will facilitate the decision-making process when carrying out the work. The monitoring of the state of the environments and the influence of the activities on them will be assessed thanks to a specific system of KPIs.

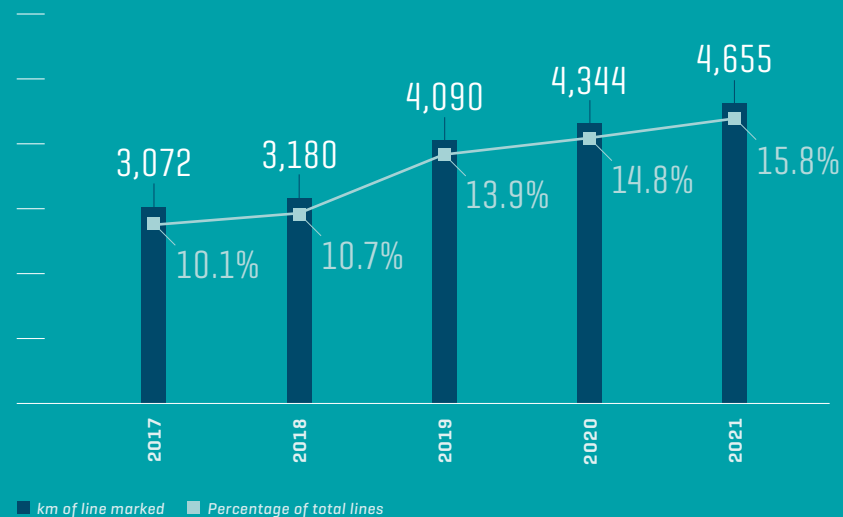
Minimising the risk of bird collision

The main effect on the fauna of Red Eléctrica's facilities is the risk of birdlife colliding with the grounding cables that protect the lines from electrical discharges during storms. The main measure to reduce this risk is the **marking of the grounding cables** by means of devices that increase their visibility. / 304-2

Thanks to the '**Birds and power lines: mapping of bird flight paths**' project, which ended in 2016, the Company identified a set of focal species, prone



→ Marking of lines with bird-saving devices



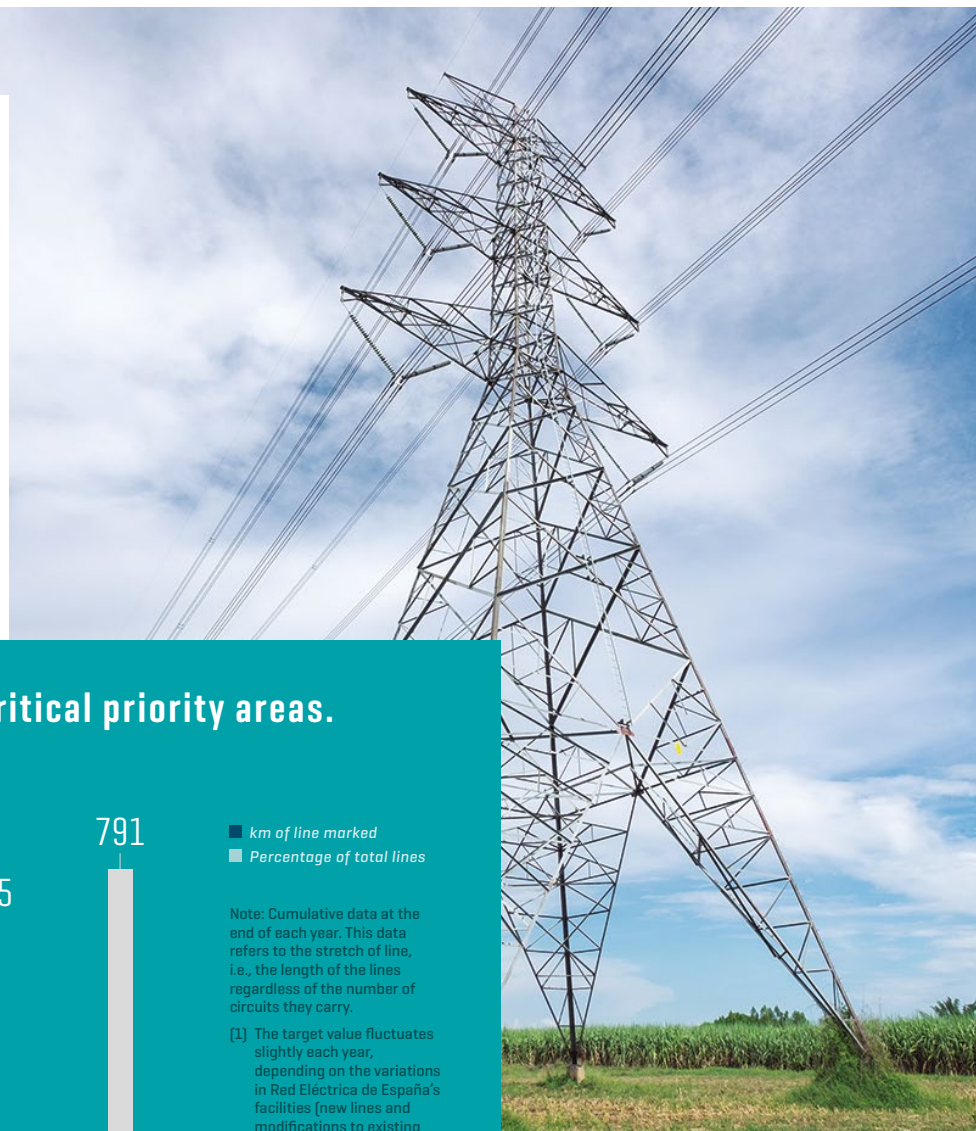
Note: Cumulative data at the end of each year. This data refers to the stretch of line, i.e., the length of the lines regardless of the number of circuits they carry.

In addition to the transmission lines marked in Spain, there are 41.12 kilometres of line marked that belongs to REA (Peru), corresponding to 2.64% of the total number of lines. There are no lines marked in RECH (Chile).

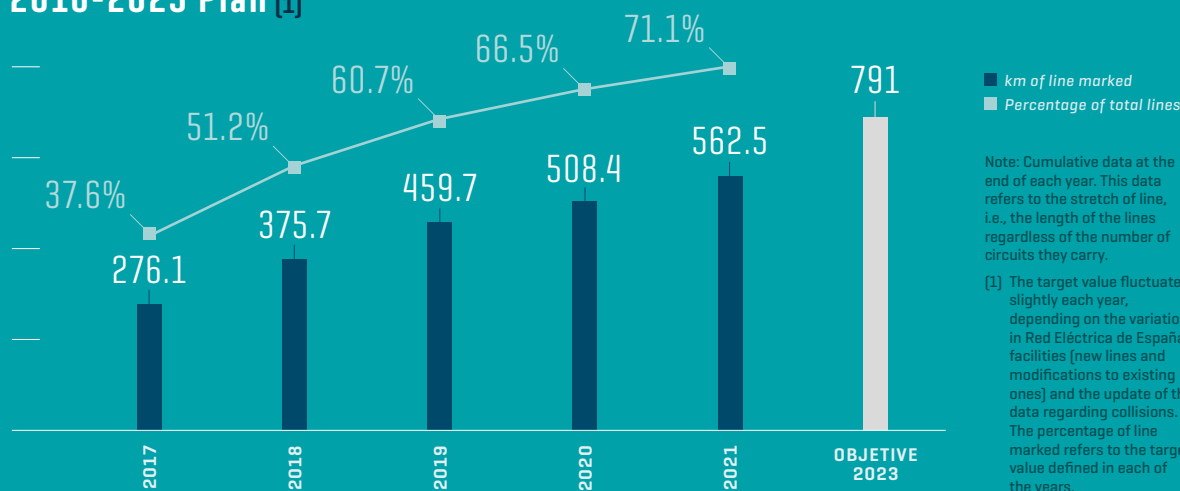
to collision and selected according to various criteria [47 species] and drew up sensitivity maps [areas where these species may be found and which must be considered for the definition of new power line routes] and risk maps [sensitive areas where there are also factors that influence the probability of accidents occurring]. Based on this information, the **2016-2023 multi-year line marking plan** was defined, which prioritises actions on the sections of line with the greatest potential impact on birdlife. It is expected that the progressive marking of the lines will reduce the potential risk of collision with the electricity transmission grid to 26.7%. Information on bird collisions is included at the end of this section in the Environmental management indicators section. / 304-2

In 2021, an update of the information on this project was carried out, adding six species to the list of focal birds and defining new sensitivity and risk maps on which work will begin in 2022.

Red Eléctrica is also working on other relevant projects in relation to preventing birdlife collisions, including studies. In 2021, in collaboration with the Miguel Hernández University (Alicante), the methodology and protocols for the collection and analysis of data on bird collision accidents with electricity transmission lines were reviewed and the analysis of the collision data collected between 2014 and 2020 was carried out, obtaining relevant information regarding the results of the different devices, the status of the environment and territory that increase the number of accidents and the likelihood of collision of the various species.



→ Marking of lines with bird-saving devices in critical priority areas. 2016-2023 Plan ^[1]



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Fire Prevention

In order to minimise the risk of fire associated with the presence of transmission grid facilities, strict compliance with rules regarding safety distances between flora and infrastructure is critical. Red Eléctrica ensures this compliance through the proper design and maintenance of the safety corridors of overhead lines and of the perimeter areas around electricity substations located in forested areas.

The Company annually reviews all of its facilities and conducts periodic forestry (felling and pruning) work, applying best practices, respecting shrubs and small, slow-growing tree species, minimising actions on protected species and without using any chemical treatment methods.

In addition to projects aimed at optimising the treatment of vegetation, Red Eléctrica allocates numerous resources to minimising the risk of fires associated with its activities, having created a specific interdisciplinary working group to develop improvements in this area. In this regard, in 2021, various relevant tasks were carried out, such as internal training on forest fire prevention for more than 500 employees, the communication of requirements to contractors that could cause forest fires, the preparation of action protocols for carrying out activities in times of high fire risk and the purchase of fire prevention and extinguishing equipment for field activities.

At the close of 2021, no fires had been registered in the vicinity of the facilities throughout the year.

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FIRE PREVENTION INNOVATION PROJECTS

Vegeta **[2016-2021]**

In order to optimise the tasks related to the management of the vegetation in the vicinity of electricity infrastructure, an algorithm [Vegeta algorithm] was defined based on the input variables and technical and environmental criteria. It analyses the information and creates the optimum maintenance action plans. These variables include technical and environmental criteria and specific legal requirements for each of the

Autonomous Communities. In 2020, the algorithm was implemented throughout the national territory and was incorporated into the corporate maintenance management tools. In 2021, tests were carried out on several works to test the suitability and functionality of these developments. Currently, the marketing and sale of the development are underway in collaboration with Elewit.

Prodint

A system developed by Red Eléctrica for the early detection of forest fires, using the towers of the transmission lines and by means of sensors based on the Internet of Things (IoT) technology, which captures the radiation emitted by the fire and automatically sends warnings to the system operator. This makes it possible to reduce the reaction time of firefighting agents, with a consequent reduction in costs and environmental and personal damage.

The PRODINT system aims to provide a service of great value to society by taking advantage of the wide geographical coverage of Red Eléctrica de España's electricity lines and the considerable height of the towers, as an ideal platform for monitoring the appearance of wildfires in vast areas of critical forested areas.

A prototype that has been both lab and field tested is now available and ready for full-scale deployment.

Bseed **WATCH®**

HISPASAT has signed an alliance with Pyro for the joint marketing of forest fire monitoring technologies with satellite communication, offering a scalable solution that can be operated anywhere on the planet.

Bseed WATCH®  is a comprehensive forest fire risk management tool capable of calculating the risk of fire and its destructive potential up to 10 days in advance. It also

has early detection systems, thanks to its temperature, CO and CO₂ sensors, which alert the citizens of the area and local emergency authorities within seconds.

In the event of a fire, it provides high-quality information on weather conditions in the area, the location and progress of the fire in real time and control of evacuation routes, which is freely available to the population and those responsible for extinguishing the fire.

It is worth highlighting the importance of Red Eléctrica's active and continuous collaboration with the public administrations involved in forestry management. This collaboration is formalised by signing **collaboration agreements for the prevention and fight against forest fires**. At present, there are eleven agreements in force, with an associated budget of 880,000 euros every four years, with a further two agreements in the process of renewal.

The correct selection of sites and the application of preventive measures, both in the design and construction of the projects, means that there will be a reduction in the need to cut down forested areas for the opening of the safety corridors for the new electricity lines, so this activity cannot be associated with a significant loss of wooded area. This makes it possible for the Company to maintain a commitment to limit **deforestation actions** as far as possible. In this context, in those cases where the felling of trees has been required, the Group carries out various **reforestation** projects to offset said felling. An example of this is the restoration of 31 ha of burned woodland in Altura [Castellón] which was completed in 2021, and the signing of a collaboration agreement with the Provincial Council of Vizcaya and the local councils of Garai and Alonsotegui for the restoration of approximately 100 ha of forest. The Company is also committed to restoring 45 ha through reforestation in the Amazonas department in Peru and 53 ha in the San Martín department [also in Peru] to offset the area felled [98.85 ha] for the construction of the 220 kV Carhuaquero line as well as for the Cajamarca Norte, Caclic and Moyobamba substations.

Lastly, it should be noted that since the start of the Red Eléctrica Forest project in 2009, more than 753,733 trees and shrubs have been planted for the recovery of 915 ha in degraded woodland areas. More information can be found in the *Conservation of natural capital* [↗](#) section.

Contribution to biodiversity conservation 304-3 / 304-4

The Red Eléctrica Group actively contributes to the conservation of biodiversity, implementing various environmental improvement measures and promoting different projects for this purpose.

Red Eléctrica collaborates with the public administrations involved in forestry management with eleven agreements for firefighting and fire prevention and an associated budget of 880,000 euros every four years.

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In general, initiatives focus on those aspects of biodiversity most closely related to the impacts of the Company's activities. For this reason, they are mainly focused on the conservation of habitats and the preservation of birdlife, specifically for focal species [those most prone to colliding with the lines].

In addition, the Company has launched various projects aimed at determining and enhancing the capacity of infrastructure as a biodiversity reservoir and a generator of natural capital.

More information on the actions aimed at improving the conservation of biodiversity is included in the *Conservation of natural capital* [↗](#) section of this report.

Conservation of endangered species: 2021 projects

BIORED

The electricity transmission grid as a biodiversity reservoir and a generator of natural capital

Red Eléctrica has more than 40,000 km of electricity transmission lines distributed throughout the national territory, connected with both Portugal and France and in turn with the rest of the electricity transmission system of continental Europe. Transmission lines cross, run through or are located near spaces of varying ecological value and richness in biodiversity.

The use of the existing high voltage electricity transmission grid and the management of the areas below the power lines and in the vicinity of substations as 'biodiversity islands', in addition to using electricity line corridors as a connecting element between biodiversity spaces, could be an optimal solution to facilitate the mobility of the various species currently under pressure due to the fractioning and reduction of their natural habitats. Additionally, other more general species (not affected by territorial dispersal movements) would benefit from the presence of a varied ecosystem, increasing the biodiversity in the area. Thus, such 'grey infrastructure', whose core mission is to serve as tools to supply power to the industry in general, could be perceived as 'green'.

The aim of this initiative is to identify, diagnose and assess the effectiveness of electricity lines (tower bases and safety corridors) and substations as biodiversity reservoirs that facilitate the connectivity of fauna between the different protected natural areas.

In this context, Red Eléctrica has carried out some pilot projects in this field, such as the **Biotransporte project**, the **Naturaleza en RED project** and the **Life Boogi Bop project**. 

- Reintroduction of the Black Vulture [*Aegypius monachus*] ⁽¹⁾ in the province of Burgos.
- Behavioural patterns of transmission line usage by Iberian Egyptian Vultures [*Neophron percnopterus*] ⁽¹⁾ monitored by GPS devices, in Fuerteventura.
- Platforms for Ospreys [*Pandion haliaetus*] ⁽¹⁾ in Andalusia.
- Reintroduction of the Bonelli's Eagle [*Aquila fasciata*] ⁽¹⁾ in Majorca.
- Reintroduction of the Bearded Vulture [*Gypaetus barbatus*] ⁽²⁾ in the Region of Valencia.
- Foraging grounds and movements of the Canarian Houbara Bustard [*Chlamydotis undulata fuertaventurae*] ⁽²⁾ ⁽³⁾ in the Canary Islands.
- Monitoring, conservation and recovery of the Imperial Eagle population [*Aquila adalberti*] ⁽²⁾ ⁽³⁾ in Doñana.
- Reintroduction of the Osprey [*Pandion haliaetus*] ⁽¹⁾ in the Marjal de Valencia Natural Park.
- Nesting platform for Iberian Egyptian Vulture [*Neophron percnopterus*] ⁽¹⁾ in an electricity tower in Extremadura.
- Monitoring actions for the conservation and protection of the Montagu's harrier [*Circus pygargus*] ⁽¹⁾, Marsh harrier [*Circus aeruginosus*] and Hen harrier [*Circus cyaneus*], species in Extremadura
- Restoration of Posidonia Oceanica seagrass meadows in Majorca.

[1] Vulnerable species according to the national catalogue of endangered species.

[2] Species in danger of extinction according to the national catalogue of endangered species.

[3] Vulnerable species according to the IUCN red list.

[4] Endangered species included in the Annex of the Berna Convention as a highly protected species.

A business model focused on the creation of value

Letter from the Chairwoman and from the CEO

A benchmark report at the forefront of reporting standards

1 The Red Eléctrica Group

2 Strategy

3 Corporate Governance

4 Commitment to sustainability

5 Anticipating change and taking action

6 Decarbonisation of the economy

7 **Responsible value chain**

8 Contribution to social, economic, and environmental development

Annexes

→ Circular Economy Roadmap

CIRCULAR ECONOMY

As part of the path towards a sustainable energy model, the Company is committed to the integration of the circular economy in the development of its activities. In this regard, since 2018, the Group has been a member of the **Pact for a Circular Economy**.

The Group's commitment in this area was materialised in 2019 with the preparation of a **Circular Economy Roadmap** that will allow the Company



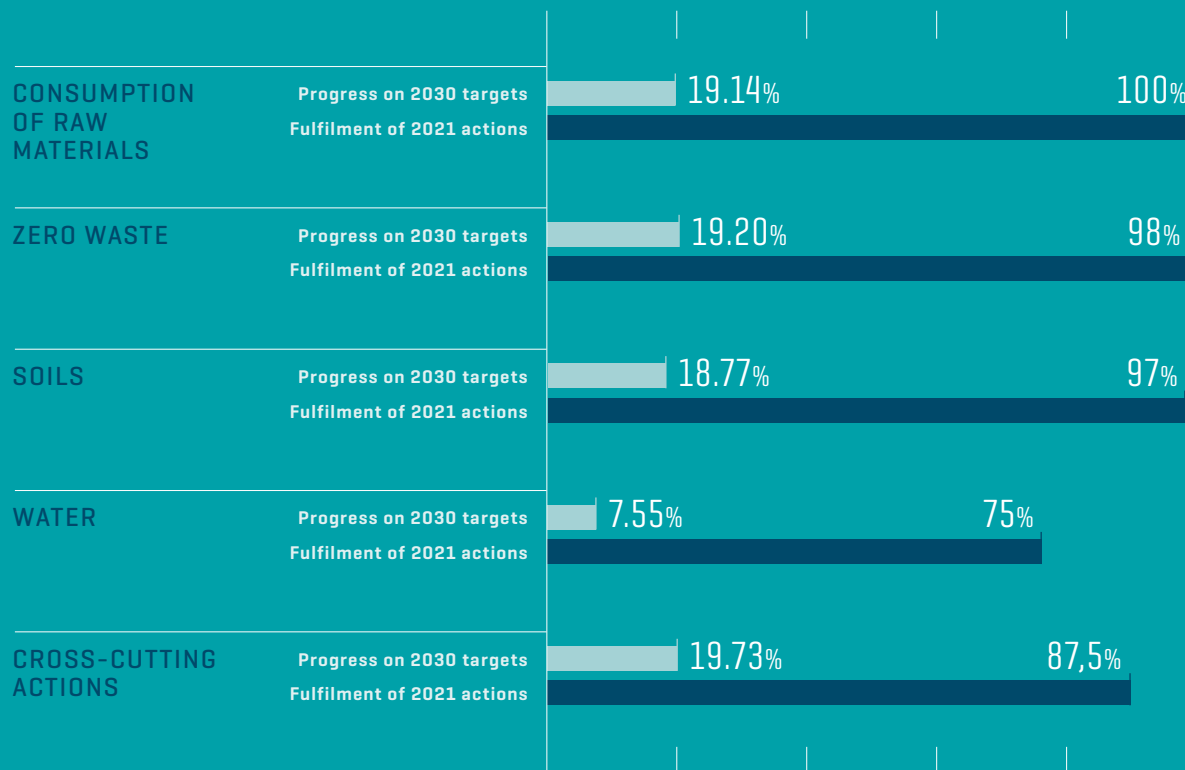


to be a leading company in the circular economy in 2030. This is one of the eleven Sustainability Goals that the Company has set for the 2030 horizon.

The Roadmap establishes the objectives to be achieved and the different actions to be carried out in order to progress towards their fulfilment. During 2020, a monetisation process was carried out to quantify, under a single, objective criterion, the impacts derived from the implementation of each of the measures included in the Roadmap and of all the actions as a whole. In the assessment, both the impacts on the Company's profit and loss account (financial perspective) and the impacts on the environment and society (sustainability perspective) have been considered.

It is worth mentioning that everything related to energy is included in the framework of the Climate Change Action Plan and is detailed in the *Reduction of the Carbon Footprint* ↻ section in this report.

→ Progress on the objectives of the 2030 Circular Economy Roadmap



Consumption of raw materials

In order to reduce the consumption of raw materials and prioritise the use of recycled, recyclable or reusable products, it is necessary to make progress on issues related to establishing eco-friendly designs and the consideration of environmental impacts throughout the life cycle of equipment and materials. This progress will only be possible through advances in the relations with suppliers and through collaborations with other key actors while promoting innovation and technological development].

The Red Eléctrica Group includes circular economy criteria in the general contracting conditions and in tender specifications for large equipment.

In this regard, it should be noted that in 2021, the **relevant circular economy criteria for the supply chain** → were identified and included in the general contracting conditions and tender specifications for large equipment (power transformers, disconnectors and transformers). The consideration of this set of criteria in purchasing decisions encourages the procurement of more efficient and sustainable services and equipment and thus helps to progress towards the Group's goal of having a circular procurement network by 2030.

→ Objectives of the 2030 Circular Economy Roadmap: Materials

- Creation of a circular supply network.
- Identification of the environmental impacts of equipment and materials from their point of origin [equipment and materials passport].
- Integration of circularity criteria in procurement tenders for equipment.
- 20 % of tenders for equipment with clauses involving suppliers in maintenance and end-of-life management of the equipment.
- 0% single-use plastics.
- 100% eco-friendly packaging, recycled, recyclable or reusable packaging in the supply of equipment and materials.
- Sustainable transformers [use of vegetable esters instead of mineral oils].
- Innovation and technological development [eco-friendly designed equipment and materials].
- Material savings associated with the new DIN2020 standard.

Zero waste

The nature of the waste generating activities in the Company makes it extremely difficult to predict the evolution of the quantities produced as they are intricately linked to the number and type of construction and maintenance actions carried out each year. For example, the activity of renewing and adapting facilities generates a large amount of waste, but this cannot be limited, as this activity is linked to reducing environmental risks or increasing the security of the system or facilities.

The goal of the Red Eléctrica Group for 2030 is to produce zero waste (0% waste to landfill). In 2021, 88% of the total waste was recycled, regenerated or used for energy recovery.

PREVENTIVE OR CORRECTIVE MAINTENANCE TASKS

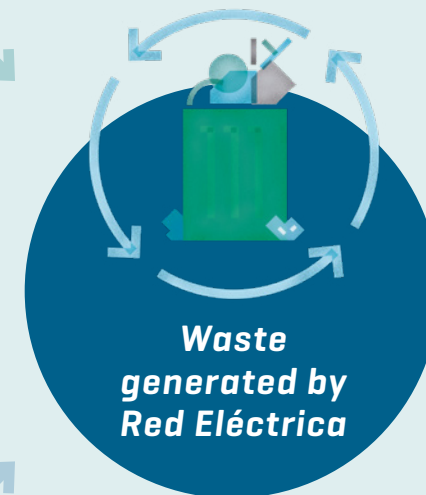
Servicing/inspections, parts replacement, oil renewal, etc.

FACILITY IMPROVEMENTS

Replacement of obsolete switchgear, adaptation of accident prevention systems, etc.

ACTION PROTOCOL IN THE EVENT OF ACCIDENTS

The containment measures used in the event of leaks or spills and the clean-up work can involve a large amount of waste.



→ Objectives of the 2030 Circular Economy Roadmap: Zero waste

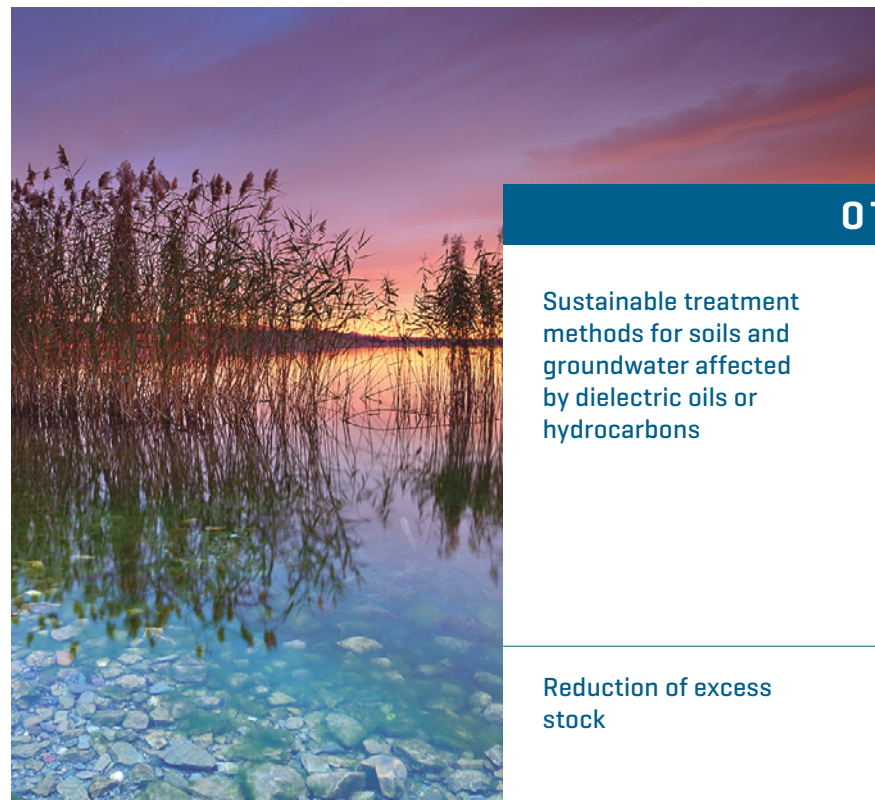
- 0 % waste to landfill
- 100 % SF₆ waste reduction
- 100 % reduction of waste linked to contaminated land (treatment of 100 % of the soil affected by accidents).
- Reduction of waste generation pursuant to the new DIN 2020 standard.

For this reason, the Company's objectives are mainly focused on completely **reducing waste whose final destination is a landfill site**, promoting alternative ways of preventing waste from ending up as landfill. In order to find economically and environmentally viable technological solutions, it is necessary to have a thorough knowledge of the nature and sources of waste generation, aspects on which the Company has been working since 2018. During 2021,

an Action Plan was defined for the assessment of 100 % of the waste from all Group companies and some measures were implemented, such as the incorporation of recycling/waste-to-energy recovery requirements in tenders regarding waste management and the provision of service, the installation of composters for organic waste in four work centres and the launch of awareness-raising campaigns.

The implementation of these measures has enabled 88 % of the total amount of the waste generated (hazardous and non-hazardous) to be recycled (this generic category includes reuse, recycling, composting, anaerobic digestion and regeneration processes).

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OTHER NOTEWORTHY PROJECTS

Sustainable treatment methods for soils and groundwater affected by dielectric oils or hydrocarbons

The aim is to find innovative and sustainable solutions for treating these pollutants in the field, which will enable a complete clean up in situ or on-site (excavated and treated on-site). The alternative procedures to excavation and depositing in landfill sites allows the volume of waste generated to be reduced.

The treatment of soil affected by leaks and spills at the site of the accident avoids sending contaminated soil to landfill. Work focuses primarily on bioremediation, as a technology that, in addition to detoxifying the soil, restores its ecological properties. In this regard, the aim is to identify bacterial cultures with maximum degrading capacity for the substances used by Red Eléctrica de España. In addition, other tests have been carried out based on the application of surfactants and chemical oxidation. The next phase of the project will focus on carrying out a pilot project in the field.

Reduction of excess stock

This measure involves very high savings in the purchase of equipment and spare parts and also entails a significant reduction in waste. During 2020, a review of the stock in the Company's warehouses was carried out and its usefulness was defined, and a commitment was made to use existing stock, in as far as possible, prior to 2036. Stock that is classified as useful, but which does not have a planned use, in accordance with our aforementioned commitment, will be sold on to a third party for them to use.

Soils

Red Eléctrica has established numerous preventive and corrective measures aimed at preventing the contamination of soil or groundwater due to leaks or spills of oils, fuels and hazardous substances.

On the one hand, adequate equipment maintenance is carried out and strict procedures are established to reduce the number of incidents. On the other hand, containment systems (especially in power transformers with large amounts of oil) and response protocols are in place for possible mishaps, which will reduce the consequences of accidents, should they occur.

In relation to these protocols, in 2020, Red Eléctrica de España set up an emergency intervention service to provide a swift and effective response to accidental spills in land-based environments, thus enabling the urgent recovery of possible environmental damage at the site of the incident and therefore minimising possible risks and damage to the environment. In order to make further progress, new contingency plans were drawn up in 2021, two simulations of oils spills were carried out, one at a substation and another regarding a fibre optic cable. In addition, training sessions were held at several work centres.

In 2020, an emergency intervention service was set up to provide a rapid response to accidental oil spills that occur in land-based environments.

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→ Objectives of the 2030 Circular Economy Roadmap: Soils

- Action plan for the prevention of hydrocarbon leaks and mitigation of their impacts.
- Decontamination of 100 % of the soils affected by hydrocarbons in accidents.
- 100 % reduction in the use of phytosanitary products in substations.



In addition to these measures and **to minimise the risks** related to leaks and spills of hazardous substances, the organisation has voluntarily carried out the project for the assessment of environmental risks and identification of environmental liabilities in electricity substations (2015-2017), which gave rise to an action plan in 26 facilities to reduce, control or completely eliminate the risks identified. From 2017 to 2021, soil and groundwater characterisation actions were carried out at all these sites and in 2021 the risk levels were redefined, taking into consideration the results of actions carried out to date and new facilities brought into service.

In relation to risk minimisation measures, it is worth highlighting the definition of an internal procedure for the extraction of insulating fluid from decommissioned fibre optic cables.

Furthermore, it should be noted that there are strict procedures for characterising the subsoil in new substation locations to eliminate risks related to incidents that occurred prior to Red Eléctrica being responsible for the asset.

Water

Despite the fact that the Company's water consumption is low and is not currently considered a material aspect for the Red Eléctrica Group, the organisation is working on finding alternative solutions to improve efficiency and to optimise the use of this resource.

The Company is working on the Sustainable Water innovation project, which seeks to capture atmospheric water by means of cooling technologies that use airflow condensation for the supply of water in electricity substations.

Cross-cutting actions

Globally, and to optimise the consumption of resources, the generation and management of waste and the efficiency of processes, the Red Eléctrica Group is working on the implementation of digital technologies and the integration of circular criteria in all its activities.

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→ Objectives of the 2030 Circular Economy Roadmap: Cross-cutting actions

- Integration of circular criteria in all activities, incorporation in 100 % of the internal regulations.
- Management of 100 % of projects with digital tools.

→ Objectives of the 2030 Circular Economy Roadmap: Water

- Reduction of water consumption in all work centres to 6.5 m³/employee/year.
- REINCAN: 100 % reuse of water consumed on site [work has not yet started].

Environmental management indicators



Key to the companies included [scope of the data]

- REE [Red Eléctrica de España S.A.U.]
- REC [Red Eléctrica Corporación S.A.]
- REI [Red Eléctrica Internacional, which includes: REDESUR, Red Eléctrica Andina, REDELNOR and Red Eléctrica Chile]
- REINTEL
- Elewit
- HISPASAT
- REDCOR [Reinsurance]

→ Non-compliance with environmental laws and regulations / 307-1

Type of infringement	2019		2020		2021	
	No. of case-files	Amount [€]	No. of case-files	Amount [€]	No. of case-files	Amount [€]
Fire risk [lack of maintenance of vegetation or the abandoning of material]	2 ⁽¹⁾	370.46 ⁽¹⁾	-	-	1	90.15
Unauthorised felling and pruning	2 ⁽¹⁾	1,667.04 ⁽¹⁾	1	10,800		
Unauthorised works in protected areas	1	4,800	-	-		
Works without authorisation	1 ⁽¹⁾	240,401 ⁽²⁾	-	-		
Total	6 ⁽¹⁾	247,238.5 ⁽¹⁾	1	10,800	1	90.15

Scope of data: REE + REC. ⁽¹⁾ Information updated in 2021. Closure of two open cases in 2019. ⁽²⁾ Case-file appealed through an adversarial administrative proceeding.

Type of infringement	2019			2020			2021		
	No. of case-files	No. of infringements	Amount [€]	No. of case-files	No. of infringements	Amount [€]	No. of case-files	No. of infringements	Amount [€]
Incorrect waste management	4 ⁽¹⁾	4	27,096.99	-	-	-	-	-	-
Works without authorization		3	37,771.90		-	-	-	-	-
Minor administrative misdemeanour		2	3,912.28		-	-	-	-	-
Failure to monitor environmental issues [flora and fauna/collisions/noise/non-ionizing radiation]	-	-	-	1 ⁽¹⁾	15	23,214.44 ⁽²⁾	1 ⁽¹⁾	3	4,701.6
Opening of access paths/roads without authorisation	-	-	-	1	1	11,925.11	-	-	-
Total	4	9	68,781.2	2	16	35,139.5	1	3	4,701.6

Scope of data: REA + REDESUR + REDELNOR. ⁽¹⁾ Each case-file groups together a variable number of infringements. ⁽²⁾ One of the infringements exceeds 10,000 Euros [failure to monitor birdlife and record collisions].

A business model focused on the creation of value	Letter from the Chairwoman and from the CEO	A benchmark report at the forefront of reporting standards	1 The Red Eléctrica Group	2 Strategy	3 Corporate Governance	4 Commitment to sustainability	5 Anticipating change and taking action	6 Decarbonisation of the economy	7 Responsible value chain	8 Contribution to social, economic, and environmental development	Annexes
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→ Leaks and spills in 2021 ^{(1) (2)} / 306-3

	1	2	3	4	5
Oil or hydrocarbon leaks and spills during equipment use and maintenance	0	3 ⁽³⁾	4 ⁽⁴⁾	1 ⁽⁵⁾	0

Scope of the data: REE + REA+ RECH.

[1] Events classified as being incidents of minor relevance are not included.

[2] Classification of accidents according to their severity on a scale of 1 to 5 (1 mild-5 serious).

[3] There were three accidental spills classified as minor:

- Oil spill of 87 litres due to the breakage of a capacity transformer that was in storage when it was hit by a crane. It affected a surface area of 12 m². The work to clean up the affected ground/soil has been completed.
- Oil spill of 9 litres due to the breakage of a hydraulic hose during the transport of a drilling machine, affecting a ground/soil area of 30 m² at the access to a tower, the tasks of cleaning up the affected area have been completed.
- Oil spill of 6 litres due to the breakage of several outdoor terminals affecting a surface area of 9m². The affected area has been cleaned up.

[4] There were four accidental oil spills classified as significant:

- Oil spill of 50 litres due to a circuit breaker exploding, affecting 50 m² of the substation floor, the clean-up works have been completed.
- Oil spill of 400 litres of diesel due to the breakage of a truck's fuel tank, affecting a surface area of 70 m² of the substation floor. The area is in the process of being cleaned up.
- Oil spill of 500 litres due to the failure of an oil-filled termination located on a tower where the cable passes from being overhead to underground, affecting 40 m² of ground/soil, the clean-up tasks have been completed.
- Oil spill of 70,000 litres as a result of a crack caused by the deformation of the oil-containment system belonging to a power transformer. Almost all of the oil was contained in the collection tank, with only a 9 m² area of the substation floor being affected. The cleaning of both the collection tank and the ground/soil has been completed.

[5] There was one accidental oil spill classified as a major accident:

- Oil spill of 3,500 litres due to the breakage of the outer sheath of the 400 kV Tarifa-Fardioua submarine cable (cable 4) located 22.5 kilometres off the Spanish coast, in Moroccan territorial waters. The leak was sealed. The strong currents in the area made it impossible to detect oil on the surface and to cordon off the affected area.

No accidents of a serious nature occurred in 2021. **No spill has been included in the organisation's financial statements.**

→ Waste broken down by type and disposal method / 306-2

Hazardous waste (kg)

Waste management method ⁽²⁾	2019	2020	2021
Reuse	0	0	0
Recycling	293,670	212,551	450,802
Regeneration	818	4,748	636
Energy recovery	0	0	85,680
Removal	252,612	19,355	47,776
Total ⁽¹⁾	547,100	236,654	584,894

Scope of the data: REE + REC + REINTEL. Data for 2020 includes REI + HISPASAT.

Non-hazardous waste (kg)

Waste management method ⁽²⁾	2019	2020	2021
Reuse	30,400	23,110	24,300
Recycling	534,994	411,342	523,838
Regeneration	0	0	43,669
Energy recovery	625	200	0
Removal	152,968	360,011	104,728
Total ⁽¹⁾	718,987	794,664	696,535

Scope of the data: REE + REC + REINTEL. Data for 2020 includes REI + HISPASAT.

[1] The waste generated by REE represents more than 76% of the total waste generated in the Group. In the case of REE, there has been an increase of 307t of hazardous waste [225t managed in 2020 and 576t in 2021], due to the return to normality of the maintenance and renovation actions, following the inactivity period caused by the COVID-19 pandemic.

[2] Waste management corresponds to that which appears in the legal documentation for its management thereof. The amount of waste to be recycled was **88%** [included in the generic category of recycling: reuse, recycling, composting, anaerobic digestion and regeneration]. The reduction in this percentage with respect to 2019 (68%) is associated with the increase in the generation of hazardous waste that cannot be recycled.

306-4 Waste treatment of used SF₆ gas, which is out of specification, generated in Spain which consists of the regeneration of the gas for its subsequent reuse, is carried out in France. This means that 0.1% of the total hazardous waste has been shipped abroad.

306-2 Once the plan for the elimination/decontamination of transformers, equipment and oil with PCB was completed in 2010, the quantities that are now produced are caused by the elimination of old equipment that is sealed and which turns out to be contaminated at the end of its useful life. In 2021, 7,603 Kg of equipment contaminated with PCB was managed.

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→ Total water withdrawal by source 303-3 / 303-5

	2019	2020	2021
Head Office [m³]	10,196	3,217	6,396
Other work centres [m³]	10,151	23,888	28,406
Total of all work centres [m³] ⁽¹⁾	20,347	27,105	34,802

Scope of the data: REE + REC + REINTEL. Data for 2020 includes REI + HISPASAT.

(1) The figure has a coverage of 97.7% in terms of personnel, including collaborators

Note 1. The water consumed comes from the **municipal water supply network** (49.1%), **wells** (48.5%), **cisterns** (2.4%). In some centres, there are cisterns for the accumulation of rainwater for sanitary use, fire prevention and irrigation. The cisterns do not have mechanisms for counting the water stored, so it is not possible to calculate the percentage of rainwater use.

The changes in the percentages of water sources compared to 2020 are due to the consumption of 11,137 m³ of irrigation water for reforestation actions in the vicinity of the Moquegua substation in Peru (REA-REDESUR). This consumption comes from the irrigation canal (designated as well water) and from a cistern in 2020.

Note 2. 92.8% of water is consumed in areas at high risk of water stress [high or extremely high-risk areas have been considered for the 'Baseline Water Stress' indicator published in WRI's 'Aqueduct Water Risk Atlas' tool].

→ Impacts on endangered species detected in 2021 / 304-2

Species	No. of birds affected
Griffon vulture [<i>Neophron percnopterus</i>] ⁽¹⁾ ⁽⁴⁾	1
Bonelli's eagle [<i>Aquila fasciata</i>] ⁽¹⁾	1
Great bustard [<i>Otis tarda</i>] ⁽²⁾	4
Houbara bustard [<i>Chlamydotis undulata</i>] ⁽²⁾ ⁽³⁾	2
Black vulture [<i>Aegypius monachus</i>] ⁽¹⁾	1
Red kite [<i>Milvus milvus</i>] ⁽³⁾	2
Scopoli's shearwater [<i>Calonectris diomedea</i>] ⁽¹⁾	24
European turtle dove [<i>Streptopelia turtur</i>] ⁽²⁾	2

(1) Vulnerable species according to the national catalogue of endangered species. **304-4**

(2) Vulnerable species according to the IUCN red list. **304-4**

(3) Species in danger of extinction according to the national catalogue of endangered species. **304-4**

(4) Endangered species according to the IUCN red list. **304-4**

Note: At the time of the publication of this report, a case regarding a potential sanction is pending resolution [due to a possible environmental infringement] opened in 2020 as a consequence of the collision of an Iberian imperial eagle [*Aquila adalberti*] ⁽¹⁾ ⁽³⁾

→ Presence of facilities in protected spaces / 304-1

REE ⁽¹⁾	2019	2020	2021
Km of line in Red Natura/total km of line [%]	15.58	15.51	15.45
Number of substations in Red Natura / number of substations [%]	5.69	5.74	5.67
Surface area of facilities in Red Natura / total Surface area in Red Natura [%] ⁽³⁾	0.08	0.08	0.08

REA ⁽²⁾	2020	2021
Km of line in protected areas / total km of line [%]	3.05	3.13
Number of substations in protected areas / number of substations [%]	0	0
Surface area of facilities in protected areas / total Surface area in protected areas [%] ⁽³⁾	0.03	0.03

Scope of the data: REE + REA + RECH. No RECH facilities are located in protected areas.

(1) Red Natura (Natura 2000 Network) includes: SCI [Site of Community Importance] and SPA [Specially Protected Areas for birds].

Note 1. The most updated database published by MITERD is used to calculate the indicators.

Note 2. The mapping of facilities in service is improved and updated annually, which may result in some variations in the calculations that are not related to the increase or decrease of facilities.

(2) Protected areas according to legislation: National Reserve and buffer zone.

(3) Area occupied by lines, substations and submarine cables. The area occupied by the lines has been calculated assuming an occupation of 20 metres on each side of the line. It is necessary to take into account that the occupation is overhead; there is only real occupation in the case of the towers. The area occupied by the submarine cables has been estimated at 1 metre on each side of the line.

→ Species included in the IUCN Red List and the national conservation list whose habitats are located in areas affected by operations / 304-4

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Scientific name	Common name	Classification according to MITERD (Spanish Catalogue)	Classification according to the IUCN red list
<i>Aegypius monachus</i>	Black vulture	Vulnerable	Near threatened (NT)
<i>Aquila adalberti</i>	Imperial eagle	In danger of extinction	Vulnerable (VU)
<i>Aquila fasciata</i>	Bonelli's eagle	Vulnerable	Least concern (LC)
<i>Ardeola ralloides</i>	Squacco heron	Vulnerable	Least concern (LC)
<i>Aythya nyroca</i>	Ferruginous duck	In danger of extinction	Near threatened (NT)
<i>Botaurus stellaris</i>	Euroasian bittern	In danger of extinction	Least concern (LC)
<i>Burinus oedicnemus distinctus</i>	Stone-curlew (West Canarian)	Vulnerable	Not evaluated (NE) - Species endemic to the Canary Islands
<i>Calonectris diomedea</i>	Scopoli's shearwater	Vulnerable	Least concern (LC)
<i>Chersophilus duponti</i>	Dupont's lark	Vulnerable	Vulnerable (VU)
<i>Chlamydotis undulata</i>	Houbara bustard	In danger of extinction	Vulnerable (VU)
<i>Ciconia nigra</i>	Black stork	Vulnerable	Least concern (LC)
<i>Columba bollii</i>	Bolle's pigeon	LESRPE (Spanish List of Specially Protected Wild Birds)	Least concern (LC)
<i>Columba junoniae</i>	Laurel pigeon	Vulnerable	Near threatened (NT)
<i>Cursorius cursor</i>	Cream-coloured courser	LESRPE	Least concern (LC)
<i>Dendrocopos leucotos</i>	White-backed woodpecker	In danger of extinction	Least concern (LC)
<i>Falco peregrinus peregrinoides</i>	Barbary falcon	In danger of extinction	Not evaluated (NE) - Species endemic to the Canary Islands
<i>Fringilla teydea subssp</i>	Blue chaffinch	In danger of extinction (Gran Canaria) / Vulnerable (Tenerife)	Endangered (EN)
<i>Fulica cristata</i>	Crested coot	In danger of extinction	Least concern (LC)
<i>Geronticus eremita</i>	Northern bald Ibis	LESRPE	Endangered (EN)
<i>Gypaetus barbatus</i>	Bearded vulture	In danger of extinction	Near threatened (NT)
<i>Lagopus muta</i>	Rock ptarmigan	Vulnerable	Least concern (LC)
<i>Marmaronetta angustirostris</i>	Marbled duck	In danger of extinction	Vulnerable (VU)
<i>Milvus milvus</i>	Red kite	In danger of extinction	Least concern (LC)
<i>Neophron percnopterus</i>	Griffon vulture	Vulnerable	Endangered (EN)
<i>Neophron percnopterus majorensis</i>	Canarian Egyptian vulture	In danger of extinction	Not evaluated (NE) - Species endemic to the Canary Islands
<i>Otis tarda</i>	Great bustard	LESRPE	Vulnerable (VU)
<i>Oxyura leucocephala</i>	White-headed duck	In danger of extinction	Endangered (EN)
<i>Pandion haliaetus</i>	Osprey	Vulnerable	Least concern (LC)

Continued on next page

→ Species included in the IUCN Red List and the national conservation list whose habitats are located in areas affected by operations / 304-4

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Scientific name	Common name	Classification according to MITERD (Spanish Catalogue)	Classification according to the IUCN red list
<i>Pterocles alchata</i>	Pin-tailed sandgrouse	Vulnerable	Least concern (LC)
<i>Pterocles orientalis</i>	Black-bellied sandgrouse	Vulnerable	Least concern (LC)
<i>Streptopelia turtur</i>	European turtle dove	Not included	Vulnerable (VU)
<i>Tetrao urogallus aquitanicus</i>	Aquitania capercaillie	Vulnerable	Not evaluated (NE)
<i>Tetrao urogallus cantabricus</i>	Cantabrian capercaillie	In danger of extinction	Not evaluated (NE)
<i>Tetrax</i>	Little bustard	Vulnerable	Near threatened (NT)

Scope of the data: REE.

The main impact on protected species caused by Red Eléctrica's operations is that arising from the collision of the birds with the lines. Within the framework of the project "Birds and power lines: mapping of bird flight paths" species that are prone to colliding with the Red Eléctrica's overhead electricity lines have been identified (focal species, a total of 47) and whose habitats are in areas where these lines exist. Of the 47 species registered, those identified as threatened are included in this indicator. In addition, species for which accidental collisions have been identified in 2021, although not listed as focal species (Scopoli's shearwater [*Colonectris Diomedea*] and the European turtle dove [*Streptopelia turtur*], have been included in the list.

→ Description of the most significant impacts on biodiversity / 304-2

Most important impacts on vegetation

220 kV Caletillas-El Rosario line: transplanting of a Canary Island spurge shrub [*Euphorbia canariensis*] to a reservoir area built for gastropods [*Hemicycla plicaria*].

220 kV Jose María Oriol-Los Arenales line in the Transboundary *Tajo/Tejo Internacional* Biosphere Reserve [Part of these impacts occurred in an area which is also a Special conservation area/ Special protection area for birds]:

- Pruning back of holm oaks [*Quercus ilex*]: 6 trees of average diameter 45 cm and 23 trees of average diameter 18 cm.
- Construction of 48 towers.

Scope of the data: REE

Note: In addition, in 2021, the initial stages of a fire were recorded, following the breakage of a conductor as a result of the fall of a nearby tree, in the Special Conservation Area: ES2200020 Sierra de Aralar (Navarra). This extinguished itself without exterior intervention and only affected 100 m² of pastureland that did not contain any species of environmental interest.

Most significant impacts on the marine environment

400 kV Tarifa-Fardioua submarine cable: spill of 3,500 litres of dielectric oil in Moroccan waters in the Strait of Gibraltar [at 22.5 km of the Spanish coast and at a depth of 200 metres. The area is not catalogued with any type of environmental protection, although UNESCO considers the Strait of Gibraltar as a Mediterranean Intercontinental Biosphere Reserve.

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7.5

Supply chain

103-1 / 103-2 / 103-3

Key indicators in 2021

652 participants involved in the human rights and diversity training programmes for suppliers, with an overall satisfaction level of 9 points out of 10.

20 suppliers participating in the Supply Chain Emissions Reduction Programme.

100 % progress made on the commitments of the Action Plan associated with the supplier perception survey.

Deployment of the Supply Chain Security Management Model for a total of 10 supplies with the identification of those with high inherent risk [6].

2021 Milestones

Updating of the General Conditions of Contract of the Red Eléctrica Group.

Implementation of the new sustainability evaluation model for suppliers (new ESG scoring).

Progress made in the calculation of Scope 3 emissions and verification of the carbon footprint of suppliers.

Challenges for 2022

Develop actions to align suppliers with the Group's 2030 Scope 3 emission reduction commitments.

Encourage responsible purchasing by including sustainability criteria as requirements in tender processes.

Roll out the Supply Chain Security Management Model to new supplies with very high or high inherent risk and develop risk mitigation actions for mature markets.



The Red Eléctrica Group, aware of the relevance that suppliers have in the fulfilment of the Company's goals, is committed to collaborating on finding common goals that improve the efficiency of processes and generate mutual benefits. To this end, the Company, in its day-to-day management, promotes the values and commitments acquired in matters of ethics and compliance, working conditions, environment and occupational health and safety, guaranteeing that all its suppliers also undertake these.

RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

The Company has a responsible management model based on the **principles of non-discrimination, mutual recognition, proportionality, equal treatment, transparency and free and fair competition.**

The **Operational Procurement Plan** remains aligned with the Group's 2021-2025 Strategic Plan and defines various actions to comply with the courses of action linked to the energy transition, efficiency, innovation and technology and sustainability.

Throughout 2021, the Performance Bank Guarantee Policy, the Supply Chain Policy and the General Conditions of Contract for equipment, materials, services and construction works were also updated, for which the feedback obtained through sessions with suppliers has been considered and some of the suggestions they made have been incorporated.

The Red Eléctrica Group voluntarily participates in various initiatives and professional associations that strengthen the extension of its commitment to sustainability to suppliers, among which it is worth highlighting the commitment to the **principles of the United Nations Global Compact.**

The team responsible for managing the supply chain of the Company is on an ongoing learning journey and continuously monitors the latest trends in sustainability, participates in conferences and attends practical workshops in the field as part of their quest to constantly add value to the organisation.



This, together with the participation in numerous cross-cutting projects of the Company, allows it to transfer its knowledge, vision and best practices in this area to the supply chain.

Furthermore, the Company organises various internal training sessions, either on the global procurement process or on a specific process should any department/area request it.

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MODEL FOR THE RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

Framework



Levers for ongoing improvement



Pillars

Continuous search for the lowest expected overall cost

- Search for efficiency, effectiveness, and simplification of processes.
- Implementation of sourcing strategies to optimise own resources.

Transparency and the separation of functions within the management processes

- Centralised management of the supply chain through the separation of functions.
- Existence of a specific department for suppliers that is not involved in the purchasing process.
- Maximum communication with the supplier in all processes.
- Supplier qualification process accessible to all interested suppliers.
- Processes in systems [traceable and auditable].

Ethical management and the development of suppliers and subcontractors

- Communication channels available to suppliers: ASA + DÍGAME + Ethical Compliance and whistleblowing channel.
- Campaigns for extending the Company's principles and policies to suppliers.
- Specific development plans resulting from their supervision and monitoring.
- Development of medium to long-term partnerships.

Minimisation of the risk associated with the procurement processes

- Identification of legal / business / technical / sustainable impacts and risks and the categorisation of associated suppliers.
- Establishment of requirements that mitigate said impacts and continuous verification of said requirements in:
 - The supplier selection process and the awarding of contracts.
 - The qualification, subcontracting and corporate monitoring of suppliers.
- Acceptance of the Supplier Code of Conduct and verification of compliance with said Code through audits.
- Wide range of suppliers.

Free and fair competition

- Selection of candidates taking into account the need to ensure adequate competition.
- Ensuring free and fair competition throughout the tender award process.



The Red Eléctrica Group conducts audits of its suppliers in order to verify the degree of compliance with the principles included in its Supplier Code of Conduct.

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The model for the responsible management of the supply chain requires the correct handling of information, and therefore work has been done on the **evolution and adaptation of the Group's information systems**, with the dual objective of making them more accessible and functional for suppliers [gradual publication of a description of the supplies purchased by the Company, English translation of the PRORED suppliers' space, etc.] and to increase the quality of the analyses in order to identify and prioritise areas for improvement [planning of needs, definition of purchasing strategies and sustainable levers, adaptation of stock to meet the maintenance needs of the transmission grid, etc.].


The Supplier Code of Conduct

The Company, aware of the importance of the actions of its suppliers in its value chain, tries to transfer the basic sustainability criteria to those who supply goods or services, criteria based on the **Ten Principles of the Global Compact**, including the United Nations guidelines on human rights, labour conditions, the environment and the fight against corruption.

The **Supplier Code of Conduct**, derived from the Group's Code of Conduct and Ethics, establishes the minimum ethical, social and environmental requirements [such as cybersecurity, data protection, disability and diversity, climate change, circular economy and corporate reputation] that all suppliers must accept

and comply with in order to work with the Red Eléctrica Group, assuming the commitment to extend the Code to their own supply chain.

The Company periodically revises and updates the Supplier Code of Conduct, in order to transfer to the supply chain new sustainability criteria and adapt it to best practices in relation to third-party due diligence and ensure its alignment with the Group's Code of Conduct and Ethics.

When a supplier starts the registration process in PRORED,  a necessary step to be able to begin the classification and qualification process to form part of the Red Eléctrica Group database, it must accept the Supplier Code of Conduct from the outset, which, as stated in the General Conditions of Contract, is part of the contractual documentation.



IN THE CASE OF SUBCONTRACTING BY THE SUPPLIER, THE SUPPLIER SHALL BE RESPONSIBLE FOR ENSURING THAT ITS CONTRACTORS CONDUCT THEIR ACTIVITY IN COMPLIANCE WITH THE PRINCIPLES SET OUT

IN THE SUPPLIER Code of Conduct

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All suppliers must ensure that their contractors, in turn, have policies and practices that respect the principles contained in this Code and ensure that they respect similar principles to those of the Red Eléctrica Group, guaranteeing complete integrity in the supply chain.

An **Audit Plan** is drawn up annually, and its implementation is controlled and monitored. In addition, an audit may also be activated in the event of the Company becoming aware of an incidence of non-compliance with any ethical, social and environmental requirements that all suppliers must accept and comply with in order to work with Red Eléctrica, including the commitment to extend said requirements to their own supply chain. This information may arrive through the communication channels open to suppliers or following the identification of an increase in risk during their monitoring.

As a result of these audits, **action plans** are agreed with all those suppliers to whom a 'non-conformity' has been identified, with a specific deadline to remedy the deficiencies detected.

The monitoring of suppliers allows Red Eléctrica to measure their evolution and development, as well as to verify the improvements implemented or take action if this is not the case, which may result in the temporary or permanent disqualification of a supplier.

The results of these audits, and their corresponding findings, are shared internally, emphasising the detection of 'major non-conformities' so that these are resolved in due time and form; otherwise, the supplier would not be able to participate in new tender processes. This situation is reversible once the 'non-conformity' status is satisfactorily resolved by implementing the corresponding action plan. Since 2021, the Group has also begun to provide internal visibility through the periodic presentation of results to the **Board's Audit Committee**.

SUPPLY CHAIN

102-9 / 204-1

Description of the supply chain

The Red Eléctrica Group is a driving force for growth that favours the business, industrial and social development of its environment by creating employment throughout the supply chain.

Comprehensive management of purchases

The planning of purchasing, attending to the need in a visible and anticipatory way, enables the **efficient and sustainable management of the supply chain**, being able to offer longer-term visibility and greater certainty to the supplier market.

Purchasing management starts with an adequate **selection of suppliers**, ensuring that they are aware of and meet the **minimum requirements** established before starting the qualification process. In addition, suppliers must comply with the **requirements of the tender** and take into account the **awarding criteria** published in the tender documents during the tender process.

In 2021, a process was defined for managing equipment repairs and spare parts in SAP and integrating it with material requirements planning, which means that repaired equipment is returned to warehouses and can be reused without restrictions.

In those supplies where it is feasible, purchases are made through the contracting of Special Employment Centres, favouring the employment integration of people with disabilities and therefore demonstrating the Company's commitment to society. Purchases with **sustainable criteria** are also encouraged through the contracting of electricity supplies with green energy or guarantees of renewable origin.

Aware of the relevance of the regulations applicable to its processes, the Company continuously reviews and updates them, as well as disclosing

3,037

companies that have worked within the framework of Red Eléctrica's contracts

2,157

suppliers

880

subcontractors



702.8

M€
certified procurement expenditure allocated to suppliers

80.7 %

corresponds to services and construction work

19.3 %

corresponds to materials and equipment

78.8 %

of the certified procurement expenditure of the entire Group was allocated to suppliers with a registered office in the European Union.

86.5 %

of the certified procurement expenditure registered in Spain by companies of the Group was allocated to suppliers with a registered office in Spain.

98.3 %

of the certified procurement expenditure registered in Chile by companies of the Group was allocated to suppliers with a registered office in Chile.

66.9 %

of the certified procurement expenditure registered in Peru by companies of the Group was allocated to suppliers with a registered office in Peru.

Status of the Group's supplier portfolio:

2,066

suppliers covering a range of 387 groups of supplies and services.

161

new suppliers incorporated into the portfolio of suppliers.

them internally to all areas involved in the purchasing process.

In 2021, the Company, using the Kraljic matrix methodology, identified strategic supplies in order to adapt **procurement strategies** to the needs of agility and efficiency of the new Transmission Grid Planning for 2021-2026, once it is approved.

In addition, the **Corporate Services Relationship Framework** [which includes the Supply Area] **has been reviewed and redefined with all the companies of the Red Eléctrica Group in which it holds a 100% shareholding.** Its objective is to promote the development and growth of the relationship between the internal customer and the service provider. To this end, quality commitments have been agreed upon, measurable through KPIs, to be able to identify improvements when commitments are not met. In this regard, the Purchasing Department holds regular meetings with different units to generate a collaborative environment that fosters open dialogue and allows the close monitoring of the activity, the clarification of doubts and the creation of a joint vision for the future.

Improvement and digitalisation in the scope of the Supply Area

2021 was a key year for improvement and digitalisation in the scope of the Supply Area of the Red Eléctrica Group. Some of the most noteworthy initiatives with an impact on purchasing and supplier management processes are:

a) Processes

- Evolution and standardisation of the Procurement Plan as an element for obtaining information on the medium or long-term needs of the Red Eléctrica Group and the design of the associated dashboard.

In 2021, the Company identified the strategic supplies in order to adapt procurement strategies to the agility and efficiency of the new 2021-2026 Planning.

- Continuous improvement of processes by eliminating activities that did not contribute value or had become obsolete, generating greater efficiency in the process.
- Revision of the purchasing modalities for systems and innovation projects, more agile and adapted to the specific nature of this type of supply or service.
- Deployment of the Agile methodology in the procurement process.

b) Information systems

- **Optimisation of the functionality of the robotic process automation (RPA)** implemented in the Supply Area in order to increase efficiency in the execution process, improve the quality of the awards managed, extend the range of awards that can be processed and generate a tool for monitoring, analysing and reporting on the activity of the robots.
- Implementation of **improvements in the systems** that enable the evolution of the procurement process [e.g., automation of the material order certification process] in order to gain efficiency and adapt to the internal regulations in force.



IN 2021, THE RED ELÉCTRICA GROUP CONTINUED TO WORK ON improving and digitalising the **SUPPLY AREA**

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- Implementation of the **Resolveré** tool for calculating complex award scenarios to make processes more efficient and increasing the reliability of the awarding of contracts.
- Implementation of the **Purchase Recommender tool (MINERVA)** in order to optimise the purchase price for the acquisition of materials containing raw materials [towers, overhead conductors and insulated cable]. This tool takes information from the database on the evolution of the raw materials market [current and future] and evaluates the right moment for purchase management.
- Analysis of the logistics operator's physical warehouse management system and its integration into the procedures for its monitoring and subsequent optimisation.
- Implementation of a **delivery route management system that provides visibility and control from origin to delivery** to optimise the management and traceability of the routes used for deliveries to improve their efficiency.

- Incorporation of new parameters in the **Integra Stock** tool to optimise the stock of equipment required for maintenance.
- **Automation of the purchase order certification** process for materials, thus improving the efficiency of the process.
- **Automation of the issuing of activity certificates for suppliers.**

RISKS AND IMPACTS ON THE SUPPLY CHAIN 308-2 / 414-2

Among the initiatives that the Red Eléctrica Group addresses within the framework of its responsible management of the supply chain, noteworthy is the **identification of impacts on sustainability matters** [ethics, occupational health & safety and environmental aspects] with regard to the provision of supplies and that enables the Company to establish the requirements that shall be met by suppliers to monitor and reduce such impacts.

The Company has defined an impact matrix for the supply of equipment and/or materials, as well as for the supply of construction works and services. In total,

Within the responsible supply chain management framework, noteworthy is the identification of impacts on sustainability and the requirements that suppliers must meet.

twenty types of sustainability impacts have been identified: seven in the area of ethics and working conditions, four in the area of occupational health and safety and nine in the environmental scope.

The main risks are dealt with through the management systems in place and via regular audits and after which, recommendations and improvement areas are identified, analysed and implemented to improve processes continuously.

In the case of identification of a high impact, the Company can establish an action plan with the supplier, closely monitoring its implementation and reserving the right to take action if necessary.



The identification and prioritisation of risks and impacts of the supply chain have allowed the Company to establish adequate controls to minimise them. In this regard, for each of the risks identified, the Company works on the qualification, monitoring, training and development of suppliers.

The Company has begun to identify the impacts and effects on sustainability [ethics, occupational health & safety and the environment] associated with each of the incidents managed in order to have more information and the ability to gauge this type of incident.

In addition, the Red Eléctrica Group has carried out an in-depth analysis of the supply risk caused by the transport situation, mainly maritime, the shortage and high price of some raw materials and components and the saturation of factories due to high demand. As a result of this analysis, an action plan was drawn up which is currently underway.

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RISKS AND IMPACTS IDENTIFIED IN THE SUPPLY CHAIN AND MITIGATION MEASURES

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Risks and impacts identified	Risks and impacts regarding ethics and working conditions	Risks and impacts regarding Occupational Health and Safety	Risks and impacts regarding the environment	Risks and impacts due to non-compliance with legislation	Risks and impacts due to non-fulfilment of deadlines or incidents in the performance of the work	Risks and impacts associated with the supplier's country of origin
	<ul style="list-style-type: none"> Reputation Bribery and corruption. Appropriation and misuse of information. Discrimination/equality. Violation of the fundamental rights of workers. Lack of ethics in remuneration. Impact on the well-being of the community. Legal/regulatory non-compliance. 	<ul style="list-style-type: none"> Accidents in the workplace. Work-related illnesses. Inadequate training or experience/information. Legal/regulatory non-compliance. 	<ul style="list-style-type: none"> Impact on biodiversity. Impacts on soil and water. Climate change Air quality. Generation of non-hazardous waste. Generation of hazardous waste. Energy consumption Water consumption Legal/regulatory non-compliance. 	<ul style="list-style-type: none"> Non-compliance with the requirements of EU Directive 2014/25 on procurement by entities operating in the water, energy, transport and postal services sectors. 	<ul style="list-style-type: none"> Inability of suppliers to complete the execution of the works. 	<ul style="list-style-type: none"> Risks and impacts associated with the supplier's country of origin.
Risks and impacts identified	<ul style="list-style-type: none"> Acceptance of the Supplier Code of Conduct. Conducting business audits and establishing action plans. 	<ul style="list-style-type: none"> Occupational health and safety management system certified by a third party (ISO 45001 or similar). This requirement is compulsory for all supplies with an impact on occupational health and safety. Monitoring of social aspects and relationships with the community [scoring]. Implementation of the Supply Chain Occupational Health and Safety Management Model. 	<ul style="list-style-type: none"> Environmental management system certified by a third party (ISO 14001 or similar). Monitoring of environmental aspects [scoring]. 	<ul style="list-style-type: none"> General conditions of contract for equipment and materials, the supply of services and the provision of construction works. Proof of a civil liability insurance policy, being up to date on payments regarding Social Security, Tax Authority, Civil Registry, and accident insurance. Permanent monitoring of compliance with current legislation. 	<ul style="list-style-type: none"> Certified quality system (ISO 9001). Control and monitoring of suppliers in financial difficulties [scoring]. Monitoring of the supplier during the term of the contract: verification of qualification requirements (business, environmental and occupational health & safety). Establishment of KPIs and service level agreements (SLAs) in contracts, the definition of specific clauses per contract, in addition to the General Terms and Conditions of Contract. Minimum requirements (depending on the supply). Analysis of references and of previous track record relating to prior works. Comprehensive evaluation of the supplier prior to being included in the tendering process. Awareness and supplier development campaigns. Diversified contracts with various suppliers offering flexibility in the event that the supplies/services need to be reallocated. Implementation of the Supply Chain Occupational Health and Safety Management Model. 	<ul style="list-style-type: none"> Incorporation of supplier location in determining inherent risk within the supplier integrity due diligence model. Use of Transparency International's Corruption Perceptions Index as a source for ranking countries according to their perceived level of risk.

Comprehensive risk assessment of suppliers

The Company carries out a continuous review of all the requirements established by the Group (business, financial, technical and sustainability) and verifies their correct compliance, which allows for the identification and assessment of risks.

• Financial solvency (financial scoring):

analysis of the risk that working with a supplier represents to the Red Eléctrica Group in terms of probability of non-payment and when comparing this to the sector average. Relevant economic information is also captured to determine whether a company has adequate capacity to meet its financial obligations. As part of its sustainability strategy, the Company is committed to continuing to work with suppliers who are in financial difficulty, but it must also manage the risk associated with working with a supplier in this situation.

• **Technical incidents:** relating to incidents or accidents in the delivery of supplies, the execution of construction works and/or the provision of services, among others.

• **Financial incident:** due to irregularities in payments to third parties (subcontractors, supplier's bank debt) or failure by the supplier to issue certifications in due time and form, among others.

• **Incidents regarding compliance/audits:** for non-compliance with the Supplier Code of Conduct of the Red Eléctrica Group, for lack of due diligence, for complaints to the Ethics Manager of the Red Eléctrica Group or those arising from continuous monitoring, when they lead to the identification of 'major non-conformities' (or these are not resolved in a timely manner), among others.

The continuous review of the requirements established by the Group (business, financial, technical and sustainability) and the verification of their correct fulfilment allows for the identification and assessment of risks.

• **Legal incident:** by a declaration of insolvency of the supplier or its parent company, by administrative resolution or court ruling confirming or declaring the insolvency situation or from which such situation is inferred, the concurrence of any of the external facts revealing the state of insolvency set out in article 2.4 of the Insolvency Act in the supplier or its parent company, among others.

• **Sustainability (ESG scoring):** identification of a supplier's degree of maturity in environmental, social and governance aspects, as well as a comparison with the average obtained by suppliers belonging to the REPRO community.

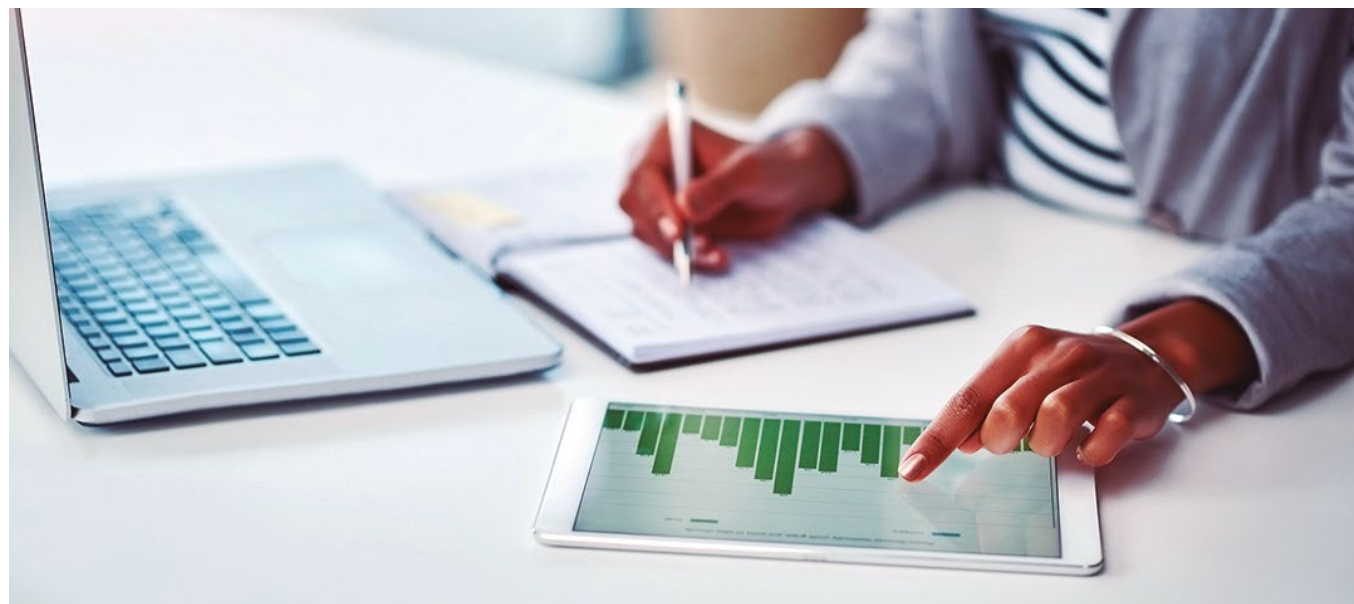
• **Integrity findings (screening):** identification of a supplier's appearance on an external list of official international sanctions and other publicly available blacklists. The information obtained on sanctions and investigations, both of individuals and companies, as well as on indications of non-compliance with the law enables the identification of compliance risks in the supply chain, especially those of a criminal nature and, in particular, those related to corruption.

• Criminal risk, privacy and cybersecurity (compliance scoring):

assessment of the probability of a supplier's compliance with a standard in these areas. The scoring associated with each of these three areas and the global scoring allows an assessment to be made of the risk level of a supplier [low, medium, high or very high] in each of them and globally, as well as sharing with the supplier a report containing the following information: an executive summary with the regulatory risks identified, metrics and assessment scales, conclusions and recommendations based on the assessment of the compliance risk.

In 2021, the Company **improved and evolved the capture of global supplier information**, obtaining a more complete view of supplier monitoring and risk in two main blocks:

- Supply, construction work and/or service families: financial, documented and legal analysis of the suppliers who, associated with the corresponding group of items (family), have had a purchase order in the last 3 years.
- Supplier: financial, documented, legal and classification and qualification behaviour in its relationship with the Red Eléctrica Group.



In 2021, the Company improved the way in which it captures information about its suppliers, thus obtaining a more complete view of potential risks.

Risk mitigation

In 2021, the **Supply Chain Security Management Model** was implemented for a total of ten supplies, for which a work plan was executed involving eight organisational units, as well as the various qualified suppliers of the supplies selected, in order to gather their vision, knowledge and possible proposals for solutions to minimise risks.



THE RED ELÉCTRICA GROUP

Promotes monitoring actions to avoid

CORRUPTION

IN ITS VALUE CHAIN TO PREVENT AND DETECT ILLICIT ACTIVITIES

such as fraud, money laundering or embezzlement

This has made it possible to:

- Establish mechanisms for each of the selected supplies, enabling to reduce the inherent risk to said supplies by determining complimentary security conditions either in the tender processes or as qualification requirements.
- Draw overall conclusions from the deployment/implementation and identify possible improvement actions.
- Identify the next steps for the continuity of the deployment as well as for an efficient implementation on new supplies in 2022.

As a measure to mitigate security risks in the supply chain, complementary requirements are transferred in the tender processes (acceptance for the provision of the service or request for complementary documentary evidence). This makes it possible to compare the inherent risk associated with a supply and the final risk after the awarding of the contract.

Additionally, in the area of **information security**, the Company has implemented a tool that allows encryption of confidential information.

The Red Eléctrica Group has different **mechanisms in the area of ethics and compliance** to strengthen integrity and prevent bribery and corruption in relations with its suppliers and promotes monitoring actions to avoid corruption in its value chain to prevent and detect activities such as fraud, money laundering or embezzlement.

The Company, through its codes, policies, systems and guidelines, requires that both its employees and third parties acting on its behalf, or with whom it maintains a relationship in the undertaking of its activities, comply with the highest standards of integrity in the development of their business activities by not offering bribes, hospitality, illegal payments or any gift to any company employee, not engaging in irregular business practices that go against free competition, not disclosing or misusing confidential information for their own benefit and encouraging a commitment to responsible purchasing in their procurement processes.

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The Company has a Data Protection Compliance System that incorporates mechanisms that are adapted to the General Data Protection Regulation (GDPR) and the Spanish Organic Law on the Protection of Personal Data (LOPD).

In addition, the Company has a **Data Protection Compliance System** with specific mechanisms that regulate and adapt to the General Data Protection Regulation and the Spanish Organic Law on the Protection of Personal Data and guarantees digital rights when contracting services that require the processing of personal data by suppliers responsible for the handling and processing of data, thus ensuring its suitable protection.

The Red Eléctrica Group has different ethics and compliance mechanisms [such as the Code of Ethics and Conduct, the Supplier Code of Conduct, the Compliance Policy, the Criminal and Anti-bribery Compliance System, etc.] to strengthen integrity and prevent bribery and corruption in relations with its suppliers and guarantee the adequate protection of said data. More information on these mechanisms can be found in the *Ethics and Compliance* [↗](#) section of this report.

For its part, **the control of human rights** in the supply chain is carried out through the inclusion of specific principles in the Supplier Code of Conduct, the screening of suppliers to identify sanctions or indications of human rights violations in their activities and/or the activation of audits in the event that there is evidence of an indication of non-compliance with any aspect included in the Code.

In 2021, the Company did not receive any external grievances through the **channels** [↗](#) provided for this purpose, and no contracts or purchase orders were cancelled for reasons related to respect for human rights in its supply chain.

The Company's human rights management model is detailed in the *Ethics and Compliance* ↻ section of this report.



MANAGEMENT OF SUPPLIERS

Supplier qualification stage / 308-1 / 414-1

The Company's objective in this stage is to deal with the qualification process of companies that request to become suppliers, on the basis that no supply or service may be awarded to a supplier that has not been previously qualified. The requirements to be demanded from suppliers vary depending on the type of service or supply:

- When the Company considers that the provision of a service or a supply must meet specific requirements (certifications, prior experience or the provision of qualified personnel or means), a supplier profile is drafted (a questionnaire of minimum requirements), which must be complied with as a preliminary step to qualification.
- For all supplies that have a specific supplier profile associated with them, the supplier must have an ISO 9001 quality certification.
- For supplies with an environmental impact, the supplier must have the ISO 14001 environmental certification or equivalent.
- For supplies affecting health and safety, the supplier must have the ISO 45001 certification or equivalent.

In 2021, the Company did not receive any external grievance related to the respect for human rights in its supply chain.

Similarly, within the framework of the Company's Supply Chain Security Management Model, the new minimum requirements questionnaires need suppliers to have security certificates: a current certificate of the Information Security Management System [ISO/IEC 27001] and a current certificate of the Business Continuity Management System [ISO 22301].

The Company carries out a **constant review and update process of the requirements** to be demanded from suppliers regarding occupational health and safety, ethics and working conditions, environmental and diversity aspects, in order to implement them into the qualification process. It also periodically analyses the supplier portfolio to identify those supplies where it would be advisable to incorporate competition. In addition, it has carried out a review and update of the internal regulations that govern and define the criteria relating to the Group's classification system and qualification process, in order to ensure that suppliers comply with the business, technical, sustainability and integrity requirements at all times.

In addition, the Group updates and publishes the breakdown **[supply tree]** → of all the supplies or services the Company needs on the **PRORED** → platform, together with the corresponding specifications, so that suppliers and companies aspiring to become so know in advance the minimum requirements before starting the qualification process or prior to registering for the provision of a service. The platform, accessible from the corporate website, also allows suppliers to monitor their qualification process as well as update their business and contact details at any time. This space will help improve the agility and transparency of the communication between the supplier and the Red Eléctrica Group, guaranteeing that the supplier is fully aware of the Company's expectations and allowing simple tasks to be managed directly by the supplier themselves, as well as promoting the development of the suppliers.

In 2021, the Company continued working to offer this information in English [definitions included in the supply tree], as a measure to establish closer ties and improve communication with non-Spanish-speaking suppliers. Similarly,



PRORED

A communication space

BETWEEN THE COMPANY AND ITS SUPPLIER

Accessible from the corporate website

a series of improvements were made in PRORED for better management of the information provided by suppliers, relating to their tax residence, with permanent offices in the Canary Islands, and information on the banks with which they operate. For better internal data analysis, improvements have also been implemented in the automation of the preparation of qualification reports, monitoring of incidents and subcontracting, as well as the identification of the impact and effect on sustainability [ethics, occupational health & safety and the environment] associated with each of the incidents managed.

Active scouting process for suppliers

As part of its diversification strategy, the Company has an active supplier scouting process for those supplies where it needs to expand its supplier portfolio. This search is carried out both within Spain and abroad, though the process seeks to promote local suppliers as far as possible.

In 2021, this process was carried out for eight supplies. The suppliers engaged were supported during the process to facilitate their registration in PRORED, which has allowed 28 new suppliers to be incorporated into the portfolio for such supplies.

Subcontracting

The Company, as part of its commitment to transfer its qualification requirements to the second level of the supply chain [tier 2], requires that those subcontractors who carry out activities for suppliers must comply with the same requirements demanded of the previously qualified suppliers who were awarded the contract.

The implementation of a new module in PRORED enabling the semi-automatic management of subcontracting requests has streamlined the management of requests for authorisation submitted by suppliers.

The requirements and controls established prior to authorising the subcontracting to a third party are:

1. Presentation of a document that confirms and proves that the payment conditions between contractors and subcontractors are those established by law.
2. Proof that the subcontractor is up to date with payments to the Tax Administration and the Social Security Agency.
3. Certificate of being registered in the REA [Register of accredited companies in the construction sector] or a Statement of Compliance [affidavit] declaring that they are not obliged to be registered [one of these documents is mandatory].
4. Details of the activities that have been requested to be subcontracted in order to have a greater control of the work to be carried out.
5. Completion and submission of the 'Procedure Template regarding Authorisation for Subcontracting' signed by the contractor and the subcontractor which acknowledges that the contract awardee has provided the proposed subcontractor with all the technical and contractual information necessary for the correct performance of the works.

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The implementation of a new module in PRORED that allows the semi-automatic management of subcontracting requested by suppliers has improved not only control over the subcontracting process in the Red Eléctrica Group but has also increased agility in the management of this process by allowing the average management time for subcontracting requests to be reduced to 0.74 days [in 2021] from the time the documentation submitted by the supplier is validated [0.80 days in 2020 and 1.48 days in 2019].

Supplier monitoring

The objective of the Company in this area is to verify both the performance of suppliers within the framework of contracts with the Group and continuous compliance with the requirements demanded at the time of qualification.

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NOTEWORTHY MONITORING ACTIONS

Business monitoring

- Monitoring of the financial solvency of all qualified suppliers, considering 60 suppliers that have been found to be in a weak financial situation within the bidding portfolio, in order to facilitate their exit from this situation, incorporating a series of measures to mitigate risk, such as restricting the maximum limit of the accrued debt.
- Continuous monitoring of business requirements (being up to date with payments to the State Tax Administration Agency, Social Security, Civil Liability, etc.), as well as of the capacities, security requirements and resources demanded during the qualification process, for 100% of suppliers.
- Monitoring of 7 integrity incidents, 2 of which were opened in 2021.
- Twelve meetings with key suppliers to share visibility of needs, an overview of the supplier-Red Eléctrica Group relationship, their performance, to learn more about their situation in the pandemic, review their risks, identify innovative initiatives with an impact on sustainability that they are developing, level of participation in development/training initiatives promoted by the Company and to obtain mutual feedback.
- Evaluation of the supplier in terms of criminal risk, privacy and cybersecurity [compliance scoring] and assessment of the likelihood of a supplier's compliance with regulations in these areas.

Technical monitoring

- In 2021, 34 technical incidents affecting 24 suppliers were managed and 12 improvement action plans were defined to rectify the incident and enable supplier development. As a result of the management of these incidents, 13 suppliers have seen their qualification status modified and 3 incidents in a finalised status have had an impact on sustainability [specifically 1 in the area of ethical issues, 1 in the area of environmental issues and 1 in the area of occupational health & safety].
- In 2020, the Company carried out audits of 45 suppliers, agreeing 38 action plans with 18 of them and, in 2019, Red Eléctrica carried out audits of 53 suppliers, agreeing 44 action plans with 16 of them.
- 50 open incidents were closed in 2021.

Sustainability monitoring

- The Company has carried out social audits of 35 suppliers. As a result of the audits, 7 action plans have been agreed upon with 6 of them, enabling supplier development and confirming the improvement implemented. The results of these audits and their corresponding findings are shared internally, with special emphasis on the detection of 'major non-conformities'.
- Application of the supplier evaluation model for sustainability [ESG scoring].



144 people from 104 suppliers have participated in the training programme on human rights developed by the Company in collaboration with the Spanish Network of the United Nations Global Compact.

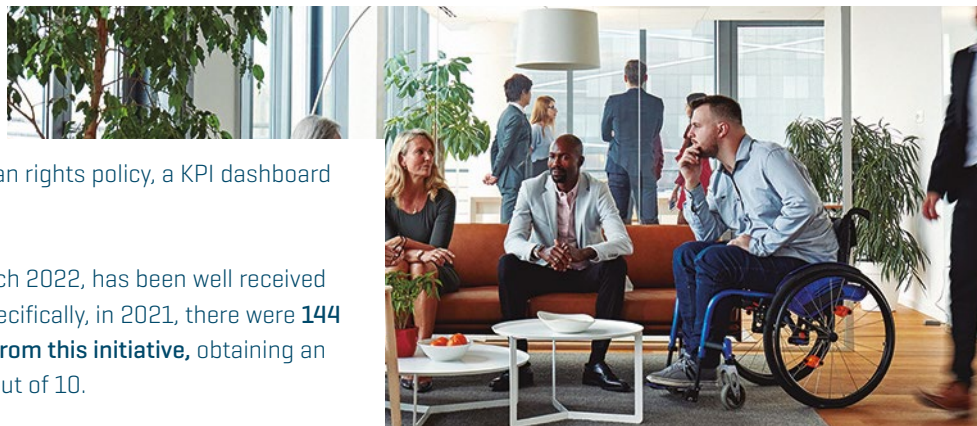
The PRORED space enables the monitoring of the business, technical, legal and sustainability aspects of suppliers as well as the management of identified incidents and their corresponding corrective action plans. It also acts as a tool to communicate to the technical and purchasing areas all the pertinent information regarding the opening and closing of incidents. Furthermore, it enables the status and control of suppliers in financial difficulties to be communicated via the system [authorisation/disqualification of suppliers in this situation and any associated communications] and to change the qualification status of a supplier when deemed appropriate.

Supplier training and development

As a result of the evaluation and monitoring of its suppliers, the Company continuously identifies aspects in which the suppliers need to improve, developing specific training to not only increase their knowledge and maturity in certain areas but also to share the goals the Company has set in the medium and long term, identify synergies and encourage collaborative work in meeting the established challenges.

During 2021, suppliers participated in **monographic sessions (webinars) on different topics** such as climate change and energy transition, cybersecurity as a competitive advantage, sustainable and ethical management of the supply chain, due diligence in the supply chain, responsible purchasing, anti-corruption in the supply chain, good practices in supplier management, etc. In this way, suppliers were able to acquire greater knowledge on these topics, share best practices and success stories, as well as resolve doubts in real-time.

The Company, for yet another year, has collaborated with the Spanish Network of the United Nations Global Compact and has launched a training programme focused on human rights management, with the aim of helping suppliers to know and understand the Global Compact Principles on Human Rights and its regulatory framework, as well as to provide them with practical examples and



templates that enable them to draw up a human rights policy, a KPI dashboard and a model for registering grievances.

This training, which is scheduled to end in March 2022, has been well received and has had a high number of participants. Specifically, in 2021, there were **144 attendees from 104 suppliers who benefited from this initiative**, obtaining an average overall satisfaction score of **9 points** out of 10.

Taking advantage of this training, the Company launched a questionnaire for all suppliers to understand the steps they are taking to manage human rights risks and opportunities. This questionnaire will provide clarity on progress and opportunities so that the Company can support its suppliers toward a strategy of mutual improvement and learning.

In March 2021, the previous training programme [launched in 2020] on **diversity** was concluded with highly positive data, as **508 users from 233 companies** completed it, giving the training an **average score of 9 points** out of 10. This rating was similar to that of the previous year's programme which was about the fight against corruption.

As a result of the assessment and monitoring of its suppliers, the Company continuously identifies aspects in which they must improve, developing specific training that allows them, not only to increase their knowledge and maturity in certain matters but also to be fully aware of the objectives that the Company has set itself in the medium and long term, to identify synergies and to favour collaborative work in the achievement of the established goals.

Also, during 2021, different areas have organised **training meetings with small groups of suppliers** to explain and make them fully aware of the processes and



AVERAGE EVALUATION OF THE
9 POINTS
 OUT
 OF 10
 training programme
 on **DIVERSITY**

Completed by 508 users from 233 companies

regulations in force or to resolve technical doubts that arise during the term of the contracts:

1. Session to raise awareness of occupational health & safety in **electromechanical assembly work** at substations: accident rate in electromechanical assembly work at substations; significant accidents and incidents: corrective actions; good practices applied (collaboration of the companies attending); round table with attendees and discussion about final conclusions.
2. Forum on actions regarding **increasing line transmission capacity**: criteria for action in these types of projects.
3. Forum on the **mapping out of plots of land, use of Teams and the GEDI application**: changes in drawing formats and protocols; Mercator tool for plot numbering and calculation of impacts; management of the collaboration tool in Teams, uses and tracking sheet; KPI's and certifications in GEDI.
4. **New lines and PLS-CADD forum**: update of underground design criteria and new line design criteria and PLS-CADD optimisation files.
5. Forum on **accesses to electricity towers**: criteria for carrying out access construction works.

Forums with suppliers

As a result of listening to the suppliers' stakeholder group and being one of the most demanded requests by many of them when completing the supplier perception survey, in 2021, the Company organised a forum with suppliers to explain and to make them fully aware of the Company's **classification and qualification process, which 180 participants attended**. Said training was very well received and had an **average satisfaction rating of 9 out of 10**.


A total of 417 users from 361 companies initially registered for the event and showed interest in learning more about this topic. All of them were subsequently provided with the content and a recording of the session.



In addition to offering them a global vision of the Company, the steps to take to become suppliers of the Group were explained in detail, together with the objectives of this process and the relevance of the requirements demanded in order to be able to identify and mitigate risks in the supply chain. They also learned about the benefits and most interesting aspects of the PRORED platform, and some practical cases were shown in real-time.

Suppliers are a key element in achieving progress in ESG matters, not only during the development of the activity but also as essential agents in the extension of the commitments to the rest of the links in the value chain. For this reason, during this conference work was carried out to promote action from a joint and shared vision, contemplating the overall consensus of the group in a debate forum that contributes to creating a sustainable future together.


In 2021, the Red Eléctrica Group once again organised a **Sustainability Workshop**, on this occasion under the title of '**Recovery from an ESG perspective**', in which various topics were addressed from an environmental social and governance perspective, with the participation of suppliers.

For more information, see the *Commitment to Sustainability*  chapter in this report.

In 2021, the Company dealt with more than 2,445 enquiries from suppliers with an average management turnaround time of 0.32 days.


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Communication with suppliers

The Company offers its suppliers various communication channels to facilitate and improve its service. Among them, noteworthy is the **ASA channel**  (Procurement Support and Helpdesk), which manages enquiries, doubts and grievances/claims from suppliers associated with the supply processes and provides clarification regarding the content of the Supplier Code of Conduct. In 2021, a total of 2,445 supplier enquiries were managed (2,305 in 2020 and 1,609 in 2019), with an average turnaround time of 0.32 days (0.19 days in 2020 and in 2019), well below the established turnaround target of 1 day. In addition to this channel, the Company has the **DÍGAME service and the Ethics compliance and whistleblowing channel**, available to any stakeholder.

In 2021, the Company **standardised the process of managing the demands of external stakeholder groups** and one of the actions carried out was the analysis of the criteria taken into account for the management of communications received through the ASA channel.

The Red Eléctrica Group has a communication model and a global communication manual that establishes the appropriate protocols and channels with the Company's supplier. These are made available to all employees of the Company on a recurring basis with the aim of conveying the same messages to the supplier in the same format, ensuring compliance with the principles of uniformity, equity, proportionality and transparency.

In addition, the **corporate website** has a specific section for **suppliers**,  which includes the applicable regulations and processes, as well as other information of interest for the supply chain, such as: training programmes developed for suppliers (human rights, anti-corruption, diversity, etc.), the holding of workshops with providers, results obtained in supplier perception studies. Furthermore, relevant news that may be of interest to them is published, which includes information on both the processes and new developments in any area of sustainability that may have an impact on the supplier.

Aware of the serious situation caused by COVID-19, the Company reinforced communication channels with its suppliers in order to find joint solutions to problems with raw material price increases or problems in the manufacturing and delivery of supplies.

Another noteworthy aspect is the Company's meetings with key suppliers to provide mutual feedback and to foster more close-knit ties. These meetings are attended by the representative of the technical area, the Supply Area and the person responsible for supplier management. These meetings provide a global vision of the current status of the business activity, future possibilities, the commercial relationship, a view of the supplier risk assessment, a review of the most relevant issues and the possibility of sharing the most important concerns and priorities in the field of sustainability.

In 2021, the Company carried out relevant work to standardise communications regarding changes of qualification status in the corporate supplier database.

Dissemination of sustainability goals throughout the supply chain

As part of the objective of spreading its commitment to sustainability throughout the supply chain, the Red Eléctrica Group focuses on health & safety, the environment, diversity, ethical behaviour and working conditions.

In this respect, the Company monitors the severity and frequency of accidents among its contractors and implements measures to ensure the occupational

health and safety of all the people who carry out their activities in the organisation's facilities, as shown in the [Workplace safety in the supply chain](#) ↪ subsection of the *Employees* section of this report.

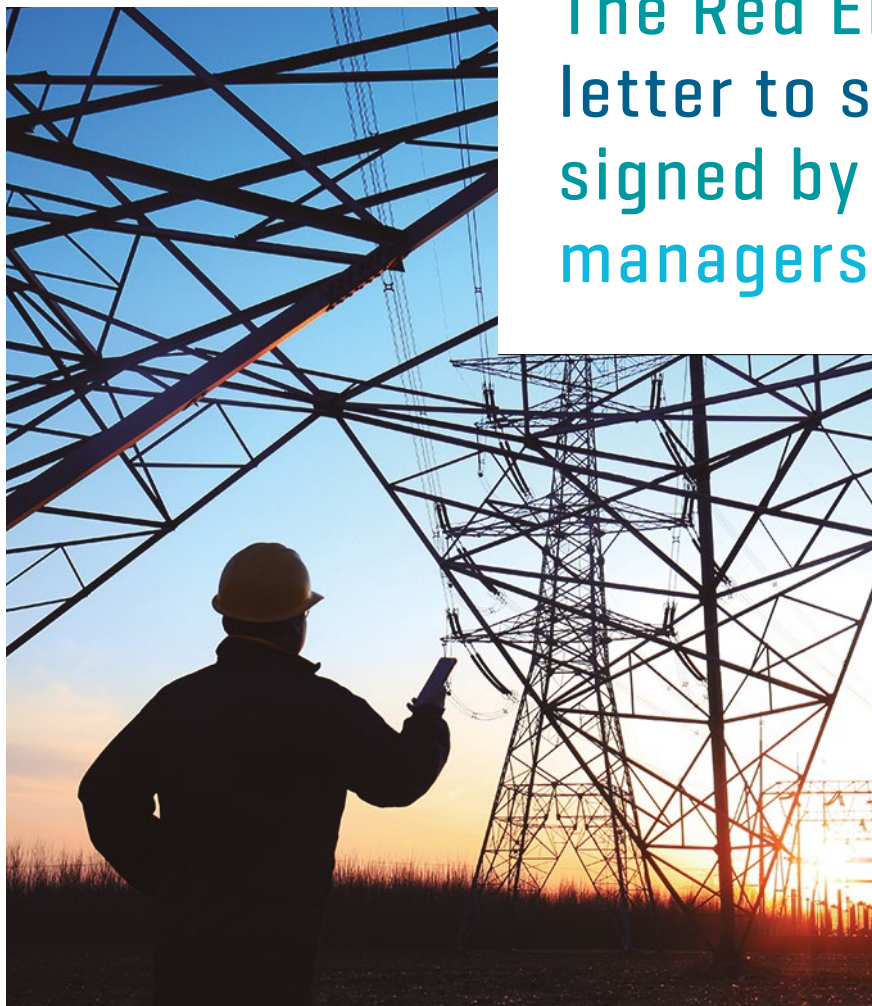
Similarly, the Company remains committed to the **fight against climate change** and continues to work with its suppliers **to reduce its carbon footprint**. In this regard, during 2021 work continued on its collaboration programme for the reduction of emissions (implemented in 2020) with a group of 20 suppliers (those which are particularly responsible for the highest volume of CO₂ emissions) with the goal to:

- Involve suppliers in the Group's commitment, encouraging joint work and giving the right signals to promote changes in their management.
- Integrate information directly in the calculation of Scope 3 emissions to improve their analysis and monitoring.
- Establish ambitious commitments to reduce Scope 3 emissions.

For more information, see the [Reducing the carbon footprint](#) ↪ section in this report.



The Red Eléctrica Group remains committed to the fight against climate change and continues to work with its suppliers to reduce its carbon footprint.



The Red Eléctrica Group has an open letter to suppliers [Greener choice], signed by all European TSO purchasing managers.

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measures to reduce the consumption of raw materials in the manufacturing of the goods and equipment it demands by substituting them for recycled, renewable or biodegradable materials and the reuse of these at the end of their useful life. Another aspect to highlight is the identification of circular criteria to be included in the specifications and the analysis of tenders and the technical specifications in which it makes sense to incorporate such criteria.

The Red Eléctrica Group has an open letter to suppliers [Greener choice], signed by all European TSO purchasing managers, with the aim of promoting a greater drive towards the manufacture of sustainable equipment in the marketplace and providing solutions that reduce the impact on the environment.

In 2021, the Company made progress in the **inclusion of circular criteria** in the contracting conditions and technical specifications. These criteria have also been incorporated into the technical specifications for certain tenders managed throughout the year, and also enabled the identification of framework agreements where it is feasible to incorporate them in the future.

On the other hand, equipment and materials that reach the end of their useful life in the Company are treated as a priority with a focus on sustainable recovery, with the aim of them being reused. This type of initiative, as opposed to waste management scenarios, is a substantial improvement.

Similarly, the Red Eléctrica Group continues to work on all the initiatives included in the 2030 Circular Economy Roadmap of the Red Eléctrica Group which establishes and prioritises, aligning itself with the agents in the value chain,

Similarly, the Company continues to work on the 2030 Biodiversity Roadmap to put the Group on track for a positive impact on biodiversity, working with suppliers to integrate biodiversity into the supply chain.

This information is detailed in the *Responsible environmental management* [↪](#) section of this report.

In turn, the Red Eléctrica Group has been applying **sustainable efficiency criteria in all the property acquisitions** it makes, whether for organisational purposes of the Company itself, or those required for the development of its business areas. Thus, it should be noted that in the purchase of land for substations of the Transmission Grid, in the areas previously determined as technically and environmentally viable, the plots selected are those whose characteristics offer both a more favourable orography [and, therefore, less earthmoving works] and better and more efficient accessibility over roads or other existing roads, avoiding or minimising as far as possible the construction of new accesses, in order to reduce, with both measures indicated, the carbon footprint due to the execution of construction works.

The Red Eléctrica Group continues to work on **campaigns aimed at the ongoing improvement of its suppliers**, continuously defining new actions to favour their development and to ensure said actions are extended throughout the entire supply chain.

Sustainability certificate

The Company has implemented a model for assessing suppliers in terms of sustainability, organised around three fundamental axes [environmental, social and governance], which enables the organisation to identify areas for improvement and prioritise its efforts in terms of sustainability. In addition, as an added value,

suppliers can download a **sustainability certificate** that reflects the results they obtained from the assessment.

Supplier perception survey

On a biennial basis, the Company carries out a supplier perception survey in order to know in detail the expectations and perceptions of suppliers regarding the purchasing process of the Red Eléctrica Group.

Knowledge of these opinions is a fundamental part of carrying out new actions for improvement, promoting collaboration that allows common development to improve the efficiency of processes and the generation of joint benefits.

The overall level of satisfaction of the 209 participating suppliers in the study conducted in 2020 was 7.6 points out of 10.

The Company has disclosed the main results of the survey to its suppliers, as well as the action plan defined on the basis of its analysis. The organisation has focused on those aspects which, based on the perception of the suppliers surveyed, need to be strengthened and improved [training and development, improving communication and dialogue with suppliers and fostering collaboration] as mentioned throughout this section.

The Red Eléctrica Group actively collaborates with its suppliers in aspects related to carbon footprint reduction, circular economy and biodiversity.

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Customer orientation

Key indicators in 2021

8.7 points out of 10 for customer satisfaction regarding Red Eléctrica de España.

More than 350 documents for help and consultation, as well as supporting documentation, are available in the Customer section of Red Eléctrica de España's corporate website.

52,222 km of dark fibre optic network in Spain (49 of the 50 provinces in Spain have dark fibre optic coverage).

119 permanent HISPASAT clients.

2021 milestones

Holding of the 2nd Internal Conference with managers responsible for customer service and the 3rd Conference with 'ConectadOS' customers of Red Eléctrica de España.

Signing of contracts with the foreign operators INWI and Orange Maroc.

HISPASAT was granted 80.7 million dollars in financing for its Amazonas Nexus project.

Challenges for 2022

Maintain the degree of dialogue obtained with customers, better adapt the information provided and continue the development of the Services Portal and redOS.

Build facilities outside the electricity and rail environments.

Carry out the launch of the Amazonas Nexus satellite.

Awards and recognitions

EnerTIC Award for the redOS application in the Energy, Transition & Sustainability category.



RED ELÉCTRICA DE ESPAÑA: TRANSPARENCY, NEUTRALITY AND PROACTIVITY IN CUSTOMER MANAGEMENT

Customer profiles / EU3

The customers of Red Eléctrica de España are those organisations and companies to whom the services provided by the Company are targeted at and which are grouped into the following broad categories:

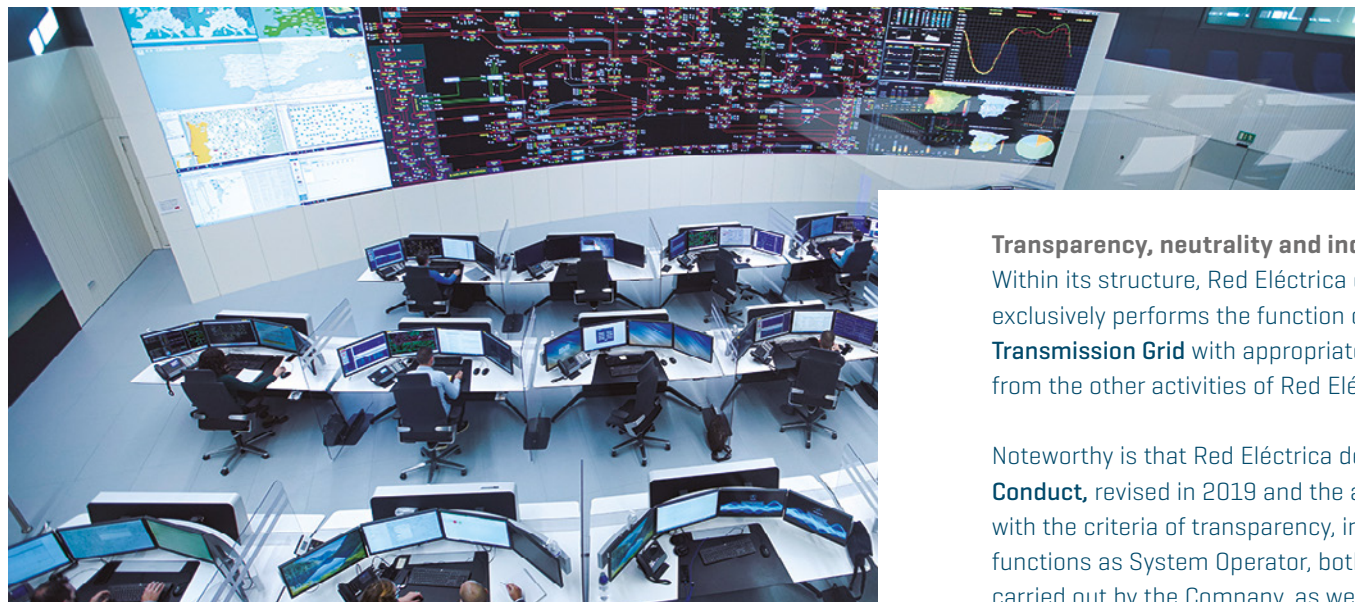
- **Regulatory bodies.** Ministry of the Ecological Transition and the Demographic Challenge (MITERD) and the National Commission on Markets and Competition (CNMC), responsible for regulating and evaluating the management, and establishing the remuneration of the regulated activities entrusted to the Company. Also, the General Directorates of Energy of the various Autonomous Communities in charge of the regulation within the scope of their management.
- **Participants in the electricity market and holders of generation and demand dispatch.** 705 market participants, taking part in the organised markets and/or are executing bilateral contracts with the physical delivery of energy, and all parties participating in the technical and economic dispatch of the non-mainland territories. The group of customers includes producers, traders, direct consumers and representatives of these groups.

- **Operators of the interconnected electricity systems and of the electricity markets.** These include the following: operators of the interconnected electricity systems; distribution companies, operators of the European energy contracting markets, participants in the coupling processes of the organised markets (OMIE, EPEX and NordPool, among others), providers of system ancillary services; the Joint Allocation Office (JAO, S.A.), the company that performs the functions as the European Single Allocation Platform (SAP) and those agents/entities that purchase long-term capacity rights in these auctions, among others.
- **Other groups.** Third parties requesting modifications of facilities/infrastructure and local operation services.

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Transparency, neutrality and proactivity are the foundations for customer management at Red Eléctrica de España.



Transparency, neutrality and independence

Within its structure, Red Eléctrica de España has a specific organic unit that exclusively performs the function of **System Operator and Manager of the Transmission Grid** with appropriate separation of accounting and functions from the other activities of Red Eléctrica de España.

Noteworthy is that Red Eléctrica de España has a **System Operator's Code of Conduct**, revised in 2019 and the application of which guarantees compliance with the criteria of transparency, independence and confidentiality in its functions as System Operator, both with respect to the transmission activity carried out by the Company, as well as with the other persons and/or entities with which it has relations.

The Company is obliged to publish information regarding the results of the energy markets, as well as information on processes associated with the operation of the electricity system, guaranteeing at all times the confidentiality of the data provided by the market agents in accordance with the criteria of information transparency and confidentiality established in the applicable European and national regulations in force. The communication and publication of information takes place through various channels.

After the renewal of the **e.sios public website**, following the launch of the ENTSO-E Transparency Platform, Red Eléctrica de España has initiated a process for the review and improvement of this website. Thus, throughout 2021, a comprehensive modification of the same has been carried out, migrating the website in its entirety to cloud servers for better performance and ensuring continuous availability. During 2022, the process of ongoing improvement will continue, implementing measures to further strengthen the commitment to transparency of the Spanish electricity system operator, amid the process of implementing the Internal Energy Market in Europe.

The system operator's Code of Conduct, revised in 2019, ensures compliance with the criteria of transparency independence and confidentiality.

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BASIS FOR THE PUBLICATION OF INFORMATION REGARDING THE RESULTS OF THE MARKETS AND PROCESSES OF SYSTEM OPERATION

Legislation

- EU regulation 543/2013 on Transparency.
- EU regulation 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT).
- Commission implementing regulation 1348/2014 of the EC, of 17 December, on data reporting.
- Royal Decree 2019/1997, of 26 December, by which the Electricity Power Production Market is organised and regulated.

- Royal Decree-Law 6/2000, of 23 June, on Urgent Measures for Intensification of Competition in Goods and Services Markets.
- Royal Decree 216/2014, of 28 March, which establishes the methodology for calculating the voluntary price for the small consumer of electricity and the legal framework for contracting it.
- Law 24/2013, of 26 December on the electricity sector.

Procedure guide for the exchange of data (ENTSO-E)

Operating procedure No 9.1 'exchanges of information with the system operator' approved by the Ministerial Resolution of 11/12/20.

Other guidelines

- EU regulation 2017/2195 of the European Commission establishing a guideline on electricity balancing.
- EU regulation 2015/1222 of the European Commission drafting a guideline on capacity allocation and congestion management.
- EU regulation 2017/1485 of the European Commission establishing a guideline on the electricity transmission system operation.
- EU regulation 2019/943 concerning the internal electricity market.

Information platforms

e.sios

Platform to ensure compliance with the legal requirements for communication and publication of information. There is a web for market subjects, accessible through a digital certificate <https://www.esios.ree.es/en/balance-responsible-parties> and a public website <https://www.esios.ree.es/en>. The public website also allows temporary analysis of the services managed by the system operator.

ENTSO-E Web transparency

Since January 2015, Red Eléctrica has sent 100% of the data on electricity markets to the ENTSO-E transparency platform www.transparency.entsoe.eu in accordance with the Transparency Regulation.

IESOE Web

Red Eléctrica manages this regional information platform www.iesoe.eu, where the operators of the French, Portuguese, Moroccan and Spanish electricity systems publish, in a centralised way, the capacity and usage data of the electricity interconnections between these countries.

redOS app

Application for mobile devices that shows in real time the status of the Spanish Peninsula Electricity System through the monitoring of a series of relevant indicators on System Operation.

Other communication channels

Voluntary price for the small consumer (PVPC)

Since 2014, Red Eléctrica has included among its publications the information related to the PVPC, in compliance with the provisions of Royal Decree 216/2014.

CTSOSEI

This committee takes place every two months by the operators of the Spanish and Portuguese electricity systems (REE and REN, respectively) and provides market agents and regulatory bodies with information on the operation of

the electricity systems on the Iberian Peninsula, on the ancillary services market for the Spanish and Portuguese electricity systems, and on energy exchanges through the interconnections of the Iberian electricity systems.

Reporting to ACER

In application of the Commission Implementing Regulation EU 1348/2014 of the EC, since April 2016, Red Eléctrica has been reporting to ACER [Agency for the Cooperation of Energy Regulators] the results of the explicit capacity auctions and the nominations of the programmes in use regarding the capacities reported by the participants in said auctions.

In relation to ENTSO-E's Transparency Platform, this organisation is carrying out a project to redesign the architecture and migration of the website to better support the large volume of information contained therein, especially following the publications required by the European Electricity Balancing Regulation (EU) 2017/2195 and the corresponding Implementation Frameworks approved for the different European balancing platforms. It also incorporates improvements in the user interface.

In addition, Red Eléctrica de España participates in and leads working and/or monitoring groups aimed at increasing communication and transparency, such as the Incident Analysis Group (GRAI), the Technical Committee for Monitoring the Operation of the Iberian Electricity System (CTS0SEI), the Market Agents Committee (CAM), the Power Measurement Group and the Planning Monitoring Group, among others.

Lastly, in 2020, an external evaluation of the processes and results associated with the system operation activity under the SSAE-18 standard (Standards for Attestation Engagements), corresponding to 2019, was conducted. In all cases, the evaluators concluded that on the whole, Red Eléctrica de España maintains an effective internal control system over these processes for the different geographical areas under analysis (Spanish mainland, Balearic Islands, Canary Islands, Ceuta and Melilla). In November 2021, the assessment process under ISAE (International Standard on Assurance Engagements) was launched for financial years 2020 and 2021.

SERCLIENTE, hand in hand towards the energy transition

Red Eléctrica de España has set up a new framework of collaboration with its customers with a view to address the challenge posed for the sector by the energy transition.

During 2021, under the **SERCLIENTE initiative**, Red Eléctrica de España continued to carry out actions aimed at boosting interaction with customers (electricity generators, consumers, distributors, market agents/traders, promoters, associations, among others) to reinforce dialogue and maintain



a strong customer focus on behalf of the Company, through a dynamic, flexible and digital approach, centred on **actively listening** to the needs and expectations of the stakeholders.

‘Conectados en lo que importa’ (Connected to what matters) ↻ is the mission defined by Red Eléctrica de España to continue listening to its customers and to provide the best response to their priorities. The three pillars of the commitment are: exploring the essential, building on dialogue and bringing the future closer.

With regard to personal data protection, it should be noted that during 2021, none of the personal data of customers managed through our customer services portal has been used for purposes other than that of carrying out the necessary procedures to provide our services.

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MAIN INITIATIVES IN 2021

Proactive role: forums and conferences

- **2nd Internal workshop for managers responsible for customer service.** An internal consultation exercise was carried out in the system operator to determine the most appropriate actions to take when responding to customer demands.
- **3rd 'ConectadOS' customer workshop.** This third meeting served to share the new '*ConectadOS en lo que importa*' philosophy with customers. This virtual event brought together a representative sample of generators, distributors, retailers, consumers and market representatives who helped to identify where the most opportunities for improvement are perceived in relation to the different services provided by the system operator.
- **Customer forums and webinars.** The Company held more than 70 meetings and 42 online webinars, which covered aspects such as the participation of demand in balancing services, the secondary control service and the future quarter-hourly scheduling, among others.

New specific communication channels:

- **Customer space on the corporate website** (currently only available in Spanish). During 2021, this section has been enriched with documentation to support and help customers and now contains more than 350 documents.
- **Customer services portal for the digital management of services** (currently only available in Spanish). This is a single point of access that centralises the procedures necessary to provide the services assigned to Red Eléctrica de España, as system operator and manager of the transmission grid. At present, clients can already use the portal to register as a company, submit enquiries, propose new ideas and participate in consultations regarding regulatory aspects.

Progress in the implementation of the Internal Energy Market [IEM]

- **The Internal Energy Market roadmap for the adaptation of the ancillary services managed by the System Operator.** To this end, Red Eléctrica de España has set up several working groups with the main actors in the electricity system to not only address technical aspects, but also the management of the scheduling and the updating of the roadmap.
- **Evolution of the operation of the system in coordination with the managers of the electricity distribution networks.** Red Eléctrica de España has continued with the two working groups to define a national, transparent and efficient framework to implement at national level the requirements established in the European regulations on system operation.

Incorporating renewable energy power capacity

- In order to continue with the incorporation of renewable energy power capacity and within the framework of the new grid access and connection regulations, Red Eléctrica de España carried out communication actions targeted at clients, specifically:
- Publishing new guides, forms and help documentation in accordance with the latest regulations [RD1183/2020, Circular 1/2021].
 - Publishing the connection capacities in a new format, with a greater customer focus and seeking to facilitate the interpretation of this information.
 - In July 2021, a webinar was held to support the new permitting process for grid access and connection requests implemented in the Customer Services Portal, in which almost 1,500 participants took part, who sent almost 600 enquiries: a webinar that had almost 2,600 views.

System operation monitoring groups

During 2021, dialogue was maintained with agents through **monitoring groups** of the different system operation activities (Technical Monitoring Committee of the Iberian Electricity System Operation [CTSOSEI] and the Energy Metering Monitoring Group), in which information has been provided on the main new developments, and the expectations of agents have been collated for each of the activities that form part of electricity system operation.

→ **redOS;**
all the information
you need to follow
the energy transition
at your fingertips

In addition, Red Eléctrica de España continues to work on an action plan to promote the SERCLIENTE initiative over the next few years, focused on continuous improvement of customer orientation and a profound vocation to serve society, so that the company can continue to act as a facilitator to address, together with the rest of the agents of the sector, the new challenges of the energy transition.

Satisfaction surveys and the management of incidents and grievances

Red Eléctrica de España manages the grievances associated with the impact of its activities and the services it offers, through the application of clearly defined and precise criteria, to

redOS is the System Operator's app, which provides real-time information on the situation of the Spanish electricity system through key indicators that can be consulted via one of the two user profiles available: consumer and professional.

The redOS application offers information not only at national level but also the mainland, Balearic Islands, Canary Islands, Ceuta and Melilla systems, so that the most detailed information possible can be obtained on the behaviour of the electricity system at any given moment, through the following categories: electricity demand, generation, CO₂ emissions, installed power capacity, energy exchanges, wholesale and retail electricity prices.

In 2021, redOS continued to evolve and today provides information about electricity exchanges through island interconnections, the price of balancing energy in the harmonised energy markets at European level and the price of the energy evacuated by self-consumers under the PVPC framework [Voluntary Price for the Small Consumer] that helps offset their electricity bill.



Red Eléctrica de España manages the grievances associated with its services under the principles of transparency, complete objectivity and non-discrimination.

ensure that the management of the grievances is carried out under the principles of **transparency, complete objectivity and non-discrimination**.

To this end, the e-sios website for market agents contains a 'Grievances' section, which allows the online processing of grievances regarding the system ancillary services markets and the international energy exchange

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→ Key indicators

Number of estimated grievances relating to the ancillary services markets and the scheduling of international exchanges

Estimated grievances per TWh for each of the types of energy managed in the system's ancillary services markets

Average response time to grievances related to ancillary services markets and international exchange scheduling (working days)

Percentage of grievances resolved (%)

2019	2020	2021
1	0	0
0.07	0	0
2.01	2.88	1.12
100	100	100

→ REE customer and market agent satisfaction indicators (0-10)

Level of overall satisfaction

Level of satisfaction in terms of quality

Level of satisfaction with the services provided

Customer service

2019	2020	2021
8.3	8.7	8.7
8.0	8.3	8.2
8.1	8.2	8.2
7.9	8.0	8.0



schedule managed by the system operator. In addition, market agents can consult the status of their grievances and obtain information on how they are being dealt with.

Red Eléctrica de España also publishes, on said website, periodic reports on incidents identified, the handling of grievances received, and the solutions adopted.

In addition, Red Eléctrica de España periodically conducts a perception survey aimed at its clients and market agents. A new perception survey was conducted targeted at 450 clients and business agents. The results obtained showed an overall satisfaction level of 8.7 out of 10. Based on the results

The latest customer perception survey obtained an overall satisfaction rating of 8.7 out of 10.

and the analysis of the requirements and expectations gathered, the 2022-2024 Improvement Plan will be drawn up. This plan, as well as the results obtained, are notified to the clients and business agents participating in the perception survey.

REINTEL: SOLUTIONS IN A FLEXIBLE AND CREATIVE ENVIRONMENT

The experience of the Red Eléctrica Group in the telecommunications market began in 1997, when the sector was liberalised in Spain. REINTEL offers a meshed and redundant optical fibre network with connection to insular and international access systems. In this regard, the Company provides **tailor-made solutions** to its customers through the operation and management of an extensive fibre optic backbone network and telecommunications sites and technical spaces for the housing of electronic equipment. REINTEL is committed to innovation and continuous investment, constantly financing the deployment of new infrastructure, as well as renovating and improving the existing installations.

REINTEL offers tailor-made solutions to its customers, seeking to build long-term relationships with them.



Since the beginning of its activities, REINTEL's priority has always been to guarantee high levels of service quality and availability for its clients, consolidating its position as a benchmark supplier for the main players in the sector. At present, REINTEL has a solid customer base that includes the **main telecommunications operators** present in Spain.

Solutions in a flexible and creative environment

The combination of the unique characteristics of the electricity grid and railway network environment, through their interconnection and their management by REINTEL as if they were a single network, makes it possible to provide customers with a more extensive network with national coverage, redundant routes, which is secure, efficient and easy to operate.

Through its dark fibre optic commercial offering, REINTEL provides **tailor-made solutions to its customers** and accompanies them in their growth and development, building long-term relationships.

Key factors for REINTEL

Customer orientation

Excellence

Neutrality

Expertise

REINTEL also has its own **permanent service and supervision centre** [24/7] that controls and monitors the status of the network and deals with incidents and scheduled customer work, in order to offer a reliable service of the highest quality. In 2021, a total of 506 incidents affecting the network and our customers were dealt with. Of the total number of incidents, 64% were due to power supply failures, works by third parties and natural causes, while the remaining 36% corresponded to scheduled work on the

More than 52,222 km of dark-fibre optic network in the Spanish territory with a total of 45 provinces with dedicated cable.

REINTEL SERVICES

Backbone network

Features

- **Interconnection** with other customers as well as with external national or international networks (France, Portugal, Morocco and Andorra).
- Providing exactly the same level of **security and reliability** to telecommunications as those that are offered to electricity and rail services.
- **Meshed network with redundancies**, offering highly resilient communication networks.
- **Coverage** that allows customers to achieve the greatest efficiency in the design and deployment of their telecommunications networks.

Dedicated cable

Features

- Increased **capillarity** in provincial capitals and their outlying areas via dedicated cable and its extensions and through metropolitan telecommunication ring networks.
- Guarantee of the **highest levels of service** necessary for the management of the communications network.
- **Customised deployment**, including the provision of new interconnection points to link up with existing ones.
- **Interconnections** between different customers.

Telecommunications sites

- **Communication hubs.** Sites located in the railway environment that allow signal regeneration for clients, as well as the insertion or extraction of traffic flowing through the network.
- **Telecommunications shelters.** Sites located next to electricity substations and high voltage towers whose main function is signal regeneration.

Comprehensive turnkey solutions

Comprehensive dark fibre projects are adapted to the customer's needs. These can be multi-site projects, connectivity with neutral points, network integration and redundant rings, among others.

More information about REINTEL's services can be found on its [corporate website](#). ↗

Amazonas Nexus mission

HISPASAT's new Amazonas Nexus satellite is in its final stages of construction. The advanced design, HTS (High Throughput Satellite) capability and versatility of the Amazonas Nexus will make it the most efficient and flexible satellite in its satellite fleet.

The Amazonas Nexus satellite features, as an innovative aspect, a new generation Digital Transparent Processor (DTP). Thanks to this element, the satellite payload will be digitally processed allowing to assign in-orbit the required capacities at any time.

The new satellite will have coverage over the whole American continent, the Atlantic corridors North and South (air and maritime traffic area) and Greenland, and will enable the provision of leading-edge telecommunication services in Ku-band.

Notably, during 2021, the Board of Directors of the Export-Import Bank of the United States (EXIM-Bank) approved the awarding to HISPASAT of 81 million US dollars in funding for its Amazonas Nexus project. With this milestone, HISPASAT completes the financing of the space segment of the Amazonas Nexus mission, scheduled for launch in 2022. This funding from the US bank is the first in the satellite sector since 2015 and is a sign of the high degree of support from the financial market for the Spanish operator and the Amazonas Nexus project.



network. In line with normal operations, the incidents were dealt with and repaired within the time periods established in the contracts client's service level agreement.

During 2021, REINTEL continued on its growth path, through the commercialisation of dark fibre to both existing and new customers, managing to increase and bolster the communications networks that it offers to its end customers.

HISPASAT: TECHNOLOGY TO ACHIEVE UNIVERSAL CONNECTIVITY

HISPASAT is the leading satellite telecommunications operator in Spain. HISPASAT provides broadband and connectivity services that enable Internet access in rural, remote and mobile environments, as well as the extension of cellular networks in Latin America, Europe and North Africa. HISPASAT is the leader in broadcasting and distributing multimedia content in Spanish and Portuguese, including broadcasts from major digital Direct to Home (DTH) and High-Definition Television (HDTV) platforms.

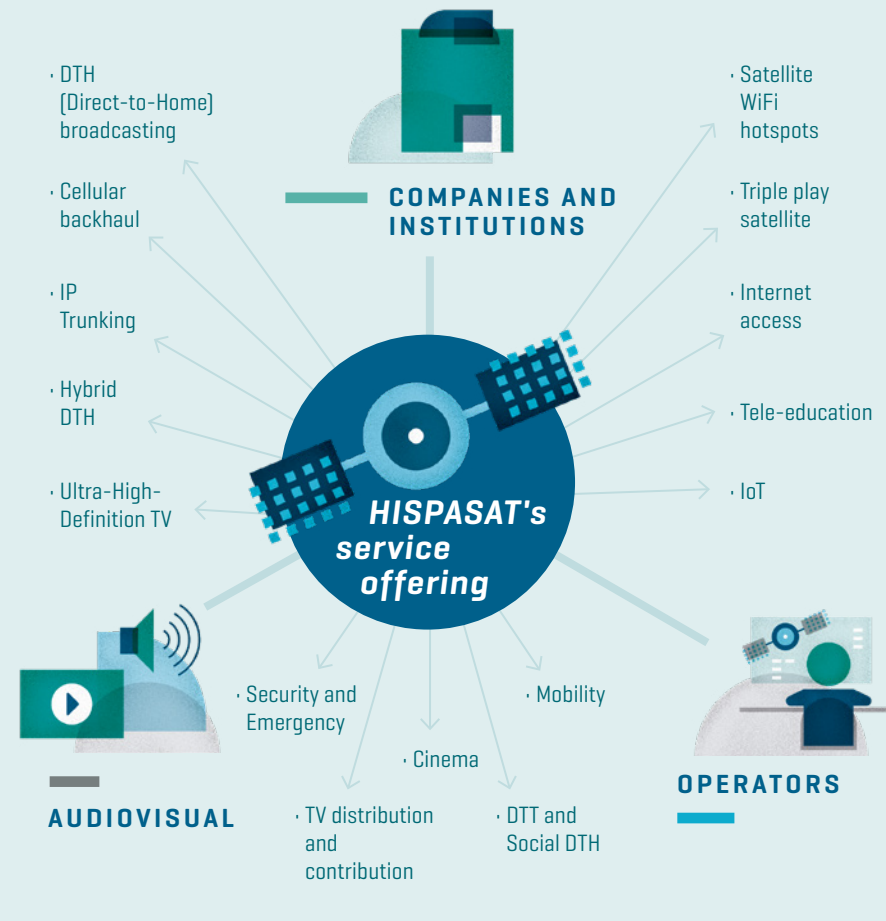
→ **HISPASAT's range of services**

The services offered by HISPASAT allow telecommunications and audiovisual operators, as well as institutions and companies looking for high communication performance, security and reliability, to count on the only technology that guarantees universal connectivity throughout the territory.

HISPASAT's service offering has solidly positioned itself in high-growth markets and has a stable base of strategic client base. In 2021, the number of permanent clients was 119, of which 25 are classified as audio-visual, 59 as corporate and 35 as telecommunications operators. On the other hand, there were 36 customers who contracted one-off or temporary services, although it should be noted that some of these customers also have permanent services contracted.

HISPASAT's clients include large corporations, major television platforms and some of the main international telecommunications operators, such as Telefónica, RTVE, Cellnex, Oi, Claro, NOS, or MEQ. In 2021, noteworthy was the signing of two significant agreements:

- HISPASAT and Tele Greenland signed an agreement to lease space capacity on the Amazonas Nexus satellite until the end of its lifetime. The agreement will make it possible for Tele Greenland to improve Internet access in all remote



towns and villages in North and East Greenland. This capacity will also allow to provide corporate services to mining companies and serve as back-up system to restore communication services in emergency.

- Agreement whereby HISPASAT takes over the management and signal transport business of Media Networks Latinoamérica, a subsidiary of the Telefónica Group linked to the audiovisual sector. The agreement will be executed gradually in strict compliance with regulatory provisions and



without affecting the service that Movistar's television customers receive in South America.

More information on HISPASAT's services can be found on its [corporate website](#). ↪

HISPASAT ensures the confidentiality, authenticity and traceability of the information and resources used in the provision of services, with the firm commitment to respond with quality, efficiency and reliability to the needs that may arise. To this end, it is essential to know the degree of customer satisfaction with the company. Thus, HISPASAT provides its customers with specific communication channels adapted to each need, including the following:

- Call centre [24/7] with high call-handling capacity in three languages [Spanish, Portuguese and English].
- Support centre. This is a web portal where HISPASAT customers can open service incidents themselves or request information of any kind.
- NMS Portal: web portal where managed capacity customers can monitor the service of each of their terminals and even perform simple operations.

→ Type of customer service in HISPASAT

Enquiries [1]

Incidents [2]

Complaints [3]

Suggestions

Total

[1] Includes: operational issues, information requests, non-operational incidents and other incidents.

[2] Includes: operational incidents, general incidents, technical problems, terminal incidents, platform incidents, service provision incidents, alignment issues, service incidents, scheduled work and any changes.

[3] Includes: complaints and claims.

	2019	2020	2021
Enquiries [1]	1,299	2,207	2,928
Incidents [2]	1,309	1,558	2,182
Complaints [3]	2	4	3
Suggestions	3	0	0
Total	2,613	3,769	5,113

- SIGO portal: web portal where space and transmission capacity customers can consult information on the capacity assigned to them.
- HISPASAT website, where they can find useful information as well as request to be contacted.

In 2021, a total of 5,113 requests were received, the majority of which were classified as enquiries (57.2% of the total).

Every two years, HISPASAT conducts a customer satisfaction survey. In 2021, the overall net promoter score rose to 84.1% and participation in the survey stood at 47%, with 257 responses compared to 175 in 2019. In addition, 2 euros for each survey completed was donated to ACNUR [The Spanish NGO linked to the United Nations High Commissioner for Refugees] for the Afghanistan Emergency programme.

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CONTRIBUTION *to* SOCIAL, ECONOMIC *and* ENVIRONMENTAL DEVELOPMENT

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8.1 Contribution of the Company's activities



8.2 Relationship with the socio-economic environment



8.3 Conservation of natural capital



8.4 Socio-economic development of the territory



CONTRIBUTION *to* SOCIAL, ECONOMIC *and* ENVIRONMENTAL DEVELOPMENT

The Red Eléctrica Group takes on the following commitment as a priority: to contribute to society's social, economic, and environmental development by providing a key service safely and efficiently. This is achieved by promoting environmental conservation, the quality of life and social well-being of people and involving the community in the execution of our activities, with the goal of generating mutual benefit which is perceived by society in general.

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Contribution of the Company's activities

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

Key indicators in 2021

788.6 m€ investment contribution in Spain
[Contribution to GDP].

37.5 m USD investment contribution in Chile
[Contribution to GDP].

18.9 m USD investment contribution in Peru
[Contribution to GDP].

775 m€ Total Tax Contribution.

Awards and recognitions

The Red Eléctrica Group leads, for the second consecutive year, the ranking of tax transparency and accountability, published by the Fundación Compromiso y Transparencia in its latest Report on Corporate Tax Responsibility of IBEX 35 companies, having obtained the highest score.



The Red Eléctrica Group focuses its socio-economic and environmental commitment towards the creation of shared value, promoting actions and investment aligned with its business objectives, which in turn generate shared value and have a positive impact on the quality of life of those citizens in locations where the Company's facilities are located. In turn, this represents a contribution of the Company to the achievement of various challenges such as those related to the United Nations' Sustainable Development Goals or those addressed in the European 2030 Energy Strategy.

ECONOMIC AND SOCIAL CONTRIBUTION OF INVESTMENTS

The activities carried out by the Red Eléctrica Group in the different territories where it is present have unquestionable benefits for society, the most well-known of which is maintaining the continuity and security of the electricity supply while offering the highest levels of quality.

For yet another year, the investment made by the Red Eléctrica Group has a beneficial impact on society, **given its stimulating effect on economic activity** as it encourages production and therefore, generates an increase in wealth [measured through GDP]. Consequently, it promotes employment besides providing the public administrations with more income that can be dedicated to improvements in the general well-being of society. All this, taking into account not only the direct investment made but also the increased activity that occurs as a result of the circular flows that originate in any economic activity.

For yet another year,
the investment made by the
Red Eléctrica Group has a
beneficial impact on society,
given its stimulating effect
on economic activity.

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IMPACT OF INVESTMENTS

Direct Impact

Estimation and valuation of the supply and production chain and the creation of employment and incomes that are generated in the national economic system stemming from an initial investment.

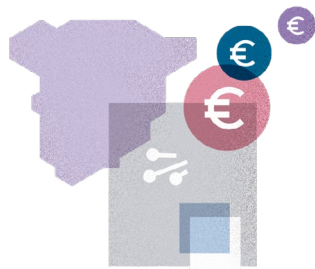
Indirect Impact

Generation of income and new employment derived from the fact that, to execute the investments, the direct awardees need to acquire other goods and services from the rest of the supply and production chain [intermediate consumption]. This then generates demand for other goods and services further down the chain.

Induced Impact

Impact derived from all the income generated in the previous stages. This effect includes both the impact of final consumption derived from all the income generated, as well as the tax collected by all public administrations when applying the various taxes to the total of the activity and the income generated.

Since 2017, the Red Eléctrica Group has used a benchmark methodology based on the implicit activity multipliers reached, thus allowing the level of overall activity generated as of an initial investment to be estimated. The calculations are made taking into account the direct, indirect and induced impacts.



Socio-economic contribution in Spain

In 2021, the Red Eléctrica Group made a **total investment in Spain of 531 million euros**, through the business activity of REE, REINTEL, Elewit and HISPASAT, of which it is estimated that 122 million euros were allocated to importing the necessary products required to carry out the Group's activity. The remaining amount, approximately 409 million euros, corresponded to direct investment in Spain, and whose socio-economic impact, after the application of the methodology adopted, is broken down in the table shown below.

The investment made has generated a knock-on effect in the activity of the sectors involved totalling 783.3 million euros, which represents almost double the initial investment (409 M€) made in Spain. This has meant a contribution to the country's GDP of some 357 million euros (around 18% of the revenues of the Red Eléctrica Group in 2021), which has generated business activity representing employment for the equivalent of 5,725 jobs. All of this together is estimated to have produced revenue for the public coffers of 137.3 million euros (representing approximately 12.6% of the provisional collection of taxes in 2021 for the special electricity tax).

It is worth noting that HISPASAT incorporates components

manufactured in Spain in all its missions and allows Spanish companies to validate their new satellite equipment by loading it on their satellites. This highlights **HISPASAT's role** as a leading company in the sector and generates **indirect multiplier effects** of its relevant investments throughout the satellite communications value chain.

→ Overall impact of the investment in Spain

Revenues (M€)

Income - GDP (M€)

Employment (number of jobs)

Tax revenue (M€)

Note: The mismatch in one of the cases between the total figures and the sum of the partial data is due to the rounding up or down of decimal places.

	Direct	Indirect	Induced	Total
Revenues (M€)	408.6	326.7	48.0	783.3
Income - GDP (M€)	184.0	150.1	23.0	357.1
Employment (number of jobs)	3,000	2,384	341	5,725
Tax revenue (M€)	72.6	56.6	8.1	137.3

Socio-economic contribution in Chile

In 2021, the Red Eléctrica Group, through its subsidiary Red Eléctrica Chile, made a **total investment in Chile's transmission grid of 41 million US dollars**.

This amount corresponds to direct investment in Chile, which socioeconomic impact, after applying the methodology adopted, is broken down in the table below.

The investment made generated revenues for the sectors of activity involved totalling almost 75.6 million US dollars. This has meant a contribution to Chile's GDP of 37.5 million US dollars, which in turn led to the generation of activity for an equivalent of 1,008 job positions. Therefore, as a whole, it is estimated that it generated revenues for Chile's State Treasury in the amount of 7.8 million US dollars.

Socio-economic contribution in Peru

In 2021, the Red Eléctrica Group, through its subsidiary Red Eléctrica Peru, made a **total investment in Peru's transmission grid of 9.9 million US dollars**,

this amount corresponds almost entirely to direct investment in Peru, which socio-economic impact, after applying the methodology adopted, is broken down in the table shown below.

The investment made generated revenues for the sectors of activity involved totalling approximately 19 million US dollars, which represents nearly twice the investment [9.8 million US dollars] made in Peru. This has meant a contribution to the country's GDP of 8.7 million US dollars, which in turn led to the generation of activity for an equivalent of 624 job positions. Therefore, as a whole, it is estimated that it generated revenues for Peru's State Treasury in the amount of 1.7 million US dollars.

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→ Overall impact of the investment in Chile

Revenues (M USD)

Income - GDP (M USD)

Employment (number of jobs)

Tax revenue (M USD)

Direct	Indirect	Induced	Total
40.5	28.1	6.9	75.6
20.9	13.1	3.5	37.5
535	378	95	1,008
4.6	2.5	0.7	7.8

→ Overall impact of the investment in Peru

Revenues (M USD)

Income - GDP (M USD)

Employment (number of jobs)

Tax revenue (M USD)

Direct	Indirect	Induced	Total
9.8	7.1	1.8	18.7
4.4	3.4	0.9	8.7
216	328	80	624
0.8	0.7	0.2	1.7



→ Key data 2021

TAX CONTRIBUTION AND TRANSPARENCY

Tax strategy 207-1

The **Tax Strategy of the Red Eléctrica Group**, approved by the Board of Directors, is based on three core values: transparency, good governance and accountability.

The tax strategy vision of the Red Eléctrica Group is to manage tax matters in a proactive, transparent and responsible manner with all stakeholders, in order to comply with tax legislation and minimise reputational risk, making it compatible with the protection of shareholder value.

The tax strategy is aligned with the **2030 Sustainability Commitment** of the Red Eléctrica Group, which defines, as one of its four priorities, the contribution to the development of the socio-economic environment and is consistent with the Group's Strategic Plan. The tax strategy is available for consultation on the corporate website.

775 M€

Total tax contribution

MORE THAN
3,600 M€

tax borne in the period 2017-2021

47 %

of the value generated earmarked for the payment of taxes

97 %

of the Total Tax Contribution paid in Spain

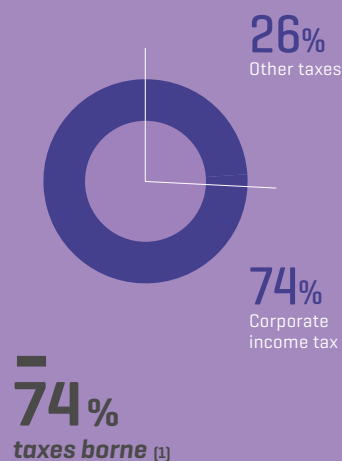
40 %

Tax Contribution compared to the Group's revenue

Since 2014, the Red Eléctrica Group has voluntarily published its total tax contribution, highlighting the relevant economic and social function derived from the Group's tax contribution. Continuing with the practice started in 2019, in 2021 the Red Eléctrica Group published a Tax Transparency Report, promoting knowledge of the Group's tax matters in an increasingly clear and accessible manner for all stakeholder groups.

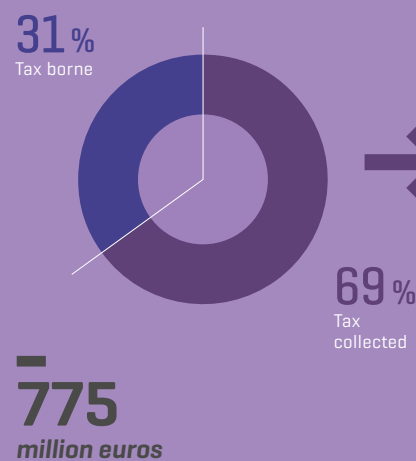
→ Taxes borne / %

Tax on profits, mainly Corporate Income Tax ⁽¹⁾ represents 74% of total taxes borne that have been paid to the various tax authorities, mostly to the Spanish tax authority.



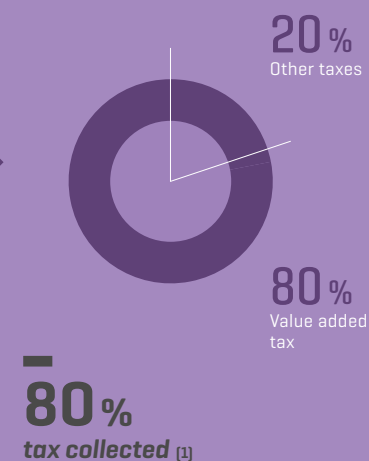
→ Total tax contribution / %

The Red Eléctrica Groups's Total Tax Contribution during 2021 amounted to 775 million euros, 244 million euros corresponding to taxes borne and 531 million euros to taxes collected.



→ Taxes collected / %

Of the total taxes collected during 2021, the taxes on goods and services are noteworthy, fundamentally Value Added Tax ⁽¹⁾ which accounts for 80% of the total.



[1] Understood as those indirect taxes equivalent to the Spanish VAT that are levied on consumption.

Total Tax Contribution / 207-4

In order to calculate its Total Tax Contribution, the Red Eléctrica Group has followed the Total Tax Contribution (TTC) methodology of PwC, whose characteristics are:

- Measure the **impact** of tax payments on companies.
- Consider the **total amount of all taxes borne** (which represent an effective cost for the company) and collected (which are paid by other taxpayers for the economic activity generated), at any level of the Public Administration.
- Include **all tax payments** made to Public Administrations.
- Adapt to any tax regime in the world and be easy to use even for people who do not have tax knowledge.

775 million euros in Total Tax Contribution: of which 244 million represent tax borne and 531 million represent tax collected.

Effective Corporate tax rate

22.72%

Effective Corporate tax rate

The effective corporate tax rate in 2021 is 22.72%. The reconciliation between the current tax rate in Spain and the effective rate applicable to the Group can be found in the Group's Consolidated Annual Accounts [Note 23. Tax situation].

→ Total Tax Contribution 2021 / M€

Taxes borne

Corporate income tax	233	5	-	6	-	-	244
Other taxes	177	4	-	-	-	-	181

Taxes collected

VAT [Value Added Tax]	522	7	1	-	1	-	531
Other taxes	416	6	1	-	1	-	424

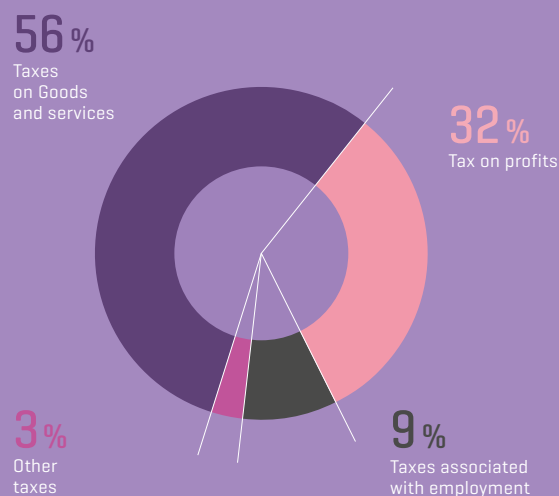
Tax contribution

	106	1	-	-	-	-	107
	755	12	1	6	1	-	775

[*] Includes France, Luxembourg and the UK in Europe and other countries in the Americas with amounts below 1 M€.

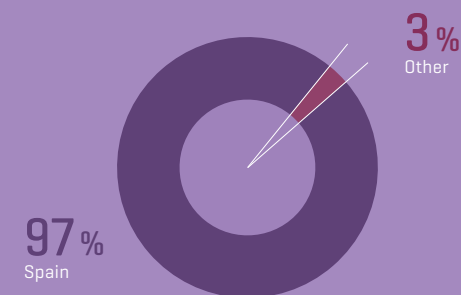
→ Total Tax Contribution by tax category / %

The Total Tax Contribution of the Red Eléctrica Group [775 M€] is distributed according to the following tax categories: taxes on profits [32%], taxes on goods and services [56%], taxes associated with employment [9%] and other taxes [3%].



→ Geographical distribution of the Total Tax Contribution / %

The revenue of the Red Eléctrica Group is mainly in Spain [92%].



The Total Tax Contribution of the Red Eléctrica Group to public administrations in all the countries in which it operates amounted to 775 million euros in 2021, with Spain being the legal tax authority with the highest tax contribution [97%].

Spain	Peru	Chile	Brazil	Mexico	Other ^(*)	Total
233	5	-	6	-	-	244
177	4	-	-	-	-	181
56	1	-	6	-	-	63
522	7	1	-	1	-	531
416	6	1	-	1	-	424
106	1	-	-	-	-	107
755	12	1	6	1	-	775

For every 100 euros of value generated by the Red Eléctrica Group in 2021, 47 euros were earmarked to pay taxes.

Weight of taxes on value distributed

Applying the Total Tax Contribution (TTC) methodology, the value distributed by the Red Eléctrica Group in 2021 stood at 1.663 billion euros, a figure which is composed of the sum of the following elements:

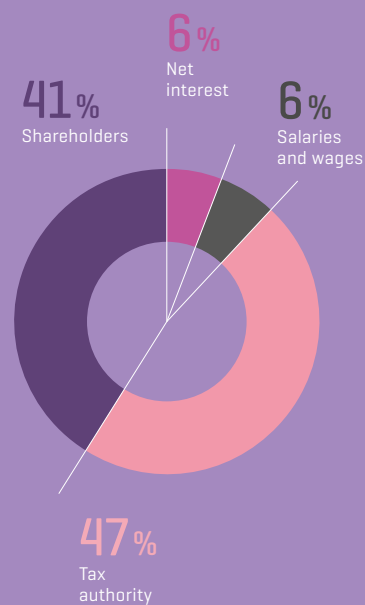
- Profit after taxes or shareholder value [681 million euros].
- Taxes [775 million euros]: borne [244 million euros] and collected [531 million euros].
- Net interest [105 million euros].
- Salaries and wages after taxes collected [102 million euros].

Tax Contribution compared to revenues

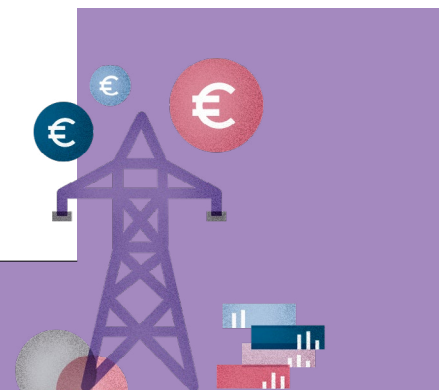
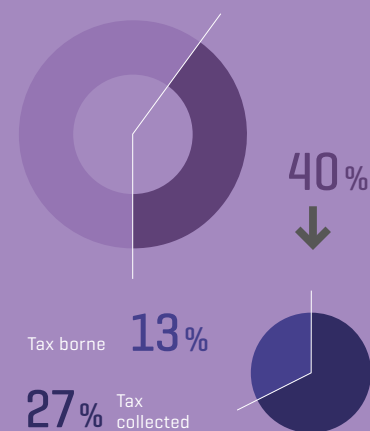
The comparison between Total Tax Contribution and total revenues is an indicator that shows the amount of the contribution made by the Red Eléctrica Group in relation to the size of its business.

The percentage of Total Tax Contribution with regard to the revenue of the Red Eléctrica Group is 40%, of which 13% corresponds to taxes borne and 27% to taxes collected.

→ Distributed value / %



Tax Contribution compared to revenue / %



Tax commitments and best practices

TAX RESPONSIBILITY 207-1 / 207-2 / 207-3

The Red Eléctrica Group undertakes a tax responsibility commitment above and beyond mere compliance with tax legislation and tax obligations in the countries in which it operates.

For the second consecutive year, the Red Eléctrica Group leads the ranking in the Corporate Tax Responsibility Report of IBEX 35 companies for 2020 prepared by the *Fundación Compromiso y Transparencia*.

- Compliance with the provisions of the **OECD Guidelines for multinational companies** in tax matters. In terms of transfer pricing, the Red Eléctrica Group acts in accordance with the arm's length principle.

- Alignment with **BEPS (Base Erosion and Profit Shifting)** principles and actions.

- Since 2015, the Red Eléctrica Group has undertaken the **Code of Good Tax Practices** adopted by the Spanish Tax Authority (AEAT), which is in line with the established principles and guidelines on tax matters in the **Group's Tax Strategy**.

- Within the framework of strengthening good tax practices, since 2017, the Red Eléctrica Group has voluntarily submitted its **Tax Transparency Report** to the AEAT (the Spanish Tax Authority).

- Presentation in Spain of the **Country-by-Country Reporting** tax statement.

- Approval by the Audit Committee of the tax policies applied in the annual corporate tax statement for 2020 prior to the annual presentation of the tax report and of the tax policies applied at the close of the 2021 accounting year.

- Publication of a voluntary **Annual Tax Transparency Report**, which facilitates access to all relevant information of the Red Eléctrica Group related to tax matters. This publication contributes greatly to increasing tax transparency and disclosing

information regarding tax issues in a way that is increasingly clear and accessible to stakeholders.

- Adoption of the **Global Reporting Initiative (GRI)** standard on tax matters. This information is externally assessed and verified by an independent third party.

- Leadership, for the second consecutive year, in the ranking of the **Report on Corporate Tax Responsibility** of IBEX 35 companies for 2020 of the *Fundación Compromiso y Transparencia*. This report analyses the voluntary transparency of the contents related to the tax obligations of IBEX 35 companies. The Red Eléctrica Group obtained the highest score, leading the 'Transparent Company' category.

- Contribution to finance projects with social aims by marking an 'X' in the **corporate tax box** on the Company's corporate income tax return. The Group earmarked 0.7% of the total amount of the 2020 corporate income tax (1.5 million euros) to the Third Sector, reinforcing the social commitment of the Red Eléctrica Group.

- Contribution to the achievement of the Sustainable Development Goals (SDGs) of the United Nations, and especially SDGs 1 (No poverty), 10 (Reduce inequalities) and 17 (Partnerships for the goals) through the tax contribution in all countries in which the Company operates.

→ Tax havens



→ Control mechanisms

The Code of Ethics and Professional Conduct and the Tax Strategy of the Red Eléctrica Group include the commitment not to create companies in tax havens or non-cooperative tax jurisdictions to evade taxes. In this regard, the Red Eléctrica Group neither has a presence nor carries out any activity in those territories deemed as tax havens in accordance with current regulations:

- Spanish legislation set out in Royal Decree 1080/91 of 5 July, subsequently amended by Royal Decree 116/2003, of 31 January.
- List of countries and territories drafted by the European Union of non-cooperative tax jurisdictions [tax havens].
- List of non-cooperative tax jurisdictions [tax havens] drafted by the OECD.

In 2021, the procedures, which began at the end of 2020, for changing the registered office of the Group's company REDCOR Reaseguros from the Netherlands to Spain were completed. The Group's presence in Luxembourg, a territory considered by certain external observers as a low-tax territory, was undertaken to ensure better access to international reinsurance markets.

• The Red Eléctrica Group has a **Comprehensive Risk Management System** that includes any relevant tax risks. The aspects regarding the Control and Management Policy of Tax Risks of the Red Eléctrica Group, approved by the Board of Directors, which are integrated into the Comprehensive Risk Management Policy, establish the specific guidelines for action for the management of said risks.

• The Group also has an **Internal Control Over Financial Reporting (ICFR)**, which includes tax data and processes, as well as the controls associated thereto, based on the COSO II methodology [Committee of Sponsoring Organisations of the Treadway Commission]. These processes and systems are systematically subject to internal and external audits.

• Mechanisms are in place to prevent illicit operations, money laundering and asset stripping. In May 2020, the new **Code of Ethics and Professional Conduct** of the Red Eléctrica Group was approved, which establishes specific principles and guidelines for business conduct related to Tax Responsibility. In addition to this Code, noteworthy are the **Compliance Policy**, the **Crime Risk Prevention Manual**, the **Supplier Code of Conduct** and the **Guide for the Prevention of Corruption: zero tolerance**, which can be found on the corporate website. Furthermore, the Red Eléctrica Group continuously carries out awareness-raising and training activities to ensure that all stakeholders are familiar with the aforementioned documents.

• **Certification of the Compliance System regarding crime prevention and anti-bribery** in accordance with UNE 19601 standard on crime prevention compliance management systems and ISO 37001 standard on anti-bribery management systems.

• Innovation and technology are one of the strategic pillars of the 2021-2025 Strategic Plan. The tax function is constantly adapting and transforming to new digital technologies.

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8.2

Relationship with the socio-economic environment

Key indicators in 2021

57 Red Eléctrica employees from 20 units actively participate in various international organisations.

84 % of agreements signed with landowners in Spain in 2021, who were affected by new investment projects, were amicable.

4 participatory workshops held in the localities where the Company is present within the framework of the REDENOR project (Chile) with a 100% success rate.

2021 milestones

The Fontefría-Beariz interconnection was highlighted at the 32nd Spanish-Portuguese Summit.

Implementation of the Dialogue with the Community Plan as part of the environmental management strategy of the TESUR 4 Environmental Impact Study (Peru).

Further analysis of socio-environmental commitments included in the Environmental Impact Studies of the operation and maintenance concession contracts in Latin America.

Strengthening of the commitment to the Renewables Grid Initiative by taking on the role of co-chair of the Board.

Challenges for 2022

Establish a programme of visits by regional parliamentarians, as well as specific working sessions on the electricity transmission grid Planning for 2021-2026.

Update the social baseline of REDESUR (Peru).

Update the Dialogue with the Community Plans of the Environmental Impact Studies of the concession contracts in Latin America, to align them with the vision of social innovation of the Red Eléctrica Group.

Recognitions

Appointment of Red Eléctrica Internacional in Chile as an Ambassador company of the Chinchorro Culture in recognition of the support provided.



TIES WITH LOCAL COMMUNITIES

103-1 / 103-2 / 103-3 / 413-1

The Red Eléctrica Group promotes and maintains a permanent relationship with the local communities where its facilities are located, not only during the construction processes of the new infrastructure but also throughout the entire useful life of the facilities.

Spain

In Spain, the Company has an organisational structure distributed nationwide that facilitates institutional communication and collaboration with public administrations as well as with public and private institutions.

In 2021, Red Eléctrica de España signed off 64 collaboration agreements with public and social entities associated mainly with the execution of socio-economic, environmental, educational and cultural development projects.

In the case of municipalities and in relation to the construction of new infrastructure, the Company fosters engagement to disseminate information and raise awareness regarding the need for facilities and their role within the transmission grid, as well as to promote dialogue with stakeholders in order to facilitate the sustainable development of projects.



In this regard, it should be noted that in 2021 the Company obtained the political support of the governments of Spain and Portugal for the Minho-Galicia interconnection, in the declaration of the Spanish-Portuguese Summit of 29 October 2021.

84 OF THE AGREEMENTS
signed with
% landowners WHO WERE AFFECTED

by new investment projects that concluded in Spain in 2021, were amicable.

Looking ahead to 2022, the Red Eléctrica Group aims to improve the dissemination of information and knowledge of the Company's projects, especially in view of the approval of the 2021-2026 Electricity Transmission Grid Planning. To this end, a programme of visits and meetings for regional parliamentarians will be planned, along with other activities.

Peru

Following the successful completion of the TESUR 4 Citizen Consultation and Participation Plan within the framework of the declaration of national emergency due to the impacts of COVID-19 in 2020, the Company began managing the Environmental Impact Study, which was approved in March 2021, and with it, the execution of the TESUR 4 Dialogue with the Community Plan. More than 119 proposals or suggestions have been registered in the tool contained in the Citizen Information Plan, all of which were dealt with.

In addition, the Company is updating the register of REDESUR's easements, which includes a total of 575 km of transmission lines and involves four departments (regional areas in Peru). This will make it possible to update the socio-environmental baseline of this operation and identify the points that need to be updated for environmental certification.

REDELNOR has implemented the programme for strengthening the capacities of the health service in the region. To this end, in March 2021, 19 health centres were supported through the donation of protection equipment and cleaning supplies for COVID-19, and in November, began reinforcing the services offered by health centres through training in oxygen therapy, immunisation and other aspects. This has been done in collaboration with *Adra Peru* and the *Universidad Peruana Unión*.

Red Eléctrica aims to improve the dissemination of information and knowledge of the Company's projects, especially in view of the approval of the 2021-2026 Electricity Transmission Grid Planning.

Chile

The Company has carried out four participatory workshops in the localities where it is present within the framework of the REDENOR project with a 100 % success rate. In REDENOR 2, the transit easement and the administrative easement were processed with the Chilean Administration.

During 2021, negotiations were held with most of the landowners in the Azapa Valley, signing a voluntary easement contract with seven properties out of a total of eight. It is worth mentioning that this area corresponds to one of the most sensitive points of the project, due to both its geographical configuration and the communities involved.

In addition, the following noteworthy actions were carried out in 2021:

- Projects of a cultural and social nature, including the agreement signed with the Roads Department of the Arica and Parinacota region, for the resurfacing of approximately 10 km of Route A-157 in the area of Arica, benefiting various agricultural and merchant associations in the locality of Las Llosyas and its surrounding areas.

- Shoring up of the road to Las Llosyas, in order to contribute to improving the quality of life and local productivity of various associations.
- Support for the implementation of the museum interpretation room in the town of Cuya. Due to the collaboration in these actions, Red Eléctrica Internacional in Chile was named an Ambassador company of the Chinchorro Culture in recognition of the support provided.

PARTICIPATION IN ORGANISATIONS AND ASSOCIATIONS / 102-13

The Red Eléctrica Group is part of and actively participates in various organisations and associations in order to publicise and showcase their stance



In 2021, Red Eléctrica de España participated in 80 organisations, associations and professional entities, noteworthy was its participation in ENTSO-E, the European Network of Transmission System Operators for Electricity.

on fundamental aspects of their activity and their business management, as well as to strengthen the consolidation of alliances and maximise their contribution to the achievement of common objectives.

In 2021, Red Eléctrica de España participated in 80 organisations, associations and professional entities, with a total contribution of 2,717,918.93 euros. Among all these collaborations, the participation of Red Eléctrica de España in ENTSO-E, the European Network of Transmission System Operators for Electricity.

For its part, HISPASAT collaborated in 17 organisations, associations and professional entities, with a contribution of 158,336 euros, among which the following are noteworthy: International Telecommunications Union [ITU], Women in Aerospace [WIA] and the Inter-American Association of Telecommunications Companies [ASIET].

Furthermore, Red Eléctrica Internacional collaborated in 4 organisations, associations and professional entities through the contribution of 51,888 euros,

→ Main actions in 2021

among which its participation in *Asociación de Transmisoras de Chile and the Sociedad Nacional de Minería, Petróleo y Energía de Perú* is noteworthy.

Active participation in ENTSO-E

ENTSO-E (European Network of Transmission System Operators for Electricity), an association comprised of 42 members from 35 countries, is a key instrument for coordination between European TSOs in the design, development and implementation of the Internal Energy Market, as well as in the deployment of EU regulations. In addition, ENTSO-E acts as a technical advisor of reference for the institutions of the European Union in the development of a sustainable, reliable and competitive electricity system.

OTHER ORGANISATIONS AND ASSOCIATIONS

Best practices in corporate governance

- International Corporate Governance Network (ICGN).
- *Club de Excelencia en Sostenibilidad* (Sustainability Excellence Club).
- Transparency International España (Integrity Forum).
- *Forética*.
- The Spanish Green Growth Group.
- The Spanish Compliance Association (ASCOM).

Best sectoral practices

- CIGRE.
- Mediterranean Transmission System Operators (MED-TSO).
- European Association for the Storage of Energy (EASE).
- Renewable Grid Initiative (RGI).
- The Spanish Energy Club (ENERCLUB).
- Energy Cluster.
- Madrid aerospace cluster.
- Spanish Association of Defence, Aeronautical and Space Technologies (TEDAE).
- Spanish Aerospace Technology Platform.

Implementation of European Union energy regulations.

The Red Eléctrica Group has participated in:

- The development of scenarios of the European electricity system within the framework of the ten-year grid development plan (TYNDP 2022).
- Implementation of the common grid model methodology (CGM) that will facilitate processes associated with the operation of the system.
- Developments relating to the Clean Energy Package approved in 2019, highlighting the regulations included in the Directive and Regulation on the Internal Electricity Market.
- The definition of digital communication platforms that facilitate the exchange of information among European electricity system operators.

Activities resulting from cooperation between various TSOs and stakeholder groups.


The Red Eléctrica Group has participated in:

- Analyses related to the flexibility of the electricity system in a scenario of intermittent and variable generation (platforms, flexibility needs, market design, etc.).
- The preparation of work related to the European Energy System Vision 2050.
- Studies on the use of materials such as lead and SF₆ in electricity facilities.

In 2021, Red Eléctrica dedicated 15,804 hours involving 57 employees from 20 units of the Company and consolidated its representation in the **Assembly**, the main governing body, the **Board**, responsible for the orientation and direction of the association and the **Resources Committee**, which carries out the financial oversight of the association. In addition, it also actively participates in the five technical committees and in more than 40 working groups. It should be noted that in 2021 Red Eléctrica contributed to the completion of ENTSO-E's strategic actions (Active 2020+) that establish the guidelines for the running of the association.

Other organisations and associations

The Red Eléctrica Group also participates in numerous associations whose objective is to share and extend best practices, among which those shown in the table on this page are the most important.

The **corporate website**  provides more information on the Red Eléctrica Group's participation in organisations and associations and transparency in institutional relations.

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Conservation of natural capital

304-3

Key indicators 2021

12 collaborative projects related to focal bird species.

11 forest fire prevention agreements in force.

915 ha recovered as part of the 'Red Eléctrica Forest' project.

Of the 2 ha of *Posidonia oceanica* planted in the marine forest there was a 90% survival rate.

2021 milestones

Holding of the 6th Conference on the prevention of forest fires in Castilla-La Mancha.

Completion of the 'Red Eléctrica Forest' project in Salamanca with 72.54 ha planted.

Extension of the agreement for the monitoring works of the 'Red Eléctrica Marine Forest' and the virtual exhibition on *Posidonia oceanica*.

Challenges for 2022

Renew at least two agreements for the prevention of forest fire.

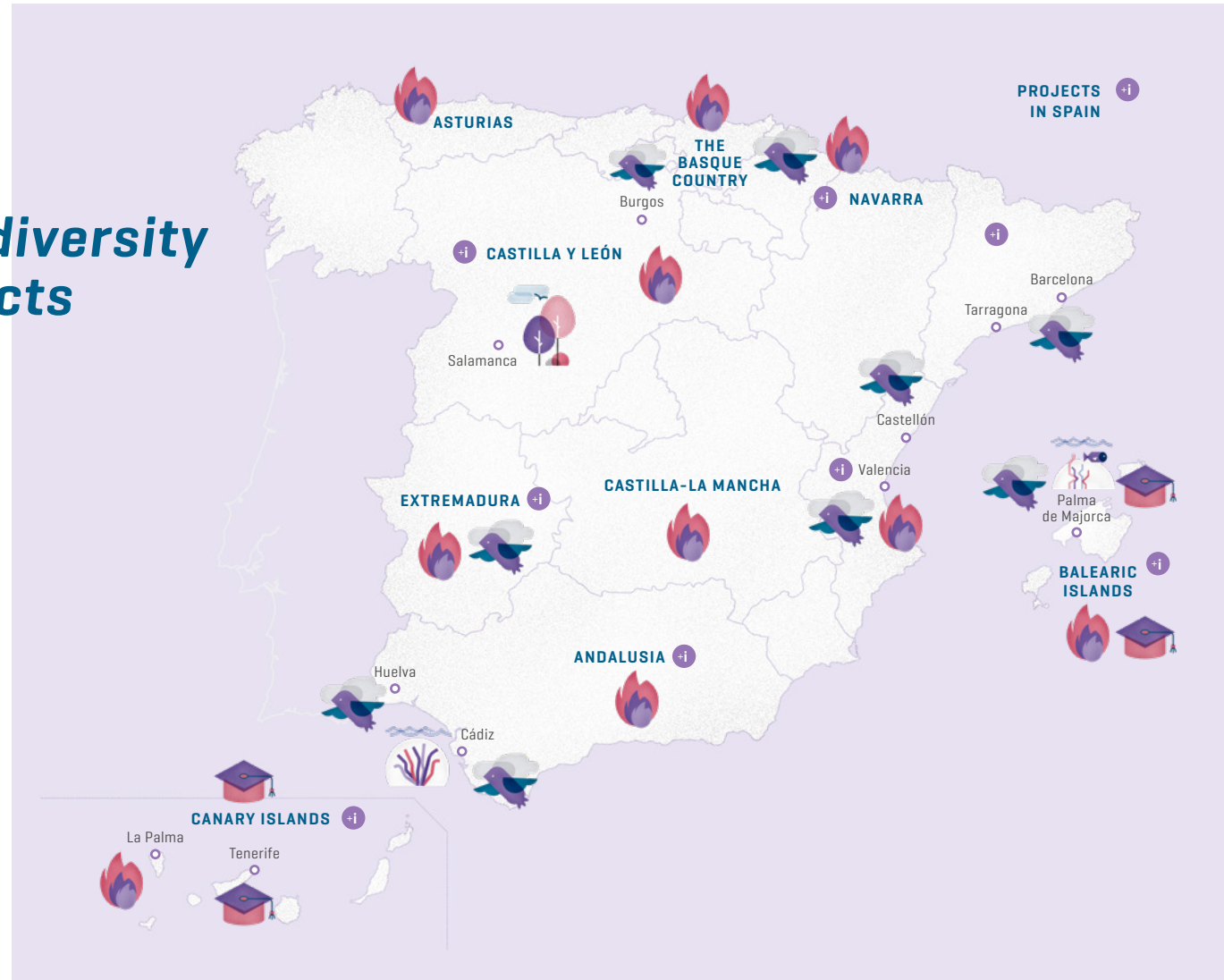
Complete the project for the planting of the 'Red Eléctrica Forest' in Navarra (48 ha).

Formalise the signing of a new reforestation agreement.



Map of Biodiversity projects

One of the challenges that the Red Eléctrica Group undertakes in accordance with its new commitment to biodiversity is that of generating a net positive impact on biodiversity in those territories in which it operates or its facilities are located. With this goal in mind, the Group participates and collaborates with state and local administrations, NGOs and other stakeholders in various projects that promote the development of the environment in which it carries out projects aimed at promoting the development of the social and natural environment, focusing mainly on the aspects most closely related to the Company's activities: birdlife conservation, habitat protection and restoration and the fight against forest fires.



Information on biodiversity projects is detailed in the [Biodiversity](#) section of this report. The present section describes in more detail some of the actions considered relevant.



BIRDLIFE CONSERVATION

The main objective of birdlife conservation projects is to collaborate in the conservation or reintroduction of endangered species. It is interesting to note the role played by electricity transmission grid infrastructure, which in some cases can serve as a refuge from predators or be used as a nesting site by some species.

BIRDLIFE CONSERVATION PROJECTS OF NOTE IN 2021

Egyptian Vulture [*Neophron percnopterus*] nesting platform in Cáceres

In 2020, the first recorded birth in Europe of an Egyptian Vulture [called Berto] was recorded on a 400 kV line. In 2021, from the same pair and on another tower of the same line, Ruanda was born. This event consolidates this type of infrastructure as a support for the nesting of these birds of prey. Both birds are fitted with a GPS/GPRS transmitter and a camera has been installed in one of the nests for monitoring. The work has been carried out in collaboration with the Regional Government of Extremadura and the Ministry of Ecological Transition and the Demographic Challenge [MITERD].

Osprey [*Pandion haliaetus*] nesting platforms in Cádiz

Since 2010, four nesting platforms have been installed on towers in the Barbate reservoir area [Cádiz] and chicks have been ringed. The osprey, which has not reproduced in Andalusia since the 1980s, has returned to nesting in the region. Since the installation of the nesting platforms, the hatching of 44 eagle chicks has been recorded on Red Eléctrica towers, from three breeding pairs [30 % of the pairs detected in Andalusia]. The project is carried out in collaboration with the Migres Foundation and the Andalusian Regional Government.

Tern nesting study [*Oceanodroma markhami*] in the extreme north of Chile

The tern is an endangered species included in the Plan for the recovery, conservation and management of terns in northern Chile [RECOGE]. The monitoring aims to characterise the reproductive biology of the species and evaluate its seasonal variation in known colonies in this area of the country. The monitoring is being carried out by ROC [Red de Observadores de Aves de Chile - a bird-watching network in Chile] and to date, nine campaigns have been carried out, evaluating the reproductive activity in 361 nests.



CONSERVATION OF HABITATS

One of the main problems affecting the most vulnerable habitats and ecosystems is the presence of invasive species. In addition to the loss of biodiversity, these species can generate other types of impact on agricultural and livestock activity and even on public health.

The Red Eléctrica Group is working on projects for the eradication of some of these species, as they are closely linked to the transmission grid.

ACTIONS LINKED TO THE CONTROL OF INVASIVE SPECIES

Pampas grass [*Cortaderia selloana*]

Red Eléctrica de España has adhered to the Transnational Strategy to fight against *Cortaderia selloana* in the Atlantic Arc, committing itself to work in the areas within its reach to control and eradicate this species. A pilot project has been carried out to eliminate the grass in 2.2 ha under the Astilleros-Penagos overhead line, using a combination of clearing and chemical treatment and reinforcement of native vegetation. The aim is to prevent its dispersal to surrounding areas of great environmental value.

Reed [*Arundo donax*]

This is one of the most common exotic plants on the banks of Spanish rivers, considered among the hundred most invasive organisms in the world. It poses ecological and water resource management problems. In the Turia Natural Park (Valencia), work has been underway since 2018 to eliminate reedbeds using clearing techniques, controlling resprouts and planting riverside species. An area of 7,000 m² has been eliminated.

Horseshoe whip snake [*Hemorrhois hippocrepis*]

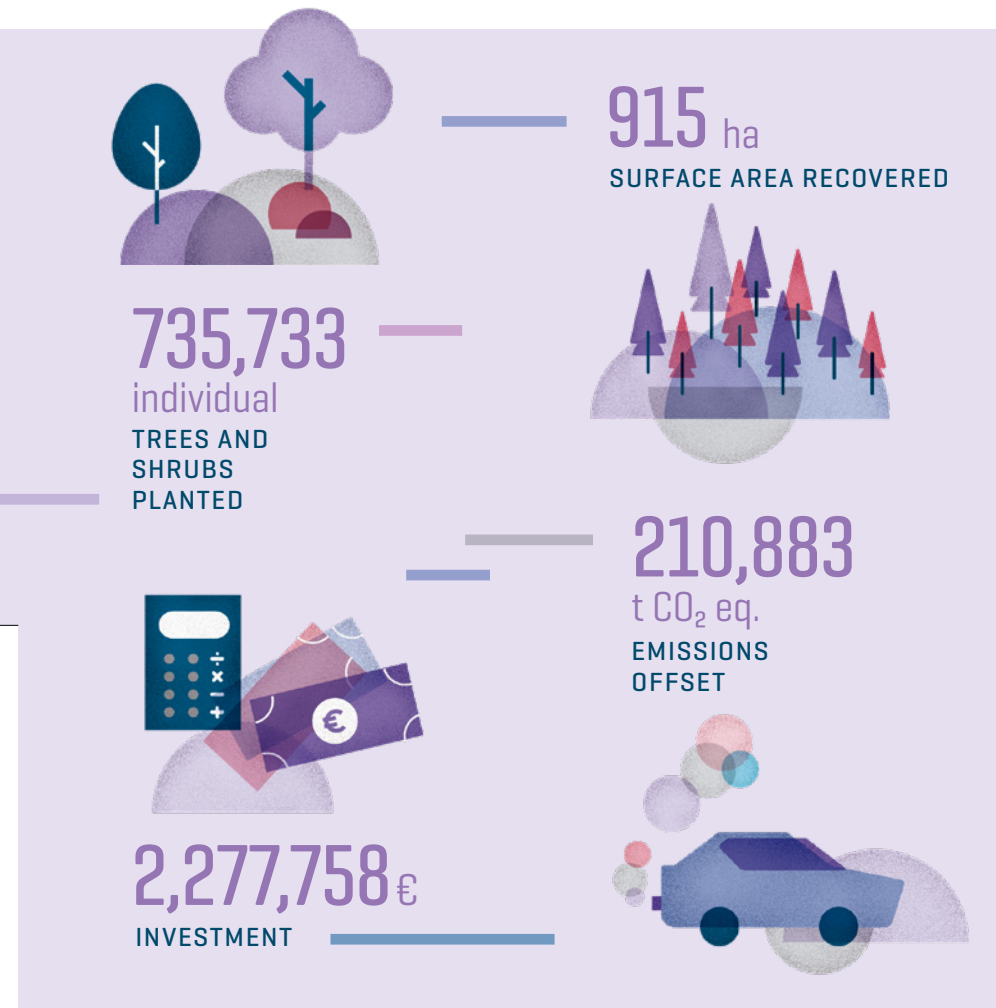
This species arrived in Ibiza (Balearic Islands) in 2003 inside olive tree trunks imported for gardening. Since 2010, it has spread rapidly, posing a threat to the only endemic vertebrate on the island and currently in regression, the Ibizan lizard (*Podarcis pityusensis*). When its presence was detected during maintenance work, the Balearic Islands Government was notified, and they have proceeded to install nine cages for its capture at the Torrent substation.

Invasive algae/seaweed [*Rugulopteryx okamurae*]

An ecological study on this species on the coast of Tarifa was completed in 2021, in collaboration with the Marine Biology laboratory of the University of Seville.

The 'Red Eléctrica Forest' in figures (2009-2021)

Since the inception of the 'Red Eléctrica Forest', the Company has contributed to the recovery of 16 forests in Spain. In 2021, 30,855 trees were planted.



RED ELÉCTRICA FOREST

The Red Eléctrica Forest is an ongoing project initiated in 2009 that aims to offset part of the Company's emissions through the planting of trees and the recovery of degraded natural areas on publicly owned land, thus contributing to the conservation of biodiversity. In addition, this initiative aims to support the development of local economies by contracting the work to companies

or associations in the area, as well as to raise awareness of the importance of forests by involving the local population, mainly students, and company employees.

Since the inception of the 'Red Eléctrica Forest', the Company has contributed to the recovery of 16 forests in Spain. In 2021, 30,855 trees were planted (pines, holm oaks, oaks, rowan, strawberry trees and yews) for the recovery

of 51.42 ha, which completes the work carried out last year in the municipality of Agallas [Salamanca]. In addition, work has begun on preparing the land for the reforestation of several public use highland areas in Navarra.

< 365 >

THE 'RED ELÉCTRICA MARINE FOREST'

The Marine Forest is a worldwide pioneering innovation project. Between 2012 and 2016, the Company developed a R&D+i project in collaboration with the Mediterranean Institute of Advanced Studies [CSIC-IMEDEA] on the use of seeds or fragments of *Posidonia oceanica* in the restoration of degraded areas of its natural habitat.

In 2017, an agreement was signed [CSIC-IMEDEA and the Balearic Islands Government] for the **restoration of 2 ha of *Posidonia oceanica*** in the Bay of Pollensa, the work having been completed in 2020. The agreement with CSIC-IMEDEA will be extended for a further four years to carry out monitoring, which, for the moment, indicates a survival rate of more than 90% of the *Posidonia* fragments.



From the regular monitoring of the recovered area to date, it appears that there is a survival rate of more than 90% of the *Posidonia* fragments planted.



To further raise awareness of the conservation of marine environments, the Group participates in the promotion of various educational programmes:

- ‘Bringing Posidonia into the classroom’ in collaboration with the teaching community of the Balearic Islands and IMEDEA (Mediterranean Institute for Advanced Studies) to carry out informative sessions and field visits for students in the region.
- Collaboration with the Marine Interpretation Centre ‘Aula de la Mar’ in Majorca in a programme of workshops for schoolchildren.
- Virtual exhibition on *Posidonia oceanica* and the ‘Red Eléctrica Marine Forest’, published on the corporate website.

NOTEWORTHY FORESTRY MANAGEMENT AND FIRE-FIGHTING ACTIONS IN 2021

Forest fire prevention measures

- Acquisition of software and computer equipment for mapping maintenance activities in Extremadura.
- Procurement of fire prevention and extinguishing equipment for the emergency services in Álava, Guipúzcoa, Navarra, Castilla-La Mancha and La Palma.
- Meteorological information service, simulations and alerts to support intervention teams and civil protection groups (fire brigades) of the Provincial Council of Álava.
- Firebreak corridors in Cala Deiá and Puerto de Valdemossa (Balearic Islands).
- Preventive clearing of scrubland in areas at risk of forest fires: elimination of grazing and of scrubland ground cover and removal of high density and tall scrub, mainly gorse (*Ulex ssps.*) and dry heather (*Erica ssps.*) in the highlands of Navarra and Vizcaya.

Training and awareness

- Training for 153 technicians, forest rangers, foremen and operators of the Department of Sustainability and Natural Environment of the Provincial Council of Vizcaya.
- Citizen awareness campaign ‘Yo me enchufo a la prevención’ (I am plugged into prevention) in Castilla y León. Preparation of awareness-raising material for documentation and reinforcement of training activities of the Castilla y León Fire Control Centre.
- 6th technical conference on forest fires in Castilla-La Mancha (with an online audience of over 1,000 people), presentation of the international forest fire awards, and recognition of the professional careers of personnel from the Operational Forest Fire Fighting Service (SEIF).

Other relevant projects

- Agreement with the Polytechnic University of Valencia for the modelling and mapping of live fuel moisture in the Community of Valencia. During 2021, work was carried out on the analysis of field data and zoning of the province of Valencia, obtaining KPIs and defining models.

FORESTRY MANAGEMENT AND THE FIGHT AGAINST FOREST FIRES

As part of the Company's forestry management framework, Red Eléctrica collaborates with the public administrations involved, in an active and ongoing manner, through the signing of **collaboration agreements**, which involve the carrying out of various actions aimed at the prevention and fight against forest fires.

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Socio-economic development of the territory

103-1 / 103-2 / 103-3

Key indicators in 2021

8,513,998 euros in 457 social initiatives.

Out of the 70 entrepreneur candidates considered in the *Holapueblo* project, 25 of these and their families have already been settled in 19 municipalities that have depopulation problems.

400 individual participants in volunteering actions.

2021 milestones

Presentation of the Group's new approach to social innovation to combat inequality.

Publication of the guides: '*Pastoreo enRED*' (livestock grazing project) and '*Servicios de los ecosistemas reforzados por el Pastoreo en RED*' (reinforced ecosystem services for the livestock grazing project)

Publication of the manual for rural energy communities.

Challenges for 2022

Implement the new Social Innovation approach: strengthen participation processes in the co-creation of projects and initiatives of a social nature, which respond to digital, territorial, generational and gender inequalities.

Launch projects in the eleven lines of action, with an expected impact on 20,000 people and 500 municipalities, in collaboration with various social entities.

Awards

Special mention by the European Commission jury for the '*Pastoreo enRED*' (livestock grazing project) in the Good Practice of the Year 2021 awards organised by RGI (Renewables Grid Initiative).



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The Group's model for contributing to the development of the environment is aimed at **creating sustainable value in the territories** in which its facilities are located, and with which it maintains constant communication in order to identify stakeholder needs and, as a result, participate in improving their quality of life.

In this regard, the Company fosters actions and investments aligned with its business objectives that promote local development, biodiversity conservation and the promotion of education, culture and heritage.

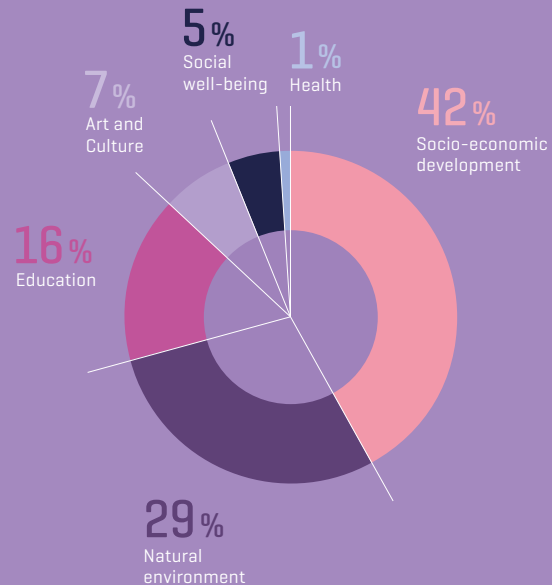
INVESTMENT IN THE COMMUNITY

Within the framework of the business development strategy, the Red Eléctrica Group considers and promotes social action as an essential element of its Corporate Responsibility commitment, which is carried out through actions defined in cooperation with various institutions and public and private entities to respond to the demands for collaboration put forth by stakeholder groups.

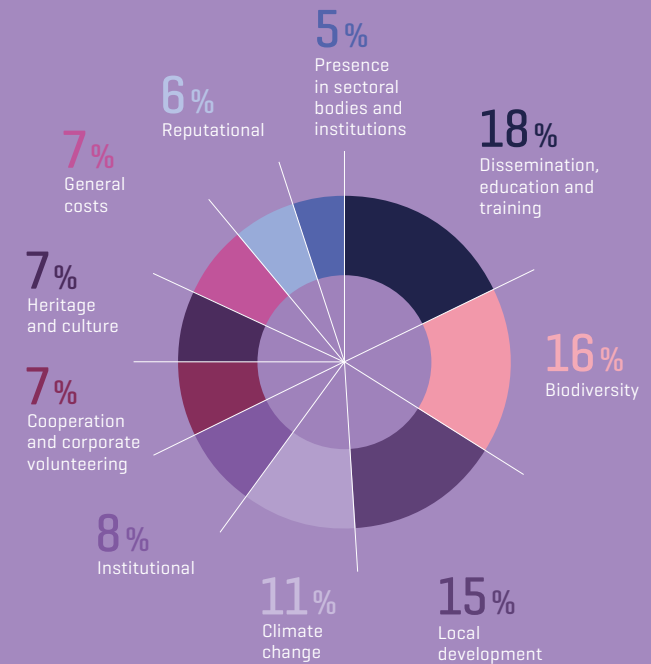
In 2021, the Company contributed 8,513,998 euros [1.2% of its net profit] to the development or promotion of social initiatives, according to the LBG [London Benchmarking Group] methodology.

Of the 457 social initiatives carried out, 244 have been focused on the socio-economic development of the territory: projects for the construction or improvement of municipal infrastructure, the promotion of the cultural wealth

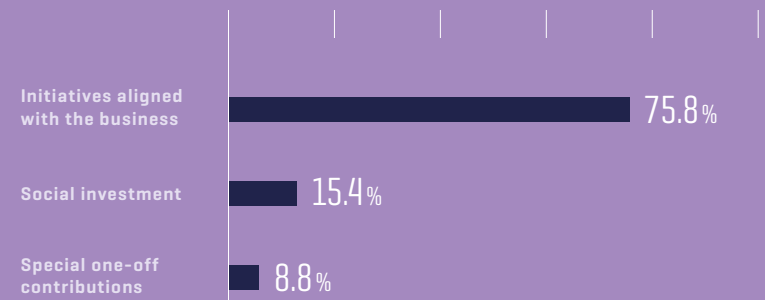
→ Areas of action / %



→ Contribution by type of action / %



→ Type of action / %



of the territories, the restoration of emblematic buildings and social relevance with repercussions on the tourism industry, among others.

SOCIAL INNOVATION 103-1 / 103-2 / 103-3

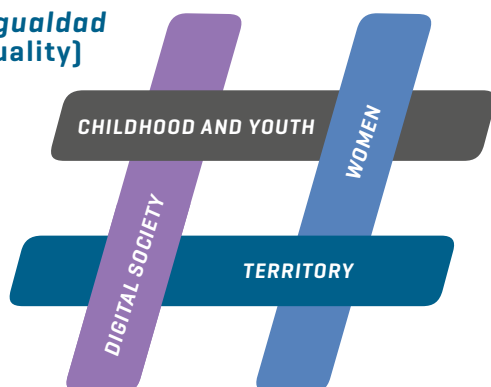
In order to strengthen the commitment of the Red Eléctrica Group with the territories in which its facilities are located and to continue to promote the creation of shared value, by the end of 2021, the Company had defined and presented the Group's new approach to social innovation, which gives greater importance to 'Society', to the point of making it one of the levers of transformation capable of generating solutions to real needs.

The Group's new approach to social innovation will contribute to reducing inequalities and fostering 'living networks' through the implementation of innovative and inclusive projects.

The new focus aims to reduce digital, territorial, generational and gender inequalities in order to improve the quality of life of citizens in their communities. This approach is deployed in an Action Plan that encompasses eleven lines of

AGAINST INEQUALITY: NEW APPROACH AND ACTION PLAN

**#Contraladesigualdad
[#Againstinequality]**
Fostering 'living networks'



Digital society

1. Connectivity
(bridging the digital divide)
2. Digital literacy
(digital skills gap)

Territory

3. Local development
4. Natural capital
5. Municipalities for the energy transition
6. Conservation of local culture

Childhood and youth

7. Child poverty
8. Youth employment
9. Training for the energy transition

Women

10. Social equality
11. Labour integration

The Group's new #Contraladesigualdad approach contributes to the achievement of the Strategic Plan and its 2030 Sustainability Goals, as well as global goals such as the SDGs.

work that contribute to the achievement of the Sustainable Development Goals [SDGs] of the United Nations; the Plan of Measures to Address the Demographic Challenge of the Ministry of Ecological Transition and the Demographic Challenge [MITERD]; the 2021-2025 Strategic Plan of the Red Eléctrica Group, and its 2030 Sustainability Goals.



Digital society

The Red Eléctrica Group contributes to the implementation of social initiatives that favour connectivity in the territories where the Company operates in order to bridge the digital divide regarding connectivity and supports actions aimed at improving the digital literacy of society.

Connectivity: bridging the digital divide

The Red Eléctrica Group seeks solutions, through technology, that bridge the digital divide in isolated rural environments. In this regard, it carries out the extension of broadband using REINTEL's fibre optics so that all people in the surroundings of Red Eléctrica's facilities can access information and communication technologies. For their part, the HISPASAT satellites allow access to the Internet at any point on the planet, becoming a unique tool to enable generalised and quality access to telecommunications services.

NOTEWORTHY PROJECTS ON BRIDGING THE DIGITAL DIVIDE

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Improving connectivity

Actions in 2021

- Project with Nordesnet. The granting of access to dark fibre optics by the Red Eléctrica Group has enabled twelve homes in three municipalities in Segovia [Navares de las Cuevas, Cerezo de Abajo and Castroserracín] to have high quality connectivity.
- Project with the Small Farmers' Union. The feasibility of launching pilot projects to improve the security and sustainability of rural environments and primary sector activities, such as extensive livestock farming or agriculture 4.0, is being analysed. In addition, HISPASAT is developing various projects to provide satellite connectivity in Catalonia [Lleida] and Castilla La-Mancha [Guadalajara and Albacete]. In the Basque Country, IoT pilot projects have been implemented in rural areas to facilitate online access to local council processes and facilitate the management of livestock farming [Sierra de Aralar], and improve the efficiency and safety of the local fishing industry [Hondarribia].
- Pilot project with *Correos*, the national postal service, to provide satellite connectivity to all its offices. The pilot project will be carried out in six towns in the Spanish provinces of Zamora, Teruel and Soria. This improvement will enable these post offices to improve their efficiency and be able to offer administrative services and procedures in real time, such as immediate money transfers or tax payments.
- Agreement with Eutelsat to bridge the digital divide in Spain and Portugal. Through this agreement, HISPASAT will complement its current capabilities with those of Eutelsat's Konnect satellite which provides for both countries and, in this way, will operate and market quality broadband connectivity services at 100 Mbps to telecommunications carriers and service providers.
- Conéctate initiative. HISPASAT has launched its new rural satellite broadband product of up to 100 Mbps, aimed at bridging the digital divide in Spain. It is a wholesale, neutral and open service that all telecommunications carriers in the country will be able to include in their offers to immediately provide a high-quality internet service.
- Bubbles of 4G/5G connectivity via satellite on high-voltage electricity towers. HISPASAT, REINTEL and Elewit have carried out a pilot project at the Red Eléctrica substation in Galapagar [Madrid] that has demonstrated that satellite terminals can be installed on high-voltage electricity towers to deploy 4G/5G connectivity bubbles in rural environments that contribute to reducing the digital divide in Spain and, in addition, it has allowed the correct operation of satellite terminals to be tested in such a unique electromagnetic environment as that of high-voltage electricity towers.
- Free satellite internet connectivity project in three of Peru's concessions [TESUR, TESUR 2 and TESUR 4], covering nine municipalities. The project will strengthen the connection capacity among public administration offices as well as provide public internet access in nearby areas.
- Satellite tele-education and telemedicine pilot projects in collaboration with the government of Ecuador: HISPASAT has donated a complete digital classroom and satellite broadband solution to five schools in remote areas of the country, benefiting more than 400 students. In addition, HISPASAT has agreed with the Ecuadorian government to donate a satellite telemedicine service to provide primary care remotely.

Natural disasters or emergency situations

Actions in 2021

- Provision of WiFi satellite terminals, satellite capacity and a HISPASAT tele-education solution to 15 schools and rural communities, following the catastrophe caused by hurricanes Eta and Iota in Honduras.

Digital literacy: reducing the digital skills gap

The Red Eléctrica Group seeks to reduce these inequalities through training initiatives that help to acquire basic digital skills so that people can use them in their daily lives and develop new social opportunities.

NOTEWORTHY PROJECTS TO BRIDGE THE DIGITAL SKILLS GAP

Vives Digital Project 2021-2022 [Asturias]

Actions in 2021

- Signing of the collaboration agreement with the Action Against Hunger Foundation.
- Design of the project to reduce the digital divide and improve the digital skills and knowledge of people from vulnerable groups to facilitate their socio-occupational integration, taking as a reference the European Framework of Digital Competences for Citizens [DigComp].

Territory

The Red Eléctrica Group contributes to the implementation of social initiatives that reduce urban-rural imbalances, driving the energy transition and promoting entrepreneurship and local innovation as key tools.

Local development

The Group addresses and promotes new innovative solutions to deal with the needs of the communities where it is present. This makes it possible to design a new approach to joining forces through the power of co-creation and collective impact and contributes to maintaining population numbers in rural areas. In this regard, the Group promotes agreements and alliances with local and social entities and maintains contact with the different public administrations and

NOTEWORTHY PROJECTS IN SUPPORT OF LOCAL DEVELOPMENT

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Holapueblo

Actions in 2021

- Launching the second edition of *Holapueblo* in collaboration with *Correos* (national postal service) and *AlmaNatura*.
- Analysis of 1,493 candidacies from entrepreneurs that submitted business projects.
- 37 entrepreneurs mentored.
- 25 entrepreneurs and their families have settled in 19 municipalities with depopulation problems.
- 70 entrepreneurs were helped.
- 109 local councils were involved.

Presura 2021: 5th National Fair for the repopulation of rural Spain

Actions in 2021

- *Presura**20 Fair (as a result of COVID-19 its celebration was postponed until May 2021).
- Support for the repopulation 'bus tour' roadshow under the slogan '*#ruralfemenino*'.
- *Presura**21 Fair (November 2021).
- Expansion of the network of collaboration between those involved in the fight against the depopulation of rural Spain.

RuralCar

Actions in 2021

- Presentation of the 'RuralCar' application at the *Presura**20 fair. App adapted to solving the mobility problems suffered by rural areas through the provision of a car service.
- Platform available for IOS and Android operating systems.

Holapueblo has helped 25 families to start a new life and activate local economies in 19 rural municipalities with depopulation problems.



social agents to enhance the values of the local community, contribute to the balance of the territories, promote sustainable local entrepreneurship and improve the lives of citizens.

Natural capital

The Red Eléctrica Group, through the formalisation of alliances, collaborates with rural territories in their economic development, participating in the creation of new opportunities based on the promotion of services generated

by ecosystems for human well-being, safeguarding natural resources in the surroundings of transmission grid facilities, supporting the use of **Nature-based Solutions (NBS)**, and contributing to optimising the efficiency of small agro-ecological farms.

NOTEWORTHY PROJECTS IN SUPPORT OF NATURAL CAPITAL

Pastoreo en RED [livestock grazing project]

Actions in 2021

- Publication of the 'Guide to livestock grazing', in collaboration with Agrovidar.
- Publication of the 'Guide for the evaluation of ecosystem services. Ecosystem services reinforced in the management of vegetation through grazing in the surrounding areas of the electricity transmission grid', in collaboration with the University of Alcalá [Alcalá de Henares].
- Presentation of the *Pastoreo en RED* [livestock grazing project] to European TSOs, at CONAMA 21 and at the International Union for Conservation of Nature (IUCN), as a Nature-based Solution.
- Identification of new locations in Galicia, La Rioja and León where *Pastoreo en RED* projects can be defined and incorporated.
- Signing of agreements to be implemented by 2022.

Municipalities for the energy transition

The Red Eléctrica Group plays an active role in the new energy transition model, carrying out activities that promote the energy transition and work towards ensuring that society is increasingly more informed in order to acquire greater skills that allow the Company to develop and maintain a sustainable energy model that efficiently satisfies the energy needs of citizens.

The Group promotes the training of rural energy communities and provides municipalities with the necessary tools and knowledge to allow it to become involved in the energy transition challenge.

NOTEWORTHY PROJECTS RELATED TO THE ENERGY TRANSITION

Guide for a rural energy community

Actions in 2021

- Signing of agreement with *Megara Energía S.Cop.*
- Contact with institutions interested in setting up energy communities in Andalusia, the Balearic Islands and the Canary Islands.
- Drafting and publication of the Guide.

Conservation of local culture

Promoting the protection, restoration, conservation and enhancement of the archaeological and architectural resources of the territories where the Group is present has always been one of its priorities, which is now reinforced by the commitment to help maintain the customs and traditions, the cultural wealth of our territories, which contribute to strengthening the identity of the regions by contributing to their well-being.

The Pastoreo en RED project has received a special mention from the jury of the European Commission in the Good Practice of the Year 2021 awards organised by the Renewables Grid Initiative (RGI).

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NOTEWORTHY PROJECTS RELATED TO LOCAL CULTURE

Digitalisation of the archaeological heritage of Cuenca and Guadalajara

Actions in 2021

- Signing of the collaboration agreement with the Regional Ministry of Education, Culture and Sport of Castilla-La Mancha.
- Implementation of a Geographic Information System regarding the public Cultural Heritage of Castilla-La Mancha.
- Around 12,500 integrated heritage elements registered in the five provinces.
- Signing of a new agreement for the digitalisation of heritage assets in Albacete and Cuenca.

Childhood and youth

The Red Eléctrica Group is aware of the strategic importance of an adequate long-term vision, and therefore wishes to contribute to reducing child poverty, collaborating with training entities and investing in education, and promoting youth employment, mainly associated with the demands arising as a result of the new energy transition model.

Child poverty

The Group works in collaboration with Third Sector entities and public administrations to identify and develop aid programmes to reduce and prevent child poverty in the territories in which the Company is present, as well as to promote digitalisation to facilitate access to digital education.

NOTEWORTHY PROJECTS RELATED TO CHILD POVERTY

Programme for access to vocational training related to the energy transition

Actions in 2021

- In collaboration with the High Commissioner for Child Poverty, a programme has been defined to combat early school leaving, to awaken vocations in professions of the future (ecological transition and digitalisation) and to facilitate access to vocational training. Aimed at adolescents in vulnerable situations.

Youth employment

The Red Eléctrica Group is working on identifying projects that help young people to acquire and improve key skills demanded by the labour market in order to contribute to the promotion of the green economy and generational change in rural areas, as well as projects aimed at accelerating the attraction of young talent to the energy sector in the context of the energy transition.



Training for the energy transition

The Red Eléctrica Group plays an active role in developing activities that promote the dissemination of information among schoolchildren regarding the operation of the Spanish electricity system and involve young people in the challenge posed by a fair energy transition.

NOTEWORTHY TRAINING PROJECTS FOR THE ENERGY TRANSITION

entreREDes Actions in 2021

- In the 2020-2021 academic year, 80 educational centres from seven Autonomous Communities took part, which means more than 14,000 students in the 2nd, 3rd and 4th years of Secondary Education have taken part.
- Holding of the 2nd *entreREDes* Olympics.
- Inclusion of the curricular contents of the 1st year of Secondary Education in *entreREDES* game for the 2021-2022 academic year.

Women

The Red Eléctrica Group has always sought to be one step ahead in matters of equality and is aware of how important an egalitarian society is for progress. In this regard, it works to promote social and labour equality for women as a lever of opportunity for all.

Social equality

The Group will work to implement projects to help eradicate gender-based violence, as well as to help women who have suffered from it. The Company will also support social inclusion programmes for women in rural areas.

NOTEWORTHY PROJECTS REGARDING SOCIAL EQUALITY

Plataforma Verde [Green Platform]

Actions in 2021

- Under the framework of the collaboration agreement with FADEMUR, a nationwide 'Marketplace' platform has been developed, which allows small producers from small-scale rural family farms to enter into the distribution of their quality products to local customers. In this regard, around a dozen producers have been selected to launch this pilot project in the Community of Madrid.



Labour integration

The Group is working to identify projects with which to collaborate in labour market integration programmes that empower women through the promotion of their personal autonomy and employment skills, and the Company will continue to promote equality between women and men in technical careers [STEM].

CORPORATE VOLUNTEERING

The Group's corporate volunteering model, updated in 2021, extends the Company's social action, promoting and strengthening collaboration in solidarity activities that respond to social needs, problems and interests defined in its key courses of action.

The corporate volunteering model has a **strategic and transformational focus**, so that the actions deployed aim, on the one hand, to channel internal talent to the corporate volunteering service and, on the other, to provide innovative solutions to social and environmental problems.

The actions carried out in 2021 have responded to the interest of the participating volunteers and have contributed primarily to improving the quality of life of groups at risk of social exclusion, promoting employability and meeting specific and actual society demands.

The situation arising from the COVID-19 pandemic has had a major impact on the development of these courses of action, as these have only been able to be carried out in virtual formats or small family groups. However, the Company achieved a level of participation of 23% [400 individual volunteers], once again exceeding the target set at the beginning of the year [20%].

MAIN CORPORATE VOLUNTEERING ACTIONS IN 2021

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Social volunteering

Experiment kit together with *Escuelab*

Promoting interest in science among disadvantaged groups with the creation of an Experiment Kit in conjunction with volunteers:

- 53 participating employees and 95 children.
- 72 experiment kits delivered.
- Contribution to scholarships for socially excluded children.

Landing *Aldeas Infantiles*

Campaign to collect money [online donations] for the purchase of school materials for children at risk of social exclusion for the 2021-2022 school year:

- 41 volunteers participated.
- 1,110 euros raised.

Christmas activities with the Spanish Red Cross

Collection of books for families at risk of social exclusion.

- 230 books collected.

Environmental volunteering

'*Diario de un Naturalista*' Telesforo Bravo-Juan Coello Canary Islands Foundation

Creation of a field notebook [entitled Diary of a Naturalist] by means of field trips that employees went on with their children during the holiday period or in their free time.

- 28 volunteers participated with their children.

'Mass waste collection' challenge with HandsOn Spain

Waste collection by volunteers in any area close to their home. Volunteers received a collection kit and a set of scales to weigh the kilos of waste collected.

- 50 volunteers participated with their families.
- 293 kg of waste collected.

Seed awareness workshops with *Globe Nature Medioambiente*

Workshops that aim to promote knowledge of the natural processes of food production, with special emphasis on the necessary promotion of the consumption of locally produce foodstuffs, ecological production and concepts such as food safety.

- 8 volunteers participated with their families, 20 people in total.

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A.1

Executive Report on the Management of the Code of Conduct and Ethics in 2021

The Annual Report on the Management of the Code of Conduct and Ethics sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group in 2021.

This Code seeks to provide an ethical guide for all the people of the companies that make up the Red Eléctrica Group, establishing the ethical values and the principles and standards that shall govern their business conduct when carrying out any of the Groups' activities.

The current edition of the Code of Conduct and Ethics of the Red Eléctrica Group was approved by the Board of Directors of the parent company on 26

May 2020, undertaking the requirements demanded by stakeholders and the recommendations of organisations of repute with influence in this area.

The Code of Conduct and Ethics is incumbent on the Group's entire workforce as well as on the members of the administrative bodies of the companies that make up the Red Eléctrica Group, in the performance of their duties and responsibilities, and is applied in all the companies in which the Group has a majority shareholding, regardless of their geographical location or business activity.

ETHICS MANAGER AND STAKEHOLDER OMBUDSMAN

To ensure understanding, implementation and enforcement of the Code of Conduct and Ethics, the Red Eléctrica Group appointed Carlos Méndez-Trelles García, General Counsel and Secretary of the Board of Directors, as Ethics Manager and Stakeholder Ombudsman.




The Code of Conduct and Ethics and Professional Conduct aims to provide an ethical guide for all the people of the companies of the Red Eléctrica Group, determining the ethical values and the principles and standards of conduct that shall govern their business activity.

The **responsibilities** of the Ethics Manager are the following:

- Resolve enquiries regarding the Code of Conduct and Ethics.
- Institute proceedings regarding grievances submitted and that are related to the application of the Code.
- Draft action plans to resolve grievances reported and submit them for approval by the Chairperson of the Red Eléctrica Group. If the grievance is related to a member of the Executive Committee or the Board of Directors, it will be submitted to the Chair of the Audit Committee or, where appropriate, to the Chair of the Sustainability Committee, depending on the nature of the grievance.
- Prepare a periodic review report on the ethics management system and propose actions to improve it.

ETHICS COMPLIANCE AND WHISTLEBLOWING CHANNEL

To promote the application of the Code of Conduct and Ethics, **a compliance and whistleblowing channel**  is available via the corporate website through which enquiries, grievances or suggestions can be submitted and conveyed to the Ethics Manager.

Regarding the whistleblowing system made available for the detection and handling of possible non-compliances, grievances, enquiries and suggestions, in 2021, seven enquiries or grievances were made to the Ethics Manager. Of the seven enquiries/grievances made, four came from internal

The Ethics Manager is responsible for ensuring the understanding, implementation and enforcement of the Code of Conduct and Ethics of the Red Eléctrica Group, resolving enquiries, advising stakeholders and securing the institution of proceedings regarding grievances submitted.

stakeholders and three from external stakeholders. The resolution time of the enquiries/grievances did not exceed 10 days. It should be noted that, in accordance with the rules of the Compliance and whistleblowing channel, an additional ten days are allotted for those grievances that are significantly more complex. / 406-1

The enquiries/grievances made have referred to the following ethical principles:

- Prevention of corruption.
- Conservation and improvement of the natural environment.
- Management of conflicts of interest.

In 2021, four grievances were received regarding compliance with the Code of Conduct and Ethics. The details of each grievance are shown below:

In 2021, the Ethics Manager did not receive any grievances regarding breaches of the Code related to criminal risks and none of the Group's subsidiary companies has been subject to investigation or been convicted by any court of law for infringements related to criminal risks.



- Grievance regarding the corporate ethical value 'integrity', filed by an employee of the Red Eléctrica Group, motivated by an alleged non-compliance with legal requirements and an alleged falsification of evidence within the framework of an external quality certification process. The grievance was dismissed and closed after duly performing the pertinent investigation, as the truthfulness of the facts reported could not be confirmed or proven.
- Grievance regarding the corporate ethical value 'respect', filed by an employee of the Red Eléctrica Group, motivated by an alleged case of harassment in the workplace. The grievance was dismissed and closed because the facts reported did not meet the requirements for considering the case as a situation of harassment in the workplace.
- Grievance regarding the corporate ethical value 'respect', filed by an employee of the Red Eléctrica Group, motivated by an alleged case of harassment in the workplace. The grievance was dismissed and closed because the facts reported did not meet the requirements for considering the case as a situation of harassment in the workplace. However, as the reported facts may entail a labour-related infringement of the corporate value 'respect', these have been reported to the area responsible for people management, so that said area may

adopt the necessary measures to remedy any infringement that may have been committed and inform the ethics manager about the courses of action taken to remedy the possible violations.

- Grievance which was reported anonymously in relation to a supplier of Red Eléctrica de España S.A.U. that could be committing irregularities in relation to the required documentation regarding its workers prior to carrying out fieldwork. The grievance was admitted for processing and the investigation carried out concluded that there were, in fact, indications of a possible breach of the Supplier Code of Conduct of the Red Eléctrica Group. Consequently, the results of the investigation were passed on to the area responsible for supplier

management, so that said area may adopt the necessary measures, when applicable, to remedy the situation and inform the ethics manager about the courses of action undertaken in relation to such supplier.

Among the functions undertaken by the Ethics Manager is the obligation to communicate and convey to the appropriate bodies the grievances that could lead to a criminal risk for the companies of the Red Eléctrica Group, in order for the Criminal Compliance Committee of the Group, of which the Ethics Manager is a member, to be able to assess the aforementioned grievances and, if appropriate, initiate an investigation into the grievance until it is clarified or resolved.

In 2021, as occurred in previous years, the Ethics Manager received no grievance on non-compliance related to criminal risk, and none of the companies of the Red Eléctrica Group has been subject to investigation or been convicted by any court of law for infringements related to criminal risks.

Actions for the promotion and dissemination of the compliance and whistleblowing channel

During 2021, in order to facilitate access to the Compliance and Whistleblowing Channel and give it greater visibility, the Compliance and Ethics section of Red Eléctrica's corporate website has been updated, creating a specific section



In 2021, the Compliance and Ethics section of Red Eléctrica's corporate website was updated.

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for said Channel that includes information on the type of communications that can be sent through it, how to manage enquiries and grievances, and the guarantees established for those who use the Channel.

Furthermore, within the framework of the 2021 Awareness and Training Plan on the culture of ethical compliance, in 2021, the Company carried out internal actions to disseminate the Code of Conduct and Ethics and information about the Compliance and Whistleblowing Channel by means of an e-learning course on ethics and compliance for the Company's employees. In this regard, during 2021, 83% of the Group's employees were trained in Ethics and the Whistleblowing management system of the Group, exceeding the target set at the beginning of the year which sought to train a minimum of 80% of the employees of all the Group's companies in these aspects.

INTEGRITY AND TRANSPARENCY

As a result of the commitment undertaken by the Red Eléctrica Group to prevent any practices related to corruption, bribery or facilitation payments, the Board of Directors of the parent company approved on 22 December 2015 the **'Guide for the Prevention of Corruption: zero tolerance'** as a fundamental element of the integrity model of the Red Eléctrica Group. It aims to provide a guide regarding the prevention of corruption for all professionals in the companies of the Red Eléctrica Group, setting out the commitments and action criteria, thereto, that should govern their professional activities within the same. Its purpose is to provide members of the Red Eléctrica Group with an analysis of the circumstances and risks they face in terms of corruption, as well as to advance in the dissemination of the criteria and instruments available to the Company for its eradication.

In 2021, the review process of the current Corruption Prevention Guide was commenced with the support of the organisation 'Transparency International', which has resulted in the drafting of a report on possible aspects that can be improved and recommendations to be taken into account in the review process, which is expected to be completed in 2022.

In 2021, no grievance was registered through the compliance and whistle-blowing channel regarding possible cases of corruption. None of the subsidiary companies of the Red Eléctrica Group has been subject to investigation or been convicted by any court of law for any non-compliance related to cases of corruption, in line with previous years.

RECOGNITIONS

In the field of external recognition, noteworthy is Red Eléctrica's leadership in the 'Code of Business Conduct' criterion of the S&P Global assessment conducted by the Dow Jones Sustainability Index [DJSI].

Red Eléctrica has obtained the maximum score [100 out of 100 points] in this criterion, reaching the top percentile [100] in the assessment and achieved the leadership position in its sector.

ALLIANCES

Among the initiatives in which Red Eléctrica Group has participated for the promotion of business ethics, noteworthy is its status as a premium member of the Foro de integridad corporativa ['Corporate integrity forum'] of the non-governmental organisation **'Transparency International' Spain**.

Similarly, the Red Eléctrica Group is a member of the **Spanish Compliance Association (AS-COM)** and forms part of the group of large companies that are part of the **Forética Transparency, Good Governance and Integrity Cluster**.

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Green Bond Report

After releasing its Green Finance Framework in September 2019, Red Eléctrica Group **has updated its framework in 2021 to be aligned** as much as possible with the current version of the proposed EU Green Bond Standard and to be fully aligned with the EU Taxonomy Delegated Act for sustainable economic activities.

Furthermore, Red Eléctrica issued its second Green Bond in May 2021, a €600 million green bond under the Euro Medium-Term Notes Program [EMTN].

As set out in the Red Eléctrica Group Green Finance Framework, the net proceeds of Green Finance Instruments will be exclusively used to finance



and/or refinance in whole or in part eligible assets (“Eligible Green Assets”) including related partnerships and joint ventures in the use of proceeds category, together forming the “**Eligible Green Asset Portfolio**”:

The Green Finance Framework sets the basis for the identification, selection, verification and reporting of the **Eligible Green Assets** as well as the management of the proceeds from Green Finance Instruments.

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ELIGIBLE GREEN ASSET PORTFOLIO

Use of proceeds category	EU Economic Activity	Detail asset description	ICMA GBP / LMA GLP
Electricity network	Transmission and Distribution of Electricity	<ul style="list-style-type: none"> Transmission assets, including projects directly aimed at increasing the production of renewables such as international interconnections, converters and connections between islands and with the mainland. Assets, part of the transmission network, aimed at improving the efficiency of the rail system (high speed rail lines and electrical connections). 	<p>Renewable Energy</p> <p>Clean Transportation</p>

Within the framework, the categories relating to Eligible Green Assets are aligned with the Sustainable Development Goals of the United Nations (UN SDGs), Goals 7 and 13 in particular.

Red Eléctrica Group Green Finance Framework is verified against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs) and the Green Loan Principles (GLPs). This information can be found in the corresponding Second Party Opinion (SPO) prepared

by Sustainalytics which is available on the [corporate website](#) ↗.

The Green Finance Framework sets the basis for the identification, selection, verification and reporting of the Eligible Green Assets.

The Eligible Green Asset Portfolio can include green assets (predominantly tangible assets and small amounts of intangible assets). Assets are included in the portfolio at their current IFRS balance sheet value, which will be updated annually to reflect investment and depreciation under IFRS.

Ernst and Young has provided limited assurance on specific elements of the allocation of the Green Bond proceeds. The Assurance Report is included in the **Annexes** section ↗ of this report.

With this report, Red Eléctrica Group fulfils its commitment as stated in its Green Finance Framework to report on the allocation of net proceeds and the associated environmental impacts annually until the proceeds of each Green Finance Instrument have been fully allocated.

ALLOCATION REPORT

Allocation report

Portfolio date: 31 December 2020

USE OF PROCEEDS ALLOCATION TABLE

Eligible Green Project Portfolio per 31 December 2020

ICMA GBT Category	Eligible Green Assets (mEUR)
Renewable Energy - Increasing the production of renewable energies	8,157
Transporte Limpio	142
Total Eligible Green Assets	8,299

Green Funding

Instrument (ISIN)	Issuance Date	Maturity Date	Amount (mEUR)
XS2103013210	24/01/2020	24/07/2028	700
XS2343540519	24/05/2021	24/05/2033	600
Total Green Funding			1,300

Percentage of Green Assets Portfolio allocated to Green Finance Instruments:	16%
Percentage of Net Proceeds of Green Funding allocated to Eligible Green Assets Portfolio:	100%
Percentage of Eligible Green Project Portfolio – Unallocated:	84%

This report contains information on the use of proceeds, allocation and impact reporting of the two Green Bonds issued to date.

Also included are case studies on two projects aimed at directly increasing the production of renewable energies. They provide background information on the assets that can be financed by the green finance instruments issued.

Notes to the allocation report

All proceeds from the Green Bonds issued have been fully allocated to the Eligible Green Assets categories and have been fully used for refinancing purposes.



The Electricity Network Assets [transmission infrastructure or equipment] complies with the following criterion:

More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; but excluding any infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh.

All the investments included in the portfolio have been carried out in Spain.

IMPACT REPORT

Impact Report

Portfolio date: 31 December 2020

ICMA / LMA Category	Eligible Green Assets (mEUR)	Share of total Portfolio Financing	Eligibility for Green Financing Instruments	Renewable energy installed capacity (in GW)	Estimated Renewables energy production (in GWh per year)	Installed capacity (in MVA)	Estimated avoided CO ₂ emissions (in tCO ₂ e per year) ^[1]	Contribution to specific UN SDG	Contribution to EU Environmental Objective
a/	b/	c/	d/	e/	e/	e/	e/		
Renewable Energy - Increasing the production of renewable energies	8,156.6	98 %	100 %	60	6,396		5,433,450	UN SDG 7, 13	Climate Change
Clean Transport	142.0	2 %	100 %			3,516		UN SDG 7, 13	Mitigation
Total	8,298.6	100 %	100 %	60	6,396	3,516	5,433,450		

[1] All of them are indirect emissions.

a/ Eligible category. b/ Eligible assets represents the amount legally committed by the issuer for the portfolio or portfolio components eligible for Green Finance Instruments. c/ This is the share of the total portfolio per Eligible category. d/ This is the share of the total portfolio costs that is eligible for Green Finance Instruments. e/ Impact reporting indicators per Eligible category.

Notes to the impact report

The impacts of the green assets are calculated as the sum of various parts of the asset base.

One part of the asset base enables the connection of new renewable capacity (MW) to the transmission grid.

The expected amount of increased production of renewable energy (MWh/year) is calculated by multiplying the installed power capacity by technology (MW), identified for each project, per the average annual production (hours/year).

It is considered an average annual production of 2,310 hours for wind generation and 1,684 hours for photovoltaic generation based in a mid-term horizon forecast analysis.

The estimated amount of CO₂ tones emissions avoided is calculated considering that the new renewable energy production will replace mainly combined cycle production, that have an emission of 0.355 tCO₂ equivalent/MWh. The total impact is estimated at 5,045 tCO₂ equivalent and 5,240 GWh renewable energy generated per annum.

A second part of the asset base is enhancing the transmission capacity for renewable energy in the grid.

The impact of these projects is calculated through a cost-benefit analysis. The main indicators are based on the methodology CBA 2.0 of ENTSO-E approved by the European Commission in 2018. The total impact is estimated at 388 tCO₂ equivalent and 1,156 GWh renewable energy generated per annum.



The total of these two parts of the asset base is estimated at $5,045+388=5,433$ tCO₂ equivalent avoided and $6,396 = 5,240+1,156$ GWh renewable energy generated per annum.

For the remaining part of the asset base, we calculate the impact as the installed renewable energy capacity that is being connected to the entire asset base over the past years. This is 60 GW for the current size of the green asset portfolio.

In the category Clean Transportation, the assets are aimed at improving the efficiency of the rail system.

The impact of this projects is calculated considering the increase in the installed capacity for the rail system over the past years. This is 3,516 MVA for the current size of the green asset portfolio.

CASE STUDY – SALTO DE CHIRA PUMPED STORAGE HYDROELECTRIC POWER PLANT

The Salto de Chira hydropower plant is an essential infrastructure in the push for sustainability of the new energy model in the Canary Islands, based on renewable energies.

This energy storage installation is an effective operation tool of the electrical system for improving supply guarantee, system security and renewable energy integration on the island of Gran Canaria.

The General Directorate for Energy of the Department of Ecological Transition, the Fight against Climate Change and Territorial Planning of the Government of the Canary Islands has issued the administrative authorisation for the Salto de Chira

pumped-storage hydroelectric power station project, to be built on the island of Gran Canaria. This is the first major energy storage project in the Canary Islands.

The approval of the preliminary administrative and construction permits, as well as the declaration of Public Utility of the project by the General Directorate for Energy of the Government of the Canary Islands, will allow construction work to begin on the energy storage infrastructure.

The authorised project will take advantage of the fact that there are two large inland reservoirs [the Chira and Soria dams] located on the island in order to build between them a 200-MW pumped-storage hydroelectric power station [equivalent to approximately 36% of the peak demand of the island of Gran Canaria] and an energy storage capacity of 3.5 GWh. Additionally, the project includes the construction of a seawater desalination plant and the associated marine works, as well as the necessary facilities for connection to the transmission grid.

Water will be an essential element for the operation of the new infrastructure, but it is also a scarce resource in the archipelago. Therefore, in order to fulfil its mission as an energy storage facility, the project includes the construction of a water desalination plant in the municipality of Arguineguín, which will guarantee the necessary flow in the reservoirs at all times.

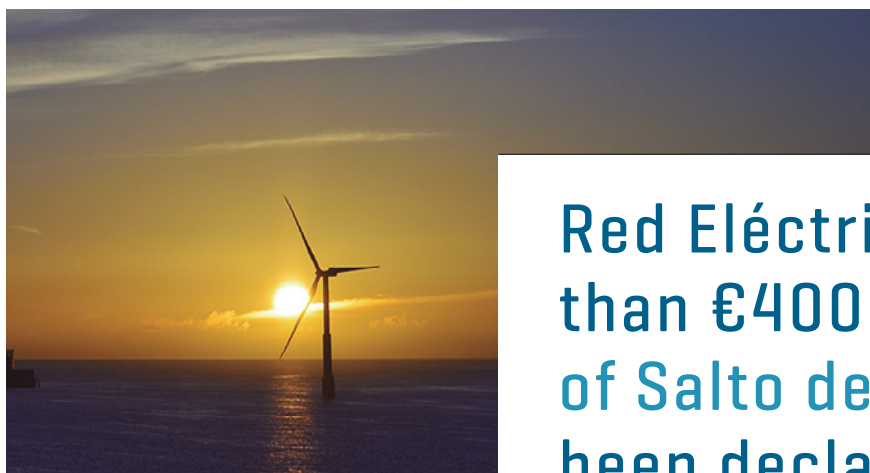
Red Eléctrica de España will invest more than €400 million in the construction of Salto de Chira, a project that has been declared of general interest by the Government of the Canary Islands. Project execution and completion is expected to take about 70 months as of the date the works commence.

Benefits of Salto de Chira

The benefits it will provide the Canary Islands' electricity system are the following:

- **Increased guarantee of supply** for Gran Canaria, by increasing the installed power capacity and strengthening the security of the electricity system; elements that are essential for an isolated electricity system, as is the case of the Canary Islands system, in order to reduce the vulnerability of the system as a whole. In addition, in the event of a supply interruption, this facility will help speed up and drastically shorten the service restoration times.
- **An increase in the integration of renewable energies** by having an essential facility to take advantage of the surplus of renewable energies and that will help integrate a greater amount of locally produced energy. In 2026, the power station will increase renewable energy production on the island by 37%, over the estimated energy that would be generated without the existence of this facility, would raise the average annual coverage of the demand using renewable generation to 51%, which may be much higher at specific times. This will lead to an additional reduction in annual CO₂ emissions of 20%.
- **Increased energy independence and savings** in variable generation costs amounting to 122 million euros per year by reducing imports of more expensive and polluting fossil fuels.

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Red Eléctrica de España will invest more than €400 million in the construction of Salto de Chira, a project that has been declared of general interest by the Government of the Canary Islands.

Furthermore, it is estimated that the project will generate 4,366 jobs, of which 3,518 will be generated in Gran Canaria (1,423 direct jobs, 1,987 indirect jobs and 109 induced jobs), contributing to the economic recovery of the Canary Islands archipelago in a sustainable manner and in line with the principles of the European Green Deal and the strategic lines and basic principles of the Pact for the Social and Economic Reactivation of the Canary Islands.

Additional information on this project can be found on the [corporate website](#) ↗ and in the [Integration of renewable energy](#) ↗ section of this report.

CASE STUDY 400 KV ALMARAZ-GUILLENA AXIS

This electricity infrastructure, which was allocated an investment of approximately 270 million euros, represents a significant improvement in the guarantee and quality of the electricity supply in the regions of Extremadura and Andalusia.

The 400 kV axis, links the central and southern areas of the Spanish peninsula, linking the substations of Almaraz, San Serván, Brovales and Guillena by means of 327 km of electricity lines. Similarly, the axis includes another 48 km of 220 kV lines to Mérida and Balboa. Objectives of the axis:

- Strengthen transmission grid meshing in an area with insufficient power generating stations.
- Further the interconnection with Portugal via the Guillena-Puebla de Guzman-Portuguese border axis.
- Provide support for the electricity distribution network in the area.
- Facilitate the evacuation of new renewable generation.

It is one of the substations that make up the electricity axis. It is comprised of 2 switchyards: one 400 kV in a one and a half switch configuration, and one



220 kV in a double busbar configuration. The connection between these two switchyards is performed through a 600 MVA autotransformer bank.

Main environmental measures applied in the axis:

- Comprehensive field survey of areas in which work is to be performed, as well as continuous environmental monitoring of work.
- Increasing the height of towers in order to save wooded areas.
- Signage and marking off of access routes and work areas close to populations of endangered or catalogued flora.
- 62% of towers assembled using a boom crane [a method that minimises the need to open access roads and work sites].
- Pilot cable hung by hand (142 km) to prevent damage arising from the use of vehicles.
- Conducting birdlife census in winter, pre-reproductive and reproductive periods.
- Comprehensive monitoring of birds in the migratory, pre-migration and wintering seasons.
- Biological stoppages of works in 78 towers during different periods.
- Marking of sections of line with bird flight diverters.
- Recovery and restoration of all areas affected by the works.

Additional information on this project can be found on the [corporate website](#). ↗

A.3

Information related to the EU Taxonomy

In 2018, the European Commission published its **Action Plan on Financing Sustainable Growth**, through which it launched a comprehensive strategy on sustainable financing. One of the objectives set out in the Action Plan was to reorient capital flows towards sustainable investments in order to achieve sustainable and inclusive growth.

The most important and urgent measure envisaged by the Action Plan was establishing a unified classification system for sustainable activities. The Action Plan recognises that the reorientation of capital flows towards more sustainable activities must be underpinned by a common understanding of the environmental sustainability of activities and investments.



As a first step, the definition of clear guidance on activities that qualify as contributing to the achievement of environmental targets provides investors with helpful information about investments that finance environmentally sustainable economic activities.

Following the aforementioned Action Plan, in June 2020 the European Parliament and the European Council adopted Regulation 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment [also called the Taxonomy Regulation].

This is a key milestone in the development of sustainable financing in the European Union (EU), as it sets out the criteria that qualify an economic activity as environmentally sustainable by establishing a list of environmentally sustainable economic activities.

The Taxonomy Regulation establishes that economic activities must be aligned with the following **technical screening criteria** in order to be considered sustainable:

1. Make a significant contribution to at least one of the 6 environmental objectives defined:
 - Climate change mitigation.
 - Climate change adaptation.
 - The sustainable use and protection of water and marine resources.
 - The transition to a circular economy.
 - Pollution prevention and control.
 - The protection and restoration of biodiversity and ecosystems.
2. Not cause any significant harm to any of the other environmental objectives.

3. Comply with minimum social safeguards (Human Rights).

In June 2021, the Delegated Act of the European Commission for the development of the Taxonomy Regulation was approved, which develops the sustainable activities for climate change mitigation and adaptation, and specifically establishes the list of activities that are considered environmentally sustainable.

The approved list includes the activity of transmission of electricity, specifically the activity of “construction and operation of transmission systems that transport the electricity on the extra-high-voltage and high-voltage interconnected system” as an activity that contributes to the mitigation of climate change.

Similarly, in July 2021, the European Commission adopted the Delegated Act supplementing Article 8 of the Taxonomy Regulation on the Transparency of companies in non-financial statements.

The Taxonomy Regulation is a key milestone in the development of sustainable financing in the European Union, as it establishes the technical criteria that an economic activity has to meet in order to qualify as environmentally sustainable.

Information for 2021 of the Red Eléctrica Group

*in compliance with the
Taxonomy regulation*

81.8%

of the Net Turnover/Revenue at year-end 2021 corresponds to eligible activities [79.6% in 2020].

75.6%

of CAPEX at year-end 2021 corresponds to eligible activities [89.4% in 2020].

75.1%

of OPEX at year-end 2021 corresponds to eligible activities [76.6% in 2020].

Article 8 states that non-financial companies shall disclose the following information:

- a) The proportion of its Net Turnover/Revenue that comes from products or services related to economic activities that qualify as environmentally sustainable in accordance with the Taxonomy regulation
- b) The proportion of its total Capital Expenditure [CAPEX] and the proportion of its Operating Expenditure [OPEX] of their activities related to assets or processes associated with environmentally sustainable economic activities pursuant to the Taxonomy regulation.



It also includes detailed information on the quantitative and qualitative aspects to be reported [KPIs] and the criteria for preparing such indicators, and partially delays the date by which the reporting of KPIs is mandatory.

In relation to the telecommunications activity carried out by the Group, the aforementioned Delegated Act does not include any mention of this activity, although, based on the parameters established, we understand that this activity would not cause any significant detriment to the environmental targets set out in the Taxonomy regulation.

METHODOLOGY FOR CALCULATING NET TURNOVER/REVENUE, CAPEX AND OPEX RATIOS

With regard to the calculation of the Net Turnover/Revenue, CAPEX and OPEX figures for the activity of transmission of electricity, as described in note 28 to the consolidated annual accounts on segment reporting, the Red Eléctrica Group segments its business activities based on their nature, reflecting the main branches of activity used by the Group in its management and decision-making processes.

As at 31 December 2021, the Group's operating segments and their main products, services and operations are as follows:

Management and operation of electricity infrastructure (Spain):

This segment includes the Group's main activity, through the performance of the functions of sole transmission agent and operator of the Spanish electricity system [TSO]. Its mission is to guarantee the security and continuity

of the electricity supply at all times and to manage high-voltage electricity transmission.

Since the activity included in the Taxonomy regulation is specifically the transmission activity (and does not include System Operation), the following regulations are applied to separate the various activities:

- Article 20.2 in Title III 'Economic and financial sustainability of the electricity system' of the Electricity Sector Act 24/2013, of 26 December, states that "Red Eléctrica de España, S.A.U. must keep separate accounts for the transmission activity, the operation of the peninsular system, and the operation of the system in non-peninsular systems".
- Circular 5/2009, of 16 July 2009, of the National Energy Commission (now the National Markets and Competition Commission ["CNMC"]) on accounting standards, annual accounts and financial statements of companies that carry out activities relating to electricity, natural gas and pipeline gas.
- Circular 1/2015, of 22 July, of the Spanish National Markets and Competition Commission, which establishes a regulatory reporting system for costs related to the regulated activities of transmission, re-gasification, storage and technical management of the natural gas system, as well as the transmission function and operation of the electricity system.

Therefore, the information relating to the separation of REE's activities into Transmission, System Operation and Other activities, is already being included in the Company's annual accounts and is being reported to the CNMC quarterly.

The activity of high-voltage electricity transmission is listed in the Taxonomy Regulation as an activity contributing to climate change mitigation.

The balances taken into account for the calculation of the ratios established by the Taxonomy Regulation were those relating to the Transmission activities in Spain.

Management and operation of electricity infrastructure abroad (International):

This segment includes the activities associated with the development of the business activity abroad as a natural avenue for growth, mainly focused on the construction and operation of electricity transmission grids outside Spain, as at 31 December 2021 in Peru, Chile and Brazil.

The international electricity infrastructure management and operation activity corresponds in its entirety to the transmission activity included in the Taxonomy Regulation.

Telecommunications (satellites and fibre optics): Activities not covered by the Taxonomy regulation.

In addition, the Group also carries out reinsurance and fosters innovation in the electricity and telecommunications sectors. The Taxonomy Regulation does not cover these activities.

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A.4

Frameworks and standards for sustainability disclosure GRI, SASB, TCFD and CDSB

- **Global Reporting Initiative** [GRI] context index.
- **Sustainability Accounting Standard Board** [SASB] index.
- Recommendations of the **Task Force on Climate-related Financial Disclosures** [TCFD].
- Reporting requirements of the **Climate Disclosure Standards Board** [CDSB] framework.

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GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX / 102-55

<i>GRI standard</i>	<i>Description</i>	<i>Page number</i>	<i>Direct answer</i>
GRI 101: Foundation [2016]			
GRI 102: General disclosures [2016]			
Organisational profile [2016]			
102-1	Name of the organisation.	31	
102-2	Activities, brands, products, and services.	25, 31	
102-3	Location of headquarters.	-	Paseo Conde de los Gaitanes, 177 Alcobendas [Madrid] - Spain
102-4	Location of operations.	25	
102-5	Ownerships and legal form.	31	
102-6	Markets served.	25	
102-7	Scale of the organisation.	2	
102-8	Information on employees and other workers.	2, 264	
102-9	Supply chain.	310	
102-10	Significant changes to the organisation and its supply chain.	9, 31	
102-11	Precautionary Principle or approach.	109, 270	
102-12	External initiatives.	98	
102-13	Memberships of associations.	358	
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	-	Not applicable. All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
EU2	Net energy output, broken down by primary energy source and by regulatory regime.	-	Not applicable. All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
EU3	Number of residential, industrial, institutional and commercial customer accounts.	331	
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	162	
EU5	Allocation of CO ₂ emissions allowances or equivalent, broken down by carbon trading framework.	-	Not applicable. The rights regarding CO ₂ Equivalent Emission Allowances do not apply to power transmission activities.

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GRI standard	Description	Page number	Direct answer
Strategy (2016)			
102-14	Statement from senior decision-makers.	3	
102-15	Key impacts, risks, and opportunities.	104, 112, 117	
Ethics and Integrity (2016)			
102-16	Values, principles, standards, and norms of behaviour.	205	
102-17	Mechanisms for advice and concerns about ethics.	205, 208	
Governance (2016)			
102-18	Governance structure.	60	
102-19	Delegating authority.	67	
102-20	Executive-level responsibility for economic, environmental and social topics.	67	
102-21	Consulting stakeholders on economic, environmental, and social topics.	68	
102-22	Composition of the highest governance body and its committees.	60	
102-23	Chair of the highest governance body.	64	
102-24	Nominating and selecting the highest governance body.	70	
102-25	Conflicts of interest.	72	
102-26	Role of the highest governance body in setting purpose, values, and strategy.	60	
102-27	Collective knowledge of highest governance body.	72	
102-28	Evaluating the highest governance body's performance.	72	
102-29	Identifying and managing economic, environmental, and social impacts.	117	
102-30	Effectiveness of risk management processes.	111	
102-31	Review of economic, environmental, and social topics.	111	
102-32	Highest governance body's role in sustainability reporting.	-	The Sustainability Committee of the Board has, among other duties and responsibilities, the oversight and coordination function of the reporting procedure regarding information on sustainability matters.

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GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI standard	Description	Page number	Direct answer
102-33	Communicating critical concerns.	68	
102-34	Nature and total number of critical concerns.	68	
102-35	Remuneration policies.	73	
102-36	Process for determining remuneration.	73	
102-37	Stakeholders' involvement in remuneration.	73	
102-38	Annual total compensation ratio.	-	The ratio between the total remuneration of the highest-paid individual of the organisation (1) and the average total remuneration of the entire workforce (2) (excluding the highest-paid individual) was 12 times.
102-39	Percentage increase in annual total compensation ratio.	-	The ratio between the percentage increase in annual total compensation of the highest-paid person in the organisation and the increase in that of the workforce was 0.0% in 2021.
Stakeholder engagement (2016)			
102-40	List of stakeholder groups.	88	
102-41	Collective bargaining agreements.	252, 267	
102-42	Identifying and selecting stakeholders.	88	
102-43	Approach to stakeholder engagement.	10, 92, 94	
102-44	Key topics and concerns raised.	10, 92, 94	
Reporting practice (2016)			
102-45	Entities included in the consolidated financial statements.	9, 31	
102-46	Defining report content and topic Boundaries.	10	
102-47	List of material topics.	10	
102-48	Restatements of information.	9	
102-49	Changes in reporting.	10	

[1] Total remuneration accrued of the highest-paid individual (CEO): 890,000 euros. Includes both the fixed and variable remuneration corresponding to his/her role as top executive of the Company, as well as the fixed remuneration corresponding to his/her role as a member of the Board of Directors and other compensation. Information available in note 25 of the Annual Consolidated Accounts of 'Red Eléctrica Corporación S.A. and Dependent Companies' and in the Annual Corporate Governance Report.

[2] The average total remuneration of the workforce excluding the highest-paid individual: 75,411 euros (personnel cost excluding social security costs). Information available in note 23 of the Annual Consolidated Accounts of 'Red Eléctrica Corporación S.A. and Dependent Companies'.

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GRI standard	Description	Page number	Direct answer
102-50	Reporting period.	6	
102-51	Date of most recent report.	7	
102-52	Reporting cycle.	7	
102-53	Contact point for questions regarding the report.	9	
102-54	Claims of reporting in accordance with the GRI Standards.	7	
102-55	GRI content index.	397	
102-56	External assurance.	9, 422	
GRI 201. Economic performance (2016)			
103-1	Explanation of the material topic and its Boundary.	225	
103-2	The management approach and its components.	225	
103-3	Evaluation of the management approach.	225	
201-1	Direct economic value generated and distributed.	226	
201-2	Financial implications and other risks and opportunities for the organisation due to climate change.	106, 123	
201-3	Obligations of the organisation for employee benefit programmes and other pension plans.	-	Information included in the 2021 Consolidated Annual Accounts Report
201-4	Financial assistance received from governments.	-	Information included in the 2021 Consolidated Annual Accounts Report
GRI 203: Indirect economic impacts (2016)			
203-1	Infrastructure investments and services supported.	158	
203-2	Significant indirect economic impacts.	345	
GRI 204. Procurement practices (2016)			
103-1	Explanation of the material topic and its boundary.	305	
103-2	The management approach and its components.	305	

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GRI standard	Description	Page number	Direct answer
103-3	Evaluation of the management approach.	305	
204-1	Proportion of spending on local suppliers..	310	
GRI 205. Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary.	216	
103-2	The management approach and its components.	216	
103-3	Evaluation of the management approach.	216	
205-1	Operations assessed for risks related to corruption.	216	
205-2	Communication and training about anti-corruption policies and procedures.	216	
205-3	Confirmed incidents of corruption and actions taken.	216	
GRI 206. Anti-competitive behaviour (2016)			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	-	There is no record that any third party has formally filed new claims/legal cases [whether civil, administrative or criminal] in 2021 regarding anti-competitive behaviour, monopoly practices or anti-trust, in accordance with the parameters shown for indicator 419-1.
GRI 207. Tax (2018)			
103-1	Explanation of the material topic and its Boundary.	345	
103-2	The management approach and its components.	345	
103-3	Evaluation of the management approach.	345	
207-1	Approach to tax.	349, 353	
207-2	Tax governance, control and risk management.	353	
207-3	Stakeholder engagement and management concerns related to tax.	353	
207-4	Country-by-country reporting..	350	

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<i>GRI standard</i>	<i>Description</i>	<i>Page number</i>	<i>Direct answer</i>
Availability and reliability [2016]			
103-1	Explanation of the material topic and its Boundary.	158	
103-2	The management approach and its components.	158	
103-3	Evaluation of the management approach.	158	
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	159	
System efficiency [2016]			
103-1	Explanation of the material topic and its Boundary.	195	
103-2	The management approach and its components.	195	
103-3	Evaluation of the management approach.	195	
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	-	Not applicable. All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
EU12	Transmission and distribution losses as a percentage of total energy.	195	
GRI 302. Energy [2016]			
103-1	Explanation of the material topic and its Boundary.	182	
103-2	The management approach and its components.	182	
103-3	Evaluation of the management approach.	182	
302-1	Energy consumption within the organisation.	197, 198	
302-2	Energy consumption outside of the organisation.	199	
302-3	Energy intensity.	199	
302-4	Reduction of energy consumption.	199	
302-5	Reductions in energy requirements of products and services.	-	Not applicable. Red Eléctrica, as electricity system operator, carries out various demand-side management initiatives aimed at improving energy efficiency of the electricity system as a whole, but it does not produce or market products or services, whereby it is not possible to quantify the energy reductions that may result from them.

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GRI standard	Description	Page number	Direct answer
GRI 303. Water and effluents (2018)			
303-1	Interactions with water as a shared resource.	-	Although water has not been a material issue in the materiality study conducted by the Company, the Red Eléctrica Group has decided to include and verify it, as it is an aspect demanded by some sustainability indexes.
303-2	Management of water discharge related impacts.	-	Not applicable. The activities of the Company do not lead to water discharges. In the case of substations, only rainwater discharges occur.
303-3	Water withdrawal.	302	
303-4	Water discharge.	-	Not applicable. The activities of the Company do not lead to water discharges. In the case of substations, only rainwater discharges occur.
303-5	Water consumption.	302	
GRI 304. Biodiversity (2016)			
103-1	Explanation of the material topic and its Boundary.	282	
103-2	The management approach and its components.	282	
103-3	Evaluation of the management approach.	282	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	302	
304-2	Significant impacts of activities, products, and services on biodiversity.	287, 288, 302, 304	
304-3	Habitats protected or restored.	287, 291, 360	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	291, 302, 303, 304	
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	-	The comparison of the offset habitat with the affected area is not applicable, as the impacts on the original habitat are minimal. Thanks to the preventive and corrective measures implemented, Red Eléctrica facilities do not entail a loss of biodiversity that is significant enough so as to require the establishment of offset habitats. The impacts generated are one-off situations, having established, in given cases, very specific offsetting measures such as planting forested areas or the restoration of habitats.

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GRI standard	Description	Page number	Direct answer
GRI 305. Emissions (2016)			
103-1	Explanation of the material topic and its Boundary.	182, 153	
103-2	The management approach and its components.	182, 153	
103-3	Evaluation of the management approach.	182, 153	
305-1	Direct GHG emissions [Scope 1].	185, 186, 200	
305-2	Energy indirect GHG emissions [Scope 2].	185, 186, 200	
305-3	Other indirect GHG emissions [Scope 3].	185, 186, 201	
305-4	GHG emissions intensity.	201	
305-5	Reduction of GHG emissions.	202	
305-6	Emissions of ozone-depleting substances (ODS).	-	Not applicable. There is a total of 32 kg of R-22 installed in air conditioning equipment in Peru. Emissions of this gas can be considered not relevant since the equipment is properly maintained.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions.	-	Not applicable. The activities of the Company do not give rise to these types of emissions as its activities do not involve the burning of fossil fuels – the Company does not generate electricity. However, the Company uses fossil fuel in vehicles and diesel generator sets, although the associated emissions are not considered relevant under this aspect.
GRI 306. Water and effluents (2016)			
306-1	Water discharge by quality and destination.	-	Not applicable. The activities of the Company do not give rise to discharges. In the case of substations, only rainwater discharges occur.
306-2	Waste by type and disposal method.	301	
306-3	Significant spills.	301	
306-4	Transport of hazardous waste.	301	
306-5	Water bodies affected by water discharges and/or runoff.	-	Not applicable. Rainwater discharges from substations [which is the only water discharge associated with the activities of Red Eléctrica de España that takes place] do not affect water resources nor the associated habitats.

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GRI standard	Description	Page number	Direct answer
GRI 307. Environmental compliance (2016)			
307-1	Non-compliance with environmental laws and regulations.	300	
GRI 308. Supplier environmental assessment (2016)			
103-1	Explanation of the material topic and its Boundary.	269, 305	
103-2	The management approach and its components.	269, 305	
103-3	Evaluation of the management approach.	269, 305	
308-1	New suppliers that were screened using environmental criteria.	271, 319	
308-2	Negative environmental impacts in the supply chain and actions taken.	271, 312	
GRI 401. Employment (2016)			
401-1	New employee hires and employee turnover.	235, 265, 266	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	262	
401-3	Parental leave.	267	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	266	
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	261, 268	
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	261	
GRI 402. Labour/Management Relations (2016)			
402-1	Minimum notice periods regarding operational changes.	252	

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GRI standard	Description	Page number	Direct answer
GRI 403. Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary.	254	
103-2	The management approach and its components.	254	
103-3	Evaluation of the management approach.	254	
403-1	Occupational health and safety management system	254	
403-2	Hazard identification, risk assessment, and incident investigation.	254, 255, 268	
403-3	Occupational health services.	254, 255	
403-4	Worker participation, consultation, and communication on occupational health and safety.	254	
403-5	Worker training on occupational health and safety	261	
403-6	Promotion of worker health.	258	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	255	
403-8	Workers covered by an occupational health and safety management system.	254	
403-9	Work-related injuries.	-	See answer to 403-10
403-10	Work-related ill health.	-	The topic-specific disclosures referred to in this GRI indicator are calculated in compliance with the associated regulations pursuant to the standards of the Ministry of Labour. ↪
GRI 404. Training and education (2016)			
103-1	Explanation of the material topic and its Boundary.	243	
103-2	The management approach and its components.	243	
103-3	Evaluation of the management approach.	243	
404-1	Average hours of training per year per employee.	267	
404-2	Programs for upgrading employee skills and transition assistance programs.	243, 244, 248	
404-3	Percentage of employees receiving regular performance and career development reviews.	267	

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<i>GRI standard</i>	<i>Description</i>	<i>Page number</i>	<i>Direct answer</i>
GRI 405. Diversity and equal opportunity (2016)			
103-1	Explanation of the material topic and its Boundary.	239	
103-2	The management approach and its components.	239	
103-3	Evaluation of the management approach.	239	
405-1	Diversity of governance bodies and employees.	62, 63, 264, 265	
405-2	Ratio of basic salary and remuneration of women to men.	266	
GRI 406. Non-discrimination (2016)			
103-1	Explanation of the material topic and its Boundary.	205	
103-2	The management approach and its components.	205	
103-3	Evaluation of the management approach.	205	
406-1	Incidents of discrimination and corrective actions taken.	209, 381	
GRI 407. Freedom of association and collective bargaining (2016)			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	221	
GRI 408. Child labour (2016)			
408-1	Operations and suppliers at significant risk for incidents of child labour.	221	
GRI 409. Forced or compulsory labour (2016)			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	221	
GRI 410. Security practices (2016)			
410-1	Security personnel trained in human rights policies or procedures.	224	

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<i>GRI standard</i>	<i>Description</i>	<i>Page number</i>	<i>Direct answer</i>
GRI 411. Rights of indigenous peoples (2016)			
411-1	Incidents of violations involving rights of indigenous peoples.	222	
GRI 412. Human rights assessment (2016)			
412-1	Operations that have been subject to human rights reviews or impact assessments.	222	
412-2	Employee training on human rights policies or procedures.	224	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	222	
GRI 413. Local communities (2016)			
103-1	Explanation of the material topic and its Boundary.	356	
103-2	The management approach and its components.	356	
103-3	Evaluation of the management approach.	356	
413-1	Operations with local community engagement, impact assessments, and development programs.	356	
413-2	Operations with significant actual and potential negative impacts on local communities.	275	
EU22	Number of people physically or economically displaced and compensation by type of project.	-	Not applicable. Red Eléctrica's facilities do not entail any type of displacement of people.
GRI 414. Supplier social assessment (2016)			
103-1	Explanation of the material topic and its Boundary.	305	
103-2	The management approach and its components.	305	
103-3	Evaluation of the management approach.	305	

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GRI standard	Description	Page number	Direct answer
414-1	New suppliers that were screened using social criteria.	319	
414-2	Negative social impacts in the supply chain and actions taken.	312	
GRI 416. Customer Health and Safety (2016)			
416-1	Assessment of the health and safety impacts of product and service categories.	279	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.	281	On 29 June 2021, a sanctioning resolution was issued by the Governing Council of the Regional Government of Andalusia regarding disciplinary proceeding no. MA-37/2017, in which it ruled to impose a fine of 6,000,001 euros on Red Eléctrica de España, S.A.U., for committing an infraction classified as very serious pursuant to article 64.15 of Law 24/2013, of December 26, of the Electricity Sector Regulation. Red Eléctrica de España, S.A.U. was charged with building a substation bay without administrative authorization. Red Eléctrica de España, S.A.U., considering that it has not committed any infraction, has filed an appeal under the contentious-administrative jurisdiction against the referred administrative ruling before the Contentious-Administrative Chamber of the High Court of Justice of Andalusia; which is currently in administrative processing.
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	-	<p>Also, on 18 November 2021, the Regional Government of the Canary Islands issued a sanctioning resolution regarding disciplinary proceeding ES.AE.TF. 10/2019, in which it ruled to impose a fine of 11,190,751 euros on Red Eléctrica de España, S.A.U., for committing two infractions classified as very serious pursuant to sections 16 and 31 of article 64.15 of Law 24/2013, of December 26, of the Electricity Sector Regulation. Said sanction is related to the power supply outage that occurred in Tenerife on 29 September 29, 2019.</p> <p>Red Eléctrica de España, S.A.U., has filed an appeal under the contentious-administrative jurisdiction against the referred administrative ruling before the Contentious-Administrative Chamber of the High Court of Justice of Tenerife; which is currently in administrative processing.</p> <p>These two fines are the only ones imposed on Red Eléctrica Corporación S.A. or its subsidiaries in Spain that are considered significant for the purposes of this document, in accordance with the parameters shown for indicator 419-1.</p> <p>There is no record that any third party has formally filed claims/legal cases (whether civil, administrative or criminal) in 2021 related to injuries, fatalities or diseases among citizens involving company assets, in accordance with the parameters shown for indicator 419-1.</p>

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Estándar GRI	Descripción	Page number	Direct answer
Energy access (2016)			
EU26	Percentage of population unserved in licensed distribution or service areas.	-	Not applicable. As a high voltage transmission agent, Red Eléctrica does not reach the final consumer.
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	-	Not applicable. Red Eléctrica is not involved in any electricity distribution activity, only high-voltage transmission. The quality indicators of the transmission activity are shown in the section called 'Decarbonization of the Economy'.
EU28	Power outage frequency.	168	
EU29	Average power outage duration.	168	
EU30	Average plant availability factor by energy source and by regulatory regime.	-	Not applicable. All the Group's activities are related to the transmission of electricity and the operation of electricity systems, but not to the generation of electricity.
GRI 418. Customer Privacy (2016)			
103-1	Explanation of the material topic and its Boundary.	205	
103-2	The management approach and its components.	205	
103-3	Evaluation of the management approach.	205	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	-	There is no record of any substantiated claims or grievances filed in 2021 concerning breaches to customer privacy and/or losses of customer data.
GRI 419. Socioeconomic Compliance (2016)			
419-1	Non-compliance with laws and regulations in the social and economic area.	-	<p>The Company has not been imposed significant fines or non-monetary sanctions for non-compliance with legislation and regulations in the social or economic area.</p> <p>Compensation payments, fines or sanctions of a significant nature are considered those whose economic value exceeds 500,000 euros or those that by their nature have a special impact on the company due to its connection with the electricity sector. Similarly, it has been taken as a criterion of reference that the sanction be firm, at least via the administrative procedure.</p>

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) INDEX ⁴¹

The activity of the Red Eléctrica Group is encompassed within the following industries:

• **Electric Utilities and Power Generators**, made up of those companies that generate electricity, build and operate power transmission and distribution lines and sell electricity, including companies that operate in both regulated

and unregulated businesses, and that in any case are challenged by the complex mission to ensure supply and access to energy.

• **Telecommunications Services**, made up of wired and wireless telecommunications companies, as well as companies that provide cable and satellite services.

→ Sustainability issues and activity metrics

Issue	Associated metric	Page number
Infrastructure Sector: Electric Utilities and Power Generators		
Greenhouse Gas Emissions & Energy Resource Planning	- Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations, and percentage covered under emissions-reporting regulations.	185, 186, 200
Workforce Health & Safety	- Total recordable injury rate (TRIR). - Fatality rate.	258, 268
Activity Parameter	- Length of power transmission and distribution lines.	166
Technology and Telecommunications Sector: Telecommunications services		
Environmental Footprint of Operations	- Total energy consumed. - Percentage of grid electricity consumed. - Percentage of renewable energy consumed.	197 and following pages
Data privacy	- Discussion of policies and practices relating to collection, usage, and retention of customer information and personally identifiable information. - Total amount of legal and regulatory fines and settlements associated with customer privacy.	217 and following pages
Data security	- Number of data security breaches and percentage involving customers' personally identifiable information and number of customers affected. - Discussion of the approach applied to identify and address data security risks and use of benchmark cyber security standards.	217 and following pages
Competitive behaviour	- Total amount of legal and regulatory fines and settlements associated with anti-competitive practices.	401

Note. Only those issues included in the reporting framework defined by the Sustainability Accounting Standards Board that are material and/or applicable to the Red Eléctrica Group, taking into account its activity, are included.

RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

GOVERNANCE

a- Describe the Board's governance and supervision of climate-related risks and opportunities.

b- Describe management's role in assessing and managing climate-related risks and opportunities.

Risks:

- The management of climate-related risks is integrated into the Company's risk management. The organisational structure regarding risk management and control is included on [page 111](#).
- Particular issues regarding the governance of climate-related risks are specified on [page 126](#).

Opportunities:

- The Board's management role is described on [page 106](#)
- The governance scheme is similar to that of corporate risks ([page 111](#)), with the particularity that the support functions to the organisational units in the identification, assessment, management, monitoring and information on opportunities are carried out by the Corporate Sustainability Management Area.

STRATEGY

a- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

b- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Risks:

- Climate-related risks are identified over the short, medium and long term. The description of the risks and their impact, including their financial impact, is included on [pages 125 y 126](#).
- The climate-related risks identified over the short term are also included in the corporate risk map (specifically on [page 117 and following ones](#)).

Opportunities:

- Description of climate-related opportunities and their impact is described on [page 108](#).

c- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower global warming scenario.

The organisation's resilience (adaptation capacity) is considered in the climate risk assessment process, which is carried out taking into consideration different climate-related scenarios, including a 2°C or lower global warming scenario - [page 124](#).

The application of risk mitigation measures (described on [page 125-126](#)) increase the organisation's resilience to climate risks. This is reflected in the result of the monetisation of the relevant risks - [page 126](#).

RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

RISK MANAGEMENT

a- Describe processes for identifying and assessing climate-related risks.

- The process for identifying and assessing climate-related risks is summarised on [page 123-124](#).
- The management of climate-related risks is integrated into the Company's risk management ([pages 110-117](#)).
- The particularities of the management of climate-related risks are specified on [page 123 and following ones](#).

b- Describe processes for managing climate-related risks.

c- Describe how processes for identifying, assessing, and managing climate-related risks are **integrated** into overall risk management.

METRICS AND TARGETS

a- Disclose the **metrics** used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Numerous metrics are used in the assessment process of climate-related risks and opportunities, some of them specific to each of the assessed risks/opportunities. Some of the most relevant are those related to the quality of supply ([page 168](#)), the development of the transmission grid ([pages 162, 166](#)), the integration of renewables ([pages 170-174](#)) and the development of energy storage systems ([pages 175-178](#)).

b- Disclose **Scope 1, Scope 2** and, if appropriate, **Scope 3 greenhouse gas (GHG) emissions** and the related risks.

The GHG emissions inventory (Scopes 1, 2 and 3) is detailed on [pages 200-201](#). No specific relevant risks associated with the emissions have been identified.

c- Describe the **targets** used by the organization to manage climate-related risks and opportunities and **performance** against targets.

Due to the characteristics of the Red Eléctrica Group, the climate-related risks and opportunities are completely linked to the Company's activities. For this reason, the description of objectives to manage climate-related risks and opportunities, as well as how it is carried out, is developed throughout the report:

Strategic plan ([pages 41-47](#)); Climate Change Action Plan ([pages 155-156](#)); Sustainable development of the grid ([pages 158-168](#)); Maintenance of facilities ([page 167](#)); Integration of renewables ([pages 169-174](#)); Energy storage ([pages 175-178](#)); Flexibility of the system and smart grids ([pages 179-181](#)); Reduction of the carbon footprint ([pages 182-202](#)); Green financing ([pages 227-230 and 285-391](#)) and Fire prevention ([pages 290-291 and 366](#)).

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REPORTING REQUIREMENTS OF THE CLIMATE DISCLOSURE STANDARDS BOARD (CDSB) FRAMEWORK ⁻ⁱ

Requirements	Description	Page
REQ-01	Governance. The disclosures shall describe the governance of environmental policies, strategy and information.	84, 270
REQ-02	Management's environmental policies, strategy and targets. Disclosures shall report management's environmental policies, strategy and targets, including the indicators, plans and timelines used to assess performance.	151 and following pages, 182 and following pages, 269 and following pages, 360 and following pages.
REQ-03	Risks and opportunities. Disclosures shall explain the material current and anticipated environmental risks and opportunities affecting the organisation.	106 and following pages, 117 and following pages, 123 and following pages.
REQ-04	Sources of environmental impact. Quantitative and qualitative results, together with the methodologies used to prepare them, shall be reported to reflect material sources of environmental impact.	151 and following pages, 182 and following pages, 269 and following pages, 360 and following pages.
REQ-05	Performance and comparative analysis. Disclosures shall include an analysis of the information disclosed in REQ-04 ('Sources of environmental impact') compared with any performance targets set and with results reported in a previous period.	151 and following pages, 182 and following pages, 269 and following pages, 360 and following pages.
REQ-06	Outlook Management. Disclosures shall summarise their conclusions about the effect of environmental impacts, risks and opportunities on the organisation's future performance and position.	106 and following pages, 117 and following pages, 123 and following pages.
REQ-07	Organisational Boundary. Environmental information shall be prepared for the entities within the boundary of the organisation or group for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary. Information shall describe the basis on which the organisation's reporting scope has been determined.	8
REQ-08	Reporting policies. Disclosures shall cite the reporting provisions used for preparing environmental information and shall (except in the first year of reporting) confirm that they have been used consistently from one reporting period to the next.	7, 8, 184
REQ-09	Reporting period. Disclosures shall be provided on an annual basis.	6 and following pages.
REQ-10	Restatements. Disclosures shall report and explain any prior year restatements.	6 and following pages.
REQ-11	Conformance. Disclosures shall include a statement of conformance with the CDSB Framework.	6 and following pages.
REQ-12	Assurance. If assurance has been provided over whether reported environmental information is in conformance with the CDSB Framework, this shall be included in or cross-referenced to the statement of conformance of REQ-11.	6 and following pages.

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A.5

Additional Information



Value creation of the Red Eléctrica Group business model



Value creation of the Red Eléctrica Group business model

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

- **Taking a leading role in the energy transition**, through the integration of renewable energy, energy efficiency and the electrification of the economy.
- **Guaranteeing an efficient, safe and sustainable electricity supply** for all of society, through the neutral management of the transmission grid.
- **Being a benchmark operator in the management of telecommunications infrastructure** is a strategic element for society and future economic development.
- **Contributing to reducing the digital divide** by improving the connectivity

of the communities in the vicinity of the Group's infrastructure and facilitating their access to information and communication technologies.

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

PG 2 ↩



Our sustainability priorities Anticipating change and taking action

Promote a corporate culture of innovation and flexibility that allows us to identify growth opportunities and respond to the challenges of the future, anticipating and adapting both

to global trends and to the regulatory environment arising from the new energy model.

Decarbonisation of the economy

Be a proactive agent in the energy transition towards a zero-emission model, advocating for the electrification of the economy and the efficient integration of renewable energy, through a robust and better-interconnected grid, as well as through the development and operation of energy storage systems.

Responsible value chain

Extend our responsibility commitment to all links in the value chain, ranging from our employees to suppliers and customers, accomplishing this through the creation of alliances and by basing it on our corporate governance and integrity model.

Contribution to social, economic and environmental development

Contribute to the economic, environmental and social progress of society, through the provision of a key service in a safe and efficient manner. This is achieved by promoting environmental conservation, the quality of life and the social well-being of people. We also seek to involve the

communities, where our facilities are located, in all aspects relating to our activity to generate a mutual benefit that has a positive impact on society as a whole.

PG 2 ↩

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1 The Red Eléctrica Group



Electricity business in Spain



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

- 44,687 km of line circuit.
- 6,104 substations.
- 48.4% share of renewables in the mainland generation mix in 2021.

PG 25 ↩

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Red Eléctrica Infraestructuras en Canarias (REINCAN) is a subsidiary company of the Group through which the development and promotion of pumped storage power stations in the Canary Islands are channelled, and whose purpose is to guarantee the supply of electricity, ensure the security of the system and optimise the integration of non-manageable renewable energy.

PG 25 ↗



Electricity business abroad



RED ELÉCTRICA INTERNACIONAL is focused on the construction and operation of electricity transmission grids outside Spain (Peru, Chile and Brazil). The company also carries out maintenance services for medium and high-voltage electricity infrastructure, protection systems, telecommunication systems, as well as offering technical consulting services for energy projects in Peru.

• **1,558 km of electricity infrastructure in service in Peru.**

• **1,491 km of electricity infrastructure in service in Chile.**

• **1,430 km of electricity infrastructure in service in Brazil.**

PG 25 ↗



Telecommunications business



REINTEL manages and operates the dark fibre optic network deployed through the electricity transmission grid and the dark fibre associated with the railway infrastructure in Spain, acting as a neutral provider of telecommunications networks for the main agents in the sector and telecommunications operators with a presence in Spain.

• **52,222 km of dark fibre optic network in Spain.**

• **49 of the 50 provinces in Spain have dark fibre optic coverage.**

PG 25 ↗



HISPASAT offers satellite communications services for video, data transmission and mobility

services through its seven satellites currently in operation.

• **8th largest satellite operator worldwide.**

• **4th largest satellite operator in Latin America.**

PG 25 ↗



Technological innovation



Elewit is the Group's technology platform, which aims to drive the energy transition and promote connectivity to create a more sustainable future.

• **124 innovation projects.**

• **11.40 M€ investment in innovation and technological development.**

PG 25 ↗

3 Corporate governance



A reduced, balanced and efficient Board of Directors

Article 20 of the Corporate By-laws sets **the term of office for directorships at four years**, and the directors may

be re-elected indefinitely, without prejudice to the authority of the Annual General Shareholders' Meeting to remove directors at any time. According to article 7 of the Regulations of the Board of Directors, independent directors may not continue discharging their duties as independent directors for a continuous period of more than twelve years.

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

In this regard, Article 7 of the Regulations of the Board establishes that **independent directors** of the Board **cannot hold directorships on more than two boards of directors at other listed companies**, unless expressly approved by the Board itself.

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Similarly, it establishes that nominee directors cannot simultaneously hold directorships in more than **five listed companies**, whereas **Executive directors** may only hold a directorship on one board of directors of another company; this limit does not include positions on boards of directors of the Company's subsidiaries or investees.

PG 62 ↗



Conflicts of interest

In compliance with Article 31 e) of the Regulations of the Board, the board directors shall adopt the necessary measures to avoid situations in which their interests, whether for their own account or that of another, can come into conflict with the interests of the business and with their duties to the Company. Article 32 of the Regulations of the Board sets out details regarding the duty to avoid situations of conflicts of interest referred to in Article 31 e) and specifically in relation to those situations referred to therein in which the board director must abstain.

PG 72 ↗

4 Sustainability Commitment



The priority SDGs for the Red Eléctrica Group



The Red Eléctrica Group plays an active role in the transition towards a new energy model that is more competitive and sustainable, as it is a key agent for ensuring that aspects such as the development of the transmission grid and cross-border connections, the efficient integration of renewable energy and the management of electricity demand are carried out successfully in the Spanish electricity system.

PG 83 ↗



The Red Eléctrica Group contributes to the economic growth of the countries in which the Company operates, generating full and productive employment and decent work for all, as well as contributing shared value to the economic, environmental and social progress of the communities where its facilities are located.

PG 83 ↗



The Red Eléctrica Group contributes to this goal through the construction of reliable, sustainable, resilient and high-quality infrastructure that seeks to maximise the socio-economic integration of its activities into the territories where the Company has a presence, as well as to ensure the comprehensive security of the facilities. Part of the goal encompasses taking the necessary steps towards promoting the digitalisation of its activities and services.

PG 83 ↗



The Red Eléctrica Group plays a key role in the transition towards a new energy model, which is necessary to contribute to the fight against climate change and to transition towards a new decarbonised energy model.

PG 83 ↗



The Red Eléctrica Group contributes to this goal by minimising the impact on marine ecosystems by applying conservation and protection criteria when carrying out submarine electricity interconnection projects and through

the implementation of restoration and recovery projects, such as the *Posidonia oceanica* seagrass meadows.

PG 83 ↗



The Red Eléctrica Group contributes by integrating its facilities into the natural environment and into those territories where it conducts its business activity, taking into consideration the complete life cycle of the facilities and by paying special attention to the conservation of biodiversity.

PG 83 ↗

5.2 Risk management



Comprehensive risk management policy

The general procedure for comprehensive risk management and control governs the process for the identification, analysis, assessment and control of the management of the relevant risks faced by the Red Eléctrica Group. This process is carried out to ensure that the various levels of management of the Group are fully aware of the risks and assess those that may jeopardise the Group's

strategies and objectives, and that the management of these risks is undertaken in accordance with the acceptable risk limits established.

PG 110 ↪



Comprehensive risk management and control procedure

The Comprehensive Risk Management Policy is approved by the Board of Directors and establishes the general principles and guidelines of the system for risk management, sets the acceptable level of risk of the Red Eléctrica Group and provides specific guidelines for action regarding how to manage and mitigate the different risk categories, including tax risks.

PG 110 ↪

6.3 Integration of renewables



Benefits of the Salto de Chira pumped storage hydroelectric power station

Reduction of Greenhouse Gases (GHG)

Once the hydroelectric power station is commissioned, it will contribute to a reduction in annual CO₂ emissions of around 20% compared to the overall emissions that could be generated on the island if the Salto de Chira power station did not exist.

Improved security of supply

This is possible due to the fast and efficient availability of 200 MW of turbine power capacity. Furthermore, in the event of a supply interruption, it will help speed up and drastically reduce the time required to restore the system.

Greater system security

As a result of its capacity to help regulate the frequency of the system, it will contribute to offsetting the variability linked to renewable energy generation and keep the frequency values stable.

Increased energy independence and a cost-saving for the system

Annual reduction of 122 million euros in variable generation costs by reducing imports of fossil fuels, which are more expensive and polluting. The commissioning of the power station will avoid the need to import and burn 2.6 million tonnes of fuel oil annually.

Decrease in water stress

The desalination plant makes it possible to fill the dams to the minimum operating level and replenish evaporation and infiltration losses during plant operation. The desalinated water obtained replenishes the aquifers, preserves biodiversity and the surplus water can be used by the primary sector.

Reduction of the digital divide

Thanks to the fibre optic cable that is complementarily installed on electricity lines, it is now possible to provide telecommunications to the isolated areas located in the upper part of the mountain range of the Island.

PG 176 ↪

6.5 Reduction of the carbon footprint



Joule effect

The joule effect: the effect whereby, when an electrical current flows through a conductor, part of the kinetic energy of electrons is transformed into heat which thereby raises the temperature of the conductor. Joule effect losses are proportional to the

intensity flowing through the conductor and the resistance thereof; the greater the length of the line, the greater this resistance is. Therefore, it can be understood that the losses are mainly related to the distance between points of generation and consumption; such points are determined by the result of the wholesale electricity market.

PG 195 ↪

7.4 Responsible environmental management



Protection of habitats and species. Specific measures that are noteworthy in 2021:

1. Protection and conservation of habitats

- Use of a compressed air cannon and a drone to hang electricity conductors in leafy areas, such as near to riverside vegetation, for 4 spans of the 220 kV Lousame-Mazaricos line. The use of drones, in addition to significantly minimising the impact on vegetation, also means a saving in emissions associated with the work.

- Use of a helicopter (for more than 50 sections of line) and a drone (for 8 sections of line) for the hanging of the 400 kV Gueñes-Itxaso line.
- Use of a helicopter for the dismantling of the 220 kV Trives-Aparecida line and for the removal of 27 electricity towers, avoiding the need to open up accesses and reducing the need for the movements of machinery by more than 4 weeks.
- Hoisting of 8 electricity towers using a helicopter for the 220 kV Caletillas-El Rosario line.
- Hoisting by sections (31 towers) and the hanging by hand of more than 20 sections (line spans) for the 220 kV Jose María Oriol-Los Arenales line to minimise the impact on vegetation.
- Preliminary inspection to locate hay-scented buckler-fern (*Dryopteris aemula*) and Guanche wood fern (*Dryopteris guanchica*), which are ferns in danger of extinction. After locating several specimens, impacts on the vegetation underneath the spans were avoided.
- Surveys were conducted and actions were carried out to mark off and

protect the areas where *Caralluma burchardii* plants were growing, an endemic cactus-like species which is endangered according to the Canary Islands Catalogue of Protected Species.

- Monitoring and marking off of work zones to avoid affecting perennial flowering plants (*Tillandsia sp*) during the construction of the 220 kV Montalvo-Los Héroes line (Peru).

2. Protection and conservation of fauna

- Biological stoppages in 14 work projects, during breeding or nesting periods, which on many occasions lasted up to 7 months.
- Preliminary inspection and survey before starting works on the 220 kV Atios-Montouto line, to confirm the non-presence of reed bunting (*Emberiza schoeniclus subsp. lusitánica*).
- Intensive surveys conducted on several lines both during the construction works and the operation phase.
- Monitoring actions to detect the presence of nests on towers and

access routes before commencing the dismantling works of the 220 kV Trives-Aparecida line.

Before the nesting season, the vegetation in the area was cleared to avoid the occupation of the environment by species that tend to nest on the ground.

PG 287 



Pilot projects regarding biodiversity conservation

Biotransporte

The analysis of how to maximise the use of a given number of electricity towers as biodiversity islands (stepping-stones) yielded very satisfactory results: increase in the abundance and biodiversity of birdlife as well as in the number of micro mammals and invertebrates (mainly pollinators). In a subsequent internal analysis, this type of action could be considered as an initiative that favours the connection of around 60 % of the spaces of the 2020 Natura Network, thus benefiting a multitude of species, both directly and indirectly.

Naturaleza en RED Project

The objective of this project (Nature in the GRID) is to carry out a study of the biodiversity associated with electricity line infrastructure, assess its role as a stepping-stone or biodiversity reservoir and lay the foundations to establish the necessary monitoring protocols for this type of habitat.

A pilot project has been carried out on the Sant Celoni-Vic high-voltage line, in the Montseny Natural Park to monitor the following indicators: abundance and diversity of diurnal butterflies (bioindicator of the state of natural biodiversity systems), an abundance of pollinators (bioindicator of the state of ecosystems), floral density (close relationship with butterflies/pollinators and fauna), micromammals (bioindicator of environmental changes), macrofauna (bioindicator of open spaces and biodiversity corridors between ecosystems) and the presence of bats and dormice (bioindicator of open spaces and mature forests). From the first set of results, it is perceived that the electricity lines would act as a reservoir of biodiversity in open spaces where the adjacent habitat is fenced off and is maintained as a refuge for fauna where the adjacent habitat is impacted by anthropogenic actions.

Life Boogi Bop Project

Initiative that seeks to incorporate green spaces in urban and industrial environments into the network of ecological corridors. Initial assessments have been carried out at a substation and two work centres.

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8.3 Conservation of natural capital



Map of Biodiversity projects

Nationwide

Addendum to the 2021 IUCN programme. Edition and publication of the reports on the conservation status of North African and Mediterranean birds of prey and Mediterranean cetaceans.

Andalusia

Imperial eagle in conjunction with the Doñana Natural Park.
White stork in collaboration with the Doñana Biological Station [CSIC].
Invasive algae in conjunction with the Marine Biology Laboratory of the University of Seville;
Osprey in collaboration with the Migres Foundation [no collaboration agreement].

Balearic Islands

Bonelli's eagle in conjunction with the Natura Parc Foundation.
The 'Red Eléctrica Marine Forest' a project in collaboration with IME-DEA-UIB-CSIC.
BIODIBAL in conjunction with the University of the Balearic Islands.

Canary Islands

Egyptian vulture in collaboration with EBD CSIC.
Hubara bustard in conjunction with MSCN CSIC.
Educational project on birdlife in collaboration with SEO BirdLife.

Castilla y Leon

Black vulture in collaboration with GREFA.

Catalonia

Naturaleza en RED [Nature in the GRID] in conjunction with the Autonomous University of Barcelona.

Extremadura

Egyptian vulture in collaboration with the Regional Government of Extremadura [no collaboration agreement].
Harriers in conjunction with GEA [*Grupo Extremeño de Aguiluchos*] and the Regional Government of Extremadura.

Navarra

Golden eagle in collaboration with the Regional Government of Navarra.

Valencia

Bonelli's eagle in conjunction with the University of Valencia.
Bats, lesser kestrel, osprey and bearded vulture in collaboration with the Regional Government of Valencia.

PG 361 ↗

A.4 GRI, SASB, Task Force recommendations (TFCD) and CDSB



Sustainability Accounting Standard Board [SASB]

The **Sustainability Accounting Standard [SASB]** reporting framework provides companies with standardised activity metrics to report on sustainability performance at an industry level. Therefore, the adoption of these standards helps ensure that the disclosure of non-financial information is standardised and therefore relevant, comparable and

auditable. This makes it a framework especially valued by investors as it is useful in their decision-making.

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Climate Disclosure Standards Board [CDSB]

The CDSB Framework for reporting environmental and climate change information is designed to help organisations prepare and present environmental information in mainstream reports. While the CDSB reporting framework focuses on investors as the primary users of the environmental information presented in the report, it recognises that the information can meet the needs of other stakeholders.

Since its initial publication in 2015, the CDSB Framework has been refined and updated to best meet market requirements and keep pace with developments. Its latest version was published in 2019.

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External Assurance Report / 102-56



Ernst & Young, S.L.
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INDEPENDENT REVIEW REPORT OF THE SUSTAINABILITY INDICATORS OF CORPORATE RESPONSIBILITY OF RED ELÉCTRICA GROUP

To the Management of Red Eléctrica Corporación, S.A.

Scope

As commissioned by the Management of Red Eléctrica Corporación, S.A. and subsidiaries (hereinafter, the Group), we have carried out the review of the sustainability indicators in the Annex to the Sustainability Report 2021 of the Group "Index of Contents Global Reporting Initiative (GRI)". This information has been prepared in accordance with GRI Sustainability Reporting Standards (GRI Standards) and the "Electric Utilities Sector Supplement", G4 version, as detailed in the section "A benchmark and cutting-edge report" of the chapter "About this report".

The scope considered by the Group for the preparation of the Report is defined in the section "Red Eléctrica Group".

The preparation of the attached report, as well as its content, is the responsibility of the Management of the Group, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

Criteria

Our review was carried out based on:

- The guidelines for reviewing Corporate Responsibility Reports, issued by the Spanish Official Register of auditors
- Standard ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited assurance scope.

Applied procedures

Our review consisted in requesting information from the Sustainability Department and the various business units participating in the preparation of the Report, applying processes and analytical procedures, and sampling review tests as described in the general terms below.

- Interviews with the staff in charge of the preparation of the sustainability information in order to gain a deep understanding of how the objectives and sustainability policies are considered, set into practice and integrated within the Group global strategy.
- Reviewing the processes for the compilation and validation of the sustainability indicators of corporate responsibility.
- Checking the processes held by the Group in order to define the material aspects and stakeholder participation.
- Reviewing the adaptation of the structure and content of the sustainability information as indicated in the GRI Sustainability Reporting Standards of the Global Reporting Initiative and the "Electric Utilities Sector Supplement", G4 version, in accordance with the comprehensive option.

- Checks on selected samples of the quantitative and qualitative information of the indicators included in "Index of Contents Global Reporting Initiative (GRI)" in the Annex, as well as their adequate compilation from data supplied by information sources. The review tests have been defined to provide the aforementioned assurance levels.

- Checking that the financial information included in the Report has been audited by independent third parties.

These procedures have been applied on the sustainability indicators in the Annex to the Sustainability Report 2021 of the Group "Index of Contents Global Reporting Initiative (GRI)", with the aforementioned scope.

The scope of our review is lower than a reasonable assurance report. Therefore, the degree of assurance is also less extensive. This report in no case should be considered as an audit report.

Independence and quality control

We have complied with the requirements of independence and the other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA, for its acronym in English).

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and maintains, as a result, a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards and legal and regulatory provisions.

Our work has been performed by a team of sustainability experts with a wide experience in reviewing this type of information.

Conclusions

As a result of our limited review, we conclude that no matter came to our attention that would indicate that the indicators of corporate responsibility in the Annex to the Sustainability Report 2021 of the Group "Table of GRI Indicators" has not been prepared, in all its significant aspects, according to the GRI Standards sustainability reporting guideline and the "Electric Utilities Sector Supplement", G4 version, which includes the data reliability, the adequacy of the information presented and the absence of significant deviations and omissions.

This report has been prepared solely for the management of Red Eléctrica Corporación, S.A. and subsidiaries, in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 17th March 2021. In case of any discrepancy, the Spanish version always prevails.)

A business model focused on the creation of value

Letter from the Chairwoman and from the CEO

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7 Responsible value chain

8 Contribution to social, economic, and environmental development

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Report on Independent Limited Assurance of Greenhouse Gas Emissions Inventory

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REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2021 OF RED ELÉCTRICA GROUP

To the Management of Red Eléctrica Corporación, S.A.

Scope

We have undertaken a limited assurance engagement on the Green Gas Emissions Inventory (hereinafter referred to as the GHG Inventory) of Red Eléctrica Group, which includes the GHG emissions associated to the main company, Red Eléctrica Corporación S.A. and the companies Red Eléctrica de España, S.A.U. (REE), Red Eléctrica Internacional, S.A.U. (REI) - which includes Red Eléctrica Andina (REA), Red Eléctrica del Sur (REDESUR), Red Eléctrica del Norte (REDENOR) and Red Eléctrica de Chile (RECHILE) -, Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (REINTEL), Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (REITI) and the subgroup HISPASAT for the financial year ended in 31st December 2021, included in the Appendix of this Report.

This assignment has been made by a multidisciplinary team that includes specialists in sustainability, climate change and assurance.

Management's responsibility

Group's management is responsible for preparation and update of the 2021 GHG Inventory in accordance with their internal procedure, "Methodology for de Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica Group" available on the following website link <https://www.ree.es/en/sustainability/decarbonisation-of-the-economy/carbon-footprint>. This responsibility includes the design, implementation and maintenance of internal control relevant to ensure that the GHG Inventory is free from material misstatement, whether due to fraud or error.

The quantification of GHG emissions is subject to more inherent uncertainty than financial information, because of incomplete scientific, according to its nature and methods used to determine, calculate or estimate emissions.

Likewise, it is also responsible for defining, implementing, adapting and maintaining the necessary internal management and control systems so that the preparation and presentation of the information is free of material impropriety due to fraud or error.

Our independence and quality control

We have complied with the requirements of independence and the other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA, for its acronym in English).

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and maintains, as a result, a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards and legal and regulatory provisions.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the 2021 GHG Inventory of the Group based on the procedures we have performed and de evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410), "Assurance Engagement on Greenhouse Gas Statements" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and perform this engagement to obtain a limited assurance that 2021 GHG Inventory of the group is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of the Group use of applicable criteria as the basis for the preparation of the GHG statement, assessing the risk of material misstatement whether due to fraud or error, responding to the assessed risk as necessary in the circumstances, and evaluating the overall presentation of the GHG statement.

A limited assurance engagement is less in scope than a reasonable assurance engagement. Therefore, the degree of assurance is also less extensive. This report in no case should be considered as an audit report.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through inquiries and meetings with personnel of the Group various departments who have been involved in the preparation of the GHG Inventory, obtained an understanding of the Group control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether the Group methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group estimates.



- Verification, through random sampling tests, internal control rests and the development of substantive rests of the information (activity data, calculations and information generated) used to determine the Group 2021 GHG Inventory with the internal procedure. We have also verified the correct compilation of information based on the data provided.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Group 2021 GHG Inventory for the financial year ended in 31st December 2021 contains any material misstatement or is not prepared, in all material respects, in accordance with the "Methodology for de Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica Group".

Use and distribution

Our report is only issued to Red Eléctrica Corporación S.A. and the subsidiaries in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Red Eléctrica Corporación, S.A. Management.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 17th March 2021. In case of any discrepancy, the Spanish version always prevails.)

Report on Independent Limited Assurance of Greenhouse Gas Emissions Inventory / continued

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ANNEX

GREENHOUSE GAS (GHG) 2021 INVENTORY OF RED ELÉCTRICA GROUP

GHG Inventory 2021	tCO _{2e}
Scope 1	23.632
SF ₆	20.363
Air conditioning	741,5
Fleet vehicles	1.926
Diesel generating sets	501,5
Heating	100
Scope 2	646.531
Electricity consumption	625
Transmission grid losses	645.906
Scope 3	497.788
Purchase of goods and services	283.234
Capital goods	193.394
Energy production (not included in scope 1 and 2)	2.364
Waste	70
Transportation and distribution	1.253
Business travel	562
Commuting	1.716
Leased assets	162
Investments	15.033

Organizational boundaries

The emission calculation is performed under operational control criteria. The inventory applies to the activities that take place in **Red Eléctrica Corporación, S.A. and the subsidiaries: Red Eléctrica de España, S.A.U. (REE); Red Eléctrica Internacional, S.A.U. (REI)** -which includes Red Eléctrica Andina (REA), Red Eléctrica del Sur (REDESUR), Red Eléctrica del Norte (REDELNOR) y Red Eléctrica de Chile (RECHILE) -, **Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (REINTEL); y Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (RETIT)**, and the subgroup **HISPASAT**.

Transmisora Eléctrica del Norte S.A (TEN), Argo Energia Empreendimentos e participações S.A. (ARGO) e Hisdesat Servicios estratégicos, S.A are investees societies and considered as investments. Therefore, the emissions corresponding to these companies are included in scope 3.



Operational scope

The following scopes are considered:

Scope 1: Direct GHG emissions

Emissions resulting from the Company's controlled or owned sources:

- Fugitive Emissions: SF₆ gas leaks in electricity substations and refrigerant gases leaks from air conditioning systems.
- Mobile Combustion: emissions derived from fuel consumption of the fleet.
- Stationary combustion: derived from the combustion of fuels used in diesel generating sets and heating.

Scope 2: GHG indirect emissions from electricity consumption

- Electricity consumption
- Electricity losses in the transmission grid.

Scope 3: Other indirect GHG emissions

- Supply chain: Purchase of goods and services.
- Capital goods.
- Life cycle of fuel and energy consumed: emissions due to energy production (not included in scope 1 and 2).
- Upstream transportation and distribution.
- Waste management.
- Business travel by plane, train and car (taxi, private and rented vehicles).
- Employees commuting to the work place.
- Leased assets (upstream & downstream).
- Investments.

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE GREEN BONDS REPORT

To the Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A.:

Scope of our work

We have carried out a limited assurance engagement on the Green Bonds Report of Red Eléctrica de España, S.A. ("Red Eléctrica") for the year ended December 31st, 2021, prepared in accordance with the "Green Finance Framework" published by the group and available on its website (<https://www.ree.es/es/accionistas-e-inversores/bonos/marco-verde>).

Specifically, we have reviewed the following related to the Green Bonds Report:

- ▶ Compliance with the eligibility criteria established in the "Green Finance Framework of Red Eléctrica de España" of the projects portfolio included in the "Allocation Report" section of the Green Bonds Report.
- ▶ The key environmental performance indicators included in the "Impact Report" section of the Green Bonds Report.
- ▶ The traceability of funds allocated to the refinancing of projects included in the "Allocation Report" section of the Green Bonds Report.

The directors of Red Eléctrica are responsible for preparing the content included in the Green Bonds Report in accordance with the criteria established in the "Green Finance Framework of Red Eléctrica de España".

This responsibility likewise includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the information included in the Green Bonds Report is free of material misstatement, due to fraud or error. In addition, the directors of RED ELÉCTRICA CORPORACIÓN, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information is obtained for preparing the Green Bonds Report.

Criteria

Our responsibility is to express our conclusions on the Independent Assurance Report with limited assurance based on the work performed. We conducted our engagement in accordance with the requirements established in the International Standard on Assurance Engagements (ISAE) 3000 (revised), "Assurance Engagements Other than Audits and Review of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The Group administrators are as well responsible of defining, implementing, adapting and maintaining management systems for obtaining the necessary information for elaborating the NFI report.

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Procedures performed:

In a limited assurance engagement, the procedures carried out vary in their nature and timing, and are less in extent than those carried out for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is also substantially lower.

Our work consisted in making inquiries of management, reviewing the processes for compiling and validating the information presented the Green Finance Report, and applying certain analytical procedures and sample review tests as described in general terms below. These procedures included:

- ▶ Meetings with personnel of the various Red Eléctrica units involved in preparing the Green Bonds Report.
- ▶ Analyzing the procedures used to collect and validate data and information presented in the Green Bonds Report.
- ▶ Analyzing the methodology applied to assess the project portfolio included in the Green Bonds Report.
- ▶ Checking that Red Eléctrica's investments in the project portfolio have been made in accordance with the criteria of the "Green Finance Framework of Red Eléctrica de España"
- ▶ Verifying, through review tests based on a selected sample as well as analytical and substantive tests, the quantitative and qualitative information included in the Green Bonds Report.
- ▶ Obtaining a representation letter from the directors and management.

Independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and applicable regulatory provisions.

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Conclusions

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information included in the "Allocation report" and "Impact report" sections of Red Eléctrica for the year ended December 31st, 2021 relating to the matters included in the scope of our work contains material misstatements or has not been prepared, in all material respects, in accordance with the criteria established by Red Eléctrica in accordance with the "Green Finance Framework of Red Eléctrica de España".

Use and distribution

This report has been prepared solely for the directors of Red Eléctrica, in accordance with the terms set out in our engagement letter. We will not assume any liability to parties other than the addressees of this report.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 17th March 2021. In case of any discrepancy, the Spanish version always prevails.)

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