



**REPORT ON NON-FINANCIAL INFORMATION OF THE CONSOLIDATED GROUP OF RED
ELÉCTRICA CORPORACIÓN, S.A. FOR THE 2018 FINANCIAL YEAR.**

The report on non-financial information of the Consolidated Group of Red Eléctrica Corporación, S.A., mirrors the information contained in point 11 of the Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A. for the year ended 31 December 2018, that was authorised for its issuance by the Board of Directors at its meeting of 19 February 2019.



through an external audit, which has been carried out comprehensively on all the certified corporate management systems since 2012.

11. Statement of non-financial information in compliance with Law 11/2018 of 28 December

11.1 Description of the Group's business model and sustainability priorities

The Red Eléctrica Group has made a strategic commitment to long-term, enterprise-wide sustainability. In 2017, the board of directors approved the Red Eléctrica Group's 2030 Sustainability Commitment. With this commitment, the Group aims to achieve long-term continuity through a business model that is capable of responding to the challenges of the future and putting the principles set out in the Corporate Responsibility Policy into practice.

The commitment defines four sustainability priorities, identified as the drivers for responding to the challenges facing the Group and for materialising existing opportunities.

- **Decarbonisation of the economy.** The Group undertakes to be a proactive agent in the energy transition towards an emissions-free model, based on the electrification of the economy and the efficient integration of renewable energies through a robust and better-connected network and the development and operation of energy storage systems.
- **Responsible value chain.** The Group undertakes to extend its responsibility commitment to all the links of the value chain, from its employees to its suppliers and customers, by forging alliances and underpinned by the model of good governance and integrity.
- **Contribution to the development of the surrounding community.** The Group undertakes to contribute to economic, environmental and social progress in the surrounding area, by providing an essential service in a secure and efficient way, fostering environmental conservation, enhancing people's quality of life and social welfare and involving communities in the development of our activities so as to generate mutual rewards that are tangible to that community.
- **Anticipation and action for change.** The Group undertakes to foster a corporate culture of innovation and flexibility that enables it to identify growth opportunities and tackle future challenges, by staying ahead of—and adapting to—global trends and to the regulatory environment emerging from the new energy model.

Red Eléctrica belongs to the most reputable sustainability indices, in recognition of its excellent track record in this connection and its firm commitment to transparency in its reporting to third parties. The company is a component of the benchmark indices: Dow Jones Sustainability Index (DJSI), FTSE4Good, CDP, Euronext Vigeo Eiris, Ethibel and MSCI.

In 2018, to fulfil its responsibilities and acknowledging the strategic importance of sustainability for the Red Eléctrica Group, the board of directors created the Sustainability Committee.

This committee's task is to supervise and drive actions relating to the environment and the fight against climate change; ethical behaviour and the values associated with the development of a corporate culture that will sustain the Group's success and business model; and the social impact on the communities affected by Red Eléctrica's activity.



Creating this committee is a voluntary step, not a legal requirement, and is consistent with the strategic significance of sustainability for the Red Eléctrica Group and the demands of the Group's stakeholders.

MATERIALITY ANALYSIS

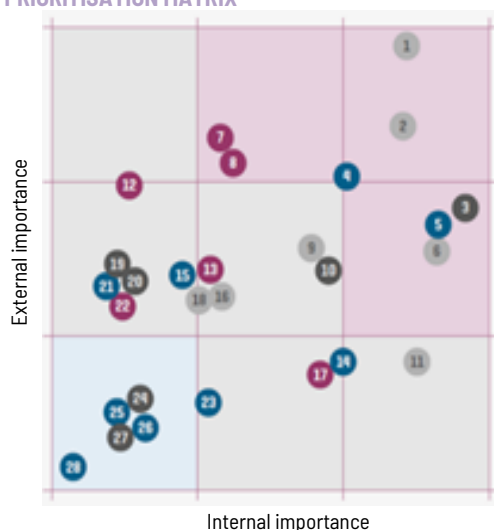
The Red Eléctrica Group's 2030 Sustainability Commitment was designed based on the results of the materiality analysis carried out in 2016. In accordance with the Global Reporting Initiative (GRI) standards for the preparation of sustainability reports, this report is centred on the issues identified as material in that analysis.

1. Issue identification. A total of 24 material issues were identified in the analysis of the sustainability context. They include: trend analysis, industry benchmarking, strategic interviews with the senior management team and external stakeholders, and analysis of internal information.
2. Issue prioritisation. Internal and external assessment of the criticality of the identified issues for the achievement of long-term objectives and thus for long-term continuity. The prioritisation matrix provides a double analysis of the issues, revealing both their internal importance, assigned by the top-level managers who took part in the analysis of the sustainability context, and their external importance, based on the value assigned by the external stakeholders who were consulted.
3. Issue evaluation and validation. Cross-organisational analysis of the results of the issue identification and issue prioritisation phases. A total of 30 different areas of the Group took part in this phase. They evaluated the results of the previous phases and identified the opportunities associated with each material issue, as well as its impact on the 2014-2019 Strategic Plan and any links with the Sustainable Development Goals.

In 2019, the materiality analysis will be reviewed to ensure that the 2030 Sustainability Commitment and the multi-year deployment plan are aligned with stakeholders' current expectations, so as to focus the Group's efforts on responding to the main sustainability challenges and trends.

Material issue prioritisation matrix

PRIORITISATION MATRIX



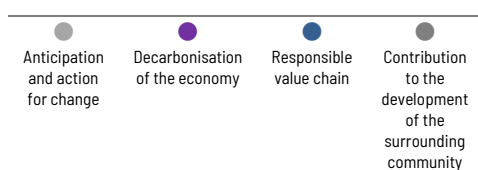
Prioritisation of issues by importance

CRITICAL

1. Innovation
2. Regulatory environment
3. Service quality and safety
4. Alliances with stakeholders
5. Financial strength
6. Internationalisation and diversification
7. Energy transition: Integration of renewables
8. Energy transition: Interconnection capacity

HIGH

9. Integrated risk management
10. Social contribution to the region
11. People's flexibility and adaptation to change
12. Climate change: Carbon footprint and adaptation
13. Energy transition: Demand management
14. Safety, health and well-being
15. Corporate governance



Note: The Energy transition issue contains five sub-issues, which means that the chart includes a total of 28 items.

16. Overall safety of plant and equipment
17. Energy transition: Energy storage
18. Digital transformation
19. Biodiversity and natural capital
20. Transparency
21. Integration of plant and equipment in the environment
22. Energy transition: integration of electric vehicles
23. Integrity

MEDIUM

24. Social identity
25. Responsibility in the supply chain
26. Customer orientation
27. Employer brand
28. Human rights

11.2 Information regarding environmental issues

The commitment to the environment of the Group comes from management and is based on environmental policy, which includes explicit commitment to prevention of pollution and precautionary principles. To bring about continuous improvement of environmental performance, Red Eléctrica has implemented an Environmental Management System, certified according to ISO 14001 and EMAS standards. The involvement of all organizational units and the commitment of all the people who work in the Group are critical for the development of this system.

It should be noted that in fiscal year 2018 for Red Eléctrica de España, the amount of recurring costs for the protection and improvement of the environment amounted to 23.5 million euros, of which 1.4 million was dedicated to the prevention of pollution. The amount allocated to environmental aspects associated with investment projects was 1.16 million euros.

The environmental commitment is articulated in three main vectors: Environmental management and integration of installations into the environment, biodiversity and climate change.

a) Environmental management and integration of facilities into the environment

The main route to make facilities compatible with the environment is the selection of routes and sites so that the environmental impact is as low as possible. Additionally, the application of preventive and corrective measures and follow-up of strict environmental criteria in all phases, make it possible for potential effects on the environment to be reduced significantly. The best tool to ensure this process is an Environmental Impact Assessment, which is required for most Red Eléctrica projects.

Among the measures applied, those related to the prevention of pollution are most notable. In this sense, the main activities are those designed to minimize the risk of soil and groundwater contamination from leaks and spills of hydrocarbons. Also noteworthy are measures aimed at the mitigation of noise generated in electrical substations and to reducing light pollution (in this latter aspect it should be mentioned that in the past two years, we have worked on the implementation of measures for the night shutdown of installations limiting light pollution as much as possible; these measures are implemented already in 72% of the substations).

Also, activities and projects aimed at the integration of the landscape of the facilities and the protection of the socio-economic environment are very relevant, mainly those related to conservation of archaeological heritage.

Finally, it is necessary to highlight the importance for Red Eléctrica, the work and significant progress in the sustainable use of resources and for this reason, in 2018, we have adhered to the Pact for a Circular Economy led by the Ministry for Ecological Transition.



In addition, there are various projects underway with the objective of minimizing the quantity and hazardousness of waste generated as a result of our activities, among which the "Residue 0" project stands out whose main objective is that no waste from Red Eléctrica enters the landfill as its final destination. In 2019, and to provide a response to the commitment made in the pact, we are going to design a roadmap that will mark the guidelines to becoming a group of companies that is 100% circular by 2030. It will address issues related to the use and source of raw materials, useful life extension of materials and equipment, waste management and **minimization of water use**.

b) Climate change

The Red Eléctrica Group, as a central actor in the electricity system, is a key agent in the change in the energy model, whose main elements must be: the electrification of the economy, the maximum integration of renewables in the energy mix and efficiency, always ensuring the safety of the supply. Conscious of our relevant role, in 2011 we decided to formalize a voluntary commitment in the fight against climate change, which materialized into a **Climate Change Action Plan**, which the last version was approved in 2015.

This plan includes the main objectives for the **Horizons 2020 and 2030**, as well as the main actions for achievement.

In 2018, with the purpose of increasing climate ambition, an update was performed of the emission reduction objectives. As a general objective, **Red Eléctrica is committed to reducing emissions of Scope 1 and 2 per MWh transported by 40% in 2030, with respect to 2015**. This objective was approved by the Science Based Targets (SBTi) initiative and is equivalent to a net reduction of emissions of Scope 1 and 2 of 30% in 2030.

The plan covers the following lines of action:

- Contribution to an energy model low in emissions, deploying the necessary actions to achieve European objectives for 2020 and 2030:
 - Development of a robust and interconnected transmission network.
 - Maximum **integration of renewables** by optimizing the operation of the electricity system and the momentum of storage systems.
 - Progress in the efficient management of the network by applying new demand management measures, incorporating new elements such as electric vehicles and momentum of technological innovation.
- Reduction of greenhouse gas emissions arising from the activities. The main measures are developed in the following areas of action:
 - Reduction of emissions of SF6.
 - Reducing the consumption of electrical energy (efficiency measures) and associated emissions (**acquisition of 100% renewable energy**).
 - Sustainable mobility: reduction of emissions associated with the vehicles of the Group, business travel and the movement of employees.
 - Involvement of the supply chain in the commitments of the Group.



- Progress in the incorporation of the criteria of efficiency and saving of materials in the design of facilities.
- Emissions compensation, mainly through the Red Eléctrica forest project.
- Positioning and disclosure: dissemination of knowledge of the electricity system and demand management measures as well as the promotion of other energy efficiency measures.
- **Adaptation:** Red Eléctrica identifies and evaluates on a regular basis the risks and opportunities arising from climate change and applies various measures defined in the framework of this analysis. In 2018, work began on the implementation of the recommendations of the **Task Force on Climate-related Financial Disclosures**, which implies a thorough review of the assessment incorporating the consideration of different scenarios and intensifying the economic quantification of risks and opportunities identified.

c) Protection of biodiversity

The protection and conservation of biodiversity has always been a priority in environmental management of the Red Eléctrica Group. The Group has a specific commitment for management of biodiversity (revised in 2017) and a **multi-year Action Plan (2017-2021), which lists the main actions to be developed in this period.**

Biodiversity management is brought about by taking into account the hierarchy of impact mitigation. **Avoiding** protected areas or areas rich in biodiversity is a primary criterion in defining the location of installations (energy transmission infrastructure, only 15% of the lines and 5.9% of the substations are located in protected areas). In addition, the application of preventive and corrective measures, including the **restoration** of affected lands, makes it possible to **minimize** the possible effects on habitats and species. Finally, different actions and projects for environmental improvement have been accomplished, pursuing **compensation** for impacts.

Notable actions related to the following areas:

- Protection of avifauna, the main objective being to minimize the risk of collision of birds with the ground wires from power lines. In this regard, a plan for signaling with bird-saving devices has been established on sections with greater potential for impact on avifauna (more than 700 kilometers of lines), which will conclude in 2023. In 2018, the proportion of critical priority areas with signaling was 51.2%.
- Prevention of forest fires, through proper design and maintenance of the safety corridors and working together with authorities in this matter. As well, there are currently 13 fire prevention agreements in force. These agreements have an associated budget of more than 1.04 million euros every 4 years which is intended for cleaning forest land, purchase of extinguishing media and protection, training and awareness.
- Development of conservation projects in collaboration with the administration, non-governmental organizations and other agencies, among which are those related to the conservation of avifauna and those aimed at the recovery of degraded spaces. Among these are the "REE Maritime Forest" projects for the recovery of *Posidonia oceanica* meadows and the "Red Eléctrica Forest", with more than 842 hectares restored (2009 to 2018) and an investment of 2.1 million euros.



Environmental indicators of a non-financial nature

Non-financial indicators	2017	2018	Δ%
Direct greenhouse gas emissions (scope 1)(tCO2 eq.) ⁽¹⁾	28,994	39,272	35.45
Indirect greenhouse gas emissions (scope 2)(tCO2 eq.) ⁽¹⁾	1,163,812	1,117,407	-3.99
Power consumption (MWh) ⁽¹⁾	15,177	14,584	-3.91
Water consumption (m3) ⁽²⁾	27,627	22,566	-18.32
Number of environmental accidents ⁽³⁾	7	4	-42.86
Lines marked with bird-saving devices in critical priority areas (accumulated kilometers at the end of each year).	276.1 (37.6% of the total to signal)	375.7 (51.2% of the total to signal)	36

(1) In the data for 2018, the emissions and consumption associated with the activities of REINTEL are included.

(2) The data has a coverage of 83% in terms of personnel. The water consumed comes from the municipal supply network (72.5%), wells (24.5%), cistern (2.92%). In some centers there are reservoirs for accumulation of rainwater for sanitary use, fire prevention and irrigation. The reservoirs do not have mechanisms to record the stored water so it is not possible to calculate the % utilization of rainwater.

(3) Relevant accidents according to internal classification (does not include collisions)

11.3 Information about social and personnel related issues

Human team

In 2018, the Group reviewed and updated the Human Resources Master Plan, linked to the company's Strategic Plan. The Impúlsate project, which was launched in 2018 and is due to finish in 2020, will help to transform the people management function in order to add value to the Group, as a strategic vector for change and to help achieve its objectives.

Various key actions were implemented in 2018, such as the organisational transformation; the definition and development of a new people management model; the design and implementation of new, efficient and simple processes; and the actions required to manage the cultural and digital transformation changes.

This transformation is a process to change our business models and working methods in order to add more value, facilitated by the rapid development of new digital technologies.

One of the objectives of the Group's digital transformation strategy is to adapt its human capital so that it works more effectively in a digital company.

"Imagina" is the project to transform the Group's working methods. It is implemented through cultural, technological, process and spatial initiatives, which are promoted through "Imagineers" backed by the support and organisation of a project team and a series of working groups.

a) Employment

At the end of 2018, the Group's workforce consisted of 1,799 professionals. Its commitment to stable employment is reflected in the high levels of permanent employment contracts (nearly 100%), prioritising employability and functional mobility as levers for growth and professional development (8.9% functional mobility).



Structure of the workforce by country where the Group is present

	Women			Men			Total
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Spain							
Management team	0	24	12	0	36	53	125
Specialists / Technical Experts	20	213	57	35	755	398	1,478
Administrative personnel	0	26	63	0	2	27	118
Total	20	263	132	35	793	478	1,721

	Women			Men			Total
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Peru							
Management team	0	0	0	0	3	0	3
Specialists / Technical Experts	1	8	1	9	40	4	63
Administrative personnel	0	3	1	0	0	0	4
Total	1	11	2	9	43	4	70

	Women			Men			Total
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Chile							
Management team	0	0	0	0	0	0	0
Specialists / Technical Experts	1	0	0	0	5	0	6
Administrative personnel	0	1	0	0	0	0	1
Total	1	1	0	0	5	0	7

The Group also has one employee in Luxembourg, a female technician who is aged between 30 and 50.

Workforce by contract type

	Women			Men			Total
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Total permanent contracts							
Management team	0	24	12	0	39	53	128
Specialists / Technical Experts	15	221	58	37	794	401	1,526
Administrative personnel	0	28	64	0	2	27	121
Total	15	273	134	37	835	481	1,775



	Women			Men			Total
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Total temporary contracts							
Management team	0	0	0	0	0	0	0
Specialists / Technical Experts	7	1	0	7	6	1	22
Administrative personnel	0	2	0	0	0	0	2
Total	7	3	0	7	6	1	24

The Group did not employ any personnel on part-time contracts.

Dismissals for the year

Dismissals (1)	Women			Men		
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50
Management team	0	0	0	0	0	2
Specialists / Technical Experts	0	1	0	0	4	1
Administrative personnel	0	0	2	0	0	0
Total	0	1	2	0	4	3

(1) Figures from REE+REC+REINCAN+REI+REINTEL

Remuneration in the Red Eléctrica Group

The Red Eléctrica Group is working to consolidate a remuneration model across every company in the Group, which reflects the following common principles:

- Internal fairness and external competitiveness.
- Consistency with the organisational and development model.
- Opportunity for salary progression.
- Differentiating recognition of superior performance.
- Salary equality between men and women.

Details of the average remuneration of the workforce are as follows (euros):

Total average salary	Women			Men			Total average women	Total average men
	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50		
Red Eléctrica en España Group ⁽¹⁾								
Management team	0	117,648	157,195	0	124,630	154,929	129,732	141,695
Specialists / Technical Experts	39,182	54,964	62,225	40,704	51,303	64,360	55,316	55,183
Administrative personnel	0	37,055	42,984	0	35,314	43,198	40,919	41,567
Total	39,182	58,604	61,631	40,704	54,580	73,121	58,684	60,652

(1) Figures from REE+REC+REINCAN+REI+REINTEL



The Group therefore continues to make progress with the “total remuneration” model defined in 2017 that consists of different elements (economic, financial, intangible and emotional), which enables and supports new ways of working and the organisational and cultural transformation of the Group. This approach includes recognition programs linked to the development of innovative and efficient ideas as well as revenue generation in order to encourage the participation of all of the Group’s professionals.

In 2019 the Group will carry out a study to quantify and analyse the salary gap in order to identify and quantify it by gender and to establish action plans to correct this where necessary.

By professional category, the ratio of the base salary for men compared to women (men / women), is as follows:

Spain (1)	2017	2018
Management team	1.05	1.06
Specialists / Technical Experts	0.98	0.95
Administrative personnel	1.06	1
Total	1.02	0.99

(1) Figures from REE+REC

The average remuneration of members of the Board of Directors, including variable remuneration and allowances, according to the details included in Note 24 of the consolidated report of the Red Eléctrica Group, is as follows:

Thousands of Euros	Amount
Average remuneration Men (*)	256.3
Average remuneration Women	152.0

(*) This includes the Chairman of the Board and the CEO. Excluding these roles, the average remuneration for men would be 147.3 thousand euros.

Additionally, according to the report, in 2018 the outgoing Chairman was paid compensation accrued in 2016 totalling 718 thousand euros.

With regards to senior management, according to Note 25 of the consolidated report of the Red Eléctrica Group, remuneration for 2018 totalled 657 thousand euros. The difference in the average salary between men and women in this category is less than 1%.

Lastly, it should be noted that the total amount of contributions by the sponsor of the Group’s pension plan in 2018 was as follows:

Thousands of Euros	Amount
Men	1,606
Women	427
Total contribution	2,033



Implementation of workplace disconnection policies

Article 88, the Right to Digital Disconnection from the Working Environment, of Organic Law 3/2018 of 5 December on personal data protection and digital rights, includes an obligation for the Group to meet with employees' representatives and draft an internal policy for employees (including those in management positions) that defines how this right to disconnect can be exercised and the actions taken to train employees and raise awareness about the reasonable use of technology tools to prevent the risk of IT fatigue.

Furthermore, according to this law, the right to digital disconnection must also be upheld in cases of partial or total remote working, as well as in employees' homes with regards to the use of technology tools for work purposes.

The Group is currently working to comply with the requirements of this law.

b) Organisation of work

Organisation of working hours

The real and effective working day, calculated on an annual basis, will apply to all employees. Consequently, every employed person, regardless of the working day and schedule that they work according to the nature of their role, shall work the same real and effective working day, which will be 1,690 hours per annum.

Absenteeism hours

Spain ⁽¹⁾	2017			2018		
	Men	Women	Total	Men	Women	Total
Days lost due to accidents ⁽²⁾	139	0	139	333	19	352
Absenteeism rate due to common illnesses ^(a)	1.53	3.24	1.94	1.95	3.72	2.38
Absenteeism rate due to occupational illnesses ^(b)	1.64	3.26	2.03	2.06	3.79	2.48

(1) REE+REC+REI+REINTEL+REINCAN.

(2) The calculation is based on 6,000 working days per fatal accident and 4,500 days for total permanent disability.

Serious accident: Those classified as serious by the physician that issues the medical certificate.

Frequency rate: Number of work-related accidents resulting in leave per million hours worked.

Severity index: number of working days lost for work-related accidents + Incapacity Scale, per thousand hours worked.

Incidence rate: Number of accidents with leave x 1,000/average headcount

Absenteeism rate:

(a) Days absent due to common temporary incapacity > 3 days + days absent for temporary incapacity < 3 days /average headcount * 365 * 100

(b) Days absent due to common temporary incapacity > 3 days + days absent for temporary incapacity < 3 days + days absent for work-related accidents + work-related illness /average headcount * 365 * 100

Note 1. Accidents are recorded based on Spanish legislation and according to the Red Eléctrica management system certified under OHSAS 18001.

Work-life balance

The 3rd Integral Work-Life Balance Plan was approved in 2018 for the 2018-2021 period. It establishes the objectives and actions that will be developed in this area, including the mechanisms for monitoring, measuring and evaluating the degree of progress.



The Group has implemented more than 60 work-life balance measures, actions and initiatives, which apply equally to the whole workforce regardless of the type of contract and are one of the fundamental lines of its management model.

The guide to work-life balance, published on the intranet, features more than 60 measures organised into seven blocks:

1. Flexible working hours
2. Holidays, permissions and authorisations
3. Maternity and paternity leave
4. Disability and dependent family members
5. Employee benefits and remuneration in kind
6. Services
7. Events and activities

The Red Eléctrica Group has joined the Observatory for the Development of Work-Life Balance and Co-responsibility, led by ICADE-ICAI University. The aim is to offer companies and institutions relevant information and reliable data, checked against international standards, which helps them to shape their active work-life balance policies based on applied, interdisciplinary and high quality research.

c) Health and Safety

The Group has a strategy and a specific action plan that promotes best practices in relation to occupational risk during activities and work carried out at its facilities. The objective is to go beyond mere legal compliance, and to train, inform and raise awareness about the obligations and responsibilities that exist and to commit the whole Group to this goal.

To minimise the risks associated with construction and maintenance tasks at electrical installations, the Group places special emphasis on training, awareness, consultation and participation (through the Health & Safety Committee, internal audits and working groups), improving safe conduct and the safety measures employed while work is being carried out by internal and external (contractors) personnel.

With regards to risk prevention, the Group monitors higher risk tasks and activities on an ongoing basis by means of safety inspection programs, which are essential to achieving the high levels of safety required by the Group. Accordingly, in 2018 nearly 11,000 safety inspections were carried out on works at facilities, which resulted in 2,400 corrective actions, of which 92% have been completed. Furthermore, this year we have also implemented internal safety audits for works carried out on site.

In order to raise awareness about occupational risk prevention among its team, in 2018 a new skills-based training management model was developed, depending on the activity being carried out, which encourages cross-functional training in this area and ensures that people will improve their health and safety skills regardless of the role they are associated with.

In 2018, some 5,612 hours of health and safety training were given to 907 people.

In 2018, the key accident rates were 3.08 (frequency rate) and 0.12 (severity index).

In 2018, a wide range of awareness and training initiatives were carried out totalling 700 hours to improve employees' knowledge about nutrition, stroke prevention and active ageing, as a fundamental aspect of promoting good health.



Workplace accidents and occupational illnesses

The Group monitors the health of its employees on an ongoing basis thanks to its in-house medical service, which is responsible for checking employees' health through medical examinations and consultations. No incidents or risks of specific illnesses associated with the professional activities carried out or related to the workplace were identified thanks to the preventive measures applied.

Spain ⁽¹⁾	2017			2018		
	Men	Women	Total	Men	Women	Total
Accidents requiring leave	5	0	5	8	1	9
Fatal accidents	0	0	0	0	0	0
Days lost due to accidents ⁽²⁾	139	0	139	333	19	352
Frequency rate for accidents	2.25	0	1.71	3.62	1.42	3.08
Severity index for accidents	0.06	0	0.05	0.15	0.03	0.12
Incidence rate	3.81	0	2.89	6.11	2.39	5.21

(1) REE+REC+REI+REINTEL+REINCAN.

(2) The calculation is based on 6,000 working days per fatal accident and 4,500 days for total permanent disability.

Serious accident: Those classified as serious by the physician that issues the medical certificate. Frequency rate: Number of work-related accidents resulting in leave per million hours worked.

Severity index: number of working days lost for work-related accidents + Incapacity Scale, per thousand hours worked.

Incidence rate: Number of accidents with leave x 1,000/average headcount.

Absenteeism rate:

(a) Days absent due to common temporary incapacity > 3 days + days absent for temporary incapacity < 3 days / average headcount x 365 x 100

(b) Days absent due to common temporary incapacity > 3 days + days absent for temporary incapacity < 3 days + days absent for work-related accidents + work-related illness / average headcount x 365 x 100

Note 1. Accidents are recorded based on Spanish legislation and according to the Red Eléctrica management system certified under OHSAS 18001.

d) People matters

A series of global actions were designed and implemented in 2018 based on the results of the working environment survey carried out in 2017. The Group is carrying out actions to improve communication, leadership and recognition across every area of the Red Eléctrica Group. At the same time, each organisational unit has designed its own action plans to develop those areas with improvement opportunities.

A new working environment survey will be carried out in 2019 to see how much progress has been made in each of the categories analysed.

Red Eléctrica guarantees its employees the right to union affiliation, association and collective bargaining within the framework of existing labour laws and the applicable collective bargaining agreement.

In 2018, negotiations began on the 11th Red Eléctrica de España Collective Bargaining Agreement, since the 10th Agreement expired on 31 December 2017.

Consequently, relations with employees' representatives were defined by the negotiations of a new agreement text through the Negotiating Committee created for this purpose. An agreement has not yet been reached, but the negotiating platforms of each party are putting forward their cases and analysing the situation to find common ground. Negotiations are ongoing and will continue into 2019.



Independently of the negotiation of the new collective bargaining agreement, two collaborative spaces have been set up on the intranet to help the company manage its relations with employee representatives, as an additional measure for communicating with this representation.

Employees covered by a collective bargaining agreement

Red Eléctrica en España Group	2017	2018
Employees included in the collective bargaining agreement (%)	98.6	98.6
Employees excluded from the collective bargaining agreement (%) ⁽¹⁾	1.4	1.4

(1) Employees that voluntarily and reversibly accept the management's proposal to be excluded from the agreement. The management team is not taken into account in the overall calculation and represents 7.26% of the total workforce in Spain.

Summary of the collective bargaining agreements in the field of health and safety

Red Eléctrica has an occupational health and safety committee whose composition and functions are set out in Chapter 7 of the 10th Collective Bargaining Agreement.

This committee is a collegiate body with equal representation intended to provide regular and periodic consultation regarding the company's occupational health and safety actions. The committee consists of six representatives nominated by the company and six health and safety delegates chosen from among the employees' representatives, who represent 100% of the employees. Specialists from the company's health and safety service also attend the committee's meetings.

The committee meets every quarter (in accordance with Law 31/95 on Occupational Health & Safety) although it may also meet whenever either party requests it. In 2018, the committee met four times in accordance with its objectives.

These meetings monitor all health and safety activities; any applicable new legislation; they review processes and internal regulations; analyse and track the results and the occupational health & safety programs; and monitor safety equipment and materials. The minutes of these meetings are available to all employees under a dedicated section of the miRED corporate intranet. This committee also receives the results of the internal and external audits that are carried out and any improvement actions that are implemented.

e) Training

In 2018 the Leadership and Strategy Institute consolidated its role in the Red Eléctrica Group Campus, which seeks to drive the cultural transformation of the company with a new approach to leadership. "Transformative leadership" will be fundamental to responding to the Group's strategic needs.

The roll-out of the knowledge management model has also been consolidated and shared with all employees.

The REEAvanza initiative has been designed under this model to disseminate and share knowledge and experiences, to encourage discussions and the exchange of ideas, and to create a network of contacts that generates new shared knowledge between the experts in each area of the Red Eléctrica Group.



In 2018, work was carried out to design and optimise the training model, aligning the contents with the three levers of the “Red Eléctrica Group Campus” corporate university, namely knowledge of the business and technical training; strategy and leadership; and cultural transformation and innovation.

More than 130,000 hours of training have been given, equivalent to 72 hours per employee and an investment of EUR 3,822 per person.

Training hours by professional category and gender

	2017			2018		
	Men	Women	Total	Men	Women	Total
Spain ⁽¹⁾						
Management team	112	95	104	49	61	52
Specialists / Technical Experts	108	115	111	76	90	79
Administrative personnel	15	50	33	24	40	36
Total	109	105	108	71	76	72

(1) Figures from REE+REC+REI+REINTEL+REINCAN.

All employees are continuously assessed and the new appraisal model was launched in 2018, effectively separating the evaluation of contribution in order to increase objectivity, and to help align employees with the Group’s strategy and encourage a culture of development and recognition.

In 2018, a pilot project was launched to begin implementing a challenge-based management model, intended to give each professional clearer guidance about his/her work, with greater autonomy and flexibility, allowing employees to work when, where, how and with whom they require.

The voluntary and proactive internal mobility plan has become well established, together with the use of the LinkRED tool that can be accessed by all employees to share their experiences and interests in relation to development and mobility.

f) Integration and universal accessibility for people with disabilities

Red Eléctrica has continued to develop the action plan associated with its disability management model, integrated in the Integral Diversity Plan. Red Eléctrica collaborates with the Adecco Foundation to implement this plan and has important agreements for purchasing goods and services from Special Employment Centres.

In 2018, a figure of 2.63% employment equivalent was achieved for people with disabilities. Of this percentage, 0.9% related to direct employment and the rest was through agreements under the General Law on the Rights of People with Disabilities (LGD). By purchasing goods and services through special centres, Red Eléctrica contributed an amount equivalent to hiring 30 people with disabilities.

The work done by company volunteers to promote the inclusion of people with disabilities marks the start of a new line supporting diversity, which will be strengthened in the multi-year corporate volunteering plan 2018-2020.

The percentage of Group employees with disabilities is as follows:

	2017	2018
People with disabilities (%)	0.8	0.9



With regards to accessibility to the corporate website, the Group firmly believes that everyone, regardless of disability, should be able to access the services of the Group's public website under equal conditions. The Group has therefore worked continuously since 2007 to create an accessible website that all users can access without difficulties.

A new, more interactive and multi-device corporate website was launched at the end of 2013, developed with web accessibility criteria. Work is currently underway on the best techniques needed to achieve Double-A conformance certification for the website according to the Web Content Accessibility Guidelines 2.0 of the Web Accessibility Initiative (WAI) of the World Wide Web Consortium.

g) Equality and diversity

The Red Eléctrica Group realises its commitment to diversity, inclusion and non-discrimination through its **diversity management model**, approved in 2017, which is aligned with the Group's Strategic Plan and Sustainability Commitment 2030. This model incorporates the previous systems that dealt with the different areas of diversity (**equality, disability and age**) under the same umbrella.

The model is implemented through an Integral Diversity Plan approved in 2018. This seeks to inspire and become a benchmark for the Group itself, and in the wider social, labour and personal environment, through the Group's commitment to talent diversity, social inclusion, employment and non-discrimination, breaking down stereotypes and cultural barriers. **The goals** of the Integral Diversity Plan are:

- Create a corporate culture that encourages diversity among employees and other stakeholders.
- Integrate diversity into all of the Group's processes, especially people management.
- Involve, raise awareness and promote the Group's mission and approach to diversity among collaborators and suppliers.
- Participate with official organisations, academic institutions and other social agents in campaigns and projects that enable the Group to become a leading social agent that will contribute to building a more diverse society.

Gender equality is one of the vectors included in the new Integral Diversity Plan and refers to the principles of equal employment opportunities, the promotion of women in positions of responsibility, salary equivalence between men and women, the promotion of familial co-responsibility, the prevention of harassment on moral, sexual and gender grounds, and the prevention of gender violence. These aspects are monitored through indicators that enable the Group to measure the progress of the defined objectives.

The percentage of women in the Red Eléctrica workforce in 2018 was 24.1% (24.4% in 2017). The number of women in management positions has once again increased significantly, totalling 28.8% in 2018 (24.8% in 2017). These results exceed the objectives set, primarily due to equal opportunities in training and development processes, and in promotions, which led to 67% of all new managerial appointments being women.

The target for the indicator that measures equal promotion opportunities (men/women) for 2018 of 1.20 was exceeded, with a ratio of 1.39.

The difficulty of finding candidates in some recruitment processes has led Red Eléctrica to sign a collaboration agreement with the Royal Academy of Engineering to promote female talent in STEM



subjects. Among other activities, the company actively participates in a program to mentor university students studying technical subjects as part of the “Women and Engineering” project. It also carried out the TECHMI competition in schools in the Madrid Region to attract talented girls into technology subjects.

11.4 Human rights information

Respect for human rights

The Group has an explicit and public commitment to respect and promote human rights in every country in which it operates, with special emphasis on the freedoms and rights of vulnerable groups such as indigenous people, women, children and ethnic minorities, among others. This commitment is included in the rules of conduct and guidelines established in the Code of Ethics and the Corporate Responsibility Policy and applies to the whole supply chain through the Code of Conduct for Group Suppliers. Lastly, as a member of the Spanish network of the United Nations Global Compact, Red Eléctrica has strengthened its commitment to human rights by signing up to the ten principles of the Global Compact.

In order to continue making progress in human rights management and to strengthen its commitment to upholding them, in 2017 the Group formalised a human rights management model, approved by the Sustainability Steering Committee, which applies to all of the Group’s activities and is based on the United Nations’ Guiding Principles on Business and Human Rights.

The Group takes an approach based on control and continuous improvement, implementing actions that help to prevent potential human rights violations, while searching for solutions and redressing them in the event that they arise. The Group’s conduct in this area is subject to internal and external audits and it carries out corporate audits among its suppliers to ensure the effectiveness of the management model.

The scope of the human rights due diligence carried out applies to all the Group’s activities. The results demonstrate a low level of risk in all analysed areas and shows that the Group applies the appropriate controls.

The Group has set up a whistleblower channel available to all stakeholders as a formal mechanism for addressing any human rights-related enquiries or complaints. The Group also has the DÍGAME Service and ASA (the Procurement Support Service) in which stakeholders can express their concerns about any grievances in this area. In 2018, the DÍGAME Service received a total of four human rights-related complaints, of which 50% have been resolved.

11.5 Information about the fight against corruption and bribery

Ethics and Compliance in the Red Eléctrica Group

Ethics and Compliance are fundamental pillars of the proper course of business at the Group. This means acting with the utmost integrity in discharging the Group’s obligations and commitments, and in relations and cooperation with its stakeholders.

The Group has a series of corporate rules of conduct establishing the values and standards of behaviour that must be adhered to by all persons in the Group in the performance of their professional activities.



Ethics Code

The Group's Code of Ethics applies to the Group's directors and employees and establishes the values and commitments that must govern their behaviour. The latest edition of the Group's Code of Ethics was approved by the board of directors on 28 May 2013.

Ethics Channel

The Group has an Ethics Channel, available through its corporate website, to convey queries, complaints or suggestions relating to the Code of Ethics. The Group has an Ethics Officer for fielding queries and compiling, analysing and resolving complaints relating to the Code of Ethics. This figure, in direct contact with the Chairman and the board of directors, acts independently and undertakes to maintain the utmost confidentiality in performing his duties.

In 2018, 21 queries were filed with the Ethics Officer and the maximum resolution time was 10 days. The queries related to the following patterns of behaviour:

- Integrity, responsibility and transparency.
- Responsible monitoring of supplier management.
- Restriction on the acceptance of gifts, loans and invitations.
- Proper treatment of confidential information.

In 2018, 7 complaints were received in connection with compliance with the Code of Ethics, 4 of these were resolved during the year and 3 are in the resolution phase.

Compliance system

The Group's Compliance System is fully aligned with the best practices in this sphere, so as to support the organisation in fulfilling its obligations and commitments.

The main goals of the compliance system are:

- To nurture a corporate culture based on ethics and compliance.
- To achieve a comprehensive overview of compliance at the organisation.
- To have a transversal and homogeneous approach to compliance.
- To strengthen the preventive aspects of compliance.

In accordance with the Group's commitment to responsible and sustainable management and with best management practices, the organisation has a Compliance Area within the Risk Control, Compliance and Quality Department (part of Internal Audit and Risk Control), which combines compliance functions with risk control and quality management functions, based on the synergies between these functions.

Prevention of criminal risks

The Group has a Criminal Risk Prevention Programme whose purpose is to identify the rules, procedures and tools in place in the Group to prevent non-compliance with the criminal legislation applicable to the organisation and its staff and to adapt them to the current regulatory framework. The management and prevention of criminal risks that could affect the Group, based on its activities



and business sectors, in accordance with the Criminal Code, are thus incorporated in the Group's control processes.

Creating the programme, which was approved by the board of directors, entailed creating the Criminal Risk Prevention Programme Control and Supervision Body, whose functions include: monitoring, supervising and updating the programme; and reporting periodically to the Audit Committee on action taken, proposed improvements, updates implemented, measures agreed and any other matter it considers relevant in the performance of its duties.

In 2018, the Control and Supervisory Body did not receive any complaints regarding non-compliances in connection with the Criminal Risk Prevention Programme and none of the Group's companies were investigated or found guilty of non-compliances linked to the organisation's criminal risks. Likewise, no complaints were filed in connection with potential cases of corruption and no Group company was investigated or found guilty by any court in connection with non-compliances linked to corruption cases.

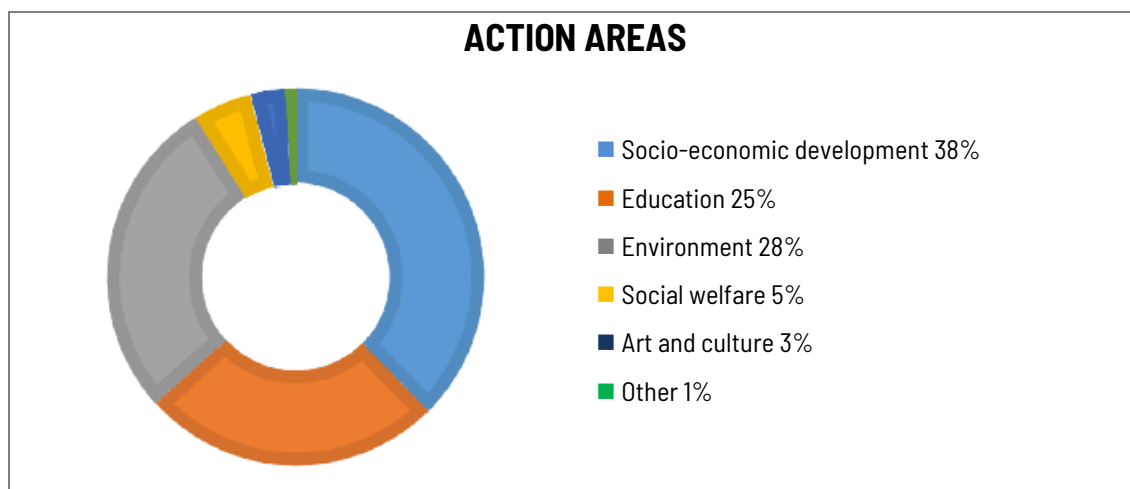
11.6 Information on relations with society

The Group focuses its socio-environmental commitment towards unlocking shared value with society by pursuing actions and investments that are aligned with its business goals and, while generating value for the Group, also have a positive impact on society, the country or region and its inhabitants. It also contributes to the attainment of various challenges, such as the UN's Sustainable Development Goals or those envisaged as part of the European 2020 energy strategy.

Shared value is created by the Group both in the way it develops and builds infrastructure and in the way it operates and delivers services to the effective systems it operates in and to its customers. This activity generates opportunities to unlock shared value throughout the infrastructure life cycle.

In addition, the Group accompanies its projects on the ground with collaboration projects to nurture institutional and social relationships, transparently seeking partnership agreements, disseminating information about the electricity network and fostering involvement in projects and initiatives that boost socio-economic development and the conservation, protection and enhancement of natural heritage in the countries and regions in which it operates.

In 2018, the Group contributed seven million euros (amount calculated using the London Benchmarking Group methodology) to social initiatives.





In 2018, the Company signed 99 agreements with public and social entities, mainly to cooperate in socio-economic, environmental, educational and cultural development projects.

Of the 437 social initiatives undertaken, 226 were focused on the socio-economic development of the local area, including, among others, municipal infrastructure construction or improvement projects, efforts to nurture the area's cultural wealth and restoration of emblematic and socially significant buildings with an impact on tourism.

With regard to the dissemination of knowledge, the Group takes an active role in disseminating and raising awareness about the electricity network as a whole, since a better informed society has greater capacity to develop and maintain a sustainable energy model.

In this connection, in 2018, more than 2,180 people visited Red Eléctrica facilities and control centres, more than 76,067 visitors attended the itinerant exhibition 'A Highway behind the Wall Socket' ['Una autopista detrás del enchufe'] explaining the electricity supply process from generation to consumption, and more than 7,200 school children took part in activities under the framework of the educational game 'entreREDes', aimed at teaching kids to be efficient and environmentally-friendly consumers in the future.

20 cooperation agreements were also signed with universities and training centres.

In Spain, the training programme for the State Police and Security Forces continued. During the year, 16 forest fire prevention training days were organised in 10 provinces in six autonomous communities, in which 957 people took part in person and 700 people via streaming.

Corporate volunteering

The Red Eléctrica Group's Healthy Company model fosters well-being through actions aimed at promoting the well-being of the immediate work environment while also extending the commitment to the wider community.

Thus, the Red Eléctrica Group's Corporate Volunteering model, approved in 2017, extends the company's social action by driving and reinforcing collaboration in solidarity activities that respond to the social needs, problems and interests defined in its action guidelines.

The corporate volunteering model has a strategic and transformational focus, aimed at promoting volunteering actions which, on the one hand, channel internal talent into corporate volunteering and, on the other, provide innovative solutions to social and environmental problems. The actions carried out in 2018 were targeted primarily at improving the quality of life for groups at risk of social exclusion, fostering employability and meeting specific, real needs of society.

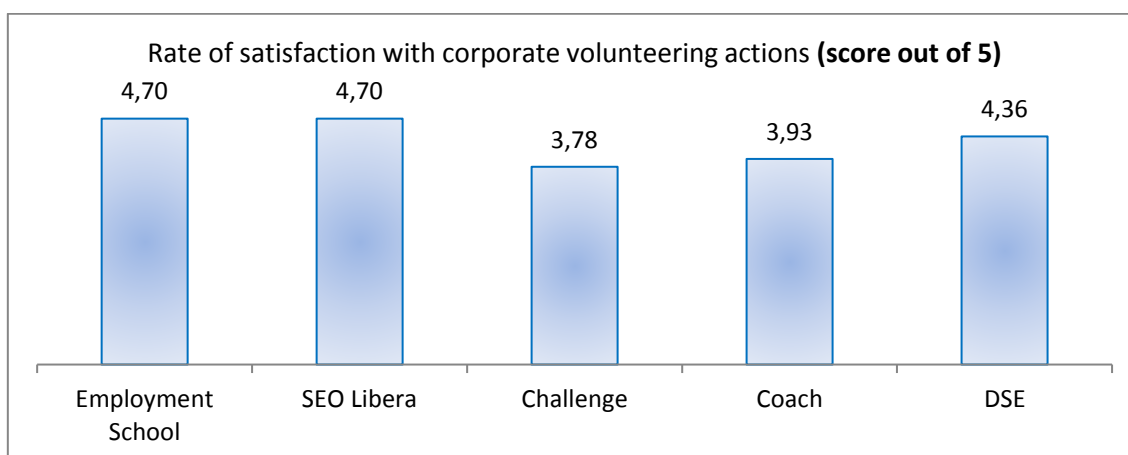
Main corporate volunteering actions in 2018

Mentoring programme	Collaboration in the CAMPVS mentoring programme run by Fundación A LA PAR, in which the company's volunteers act as mentors to students with intellectual disabilities to help them achieve inclusion in the world of work.
Employment school	Participation in this programme run by Fundación Adecco, aimed at improving the employability and access to employment of high potential people with disabilities.
Action Against Hunger	Participation in the 2018 Action Against Hunger Challenge to combat infant malnutrition and eradicate hunger.
Día Solidario de las Empresas (DSE,	Participation in this corporate volunteering day organised by Cooperación Internacional, in which the company's volunteers, in six different cities in Spain, accompanied various



“Company Solidarity Day”	vulnerable groups, such as homeless, disabled or elderly people, and took part in leisure activities with children at risk of social exclusion.
A Smile for Christmas	Collaboration in Cooperación Internacional’s toy donation campaign, aimed at delivering Christmas presents to children in situations of poverty and vulnerability.
Project “Coach”	Participation in this Fundación Exit project aimed at introducing children at risk of school failure to the world of business through coaching.
SEO Libera	Clean-up of natural environments spoiled by litter, led by SEO Birdlife.

Satisfaction index of corporate volunteering actions (where an assessment was made)



- **The company’s commitments to sustainable development**

The investments the Group makes enable it to maintain the continuity and security of electricity supply to a high standard of quality. The investments also have a beneficial effect on society by stimulating economic activity.

The Group’s investments stimulate production, which leads to an increase in wealth (as measured by GDP), in jobs and in tax revenue, which can be used to improve the general well-being of society. All this is the result not only of the Group’s direct investments but also of the increase in activity driven by the circular flows of the economy.

Since 2017, Red Eléctrica has used a methodology based on multipliers computed using Input-Output Tables. These multipliers can be used to estimate the overall increase in activity generated by an initial investment. The calculations take the direct, indirect and induced effect into account.

Effects of the investments		
Direct effect	Indirect effect	Induced effect
Estimate and valuation of the production activity and job and income creation generated in the economic system by an initial investment.	Income and jobs created when the beneficiaries of the initial investments acquire other goods and services (intermediate consumption) from other production systems, which in turn acquire goods and services from their own suppliers.	Impact arising from all the income generated in the previous stages. This effect thus incorporates the effect of the final consumption arising from the wage income generated and the tax revenue obtained by governments when taxing the different economic activities and the income they generate.



In 2018, the Group's total investment in the transmission network in Spain amounted to EUR 378 million, of which an estimated EUR 103 million were spent on imports of the products needed to carry out the activity. The rest, totalling some EUR 276 million, consisted of direct investment in Spain, the effect of which, after applying the chosen methodology, are broken down in the following table:

Total effects of the investment in the transmission network

	Direct	Indirect	Induced	Total
Production (€m)	276	262	26	564
Income-GDP (€m)	110	110	9	228
Employment (No. of jobs)	1,892	1,982	272	4,146
Tax revenue (€m)	43	42	4	89

Note: The discrepancy in one of the cases between the total and the sum of the partial figures is due to rounding of decimals.

The investment made in Spain generated an estimated EUR 564 million of output in the business sectors concerned, more than double the total investment made in Spain (EUR 276 million). This effectively represents a contribution of EUR 228 million to Spanish GDP and the equivalent of 4,146 jobs. All this together would have produced tax revenue of EUR 89 million.

The Group is in the process of applying this same measurement methodology to other specific investment projects to estimate the socio-economic contribution to the region and country in terms of wealth (measured by GDP), output, jobs and tax revenue.

This methodology was expanded during 2018 to calculate the socio-economic contribution of the Red Eléctrica Group's investment in the other countries in which it operates.

Participation in international bodies

The Red Eléctrica Group is a member of and is active in various international organisations and associations, particularly within the European Union, with a view to explaining its positioning on fundamental aspects of its activity, building strong alliances and contributing to the achievement of common objectives.

ENTSO-E (European Network of Transmission System Operators for Electricity)	Red Eléctrica is a member of this association along with all the other European transmission network managers. ENTSO-E is the fundamental tool for collaboration among TSOs in building the Internal Energy Market. The main areas in which the company cooperates in ENTSO-E are the development of the Internal Energy Market, the development of the European electricity infrastructure network and the coordination of the European electricity system. It also works with ENTSO-E on innovation and technological development. Combining the experience and technological capacity of its members, ENTSO-E has been assigned the task of developing the current network codes and is the main technical advisor to the European institutions on electricity matters. Its involvement is essential to meet the challenges of the new energy transition scenario, marked by emissions reduction, large-scale integration of renewables, flexibility and new technologies.
CIGRE (International Council on Large Electric Systems)	CIGRE is the world's largest body for the development and exchange of technical knowledge in the energy sector, bringing together electricity companies, capital goods manufacturers, engineering companies, research centres and universities. Red Eléctrica holds a prominent position on the National Committee as Chair and Secretary and many of its employees are participants.



RGI (Renewable Grid Initiative)	Through the joint participation of the TSOs and NGOs in RGI, Red Eléctrica addresses the environmental concerns of all its stakeholders, directing its action towards the development of efficient, sustainable, clean and socially accepted electricity infrastructure networks that are capable of integrating decentralised renewable resources on a large scale.
IESOE (Interconnexion de l'électricité du Sud-ouest de l'Europe)	This regional organisation aims to share information and carry out initiatives around the operation of neighbouring power grids, based on cooperation between the countries of North Africa, represented by the Comité Maghrebien d'Électricité (Morocco, Algeria and Tunisia), and the countries of southeast Europe (Spain, Portugal and France).
GO 15 (Reliable and Sustainable Power Grids)	Red Eléctrica is present in this forum, in which the world's 18 largest power grid operators share experiences and knowledge, debating the future challenges of the electricity industry at the highest level.
Med-TSO (Mediterranean Transmission System Operators)	This association facilitates cooperation between the countries of the north and the south of the Mediterranean Basin through coordination of the region's infrastructure development plans and aspects of network operation. An important element is the transfer of the regulatory knowledge and operating and electricity market practices developed in the European Union to the countries of the south Mediterranean basin.
EASE (European Association for the Storage of Energy)	In view of the new challenges of the energy transition, storage is considered an essential tool in the future scenario. Through its participation in this association, Red Eléctrica aims to be involved in and have first-hand knowledge of the development of storage solutions that will optimise electricity system management.
ICGN (International Corporate Governance Network)	For Red Eléctrica, being a member of this network means being at the forefront of the development of effective standards of corporate governance and investor relations, so as to create efficient markets and sustainable economies throughout the world, taking ICGN's Global Governance Principles and Global Stewardship Principles as a guide.

Participation in Spanish bodies

The Red Eléctrica Group is a member of various Spanish organisations and associations pursuing various goals:

- **Sharing and spreading best practices in business**

AEC (Asociación Española para la Calidad)	An association aimed at defending and promoting quality as a driver of competitiveness in business and improvement in society.
ASCOM (Asociación Española de Compliance)	The first association created to professionalise the compliance function and facilitate the exchange of ideas and best practices.
AENOR (Asociación Española de Normalización y Certificación)	An association that contributes to improving the quality and competitiveness of companies by developing technical standards and certifications.
Emisores Españoles	An association that fosters measures to reinforce legal certainty in the issue of listed securities and contributes to the development of high standards of corporate governance.



- **Promoting knowledge of the work of the company and the electricity industry**

ENERCLUB (Club Español de la Energía)	An association that contributes to a better understanding of various industry-related issues among the social partners.
Fundación de Energía de la Comunidad de Madrid	The foundation drives initiatives and research programmes for the development and application of energy technologies.
CME (Clúster Marítimo Español)	A group that promotes the development and competitiveness of Spanish maritime companies and industries.

- **Promoting the Red Eléctrica Group's commitment to sustainability**

Club de Excelencia en Sostenibilidad	A business association aimed at driving sustainability by sharing and building awareness of good practices.
Forética	An association of companies and sustainability professionals promoting the integration of environmental, social and governance issues in companies' strategy and management.
Club Excelencia en Gestión e Innovación	A business association aimed at strengthening the global competitiveness of organisations and professionals through the values of excellence.
Foro de Integridad de Transparencia International España	A think tank for improving compliance and ethical management in companies.
Fundación Voluntare	A global corporate volunteering network that helps to connect companies with third sector organisations.

- **Subcontracting and suppliers**

The globalisation of markets has extended the limits of companies' responsibilities and triggered a change in the role of suppliers, which have become a pivotal element. The Group extends its responsibility over the supply chain and adheres to a responsible management model, based on the principles of non-discrimination, mutual recognition, proportionality, equal treatment and transparency, as well as a framework of legislation and internal Group codes, policies and rules.

In 2018, contracts worth a total of EUR 580 million were awarded to 1,049 suppliers. Of that amount, 82% relates to services and structures, while the remaining 18% relates to materials and equipment.

96% of the total amount was awarded to suppliers based in Spain and 99% to suppliers in EU countries, which means the Group acts as a driver of growth, fostering business, industrial and social development by creating employment throughout the supply chain.

Besides the abovementioned 1,049 suppliers, an additional 1,007 companies (subcontractors) also did work for the Group, so that the total number of companies that worked within the framework of the Group's contracts was 2,056. In this context, it should be pointed out that the turnaround time for subcontracting requests was 1.5 days, a figure that has decreased in recent years, improving on the commitment to resolve subcontracting requests within two days.

Social audits were conducted at 68 suppliers during 2018 to verify compliance with the Code of Conduct among the Group's suppliers.



As a result of the audits, improvements or action plans have been agreed with 47 suppliers, so that supplier development can be monitored and improvements recorded. The results of these audits and their findings are shared internally, placing special emphasis on the detection of major non-compliances.

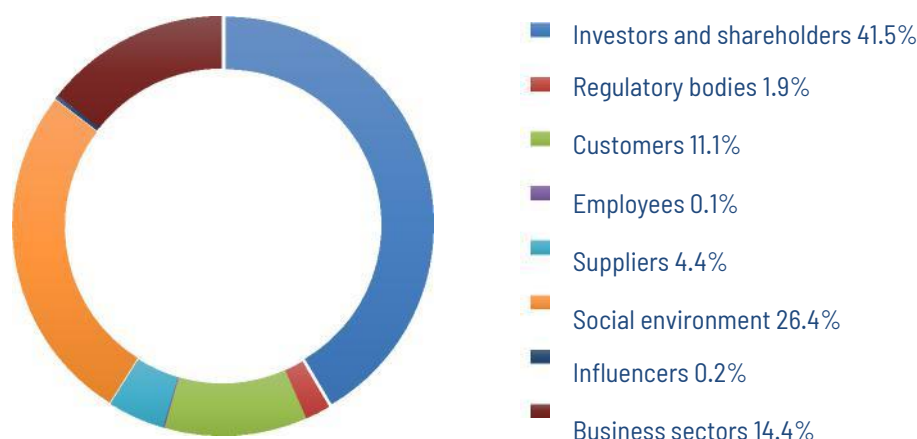
- Consumers

Since 2008 the “Dígame” service has provided a professional response to requests from external stakeholders, who have several channels of communication at their disposal (telephone, email and online form). The service is manned by employees of Fundación Juan XXIII Roncalli, an institution that facilitates the integration of people with disabilities in the workplace.

In the Dígame service, external stakeholders receive a professional response to their requests through several channels of communication.

DÍGAME Service (3,675 requests handled)

Requests handled through the Dígame service in 2018



By typology:	
Installation impact	26
Quality and continuity of supply	5
Environmental aspects	1
Total	32
By interest group complainant:	
Social environment	26
Business sector/Professional associations	4
Others	2
Total	32

Note: Proper claim is understood as that which corresponds to the functions and responsibilities of the Group. Of the 32 claims from 2018, 31 were considered (accepted by considering certain and reasonable arguments underpinning their acceptance, complete or partial). These claims included environmental issues. 84% of the accepted claims are closed, while the rest are in progress. Of the seven claims that remained open at the end of fiscal year 2017, in 2018 there remains only one pending closure.



It should be noted that due to the criteria applied in the design of the installations, the levels of the electric and magnetic fields (CEMs) remain below that recommended by the Council of the European Union (Official Journal of the European Union 1999/519/EC: Exposure limit values for the general public at sites where it can remain for a long time, 5 kV/m for the electric field and 100 µt for the magnetic field). The main criteria are:

- Construction of double circuits and translocation of phases in lines.
- Increasing the height of supports, thereby increasing the safety distances.
- Minimum distances from the lines to population centers and isolated houses.

To verify compliance with recommendations, Red Eléctrica has a tool that, from certain parameters of the lines, allows accurate calculation of the maximum levels of CEM that the installations can generate.

• Tax information

The Red Eléctrica Group is committed to compliance with tax law and fulfilment of its tax obligations, seeks a cooperative relationship with the tax authorities and considers it important that it should contribute to economic and social development by paying taxes in all the countries in which it operates.

The Red Eléctrica Group's **Tax strategy** was approved by the board of directors on 30 June 2015 and is intended to define a consistent approach to tax matters in line with the Group's strategy. It embodies the Group's vision and objectives in tax matters and is based on three core values: transparency, good governance and responsibility.

On 29 September 2015, the board of directors approved the Red Eléctrica Group's **Tax Risk Control and Management Policy** and its inclusion in the Integrated Risk Management Policy. The tax risk control and management systems are described in section E of this report.

The Red Eléctrica Group's Tax Strategy and Integrated Risk Management Policy may be consulted on the corporate website.

Both the Code of Ethics and the Tax Strategy state the Red Eléctrica Group's commitment not to create companies in countries considered tax havens in order to evade tax.

The Red Eléctrica Group has no presence and carries out no activity in countries considered tax havens under applicable laws and regulations¹.

Profits obtained, broken down by country

Million euros

Item	Spain	Peru	Chile	Other EU ⁽²⁾
Profit before corporate income tax ⁽¹⁾	921	6	-6	-

(1) Comprises the pre-tax income and expenses of each company, excluding dividends received from Group entities, aggregated at country level.

(2) France, Netherlands and Luxembourg

¹ Royal Decree 1080/91 of 5 July, subsequently amended by Royal Decree 116/2003 of 31 January; EU list of non-cooperative jurisdictions in taxation matters, approved by ECOFIN at its meeting on 5 December 2017; List of uncooperative tax havens drawn up by the OECD.



Corporate income tax paid

With a view to following best practices in corporate social responsibility and voluntarily providing greater transparency in tax matters for its various stakeholders, since 2014 the Red Eléctrica Group has calculated and published its total tax contribution, highlighting the significant economic and social importance of its tax contribution.

The Group's total 2018 tax contribution in all the countries in which it operates amounted to EUR 743 million, consisting of EUR 250 million paid and EUR 493 million collected.

The tax on profit paid in each country in 2018, understood as the amount of corporate income tax paid, is as follows:

Million euros

Item	Spain	Peru	Chile	Other EU (*)	Total
Tax on profit paid	202	3	1	-	206

(*) France, Netherlands and Luxembourg

Corporate income tax accounts for 82% of the taxes paid by the Red Eléctrica Group to governments, mainly the Spanish government.

Government grants received

In 2018, EUR 3 million were received from official bodies for the construction of power facilities and other RDI projects. The grants received, broken down by country, are as follows:

Million euros

Item	Spain	Rest of countries	Total
Grants received	3	-	3

The grants received in 2018 in relation to power facilities, totalling EUR 2 million, were for the Spain-France electricity interconnection via the Bay of Biscay and for the construction of facilities in Extremadura (with ERDF funds).

Additional grants totalling EUR 1 million were received for the following RDI projects: BEST PATHS, OSMOSE and MIGRATE. The scope of these projects is set out in section 8, "Innovation", of this Directors' Report.

11.7 Index of content required by Law 11/2018 of 28 December on disclosure of non-financial and diversity information

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(1) This table shows the equivalence between the requirements of Law 11/2018 and the GRI indicators. Red Eléctrica has published non-financial information since 2003 in accordance with successive versions of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

(2) For this information the Group has used a specific reporting framework, which is explained on the relevant page of the report.

12. Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of the Directors' Report and can be viewed at the following address: <http://www.cnmv.es/Portal/consultas/EE/>

<http://www.cnmv.es/Portal/consultas/EE/InformacionGob-Corp.aspx?nif=A-78003662>