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LETTER FROM  
THE CHAIRMAN  
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## GRI content index <sup>[1]</sup> / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
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### GRI 101: FOUNDATION 2016

### GRI 102: GENERAL DISCLOSURES 2016

#### Organizational profile

102-1	Name of the organization.	12	
102-2	Activities, brands, products, and services.	12, 13	
102-3	Location of headquarters.	Red Eléctrica Paseo Conde de los Gaitanes, 177 Alcobendas (Madrid) - España.	
102-4	Location of operations.	13	
102-5	Ownerships and legal form.	12	
102-6	Markets served.	13	
102-7	Scale of the organization.	9	
102-8*	Information on employees and other workers.	9, 177	
102-9	Supply chain.	212	
102-10	Significant changes to the organization and its supply chain.	3, 12	
102-11	Precautionary Principle or approach.	58, 184	
102-12	External initiatives.	42	
102-13	Membership of associations.	243-246	
EU1*	Installed capacity, broken down by primary energy source and by regulatory regime.	-	<b>Not applicable.</b> 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.	-	<b>Not applicable.</b> 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.	221-222	

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## GRI content index <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
EU4*	Length of above and underground transmission and distribution lines by regulatory regime.	88-90	
EU5*	Allocation CO <sub>2</sub> emissions allowances or equivalent, broken down by carbon trading framework.	-	<b>Not applicable.</b> The rights regarding CO <sub>2</sub> Equivalent Emission Allowances do not apply to power transmission activities.
<b>Strategy</b>			
102-14	Statement from senior decision-maker.	4-8	
102-15	Key impacts, risks, and opportunities.	53, 61, 64	
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behaviour.	134-137	
102-17	Mechanisms for advice and concerns about ethics.	134-137	
<b>Governance</b>			
102-18	Governance structure.	121-127	
102-19	Delegating authority.	126-127	
102-20	Executive-level responsibility for economic, environmental and social topics.	126-127	
102-21	Consulting stakeholders on economic, environmental, and social topics.	127-128	
102-22	Composition of the highest governance body and its committees.	121, 123	
102-23	Chair of the highest governance body.	124	
102-24	Nominating and selecting the highest governance body.	129	
102-25	Conflicts of interest.	130	
102-26	Role of the highest governance body in setting purpose, values, and strategy.	123	
102-27	Collective knowledge of highest governance body.	130-131	
102-28	Evaluating the highest governance body's performance.	130-131	
102-29	Identifying and managing economic, environmental, and social impacts.	64-68	

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GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
102-30	Effectiveness of risk management processes.	59-60	
102-31	Review of economic, environmental, and social topics.	59-60	
102-32	Highest governance body's role in sustainability reporting.	The Corporate Responsibility Report is submitted for approval to the Appointments and Remuneration Committee, which is the competent authority regarding corporate responsibility matters.	
102-33	Communicating critical concerns.	127-128	
102-34	Nature and total number of critical concerns.	127-128	
102-35	Remuneration policies.	131-132	
102-36	Process for determining remuneration.	131-132	
102-37	Stakeholders' involvement in remuneration.	131-132	
102-38	Annual compensation ratio.	The ratio between the total remuneration of the highest-paid individual of the organisation <sup>[2]</sup> and the average total remuneration of the entire workforce <sup>[3]</sup> (excluding the highest-paid individual) was 14 times.	
102-39	Percentage increase in annual compensation ratio.	<sup>[4]</sup>	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups.	33-35, 38-40	
102-41*	Collective bargaining agreements.	167, 177	
102-42	Identifying and selecting stakeholders.	33-35	
102-43	Approach to stakeholder engagement.	36, 37, 44-49	
102-44	Key topics and concerns raised.	3, 36, 37, 44-49	

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## GRI content index <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements.	3, 12	
102-46	Defining report content and topic Boundaries.	3, 44-49	
102-47	List of material topics.	44-49	
102-48	Restatements of information.	3	
102-49	Changes in reporting.	3, 44-49	
102-50	Reporting period.	2	
102-51	Date of most recent report.	2	
102-52	Reporting cycle.	2	
102-53	Contact point for questions regarding the report.	3	
102-54	Claims of reporting in accordance with the GRI Standards.	2	
102-55	GRI content index.	255-274	
102-56	External assurance.	3, 275	

## ECONOMIC PERFORMANCE

### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 147-150	
103-2	The management approach and its components.	147-150	
103-3	The evaluation of the management approach.	147-150	

### GRI 201: Economic performance 2016

201-1	Direct economic value generated and distributed.	147	
201-2	Financial implications and other risks and opportunities for the organisation due to climate change.	66	
201-3	Obligations of the organisation for employee benefit programmes and other pension plans.	2017 Consolidated Annual Accounts Report Note 4-I	
201-4	Financial assistance received from governments.	147	

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### PROCUREMENT PRACTICES

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 210-219	
103-2	The management approach and its components.	175, 185, 210-219	
103-3	The evaluation of the management approach.	175, 185, 210-219	

#### GRI 204: Procurement practices 2016

204-1	Proportion of spending on local suppliers.	212	
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### ANTI-CORRUPTION

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 142-143	
103-2	The management approach and its components.	142-143	
103-3	The evaluation of the management approach.	142-143	

#### GRI 205: Anti-corruption 2016

205-1	Operations assessed for risks related to corruption.	142-143	
205-2	Communication and training about anti-corruption policies and procedures.	142-143	
205-3	Confirmed incidents of corruption and actions taken.	142-143	

### AVAILABILITY AND RELIABILITY

#### GRI 103: Management Approach 2016

103-1*	Explanation of the material topic and its boundary.	46, 85-87	
103-2*	The management approach and its components.	85-87	
103-3*	The evaluation of the management approach.	85-87	

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GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>GRI G4 Electric Utilities: Availability and reliability</b>			
EU10*	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	85-87	
<b>DEMAND-SIDE MANAGEMENT</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	46, 96-98	
103-2*	The management approach and its components.	96-98	
103-3*	The evaluation of the management approach.	96-98	
<b>TECHNOLOGY AND INNOVATION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	46, 73-77	
103-2*	The management approach and its components.	73-77	
103-3*	The evaluation of the management approach.	73-77	
<b>PLANT DECOMMISSIONING</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	-	<b>Not applicable.</b> 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.
103-2*	The management approach and its components.	-	<b>Not applicable.</b> 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.
103-3*	The evaluation of the management approach.	-	<b>Not applicable.</b> 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.

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### SYSTEM EFFICIENCY

#### GRI 103: Management Approach 2016

103-1*	Explanation of the material topic and its boundary.	46, 96, 109	
103-2*	The management approach and its components.	96, 109	
103-3*	The evaluation of the management approach.	96, 109	

#### GRI G4 Electric Utilities. System Efficiency

EU11*	Average generation efficiency of thermal plants by energy source and by regulatory regime.	-	<b>Not applicable.</b> 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.	109-110	

### ENERGY

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 81-83, 100-110	
103-2	The management approach and its components.	81-83, 100-110	
103-3	The evaluation of the management approach.	81-83, 100-110	

#### GRI 302: Energy 2016

302-1	Energy consumption within the organization.	111	
302-2	Energy consumption outside of the organization.	112	
302-3	Energy intensity.	112	
302-4	Reduction of energy consumption.	112	
302-5	Reductions in energy requirements of products and services.	-	<b>Not applicable.</b> 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 nor services, whereby it is not possible to quantify the energy reductions that may result from them.

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### WATER MANAGEMENT

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is an aspect demanded by some sustainability indexes.
103-2	The management approach and its components.	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is an aspect demanded by some sustainability indexes.
103-3	The evaluation of the management approach.	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is an aspect demanded by some sustainability indexes.

#### GRI 303: Water 2016

303-1*	Water withdrawal by source.	208	<b>The sector aspect is not applicable.</b> Red Eléctrica does not have electricity generation.
303-2	Water sources significantly affected by withdrawal of water.	-	<b>Not applicable.</b> The water consumed is obtained from authorised water withdrawal points (municipal mains and wells) or from cisterns. Therefore, no direct effect exists on ecosystems.
303-3	Water recycled and reused.	208	

### BIODIVERSITY

#### GRI 103: Management Approach 2016

103-1*	Explanation of the material topic and its boundary.	46, 194-201
103-2*	The management approach and its components.	194-201
103-3*	The evaluation of the management approach.	194-201

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### BIODIVERSITY / continuation

#### GRI 304: Biodiversity 2016

304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	205	
304-2*	Significant impacts of activities, products, and services on biodiversity.	197-200, 205	
304-3	Habitats protected or restored.	201, 230-231	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	201, 205, 206	

#### GRI G4 Electric Utilities. Biodiversity

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 effects 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 areas. The impacts generated are one-off situations, having established in some cases very specific offsetting measures such as planting woodland or the restoration of habitats.
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### EMISSIONS AND CLIMATE CHANGE

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 81-83, 100-110	
103-2	The management approach and its components.	83, 100-110	
103-3	The evaluation of the management approach.	83, 100-110	

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### EMISSIONS AND CLIMATE CHANGE / continuation

#### GRI 305: Emissions 2016

305-1*	Direct GHG emissions [Scope 1].	113	
305-2*	Energy indirect GHG emissions [Scope 2].	113	
305-3	Other indirect GHG emissions [Scope 3].	114	
305-4	GHG emissions intensity.	114	
305-5	Reduction of GHG emissions.	114	
305-6	Emissions of ozone-depleting substances [ODS].	-	<b>Not applicable.</b> These can be considered to be irrelevant, with the exception of those associated with the use of air conditioning equipment containing R22. Losses are minimal owing to the fact that they undergo adequate maintenance. The replacement of equipment with R22 is in process. There's only 107.8 kg of gas R22 left in operating equipment, and 203.1 kg in out-of-service equipment, which will be progressively replaced or eliminated.
305-7*	Nitrogen oxides [NOx], sulfur oxides [SOx], and other significant air emissions.	-	<b>Not applicable.</b> The activities of the Company do not give rise to these types of emissions as the activities do not involve the burning of fossil fuels – REE does not generate electricity. REE does use fossil fuel in vehicles and diesel generator sets, although the associated emissions are not considered relevant under this aspect.

### LEAKS, EFFLUENTS AND WASTE MANAGEMENT

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	202-204
103-2	The management approach and its components.	202-204
103-3	The evaluation of the management approach.	202-204

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### LEAKS, EFFLUENTS AND WASTE MANAGEMENT / continuation

#### GRI 306: Effluents and waste 2016

306-1*	Water discharge by quality and destination.	-	<b>Not applicable.</b> The activities of the Company do not give rise discharges. Rainwater discharges only occur in substations.
306-2*	Waste by type and disposal method.	207	
306-3	Significant spills.	207	
306-4	Transport of hazardous waste.	207	
306-5	Water bodies affected by water discharges and/or runoff.	-	<b>Not applicable.</b> Rainwater discharges from substations (which is the only water discharge associated with the activities of REE that takes place) do not affect water resources nor the associated habitats.

### ENVIRONMENTAL COMPLIANCE

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	184-193
103-2	The management approach and its components.	184-193
103-3	The evaluation of the management approach.	184-193

#### GRI 307: Environmental Compliance 2016

307-1	Non-compliance with environmental laws and regulations.	208
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### SUPPLY CHAIN ASSESSMENT

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	185, 210-219
103-2	The management approach and its components.	185, 210-219
103-3	The evaluation of the management approach.	185, 210-219

#### GRI 308: Supplier environmental assessment 2016

308-1	New suppliers that were screened using environmental criteria.	185, 210-219
308-2	Negative environmental impacts in the supply chain and actions taken	185, 213

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### EMPLOYMENT

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	49, 152-155, 167-169
103-2	The management approach and its components.	152-155, 167-169
103-3	The evaluation of the management approach.	152-155, 167-169

#### GRI 401: Employment 2016

401-1*	New employees hires and employee turnover.	178
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	176
401-3	Parental leave.	179

#### GRI G4 Electric Utilities. Employment

EU15*	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	182
EU17*	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	182
EU18*	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	175

### LABOR/MANAGEMENT RELATIONS

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	167-169
103-2	The management approach and its components.	167-169
103-3	The evaluation of the management approach.	167-169

#### GRI 402: Labor/Management Relations

402-1	Minimum notice periods regarding operational changes.	167-169
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### OCCUPATIONAL HEALTH AND SAFETY

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	49, 170-175	
103-2	The management approach and its components.	170-175	
103-3	The evaluation of the management approach.	170-175	

#### GRI 403: Occupational health and safety 2016

403-1	Workers representation in health and safety committees.	174-175	
403-2*	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	173, 179	
403-3	Workers with high incidence of high risk of diseases related to their occupation.	171	
403-4	Health and safety topics covered in formal agreements with trade unions.	174-175	

### TRAINING AND EDUCATION

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	47, 160-165	
103-2	The management approach and its components.	160-165	
103-3	The evaluation of the management approach.	160-165	

#### GRI 404: Training and education 2016

404-1	Average hours of training per year per employee.	174, 180	
404-2	Programs for upgrading employee skills and transition assistance programs.	160, 165	
404-3	Percentage of employees receiving regular performance and career development reviews.	164	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.





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### DIVERSITY AND EQUAL OPPORTUNITY

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	47, 156-159	
103-2	The management approach and its components.	156-159	
103-3	The evaluation of the management approach.	156-159	

#### GRI 405: Diversity and Equal Opportunity 2016

405-1	Diversity of governance bodies and employees.	180, 181	
405-2	Ratio of basic salary and remuneration of women to men.	182	

### NON-DISCRIMINATION

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 134-137	
103-2	The management approach and its components.	134-137	
103-3	The evaluation of the management approach.	134-137	

#### GRI 406: Non-discrimination 2016

406-1	Incidents of discrimination and corrective actions taken.	137	
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### FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	143	
103-2	The management approach and its components.	143	
103-3	The evaluation of the management approach.	143	

#### 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.	143	
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### CHILD LABOUR

#### GRI 103: Management Approach 2016

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103-2	The management approach and its components.	143	
103-3	The evaluation of the management approach.	143	

#### GRI 408: Child Labour 2016

408-1	Operations and suppliers at significant risk for incidents of child labour.	143	
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### FORCED OR COMPULSORY LABOUR

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	143	
103-2	The management approach and its components.	143	
103-3	The evaluation of the management approach.	143	

#### GRI 409: Forced or Compulsory Labour 2016

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	143	
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### RIGHTS OF INDIGENOUS PEOPLES

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	144	
103-2	The management approach and its components.	144	
103-3	The evaluation of the management approach.	144	

#### GRI 411: Rights of Indigenous Peoples 2016

411-1	Incidents of violations involving rights of indigenous peoples	144	
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### HUMAN RIGHTS ASSESSMENT

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 142-145	
103-2	The management approach and its components.	142-145	
103-3	The evaluation of the management approach.	142-145	

#### GRI 412: Human Rights Assessment 2016

412-1	Operations that have been subject to human rights reviews or impact assessments.	144	
412-2	Employee training on human rights policies or procedures.	145	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	144	

### LOCAL COMMUNITIES

#### GRI 103: Management Approach 2016

103-1*	Explanation of the material topic and its boundary.	46, 229-241	
103-2*	The management approach and its components.	229-241	
103-3*	The evaluation of the management approach.	229-241	

#### GRI 413: Local communities 2016

413-1	Operations with local community engagement, impact assessments, and development programs.	236-237	
413-2	Operations with significant actual and potential negative impacts on local communities.	189	

#### GRI G4 Electric Utilities. Local communities

EU22*	Number of people physically or economically displaced and compensation.	-	<b>Not applicable.</b> Red Eléctrica's facilities do not have any type of displacement associated.
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### SUPPLIER SOCIAL ASSESSMENT

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	210-219
103-2	The management approach and its components.	210-219
103-3	The evaluation of the management approach.	210-219

#### GRI 414: Supplier social assessment 2016

414-1	New suppliers that were screened using social criteria.	216-218
414-2	Negative social impacts in the supply chain and actions taken.	213, 219

### CUSTOMER HEALTH AND SAFETY

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	192-193
103-2	The management approach and its components.	192-193
103-3	The evaluation of the management approach.	192-193

#### GRI 416: Customer Health and Safety 2016

416-1	Assessment of the health and safety impacts of product and service categories.	192-193
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.	No litigation (whether civil, administrative or criminal) has been identified in relation to incidents of non-compliance with legislation or regulations concerning the health and safety impacts of products and services within the reporting period, arising from disciplinary proceedings that have resulted in significant fines or penalties in accordance with the parameters set for indicator 419-1.  192

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### CUSTOMER HEALTH AND SAFETY / continuation

#### GRI G4 Electric Utilities. Customer Health and Safety

EU25*	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	For 2017 we are not aware that any third party has formally filed any grievance or claim (whether civil, administrative or criminal) regarding injuries, fatalities or diseases among citizens involving company assets in accordance with the parameters set for indicator 419-1.	
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### ENERGY ACCESS

#### GRI 103: Management Approach 2016

103-1*	Explanation of the material topic and its boundary.	90	
103-2*	The management approach and its components.	90	
103-3*	The evaluation of the management approach.	90	

#### GRI G4 Electric Utilities. Energy Access

EU26*	Percentage of population unserved in licensed distribution or service.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
EU27*	Number or residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	-	<b>Not applicable.</b> Red Eléctrica does not carry out distribution activity, only high voltage transmission. The quality indicators of the transmission activity are shown in the Decarbonisation chapter <a href="#">↗</a>
EU28*	Power outage frequency.	90	
EU29*	Average power outage duration.	90	
EU30*	Average plant availability factor by energy source and by regulatory regime.	-	<b>Not applicable.</b> 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.

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### CUSTOMER PRIVACY

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	221-225
103-2	The management approach and its components.	221-225
103-3	The evaluation of the management approach.	221-225

#### GRI 418: Customer Privacy 2016

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 2017 concerning breaches of customer privacy and losses of customer data.
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### SOCIOECONOMIC COMPLIANCE

#### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	134-145
103-2	The management approach and its components.	134-145
103-3	The evaluation of the management approach.	134-145

#### GRI 419: Socioeconomic Compliance 2016

419-1	Non-compliance with laws and regulations in the social and economic area.	In order to respond to the GRI indicators, we consider compensation, fines or significant penalties those whose economic value exceeds 500,000 euros or those that due to their nature have a special impact on the Company owing to its connection with the electricity sector. Similarly, it has been taken as a criterion of reference that the sanction be firm, at least as set by administrative procedure. In light of the foregoing, we consider that 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.
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### PROVISION OF INFORMATION

#### GRI 103: Management Approach 2016

103-1*	Explanation of the material topic and its boundary.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
103-2*	The management approach and its components.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
103-3*	The evaluation of the management approach.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures [Electric Utilities] publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



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## EXTERNAL AUDIT REPORT



### INDEPENDENT REVIEW REPORT OF THE SUSTAINABILITY INDICATORS OF CORPORATE RESPONSIBILITY OF RED ELÉCTRICA CORPORACIÓN, S.A.

To the Management of Red Eléctrica Corporación, S.A.

#### Scope

As commissioned by the Management of Red Eléctrica Corporación, S.A. (hereinafter REC), we have carried out the review of the sustainability indicators in the Annex to the Sustainability Report 2017 of REC "Table of GRI Indicators". 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 "Sustainability context" of the chapter "About this report".

The scope considered by REC for the preparation of the Report is defined in the section "Coverage" of the chapter "About this report".

The preparation of the attached report, as well as its content, is the responsibility of the Management of REC, 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 of Accounts (ICJCE).
- 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 REC's global strategy.
- Reviewing the processes for the compilation and validation of the sustainability indicators of corporate responsibility.
- Checking the processes held by REC 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 "Table of GRI Indicators" 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 2017 of REC "Table of GRI Indicators", with the aforementioned scope.

The scope of our review is considerably 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 2017 of REC "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., 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 19th March 2018. In case of any discrepancy, the Spanish version always prevails.)



## INDEPENDENT ASSURANCE REPORT OF GREENHOUSE GAS EMISSIONS INVENTORY



### REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2017 OF RED ELÉCTRICA DE ESPAÑA S.A.U.

To the Management of Red Eléctrica de España, S.A.U.

#### Scope

We have undertaken a limited assurance engagement on the Green Gas Emissions Inventory (hereinafter referred to as the GHG Inventory) of Red Eléctrica de España, S.A.U. (hereinafter referred to as REE) for the financial year ending 31<sup>st</sup> December 2017, 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

REE's management is responsible for preparation and update of the 2017 GHG Inventory in accordance with their internal procedure, "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España S.A.U." available on the following website link <http://www.ree.es/en/Sustainability>. 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 GHG Inventory based on the procedures we have performed and the 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 REE's 2017 GHG Inventory is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of REE's 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 substantially 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 REE's various departments who have been involved in the preparation of the GHG Inventory, obtained an understanding of REE's 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 REE's 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 REE's estimates.



- Verification, through random sampling tests, internal control rests and the development of substantive tests of the information (activity data, calculations and information generated) used to determine REE's 2017 GHG Inventory with the internal procedure. We have also verified the correct compilation of information based on the data provided by REE's sources of information.

#### 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 REE's GHG Inventory for the financial year ending 31<sup>st</sup> December 2016 contains any material misstatement or is not prepared, in all material respects, in accordance with the "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España S.A.U.".

#### Use and distribution

Our report is only issued to the Management of Red Eléctrica de España S.A.U. in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than REE's Management.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 19th March 2018. In case of any discrepancy, the Spanish version always prevails.)



## APPENDIX

### GREENHOUSE GAS (GHG) INVENTORY OF RED ELÉCTRICA ESPAÑA S.A.U.

GHG Inventory 2018	tCO <sub>2</sub> eq
<b>Scope 1</b>	<b>28,764.78</b>
SF <sub>6</sub>	26,223.98
Air conditioning	708.96
Fleet vehicles	1,556.47
Diesel generating sets	275.38
<b>Scope 2</b>	<b>956,967.29</b>
Electricity consumption	946.50
Transmission grid losses	956,020.79
<b>Scope 3</b>	<b>415,748.45</b>
Purchase of goods and services	295,786.84
Capital goods	111,618.72
Energy production (not included in scope 1 and 2)	516.71
Waste	134.09
Transport and distribution	2,287.51
Business travel	1,487.00
Commuting	3,917.57
Leased assets	0

#### Organisational boundaries

The calculation of Company's emissions is performed under operational control criteria. The inventory only applies to the activities that take place in Spain.

#### Operational scope:

Emissions associated to Company's activities and facilities are quantified, taking into consideration the following scopes:



#### Scope 1: Direct GHG emissions (Greenhouse gases)

Emissions resulting from the Company's controlled or owned sources:

- Fugitive Emissions: SF<sub>6</sub> 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. (No other stationary combustion source exists in the Company).

#### 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 (downstream).



# Annual Executive Report on the Management of the Code of Ethics 2017

## INTRODUCTION

The Annual Report on the Management of the Code of Ethics sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group within the 2017 fiscal year.

The Code of Ethics of the Group seeks to provide an ethical guide for the people of the companies that make up the Red Eléctrica Group, establishing the values and commitments that shall govern their business conduct when carrying out any of the Groups' activities.

The current edition of the Code of Ethics of the Red Eléctrica Group was approved by the Board of Directors of its parent company on 28 May 2013, undertaking the requirements

demanded by stakeholders and the recommendations of organisations of repute with influence in this area.

The Code of Ethics is incumbent on all persons in the Group, understood as its Board of Directors, its senior management and employees, in the performance of their duties and responsibilities.

It is applied in the companies of the Group, i.e. in those in which the Group has majority of shareholding, regardless of their geographical location and in those countries where they are temporarily performing activities, providing professional services or any other activity related to the Group

## ETHICS MANAGER AND STAKEHOLDER OMBUDSMAN

To ensure understanding, implementation and enforcement of the Code of Ethics, Red Eléctrica appointed Rafael García de Diego, General Counsel and Secretary of the Board of Directors, as Ethics Manager and Stakeholder Ombudsman.

The responsibilities of the Ethics Manager are the following:

- Resolve enquiries and advise all stakeholders regarding any doubts in relation to the values and commitments contained in the Code of Ethics.
- Institute proceedings regarding grievances through the verification and investigation of the conduct of those employees or organisational units reported.

- Develop action plans to resolve the grievances reported and submit them for approval by the Chairman of Red Eléctrica Group or the Chairperson of the Audit Committee if it affects any member of the Executive Committee.

- Keep an updated record of the process (enquiries, grievances, procedures and communications with interested parties).

- Keep claimants abreast of the status and resolution of enquiries or grievances reported, when such information is requested.

- Draft a periodic report on the review of the system and propose actions to improve the management system.



- Maintain at all times the confidentiality of the claimant, unless legally required to disclose this information.
- Carry out the duties and functions assigned under the principles of independence, rigour and fairness.

### WHISTLE-BLOWING CHANNEL

In order to promote the application of the Code of Ethics, Red Eléctrica has a whistle-blowing channel, available on the corporate website, through which enquiries, grievances or suggestions can be conveyed to the Ethics Manager.

In addition, the Red Eléctrica Group has another channel, the *Dígame* service [the Company's Stakeholder Attention Centre] that can be used for reporting non-compliances, grievances, enquiries and suggestions regarding ethical matters. The *Dígame* service provides another reporting channel for external stakeholders who are not aware of the whistle-blowing channel. This service transfers to the Ethics Manager any non-compliance, grievance, enquiry and suggestion

regarding ethical matters received whilst preserving the confidentiality of those using this channel.

Regarding the whistle-blowing channel for the detection and handling of possible non-compliances, grievances, enquiries and suggestions, in 2017, 26 enquiries were made to the Ethics Manager, all with a maximum resolution time of 10 days or less.

The enquiries made have referred to the following patterns of business behaviour:

- Integrity, accountability and transparency.
- Respect, dignity and non-discrimination.
- Responsible monitoring of the management of suppliers.
- Limitation on the acceptance of gifts, loans or invitations.
- Adequate safeguarding of information systems.

In 2017, seven grievances were received regarding compliance with the Code of Ethics. The details of each grievance are shown below:

- Grievance filed by a subcontractor of a Red Eléctrica supplier, in relation to a non-payment by the supplier to the subcontractor, for work associated to a Red Eléctrica contract. Once the grievance was analysed, it was found that the claimant had abandoned the work without just cause, and that the supplier had passed on to the claimant the extra cost because they had to again subcontract out the completion of the unfinished work.
- Grievance filed by a former employee of a Red Eléctrica supplier, related to an alleged incident that occurred during the execution of work contracted by Red Eléctrica. Once the grievance was analysed, clear contradictions were detected between the versions of the supplier and the worker, which in turn activated a social audit aimed at verifying compliance with the Supplier Code of Conduct.
- Grievance filed by an employee of Red Eléctrica, related to the Company's corporate values 'Trustworthiness', 'Accountability' and 'Respect', alleging the possibility that a private email message of a professional nature was used as an element of criticism in the eyes of fellow colleagues of the organisation, claiming that such criticism affected the performance of the person's duties as a social representative. The processing of this grievance case regarding the Code of Ethics was suspended owing to the fact that the Human Resources Department initiated a procedure to gather information in relation to the facts reported through the whistle-blowing channel. Once this procedure was completed, and in view of its conclusions, the processing of the grievance case reporting the breach of the Code of Ethics was resumed immediately. At the close of 2017, said grievance case was in the processing stage.





- Grievance filed by a member of a partnership of landowners affected by Red Eléctrica facilities. The grievance refers to a supposed lack of respect in the manner in which the interlocutor of Red Eléctrica dealt with the partnership of landowners. As the facts reported cannot be verified, a communication has been sent to the interlocutor in question, reminding them of the of the commitments laid down in the Code of Ethics regarding the due respect that employees of the Red Eléctrica Group must show to their colleagues, stakeholders and third parties with whom they establish any kind of relationship in the performance of the duties and responsibilities associated with their activity.

- Grievance related to the Company's corporate values 'Trustworthiness' and 'Accountability', filed by a private individual, motivated by the occupation of a plot of land by a Red Eléctrica facility, alleging

that the occupation was not duly authorised and that no formal easement existed. Once the grievance was analysed, and after having reviewed the information and evidence provided by the units involved, a response was sent by Red Eléctrica to the claimant, justifying the authorisation that allows said occupation of land.

- Grievance related to the corporate values 'Trustworthiness' and 'Accountability', filed by a private individual, alleging a possible improper claiming of expenses by a member of the Company. In the absence of any evidence to support said grievance, the claimant was given sufficient time to provide supporting evidence; as no supporting evidence was received, the grievance case was closed.

- Grievance related to the corporate value 'Accountability', filed by a private individual, reporting supposed voltage drops caused by Red Eléctrica. Once the grievance was analysed, and after having reviewed the information and evidence provided by the units involved, it was verified that there were no incidents of any type in

Red Eléctrica's facilities that could be clearly attributed or even coincided with the voltage drops indicated in the grievance.

On the other hand, among the functions undertaken by the Ethics Manager is the obligation to communicate the grievances that could lead to a criminal risk for the companies of the Red Eléctrica Group, for which the Control and Monitoring body of the Criminal Risk Prevention Programme of the Group, of which the Ethics Manager is a member, can assess the aforementioned grievances and, where appropriate, initiate an investigation into the event until it is resolved.

In 2017, as occurred in previous years, the Ethics Manager received no grievance on non-compliances related to criminal risk, and none of the companies of the Red Eléctrica Group have been investigated or convicted by any law court for infringements related to criminal risks of the organisation.

## INTEGRITY AND TRANSPARENCY

The Code of Ethics and the corresponding management system for enquiries and grievances, which include aspects related to the fight against corruption, constitutes an effective mechanism for the detection and handling of possible cases of corruption and fraud. The Code of Ethics must be observed by and is incumbent on all governing bodies, senior management and employees of the Red Eléctrica Group. Suppliers must accept and undertake to respect the Group's Supplier Code of Conduct.

As a result of the commitment undertaken by Red Eléctrica 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 an analysis of the circumstances and the risks they face regarding corruption and advance the dissemination of the criteria and the instruments available to the Company for its eradication.

Over the last year, no grievance has been registered through the whistle-blowing channel regarding possible cases of corruption. No company of the Red Eléctrica Group has been subject to investigation or convicted by any court of law for any non-compliance related to cases of corruption, in line with what has been reported in previous years.

## RECOGNITIONS

In the area of external recognition, noteworthy is the leadership achieved by Red Eléctrica in the Ethics / Compliance / Corruption and Bribery section of the Dow Jones Sustainability Index 2017. For the third consecutive year, Red Eléctrica obtained the highest score [100 out of 100 points] in that section, 30 points above the average of the companies in its sector participating in said index, having also reached the maximum percentage [100] in the assessment.

Noteworthy is the inclusion of Red Eléctrica among the companies distinguished by the 'Ethical Boardroom Corporate Governance Awards 2017'. Said recognition was awarded to the Company for being one of the top European companies in the Utilities sector with best practices in corporate governance and business ethics during the 2015-2016 period.

Red Eléctrica has been included in the Euronext Vigeo sustainability indexes [Eurozone 120, Europe 120, World 120], which selects companies that stand out for their performance in areas such as environmental protection or ethics or for their contribution to the socio-economic development of the communities in which they operate.

Lastly, noteworthy is the continued presence of Red Eléctrica in the business ethics indexes, such as the Ethibel Sustainability Index (ESI) Excellence Europe, as well as its inclusion in the Ethibel Excellence Index since 2009.

## ALLIANCES

Among the initiatives in which Red Eléctrica has participated in the promotion of business ethics noteworthy is the Integrity Forum of the non-governmental organisation Transparency International España. The Forum is a reflection platform facilitated by Transparency International España for the improvement of compliance and ethical management in Spanish companies, which is structured through various working groups and periodic thematic sessions on business ethics.

Red Eléctrica has joined the group of large companies that are part of the Transparency, Good Governance and Integrity Cluster. It is a platform of companies coordinated by the Spanish association for the promotion of the culture of ethical and socially responsible management, Forética, with the aim of serving as a business meeting point in leadership, knowledge, exchange and dialogue in this area.