

**SUSTAINABILITY**  
**REPORT**  
**SUMMARY**

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9

*Committed to intelligent energy*



**SUSTAINABILITY  
REPORT  
SUMMARY**

*Committed to intelligent energy*

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## This Report

presents a summary of the 2019 Sustainability Report of the Red Eléctrica Group. The full version, as well as the legal information [2019 Consolidated Annual Accounts and the 2019 Corporate Governance Report] are published solely in electronic format (browsable PDF) and are available on the corporate website

[www.ree.es/en](http://www.ree.es/en)



2019  
SUSTAINABILITY  
REPORT



2019  
CORPORATE  
GOVERNANCE  
REPORT



2019  
CONSOLIDATED  
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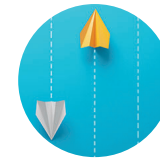
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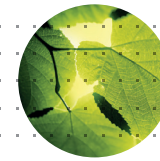


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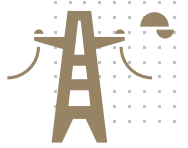
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# KEY PERFORMANCE INDICATORS 2019



## BUSINESS

**47,401**  
km  
of line circuit  
in service

**50,688**  
km  
of fibre optic  
network

**7**  
Satellites in  
operation

**97.94%**  
Availability  
rate of the  
peninsular grid



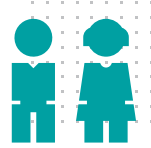
## FINANCIAL

**2,007.2**  
M€  
Revenue

**1,582.4**  
M€  
EBITDA

**718**  
M€  
Net profit

**1.0519**  
€/SHARE  
Distribution  
of dividends



## GOOD GOVERNANCE

**63.1%**  
Attendance  
at the General  
Shareholders' Meeting

**12**  
BOARD  
MEMBERS  
Board of Directors

**58.3%**  
Independent  
board members

**41.7%**  
Women on  
the Board



## EMPLOYEES

**2,056**  
PEOPLE  
Group workforce

**31.8%**  
Women in the  
management team

**72**  
HOURS  
Training  
per employee

**4.13**  
Accident  
frequency rate



## ENVIRONMENTAL

**37.5%**  
Integration  
of renewables  
into the electricity  
system in Spain

**23,614**  
tCO<sub>2</sub> eq.  
Direct emissions  
[Scope 1]

**61%**  
of transmission  
lines in critical  
priority zones  
marked with  
bird-saving devices

**27.8 M€**  
Environmental  
management  
expenditure



## SOCIAL

**98%**  
Purchases from  
suppliers within  
the European Union

**732**  
M€  
Total Tax  
Contribution

**8 M€**  
Investment in  
the community

**283 M€**  
Contribution  
the investment in  
the transmission grid  
[Contribution to GDP]



**Beatriz Corredor Sierra**  
Chairwoman of the Red Eléctrica Group

## LETTER FROM THE CHAIRWOMAN

The Red Eléctrica Group has celebrated its 35<sup>th</sup> anniversary. Throughout the years the Company has been operating, it has undertaken the responsibility of developing a business model capable of converting challenges into opportunities, basing its courses of action on excellence, innovation, integrity and transparency while striving to make its activity compatible with and respectful of the environment in addition to creating shared value for society.

Today, as was the case three decades ago, our mission remains clear: to be useful to society as a global operator of strategic infrastructure. On this basis, our company carries out its activity to efficiently contribute to decarbonising the economy and to the energy transition, and it does so by integrating renewable generation and enhancing territorial cohesion and social inclusion by expanding the reach of connectivity. These are challenges that we take on and in which we want to play a leading role, having sustainability as an essential lever to anticipate change and above all to take action in order to generate a positive and real value for society.

At present, we all find ourselves at a time of global transformation, a moment in which companies are active agents of change and must be especially attentive to global challenges. More than ever, it is necessary to move forward in the present by looking to

the future. In the Red Eléctrica Group, we are firmly determined to be at the heart of global transformation. We are the main operator of strategic infrastructure in Spain, both in the realms of electricity and telecommunications, we are one of the leading managers of electricity transmission infrastructure in Latin America, and one of the largest satellite telecommunications operators in the world. We are also a company that is committed to technological innovation as a lever for change and business generation and, moreover, we have the most important elements: the talent and commitment of over 2,000 employees that make up this incredible business group.

In short, our Company has the three core assets that define the shift in the global paradigm: electricity, telecommunications and talent. These elements will enable us to address the challenges and embrace the great opportunities that lie ahead.

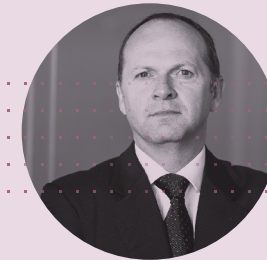
One of the core purposes of the Red Eléctrica Group is to take on a leading role in the energy transition. Over the last 35 years, the electricity sector has not stopped transforming, innovating and improving for society. We are currently at a crucial moment in tackling the climate emergency and clearly the energy transition is key to achieving this goal. This transition implies changing the way we generate, distribute and consume electricity, as well as making decarbonisation possible through electrification, energy efficiency, digitalisation or the key role played by the consumer. The energy transition is not possible without the Red Eléctrica Group and for this reason, our strategy is to tackle head-on the challenges derived from the same through the development of more robust, smarter and increasingly better interconnected grids for a better integration of renewables, as well as through new functions and technological solutions, such as energy storage, and through a greater level of digitalisation in the operation of the system.

The time for making declarations of intent is behind us and now is the time to act more responsibly than ever before. With this commitment in mind, the Red Eléctrica Group implements specific courses of action in order to generate value and contribute to economic, environmental and social progress by complying with the Ten Principles of the United Nations and by adopting the

Red Eléctrica's contribution will be key in the energy transition of our country and, therefore, 53% of the investments of the 2018-2022 Strategic Plan are aimed at making this transition possible.

2030 Agenda with the aim of contributing to the Sustainable Development Goals (SDGs). We have firmly adopted and undertaken a Sustainability Commitment for 2030 which is cross-cutting in nature and represents an essential pillar that outlines our corporate business strategy. Furthermore, in 2019, the Red Eléctrica Group took a firm step towards undertaking specific long-term commitments by approving the eleven Red Eléctrica Group Sustainability Objectives for 2030 that define our roadmap and reflect our ambition to contribute solutions for today's world.

Consequently, we have a great challenge ahead of us and have taken on a significant commitment: to consolidate what we have done thus far and to continue working, as a global operator of strategic infrastructure. For the last 35 years, we have been committed to progress, sustainable development and the well-being of citizens. Our mission continues. The next 35 years await us.



**Roberto García Merino**  
CEO

## LETTER FROM THE CEO

The Red Eléctrica Group works to contribute efficiently to decarbonising the economy and connecting citizens through technological innovation, the sustainable expansion of electrification and telecommunications, guaranteeing connectivity and access to new renewable generation and favouring territorial cohesion and social inclusion. With this vision in mind, the Board of Directors approved the 2018-2022 Strategic Plan of the Red Eléctrica Group in February 2019.

In order to successfully face the key role that the Company has in the transition towards a sustainable and decarbonised economy in a context of technological disruption and transformation, this new Strategic Plan is aimed at fulfilling the following objectives: make the energy transition possible, become a reference operator of telecommunications infrastructure, expand the Group's business abroad and accelerate technological innovation. To this end, the Red Eléctrica Group will invest a total of €6 billion until 2022, of which more than half will be used to make the energy transition possible in Spain.

In 2019, the Red Eléctrica Group took important steps to consolidate the Company as a global operator of electricity and telecommunications infrastructure both in Spain and abroad. Therefore, last October the Company acquired 89.98% of the shareholding

In 2019, we have successfully met the challenge of integrating an all-time record of 6.5 GW of new renewable power into the electricity system and, at the same time, we have continued to make progress in the sustainable development of the transmission grid with an investment of €396 million.

of Hispasat, S.A., the leading satellite infrastructure operator in Spain and Portugal by business volume, the fourth operator in Latin America and the eighth worldwide.

In addition, in order to meet its goal to develop its business activity abroad, the Red Eléctrica Group agreed to acquire 50% of the Brazilian company Argo Energía which has enabled the Group to commence its operations in Brazil through the co-management, for a period of 30 years, of three electricity concessions that total 1,460 km of high voltage circuit and 11 substations.

With the objectives of accelerating technological innovation, generating competitive advantages and creating business opportunities, we have created *Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología*. Through this new company, we will be

able to take advantage of the potential of the main technologies to boost innovation in two strategic areas such as electricity and telecommunications.

Focusing on our Company's vital role in the energy transition, in the last year we have continued to maximise the safe integration of renewables into the system while ensuring the security of supply at all times. In 2019, we managed to successfully take on the challenge of integrating an overall renewable power capacity that has risen to 6.5 GW, an all-time record for the Spanish electricity system. At the same time, we have continued to make progress in the sustainable development of the transmission grid with investments that totalled €396 million and which have enabled us to commission 198 km of new line circuit and 168 substation bays in 2019.

As it has done in previous years, the Red Eléctrica Group has maintained stable growth, showing solid results and an important strengthening of their key financial indicators, while maintaining a clear focus on operational efficiency and creating value on an ongoing basis. Additionally, in 2019 the Company strengthened its commitment to sustainable financing by establishing and adopting a Green Financing Framework, in order to issue Green Financial Instruments that allow us to promote projects that accelerate the energy transition in Spain.

The Red Eléctrica Group closed 2019 with a profit of €718 million, a figure 1.9% higher than that achieved in 2018. Investments reached €1.87 billion, around 3.4 times the amount invested in 2018, and direct shareholder return increased by 7% compared to the previous year.

In the coming years, we will continue to work to fulfil the commitments of our 2018-2022 Strategic Plan, providing essential services under the criteria of security, efficiency and sustainability.

# THE RED ELÉCTRICA GROUP

## THE COMPANY

We are a global operator of essential infrastructure. We manage electricity transmission grids, in Spain and Latin America, and telecommunications networks (optical fibre and satellites), both having a remarkable component of innovation and technological development.

## OUR STRENGTHS

The Red Eléctrica Group has become a business group that is...



**More diversified**  
in key sectors of the economy



**More committed**  
to sustainable development



**Stronger,**  
more solid and a more capitalised business



**More necessary**  
to make the energy transition possible



**Larger,**  
with greater investment



**More useful**  
socially



**More stable**  
by diversifying its activity in various sectors and markets



**More valuable**  
to our stakeholders



# VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL

## BUSINESS ACTIVITIES

② **Electricity business abroad**  
RED ELÉCTRICA INTERNACIONAL

## VALUE CREATION

### EMPLOYEES

**160.1 M€** personnel costs  
**96.7%** fixed contracts

### SOCIETY

**283 M€** GDP contribution as a result of the investments made in Spain  
**732 M€** total tax contribution

**4,727** job positions corresponding to the investment in Spain

### SUPPLIERS

**617 M€** in purchases of goods and services  
**91%** of suppliers with their head office in Spain

### CUSTOMERS

**97.94%** availability rate of the electricity grid on the Spanish peninsula  
**99.86%** availability rate of the transmission system managed in Peru

### SHAREHOLDERS AND INVESTORS

**495 M€** distribution of dividends

### ENVIRONMENT

**26,675,082 t** of CO<sub>2</sub> avoided  
**37.5%** integration of renewables in Spain

## RESOURCES

### INFRASTRUCTURE

**47,401 km** of circuit in service  
**50,688 km** of fibre optic network  
**7 satellites** In operation

### FINANCIAL RESOURCES

**1,870.4 M€** investment  
**1.071** suppliers

### HUMAN RESOURCES

**2,056** employees in the Group  
**4,306 €** training per employee

### INNOVATION

**10.6 M€** investment in innovation  
**88** innovation projects

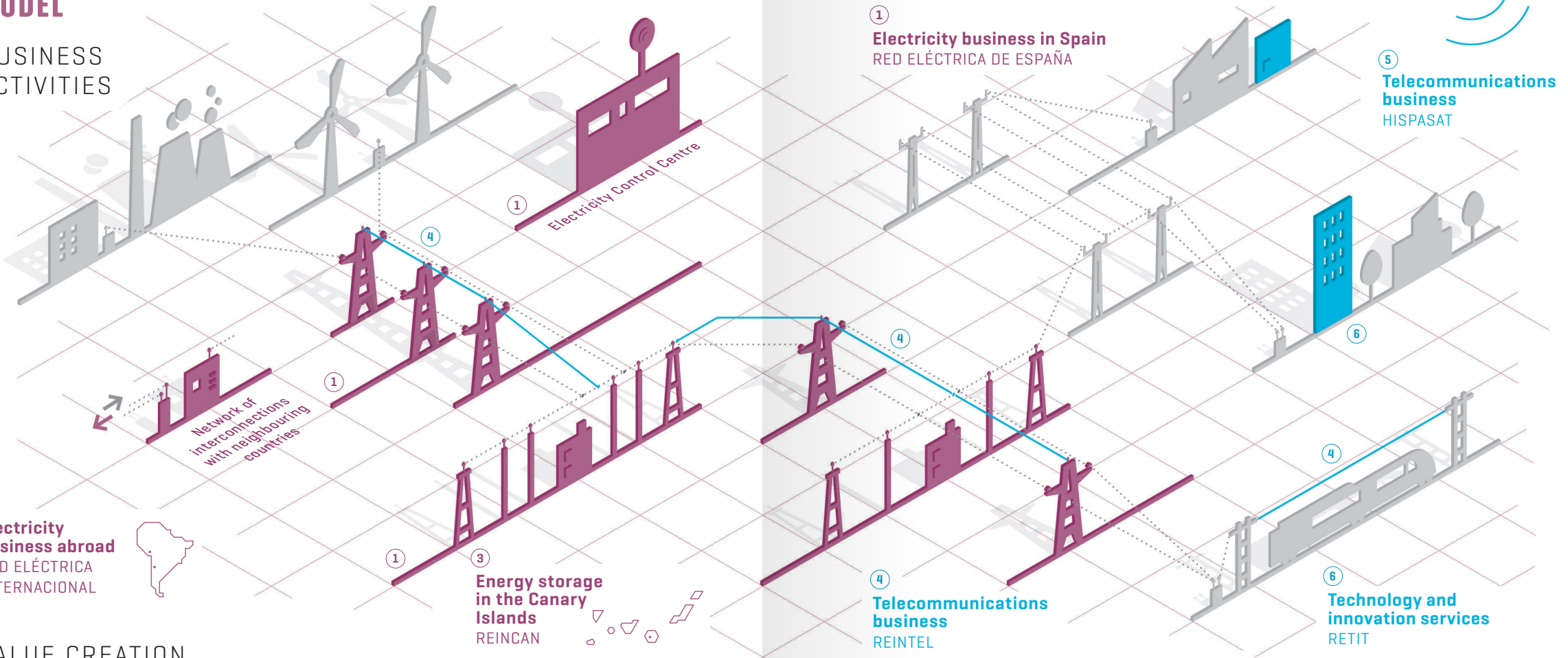
### ENVIRONMENT

**27.8 M€** environmental expenditure, of which  
**19.5 M€** are costs related to the protection of biodiversity

### SOCIETY

**8 M€** investment in the community  
**109** agreements signed with local administrations in Spain

**545** social initiatives

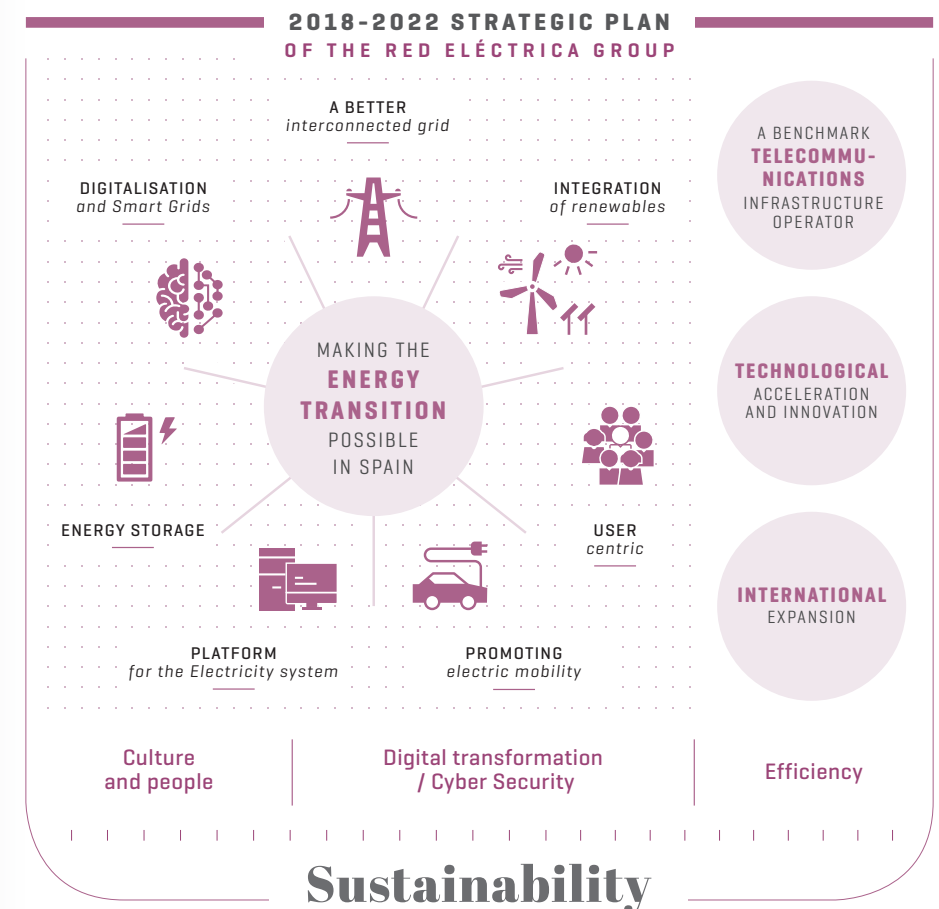


# STRATEGY

The 2018-2022 Strategic Plan is focused not only on developing the role of Red Eléctrica as TSO in Spain, but also on strengthening efficiency criteria and boosting the expansion of the business base as an alternative channel for growth and the creation of value.



# 2



# 2018-2022 STRATEGIC PLAN OF THE RED ELÉCTRICA GROUP

## ESSENTIAL STRATEGIC PILLARS



### Making the energy transition possible

To make the energy transition possible, the Red Eléctrica Group will face the following challenges in the 2018-2022 horizon:

- Execution of major investments in the transmission grid to achieve a more robust and interconnected grid.
- Greater effort regarding digitalisation and technology.

- Integration of a growing volume of renewables.
- Development of new investments in energy storage, meeting the needs of the system.
- Placing the user at the centre of our activity.
- Creation of the platform for the electricity sector.
- Promotion of electric mobility.



### Expanding business abroad

The investments in international activities are channelled in two ways: public tenders to expand the electricity

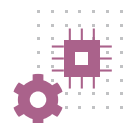
transmission grids in different countries and the processes for the acquisition of in-operation assets.



### Become a benchmark telecommunications infrastructure operator

Fibre optic networks and satellites are increasingly important in the world we live in and play a key role in the fourth industrial revolution. Therefore,

the Red Eléctrica Group wants to become an operator of reference in the management of this type of strategic infrastructure.



### Technological Acceleration and Innovation

The Red Eléctrica Group intends to undertake an ambitious plan for innovation, entrepreneurship and technological development. In this regard, it has created the subsidiary company called RETIT (*Red Eléctrica y de Telecomunicaciones, Innovación y*

*Tecnología*), a company which will contribute to the development of the energy and telecommunications transition through the conceptualisation, incubation and acceleration of technology-based entrepreneurship initiatives.

The Strategic Plan outlines a business model that is balanced between regulated activities and operations which are subject to market risk.

## CROSS-CUTTING STRATEGIC COURSES OF ACTION



### Culture and people

The cultural transformation of the Group will increase internal agility and efficiency and promote the capture of value from new opportunities, as well as providing the necessary flexibility to adapt to new environments.



### Digital transformation/ Cybersecurity

Digital transformation will permeate all the strategic pillars of the Red Eléctrica Group, as it constitutes a process which represents a change in operations, the business models and ways of working in order provide greater value. Additionally, the Red Eléctrica Group is committed to a comprehensive corporate security concept, enhancing it with a greater corporate and global approach so that it encompasses the protection of essential infrastructure, people, information and Information Technology assets.



### Efficiency

Efficiency is based on the generation of value through the identification of synergies, the optimisation of operating processes and the adequate management of resources. Therefore, operational and financial efficiency and continuous improve-

ment are key success factors in achieving our strategic goals.



### Sustainability

The sustainability strategy aims to consolidate the Group as a worldwide reference in a global

context, capable of anticipating future changes and taking advantage of the opportunities arising from them. Along these lines, the Red Eléctrica Group is committed to strategic, cross-cutting sustainability with a long-term vision.

## OUR COMMITMENT 2018 - 2022

**6,000 M€** **~ 50%**  
TOTAL INVESTMENT Earmarked for energy transition in Spain

**MARGIN EBITDA** **> 76%**  
Average for the period

Financial discipline  
NET FINANCIAL DEBT /  
**EBITDA** average of **~ 4x**

Sustainability  
NET PROFIT  
**ATP** (After-tax profit) **> 1%**  
CAGR 2018-2022 (1)

## Dividend

Policy

2019

**1.05** €/share

2020-2022

At least

**1** €/share

(1) Calculated using 2017 as the base year

# CORPORATE GOVERNANCE



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

The Red Eléctrica Group has a robust and transparent corporate governance system that represents an essential strategic element to ensure the good governance of the Company.



*Corporate Governance structure of the Red Eléctrica Group*



*General Shareholders' Meeting*



*Board of Directors*

## GOVERNANCE STRUCTURE OF THE RED ELÉCTRICA GROUP



Appointment of the new Chief Executive Officer as a result of the new corporate structure, following the approval of the 2018-2022 Strategic Plan.

### NOTEWORTHY ACTIONS 2019

#### Effectiveness, efficiency and professionalisation

- Appointment of the new Chief Executive Officer.
- Orderly succession of the Company's CEO.
- Ratification and appointment of the Chairperson of the Board and two Nominee directors at the Ordinary General Shareholders' Meeting, with an

- average percentage of votes in favour of 96.3%.
- Appointment of an independent board director with extensive and proven professional experience in the Company's sector of activity at the Ordinary General Shareholders' Meeting, with an average percentage of votes in favour of 98.7%.
- Re-election of the Lead Independent Director.

- Update of the contingency plans for the succession of the Chairperson of the Board of Directors and of the Chief Executive Officer.
- Assessment of the Board of Directors with the collaboration of an external consultant.
- Implementation, during the year, of the induction [welcome] plan for new board directors.

#### Diversity

- Implementation and continuous updating of the individual skills and competencies matrix of the Board of Directors.
- Women represent 41.7% of the Board of Directors following the ratification and appointment of Ms María Teresa Costa at the Ordinary General Shareholders' Meeting. This is one of the highest gender parity levels of the IBEX 35.

## GENERAL SHAREHOLDERS' MEETING

### A SUSTAINABLE GENERAL SHAREHOLDERS' MEETING

As a result of the commitment to integrate sustainability criteria in all Company's activities, throughout 2019 Red Eléctrica has designed a management system with the goal of obtaining the certification of its General Shareholders' Meeting in accordance with the UNE-EN ISO 20121 standard for sustainable events.

The Company has defined the following six sustainability objectives, which encompass an action plan that entails 27 actions, with a view

- to holding the General Shareholders' Meeting in 2020:
- Minimising the carbon footprint of the event.
- Integration of circular economy criteria in the development of the event.
- Universal access to the event.
- Guaranteeing the health and safety of all participants.
- Promoting the contracting of vulnerable groups.
- Sustainability awareness of all participants at the event.

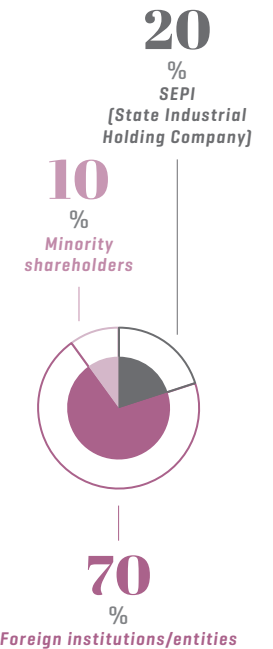
## APPROVAL OF AGREEMENTS

THE 2019 ORDINARY GENERAL SHAREHOLDERS' MEETING, HAD AN AVERAGE PERCENTAGE OF VOTES OF

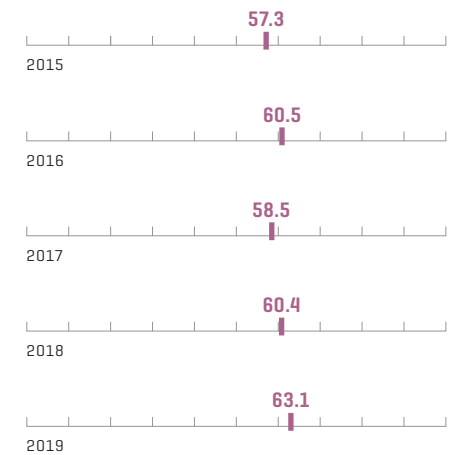
**92.3%**

In favour of the approval of the items on the agenda at the meeting

### SHAREHOLDING STRUCTURE



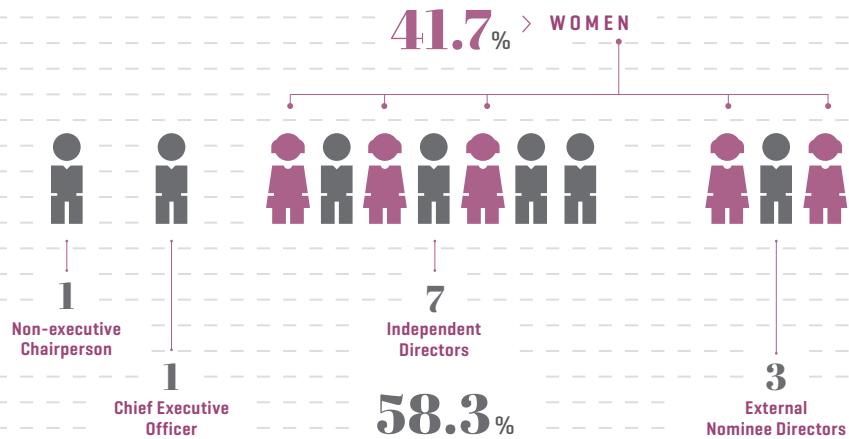
### ATTENDANCE AT THE GENERAL SHAREHOLDERS' MEETING [% over share capital]



# BOARD OF DIRECTORS

## A REDUCED, BALANCED AND EFFICIENT BOARD OF DIRECTORS

BOARD OF DIRECTORS IN 2019 [12 members]



### APPOINTMENTS AND REMUNERATION COMMITTEE

**CHAIRPERSON**  
Independent director

**67%**

Independent directors



**33%**

Other



### AUDIT COMMITTEE

**CHAIRPERSON**  
Independent director

**75%**

Independent directors



**25%**

Other



### SUSTAINABILITY COMMITTEE

**CHAIRPERSON**  
Independent director

**67%**

Independent directors



**33%**

Other



## BOARD OF DIRECTORS [31.12.2019]

<b>Chairman</b>	Jordi Sevilla Segura
<b>Chief Executive Officer</b>	Roberto García Merino
<b>External Independent Directors</b>	<p>Carmen Gómez de Barreda Tous de Monsalve Chairwoman of the Sustainability Committee and Lead Independent Director</p> <p>María José García Beato Member of the Audit Committee</p> <p>Socorro Fernández Larrea Chairwoman of the Appointments and Remuneration Committee</p> <p>Antonio Gómez Ciria Chairman of the Audit Committee</p> <p>Arsenio Fernández de Mesa y Díaz del Río Member of the Audit Committee</p> <p>Alberto Carbajo Josa Member of the Sustainability Committee</p> <p>José Juan Ruiz Gómez Member of the Appointments and Remuneration Committee</p>
<b>External Nominee Directors (SEPI)</b>	<p>Mercedes Real Rodríguez Member of the Audit Committee</p> <p>María Teresa Costa Campi Member of the Sustainability Committee</p> <p>Antonio Gómez Expósito Member of the Appointments and Remuneration Committee</p>
<b>Secretary of the Board of Directors</b>	Rafael García de Diego Barber Non-Board Director

The Board of Directors, in the meeting held on 28 January 2020, recorded the irrevocable resignation tendered by Jordi Sevilla Segura from his directorship and, as a consequence, from his position as Non-executive Chairman of the Board and of the Company. Furthermore, the Board of Directors, in the meeting held on 25 February 2020, resolved to appoint Ms Beatriz Corredor Sierra director of Red Eléctrica Corporación, S.A., until the first General Shareholders' Meeting in 2020 is held, and, in addition, upon a prior favourable report by the Appointments and Remuneration Committee, the Board agreed to appoint Ms Beatriz Corredor Sierra Chairwoman of the Board of Directors and non-executive Chairwoman of the Company.



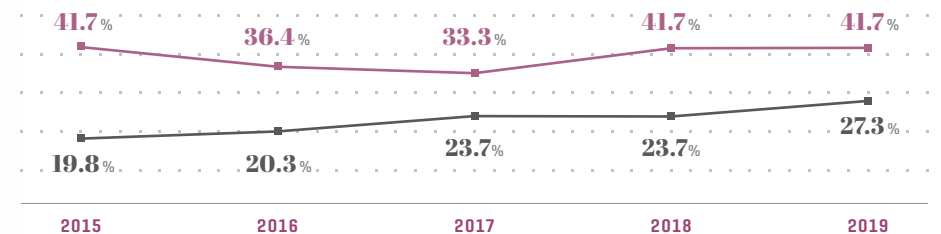
## WOMEN ON THE BOARD

**41.7%**

EXCEEDING THE 30% TARGET RECOMMENDED IN THE GOOD GOVERNANCE CODE FOR 2020

And even exceeding the 40% target set out in the reform proposal of the CNMV (National Securities Market Commission)

### Women on the Board. Red Eléctrica Corporación vs IBEX 35



Source: IBEX 35 data; 8<sup>th</sup> Report on Women in the Ibx. 'Women on the Boards of Listed Companies' Report. ATREVIA-IESE, February 2020.



# 2030 SUSTAIN- ABILITY COMMITMENT

The Red Eléctrica Group has a 2030 Sustainability Commitment in place that was approved by the Board of Directors in 2017.

This undertaking materialises the commitment made by the Red Eléctrica Group to its long-term continuity and success through a business model capable of creating shared value for all its stakeholders through the responsible execution of its activities.

The Red Eléctrica Group has undertaken a commitment to sustainability which is strategic, cross-cutting and with a long-term vision.

## SUSTAIN- ABILITY PRIORITIES



*Anticipating change and taking action*



*Decarbonisation of the economy*



*Responsible value chain*



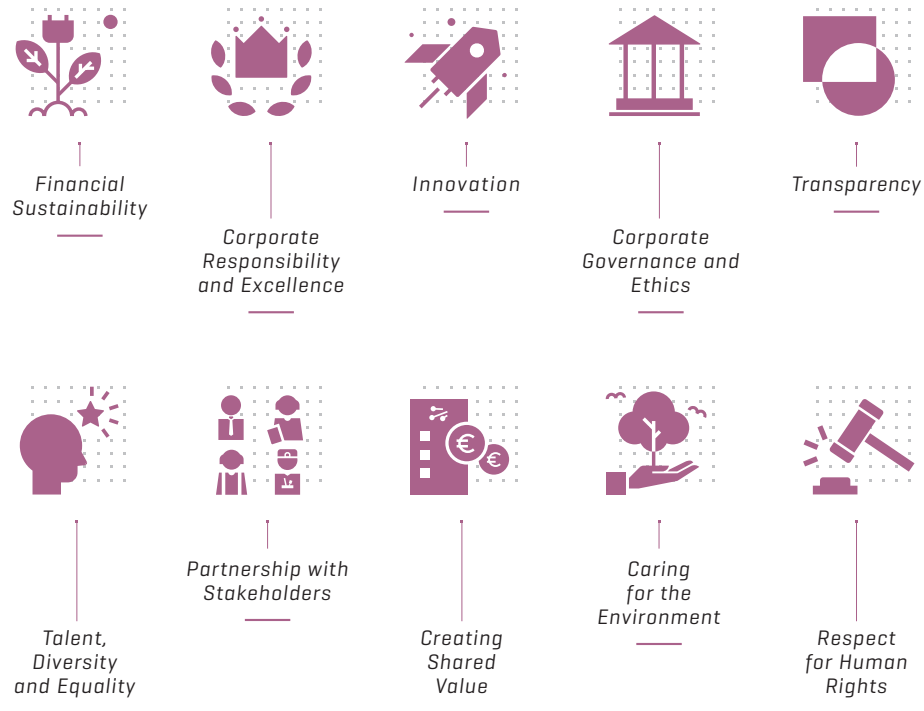
*Contribution to social, economic and environmental development*

## SUSTAINABILITY PRINCIPLES

The 2030 Sustainability Commitment is based on ten principles defined within the Corporate Responsibility Policy and is set out in four sustainability priorities identified as the drivers for the Company to respond to the challenges it faces and to bring to fruition existing opportunities, in order to hold a position of reference within the global business context.

The Red Eléctrica Group maintains a proactive attitude towards integrating sustainability into the decision-making processes of the organisation.

### FOR THE RED ELÉCTRICA GROUP SUSTAINABILITY IS BASED ON THE FOLLOWING PRINCIPLES:



## SUSTAINABILITY PRIORITIES

### 2030 SUSTAINABILITY COMMITMENT

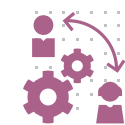
## Sustainability priorities



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



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



**Responsible value chain**  
Extend our **responsibility commitment** to all links in the value chain, ranging from our own **people to suppliers and customers**, accomplishing this through the creation of **alliances** and by basing it on our **corporate governance and integrity model**.



**Contribution to social, economic and environmental development**  
Contribute to the **economic, environmental and social progress of society**, through the provision of a **key service in a safe and efficient manner**. This is achieved by promoting **environmental conservation**, the **quality of life and social well-being of people and involving the communities** in which the facilities are located, in the execution of our activities, with the goal of generating a **perceived mutual benefit**.



## 2030 SUSTAINABILITY OBJECTIVES OF THE RED ELÉCTRICA GROUP

The Red Eléctrica Group is an active agent in the achievement of the Sustainable Development Goals (SDGs). In this regard, in 2019, it has taken another step forward to promote the United Nations 2030 Agenda, defining eleven sustainability objectives aligned with the outlined defined in its 2030 Sustainability Commitment and its Strategic Plan.

The Red Eléctrica Group has defined 11 sustainability objectives with a 2030 horizon associated with the Company's Sustainability Commitment.

### 2030 SUSTAINABILITY OBJECTIVES OF THE RED ELÉCTRICA GROUP

#### Decarbonisation of the economy



1. Reduce our GHG emissions by more than 40%.
2. Empower 100% of society for their active participation in the energy transition process.
3. Safely integrate 100% of the available renewable energy into the electricity system, minimising the curtailment of excess renewable energy generation that cannot be used and accelerating progress towards meeting the energy transition targets.

#### Responsible value chain



4. Be the driving force behind changing the way our suppliers operate.
5. Be a company financed under ESG criteria by 2030.

#### Contribution to social, economic and environmental development



6. Be a company of reference in gender equality: parity in the executive management team by 2030.
7. Be a leading company in terms of diversity: inclusion of groups at risk of social and labour exclusion.
8. Generate a positive net impact on the Natural Capital of the areas in which our facilities are located.
9. Completely eliminate the digital divide: 100% of people connected in the vicinity of our facilities.

#### Anticipating change and taking action



10. Be a benchmark agent in the field of technology, promoting at least 120 technological innovation initiatives that contribute to the development of the energy transition and telecommunications, making the world a more connected, smart and sustainable place.
11. Be a leading company in the circular economy.

## STAKEHOLDER MANAGEMENT

The main objective of the Red Eléctrica Group is to establish a lasting relationship, based on trust, with the stakeholders. To this end, the Group has a management model that ensures an adequate assessment of the relevant social, economic and environmental impacts that the Company's services or activities may have on its stakeholder groups.

This model contemplates the identification and segmentation of stakeholder groups; prioritisation, through the analysis of their influence; and the relationship framework that allows the type of relationship to be categorised and the most appropriate channels to be defined.

#### TRANSPARENCY AND COMMUNICATION

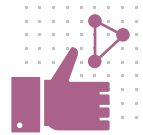
The Red Eléctrica Group maintains active, continuous and transparent communication with its stakeholder groups, offering clear, reliable and balanced information through its various communication channels.

The corporate website, [www.ree.es/en](http://www.ree.es/en), as the main communication channel, has continued its process of constant updating and improvement. In this regard, in addition to the creation of new, more interactive spaces, the home page has been updated with a new, more visual design, and the special contents of the Press Room have been strengthened to give greater visibility to the projects developed within the framework of sustainability, technology, digitalisation and the development of talent.

Similarly, to further expand the sustainability content, the corporate website now

#### CORPORATE WEBSITE INDICATORS

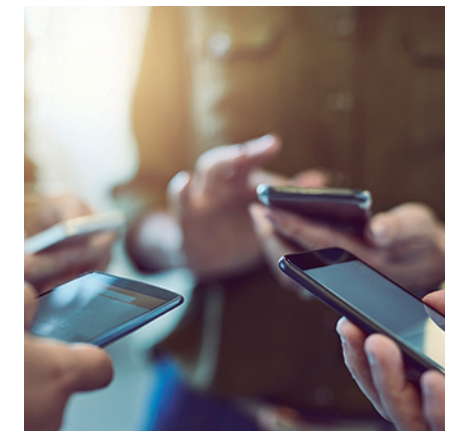
More than 860,000 users, 1.8 million visits and 426,000 downloads.



### PERCEPTION INDEX

OF ALL STAKEHOLDER GROUPS

8.2 OUT OF 10



offers a new blog, Red2030, as an open window to all the issues raised by the fight against the climate emergency, the energy transition and the 2030 Agenda. At the same time, the Company has continued to promote its presence in digital media.

The corporate web page has obtained the 14<sup>th</sup> position in the ranking of the best websites of the IBEX 35 companies, according to the international 2019-2020 Webranking survey conducted by the consultancy firm Comprend.

## MATERIALITY

In 2019, with a view to advancing the 2030 Sustainability Commitment, the Red Eléctrica Group updated its Materiality Study.

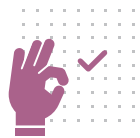
A total of 16 relevant issues were identified by the Company in the analysis of the sustainability context and that include the following analysis:

- Trend analysis.
- Industry Benchmarking.
- Strategic interviews with the senior management team and key technical personnel at the Company.
- In-depth interviews with external stakeholders.
- Analysis of internal information.

The materiality study enables the identification of sustainability opportunities linked to the 2018-2022 Strategic Plan, the Group's 11 Sustainability Goals for 2030 and the Sustainable Development Goals.

### MATERIALITY ANALYSIS

The material issues arising from the materiality analysis will set the groundwork for the update of the Company's new Sustainability Plan.



THE MATERIALITY STUDY DETERMINED

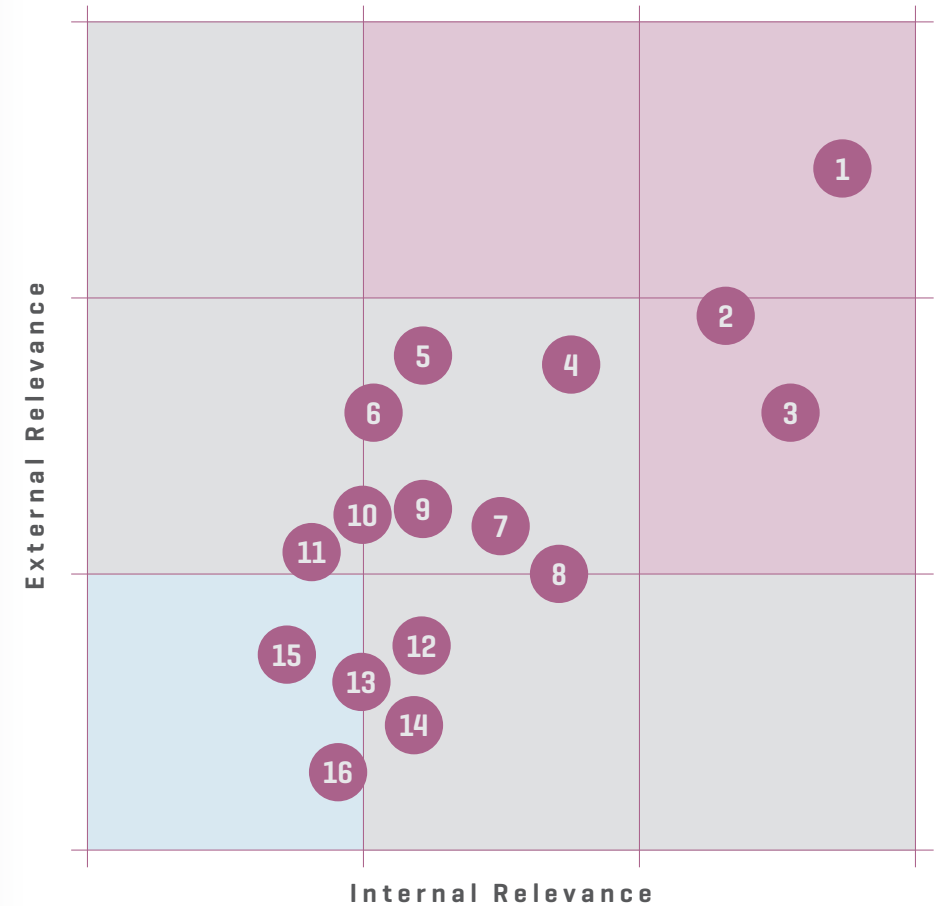
**16**

MATERIAL ISSUES

FOR THE RED ELÉCTRICA GROUP



## PRIORITISATION MATRIX



### Issue prioritisation

#### CRITICAL

- 1 Energy transition
- 2 Climate emergency
- 3 Innovation and technology

#### HIGH

- 4 Digital transformation
- 5 Biodiversity and natural capital
- 6 Corporate governance and ethics
- 7 Diversity
- 8 Financial strength
- 9 Contribution to society
- 10 Circular economy
- 11 Occupational health & safety and wellbeing
- 12 Ties with the communities
- 13 Supply Chain
- 14 Customer orientation

#### MEDIUM

- 15 Talent
- 16 Digital divide

# ANTICIPATING CHANGE AND TAKING ACTION

The current global context is determined by a constant change in which companies must identify the trends that may affect them in the future, focusing their management in a proactive way thus allowing potential risks to be turned into opportunities.

In this regard, the Red Eléctrica Group takes on the following commitment as one of its sustainability priorities:

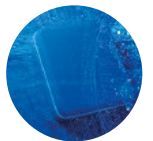
Promote a corporate culture of innovation and flexibility that allows us to identify growth opportunities and respond to the challenges of the future, anticipating and adapting both to global trends and to the regulatory environment arising from the new energy model.



*Trends and opportunities*



*Risk management*



*Comprehensive corporate security*



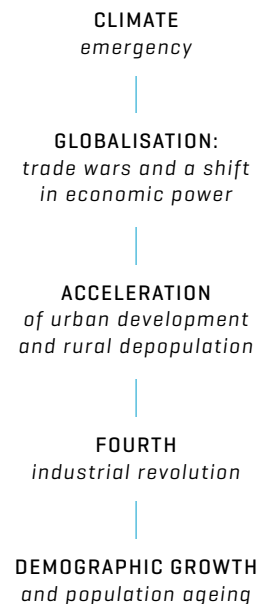
*Transformation of the Red Eléctrica Group*

# TRENDS AND OPPORTUNITIES

In 2019, the Red Eléctrica Group carried out an exhaustive analysis of the context of its sustainability commitment, identifying the main existing trends, in order to be fully aware of the key issues that may have an influence on its business model.

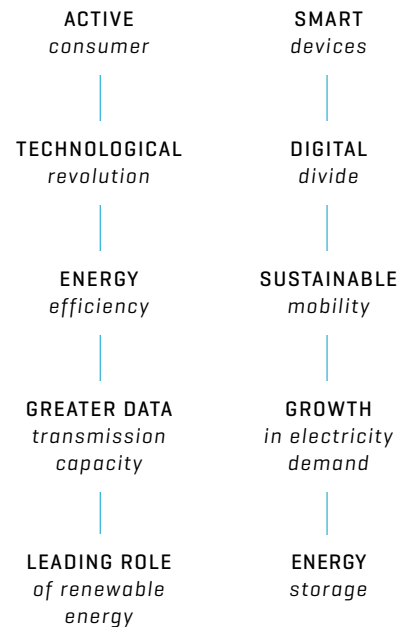
## GLOBAL TRENDS

*A future marked by megatrends*



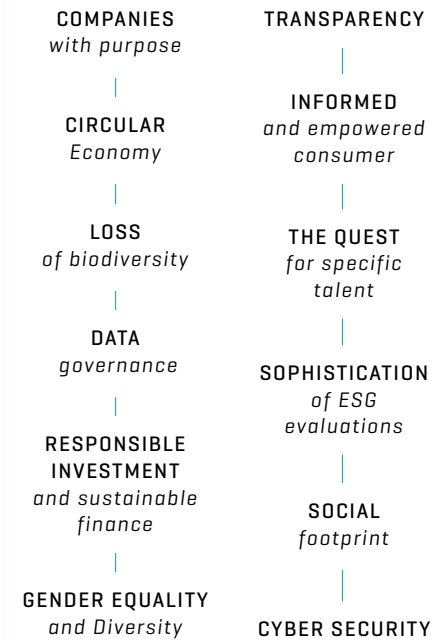
## SECTORAL TRENDS

*Electricity, telecommunications and technology*



## SUSTAINABILITY TRENDS

*Demands to be met*



## NEW OPPORTUNITIES

*The changes in the new energy model represent a set of opportunities to strengthen the Company's key role as TSO of the electricity system.*



## ENERGY TRANSITION

THE FIGHT TO CURB CLIMATE CHANGE INVOLVES A PROFOUND TRANSITION TO A DECARBONISED ENERGY MODEL

Sustainability opportunities derived from the energy transition must be addressed with innovative and technological solutions.

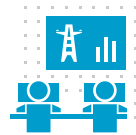
With the aim of strengthening the process of identifying opportunities associated with climate change, in 2018 the Red Eléctrica Group began to work on incorporating the recommendations of the **Task Force on Climate-related Financial Disclosures**. In 2019, the definition of a methodology for the identification, prioritisation and economic quantification was completed, which has been applied considering different scenarios.

For the Red Eléctrica Group, the **opportunities for transition** are considered relevant as they are linked to the changes implied by the fight against the climate emergency [regulatory, technological, market and reputational].

In this context, the work carried out by the Company must contribute to making the new energy model cleaner, more technological and increasingly digital, better connected and closer to consumers. To accomplish this, it is necessary to respond to the new challenges that require new **investments in the development** of more robust, better interconnected and, above all, smarter and more modern grids/networks. In addition, as a company, we need to address the opportunities arising from **new functionalities and services** such as energy storage, and other solutions that can contribute to a more intelligent and



In order to be more attractive to our stakeholders, the new energy model must be cleaner, more technological, and increasingly digital, thus placing consumers at the centre of our decision-making.



### NEW INNOVATIVE SOLUTIONS

IN ORDER TO PROVIDE ELECTRICITY SYSTEM OPERATION WITH GREATER FLEXIBILITY AND DIGITALISATION

digitalised operation of the electricity system and favour an increase in the integration of renewable energy.

These aspects will be key in order to advance towards a **more decarbonised electricity model**, that will have a greater presence of renewables which are intermittent and located in more remote areas (decentralised) in terms of both generation and demand, and where the consumer will be the focus of our decisions.

On the other hand, it is foreseen that improved performance on issues related to climate change mitigation and adaptation may positively influence the Company's reputation, leading to improvements in its financing opportunities or stock market performance.

### NEW INVESTMENTS

*for the development of more robust, better interconnected and, above all, smarter and more modern grids.*

## RISK MANAGEMENT

In 2019, the risk management model was adapted to the recommendations of the Task Force on Climate-related Financial Disclosures.

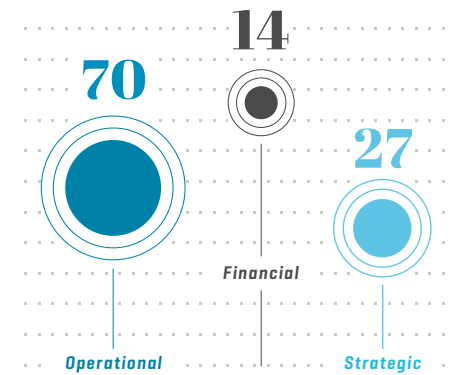
The Red Eléctrica Group has a **comprehensive risk management system**, in order to facilitate compliance with the Company's strategies and objectives, ensuring that the risks that could affect them are identified, analysed, evaluated, managed and controlled systematically, with uniform criteria and within the acceptable risk level approved by the Board of Directors.

The management system is comprehensive and ongoing, and its management is consolidated by business unit, subsidiary and support areas at a corporate level.

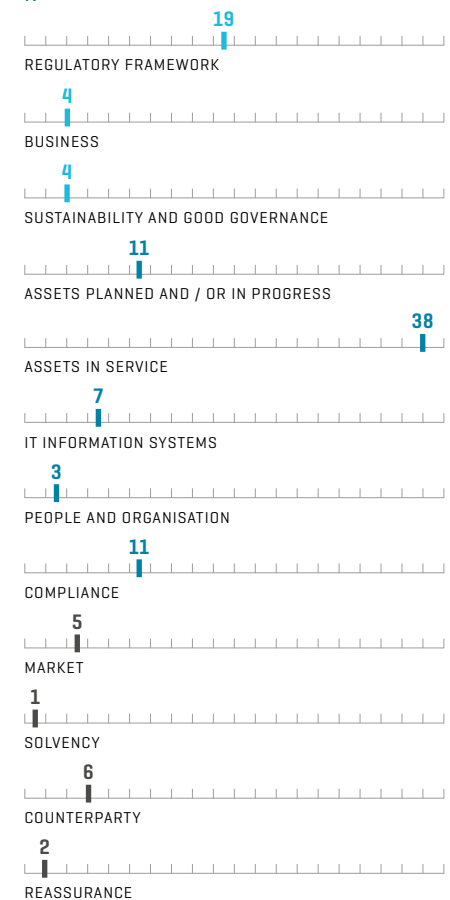
As a result of the risk analysis carried out last year, 111 risks were identified, the distribution of which at the first two levels of aggregation is shown on the right.

### RISK STRUCTURE 2019

Distribution of risks (first level)  
Nº



Distribution of risks (second level)  
Nº



## COMPREHENSIVE CORPORATE SECURITY

The Red Eléctrica Group is committed to a comprehensive concept of corporate security, which includes the protection of critical infrastructure and the protection of people and IT assets.

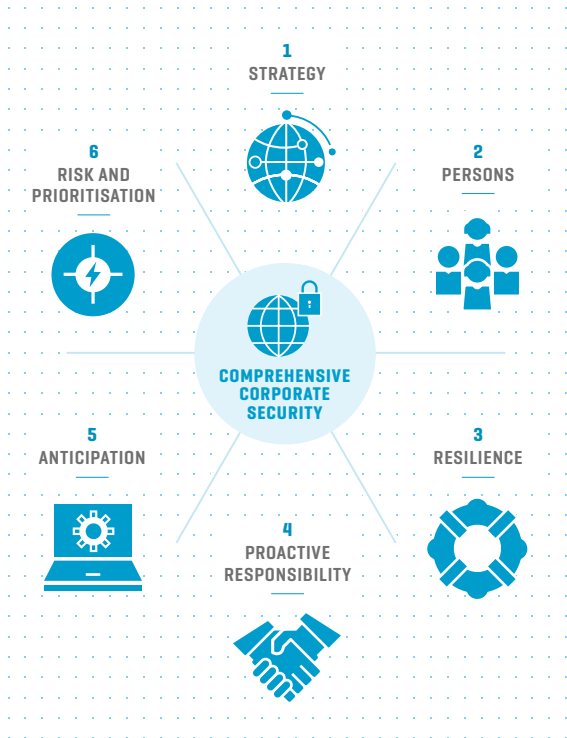
For its implementation, it has designed a **comprehensive corporate security action plan** whose objectives are based on the protection of people, service continuity,



business viability and the protection of assets, seen from four perspectives: security, customers, processes and knowledge.

### COMPREHENSIVE CORPORATE SECURITY ACTION PLAN COURSES OF ACTION

- 1** Continuous alignment of the comprehensive corporate security function with the strategic objectives of the Red Eléctrica Group
- 2** Identification and governance of the comprehensive identity data within the Red Eléctrica Group
- 3** Management of business continuity and the integration of response to incidents



- 4** Management, monitoring and control of risks associated with external sites and supplier access
- 5** Improvement and integration of prevention and monitoring capacities
- 6** Governance and the comprehensive management of overall risk

## TRANSFORMATION OF THE RED ELÉCTRICA GROUP

The mission of the transformation strategy is to promote the transformation of the Red Eléctrica Group through policies and systems for managing people, technological innovation and the provision of IT information services, in order to facilitate the decision-making process and contribute to the efficiency and achievement of the Group's strategic objectives.

The transformation roadmap of the Company is structured on three interrelated axes:

### Culture

- Agile working model oriented towards anticipating change and continuous improvement.
- Inspiring communication style and encouraging collaboration.
- Benchmark leader in terms of transformation.
- Self-leadership habits that promote responsibility, self-management and self-learning.
- Talent management that guarantees diversity and attracts the best professionals.

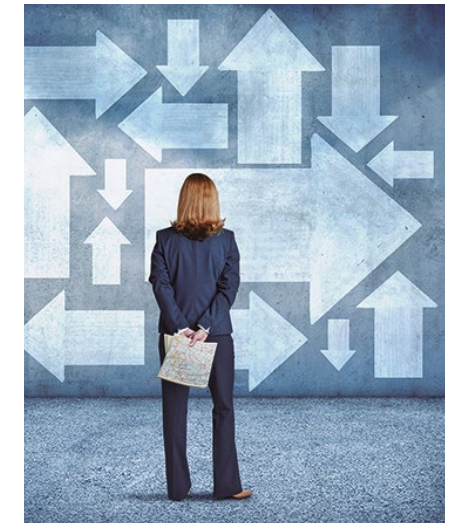
### Digital

- Process review and intelligent automation.
- Data governance.
- Comprehensive security included in the design of new applications.

### Technological innovation

- Showcasing innovation by providing technological services to third parties.
- Promoting open innovation in the Red Eléctrica Group.
- Contributing to the development of the socio-economic environment through a start-up acceleration programme and through investment in a venture capital management fund.

The digital transformation strategy is structured on three interrelated axes: culture, digital and technological innovation.



### CULTURE: IMAGINA PROJECT

**Imagina** is our cultural transformation project, through which an innovative, agile and collaborative culture is developed, empowered by self-leadership, to achieve a more resilient organisation, capable of facing the challenges of a changing environment.

*Imagina* focuses on the adaptation of the Group's human capital by promoting, through initiatives, the three cross-cutting axes of our Strategic Plan. The initiatives are developed and managed by a project team and a series of working groups in



# IMAGINA PROJECT

## 164 Imagineers

MADE 300 PROPOSALS IN 2019 RELATED TO CULTURAL TRANSFORMATION

contact with the Imagineers [164 people representing all the employees of the Group]. Throughout 2019, 300 proposals were put forward by the Imagineers.

The main cultural transformation initiatives have focused on the areas of transformative leadership, digital office, *Impulsa-TE*

self-development project, agile methodology, external flexibility and digital training.

### DIGITAL TRANSFORMATION

**Digital transformation** is one of the cross-cutting axes of the Group's Strategic Plan. This transformation axis, thanks to the

## DIGITAL TRANSFORMATION

MAIN PROJECTS IN 2019

**MANINT**  
Predictive and prescriptive maintenance of facilities (IoT, BigData and advanced analytics).

**INTEGRA**  
Optimisation in the planning of activities for construction projects.

**RPA**  
Process automation, minor purchases, invoice revision, order dispatch and electricity meter verification.

Facilitate mobility and collaboration by promoting the development of digital skills (**Office 365, IMAGINA**).

**IMPULSA**  
Increased quality and efficiency of the service provided to internal customers.

Collaboration model with RETIT to promote **innovation and transformation**.

Evolution in operating systems (**Smart Grid Planning and New Control System**), new business models (**DATAHUB**) and implementation strategy (**PORTALOS**).

Drafting of the **Data Governance** strategy and implementation in projects (**INTEGRA-MANINT**).

rapid development of new digital technologies, seeks to facilitate the working practices for people, improve processes, making them more efficient, and to guarantee the value of the data while always guaranteeing cyber security measures.

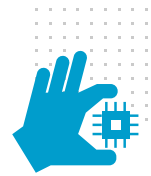
### TECHNOLOGICAL INNOVATION

The Group's Strategic Plan establishes technological acceleration and innovation as one of its essential objectives. In this regard, in order to carry out its deployment, in June 2019, the new subsidiary, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT), was created.

RETIT promotes the energy transition and the transmission and accessibility of information, thus contributing to respond to the challenges associated with the management of infrastructure of a strategic nature.

### RETIT

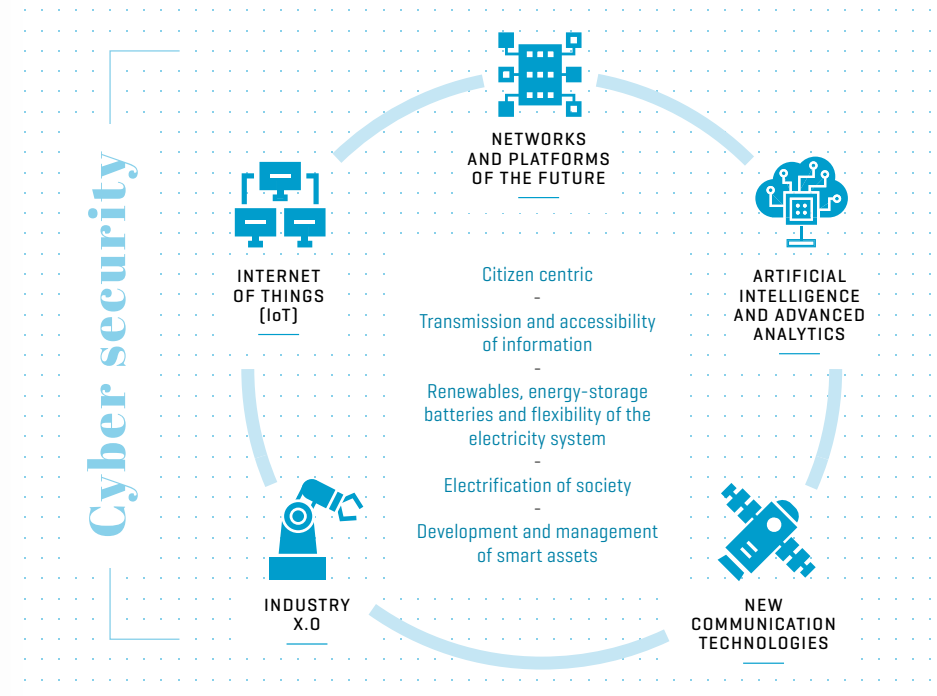
*is the new company created to contribute to the development of the energy transition and Telecommunications by conceptualising, incubating and accelerating initiatives based on technology and innovation.*



## RETIT FOUR PRIORITY AXES

TECHNOLOGICAL INNOVATION, OPEN INNOVATION, ACCELERATION OF STARTUPS AND COMMERCIALISATION OF SOLUTIONS

## AREAS OF IMPACT AND VERTICALS IN THE TECHNOLOGY SECTOR



# DECARBONISATION OF THE ECONOMY

# 6

Climate change is a global challenge that is a high priority on the international agenda. The objective is to make economic growth compatible with the reduction of greenhouse gases (GHG), in the medium and long term, in order to limit the global warming of the planet.

In this context, the Red Eléctrica Group takes on the following commitment as one of its sustainability priorities:

Be a proactive agent in the energy transition towards a zero-emission model, advocating for the electrification of the economy and the efficient integration of renewable energy, through a more robust grid.



*Energy transition and climate change*



*Integration of renewables*



*Sustainable development of the grid*



*Flexibility of the electricity system*



*Reduction of the carbon footprint*



## CLIMATE CHANGE AND THE ENERGY TRANSITION

The role of the electricity sector is crucial to achieving the decarbonisation targets demanded by the challenge of combating and addressing climate change. In this context, Red Eléctrica, as a main protagonist in the electricity system, is a **key agent** in changing the energy model whose main elements are centred on the **electrification of the economy**, the maximum **integration of renewable** energy sources into the energy mix and **efficiency** while always guaranteeing security of supply.

The Company's stance on this aspect is reflected in its strategy of strengthening its role as TSO to make the energy transition possible. To this end, actions are oriented towards:

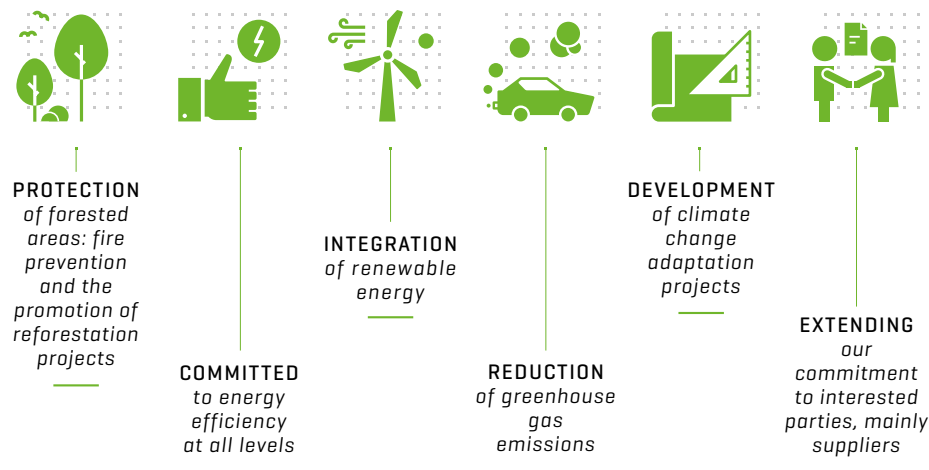
- a significant investment and technological effort to develop a robust, smart and

increasingly interconnected transmission grid.; and

- the optimisation of the operation of an increasingly complex electricity system, by means of:
  - the application of demand-side management measures,
  - the incorporation of energy storage systems and new elements such as electric vehicles,
  - the promotion of innovation activities [smart grids, digitalisation, datahub...], and
  - the development of new services that enable coordination between the various market agents.

On the other hand, the Red Eléctrica Group maintains a voluntary commitment in the fight against climate change, which is materialised in a **Climate Change Action Plan [2015-2020-2030]** instrument through four main courses of action and one cross-cutting axis regarding innovation.

### CLIMATE CHANGE COURSES OF ACTION LINKED TO OUR COMMITMENT



## INTEGRATION OF RENEWABLES

The **core mission** of the operation of the electricity system is to guarantee the security and quality of the electricity supply, maximising the integration of renewable energy, with the aim of contributing to the provision of a safe, efficient and sustainable electricity supply service for citizens.

As a consequence of the installation and commissioning of new renewable power capacity into the electricity system in 2019, as a result of the renewable energy auctions conducted by the Spanish Ministry for Ecological Transition and Demographic Challenge (MITECO), Red Eléctrica has had to face the challenge of successfully **integrating into the system an all-time annual record of new renewable capacity which in 2019 totalled 6.5 GW.**

In order to make it possible to operate an electricity system with such a high penetration of renewable energy under safe conditions, it is vital to count on the work carried out by the **Control Centre of Renewable Energies** (CECRE) of Red Eléctrica de España; a pioneering centre of reference worldwide.

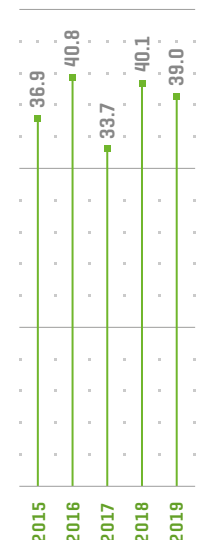
The work carried out by the Control Centre of Renewable Energies enables an electricity system with a high penetration of renewable energy to be managed under safe conditions.

## RENEWABLE ENERGY

Integration of new renewable power capacity into the electricity system

**6.5** GW IN 2019

Generation of renewables on the Spanish peninsula (1) %



(1) Includes: hydro, wind, solar photovoltaic, solar thermal, other renewables and renewable waste.



During 2019, energy production from renewable sources represented 39% of the total energy generated in the Spanish peninsular electricity system. Similarly, new all-time records of daily wind power generation were recorded on several occasions. In addition, on 3 November at 5.20 a.m. the peninsular electricity system recorded a new all-time record in terms of demand coverage using wind power generation, reaching 75.9%.

#### ENERGY STORAGE

In order to improve the guarantee and security of the system and the integration of renewable energy, Red Eléctrica is developing and carrying out several projects aimed at energy storage, conceived as a tool for the system operator that helps optimise the efficiency of isolated electricity systems.

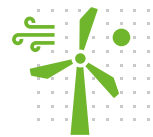
#### The Chira-Soria pumped-storage hydroelectric power station (Gran Canaria)

The construction of this power station between the reservoirs of Chira and Soria will be an essential tool to advance towards the sustainability of the new energy model in the Canary Islands, since, in addition to improving the security of supply, it will allow renewable energy to be taken full advantage of on the island of Gran Canaria.

The project includes the construction of a seawater desalination plant, as well as the necessary installations to connect the plant to the transmission grid in order to evacuate the energy to the island's electricity system.

#### Benefits of the project for the Canary Islands electricity system

- **Greater integration of renewable energy**, thanks to the possibility of taking advantage use of surplus renewable energy.
- **Enhanced guarantee of supply** by making 200 MW of pumped-storage power capacity available to the system.
- **Increased system security** through its frequency control capacity that will offset the variability of renewable generation.
- **Greater energy independence** and reduced costs for the electricity system.
- **Improved efficiency of the electricity system and the reduction of emissions**, by maximising the integration of renewable sources.



#### RENEWABLE GENERATION

74

%

OF TOTAL ELECTRICITY PRODUCTION IN 2030

Proposal of the Integrated National Energy and Climate Plan

#### CHIRA-SORIA PUMPED-STORAGE HYDROELECTRIC POWER STATION

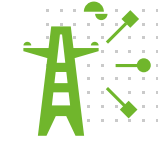
With an investment that will exceed 390 million euros, the power station will have 200 megawatts of turbine power capacity, which represents around 36% of the current peak demand in Gran Canaria.

## SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

The development of the transmission grid facilities is carried out in accordance with that set out in the electricity planning, which is binding in nature for Red Eléctrica. This planning includes the projects for new infrastructure required to guarantee supply nationwide, taking into account economic efficiency and environmental sustainability aspects.

In 2019, the process for the new **planning of the 2021-2026 electricity transmission grid** commenced.

#### AXES OF THE TRANSMISSION GRID PLANNING



SECURITY of supply



Energy EFFICIENCY



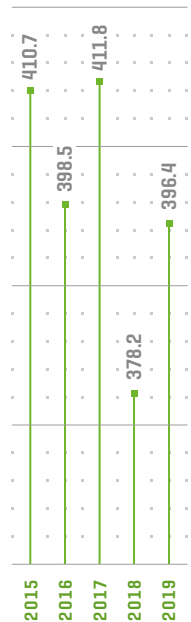
Environmental SUSTAINABILITY



Red Eléctrica has submitted the 'Initial draft for the development of the transmission grid' to the Ministry for Ecological Transition as part of its 2021-2026 planning.



**Investment in the transmission grid M€**



In this respect, Red Eléctrica, in compliance with the established deadlines, has presented the 'Initial draft for the development of the transmission grid' to the Ministry for Ecological Transition, after reviewing the proposals and the information submitted by sector agents.

**TRANSMISSION GRID DEVELOPMENT**

In 2019, investment in the transmission grid primarily responded to ensuring security of supply, the resolution of technical constraints, strengthening interconnections between electricity systems and providing electrical power for the high-speed train.

In 2019, the Company commissioned 198.2 km of new line circuit and 168 new

**198** km  
OF NEW  
LINE CIRCUIT IN 2019



**AND 168**  
NEW  
SUBSTATION  
BAYS

substation bays and also increased transformer capacity by 1,335 MVA, representing an **overall investment in the transmission grid of 396.4 million euros.**

**TRANSMISSION GRID MAINTENANCE**

Red Eléctrica's mission is to ensure that the transmission grid facilities are in optimum conditions of availability and reliability, by applying **sustainable, efficient and safe maintenance policies.** To this end, a maintenance programme is established annually, which includes all the activities and resources required to guarantee the security and continuity of the electricity supply.

The indicators of **service quality** have once again shown the high degree of security and quality of supply provided by the facilities, which form a robust, meshed and sustainable transmission grid.

**RED ELÉCTRICA DE ESPAÑA**

*operates and maintains an increasingly robust, better interconnected and more intelligent transmission grid consisting of more than 44,000 km of electricity line circuit distributed nationwide.*



**A HIGH LEVEL OF SECURITY AND QUALITY OF SERVICE**

PROVIDED BY THE ELECTRICITY FACILITIES

**National transmission grid**

	2019 <sup>(1)</sup>
km of line circuit	44,372
Overhead line (km)	42,508
Submarine cable (km)	835
Underground cable (km)	1,029
Substation bays (n°)	5,966
Transformer capacity (MVA)	93,735

<sup>(1)</sup> Provisional data pending audit that is currently underway.

**Quality of service. Availability of the transmission grid**

	2017	2018	2019 <sup>(1)</sup>
Peninsular transmission grid	98.28	98.14	97.94
Balearic Islands transmission grid	97.84	96.82	96.87
Canary Islands transmission grid	98.12	98.79	98.91

<sup>(1)</sup> Provisional data pending audit that is currently underway.

## FLEXIBILITY OF THE ELECTRICITY SYSTEM

The Red Eléctrica Group continues to work actively to promote, develop and disseminate information on initiatives that will enable new flexible resources to be incorporated into all elements of the electricity system.

### ON THE ROAD TO SMART GRIDS

Renewable generation facilities, in addition to the variability associated with their production, present challenges such as dispersion throughout the territory and the technology used for their connection to the grid. This makes it necessary for electricity grids, in addition to maintaining their bi-directional nature, to be increasingly robust, reliable, monitored and automated.

Faced with these challenges, **smart grids**, based on digitalisation and new IT and



communication technologies, provide solutions that can contribute to greater efficiency in the management of electricity infrastructure and are able to respond to the challenges of the energy transition.

### ACTIVE ELECTRICITY DEMAND

In order to make it possible for demand and energy storage to participate actively in the Spanish electricity system, Red Eléctrica is working to promote the opening of the balancing energy markets as a result of the European harmonisation process for ancillary services.

On the other hand, during 2019, auctions were successfully held for the provision of the interruptibility service, by means of which industrial consumers reduce their consumption to certain predetermined values as and when required by the system operator.

### PROMOTING ELECTRIC MOBILITY

The intelligent charging of the electric vehicle allows for a more efficient electricity system and a greater integration of renewable energy. In this regard, Red Eléctrica has developed the **CECOVEL project (Control Centre for the Electric Vehicle)** which enables the supervision and monitoring of electricity demand for the smart charging of electric vehicles.

Through this initiative, **almost 2,000 monitored charging points** are available, of which just over 70% are for private use and the rest are for public use. In 2019, the publication of **the national map of public charging points**, where the charging networks for general use of those operators involved in this project have been georeferenced.

## REDUCTION OF THE CARBON FOOTPRINT

By 2030, the Red Eléctrica Group has undertaken the commitment to reduce its Scope 1 and 2 emissions by 40% per MWh transported, compared to 2015 values.

The Red Eléctrica Group has set the goal of reducing its scope 1 and 2 emissions, per MWh transported, by 40% for 2030, as compared to 2015 figures. In addition, a prior reduction target has been set for 2020, of 10% with respect to 2015.

Similarly, the Company has joined the Business Ambition for 1.5°C initiative, promoted by the United Nations and the UN Global Compact, by which it undertakes to work to define a new objective with a more ambitious target.

### CONTROL OF SF<sub>6</sub> EMISSIONS

The main direct emissions derived from the activities of the Red Eléctrica Group are

those of sulphur hexafluoride (SF<sub>6</sub>). These types of emissions are a priority issue for the Company and, therefore, in addition to implementing various lines of work aimed at better controlling the gas and the reduction of leaks, it works in collaboration with the administration and other entities in the search for solutions and alternatives to optimise its management.

### EFFICIENCY IN ELECTRICITY CONSUMPTION

In line with its commitment to climate change, the Company is committed to energy efficiency at all levels. Proof of this is that in 2019, emissions associated with electricity consumption in work centres was reduced by 89.2%, and furthermore 87% of the electricity consumed was of renewable origin.

### SUSTAINABLE MOBILITY

Red Eléctrica works on optimising work-related travel linked to the execution of its activities and on reducing the associated emissions. In 2019, emissions derived from the use of company vehicles were decreased by 22.5% and those related to business trips involving the use of private vehicles were reduced by 47.3%.

### OFFSETTING EMISSIONS

The Red Eléctrica Forest Project is the main project of the Company in this field and its objective is to offset emissions through the planting of trees. In addition, in 2019 emissions were offset through the purchase of 2,700 VCUs (Verified Carbon Units) derived from the sustainable mobility survey, in which 59% of the workforce took part.

# RESPONSIBLE VALUE CHAIN



Society now enjoys a level of empowerment which allows it to demand that companies act more responsibly in the way they do business. This responsibility encompasses all the activities carried out by a company, including the management of its supply chain and the relationship it maintains with its customers and stakeholders.

In this regard, the Red Eléctrica Group takes on the following commitment as one of its sustainability priorities:

Extend our commitment to responsibility to all links in the value chain, ranging from our own people to suppliers and customers, accomplishing this through the creation of alliances and by basing it on our governance and integrity model.



Ethics and compliance



Economic results and financial strength



Employees



Responsible environmental management



Supply chain



Customer focused

# ETHICS AND COMPLIANCE

Ethics and compliance for the Red Eléctrica Group are fundamental pillars for the proper functioning of the business activity. To this end, it has a series of corporate conduct rules that establish the ethical values and business conduct guidelines that are undertaken by all the people who make up the Company in the performance of their professional activities.

In addition, the Company has a **Compliance System** aligned with the best practices in this field. In 2019, the Board of Directors approved the **Comprehensive Compliance Policy**, which expresses the organisation's commitment to preventing, detecting and responding to any conduct that is contrary to the legal obligations and commitments undertaken by the Company.

Similarly, the Company has in place a **Human Rights Management Model** aligned with the Guiding Principles on Business and Human Rights of the United Nations (UN).

## INTEGRITY MODEL OF THE RED ELÉCTRICA GROUP



Supplier CODE OF CONDUCT



Compliance SYSTEM



CODE of ethics



Criminal prevention compliance SYSTEM



GUIDE FOR THE PREVENTION OF CORRUPTION: Zero Tolerance

### NOTEWORTHY ACTIONS IN 2019

- Approval of a Comprehensive Compliance Policy for the Red Eléctrica Group.
- Updating of the Criminal Prevention Compliance System and the creation of the Criminal

- Compliance Committee.
- Approval of a Criminal Prevention Compliance System for Red Eléctrica Group subsidiaries in Latin America.

- Design of a comprehensive system of due diligence in matters regarding third-party compliance.
- Obtained the highest score in the sector for ethical behaviour, in the Vigeo Eiris evaluation.

- Updating of the System Operator's Code of Conduct.
- Development of the 2019 Compliance System Awareness and Dissemination Plan.

# ECONOMIC RESULTS AND FINANCIAL STRENGTH

The Company has obtained economic results that are in line with its Strategic Plan and has strengthened its main solvency ratios, maintaining a clear focus on efficiency and the generation of value.

## SHAREHOLDER RETURN

The **gross dividend** to be distributed corresponding to the 2019 fiscal year is 1.0519 euros per share. On 7 January 2020, a gross interim dividend pay-out of 0.2727 euros per share was made, leaving a gross supplementary dividend of 0.7792 euros per share pending distribution.

## IN 2019

Red Eléctrica defined and drafted its **green financing framework** to issue 'green' financial instruments aimed at financing projects that promote environmental progress.

## FINANCIAL DEBT STRUCTURE

Fixed vs Variable

78%  
Fixed rate



Long-term vs Short-term

89%  
Long-term debt



22%  
Variable rate

11%  
Short-term debt

## Key Financial Indicators

	2018	2019	Δ%
Revenue	1,948.5	2,007.2	3.0
Gross operating profit (EBITDA)	1,539.7	1,582.4	2.8
Net operating profit (EBIT)	1,069.8	1,081.4	1.1
Profit before tax	936.3	948.7	1.3
Net profit	704.6	718.0	1.9
Non-current assets	9,303.5	10,875.2	16.9
Net equity	3,361.4	3,614.4	7.5
Operating cash flow after tax	1,218.9	1,257.8	3.2
Total investment	546.6	1,870.4	242.2
Net Financial Debt	4,682.7	6,025.6	28.7

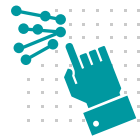
# EMPLOYEES



As at 31 December 2019, the Red Eléctrica Group had a total workforce of 2,056 people. 93% of the total [1,907] carry out their activity in Spain and 7% [149] in Latin America.

The Company offers its employees stable and quality employment [97% of the job positions offer a permanent contract],

## PRINCIPLES OF THE HUMAN RESOURCES DIRECTOR PLAN 2018-2022



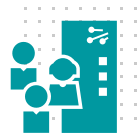
**BEING A REFERENCE**  
as a healthy workplace



**SUSTAINABLE MANAGEMENT OF**  
diverse and committed talent



**Cultural TRANSFORMATION**



**Employee EXPERIENCE**

undertaking the commitment to employability and functional mobility as a lever for growth and professional development [6.7% mobility in 2019].

### Key Employment Indicators [1]

	2017	2018	2019
Total workforce	1,741	1,721	2,056
Women [%]	24.4	24.1	25.9
Men [%]	75.6	75.9	74.1
Women in management positions [%]	24.8	28.8	31.8
People with a disability [%]	0.8	0.9	0.8
Creation of net employment [N° of job positions]	35	-20	335
Average age	45	46	44.7
Average length of service [years]	16	17	15.1
Undesired external turnover [%] [2]	2.6	2.4	2.8
Total turnover [%] [2]	3.7	3.7	2.9
Permanent contracts [%]	98.3	99.4	96.7

[1] Scope of the data: Red Eléctrica de España + Red Eléctrica Corporación + REINCAN + Red Eléctrica Internacional + REINTEL in 2017 and 2018 and the Red Eléctrica Group in 2019. [2] Scope of the data: Red Eléctrica de España + Red Eléctrica Corporación.

## DIVERSITY

The Red Eléctrica Group materialises its commitment to diversity, inclusion and non-discrimination through the 2018-2022 Comprehensive Diversity Plan, which is aligned with the Strategic Plan and the Company's 2030 Sustainability Commitment.

### COMPREHENSIVE DIVERSITY PLAN 2018-2022

#### Commitments

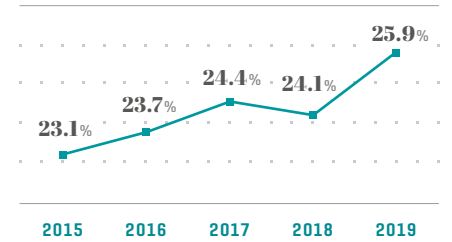
- Create a corporate culture that favours diversity both in employees and in the rest of the stakeholders.
- Integrate diversity into all the Group's processes, especially in people management.
- Involve, raise awareness and promote in collaborators and suppliers the Group's mission and focus regarding diversity.
- Collaborate with official bodies, academic institutions and other social agents in campaigns and projects that

allow the Group to be a benchmark as a social agent that contributes to the construction of a more diverse society.

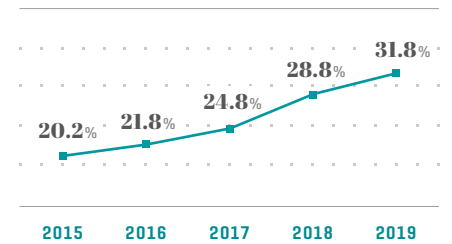
#### Objectives

- Ensure that at least 35% of the management team are women.
- 0% Pay gap.
- EFR A+ rating.
- Compliance with 70% of the General Law on Rights of Persons with Disabilities through direct employment.

### Evolution of women on the workforce



### Evolution of women in management positions

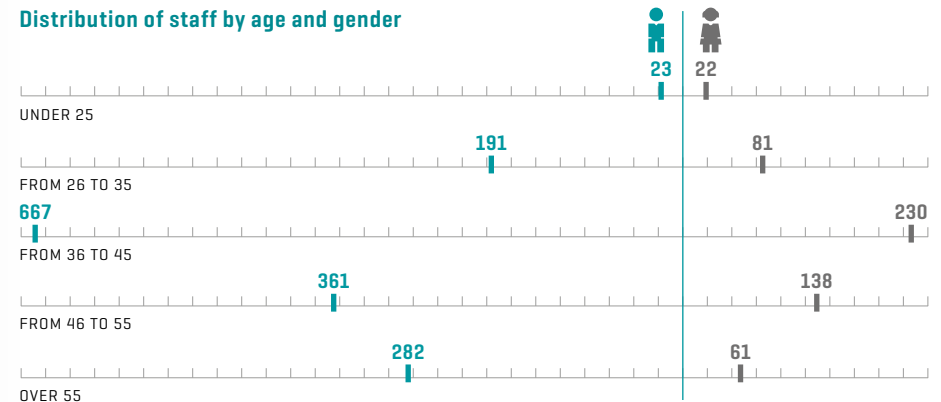


Note. Scope of the data: Red Eléctrica de España + Red Eléctrica Corporación up until 2016; Red Eléctrica de España + Red Eléctrica Corporación + REINCAN + Red Eléctrica Internacional + REINTEL in 2017 and 2018 and the Red Eléctrica Group in 2019.

### Gender Equality and Equal Opportunities

Gender equality is one of the vectors included in the Comprehensive Diversity Plan and is in keeping with the principles of equal employment opportunities, promotion of women into positions of responsibility, equal pay for men and women,

### Distribution of staff by age and gender



promotion of equal-sharing of family responsibilities, prevention of moral, sexual and gender-based harassment and the prevention of gender-based violence.

Among the actions carried out in this area, noteworthy is the participation in the Women and Engineering project, to promote the incorporation of women into STEM careers with the Royal Academy of Engineering.

**TALENT MANAGEMENT**

The **Talent Management Model** aims to attract, develop, train, transform and retain talent, as well as to promote the exchange of knowledge.

**TALENT MANAGEMENT MODEL:  
COURSES OF ACTION**



**EMPLOYMENT**  
recruitment,  
selection and  
internal mobility



**TRAINING**  
technical  
and skills  
training



**DEVELOPMENT OF PROGRAMMES**  
for professional growth



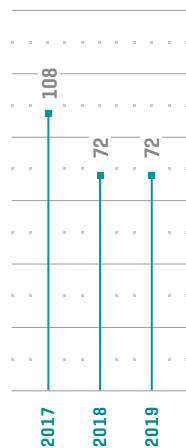
**Knowledge  
MANAGEMENT  
and Leadership**



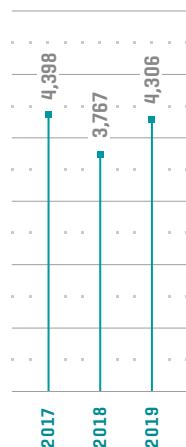
**CONTRIBUTION  
and key skills  
assessment**

The transmission of key company knowledge and the involvement of leaders within the Company are levers that promote commitment, facilitate learning and ensure the employability of people. In this regard, the Company has consolidated its **Strategy and Leadership Institute**, whose objective is to promote cultural change through transformational leadership, with the deployment of the following management skills: development of leaders and teams, transformation and innovation, stakeholder impact & influence and management, change management, strategic vision and business development.

**Training hours per employee.**  
Red Eléctrica Group



**Investment in training per employee.**  
Red Eléctrica Group  
€



**WOMEN AND ENGINEERING PROJECT**

*Aimed at promoting the incorporation of women into STEM careers with the Royal Academy of Engineering.*

**THE RED ELÉCTRICA CAMPUS  
'BELIEVE, CREATE AND GROW'**

The corporate university of Red Eléctrica is structured around 3 fundamental pillars called institutes and with the capacity to continuously transform and learn thanks through their permanent contact with the Company and the global environment:

- **Strategy and Leadership Institute;** responsible for the deployment of the leadership model required to manage the change that is established by the strategy of the organisation.
- **Business Knowledge and Technical Training Institute;** linked to the core business and responsible for the training of specific skills and competencies necessary to achieve the business objectives of the Red Eléctrica Group.
- **Cultural Transformation and Innovation Institute;** focused on the development of the necessary competences to drive Red Eléctrica's organisational transformation with special emphasis on culture and innovation.

On the other hand, the Red Eléctrica Group, in order to encourage the qualification of students in higher degrees of Vocational Training, has consolidated its theoretical-practical programme of professional training, within the **Dual FP system for the Advanced Technical Expert in Power**

The Red Eléctrica Group has consolidated its programme regarding the **Advanced Technical Expert in Power Stations Degree**, within the **Dual Professional Training system**.

**Stations Degree.** The first class (Class of 2019) has concluded with 80% of the students joining the Company before the end of the year.

**HEALTHY WORKPLACE**

To promote best practices in occupational health and safety, and well-being, the Company has a **Healthy Workplace Management Model**, which is deployed through annual programmes and is based on four major lines of action:

**HEALTHY WORKPLACE MODEL  
PRINCIPLES**



**Physical work environment**

Provide the means necessary to carry out the work functions under better health and safety conditions.



**Participation in the community**

Actions carried out by the Company that impact on the improvement of the health and well-being of the families of its workers and the communities in which its facilities are located.



**Health Resources**

Provide the workforce with tools to improve their physical and mental health, contributing to their well-being and quality of life.



**Psychosocial work environment**

Implement tools and resources for the management and organisation of work that favours the physical and psychosocial well-being of workers.





The **prevention of occupational risks** is an indispensable requirement to guarantee the health and safety of employees and collaborators. To this end, in recent years a series of actions have been developed to reduce accidents in the execution of work. Specifically, the focus has been on **innovation**, as a lever for digital transformation in the field of occupational health and safety, carrying out various projects that promote the use of new technologies, in order to respond to the strategic challenge of being a 'zero accident' Group.

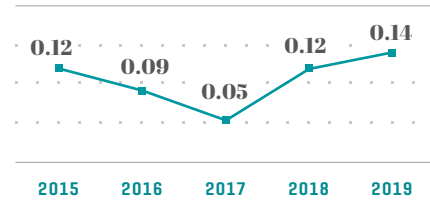
**The work-life balance**

The Red Eléctrica Group has a **Comprehensive Work-Life Balance Plan** that includes more than 70 measures, structured in different blocks:

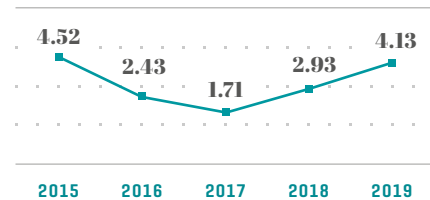
- Leadership and management styles.
- Quality in employment.
- Open workspaces and flexible working schedules.
- Family support.
- Personal and professional development.
- Equal opportunities.

It is also worth noting that the Company shares its experience as an expert in the Observatory for the Work-life Balance and the equal-sharing of Family Responsibilities between Women and Men, led by the ICADE-ICAI University.

Red Eléctrica Group accident severity rate



Red Eléctrica Group accident frequency rate



**SAFETY INSPECTIONS**

In 2019, around

**11,000**

**SAFETY INSPECTIONS**

WERE CARRIED OUT IN WORKS IN FACILITIES, RESULTING IN MORE THAN 2,200 CORRECTIVE ACTIONS, 93% OF WHICH HAVE BEEN RESOLVED

**ZERO ACCIDENTS**

*This is the objective of the Red Eléctrica Group using innovation as a lever for digital transformation in the field of occupational health and safety, through the development of various projects that promote the use of new technologies.*

**RESPONSIBLE ENVIRONMENTAL MANAGEMENT**

Avoiding biodiversity-rich areas is a priority criterion in the selection of sites for locating facilities.

**BIODIVERSITY**

The Company works intensively to make its infrastructure compatible with the environment, considering at all times its overall life cycle and paying special attention to the conservation of biodiversity. In this respect, Red Eléctrica has a specific **commitment** and a **multi-year action plan (2017-2021)**, which includes the main actions in this area.

Biodiversity management is carried out taking into account the prioritisation of actions that contribute to mitigating environmental impacts. Therefore, **avoiding areas rich in biodiversity** is a priority criterion considered in the selection of sites for locating facilities. On those occasions when it is inevitable that the infrastructure is located in protected areas or areas with species of interest, preventive and corrective measures are put in place to minimise the impacts, including the restoration of

**MAIN ACTIONS FOR THE INTEGRATION OF FACILITIES INTO THE ENVIRONMENT**



**Minimising the socio-economic impact**

- Use of a boom crane or helicopter for assembling electricity towers.
- Restoration of areas affected by the works (slopes, roads, accesses, enclosures) and the replanting of crops.
- Improvement in the noise reduction levels generated by the facilities (ACURED Project).
- Switching off external lighting at night in substations.



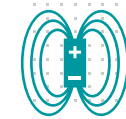
**Protection of archaeological and ethnological heritage**

- Archaeological survey prior to the works.
- Presence of an archaeologist when the results of the survey deem it necessary.
- Digital mapping of catalogued heritage (ARQUEORED Project).



**Reduction of the visual impact of facilities**

- Design of electricity towers that blend better into the landscape.
- Landscape integration of substation buildings.
- Restoration of affected areas and the creation of vegetation screens.



**Minimisation of electric and magnetic field (EMF) values**

- Construction of double circuits and transposition of phases in lines.
- Increasing the height of towers, thus increasing the safety distances.
- Establishing the minimum distance of electricity lines from population nuclei and isolated houses.
- Evaluation of compliance with EMF regulations in 100% of the facilities.

the affected areas, where possible. Finally, various environmental improvement actions and projects are carried out in order to offset part of the impacts that may have been produced.

**CIRCULAR ECONOMY**

As part of the path towards a sustainable energy model, Red Eléctrica is committed to the integration of the circular economy in the development of its activities. This commitment materialised in 2019 with the drafting of a **Road Map for the Circular Economy** with actions focused on improving certain dimensions: **materials, zero waste, soil, water, energy and a last cross-cutting dimension** in which



the aspects for integration of circularity criteria in all activities are included. The goal is to be a leading company in this field by 2030.

**MAIN ACTIONS**

**IN THE PROTECTION OF BIODIVERSITY**



**Protection of habitats and species during the execution of works**

- Application of preventive and corrective measures to avoid the alteration of the habitat of certain species of fauna and flora, as well as the impact on vegetation (HABITAT Project).



**Prevention of forest fires**

- Signing of agreements for the prevention of forest fires, collaborating with Public Administrations.
- Development of innovation projects: VEGETA project, optimisation of the treatment cycle of the vegetation growing within the security corridors of electricity lines. The Prodint project, for the early detection of forest fires, using sensors installed on the electricity towers.



**Biodiversity conservation**

- Participation in projects for the conservation and protection of flora and fauna ('Red Eléctrica Forest' and 'Posidonia oceanica Marine Forest').



**Protection of birdlife**

- Implementation of a multi-year electricity line marking plan with bird-saving devices for electricity infrastructure in areas of critical priority. 460 km of line marked (61% of the total infrastructure in critical areas).
- Development of the project for the analysis of the effectiveness of the blade-type bird-saving devices in various bird communities.

**SUPPLY CHAIN**

The Red Eléctrica Group is committed to collaborating on the development of common goals with its suppliers, to improve the efficiency of processes and generate mutual benefits. For this, in its day-to-day management, the Company promotes the values and commitments acquired in matters of ethics and compliance, working conditions, the environment and occupational health and safety, guaranteeing that these are also extended to and undertaken by its entire supply chain.

In 2019, a new review and update of the **Supplier Code of Conduct** was carried out, with the aim of transferring new sustainability criteria (environment, ethics, occupational health and safety, well-being and diversity) to the supply chain, and adapting it to the best practices in relation to due diligence with third parties, in addition to ensuring its alignment with the updating of the Company's Code of Ethics.

**NOTEWORTHY INITIATIVES IN 2019**

- Use of new technologies (blockchain), for a more agile, efficient and secure relationship with suppliers.
- Homogenisation and optimisation of the technical qualification processes concerning the official approval of materials/equipment and the qualification of people.
- New model of integrated planning (INTEGRA) for the improvement of the estimation of supply needs, the optimisation of procurement, the improvement of the logistics and the efficiency of work carried out in the field.
- Extension of the processes managed by an RPA (Robotic Process Automation) process for the improvement of purchase order management.
- Progressive implementation of electronic auctions in the awarding of certain services.
- Consolidation of the supplier relationship model that allows for objective measurement of their performance.
- Creation of the new waste management model, promoting the implementation of the 'Zero waste' project.

**IN 2019**

social audits were conducted on 53 suppliers, in order to verify compliance with the Code of Conduct.



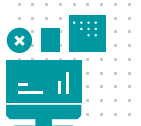
**1,071**  
SUPPLIERS  
91% of the total are local and 98% are from the EU



**617**  
M€  
in total purchases in 2019



**82**  
%  
Works and services



**18**  
%  
Materials and equipment

## CUSTOMER ORIENTATION

### SYSTEM OPERATION: TRANSPARENCY, NEUTRALITY AND INDEPENDENCE

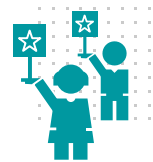
The Company has a System Operator Code of Conduct, which guarantees compliance with criteria of transparency, independence and confidentiality in the execution of its duties and responsibilities as electricity system operator.

In this regard, Red Eléctrica is obligated to publish information regarding the price of energy in the markets, as well as information on processes associated with system operation, **guaranteeing at all times the confidentiality of the data**, in accordance with the criteria of information transparency and confidentiality established in the applicable European and national regulations currently in force. This communication and publication of information is done through various information channels and platforms.

### SERCLIENTE, WORKING HAND IN HAND WITH STAKEHOLDERS TO ACHIEVE THE ENERGY TRANSITION

During 2019, under the SERCLIENTE initiative, the Company has strengthened its interaction with customers [generators, consumers, distributors, retailers/traders, promoters and associations, among others] in order **to improve dialogue through a dynamic, flexible and digital approach**, focusing on actively listening to the needs and expectations of stakeholders. The initiatives carried out include the following: forums and conferences with customers, the creation of new communication channels and web spaces and the setting up of groups to monitor the operation of the system.

The Company's System Operator's Code of Conduct guarantees the fulfilment of the criteria of transparency, independence and confidentiality in the execution of its functions as TSO.



## CUSTOMER SATISFACTION

THE LATEST CUSTOMER SATISFACTION SURVEY CONDUCTED IN 2018 OBTAINED AN OVERALL AVERAGE RATING OF

**8.7**  
OUT OF 10

### CLAIMS/INCIDENCES

*100% of agent claims regarding the system's ancillary services market were resolved.*



### REINTEL: SOLUTIONS IN A FLEXIBLE AND CREATIVE ENVIRONMENT

REINTEL's priority has always been excellence in operations to guarantee high levels of service quality and availability to customers, which has allowed it to consolidate itself as a benchmark supplier in the telecommunications sector.

Through its dark fibre optic suite of services, REINTEL provides **tailor-made solutions to its customers** and focuses its management on building long-term relationships. For the provision of its services it has a telecommunications backbone network consisting of more than 50,000 km of fibre optic cable.

Similarly, REINTEL **has its own permanent network operations centre** [24/7] that controls and monitors the state of the fibre optic network and deals with any incidents besides handling the customer's scheduled work.

### HISPASAT: CONNECTIVITY GUARANTEE

With more than 30 years' experience, Hispasat maintains a strong presence in the Iberian Peninsula and Latin America, where it is already the fourth satellite operator. In 2019, the number of permanent

## CUSTOMER SATISFACTION (Hispasat)

**82.1%**

OVERALL SATISFACTION LEVEL IN THE SURVEY CONDUCTED IN 2019

customers was 108, of which 24 were audio-visual, 52 were corporate and 32 were telecommunications operators.

Hispasat, in addition to the stakeholder communication channels offered through its corporate website, has a specific customer care help desk [24/7] and a web portal to report service incidents or to request information.

It is worth noting that every two years, Hispasat carries out a customer satisfaction survey. In the latest carried out in 2019, the overall satisfaction level was 82.1%.

# CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

Companies are increasingly aware that their long-term sustainability depends on providing a service that contributes value to society. Therefore, it is necessary to generate a positive impact on the socio-economic environment, whereby the social footprint is one of the key drivers of a company's corporate management.

In this regard, the Red Eléctrica Group takes on the following commitment as one of its sustainability priorities:

Contribute to the economic, environmental and social progress of society, through the provision of a key service in a safe and efficient manner. This is achieved by promoting environmental conservation, the quality of life and social well-being of local communities.



*Contribution of the Company's activities*



*Ties with the community*



*Conservation of natural capital*



*Socio-economic development of the territory*

## CONTRIBUTION OF THE COMPANY'S ACTIVITIES

Red Eléctrica focuses its socio-economic and environmental commitment to the creation of shared value, promoting actions and investments aligned with its business objectives, which in turn have a positive impact on the quality of life of citizens in those areas where the Company's facilities are located.

### ECONOMIC AND SOCIAL CONTRIBUTION OF INVESTMENTS

For yet another year, the level of investment made in the transmission grid by the Company has had a positive impact on society. Investment in grid assets incentivises production, generates an increase in wealth (measured through the country's GDP), which at the same time promotes employment and generates tax contributions for the public administration that can then be dedicated to improving the overall wellbeing of society.

In 2019, the Company made a total investment in the transmission grid of 396 million euros, of which it is estimated that 71 million euros were allocated to the import of the goods needed to carry out the

### IMPACTS OF THE INVESTMENTS

#### Direct Impact

Estimation and valuation of the supply and production chain and the creation of employment and incomes that are generated in the national economic system stemming from an initial investment.

#### Indirect Impact

Generation of income and new employment derived from the fact that, in order to execute the investments, the direct awardees need to acquire other goods and services from the rest of the supply

and production chain (intermediate consumption). This then generates demand for other goods and services further down the chain.

#### Induced Impact

Impact derived from all the income generated in the previous stages. This effect includes both the impact of final consumption derived from all the income generated, as well as the tax collected by all public administrations when applying the various taxes to the total of the activity and the income generated.

## INVESTMENT

# 396 M€

IN THE TRANSMISSION GRID IN 2019

activity. The remainder of the investment, 325 million euros, corresponds to direct investment in Spain, the impact of which, following the application of the methodology adopted, are shown in the table below.

### Overall impact of the investment in the transmission grid

	Direct	Indirect	Induced	Total
Production (M€)	325	286	29	641
Income - GDP (M€)	149	124	10	283
Employment (number of jobs)	2,214	2,208	305	4,727
Tax revenue (M€)	54	47	4	105

In order to calculate the overall impact, Red Eléctrica follows the benchmark methodology based on the implicit activity multipliers obtained in the Input-Output Tables that allow the overall level of activity generated, stemming from an initial investment, to be estimated.



### TAX CONTRIBUTION AND TRANSPARENCY

The tax strategy of the Red Eléctrica Group, approved by the Board of Directors, is based on three core values: transparency, good governance and accountability.

The vision of the tax strategy is to manage tax matters in a proactive and transparent manner that holds the Company accountable to all stakeholders, in order to comply with tax legislation and minimise reputational risk, and in doing so, make it compatible with the protection of shareholder value.

In 2019, the Company published a Tax Transparency Report, promoting awareness of the Group's tax matters in a way that is increasingly clear and accessible to stakeholders.

### TAX TRANSPARENCY

The Red Eléctrica Group leads the Tax Transparency Report ranking of IBEX 35 companies for the 2018 fiscal year prepared by the Fundación Compromiso y Transparencia [Commitment and Transparency Foundation].

### KEY DATA

**732**  
M€  
Total Tax Contribution

More than  
**3,400**  
M€  
tax borne  
in the period  
2015-2019

**44**  
%  
of the value  
generated  
earmarked for the  
payment of taxes

**98**  
%  
of the Total Tax  
Contribution  
paid in Spain

**36**  
%  
Tax Contribution  
compared to the  
revenue figure  
of the Company

### Total Tax Contribution 2019

	Spain	Peru	Chile	Brazil	Other (*)	Total
Taxes borne	243	4	2	2	-	251
Corporate tax	195	4	1	-	-	200
Other taxes	48	-	1	2	-	51
Taxes collected	472	8	1	-	-	481
VAT	370	5	-	-	-	375
Other taxes	102	3	1	-	-	106
<b>Total Tax Contribution</b>	<b>715</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>732</b>

(\*) Includes amounts under 1 M€.

## TIES WITH THE COMMUNITY

In those areas where its facilities are present, the Red Eléctrica Group promotes and maintains an ongoing relationship with the communities and does so throughout the useful life of the facilities. In 2019, the Company signed **109 collaboration agreements** with public and social entities mainly related to socio-economic development, environmental, educational and cultural projects.

In addition, during the construction of new infrastructure, the Company fosters close-knit ties with the territory, in order to inform institutions and citizens about the need for the facilities and their role in providing a safe, efficient and sustainable electricity supply.

In 2019, noteworthy was the drafting of a **social baseline study** and a mapping of the key players in its operations in Peru, with the aim of identifying the needs of local communities to implement development programmes in the territory that are sustainable over time.

Furthermore, the Red Eléctrica Group **actively cooperates with various organisations and associations**, in order to explain and raise awareness regarding its stance



on core aspects of its activity, as well as to promote the consolidation of alliances and seeks to maximise its contribution to the achievement of common goals. In 2019, **the Company collaborated with 66 organisations**, associations and professional bodies, and particularly noteworthy was its engagement with ENTSO-E, the European Network of Transmission System Operators for Electricity.

### IN 2019

*109 agreements were signed with local entities for the development of social projects.*

Of all the agreements reached with landowners affected by the investment projects carried out in Spain in 2019, it is worth noting that 83% were amicable agreements.

## CONSERVATION OF NATURAL CAPITAL

One of the challenges that the Company undertakes in accordance with **its commitment to biodiversity** is to promote conservation through its active participation in projects which are mainly focused on the protection of birdlife and habitat restoration, as well as those that support the development of the socio-economic environment. These projects include:

- The **'Red Eléctrica Forest'**: an initiative that seeks to offset a part of the Company's emissions through the planting of trees in order to recover degraded natural spaces and to support the development of local economies.
- The **'Red Eléctrica Marine Forest'**: an initiative focused on the restoration of 2 hectares of Posidonia oceanica seagrass meadows in the Bay of Pollensa Majorca.

### Forestry management and the fight against forest fires

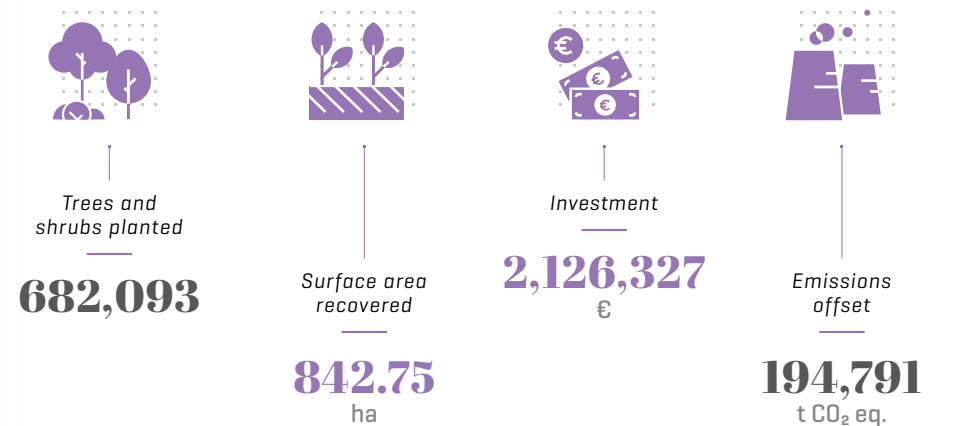
Within the framework of forestry management, Red Eléctrica actively and continuously collaborates with the Public Administrations involved, by signing **collaboration agreements** aimed at the prevention of and the fight against forest fires. Among the actions carried out, the following are noteworthy: the development of prevention measures, training for forestry professionals and agents and awareness campaigns on the subject.

### IN 2019

*the 'Red Eléctrica Marine Forest' received an award in the category for the most innovative business initiative in corporate social responsibility at the 12<sup>th</sup> Edition of the Cinco Días Business Innovation Awards.*

## ← RED ELÉCTRICA FOREST →

### IN FIGURES 2009 - 2019



## SOCIO-ECONOMIC DEVELOPMENT OF THE TERRITORY

The Red Eléctrica Group's model for contributing to the development of the socio-economic environment is aimed at promoting actions and investments aligned with its business goals which promote local development, the conservation of biodiversity and the promotion of education, culture and heritage.

### INVESTMENT IN THE COMMUNITY

The Company embraces social action as an essential element of its commitment to sustainability. In this regard, in 2019, **more than 8 million euros were invested in the development or promotion of social initiatives**, in accordance with the LBG (London Benchmarking Group) methodology.

Of the 545 social initiatives carried out, which represents an increase of 25% over the previous year, more than half are focused on the socio-economic development of the territory, with the aim of encouraging repopulation in rural areas.

### SOCIAL INNOVATION

The Social Innovation Plan of the Red Eléctrica Group was created to strengthen its commitment to the rural environment and to continue promoting the creation of shared value within the territory in which the Company's facilities are located. This Plan establishes an open and collaborative model with external players, in order to respond to the needs and challenges of society through innovative solutions with a positive long-term social impact.

### CONTRIBUTION 2019



### Lines of action and vectors for social innovation

The Company has created two lines of action: local development and education; and culture and heritage, focusing primarily on the fight against the depopulation of rural areas. These two main lines of action are deployed across four vectors:



**BOOSTING sustainable mobility**



**REDUCING the digital divide**



**SUPPORT for social innovation in local communities**



**RAISING AWARENESS on the energy transition**

In 2019, 545 social initiatives were carried out (25% more than in 2018), with over half of them aimed at the socio-economic development of the territory.

The Social Innovation Plan of the Red Eléctrica Group was created to strengthen its commitment with the territory and to continue to promote the creation of shared value.

**Boosting sustainable mobility**

Electric mobility represents an opportunity to improve the efficiency of the energy system as a whole, as it allows the incorporation of electricity as an energy vector in the transport sector. For this reason, the Company promotes actions aimed at the deployment of sustainable mobility, making charging points for electric vehicles accessible for general use by citizens.

**NOTEWORTHY PROJECTS**

**Electric mobility guide for local authorities**

**Objective:** Promote sustainable development in municipalities by helping implement electric mobility. This is accomplished through the sharing of knowledge and

experiences and by offering technical assistance. The main aim of this guide is to help improve the smart management of charging points and to move forward with the energy transition.

**Reducing the digital divide**

Connectivity is essential for the future of small municipalities that are becoming increasingly depopulated. For this reason, the Company collaborates on reducing the digital divide in rural areas and seeks to do so by extending the broadband from REINTEL's optical fibre and Hispasat's satellite network, so that everyone in the area where the facilities are located can access information and communication technologies.

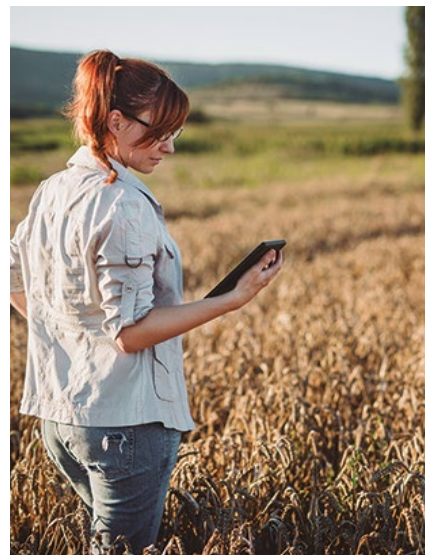
**NOTEWORTHY PROJECTS**

**Improving connectivity in rural areas**

**Objective:** Promote the search for conditions to reduce the digital divide in municipalities close to electricity facilities and enable the creation of projects to improve rural connectivity, bringing the Company's telecommunications networks closer to rural areas.

**Driving Agriculture 4.0**

**Objective:** Implement, in collaboration with other agents, pilot projects aimed at promoting the digital transformation of the agri-food sector in the rural environment (Agriculture 4.0), taking advantage of the potential of satellite communication technologies.



**Support for social innovation in local communities**

The Company addresses and encourages innovative new solutions that social entrepreneurs find to manage the problems and needs of their local communities. This allows both parties to take on initiatives to jointly undertake social innovation projects that encourage the repopulation of sparsely populated areas.

**NOTEWORTHY PROJECTS**

**Gira Presura 2019: 3<sup>rd</sup> National Fair for the repopulation of rural Spain**

**Objective:** Establish an interconnected collaboration network among rural entrepreneurs who, united in the fight against depopulation, identify innovative projects that can be replicated in other territories for the promotion of local development.

**Holapueblo**

**Objective:** Support and provide advice for entrepreneurial projects, with viable business ideas aimed at the development of social, sustainable and innovative

projects in at least 50 villages in order to try to stabilise or increase the population and showcase the benefits of rural life.

**Creation of an ecosystem to promote entrepreneurship and social innovation in Paredes de Nava (Palencia)**

**Objective:** Stimulate entrepreneurial talent in the area to generate projects that reverse its depopulation, by promoting ideas that are innovative, financially sustainable and that have a social impact.



**Raising awareness on the energy transition**

Red Eléctrica plays an active role in carrying out activities that promote the operation of the Spanish electricity system and the role the Company plays in making the energy transition possible.

**NOTEWORTHY PROJECTS**

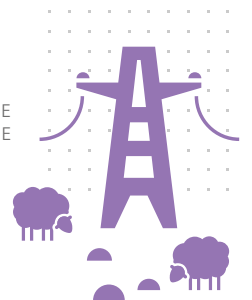
**'Cuadernos en Red'- Information booklets explaining the 2030 Agenda and the Energy Transition**

Given the current context marked by the challenge posed by the climate emergency, Red Eléctrica has produced a series of six information booklets/monographs under

the title 'Cuadernos en Red' which, in addition to promoting and disseminating information on the energy transition in our country, also seeks to raise awareness by explaining the paradigm of the new energy model, that is key to the fight against climate change, and to prompt readers to take action.

SOCIAL INNOVATION  
Pilot Project in LA RIOJA

LIVESTOCK GRAZING  
IN THE VICINITY OF GRID INFRASTRUCTURE FOR THE MAINTENANCE OF THE SECURITY CORRIDORS OF ELECTRICITY LINES





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Red Eléctrica makes a concerted effort to select the most legible typographical font for their publications. The typographical fonts Geogrotesque have been used for the texts and graphics in this report.



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