

**RED**  
**ELÉCTRICA**  
CORPORACIÓN

## **Board of Directors**

29 January 2019

2018 Diversity and Equality Report



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## 1. GOOD GOVERNANCE AND LEGAL BACKGROUND

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Diversity on the boards of directors of companies is a concept whose importance has begun to emerge relatively recently. Companies are looking for effective management of diversity as a tool to attract talent and which enables them to become organisations that reflect the interests of all stakeholders. Gender balance, as an integral part of the concept of diversity, has become a political issue in many countries and their governments have established recommendations or mandatory quotas on the minimum level of presence of women on the governance bodies of companies with the aim of incorporating female talent into the same. Good corporate governance allows a company to ensure its survival and create value in a sustainable way for its shareholders, adequately considering the interests of all stakeholders, and diversity will undoubtedly contribute to this end.

As for equality, articles 9 and 14 of the Spanish Constitution establish that it is the responsibility of the public authorities to promote conditions which ensure the right to equality and that the equality of individuals and of the groups to which they belong are real and effective. These articles were the foundations of Organic Law 3/2007, of 22 March, for the effective equality between men and women, known as Equality Law, which has focused its attention towards the incorporation of women into the administrative bodies of business corporations in order to obtain a balanced presence amongst men and women in such governance bodies.

In 2012, the draft Directive of the European Union on the share of women on company boards was approved. Said project set a share of 40% women (external directors) on boards of directors of Europe's listed companies provided they were not small or medium-sized (less than 250 employees or turnover of less than 50 million euros). The text clarified that women will not be promoted without further ado, but when faced with male and female candidates of equal merit then the woman shall be appointed to the position. This objective should be achieved by 2020. The draft directive proposed by the European Commission has, since 20 November 2013, had the support of the significant majority of the European Parliament which approved the project after its first reading. This confirmed the strong consensus that exists in major European institutions to incorporate qualified women on the boards of directors and the general support for the approach of the European Commission

In 2016, the European Commissioner for Justice, Consumers and Gender Equality presented the Strategic Commitment for Gender Equality 2016-2019. This plan is made up of more than thirty actions aimed at promoting equality between men and women in the European Union. Among the most noteworthy actions is the support for the adoption of the 2012 Directive proposal on improving gender balance among non-executive board directors of companies listed on the stock exchanges, the close supervision of its transposition and application, and the support for other specific initiatives to improve the balance between men and women in decision making.

Law 31/2014, of 3 December, amending the Spanish Capital Companies Law (LSC) in order to enhance corporate governance, which came into force on 24 December 2014, laid down as a mandatory right something which until then had only been a mere recommendation. In this regard, said Law introduced the obligation that the Board of Directors shall endeavour to ensure that the procedures for selecting its members foster diversity of gender, experience and knowledge, and are free from any implicit bias entailing any form of discrimination and, in particular, that such procedures shall favour the selection of female board members.



In addition, it was laid down that one of the functions of the Appointments and Remuneration Committee was that of establishing a target regarding the representation of the underrepresented gender on the Board of Directors and develop guidelines on how to achieve said target.

Therefore, it is now established as a legal obligation of the board of directors of listed companies to ensure that the selection procedures of their members favour gender, experience and knowledge diversity, explicitly stating that such procedures should facilitate the selection of female board members. In the same vein, it established the legal duty of the Appointments and Remuneration Committees of listed companies to set a representation target for the underrepresented gender on the Board and to develop guidelines on how to achieve such target.

The update of the regulatory framework of corporate governance applicable to commercial companies in Spain was completed with the Spanish Code of Good Governance of Listed Companies (CBGSC) approved by Resolution of the Board of the Spanish National Securities Market Commission (CNMV) on 18 February 2015. The CBGSC reflects the concern of society for improving talent management in the boards of directors of listed companies, and in the business world in general.

Recommendation No. 14 of the CBGSC sets out:

"The Board of Directors should approve a selection policy of board members that:

- a) is specific and verifiable;
- b) ensures that appointment or re-election proposals are based on a prior analysis of the needs of the board of directors, and
- c) favours the diversity of knowledge, experiences and gender.

The result of the prior analysis of the needs of the board of directors should be set out in the appointments committee explanatory report, to be published when convening the general shareholders' meeting that will ratify the appointment or re-election of each director.

The board member selection policy should pursue the target of having at least 30% of total seats on the Board occupied by female directors by 2020.

The appointments committee should annually verify compliance with the director selection policy and report its findings in the annual corporate governance report."

Said Recommendation reduced by ten percentage points the threshold established in the Equality Act and extended the deadline for compliance to five years.

In 2017, noteworthy regarding diversity, on the one hand, is the Spanish Securities Market Commission's (CNMV) 3/2007 Technical Guide on Audit Committees at Public-interest Entities of June 27, 2017 which seeks to promote the diversity of knowledge and professional experience of the board directors that make up the Audit Committee. In addition, Royal Decree-Law 18/2017, of 24 November, which amended, among others, the Spanish Capital Companies Law regarding the disclosure of non-financial and diversity information. Said Royal Decree-Law amended, among other things, sub-section 6 of Article 540.4 c) of the 'LSC' that required listed



public limited companies to include, within the Annual Corporate Governance Report, a description of the diversity policy applied regarding the Board of Directors, considering diversity in a broad sense. The content of subarticle 6 of article 540.4 c) of the 'LSC' has again been amended by the recent Law 11/2018, of 28 November, which amends the Commercial Code, the combined text of the Spanish Capital Companies Law approved by Royal Decree-Law 1/2010, of 2 July, and Audit Law 22/2015, of 20 July, as regards non-financial information and diversity. This latest amendment establishes that annual corporate governance reports shall include a description of the diversity policy applied in relation to the Board of Directors, the Management Team and to the specialised committees that are set up within it, with regard to issues such as age, gender, disability or the training and professional experience of its members; including their objectives, the measures adopted, the way in which they have been applied and, in particular, the procedures implemented to seek to include on the board of directors a number of women that allows a balanced presence of women and men to be achieved and the results in the period of presentation of the reports, as well as the measures that, if appropriate, the Appointments and Remuneration Committee had agreed on regarding these matters. Moreover, it must be reported whether information was provided to shareholders on the criteria and diversity goals sought in the election and renewal of the members of the board, of the management team and of the special committees set up within them. If a policy of this type is not applied, a clear and motivated explanation should be offered. Small and medium-sized entities, in accordance with the definition contained in the legislation regarding the auditing of accounts, shall only be obliged to provide information on the measures that, when appropriate, would have been adopted in terms of gender.

In 2018, also noteworthy was the drafting by the CNMV (National Securities Market Commission) of a proposal for a Technical Guide on Appointments and Remuneration Committees that incorporates aspects related to diversity in the composition of such Committees. Said proposal has been submitted for public consultation and it is expected that its approval will take place in the near future.

Considering the foregoing, it is expected that, with the adoption of such legal measures and recommendations, the business world will continue becoming more aware that increasing diversity on the Boards of Directors, in a comprehensive manner, will strengthen talent management in the organisation and the functioning of such bodies. This will undoubtedly lead to more pluralistic decision making based on a diverse and broad vision founded on the strategies and objectives pursued by each business group in benefit of the company, its shareholders and society at large.

Within the internal regulatory framework, the Board of Directors of Red Eléctrica Corporación, S.A., pursuant to the provisions of article 18.4 j) of the Regulations of the Board of Directors, undertook years ago the commitment to comply with the recommendations laid down regarding equality and, consequently, established the obligation of the Appointments and Remuneration Committee to prepare an annual report on gender diversity and equality policy to be submitted to the Board for approval. The first Gender Diversity Report was drafted in 2008.

Article 22 of the Regulations of the Board of Directors establishes that the Boardroom, within the scope of its powers, shall ensure that the election of candidates falls on persons of recognised solvency, competence and experience, who guarantee gender diversity and different experiences and knowledge within the Board.



In this context, it is important to highlight the important role of the Appointments and Remuneration Committee in promoting diversity on the Board of Directors, since, as laid down in article 24 of the By-laws and in article 18 of the Regulations of the Board of Directors, this Committee is responsible for establishing a representation objective for the underrepresented gender on the Board of Directors. It is also responsible for evaluating the competencies, knowledge and experience necessary on the Board, submitting to the Board the proposals for the appointment of independent directors and reporting on proposed appointments of the other board members, among other duties. On the other hand, Article 15 of the Regulations of the Board establishes that the process for the appointment of the members of the Audit Committee shall take into account their knowledge and experience in accounting, auditing or risk management.

The present report reflects the Company's concern for diversity and equality and, for that reason, for years, measures have been analysed and adopted to achieve a balance of competencies both within the Board of Directors and throughout the organisation.

Therefore, within the framework of its sustainability policy, the Board of Directors has also taken on the commitment to guarantee the principles of equal opportunities and non-discrimination, established in Organic Law 3/2007, of 22 March, for effective equality of women and men, within the companies of the Red Eléctrica Group (hereinafter, 'RE Group') and within the Board of Directors of Red Eléctrica Corporación, S.A.

In addition, noteworthy is the fact that the Corporate Governance Policy, approved by the Board of Directors of the Company on 25 November 2014, took into account the objective of improving aspects regarding gender diversity, setting out and undertaking the following principle: "Consolidate its commitment to diversity of knowledge, experience and gender in the composition of the Board of Directors and its Committees."

Similarly, within the practices incorporated in said Corporate Governance policy the following is found: "Diversity on the Board of Directors. The Company applies the principle of promoting diversity of knowledge, experience and gender in the composition of the Board of Directors and its Committees as an essential factor to enable it to achieve its objectives with a plural and balanced vision."

The concern of both the Appointments and Remuneration Committee and the Board of Directors regarding diversity in the composition of the Board of Directors is made evident, in a transparent manner, in the proposals and reports for the appointment of board members that the Company publishes on its website, both in Spanish and English, and that are to be submitted to the General Shareholders' Meeting. Such proposals and reports present the Appointments and Remuneration Committee and the Board of Directors the criteria that define the profile and requirements that are considered appropriate to carry out the duties and responsibilities of the position of board director, defining the qualities, competencies and experience that the suitable director should meet to hold the board seat. As will be explained later in this report, the Company has undertaken a continuous improvement commitment in this area, not only within the Board of Directors but also throughout the entire organisation.

For all the aforementioned reasons, the present report explains the measures adopted in 2018 in order to try to include a number of women on the Board of Directors that allows a balanced presence of women and men to be achieved and to attain a greater diversity of knowledge and experience within the Board. Any measures that, where appropriate, the Appointments and Remuneration Committee have adopted will also be explained.



As was the case of the last report, this year a single report is presented that incorporates information on diversity on the Board of Directors and information on diversity and equality of the RE Group within the organisation. Of note, is that this year, as a new item, information regarding a greater number of companies of the Group have been included.

## 2. EVOLUTION OF DIVERSITY ON THE BOARDS OF DIRECTORS OF IBEX-35 COMPANIES

Information on diversity is included below, including information on age and length of service of board members of IBEX 35 companies.

### 2.1 CNMV Information relative to the 2017 fiscal year.<sup>1</sup>

With regard to **gender** diversity, as of 31 December 2017, the number of women on the Board of Directors of IBEX 35 companies stood at 103, which represents a significant increase with respect to the previous year, which closed the year at 90. Analysing the evolution in the number of women present on the Boards of Directors of IBEX 35 companies in the last 5 years, a considerable growth can be seen as the number has increased by 28, going from 75 to 103.

In 2017, noteworthy was the presence of women in all IBEX 35 companies. In 2016 and 2015, they were present in 34 companies and, in 2014 and 2013, 32 of the 35 IBEX companies had women on their Boards of Directors.

The percentage of women on the Boards of IBEX 35 companies has increased in the last 5 years, going from 15.6% in 2013 to 22.8% in 2017, although it is still short of the 30% target set by the Spanish Code of Good Governance of Listed Companies (CBGSC) for 2020 and far from the 40% target established by the draft Directive of the European Union on gender quotas on company boards.

The table below shows the evolution of the number of women holding seats on the boards of directors of IBEX-35 companies during the period 2013-2017, as well as the number of companies that have a woman on the Board:

*Presence of women on the boards of directors of IBEX 35 companies*

Year	Nº of female board members	% of total	Nº of companies with women on the Board	% of total
2017	103	22.8	35	100
2016	90	19.7	34	97.1
2015	90	19.6	34	97.1
2014	78	16.7	32	91.4
2013	75	15.6	32	91.4

<sup>1</sup> Source: Latest *Annual Corporate Governance Report of the issuers of securities admitted to trading on official secondary markets* published by the CNMV.



The table below shows the number of female board members, according to category, on boards of directors of IBEX 35 companies:

*Number of female board members on IBEX 35 companies by category in 2017<sup>2</sup>*

Category	Number	Percentage
Executive directors	3	3%
Independent directors	76	74%
Proprietary directors	20	19%
Other external	4	4%
TOTAL	103	100

In relation to the previous table, it should be noted that for yet another, in 2017 most of the women on the Board are independent (three quarters of them). This shows that in the process of renewal of the Board, women's talent is starting to be taken into account at the time of incorporating qualified members with an adequate professional profile. It is precisely the independent director category which is the most dynamic and where focus is being placed when incorporating variables such as diversity, strategic vision or knowledge about the sector in which the company operates.

In 2017, the presence of women within the category of executive directors continues to be of little relevance, which shows that their role in the carrying out of management functions continues to have little weight.

In relation to the **length of service (tenure)** of the members of the boards of directors of IBEX 35 companies in 2017 has been, on average, 6.7 years, which is a slight decrease compared to the previous year which was 6.9 years. Executive board members have continued to accumulate the highest average tenure (9.8 years), followed by external proprietary directors (7.2 years). On the other hand, independent directors have been those whose tenure, on average, has been lower (4.5 years).

<sup>2</sup>Source: *Boards of Directors of listed companies* drafted by PricewaterhouseCoopers, Ninth Edition.





Below is a table showing the average length of service (tenure) by director category on Boards of Directors of IBEX 35 companies:

*Length of service, in years, of members of the Boards in IBEX 35 companies*

Year	Average	Executive	Proprietary	Independent
2017	6.7	9.8	7.2	4.5
2016	6.9	10.1	6.9	4.9
2015	7.0	9.3	7.4	5.3
2014	7.8	9.8	8.3	6.2

Noteworthy is the fact that the average length of service has dropped by 1.1 years in the last four years, and being the independent director category where this reduction has been most notable, going from 6.2 years in 2014 to 4.5 years in 2017.

Finally, the **average age** of the board members of 100 companies listed on the Spanish stock exchange, of which 35 are IBEX companies, stands at 60.3<sup>3</sup> as at 31 December 2017.

## 2.2 Information related to the 2018<sup>4</sup> fiscal year.

The percentage of women present on the Boards of Directors of IBEX 35 companies has increased minimally, going from 22.8% as at 31 December 2017 to 23.5% in September 2018, still far from achieving the 30% target of female board members by 2020 as per recommendation of the CNMV.

As of September 2018, female representation on Board of Directors of IBEX 35 companies has increased minimally if we compare this information with the data available as at 31 December 2017, as it is observed that the number of female board members has increased by 7; reaching a total of 110 compared to 103 at the end of 2017.

<sup>3</sup>Source: *Stuart Spencer Board Index. 22<sup>nd</sup> Edition.*

<sup>4</sup>Source: *Study on the presence of women on the Boards of Directors of the IBEX-35* drafted by the Spanish Association of Female Executives and Board Members (EJE&CON) and ATREVIA, published in January 2019.



### 3. DIVERSITY ON THE BOARD OF DIRECTORS AND BOARD COMMITTEES OF RED ELÉCTRICA CORPORACIÓN, S.A. IN 2018

As at 31 December 2018 the Board of Directors of Red Eléctrica Corporación, S.A. was comprised of 12 members (1 non-executive chairman, 1 executive, 3 proprietary and 7 independent), 5 of which are women, representing 41.7% of the Board's total and 45.4% of the external directors. As of 31 December 2018, the Company continues to meet the 30% target of women on the Board set for 2020 as per Recommendation No. 14 of the CBGSC (Spanish Code of Good Governance of Listed Companies) as well as the 40% target established by the draft Directive of the European Union on gender quotas,; and taking into account the information available at the close of this report, the Board of Directors of Red Eléctrica Corporación, S.A. remains among the most gender-balanced boards of the IBEX 35.

*Evolution in the presence of women on the Board of Directors of  
Red Eléctrica Corporación, S.A.*

Year	No. of female board members	Total No. of board members	% of total
2014	5	10 <sup>5</sup>	50.00%
2015	5	12	41.67%
2016	4	11 <sup>6</sup>	36.36%
2017	4	12	33.33%
2018	5	12	41.66%

On the other hand, after the last restructuring of the Committees of the Board of Directors approved on 27 November 2018, the new Sustainability Commission is chaired by a woman and has a total of 2 women of its 3 members, including the chairperson (meaning that 66.7% of its members are currently women). In the Audit Committee, 2 of its 4 members are women (50% of its members) and in the Appointments and Remuneration Committee, 1 of its 3 members is a woman (33.33% of the total). In addition, the position of Lead Independent Director (LID) of the Company is held by a woman.

Regarding the **average age** of the directors in Red Eléctrica Corporación, S.A. it has decreased slightly to 58.8 years compared to 59.1 years at the end of 2017, the youngest being 50 years-old and the eldest being 69.

It is also necessary to take into account the **diversity of professional knowledge and experience** of the members of the Board of Directors of the Company included in their detailed curriculums published on the corporate website. Thus, the Board has professionals with highly diverse education and backgrounds: Law, Economics and Business Sciences, Civil Engineering, Mining Engineering, Industrial Engineering, Mathematical Sciences... etc. The notable professional experience of some board directors in the public and private sector, both nationally and internationally, should also be highlighted.

<sup>5</sup>In 2014 the Board of Directors was comprised of a total of 11 members, however as at 31 December 2014 there was a vacancy on the Board.

<sup>6</sup>In 2016 the Board of Directors was comprised of a total of 12 members, however as at 31 December 2016 there was a vacancy on the Board.



In this regard, noteworthy is the work carried out in 2018 by the Appointments and Remuneration Committee and the Board of Directors, which has culminated in the approval of a Skills and Competency Matrix, individualised by board member, that will act as a valuable tool to ensure that the most adequate level of quality and skills is maintained on the Board of Directors, both globally and individually.

On the other hand, it should be noted that Red Eléctrica Corporación, S.A., prior to the approval of the CNMV's Technical Guide 3/2007 on Audit Committees at Public-interest Entities of 27 June 2017, already complied with the recommendations established therein regarding diversity in the composition of the Audit Committee as its members have knowledge and experience in accounting, auditing or both, and in management, economic, financial and business areas. In addition, as of 2017 an expert on comprehensive security, understood as physical security and cybersecurity, has been part of the Committee, and with this, the recommendation established in the aforementioned Technical Guide is complied with, as at least one of its members has experience in information technology due to the growing importance of the digital transformation of businesses and processes.

Lastly, in terms of **length of service (tenure)**, the average term of office of the directors of Red Eléctrica Corporación, S.A. as at 31 December 2018 stood at 2.9 years compared to 3.6 years on 31 December 2017.

*Comparison of the average term of office of Red Eléctrica between 2017 and 2018*

	Independent directors	Proprietary directors	Executive directors	Other external	Average
<b>2016</b>	4.2 years	0.5 years	3.4 years	0.4 years	2.9 years
<b>2017</b>	3.2 years	3.0 years	2.4 years	9.5 years	3.6 years

As can be observed in the table above, the average effective term of office of the board directors has been significantly reduced after the replacement of the Chairman of the Board of Directors in July 2018 and the replacement of two non-executive board members in September of the same year. This showcases the Company's commitment to promote diversity within the Board of Directors due to the fact that the composition of the same is frequently renewed.



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## 4. DIVERSITY IN RED ELÉCTRICA<sup>7</sup>

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The Red Eléctrica Group is committed to diversity and inclusion, concepts integrated into the Code of Ethics and in the internal policies of the Group that are increasingly permeating the business culture based on equality, sustainability, adaptation to change, innovation and the talent management.

In order to make the diversity management model defined in 2017, which integrated aspects which previously were managed independently: equality, disability and age a reality, and which today also includes other aspects present in society that differentiate and enrich organisations, such as: LGTBI, Cultural Diversity, Rural environments, other vulnerable groups of society, etc.; in 2018 a Comprehensive Diversity Plan was defined, which seeks to inspire and become a reference through the commitment to the diversity of talent, social-labour inclusion and non-discrimination, both within companies and in the social-economic environment.

The aim of this Plan is to foster and promote a corporate culture that is favourable to diversity and to eliminate stereotypes and unconscious biases, both within our staff and in the rest of our stakeholders, in order to integrate diversity in all of the Company's processes (especially in HR) as well as to involve, raise awareness and promote in our collaborators and suppliers our mission and focus on diversity and, in addition, collaborate with official organisations, academic institutions and other social agents in the campaigns, observatories and projects that will enable us to be a reference as a social agent that will contribute to the construction of a more diverse society.

Noteworthy is that our 2030 sustainability targets contemplate diversity, whereby we are committed to: *"Being a benchmark company in terms of diversity: gender and equality balanced management teams and the inclusion of groups at risk of social and labour exclusion."*

### 4.1 Equality

Gender equality is one of the aspects of diversity that has been the object of a more detailed analysis and monitoring in recent years, therefore it has entailed establishing equality indicators for human resource processes that are key in this regard, highly valuing the progress made regarding these indicators.

Since 2010, Red Eléctrica de España, S.A.U. (hereinafter referred to as REE) has formed part of the network of companies with the 'Equality in the Workplace' seal of excellence (*Red DIE*)<sup>8</sup>, having been the first company in the electricity sector to obtain it. Currently there are 149 companies within the network of companies with this seal of excellence

The Comprehensive Equality Plan has now become an integral part of the new Comprehensive Diversity Plan.

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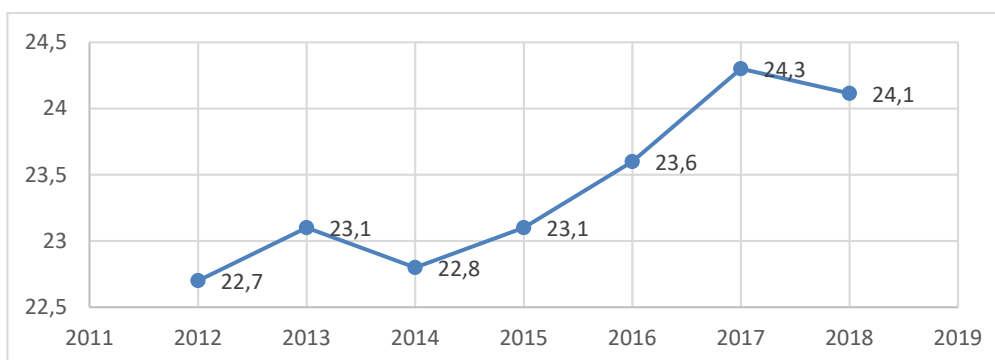
<sup>7</sup>The data shown in the report refer to the Companies of the Red Eléctrica Group with activity in Spain (Red Eléctrica Corporación, S.A., Red Eléctrica de España, S.A.U, Red Eléctrica Internacional, S.A.U., Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. y Red Eléctrica Infraestructuras en Canarias, S.A.U.), unless exceptions are indicated.

<sup>8</sup>The 'Equality in the Workplace' seal of excellence is granted by the Ministry of Health, Social Services and Equality and recognises companies and other entities that stand out in the development of policies on Equal Opportunities between men and women in the workplace, through the implementation of equality measures or plans. It is convened annually and is valid for three years, although each of the years, the Institute for Women and Equal Opportunities asks the entities granted the seal for an annual report on activities related to Equal Opportunities between women and men.



In 2018, there was a slight decrease in the percentage of women in the workforce, standing at 24.1% at year-end, notwithstanding the fact even though there a greater number of women selected in our internal processes, the percentage of external contracts signed with women have been slightly lower than last year. Nonetheless, regarding the companies of the electricity sector, we are above, as in other companies in the sector the proportion of women is around 23% (data for 2017).

*Evolution in the percentage of women on the workforce 2012-2018*



### Situation of women according to professional group

The following is a description of the composition of the workforce since 2016 based on the professional groups in the companies of the RE Group operating in Spain:

	2016				2017				2018			
	M	W	Total	%W	M	W	Total	%W	M	W	Total	%W
<b>ED</b>	93	26	119	21.8%	86	30	116	25.9%	89	36	125	28.8%
<b>G1</b>	326	182	508	35.8%	345	192	537	35.6%	358	186	544	34.2%
<b>G2</b>	468	86	554	15.5%	474	92	566	16.2%	491	89	580	15.3%
<b>G3</b>	368	13	381	3.4%	365	14	379	3.7%	339	14	353	4.0%
<b>G4</b>	29	91	120	75.8%	29	89	118	75.4%	29	90	119	75.6%
	<b>1,284</b>	<b>398</b>	<b>1,682</b>	<b>23.6%</b>	<b>1,299</b>	<b>417</b>	<b>1,716</b>	<b>24.3%</b>	<b>1,306</b>	<b>415</b>	<b>1,721</b>	<b>24.1%</b>

\*M: men / W: women / %W: percentage compared to men. ED: Corporate Management Team

Women are mainly represented in the G1 (34.2%) and G4 (75.6%) professional groups

The G2 and G3 professional groups are groups with a significant majority of men; in 2018 only 15.3% of women belonged to the G2 group and only 4% to the G3 group. This is primarily due to two reasons:

- The difficulty to find women in the recruitment processes for positions as control centre operator (G2 group), subject to shift working.



- The difficulty to find women in the recruitment processes for positions as specialist facility maintenance expert (G3 group), that are subject to 'off-site or in the field' work situations. At present, there are only two women occupying specialist facility maintenance positions.

In 2018, the share of women in the Company's Management Team stood at 28.8%, which is a slight increase compared to 2017 (25.9%).

## A. Employment

The principles of equality and non-discrimination are included in the employment model.

The annual target of the indicator regarding equal opportunities in the selection process has been to overcome a 20% bias in favour of women in the selection process, with the target set at 1.2. 2018 registered a significant increase, as 40% of the selection processes have been filled by women, and 48% of the women interviewed have been selected to cover one of the vacancies offered.

For selection processes, the applications of candidates received are evaluated according to non-discrimination and gender equality criteria, however, the existing problem of a lack of female talent in STEM<sup>9</sup> areas must be considered, as it affects the recruitment of women for these job profiles. However, and to alleviate this shortcoming, work is being carried out with the Royal Academy of Engineering in the creation of female talent in STEM through the collaboration agreement signed in 2017. Among other activities, as part of the 'Women and engineering' project, the Company is actively participating in a mentoring programme for university students currently studying technical degrees and we have carried out the TECHMI contest held in secondary education schools of the Community of Madrid to attract female talent into taking on technological degrees.

In addition, collaboration took place in SEPI's 'IT'S YOUR TURN' internship programme by offering 5 internships to women studying STEM degrees.

On the other hand, the Dual FP Project (FP – Advanced Vocational Training) is being carried out, a collaboration agreement with the Regional Government of Castilla y León to implement a professional vocational training project, in which students combine the teaching and learning processes in both a FP training centre and thorough an in-company internship programme. During their training period students enjoy a paid internship during their time at the Company. It is expected that this project will increasingly contribute to the incorporation of women into the Specialists/Technical Experts professional group.

The historical evolution of the 'Equality of opportunities in the selection process' indicator can be seen on the following page:

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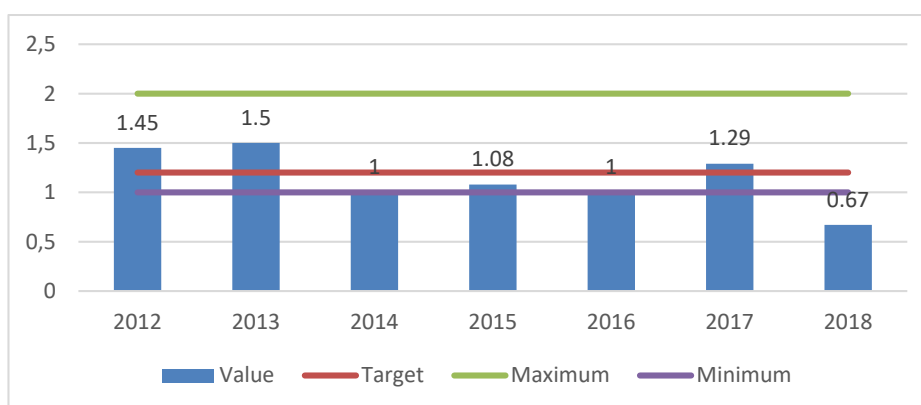
<sup>9</sup> STEM (English acronym for Science, Technology, Engineering and Mathematics). Additionally, in this sense, the gender gap in technical degrees makes it difficult to achieve parity in selection processes. Thus, in 2015 approximately 55% of the new students who entered the university were women, but only 26% of the students pursuing engineering careers were women. The problem is worse in students of ICT engineering degrees, where only 10% of the students are women.



*Reference values*

Target	Maximum	Minimum
1,20	2,00	1,00

*Evolution of equal opportunities in the selection process 2012-2018*



**Calculation of the indicator:**

Variables: a. Total coverage of women (internal + external) / women interviewed

b. Total coverages / total interviewed

Formula: (a / b)

## B. Salary equality between men and women

One of the key variables to take into account in order to showcase true equality exists between men and women in a company is equal pay.

In the RE Group, there is a permanent monitoring scheme regarding salary discrimination by gender. To this end, the principles that govern the Group's remuneration policy pursues internal equality and external competitiveness regardless of gender.

The table below shows the evolution of the relationships between the salaries of men and women over the last 4 years by categories:

Ratio of base salaries of men compared to women				
REE + REC	2015	2016	2017	2018
Executive Team (Senior Mgmt, CFO and Heads of Dept.)	1.01	1.03	1.05	1.06
Specialists/Technical experts (G1 + G2 + G3)	0.94	0.94	0.98	0.95
Administrative personnel (G4)	1.01	1.01	1.06	1.00

**Calculation of the indicator:**

Variables: a. average salary for men

b. average salary for women

Formula: (a / b)



As can be seen, there are no major significant differences between the salaries of men and women in the different professional groups.

Of note is the total equality achieved within the administrative personnel group, whose salary differential coefficient is equal to 1. The Specialists/Technical Experts group shows a small positive difference in favour of women, whereas there is a small difference in favour of men in the Management Team category.

In order to improve the analysis during 2019, it is being proposed that the self-diagnosis methodology of "salary gap" be reviewed in order to delve further in the detection and correction in cases where it were to be identified.

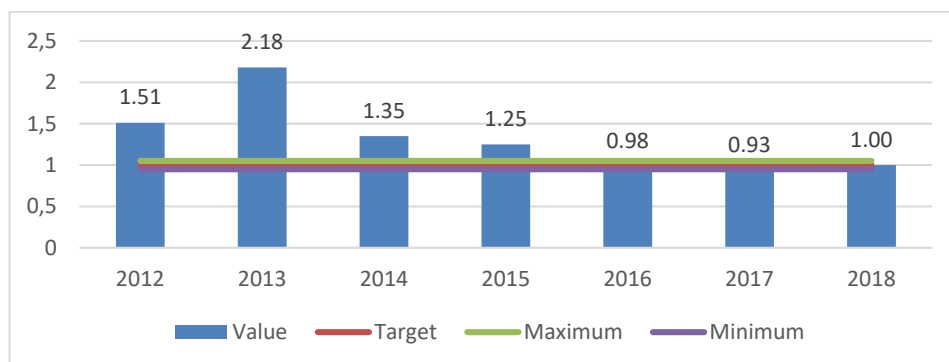
### C. Training

Equal opportunities in training are also analysed with their corresponding indicators. As of 2016, the target value of the indicator was modified to 1.0 maintaining a positive bias in favour of women, taking into account the training required by the workforce and the composition of the same, as the greater volume of training is geared towards job positions that require higher levels of training such as technical experts in regional offices and control centre operators; professional job groups in which the presence of the woman is very reduced.

*Reference values*

Target	Maximum	Minimum
1.00	1.05	0.95

*Evolution of equal opportunities in training 2012-2018*



**Calculation of the indicator:**

Variables: a. No. of women who have received training / total women

b. No. of employees who have received training / total number of employees

Formula: (a / b)

The values corresponding to 2018 are in line with those of 2017 due to the increase in technical training, as explained in last year's report, aimed at those positions in which women have a lower representation within the REE workforce (technical specialists and operators).





## D. Promotion

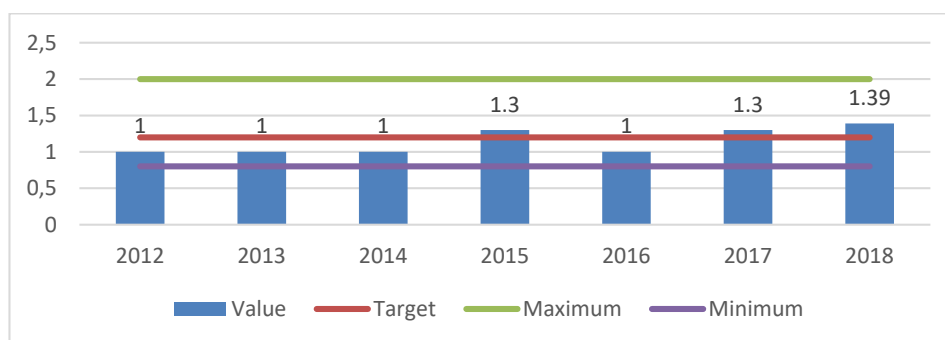
As in the case of the employment and training processes, the impact of gender diversity is quantified regarding the promotion processes to higher professional job groups and levels, and a target to surpass a 20% bias in favour of women is established.

The historical evolution of the last 7 years has been as follows:

*Reference values*

Target	Maximum	Minimum
1.20	2.00	0.80

*Evolution of equal opportunities in promotion 2012-2018*



**Calculation of the indicator:**

Variables: a. Women promoted / total women

b. Total employees promoted / total workforce

Formula: (a / b)

The promotions envisaged in the Company are of various types:

- due to change of professional job group (non-management personnel).
- due to change of level of professional progression (non-management personnel).
- by appointment as a manager or by progression as a manager.

Prior to the approval of any promotion process there is an analysis phase. In this phase a comprehensive study of different variables is undertaken with gender being one of the aspects taken into consideration in order to maintain equality in the promotion processes.

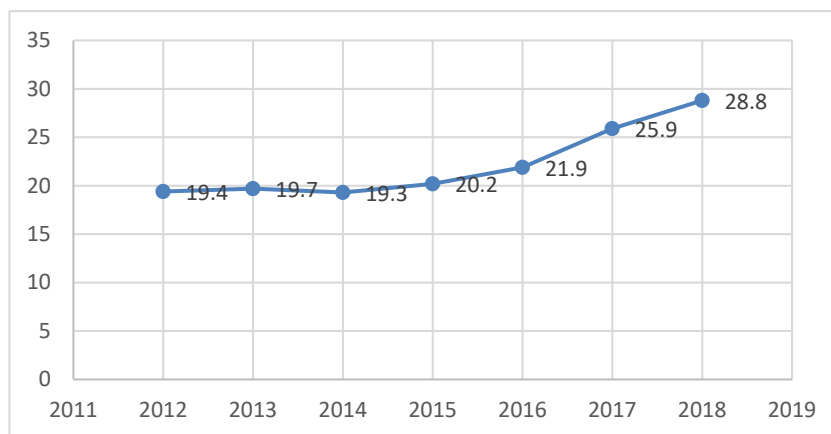
Up until 2018, when selection processes were conducted for the appointment of directors, such processes sought to ensure a gender balance between the proposals made, with the aim of ensuring that women in the management team were represented by a percentage that was at least equivalent to the total percentage of women. In 2019, this objective will be modified by the new 2030 Sustainability Objective, which commits us to achieving gender balance in the management team.

The proportion of women in the management team is growing, as shown in the following graph, showing a significant increase as of 2017, reaching 25.9%. This progression continued in 2018,



closing the year with a representation of women on the management team that closed the year at 28.8%.

*Evolution of women in managerial positions on the workforce 2012-2018*



In 2017 the promotion of women into managerial positions experienced a significant rise, as out of a total of 6 appointments, 5 corresponded to women, representing 83.3% of the total. In 2018, 67% of the appointments to the management team were women, 6 out of a total of 9 appointments.

## **E. Professional Development**

With the aim of ensuring the succession of management team positions and facilitating the development of professionals with high potential, aligned with the needs of the business and the needs of a generational change, the Company created the 'Pools of Potential' bearing in mind, among other aspects, the gender perspective. In this way we can guarantee a percentage of women in managerial positions and in positions of high responsibility that exceeds the percentage of women in the workforce.

- In 2017, the accumulated percentage of women in the 'Pool of Potential' for technical specialists stood at 32.6%.
- In 2017, the accumulated percentage of women in the 'Pool of Potential' for managerial positions stood at 29.2%.

As an extension of the 'Pool of Potential' development programmes, the Company also has set up the ALUMNI Programme which facilitates the continuation of professional development and that serves to acknowledge and showcase the effort made, said programme has a percentage of women enrolled that stands at 29.16. ALUMNI enables the Company to have a common framework for all the 'Pool of Potential' editions that facilitates the cohesion of the participants and the possibility of sharing and disseminating the acquired knowledge among the participants.

In 2018, the third edition of the 'Pool of Potential' for Technical Specialists was completed and the third ALUMNI Programme of the "Bank of Potential" for Managers/Department Heads was held.



## F. Performance Evaluation

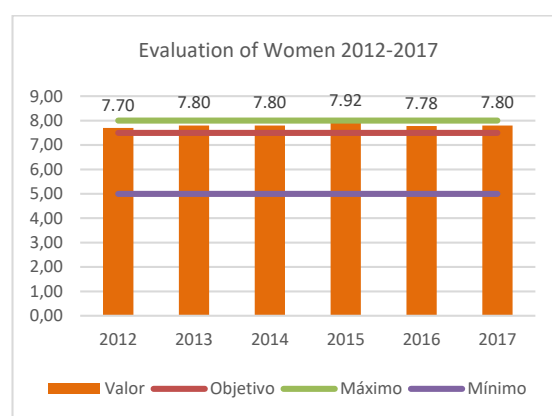
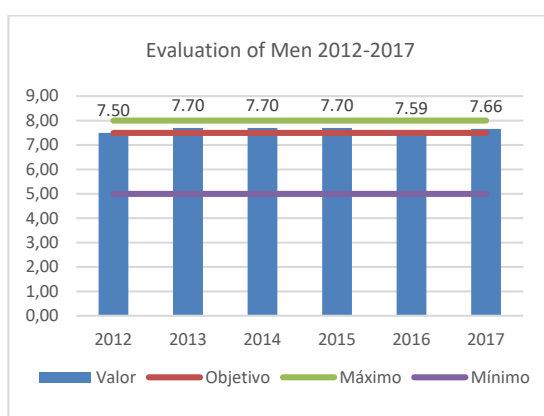
The performance evaluation process applies to all employees. The indicator that measures the average result of the evaluations of men and women is monitored annually with the objective of knowing if there is any discrimination in this matter.

The historical evolution of the last 6 years has been as follows:

*Reference values*

Target	Maximum	Minimum
7,50	8,00	5,00

*Evolution of Performance Evaluations 2012-2017\**



Variables: Average score for male evaluations

Variables: Average score for female evaluations

\* (No data for 2018 as the evaluation process was not carried out by the date this report was published)



### Other actions regarding equality in the organisation.

The Comprehensive Diversity Plan includes the planned relaunch and activation of the observatory to promote the recognition of female talent that was put into action in 2015 as part of the Comprehensive Equality Plan, as a tool to support the achievement of a people management system which responds to the principles of internal equality and transparency.

As a complement to this observatory, we continue to participate in collaborative meetings with other companies, we continue to cooperate with the IE Business School in a programme called 'Gender Tension Gap', with the Promociona<sup>10</sup> programme, and among other actions, the Company participated in the '#Empleo para todos' (#Employment for everyone) campaign promoted by the Adecco Foundation.

A conference on gender violence was held as part of the campaign '#Empleo para todos' (#Employment for everyone). The speaker was a woman who was a victim of gender violence and the aim of the conference was to raise awareness among the people of Red Eléctrica and to discuss and show participants how to prevent these situations and how to act accordingly. This conference was held as part of the agreement signed with the Ministry of Health, Social Services and Equality (MSSSI) on 19 June 2012 that is currently in force. In addition, a corporate volunteering activity was undertaken which was aimed at a group of women at risk of social exclusion (Victims of trafficking, violence, women over 45 years of age and women with disabilities) and consisted of one day spent at the Fundación Adecco employment school, which aims to help women at risk of social exclusion obtain employment. It also took part, as a collaborating company, in the solidarity race against gender violence 'There is a way out'.

After collaborating with the Ministry of Social Affairs of the Community of Madrid on the 'M+50' workshop for the promotion of the employability of female professionals and managers over the age of 50, organised by PWN (Professional Women's Network), the Company also assisted to the presentation of the final report.

### External recognitions.

REE has continued to carry out actions arising from the commitments undertaken as a result of attaining the 'Equality in the Workplace' seal of excellence (DIE) (2010), and in September 2017 the extension of the same<sup>11</sup> was favourably resolved. Highly valued were *"the overall procedure for the management of equality that focuses its efforts on the work-life balance, on the commitment to increasing women in positions of responsibility and carrying out a wide-range of actions in the field of corporate social responsibility; similarly, the design and implementation of new models of diversity management, especially in relation to disability and ageing"*.<sup>12</sup>

<sup>10</sup> Since 2013, the Spanish Confederation of Business Organizations (CEOE) has been promoting, together with the Ministry of Health, Social Services and Equality the Women's Institute and for Equal Opportunities, and who manages the 'PROMOCIONA PROJECT' aimed at raising awareness, fostering training, professional development, leadership and the promotion of women managers in order to improve and facilitate their access to decision-making positions in their companies. The promotions of 2016 and 2017 included the incorporation of a woman into a managerial position in REE.

<sup>11</sup> Extension signed by the Deputy General Manager for Entrepreneurship and Professional Promotion of Women, which grants the validity of the seal for an additional three years.

<sup>12</sup>Text excerpt from the favourable resolution of the 2nd extension of the Equality Seal of Excellence (Ministry of Health, Social Services and Equality)



In line with the foregoing, REE forms part of the European Network for Workplace Health Promotion since 2017 after having obtained the certificate of 'Good Practices in Health Promotion' granted by the Spanish National Institute for Safety, Health and Well-being in the Workplace.

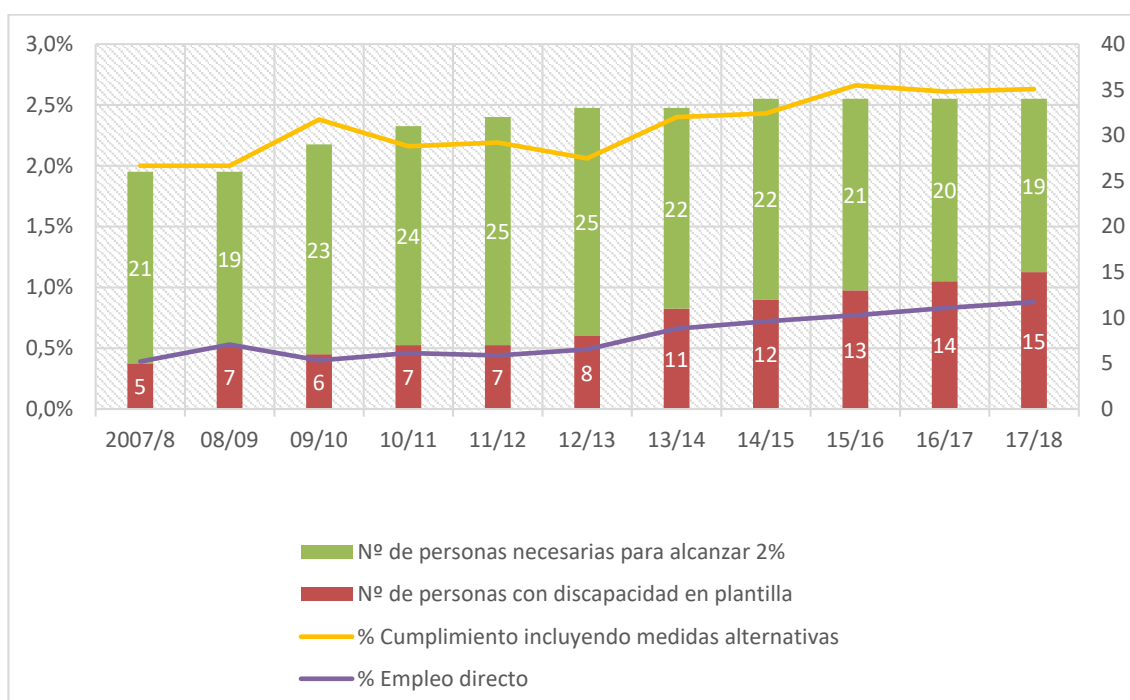
In 2018, REE was recognised with the 'Brain Caring People Company' seal awarded by the *Freno al Ictus* Association and endorsed by the Spanish Society of Neurology, for the prevention campaign being carried out regarding this disease. A disease that is the number one cause of death in women in Spain, and the number two cause within the general population.

REE Eléctrica continues to be part of the 'Top 200' of the gender equality ranking carried out by Equileap (organisation whose mission is to promote gender equality in the workplace). In the 2018 Edition, REE was ranked in 5<sup>th</sup> place among Spanish companies and is ranked 128<sup>th</sup> in the total number of the companies considered by Equileap.

## 4.2 Managing disability

In REE, disability management has evolved in recent years towards a greater commitment to integration and inclusion. As is the case with the rest of the aspects, disability has become part of the Comprehensive Diversity Plan.

Evolution of legal compliance **RED ELECTRICA DE ESPAÑA, S.A.U.** 2006-2018



Nº of people necessary to reach 2% target  
Nº of people with a disability on the workforce  
% Compliance including alternative measures  
% Direct employment

As shown in the graph above, legal compliance, including alternative measures, reached in 2018 a level of 2.63% of equivalent employment of people with disabilities. Although the 2% quota



has not been reached with direct employment, a degree of compliance above and beyond the Law was achieved through the application of alternative measures<sup>13</sup>, of which 0.886% corresponds to direct employment and the remaining to the application of alternative measures: acquisition of goods and services offered by Special Employment Centres for an amount of €343,655.44 and donations in the amount of €114,100, which is equivalent to hiring 29.53 people with a disability.

In line with the Company's commitment to the integration of people with disabilities into the world of work, the Company proactively seeks profiles of candidates for their inclusion the workforce and thus achieve legal compliance just with direct employment, however, due to the technical characteristics of the professional profiles required, it is not easy to achieve this goal. In order to contribute to the promotion for the recruitment of people with disabilities, an Inclusive Selection Process was designed in 2018, which takes into account all the different stages in the process in which a proactive contribution to the recruitment and selection of people with disabilities can be made.

Since 2006 we have in place the '*Plan Familia*'<sup>14</sup> (Family Plan) project whose objective is to support family members with disabilities of REE employees.

On the other hand, the 2018-2020 Multi-Year Corporate Volunteering Plan approved by the Sustainability Management Committee in December 2017, has among its main courses of action specific actions in favour of inclusion and integration, marking the beginning of a new line of support for diversity. In 201 the Company launched the '*Empleo para todos*'<sup>15</sup> (Employment for everyone) project and a mentoring project for people with disabilities<sup>16</sup>, among other actions.

### 4.3 Age management.

The Age Management model, which under the perspective of a healthy workplace encompasses a multigenerational management of professionals that seeks to respond to current demographic changes, has also become part of the Comprehensive Diversity Plan. This represents both a challenge and an opportunity to achieve a more profitable and sustainable company, committed to generational diversity and that promotes intergenerational solidarity, by bringing together and getting the most out of the talent and knowledge of those more experienced senior workers and combining it with the knowledge of the younger generations and, which in turn, will enable the implementation of actions that help align the needs of the people with those of the organisation.

In 2018, actions were taken to improve the adaptation of people to jobs according to their age, by means of physical condition assessments and the provision of personalised recommendations. In addition, informative sessions were held in various work centres to promote both

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<sup>13</sup> Legally, in order to comply with current legislation (RD 1/2013 General Law, of 29 November, approving the Revised General Law Consolidated Text of the on rights of persons with disabilities and their social inclusion) it is necessary to hire 2% of persons with a disability certificate equal to or greater than 33%, in the event that it is not possible to comply with this target, the Law allows the application of alternative measures of an exceptional nature, including, but not limited to, donations to entities dedicated to the integration and contracting of goods and services with special employment centres.

<sup>14</sup> Currently there are 17 people who benefit from the '*Plan familia*' (10 in 2016).

<sup>15</sup> Managed by the Adecco Foundation. Volunteers help people with intellectual disabilities from the '*Amanecer Foundation*' to obtain a job.

<sup>16</sup> Managed by the '*A La Par*' Foundation; a project that will continue to be carried out in 2018 with the participation of 8 volunteers belonging to REE's Management Team.



healthy and active aging, and other actions were implemented as well, such as the implementation of a workforce planning procedure for age management.

Collaboration has continued in the 'Observatory of Demography and Generational Diversity' within the framework of the agreement signed in 2017 with the *Instituto de Empresa*, which published the final report of this project in May 2018. In addition, we have joined the Generation and Talent Observatory in order to participate in the 'Intergenerational Health and Well-being' study.

### Demographic data of the workforce.

*Total number of employees broken down by age group and gender 17*

Total No. of employees	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Spain									
Under 30 years of age	25	11	36	39	26	65	32	17	49
Between 30 to 50	832	293	1,125	844	295	1,139	829	282	1,111
Over 50	427	94	521	416	96	512	445	116	561
<b>Total</b>	<b>1,284</b>	<b>398</b>	<b>1,682</b>	<b>1,299</b>	<b>417</b>	<b>1,716</b>	<b>1,306</b>	<b>415</b>	<b>1,721</b>

*Evolution of the average age on the workforce 2014-2018*

	2014	2015	2016	2017	2018
<b>Average age</b>	43	44	45	44	45.7

## 4.4 Managing the Work-life Balance.

Work-life balance is integrated within the diversity model as a cross-cutting vector, being a facilitator for the rest of the vectors; moreover it is part of the healthy workplace model, understanding health from an integral perspective, in terms of physical, psychological and social well-being, taking into account that the balance between work and personal life is a key element to achieve the well-being of people. All this allows us to incorporate measures that facilitate inclusion and non-discrimination.

The approval of the 10<sup>th</sup> Collective Bargaining Agreement which incorporated new flexibility measures into the working day and other actions and initiatives applicable to the entire workforce, represented a clear step forward in the work-life balance, by allowing time flexibility to be adapted to the specific needs of individuals.

<sup>17</sup> Data regarding Red Eléctrica de España, S.A.U. and Red Eléctrica Corporación, S.A.



Based on the experience of the implementation of the Work-life Balance Management Model in 2009, and the results of the continuous improvement of the model itself, in 2018 the 3<sup>rd</sup> Comprehensive Work-life Balance Plan was approved, which aims to set the goals in this field up to 2021. To demonstrate the existing synergies between the areas of Diversity and Work-life Balance, one of the goals of the 3<sup>rd</sup> Work-life Balance Plan is to incorporate diversity into the management of the work-life balance by identifying the needs of the various groups that form part of the Company.

During 2018, the Observatory of Work-life Balance and Joint Responsibility was created with the University of Comillas, with REE being one of the three sponsors of the Observatory.

## 5. CONCLUSIONS

Red Eléctrica Corporación, S.A. continues to apply policies and procedures in order to ensure the reasonable balance and diversity within the Board of Directors and its Committees for the proper performance of its mission.

Red Eléctrica Corporación, S.A., and the main companies of the Group, following the recommendations of the CBGSC on diversity and equality, seek to consolidate their commitment to the diversity of knowledge, experiences and gender, both in the composition of the Board of Directors and its Committees, as well as in management and throughout the organisation. To that end, in each candidate selection process, it is ensured that appropriate procedures are used to guarantee that the criteria that define the profile and the requirements that are considered necessary to perform the corresponding functions within the companies of the RE Group are safeguarded, and in particular to favour diversity and the incorporation of female talent.

The commitment of the RE Group to diversity has its origins in the Code of Ethics and has been implemented through the internal policies of the organisation, such as the Corporate Responsibility Policy which enshrines equal opportunities and non-discrimination as one of the essential principles adopted by the RE Group, and the Corporate Governance Policy, which in addition to including the principle of diversity, experiences and knowledge in the composition of the Board of Directors and its Committees, recognises its practical application by the Company.

Red Eléctrica Corporación S.A. endeavours to apply the diversity goal, in a broad sense, on the Board and within the organisation trying to ensure that diversity extends to gender, experiences, knowledge, ages, length of service... etc., as a way to achieve the desired balance on its Board of Directors, and throughout the organisation, and therefore the Company will continue working to achieve this goal.

The new Comprehensive Diversity Plan, aligned with the Strategic Plan and the principles of sustainability, which also embraces equality, disability, age and other related aspects, such as LGTBI, cultural diversity and rural environments, is open to any other aspect that relates to diversity. This open framework will allow us to advance in the elimination of societal barriers and labels in order to firmly back talent and values, and become a diverse and innovative company, playing an active role as social agent of diversity.





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Regarding gender diversity, Red Eléctrica Corporación S.A. complies with the commitment to include women in the composition of the Board of Directors, being ranked among the top IBEX-35 companies with greater presence of female board members, with a percentage that surpasses the targets set for 2020 by Recommendation 14 of the Spanish CBGSC and by the draft Directive of the European Union on gender quotas.

Despite the steps that have already been taken, the progress made and the external recognition in this field, the drive to continue promoting diversity is a key objective. To this end, the Company will continue to put in place the necessary resources and mechanisms to further promote the presence of women in the organisation, promote women to positions of responsibility and management, incorporate people with disabilities into the workforce, and enhance the commitment to diversity of our stakeholders and society in general.

Regarding age management, the challenge of population ageing has been addressed by establishing a management system that optimises the contribution of different age groups to various business achievements.

In order to supervise compliance with said objectives and commitments, the Appointments and Remuneration Committee and the Board of Directors have undertaken the commitment to annually monitor and assess the implementation of the diversity policies within the Board of Directors and throughout the entire organisation.