

RED
ELÉCTRICA
CORPORACIÓN

Board of Directors

30 January 2018

2016 Diversity and Equality Report



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1. GOOD GOVERNANCE AND LEGAL BACKGROUND

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 have been 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 recommends that:

"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.

Lastly, as recently approved developments in terms of diversity in 2017, noteworthy, 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, amending, among others, the Spanish Capital Companies Law regarding the disclosure of non-financial and diversity information. This Royal Decree-Law requires listed public limited companies to include, within the Annual Corporate Governance Report, a description of the diversity policy applied in relation to the Board of Directors, including its targets and goals, measures adopted, manner in which they were applied, and the results achieved in the reporting period, as well as the measures that,



where appropriate, the Appointments Committee had agreed in this regard. Said rule, in line with the most recent recommendations on Corporate Governance, considers diversity in a broad sense, indicating that the diversity policy shall encompass issues such as professional training and experience, age, disability and gender and, must make reference to the measures, where appropriate, adopted to try to include on the Board of Directors a number of women that allows a balanced presence of women and men to be achieved. If a policy of this type is not applied, an explanation should be offered.

Therefore, it is expected that, with the adoption of such legal measures and recommendations, the business world will become 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 Corporate 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.

This 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 corporate responsibility 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 company of the Group with the largest workforce, Red Eléctrica de España, S.A.U., 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, Red Eléctrica understands the need for continuous improvement 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 2016, and those that are most relevant in 2017, 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, regarding 2015, 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 Red Eléctrica Group within the organisation.



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

Information on gender diversity is included below, and, as a new feature, it also includes information on age and length of service of board members of IBEX 35 companies.

Information relative to the 2016 fiscal year.¹

With regard to gender diversity, as at 31 December 2016, the number of women on the boards of directors of IBEX 35 companies is 90, so this has not changed compared to the previous year. On the other hand, the number of board directors of the IBEX 35 has decreased slightly from 460 to 458 directors, keeping the trend of decreasing the number of members on the Boards of Directors. Therefore, despite maintaining the same number of women, the percentage of women has increased, albeit minimally, from 19.6% in 2015 to 19.7% in 2016.

The percentage of women on the Boards of IBEX 35 companies has increased in the last 5 years, going from 13.5% in 2012 to 19.7% in 2016, although it is still far from the 30% target set by the Spanish Code of Good Governance of Listed Companies (CBGSC) for 2020.

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 2012-2016, 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
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
2012	66	13.5	31	88.6

Since 2012, the presence of women on the boards of directors of IBEX 35 companies has increased from 66 in 2012 to 90 in 2015 and 2016, an increase of 24 female board members. Also, the number of IBEX 35 companies with women on their Boards has increased to 97.1% as a result of the fact that in 2016, 34 out of 35 companies had at least one female board member.

On the other hand, it should be noted that Spain is among the top ten countries in the world in which there is a greater female presence on the boards of directors of their companies in relation to its number of inhabitants², a circumstance that reflects the need for continuing to deliberately promote the incorporation of female talent on the Boards of Directors, given that the

¹ Source: Annual Corporate Governance Report of the issuers of securities admitted to trading on official secondary markets drafted by the CNMV and the annual report on the Women on the Boards of Directors of the IBEX-35 drafted by ATREVIA and the IESE Business School.

² Source: 2016 Global Board Diversity Analysis.



Spanish percentage has been stagnating for two years at levels far from the 30% target and, even more, from parity.

The table below shows the evolution in the number of women holding seats on the boards of directors of IBEX-35 companies during the period 2015-2016, broken down by type of board member.

Evolution in the number of female board members in the IBEX 35 by type of board member

	2015				2016			
	Men		Women		Men		Women	
	No.	%	No.	%	No.	%	No.	%
Executive directors	71	97.3	2	2.7	69	97.2	2	2.8
Independent directors	158	71.7	61	28.3	159	69.1	71	30.9
Nominee directors	113	84.3	21	15.7	105	89.7	12	10.3
Other external	29	85.3	5	14.7	35	87.5	5	12.5

In relation to the previous table, it should be noted that for yet another year, the majority of independent board members are female (a total of 71 compared to 61 in 2015), representing 30.9% of the total number of independent board directors and therefore, with respect to 2015, a slight increase can be seen in the number of independent female directors.

With regard to the number of female nominee board members, this has decreased compared to 2015, from 21 in 2015 to 12 in 2016, therefore in 2016 only 10.3% of the total number of board members in this category are women.

The number of female board members in the 'other external' category has remained unchanged since 2015 with a total of 5.

On the other hand, it should be noted that the executive board member positions are held almost exclusively by men. Female representation in the position of executive director of the Boards of IBEX-35 companies is only 2.8% of the total, therefore, there is an obvious need to incorporate female talent in this category of board directors.

Length of service of members of the Boards in IBEX 35 companies

	Independent directors	Nominee directors	Executive directors	Average
IBEX 35	4.9 years	6.9 years	10.1 years	6.9 years

The length of service (tenure) of the members of the boards of directors of IBEX 35 companies has been, on average, 6.9 years, which is a slight decrease compared to the previous year which was 7 years. Executive board members have continued to accumulate the highest average tenure (10.1 years), followed by external nominee directors (6.9 years). On the other hand, independent directors have been those whose tenure, on average, has been lower (4.9 years).

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 60.4³ as at 31 December 2016.

³ Spencer Stuart Board Index. 21st Edition.



Relevant events after the close of the 2016 fiscal year.⁴

The percentage of women present on the boards of directors of IBEX 35 companies has increased minimally, from 19.7% as at 31 December 2016 to 20.3% in February 2017. However, the quota of women on the boards of directors of Spanish listed companies remains below the European average, standing at 23.3%. That is, 3 points less than the average of the European Union. However, the gap is slightly reduced, as in 2016 there was a gap of 3.5 points and in 2015 the gap was of 4 points. As of February 2017, female representation on the boards of directors of IBEX 35 companies has increased minimally in comparison to the data available as at 31 December 2016, with the number of female board members having increased by 2%, reaching a total of 92

On the other hand, with regard to the type of board member, it should be noted that as of February 2017, the majority of the female board members continue to be independent directors, with a total of 72 women. As far as the female nominee directors are concerned, this figure remains at 12 in IBEX 35 companies and there are only 3 women who hold the position of executive directors within IBEX 35 companies.

3. DIVERSITY ON THE BOARD OF DIRECTORS AND BOARD COMMITTEES OF RED ELÉCTRICA

Composition of the Board of Directors and its Committees as at 31 December 2016.

The Board of Directors of the Company was comprised of 12 board members (1 non-executive chairman, 1 executive director, 3 nominee directors and 7 independent directors). At the end of 2016, the Board of Directors of the Company was comprised of 11 members (due to a vacant board seat following the resignation of an independent director), 4 of which are women, representing 36.36% of the total of the Board and 40% of the external directors. Red Eléctrica continued to be among the companies that led the IBEX 35, occupying the third position, and continued to meet the 30% target of women on the Board set for 2020 in Recommendation No. 14 of the new CBGSC

Evolution in the presence of women on the Board of Directors of Red Eléctrica

Year	No. of female board members	Total No. of board members	% of total
2011	3	11	27.27%
2012	4	11	36.36%
2013	4	11	36.36%
2014	5	10 ⁵	50.00%
2015	5	12	41.67%
2016	4	11 ⁶	36.36%

⁴ Source: *Women on the Boards of Directors of the IBEX-35* drafted by ATREVIA and the IESE Business School

⁵ In 2014 the Board of Directors was comprised of 11 members, but as at 31 December 2014 there was a vacant board seat.

⁶ In 2016 the Board of Directors was comprised of 12 members, but as at 31 December 2016 there was a vacant board seat



As at 31 December 2016, Red Eléctrica Corporación, S.A., continued to be among the companies that led the IBEX 35 with more women on its Board of Directors (4 out of 11), occupying the third position, and continued to meet the 30% target of women on the Board set for 2020 in Recommendation No. 14 of the new CBGSC, thus being one of the four IBEX 35 companies that complied with the European recommendation of having at least 40% of non-executive female board members (4 out of 10).

On the other hand, as at 31 December 2016, the Appointments and Remuneration Committee was chaired by a woman and had a total of 3 women, including the chair (75% of its members, taking into account that on that date there was a vacant seat and it was comprised of 4 members). In the Audit Committee there was one woman (20% of its members). In addition, the Board of Directors, at its meeting on 31 May 2016, re-elected a woman for the position of Lead Independent Director (LID) of the Company, for a new term of three years.

With regard to the **average age** of the directors in Red Eléctrica, this stood at 57.3 (below the average age of the board members of 100 companies listed on the Spanish stock exchange, of which 35 are IBEX companies, which stands at 60.4⁷ as at 31 December 2016), the youngest being 42 and the eldest 72.

Also, it is necessary to take into account the **diversity of professional knowledge and experiences** 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, Mathematical Sciences, Accounting, Auditing, Energy ... etc. The notable professional experience of some board directors in the public and private sector, both nationally and internationally, should also be highlighted.

Lastly, in terms of **length of service (tenure)**, the average term of office of the board directors of Red Eléctrica is, as at 31 December 2016, 4.1 years, much lower than that of the IBEX 35, which stands at 6.9 years.

Comparison of the average term of office of Red Eléctrica and that of IBEX 35 companies

	Independent directors	Nominee directors	Executive directors	Average
IBEX 35	4.9 years	6.9 years	10.1 years	6,9 years
REE	4.5 years	2.7 years	1.4 years	4.1 years

The table shows that in Red Eléctrica the average term of board directors in all categories is lower than the average of the IBEX 35 companies. This favours diversity within the Board of Directors due to the fact that the composition of the Board is renewed with greater frequency.

⁷ Spencer Stuart Board Index. 21st Edition.



Relevant events after the close of the 2016 fiscal year.

As at 31 December 2017, the Board of Directors of Red Eléctrica was comprised of 12 members after filling the existing board seat that was vacant at year-end 2016 with the incorporation of an independent director. In addition, during 2017, 2 new appointments were made due to the substitution of a female independent director and a male nominee director who have been replaced by a man and a woman, respectively, so as at 31 December 2017 the number of women on the Board of Directors remains at 4.

The Board's Committees have also modified their composition at the end of the 2017 fiscal year. The Appointments and Remuneration Committee has reduced the number of women, which has gone from 4 to 2, with a percentage of 40% of the total, and is no longer chaired by a woman. The Audit Committee, on the other hand, has doubled the number of women compared to 31 December 2016, from 1 to 2 women, also with a percentage of 40%.

On the other hand, it should be noted that Red Eléctrica, 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, an expert on comprehensive security, understood as physical security and cybersecurity, has been incorporated into the Committee in 2017, 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.

In terms of **length of service (tenure)**, the average term of office of board directors fell at the end of 2017, compared to 31 December 2016, from 4.1 to 3.6. This is due to the appointment of 2 new male independent directors and a female nominee director, and the filling of the vacant board seat of an independent director that existed in the Board of Directors.

Comparison of the average term of office of Red Eléctrica between 2016 and 2017

	Independent directors	Nominee directors	Executive directors	Other external	Average
2016	4.5 years	2.7 years	1.4 years	8.5 years	4.1 years
2017	3.2 years	3 years	2.4 years	9.5 years	3.6 years

As shown in the table above, the average term of office of independent directors has been reduced by more than one year. On the other hand, the average term of office of nominee directors, executive directors and other external directors has increased slightly. As a result, the overall average term of office has been reduced by half a year, which favours diversity on the Board of Directors due to the renewal of its members.

Finally, following the change in the composition of the Board of Directors, there has been a slight increase in the **average age** of board directors, from 57.3 in 2016 to 59.1 in 2017.



4. DIVERSITY IN RED ELÉCTRICA⁸

The commitment to diversity and inclusion are part of Red Eléctrica's culture, and it is integrated into the Code of Ethics and the Company's internal policies. The objective is to create business strategies oriented towards people and their social, work and personal development, tackling stereotypes and cultural barriers.

Diversity favours the creation of an inclusive company based on a culture of equality, adaptation to change, innovation and talent management.

In 2017, the diversity model was designed enabling it to be integrated into the Company's processes, underlining the commitment of the Red Eléctrica Group to diversity and inclusion, eliminating any type of labels or barriers to talent, which leads us to create a continuous improvement system that enables the management of diversity to be verified, gauged and improved. This model includes the management systems used to monitor equality, disability and age that until now were carried out independently, and also includes other aspects present in society that differentiate and, in turn, enrich organisations.

Equality in Red Eléctrica:

Equality in the internal organisation of Red Eléctrica.

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 all human resource processes and the assessment of their evolution.

Since January 2013, Red Eléctrica has in place a Comprehensive Equality Plan that, together with the action guide for gender equality and the general procedure for equality management, make up the organisation's equality management model which is now part of the new Diversity Management Model.

The data analysed refers solely to the workforce of Red Eléctrica de España, S.A. *Unipersonal* (a single-shareholder corporation, hereinafter referred to in this section as Red Eléctrica or REE, except when expressly mentioning the Red Eléctrica Group), as it is the company which is responsible for carrying out the strategic activities of the Group, therefore, the one with the largest number of employees.

Since 2010, REE has formed part of the network of companies with the 'Equality in the Workplace' seal of excellence (*Red DIE*)⁹, being the first company in the electricity sector to obtain it. Currently there are 142 companies within the network of companies with this seal of excellence. Endesa, Acciona Energía and REE are the only representatives of the energy sector in said network.

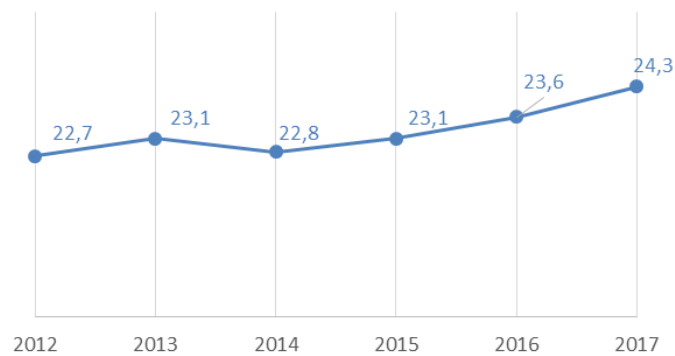
⁸ This section includes data available regarding 2017 as at the date this report is published.

⁹ 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.



Regarding the growth in the number of women on the workforce in recent years, in 2016 there were a total of 33 new hires added to the workforce, of whom 18 were women (54.5%), while in 2017 there a total of 74 new hires., of whom 26 were women (35.1%), the total percentage of women on the workforce increased from 23.6% in 2016 to 24.3% in 2017.

Evolution in the percentage of women on the workforce 2012-2017



Information on employment, training, promotion and professional development is provided on the following pages.



A. Employment

The principles of equality and non-discrimination are included in the employment model (approved in 2007).

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. The monthly monitoring of this indicator allows the identification and implementation of the actions that are necessary in order to achieve this target.

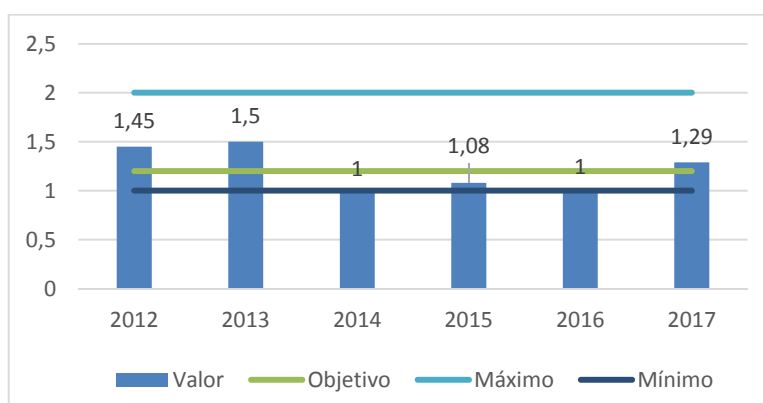
For selection processes, the applications of candidates received are evaluated according to non-discrimination and gender equality criteria, however, the existing problem of a lack of female talent in STEM¹⁰ areas must be considered, as it affects the recruitment of women for these job profiles. However, and to alleviate this shortcoming, Red Eléctrica is working with the Royal Academy of Engineering in the creation of female talent in STEM through the collaboration agreement signed in 2017.

The following table shows the historical evolution of the 'Equality of opportunities in the selection process' indicator:

Reference values

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

Evolution of equal opportunities in the selection process 2012-2017



Calculation of the indicator:

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

Formula: (a / b)

¹⁰ 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.



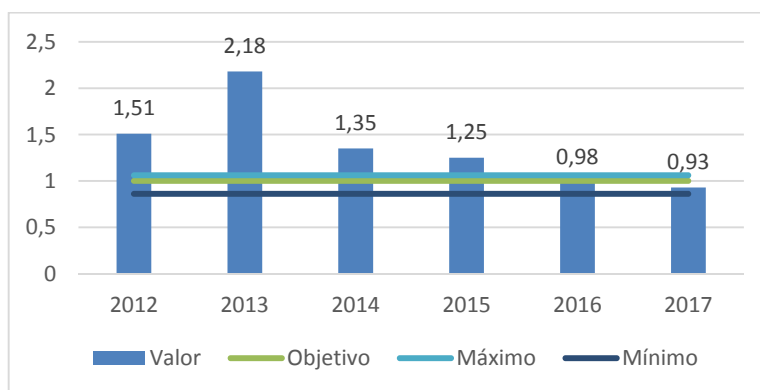
B. Training

Equal opportunities in training are also analysed with their corresponding indicators. As of 2016, the target value of the indicator has been 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 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 2012-2017



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)

It can be seen that the values corresponding to 2016 and 2017 are substantially lower than in previous years, as there has been an increase in technical training aimed at those positions in which women have a lower representation within the REE workforce (technical experts specialists and operators).



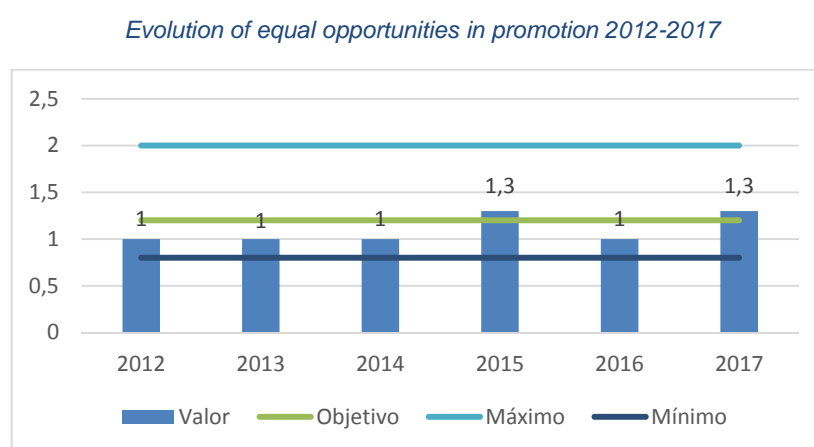
C. Promotion

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 6 years has been as follows:

Reference values

Target	Maximum	Minimum
1,20	2,00	0,80



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.

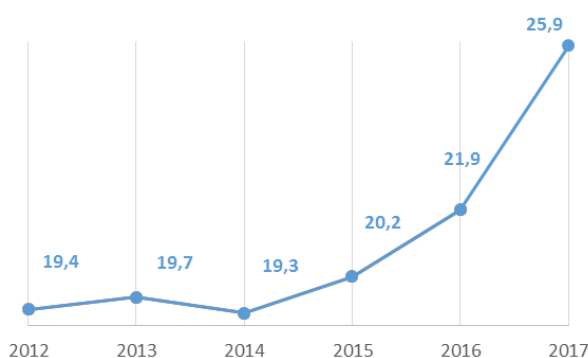
Prior to the approval of any promotion process there is an analysis phase. In this phase a comprehensive study of different variables is undertaken with gender being the most important aspect to be taken into consideration in order to maintain equality in the promotion processes.

In this regard, when selection processes for appointments within the management team are carried out, gender balance among the candidates proposed is taken into account with the aim of ensuring that women have a percentage of representation higher than the percentage of women currently in the Company or at least remain the same.



The proportion of women in the management team is growing as can be seen in the following graph, reaching 21.9% in 2016 and 25.9% in 2017, higher than the percentage of women on the workforce for the year 2017 which stood at 24.3%.

Evolution of women in managerial positions on the workforce 2012-2017



In 2016, of the 12 internal appointments to the management team, 2 of them were women, which is 16.7% of the total. However, the promotion of women into managerial positions during 2017 experienced a significant rise, as out of a total of 6 appointments, 5 corresponded to women, representing 83.3% of the total.

D. Professional Development

In addition to promotions, there are other processes that foster professional development of the Company's personnel. In this regard, the following are noteworthy:

- Inclusion in the Bank of Potential
- Inclusion in the group of professionals excluded from the Collective Agreement

In both processes, prior to the approval by the management of the Company, an analysis is carried out taking into account the 'gender' variable.

The composition of these groups must be mixed in gender and the goal to be achieved is that women have a higher percentage of representation than the percentage of women currently in the Company or at least remain the same.

Thus, in the current process regarding professional development carried out through talent panels, the following proportions of women have been reached:

- In the current banks of potential (comprised of personnel with technical experts and also the management team), the proportion of women is 27.0%.
- The proportion of women in the group of professionals not included in the Collective Agreement was 43,5% in 2016 and grew to 47.8% in 2017.



E. Performance Evaluation

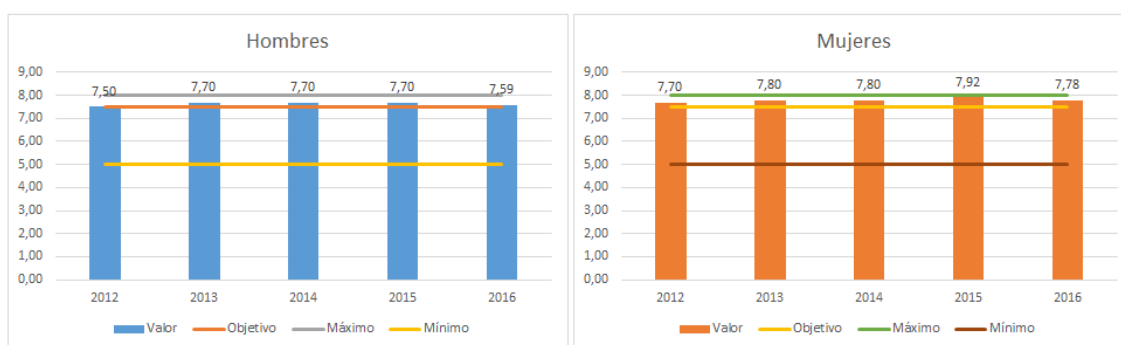
The performance evaluation process applies to all employees. The indicator that measures the average result of the evaluations of men and women is monitored annually with the objective of knowing if there is any discrimination in this matter.

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 2012-2016**



Variables: Average score for male evaluations

Variables: Average score for female evaluations

* (No data for 2017)

Situation of women with regard to Professional Job Groups

Data on the composition of the workforce since 2015 in terms of Professional Job Groups is shown below.

	2015				2016				2017			
	M	W	Total	%W	M	W	Total	%W	M	W	Total	%W
ED	92	24	116	20.7%	93	26	119	21.8%	86	30	116	25.9%
G1	331	179	510	35.1%	326	182	508	35.8%	345	192	537	35.6%
G2	475	86	561	15.3%	468	86	554	15.5%	474	92	566	16.2%
G3	371	12	383	3.1%	368	13	381	3.4%	365	14	379	3.7%
G4	30	90	120	75.0%	29	91	120	75.8%	29	89	118	75.4%
	1,299	391	1,682	23.1%	1,284	398	1,682	23.6%	1,299	417	1,716	24.3%

*M: Men W: Women %W: percentage compared to men

Women are mainly represented in the G1 group (35.8% in 2016 and 35.6% in 2017) and G4 group (75.8% in 2016 and 75.4% in 2017).



The G2 and G3 Professional Job Groups are collectives mostly represented by men, in 2016 only 3.4% of the staff belonging to the G3 group were women, rising to 3.7% in 2017, this is essentially due to two reasons:

- The difficulty in finding women in the recruitment processes for control centre operator positions (G2), subject to shift working.
- The difficulty in finding women in the recruitment processes for the positions of specialist technician for facilities maintenance (G3), subject to 'off-site working'.

Despite this circumstance, in 2016 it was possible to incorporate a woman as a substation technical specialist, raising the number of women in this type of work to two.

Other actions regarding equality in the organisation.

During 2015, Red Eléctrica launched a women's leadership observatory in the framework of the Comprehensive Equality Plan, approved in January 2013, 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 in the energy sector, we continue to cooperate with the IE Business School in a programme called 'Gender Tension Gap', with the Promociona¹¹ programme, and among other actions, the Company participated in the '#Empleo para todos' (#Employment for everyone) campaign promoted by the Adecco Foundation.

In 2017, the Chairman of Red Eléctrica signed a General Protocol for the design, implementation and assessment of a blind curriculum vitae draft for the selection of personnel, promoted by the Ministry of Employment and Social Security within its policy in support of diversity.

The Company participated in a 'M+50' workshop in the Ministry of Social Affairs of the Community of Madrid for the promotion of the employability of female professionals and managers over the age of 50, organised by PWN (Professional Women's Network).

Additionally, in order to raise awareness among all employees, internally an educational video was designed and made accessible to the entire staff through the *miRED* internal portal.

In relation to gender-based violence, Red Eléctrica signed an agreement with the Ministry of Health, Social Services and Equality (MSSSI) on 19 June 2012, which still remains in force, committing to carry out various actions with the purpose of raising awareness within society (both at an internal and external level). In line with this commitment, we have continued to collaborate in the campaigns and awareness-raising initiatives promoted by the Ministry and internally promoted attendance at the premiere of the film entitled '*Rotas*'¹² regarding gender violence.

¹¹ 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 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.

¹² e Ministry of Health, Social Services and Equality



Management of the Work-life Balance: an equality tool

Work-life balance is integrated within the Healthy Workplace Model, considering health from a comprehensive perspective in terms of physical, psychic and social well-being. In this regard, the work-life balance, as part of the Healthy Workplace Model, is considered as a tool that facilitates equality, but whose ultimate goal is well-being as a whole.

The approval of flexibility measures in the working day, included in the 10th Collective Bargaining Agreement, and other actions and initiatives applicable to the whole of the workforce, has allowed management tools to be facilitated that represent an improvement of well-being and the quality of life.

In 2017, the satisfaction and use of the work-life balance measures, as well as of the entire management system, were evaluated through a survey. The results have been highly satisfactory, reaching an average score of 7, with a participation of 62% of the workforce. The survey also serves as a channel to identify new needs and aspects to be improved.

Equality in companies of the Spanish electric utility sector.

The table below shows a comparison of the presence of women in companies of the electric utility sector in 2016.

Presence of women in electric utility companies¹³

Company	Workforce	% Women
REE	1,682	23.6
Company A IBEX 35	9,694	22.4
Company B IBEX 35	28,395	23.8

External recognitions.

Red Eléctrica 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 same¹⁴ 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"*.¹⁵

Another significant recognition for Red Eléctrica was the granting of the Diversity Charter awarded by the Ministry of Health, Social Services and Equality.

¹³ Source: Annual activity reports published on corporate websites. Information on 2017 has not yet been published as at the date of this report.

¹⁴ 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.

¹⁵Text 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 aforementioned, Red Eléctrica became part of the European Network for Workplace Health Promotion by obtaining the certificate of 'Good Practices in Health Promotion' granted in May 2017 by the Spanish National Institute for Safety, Health and Well-being in the Workplace.

Red Eléctrica has become part of the 'Top 200' of the gender equality ranking of 2017 carried out by Equileap (organisation whose mission is to promote gender equality in the workplace). Only 6 Spanish companies enter in this ranking, and Red Eléctrica is ranked first among these and is ranked 51st in the total number of the companies considered by Equileap.

In September 2017, the General Directorate for Women in the Community of Madrid, the European Social Fund and the Association of Business Organisations of Alcobendas - AICA, recognised and acknowledged the support of REE as a company involved in the commitment to gender equality, through the presentation of a diploma in a public act that took place in Alcobendas on 28 September 2017.

As for the Company's Board of Directors, acknowledgement has come in the form of recognition in forums and in specialised reports, some previously mentioned in this document, such as those conducted by the CNMV, the global communication consultant ATREVIA and the IESE Business School, which have highlighted the leadership of Red Eléctrica de España in terms of gender diversity.

Managing disability in Red Eléctrica

In Red Eléctrica, disability management has evolved in recent years towards a greater commitment to integration and inclusion. Since 2015 we have had a management model in place that enables us to continue advancing in this field.

Evolution of legal compliance 2006-2017



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 2017 a level of 2.61% of equivalent employment of people with disabilities. Although the 2% quota has not been reached with direct employment, we have achieved a degree of compliance above and beyond the Law through the application of alternative measures¹⁶, of which 0.8% corre-

¹⁶ Legally, in order to comply with current legislation (RD 1/2013 General Law on the 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



sponds 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 €345,270 and donations in the amount of €117,500, which is equivalent to hiring 30.26 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.

As a relevant communication and awareness-raising action, at the end of 2016, the Chairman of Red Eléctrica made clear his personal and corporate commitment to diversity and inclusion in a video that was published in the *'#Red diversa'* space on the corporate intranet.¹⁷

Since 2006 we have the *'Plan Familia'*¹⁸ (Family Plan) project whose objective is to support family members with disabilities of Red Eléctrica 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 2017 the Company launched the *'Empleo para todos'*¹⁹ (Employment for everyone) project and a mentoring project for people with disabilities²⁰, among other actions.

Age management in Red Eléctrica.

The ageing of the population is one of the greatest challenges of this century, it is a universal phenomenon that will affect both the economic and social environment.

Faced with this reality, in 2015 the Company gave this matter some thought, under the perspective of a healthy workplace, and decided to design an age management model, as a challenge and an opportunity to achieve a more profitable and sustainable company, committed to generational diversity, which promotes intergenerational solidarity and takes advantage of the talent and knowledge that the experience of older people brings.

In this regard, and during 2016 and 2017, the proposed model has evolved towards a comprehensive age management model, which encompasses a multigenerational management of our professionals, with the aim of implementing actions that help us align their needs with those of the organisation. Some of the actions included in the action plan arising from the model have already been commenced with the aim of improving the adaptation of people to job positions

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.

¹⁷ Intranet space on miRED dedicated for the dissemination of information and aspects related to diversity.

¹⁸ Currently there are 17 people who benefit from the *'Plan familia'* (10 in 2016).

¹⁹ Managed by the Adecco Foundation. Volunteers help people with intellectual disabilities from the Amanecer Foundation get a job.

²⁰ Managed by the A La Par Foundation, it will continue to be carried out in 2018 with the participation of 8 volunteers belonging to REE's Management Team.



according to their age, fostering knowledge transfer, promoting health to favour active ageing, and hence improve the transition to retirement.

Noteworthy is Red Eléctrica's participation in the National Congress of Occupational Medicine in February 2016, where it presented its age management model project, and the signing of an agreement in 2017, with the *Instituto de Empresa* to be part of the 'Observatory of Demography and Generational Diversity'.

Demographic data of the workforce.

Total number of employees broken down by age group and gender²¹

Total No. of employees	2016			2017		
	Men	Women	Total	Men	Women	Total
Spain						
Under 30 years of age	25	11	36	39	26	65
Between 30 to 50	832	293	1,125	844	295	1,139
Over 50	427	94	521	416	96	512
Total	1,284	398	1,682	1,299	417	1,716

Evolution of the average age on the workforce 2014-2017

	2014	2015	2016	2017
Average age	43	44	45	44

²¹ Data related to Red Eléctrica de España, S.A. unipersonal and Red Eléctrica Corporación, S.A.



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 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 Company are safeguarded, and in particular to favour diversity and the incorporation of female talent.

Red Eléctrica's commitment 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 Company, 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.

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.

Red Eléctrica 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.

Red Eléctrica is developing a new model to manage diversity to its full extent. Under the umbrella of this Diversity Management Model, the different aspects that until now have been dealt with independently will be collated, mainly in relation to disability, age and equality, in addition to addressing other aspects present in our society that differentiate and enrich organisations. Eliminating all barriers and labels will allow us to foster talent and values in a diverse and innovative company.

In the coming months, a Comprehensive Diversity Plan will be drafted that will include all the actions that will be carried out over the next few years in terms of equality, age, disability and other aspects associated with diversity.

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 for Red Eléctrica. 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 disability of our stakeholders.



Regarding age management, Red Eléctrica has tackled the challenge of population ageing by establishing a management system that optimises the contribution of different age groups to the business achievements of the Company.

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.