Auditor's Report on Red Eléctrica Corporación, S.A. and Subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Red Eléctrica Corporación, S.A. and subsidiaries for the year ended 31 December 2022)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Red Eléctrica Corporación, S.A. (the "Parent") and subsidiaries (together the "Group") which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Additions to property, plant and equipment (Euros 566,661 thousand) See note 8 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
Most of the Group's property, plant and equipment pertain to Red Eléctrica de España, S.A.U., the regulated activity of which mainly consists of managing the transmission network of the Spanish electricity system. Each year, Red Eléctrica de España, S.A.U. makes substantial investments in property, plant and equipment in accordance with the Electricity Transmission Network Development Plan for 2015 – 2020 approved by agreement of the Council of Ministers on 16 October 2015. In the course of 2022, Red Eléctrica de España, S.A.U. commenced work on certain projects envisaged in the 2021-2026 Planning published by the Ministry for the Ecological Transition and Demographic Challenge in February 2022. In 2022 additions to the Group's property, plant and equipment totalled Euros 566,661 thousand, of which Euros 449,031 thousand pertains to the investee Red Eléctrica de España, S.A.U. Considering the nature of the business carried out by this investee, the remuneration for these services is set by the Spanish National Markets and Competition Commission (CNMC) through Circular 5/2019, which determines the method for calculating the remuneration of the transmission activity based on the costs necessary to construct, operate and maintain the technical electricity facilities, pursuant to the powers bestowed upon this Commission by Royal Decree-Law 1/2019. As the Company's transmission revenues are directly related to the recognised electricity transmission facilities, and bearing in mind the significance of these facilities, we have considered the additions to property, plant and equipment to be a key audit matter.	Our audit procedures included evaluating the relevant controls associated with processes involving fixed assets and acquisitions, as well as performing substantive procedures on property, plant and equipment. We also assessed the consistency of the Group's accounting policies on fixed assets and acquisitions with the applicable accounting framework. Our procedures for evaluating and analysing the control environment were focused on: – Testing the design, implementation and operating effectiveness of key manual and automated controls related to the cycles of "additions and disposals of fixed assets" and "acquisition of goods and services, progress billings for construction". Our substantive procedures on property, plant and equipment mainly consisted of: – Analysing asset additions during the year and assessing whether they have been correctly recognised, and whether they are included in the Transmission Network Development Plan for 2021-26. – Analysing documentation supporting the cost allocation for a sample of projects in progress. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Company.

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Recoverable amount of goodwill and other non-current assets See notes 7, 8 and 11 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
As mentioned in notes 7, 8 and 11 to the consolidated annual accounts, at 31 December 2022, the Group's property, plant and equipment, intangible assets, goodwill and equity-accounted investments amount to Euros 9,627 million, Euros 568 million, Euros 287 million and Euros 892 million, respectively, allocated to the various cash-generating units (CGUs) or, in the case of Hispasat, S.A. goodwill, to groups of CGUs. There is a risk that the carrying amount of the CGUs may exceed their recoverable amount in the case of CGUs or groups of CGUs that show indications of impairment. The Group calculates the recoverable amount of goodwill and intangible assets with indefinite useful lives annually and tests property, plant and equipment, intangible assets and equity-accounted investments for indications of impairment, for the purposes of determining their recoverable amount. Recoverable amount is calculated by applying valuation techniques which require the exercising of judgement by the Directors and management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates, and the significance of the carrying amount of non-current assets subject to impairment testing, this has been considered a key audit matter.	Our audit procedures included the following: – Assessing the design and implementation of key controls related to the process of evaluating the criteria used to identify indications of impairment and for estimating the recoverable amount of goodwill and other non-current assets. – Evaluating the methodology and reasonableness of the assumptions used by management and the Directors to estimate the recoverable amount using the discounted cash flow method at cash-generating unit level, with the involvement of our valuation specialists and based on the reports drawn up by the independent experts engaged by the Group to contrast the reasonableness of the assumptions used. – Contrasting the information contained in the model used to calculate the recoverable amount with the business plans of the companies. – Analysing the sensitivity of the estimated recoverable amount to changes in key assumptions and relevant judgements. – Performing a comparative analysis of the cash flow forecasts estimated in the prior year with the actual cash flows obtained (retrospective analysis). We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

In accordance with the requirements set forth in article 540 of the Revised Spanish Companies Act and in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, and subsequent amendments, been the most recent of Circular 3/2021, of September 28, which provides the models for the Annual Corporate Governance Report for listed corporations; and for the purposes of the description of Internal Control over Financial Reporting in Annual Corporate Governance Reports; and as mentioned in section F.7.1 of the Annual Corporate Governance Report, which forms part of the accompanying consolidated directors' report for 2022; on 27 February 2023, at the Company's request, we issued our Independent Reasonable Assurance Report on the Internal Control over Financial Reporting (ICOFR) of the Red Eléctrica Group for 2022, based on our examination, which was performed in accordance with ISAE 3000 (Revised) (International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), for the issue of reasonable assurance reports.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's Audit Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Red Eléctrica Corporación, S.A. and its subsidiaries for 2022 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the company, which will form part of the annual financial report.

The Directors of Red Eléctrica Corporación, S.A. are responsible for the presentation of the 2022 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's Audit Committee dated 27 February 2023.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 29 June 2021 for a period of two years, from the year commenced 1 January 2021.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2013.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Ana Fernández Poderós
On the Spanish Official Register of Auditors ("ROAC") with No. 15,547

27 February 2023

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Valuing the essentials

Consolidated Annual Accounts

2022

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Redeia
Consolidated Statement of Financial Position at 31 December 2022

Thousands of Euros

Assets	Note	31/12/2022	31/12/2021
Non-current assets			
Intangible assets	7	855,147	720,619
Property, plant and equipment	8	9,626,805	9,575,848
Investment property	10	1,704	1,772
Equity-accounted investees	11	891,617	587,983
Non-current financial assets	19	275,593	114,689
At fair value through other comprehensive income		84,066	85,368
At fair value through profit or loss		15,813	5,379
At amortised cost		175,714	23,942
Non-current derivatives	20	110,616	23,592
Deferred tax assets	23	69,217	70,567
Other non-current assets		3,514	1,998
Total non-current assets		**11,834,213**	**11,097,068**
Current assets			
Inventories	12	41,321	26,535
Trade and other receivables	13	1,358,657	1,260,956
Trade receivables		75,081	59,709
Other receivables		1,101,079	1,193,686
Current tax assets	23	182,497	7,561
Other current financial assets	19	752,505	25,401
At fair value through other comprehensive income		-	-
At fair value through profit or loss		-	-
At amortised cost		752,505	25,401
Current derivatives	20	-	91
Cash and cash equivalents		794,824	1,574,427
Total current assets		**2,947,307**	**2,887,410**
Total assets		**14,781,520**	**13,984,478**

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Redeia
Consolidated Statement of Financial Position at 31 December 2022

Thousands of Euros

Equity and Liabilities	Note	31/12/2022	31/12/2021
Equity			
Capital and reserves		4,826,318	3,762,199
Capital		270,540	270,540
Reserves		4,064,486	2,989,711
Own shares (-)		(26,296)	(31,618)
Profit attributable to the Parent		664,731	680,627
Interim dividend (-)		(147,143)	(147,061)
Valuation adjustments		(36,783)	(131,117)
Financial assets at fair value through other comprehensive income		17,932	18,766
Hedging transactions		10,080	(62,170)
Translation differences		(64,795)	(87,713)
Equity attributable to the Parent		**4,789,535**	**3,631,082**
Non-controlling interests		104,741	54,049
Total equity	**14**	**4,894,276**	**3,685,131**
Non-current liabilities			
Grants and other	15	746,498	726,002
Non-current provisions	16	139,822	129,965
Non-current financial liabilities	19	5,543,755	5,953,434
Loans and borrowings, bonds and other marketable securities		5,491,124	5,896,170
Other non-current financial liabilities		52,631	57,264
Deferred tax liabilities	23	417,650	397,811
Non-current derivatives	20	22,016	16,436
Other non-current liabilities	17	114,461	102,288
Total non-current liabilities		**6,984,202**	**7,325,936**
Current liabilities			
Current provisions	16	30,536	21,202
Current financial liabilities	19	1,705,277	2,144,425
Loans and borrowings, bonds and other marketable securities		721,845	1,391,722
Other current financial liabilities		983,432	752,703
Trade and other payables	21	1,160,176	802,655
Suppliers		485,624	382,309
Other payables		661,232	409,459
Current tax liabilities	23	13,320	10,887
Current derivatives	20	7,053	5,129
Total current liabilities		**2,903,042**	**2,973,411**
Total equity and liabilities		**14,781,520**	**13,984,478**

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Redeia
Consolidated Income Statement. 2022

Thousands of Euros

	Note	31/12/2022	31/12/2021
Revenue	24.a	2,015,036	1,952,958
Self-constructed assets	7 and 8	62,903	55,737
Share of profit of equity-accounted investees (with a similar activity to that of the Group)	11	50,405	29,546
Supplies	24.c	(37,061)	(18,655)
Other operating income	24.b	77,673	10,644
Personnel expenses	24.d	(210,614)	(187,341)
Other operating expenses	24.c	(467,088)	(344,252)
Depreciation and amortisation	7, 8 and 10	(544,992)	(522,114)
Non-financial and other capital grants	15	15,780	14,717
Impairment and gains/(losses) on disposal of fixed assets	8	(488)	730
Results from operating activities		**961,554**	**991,970**
Finance income	24.e	23,161	10,488
Finance costs	24.e	(116,468)	(115,453)
Change in fair value of financial instruments		1,196	376
Exchange gains		74	696
Net finance cost		**(92,037)**	**(103,893)**
Profit before tax		**869,517**	**888,077**
Income tax	23	(188,330)	(201,793)
Consolidated profit for the year		**681,187**	**686,284**
A) Consolidated profit for the year attributable to the Parent		**664,731**	**680,627**
B) Consolidated profit for the year attributable to non-controlling interests	**14**	**16,456**	**5,657**
Earnings per share in Euros			
Basic earnings per share in Euros	33	1.23	1.26
Diluted earnings per share in Euros	33	1.23	1.26

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Redeia
Consolidated Statement of Comprehensive Income. 2022

Thousands of Euros

	Note	31/12/2022	31/12/2021
A) Consolidated profit for the year (income statement)		**681,187**	**686,284**
B) Other comprehensive income – Items that will not be reclassified to profit or loss:		**15,026**	**14,460**
Actuarial gains and losses	16	21,147	11,273
Equity instruments through other comprehensive income	19	(834)	6,005
Tax effect		(5,287)	(2,818)
C) Other comprehensive income – Items that could be reclassified to profit or loss:		**94,247**	**40,960**
Hedging transactions:		83,842	9,935
a) Revaluation gains/(losses)		64,334	3,987
b) Amounts transferred to the income statement		19,508	5,948
Translation differences:		29,329	12,760
a) Revaluation gains/(losses)		29,329	12,760
Share of other comprehensive income from investments in joint ventures and associates:		9,369	23,938
a) Revaluation gains/(losses)	11	9,369	23,938
Tax effect		(28,293)	(5,673)
Total comprehensive income for the year (A + B + C)		**790,460**	**741,704**
a) Attributable to the Parent		**774,925**	**735,789**
b) Attributable to non-controlling interests		**15,535**	**5,915**

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Redeia
Consolidated Statement of Changes in Equity at 31 December 2022

Thousands of Euros

Equity	Note	Subscribed capital	Reserves	Interim dividend	Own shares	Profit attributable to the Parent	Valuation adjustments	Equity attributable to the Parent	Non-controlling interests	Total equity
Balances at 1 January 2021		**270,540**	**2,905,234**	**(146,984)**	**(36,550)**	**621,185**	**(177,823)**	**3,435,602**	**56,351**	**3,491,953**
I. Comprehensive income for the year		-	8,456	-	-	680,627	46,706	735,789	5,915	741,704
II. Transactions with shareholders or owners		-	132	(77)	4,932	(540,511)	-	(535,524)	(8,217)	(543,741)
- Distribution of dividends	14	-	-	(77)	-	(540,511)	-	(540,588)	-	(540,588)
- Transactions with own shares	14	-	132	-	4,932	-	-	5,064	(8,217)	(3,153)
III. Other changes in equity		-	75,889	-	-	(80,674)	-	(4,785)	-	(4,785)
- Transfers between equity line items		-	80,674	-	-	(80,674)	-	-	-	-
- Other changes	14	-	(4,785)	-	-	-	-	(4,785)	-	(4,785)
Balances at 31 December 2021		**270,540**	**2,989,711**	**(147,061)**	**(31,618)**	**680,627**	**(131,117)**	**3,631,082**	**54,049**	**3,685,131**
Balances at 1 January 2022		**270,540**	**2,989,711.0**	**(147,061)**	**(31,618)**	**680,627**	**(131,117)**	**3,631,082**	**54,049**	**3,685,131**
I. Comprehensive income for the year		-	15,860	-	-	664,731	94,334	774,925	15,535	790,460
II. Transactions with shareholders or owners		-	920,822	(82)	5,322	-	-	926,062	35,531	961,593
- Distribution of dividends	14	-	-	(82)	-	-	-	(82)	(4,604)	(4,686)
- Transactions with own shares	14	-	62	-	5,322	-	-	5,384	-	5,384
- Other transactions with shareholders or owners	14	-	920,760	-	-	-	-	920,760	40,135	960,895
III. Other changes in equity		-	138,093	-	-	(680,627)	-	(542,534)	(374)	(542,908)
- Transfers between equity line items		-	140,039	-	-	(680,627)	-	(540,588)	-	(540,588)
- Other changes	14	-	(1,946)	-	-	-	-	(1,946)	(374)	(2,320)
Balances at 31 December 2022		**270,540**	**4,064,486**	**(147,143)**	**(26,296)**	**664,731**	**(36,783)**	**4,789,535**	**104,741**	**4,894,276**

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Redeia

Consolidated Statement of Cash Flows. 2022

Thousands of Euros

	Note	31/12/2022	31/12/2021
Cash flows from operating activities		**1,566,829**	**1,605,176**
Profit before tax		869,517	888,077
Adjustments to profit:		592,571	584,630
Depreciation and amortisation	7, 8 and 10	544,992	522,114
Other adjustments (net)		47,579	62,516
Equity-accounted investees		(50,405)	(29,546)
Gains on disposal/impairment of non-current assets and financial instruments		(708)	(1,106)
Accrued finance income	24.e	(23,161)	(10,488)
Accrued finance costs	24.e	116,468	115,453
Charge to/surplus provisions	12, 14 and 16	35,046	16,654
Capital and other grants taken to income	15	(24,996)	(28,451)
Other income and expenses	17	(4,665)	-
Changes in operating assets and liabilities		574,568	426,768
Changes in inventories, receivables, current prepayments and other current assets		71,466	98,582
Changes in trade payables, current contract liabilities and other current liabilities		503,102	328,186
Other cash flows used in operating activities:		(469,827)	(294,299)
Interest paid		(123,524)	(121,920)
Dividends received	24.e	7,578	4,848
Interest received		15,680	4,867
Income tax received/(paid)		(363,996)	(181,263)
Other proceeds from/(payments for) operating activities		(5,565)	(831)
Cash flows used in investing activities		**(1,641,325)**	**(537,638)**
Payments for investments		(2,373,748)	(581,435)
Property, plant and equipment, intangible assets and investment property	7, 8 and 10	(536,185)	(555,905)
Group companies, associates and business units	11	(305,051)	(9,316)
Other financial assets	19	(1,532,512)	(16,214)
Proceeds from sale of investments		687,293	11,031
Property, plant and equipment, intangible assets and investment property	7, 8 and 10	314	317
Other financial assets	19	686,979	10,714
Other cash flows from investing activities	15	45,130	32,766
Other proceeds from investing activities	15	45,130	32,766
Cash flows from (used in) financing activities		**(708,187)**	**22,323**
Proceeds from/(payments for) equity instruments	14	989,218	6,075
Issue		1,867	1,011
Acquisition		(13,650)	-
Disposal		1,001,001	5,064
Proceeds from/(payments for) financial liability instruments	19	(1,141,718)	587,301
Issue and drawdowns		203,015	1,094,790
Redemption and repayment		(1,344,733)	(507,489)
Dividends and interest on other equity instruments paid	14	(543,881)	(538,995)
Other cash flows used in financing activities		(11,806)	(32,058)
Interest paid		-	-
Other proceeds from/(payments for) financing activities		(11,806)	(32,058)
Effect of exchange rate fluctuations on cash and cash equivalents		**3,080**	**2,794**
Net increase/(decrease) in cash and cash equivalents		**(779,603)**	**1,092,655**
Cash and cash equivalents at beginning of year		**1,574,427**	**481,772**
Cash and cash equivalents at year end		**794,824**	**1,574,427**

Notes 1 to 35 and Appendix I form an integral part of these consolidated annual accounts.

Contents

In order to facilitate comprehension of the information provided in this document, certain alternative performance measures have been included. A definition of these is available at https://www.redeia.com/en/shareholders-and-investors/financial-information/alternative-performance-measures

1 Activities of the Group Companies

Red Eléctrica Corporación, S.A. (hereinafter the Parent or the Company) is the Parent of a Group formed by subsidiaries. The Group is also involved in joint operations along with other operators. The Parent and its subsidiaries form Redeia (hereinafter the Group or Redeia). The Company's registered office is located at Paseo del Conde de los Gaitanes, 177, Alcobendas (Madrid) and its shares are traded on the Spanish automated quotation system as part of the selective IBEX 35 index.

The Group's activity is focused on three main segments:

- **Management and operation of domestic electricity infrastructure**: which includes electricity transmission, system operation and management of the transmission network for the Spanish electricity system. These regulated activities are carried out through Red Eléctrica de España, S.A.U. (hereinafter Red Eléctrica).
- **Management and operation of international electricity infrastructure**: electricity transmission activities performed outside Spain through Red Eléctrica Internacional, S.A.U. and its investees (hereinafter Redinter).
- **Telecommunications (satellites and fibre optics):** The Group also provides telecommunications services to third parties through the Hispasat subgroup (hereinafter Hispasat), by means of satellite infrastructure operation, and through Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (hereinafter Reintel), essentially via dark fibre backbone network rental.

Moreover, the Group carries out activities aimed at driving and fostering technological innovation through its subsidiary Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit).

In addition, through its subsidiaries, the Group carries out activities aimed at financing its operations and covering risks by reinsuring its assets and activities. It also develops and builds electricity infrastructure and facilities through its subsidiaries and/or investees, Red Eléctrica Infraestructuras en Canarias, S.A.U. and Interconexión Eléctrica Francia-España, S.A.S. (Inelfe).

Appendix I provides details of the activities and registered offices of the Parent and its subsidiaries, as well as the direct and indirect investments held by the Parent in the subsidiaries. Details of changes are likewise provided in Appendix I.

2 Basis of Presentation of the Consolidated Annual Accounts

a) General information

The accompanying consolidated annual accounts have been prepared by the directors of the Parent to give a true and fair view of the consolidated equity and consolidated financial position of the Company and its subsidiaries at 31 December 2022, as well as the consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

The accompanying consolidated annual accounts, authorised for issue by the Company's directors at their board meeting held on 27 February 2023, have been prepared on the basis of the individual accounting records of the Company and the other Group companies, which together form Redeia (see Appendix I). Each company prepares its annual accounts applying the accounting principles and criteria in force in its country of operations. Accordingly, the adjustments and reclassifications necessary to harmonise these principles and criteria with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) have been made on consolidation. The accounting policies of the consolidated companies are changed when necessary to ensure their consistency with the principles adopted by the Company.

The consolidated annual accounts for 2021 were approved by the shareholders at their annual general meeting held on 7 June 2022. The consolidated annual accounts for 2022 are currently pending approval by the shareholders. However, the directors of the Company consider that these consolidated annual accounts will be approved with no changes.

These consolidated annual accounts have been prepared on the historical cost basis, except in the case of financial assets measured at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial instruments at fair value through profit or loss and business combinations.

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the Parent's functional and presentation currency, rounded off to the nearest thousand. The consolidated annual accounts have been prepared in accordance with IFRS-EU, and other applicable provisions in the financial reporting framework.

The Group has not omitted any mandatory accounting principle with a significant effect on the consolidated annual accounts.

b) New IFRS-EU and IFRIC interpretations

The consolidated annual accounts have been prepared in accordance with IFRS-EU and taking into consideration the standards, amendments and interpretations adopted by the European Union which came into force on 1 January 2022, albeit with no significant effect on the consolidated annual accounts of the Group:

Effective from:	New amendments
1 January 2022	Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
	Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract
	Annual Improvements to IFRS. 2018-2020 Cycle

- Amendments to IFRS 3 Business Combinations: minor amendments to update references to the Conceptual Framework for Financial Reporting and to clarify the recognition principle for liabilities and contingent liabilities.
- Amendments to IAS 16 Property, Plant and Equipment, prohibiting the deduction from the cost of assets within the scope of this standard of any proceeds from the phase prior to their being brought into use, which must instead be recognised in profit or loss for the year.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarifying the concept of the cost of fulfilling a contract to assess whether a contract is onerous. All incremental costs of fulfilling the contract and an allocation of other costs that relate directly to fulfilling contracts must be included.
- Annual Improvements to IFRS 2018-2020 cycle, establishing minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases. The improvement to IFRS 9 highlights that only fees paid or received between the borrower and the lender, or on behalf of these parties, must be included in the test for derecognition of financial liabilities. Costs or fees paid to third parties must not be included.

The Group is also analysing the impact of the new IFRS and improvements issued and approved for application in the European Union as of 1 January 2023, which are as follows:

Effective from:	New standards and amendments
1 January 2023	New standard - IFRS 17 Insurance Contracts

	Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies
	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.
1 January 2024	Amendments to IAS 16: Lease Liability in a Sale and Leaseback

- IFRS 17 Insurance Contracts and amendments thereto. This replaces IFRS 4 and lays down the principles for the recognition, measurement, presentation and disclosure of insurance contracts so that an entity may provide relevant and reliable information that enables the users thereof to determine the effect that the contracts have on the financial statements.
- Amendments to IAS 1 Presentation of Financial Statements, to enable correct identification of the required material accounting policy disclosures in the financial statements.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This includes amendments and clarifications as to what should be considered a change in accounting estimate.

The Group does not expect the adoption of these standards to have a significant effect on the consolidated annual accounts in the period of first-time adoption.

Lastly, at the date of authorising these consolidated annual accounts for issue, the following amendments had been published by the IASB but were not mandatory, inasmuch as they have still to be approved for use in the European Union:

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, amending and clarifying certain aspects of classification.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, clarifying aspects of the recognition of deferred tax arising on transactions such as leases and decommissioning obligations.

The Group is analysing the impact of these amendments, although it does not expect them to have a significant effect on the consolidated annual accounts at the date when their application becomes mandatory in the European Union.

c) Estimates and assumptions

The preparation of the consolidated annual accounts in accordance with IFRS-EU requires Group management to make judgements, estimates and assumptions that affect the application of accounting standards and the amounts of assets, liabilities, income and expenses. Estimates and judgements are assessed continually and are based on past experience and other factors, including expectations of future events that are considered reasonable given the circumstances. Actual results could differ from these estimates.

The consolidated annual accounts for 2022 occasionally include estimates calculated by management of the Group and of the consolidated companies, and subsequently endorsed by their directors, to quantify certain assets, liabilities, income, expenses and commitments disclosed therein.

These estimates are essentially as follows:

- Estimated asset recovery, calculated by determining the recoverable amount thereof. The recoverable amount is understood to be the higher of fair value less costs to sell and value in use. Asset impairment is generally calculated using discounted cash flows based on financial projections used by the Group. The discount rate applied is the weighted average cost of capital (see notes 7, 8 and 11).
- Estimated useful lives of property, plant and equipment, intangible assets and investment property (see notes 4.c, 4.d and 4.e).
- The assumptions used in the actuarial calculations of liabilities and obligations to employees (see note 16).
- The assumptions used to calculate the fair value of derivatives (see note 20).

- The calculation of revenue from electricity transmission facilities and system operation in Spain (see note 3).
- The assumptions used to calculate the fair value of assets and liabilities acquired in a business combination (see note 6).

Liabilities are generally recognised when it is probable that an obligation will give rise to an indemnity or a payment. The Group assesses and estimates amounts to be settled in the future, including additional amounts for income tax, contractual obligations, pending lawsuit settlements and other liabilities. These estimates are subject to the interpretation of existing facts and circumstances, projected future events and the estimated financial effect of those events (see note 16). The Company has taken out insurance policies to cover the risk of possible claims that might be lodged by third parties in relation to its activities.

In the absence of International Financial Reporting Standards (IFRS) that give guidance on the accounting treatment for a particular situation, in accordance with IAS 8, management uses its best judgement based on the economic substance of the transaction and considering the most recent pronouncements of other standard-setting bodies that use the same conceptual framework as IFRS. Accordingly, as tax credits for investments are not within the scope of IAS 12 and IAS 20, after analysing the related facts and circumstances, Group management has considered that credits for fixed asset investments in the Canary Islands granted to the Group by public entities are similar to capital grants. Therefore, in these cases management has taken into account IAS 20 on government grants (see note 4k).

To facilitate comprehension of the consolidated annual accounts, details of the different estimates and assumptions are provided in each separate note.

Although estimates are based on the best information available at 31 December 2022, future events may require increases or decreases in these estimates in subsequent years, which would be accounted for prospectively in the corresponding consolidated income statement as a change in accounting estimates, as required by IFRS.

d) Consolidation principles

The types of companies included in the consolidated Group and the consolidation method used in each case are as follows:

- Subsidiaries

  Subsidiaries are entities over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

  The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases.

  Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

- Joint arrangements

  Joint arrangements are those in which there is a contractual agreement to share the control over an economic activity, in such a way that decisions about the relevant activities require the unanimous consent of the Group and the remaining venturers or operators. The existence of joint control is assessed considering the definition of control over subsidiaries.

  The Group assesses all the facts and circumstances relating to each joint arrangement for the purpose of its classification as a joint venture or joint operation, including whether the arrangement contains rights over the assets and obligations for liabilities.

In joint operations there is a joint arrangement whereby the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. For joint operations, the Group recognises the assets, including its share of any assets held jointly, the liabilities, including its share of any liabilities incurred jointly with the other operators, the revenue from the sale of its share of the output arising from the joint operation, and the expenses, including its share of any expenses incurred jointly, in the consolidated annual accounts.

Joint ventures are those in which there is a contractual agreement with a third party to share control over an activity and the strategic financial and operating decisions relating to the activity require the unanimous consent of all the venturers that share control. The Group's interests in jointly controlled entities are accounted for using the equity method in accordance with IFRS 11.

The Group's acquisition of an initial and subsequent share in a joint operation that is a business is recognised following the same criteria used for business combinations, at the percentage of ownership of each individual asset and liability. However, in subsequent acquisitions of additional shares in a joint operation, the previous share in each asset and liability is not subject to revaluation.

In sales or contributions by the Group to the joint operation, it recognises the resulting gains and losses only to the extent of the other parties' interests in the joint operation. When such transactions provide evidence of a reduction in net realisable value or an impairment loss of the assets transferred, such losses are recognised in full.

In purchases by the Group from a joint operation, it only recognises the resulting gains and losses when it resells the acquired assets to a third party. However, when such transactions provide evidence of a reduction in net realisable value or an impairment loss of the assets, the Group recognises its entire share of such losses.

- Associates

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, if on the acquisition date all or part of the investment qualifies for recognition as non-current assets or disposal groups held for sale, it is recognised at fair value less costs of disposal.

Investments in associates are initially recognised at cost of acquisition, including any cost directly attributable to the acquisition and any consideration receivable or payable contingent on future events or on compliance with certain conditions. Any excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable net assets at the acquisition date is recognised as goodwill under equity-accounted investees in the consolidated statement of financial position. Any excess of the Group's share of the net fair value of the associate's identifiable net assets over the cost of the investment at the acquisition date (bargain purchase) is recognised as income in the period in which the investment is acquired.

The Group classifies the profit or loss of these companies in results from operating activities when the entity's activity is similar to the Group's operating activities. Conversely, when their activity is different, the profit or loss of these companies is classified outside results from operating activities.

Appendix I provides details of the Company's subsidiaries, joint arrangements, joint ventures and associates, as well as the consolidation or measurement method used in preparing the accompanying consolidated annual accounts and other relevant information.

The financial statements of the subsidiaries, joint arrangements, joint ventures and associates used in the consolidation process have the same reporting date and refer to the same period as those of the Parent.

The operations of the Company and its subsidiaries have been consolidated applying the following basic principles:

- The accounting principles and criteria used by the Group companies have been harmonised with those applied by the Parent.
- Translation of foreign operations:
  - Balances in the financial statements of foreign companies have been translated using the closing exchange rate for assets and liabilities, the average exchange rate for income and expenses and the historical exchange rate for capital and reserves.
  - All resulting exchange differences are recognised as translation differences in other comprehensive income.
  - These criteria are also applicable to the translation of the financial statements of equity-accounted investees, with translation differences attributable to the Group recognised in other comprehensive income.
- All balances and transactions between fully consolidated companies have been eliminated on consolidation.
- Margins on invoices between Group companies for capitalisable goods or services were eliminated at the transaction date.

e) Non-controlling interests

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Non-controlling interests are disclosed in consolidated equity separately from equity attributable to shareholders of the Company. Non-controlling interests' share in consolidated profit or loss for the year and in consolidated comprehensive income for the year is disclosed separately.

Transactions with non-controlling interests are recognised as transactions with equity holders of the Group. As such, the difference between the consideration paid in the acquisition of a non-controlling interest and the corresponding proportion of the carrying amount of the subsidiary's net assets is recognised in equity. Similarly, the gains or losses on disposal of non-controlling interests are also recognised in the Group's equity.

f) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows in these consolidated annual accounts include comparative figures for the prior year.

g) Changes in the consolidated Group

The changes in the consolidated Group in 2022 are as follows:

- On 31 January 2022, the acquisition of all of the ordinary registered shares representing 100% of the share capital of Rialma Transmissora de Energia III S.A. ("Rialma III"), which on the same date changed its name to "Argo IV Transmissão de Energia S.A.", was completed. This acquisition was made following the fulfilment of the conditions precedent and after obtaining the approvals stipulated in the agreement entered into by Argo Energia Empreendimentos e Participações S.A. ("Argo"), in which Red Eléctrica Brazil holds a 50% stake, and Rialma Administração e Participações S.A. on 3 November 2021.
- On 29 June 2022, after the pertinent approvals had been obtained, the transfer of a minority stake of 49% in Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (Reintel) was completed, in accordance

with the agreement entered into between Red Eléctrica Corporación, S.A. and Kohlberg Kravis Roberts & Co. L.P. (hereinafter KKR) through its subsidiary Rudolph Bidco S.à r.l. on 16 December 2021. Following this transaction, Redeia retains control of Reintel, with a 51% stake, and this company therefore continues to be consolidated as a subsidiary, with a change to the consolidated Group being recognised as of this date.

This transaction has no impact on the consolidated income statement because it is the sale of a minority stake and the Group retains control of the company. The impact of this sale led to an increase of Euros 920.8 million in equity attributable to the Parent under other reserves (see note 14.b), and Euros 34.9 million in non-controlling interests (see note 14.c).

- On 9 August 2022, after the pertinent approvals had been obtained, Hispasat, S.A. acquired 100% of the shares of Axess Networks Solutions Holding, S.L. ("Axess"). Redeia holds an 89.68% interest in the Hispasat Group and, by extension, in this investee and its subsidiaries. The Axess subgroup is fully consolidated.
- On 7 October 2022, Axess Networks Solutions, S.L.U. acquired 40% of the share capital of Axess Networks Solutions Chile, S.A. (an Axess subgroup company) from the non-controlling shareholder. This transaction has not entailed any change in the consolidation method, which continues to be full consolidation.
- On 30 November 2022, all of the ordinary registered shares representing 100% of the share capital of five electricity transmission concessions (Argo V, VI, VII, VIII and IX) were acquired from Brasil Energia FIP. This was a joint investment by Argo Energia (62.5%) and Grupo de Energía Bogotá (GEB) (37.5%) on a co-governance basis between Redeia and GEB.
- On 13 December 2022 a merger by absorption involving Axess Networks Solutions, S.L.U. and Axess Networks Solutions Holding, S.L. was carried out, with the latter company being dissolved and extinguished.
- Lastly, on 21 December 2022, Hispasat, S.A. (in which Redeia holds an 89.68% interest) acquired a 10.85% stake in Grupo Sylvestris, S.L. In view of Hispasat, S.A.'s significant influence over this investee, it is accounted for using the equity method (see note 11).
- In 2022, through its subsidiary Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit), the Company acquired a 13.07% interest in OKTO Grid ApS, which has been included in the consolidated Group in view of the Company's significant influence over this investee. This company is accounted for in the Group's financial statements using the equity method. Having lost its significant influence over Zeleros Global, S.L., the Company has derecognised this equity investment, which is now accounted for as a financial asset at fair value through profit or loss in the accompanying consolidated balance sheet (see note 11).

The changes in the consolidated Group in 2021 were as follows:

- On 15 January 2021, the Peruvian company Hispasat Perú S.A.C. was incorporated. Its principal activity is the provision of telecommunications services. This company is a wholly owned subsidiary of Hispasat, S.A. and is fully consolidated. On 1 May 2021, Hispasat Peru acquired a series of assets for the management and transmission of video signals in Latin America.
- In 2021, through its subsidiary Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit), the Company included Nearby Computing, S.L, Zeleros Global, S.L., Hybrid Energy Storage Solutions, S.L. and Aerolaser System, S.L. in its consolidated group, in view of the significant influence it holds over all of these companies. These companies were accounted for in the Group's financial statements using the equity method.
- On 28 December 2021, Hispasat, S.A. and Hispasat Brasil, Ltda. acquired the entire non-controlling interest (19.04%) held in Hispamar Satélites, S.A. As a result, the Hispasat Group became the sole shareholder of both the acquired company Hispamar Satélites, S.A. and the latter's investee Hispamar Exterior, S.L.U. Following this acquisition, the Red Eléctrica Group held 89.68% of both companies. This transaction has no impact on the consolidation method, which continues to be full consolidation.

In 2021 the Group also entered into the following agreements, which were still to be completed:

- On 3 November 2021, Argo Energia Empreendimentos e Participações S.A. (Argo), in which Red Eléctrica Brazil holds a 50% stake, entered into a share sale-purchase agreement with Rialma Administração e Participações S.A. to acquire shares representing 100% of the share capital of Rialma Transmissora de Energia III S.A., subject to certain conditions being met and to the regulatory authorities approving the acquisition. This company will be accounted for in the Group's financial statements using the equity method, through the interest held in Argo.

3 Sector Regulation

a) Electricity sector in Spain

The electricity sector liberalisation process in Spain began with Electricity Industry Law 54/1997 of 27 November 1997. This Law prompted the start of a vertical disintegration of the different activities, whereby activities carried out under a natural monopoly regime (transmission and distribution) were segregated from those operating on a free competition basis (generation and supply).

A reform process sparked by the imbalance between revenues and costs of the electricity system in previous years got underway in 2013, culminating in the publication of Electricity Industry Law 24/2013 of 26 December 2013 (hereinafter the Law). This Law has progressively been updated since then and partly transposes into Spanish law Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU.

The Law lays down the following regulatory framework with respect to the activities conducted by the Company:

- For the transmission activity, the Law acknowledges Red Eléctrica as the sole transmission agent.

  The remuneration for this activity is set by the government based on the general principles defined in the Law and on the method essentially enshrined in Spanish National Markets and Competition Commission (CNMC) Circular 5/2019 of 5 December 2019, on the calculation of the remuneration for the electricity transmission activity.

  In addition, other remuneration parameters for the new model were set for the current regulatory period (2020-2025): Circular 2/2019 defines the methodology for calculating the financial rate of return for electricity transmission and distribution, regasification, and natural gas transmission and distribution, and Circular 7/2019 approves the standard facilities and reference unit values for operation and maintenance per asset that are to be used in calculating the remuneration allocable to companies that own electricity transmission facilities. This Circular also provided that the reference unit values for investment that were in force in the previous regulatory period, which were established by Ministry of Industry, Energy and Tourism Order IET/2659/2015, were to be extended to cover the 2020-2025 period.

  Regulated revenue for the transmission activity for the first year of application of Royal Decree 1047/2013 (i.e. 2016) was determined definitively in Ministry of Industry, Energy and Tourism Order IET/981/2016. Subsequently, between 2017 and 2022, the regulated revenue for this activity was determined on a provisional basis, replicating the amount of remuneration stipulated for 2016, and settled on account.

  This provisional approach stems from the "detriment proceedings" brought by the Spanish State Attorney against Ministerial Order IET/981/2016, seeking that the Spanish Supreme Court declare certain articles therein null and void, thus enabling the definitive revenue for 2016 to be corrected. The Spanish Supreme Court Judgment was published on 29 June 2020, ordering that Order IET/981/2016 and the revenue for 2016 be corrected.

  To enforce this judgment, the Ministry for the Ecological Transition and Demographic Challenge (hereinafter MITERD) published Order TED/1311/2022, setting the definitive remuneration due to Red Eléctrica for 2016.

Having established the definitive remuneration for 2016, this same Ministry approved Order TED/1343/2022 of 23 December 2022, stipulating the remuneration for 2017, 2018 and 2019 allocable to companies that own electricity transmission facilities.

Thus, at the reporting date the CNMC has only to publish the definitive remuneration for 2020, 2021 and 2022.

- As electricity system operator, the Company's main function is to guarantee the continuity and security of the electricity supply, as well as to ensure the correct coordination of the production and transmission system, exercising its duties in cooperation with the operators and agents of the Iberian Electricity Market (MIBEL) while observing the principles of transparency, objectivity and independence.

  Law 24/2013 also bestows upon the system operator the role of transmission network manager. In 2015 the certification process for Red Eléctrica as transmission network manager for the Spanish electricity system, as envisaged in the law, was completed. Under this assignment, Red Eléctrica operates on an ownership unbundling basis as provided for in article 43 of Directive (EU) 2019/944 on common rules for the internal market for electricity.

  The Company is also responsible for the functions of settlement, notification of payments and receipts, and management of guarantees relating to security of supply and the effective diversion of units generated and consumed, as well as for short-term energy exchanges aimed at maintaining the quality and security of supply.

  Furthermore, the Company manages the technical and economic dispatch for electricity supply from non-mainland electricity systems (Balearic Islands, Canary Islands, Ceuta and Melilla), and is responsible for the settlement of payments and receipts arising from the economic dispatch of electricity generated by these systems.

  Following the publication of Royal Decree-Law 1/2019, the CNMC established the first ever remuneration methodology for the system operation activity, through Circular 4/2019. The core principal of this remuneration model is that of providing suitable remuneration for a low-risk activity, considering those costs prudently incurred by an efficient and well-managed company. The CNMC has applied the remuneration methodology laid down in Circular 4/2019 to determine the remuneration of the system operator for 2020 and thereafter.

  Nonetheless, the power to approve the methodology applicable to the calculation of the system operator's remuneration for the 2014-2019 period lies with the MITERD, and in the absence of such a methodology, the successive ministerial orders through which the electricity access tolls for the 2014-2019 period were approved stipulated provisional annual remuneration, envisaging the amendment of the amounts reflected therein once the MITERD had approved the methodology. In 2021 the MITERD submitted for public consultation the draft Royal Decree defining the methodology for calculating the remuneration of the system operator applicable to each year of the specified period.

  Regarding the Company's remit in the non-mainland electricity systems, in 2015 the Salto de Chira 200 MW pumped-storage hydroelectric power plant project in Gran Canaria was transferred to the system operator, as stipulated in Order IET/728/2014 of 28 April 2014. Having taken ownership, in 2016 Red Eléctrica submitted a project amending the initial project, which included technical and environmental improvements aimed at increasing the capacity for integrating renewable energy and reducing the impact of this new infrastructure on the environment. On 17 December 2022, Ministry for the Ecological Transition and Demographic Challenge Order TED/1243/2022 of 2 December 2022 was published, approving the methodology for calculating the remuneration for the Salto de Chira 200 MW pumped-storage hydroelectric power plant in Gran Canaria, owned by the system operator. This remuneration calculation reflects the total cost of the facility based on certain remuneration parameters, namely: the investment value of the facility in the year in which it comes into service; the unit value of variable operation and maintenance costs; and the unit value of the annual payment in respect of fixed operation and maintenance costs. It also envisages remuneration payable in the five years following the facility's entry into service, such that the financing costs incurred in the construction stage are reimbursed.

In 2021, the new regime of tolls and charges began to be applied, likewise as a consequence of the entry into force of Royal Decree-Law 1/2019. This action was implemented through the publication of Royal Decree 148/2021 of 9 March 2021, establishing the methodology to calculate electricity system charges, and CNMC

Circular 3/2020 of 15 January 2020, establishing the methodology to calculate electricity transmission and distribution tolls.

Specifically, this new tolls and charges framework came into force from 1 June 2021 onwards. As a result, all consumers now have a tariff that distinguishes between peak and off-peak times for both the power and energy factors, and the price difference between peak and off-peak hours has increased.

As regards access and connection to electricity networks, following the approval of Royal Decree 1183/2020 of 29 December 2020 on access and connection to the electricity transmission and distribution networks, the CNMC approved Circular 1/2021 establishing the methodology and conditions for electricity generation facilities to access and connect to the transmission and distribution networks, thus completing the general legislative framework on access and connection.

Lastly, regulatory developments in 2022 notably include the following:

- Royal Decree-Law 6/2022 of 29 March 2022, adopting urgent measures in the context of the national plan in response to the economic and social consequences of the war in Ukraine. In view of the decisions laid down in the Supreme Court judgments regarding the previous system for financing the social tariff, this legislation regulates a new system for financing the social tariff. Under this legislation, the social tariff for electricity is to be financed by all of the agents involved in the electricity supply chain (production, transmission, distribution, supply and direct consumers), on the basis of their revenue. The legislation does, however, acknowledge that the remuneration method will need to be adapted in order to take such cost into account. Thus, in practice, this measure is not expected to have a significant economic impact for Red Eléctrica.
- Royal Decree-Law 14/2022 of 1 August 2022, on economic sustainability measures in the field of transport, scholarships and study grants, and measures for energy saving and efficiency and to reduce energy dependence on natural gas, which amends Royal Decree 1955/2000 in order to introduce a number of modifications to speed up the processing of paperwork related to transmission facilities.
- Publication of the 2021 – 2026 Transmission Network Development Plan in the Official State Gazette ("BOE") of 19 April 2022, which envisages the construction of 2,681 km of new power lines and 733 km of submarine power cables, as well as the repowering of 7,057 km of lines. The electricity planning likewise contemplates the use of new network components, such as systems for monitoring the dynamic line rating (DLR), synchronous condensers, storage as a fully integrated component of the transmission network, as well as elements that are able to change the flow of power (e.g. phase shifters).
- Lastly, Royal Decree-Law 20/2022 of 27 December 2022, on measures in response to the economic and social consequences of the war in Ukraine and to provide support in the reconstruction of the island of la Palma and for other situations of vulnerability, was published. This legislation extends throughout 2023 several temporary measures that were due to expire on 31 December, such as tax cuts in the electricity sector, and includes ad hoc aspects related to transmission network planning, in order to drive the energy transition and develop the industrial value chain.

b) International electricity sector

Redinter has built and acquired electricity transmission facilities, which it now operates and maintains in the electricity sector, at international level, in Peru, Chile and Brazil.

Electricity sector in Peru

In Peru, the liberalisation of the electricity sector began in 1992 with the publication of the "Electricity Concessions Law" (LCE). The shaping of the electricity sector was subsequently completed by the 2006 reform (Law 28832, "Law for the Efficient Development of Electricity Generation", LGE).

These two laws and certain amendments and/or extensions, together with the Regulation implementing the LCE (Supreme Decree No. 009-93-EM enacted in 1993), make up the basic regulatory framework for the electricity sector in Peru.

The basic regulatory framework for the transmission activity also includes the "Transmission Regulation" (Supreme Decree No. 027-2007-EM). Certain major regulatory developments instituted by the regulatory agency OSINERGMIN should also be highlighted, such as the Resolutions approving the annual settlement procedure for electricity transmission service revenue (Resolutions No. 055-2020-OS/CD and No. 056-2020-OS/CD), as well as Resolution No. 217-2013-OS/CD, regulating "Tariffs and Remuneration for Secondary Transmission Systems (STS) and Complementary Transmission Systems (CTS)".

For the transmission activity, the 2006 reform (LGE) entailed the introduction of auctions as a mechanism for awarding contracts to construct new facilities in the backbone transmission network. The auction procedure required an energy planning process to be developed, which did not exist prior to the publication of the LGE.

The Peruvian regulatory framework is currently open to discussion. On 20 June 2019 Supreme Resolution No. 006-2019-EM was published, which created the CRSE (multi-sector power reform commission), for the purpose of reviewing and adjusting the existing legal and regulatory framework in order to optimise the efficient development of the Peruvian electricity market while adhering to international standards and best practice, seeking to guarantee the sustainability of the electricity subsector. At the 2022 reporting date this process is still ongoing.

Electricity sector in Chile

The legal framework governing the electricity transmission business in Chile is contained in Decree with Force of Law (DFL) No. 4/2006, which sets out the revised, coordinated and systematised text of Ministry of Mining Decree with Force of Law (DFL) No. 1 of 1982, the General Electricity Services Law (DFL No. 1/1982) and subsequent amendments thereto. Such amendments include Law 19,940 (Short Law I) enacted on 13 March 2004, Law 20,018 (Short Law II) enacted on 19 May 2005, and Law 20,257 (Generation through Non-conventional Renewable Energy Sources) enacted on 1 April 2008. These regulations are supplemented by the Regulation of the General Electricity Services Law of 1997 (Ministry of Mining Supreme Decree No. 327 of 1997) and respective amendments thereto, and by the Technical Standard for Safety and Quality of Service (Exempt Ministerial Resolution No. 40 of 16 May 2005) and subsequent amendments thereto.

The new Transmission Law was enacted on 11 July 2016. This law provides for a new independent coordinating body for the National Electricity System, known as the National Electricity Coordinator (CEN). It also defines a new electricity transmission system wherein the facilities forming part of the Backbone, Sub-transmission and Additional Transmission Systems were amalgamated into the National, Zonal and Dedicated Transmission Systems, respectively.

On 25 May 2021, Ministry of Energy Supreme Decree No. 37, approving the regulation for transmission systems and transmission planning, was published in the official state gazette (*Diario Oficial*). This Decree is still undergoing administrative processing. The Decree lays down the regulation for open access to transmission facilities; in particular, the possibility of interested third parties (especially generation companies) accessing fibre optic data transmission.

On 16 February 2023 the Ministry of Energy approved the Tariff Decree, which sets the annual value of national transmission facilities for the 2020-2023 four-year period. In this regard, the process for the valuation of national transmission facilities for the 2024-2027 four-year period is already underway.

Lastly, in November 2022, Law No. 21,505 on electricity storage and electromobility was published in the official state gazette (*Diario Oficial*), amending the General Electricity Services Law (LGSE) in order to promote the development of electricity storage systems and encourage electromobility within the country.

Electricity sector in Brazil

The transmission model in Brazil is based on government concessions, for which the core principles of public service are enshrined in the Constitution of 1988, and the principles that govern concessions in Law 8,987 and Law 9,074 of 1995, respectively. This framework provides that concession arrangements are administrative contracts entered into with the federal government (national), represented by the regulatory agency ANEEL, which cannot be amended or early terminated by the government, except for duly supported reasons deemed to be in the public interest.

Under this model, the concession for backbone network facilities is put out for tender by ANEEL through auctions. The auctions determine which transmission companies will build, maintain and operate the electricity assets during the concession period. By way of remuneration for the service rendered during this period, transmission companies receive the revenue specified in the auction, i.e. the *Receita Anual Permitida* (Annual Permitted Remuneration – RAP as per the Portuguese acronym).

In terms of sector regulations, there are no laws that govern the transmission activity in general; rather, specific aspects are regulated (e.g. extension of concession terms under Law 12,783 of 2013). There are also ministerial and government orders, and specific rules are included in the concession arrangements themselves.

c) Telecommunications

Telecommunications in Spain

Until the publication, in June this year, of General Telecommunications Law 11/2022 of 28 June 2022, the telecommunications sector in Spain was regulated by General Telecommunications Law 9/2014 of 9 May 2014 (LGT), which mainly sought to foster competition in the market and guarantee access to the networks, and by Royal Decree 330/2016 of 9 September 2016, on measures to reduce the actual cost of deploying high-speed electronic communications networks.

Aforementioned Law 9/2014 is implemented by Royal Decree 123/2017 of 24 February 2017 approving the regulation on the use of public domain radio, which in turn also regulates the award of the right to use the orbit and spectrum resource and the permits for the satellite ground segment and the related spectrum. Accordingly, Reintel and Hispasat have been entered on the CNMC's Register of Electronic Communications Operators. Hispasat, meanwhile, has been awarded the permits for the ground segment and the concessions to use the related radio spectrum, as well as concessions to operate various orbit and spectrum resources.

The European regulatory framework comprises Directive (EU) 2018/1972 establishing the European Electronic Communications Code (Recast), Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009 (regarding users' rights), and Directive 2009/140/EC (regulatory improvements). Based on this legislation, the General Telecommunications Law introduces measures aimed at creating an appropriate framework for investing in the deployment of new generation networks, thereby enabling operators to offer innovative services that are more technologically adapted to people's needs.

In line with the foregoing, special note should also be taken of Directive 2014/61/EU on measures to reduce the cost of deploying high-speed electronic communications networks, which mainly seeks to expedite implementation of the "Digital Agenda" of the European Union (EU), published in May 2010. This directive was transposed into Spanish law by Royal Decree 330/2016, on measures to reduce the cost of deploying high-speed electronic communications networks. The legislation (Directive 2014/61/EU and Royal Decree 330/2016) stipulates that access to infrastructure that may be used to host public electronic communications networks must be guaranteed for operators of public electronic communications networks. In this respect, the legislation requires owners and managers of, and holders of rights-of-use to, infrastructure that may be used to host public high-speed electronic communications networks (including network operators that provide physical infrastructure for electricity transmission) to address all requests from telecommunications operators to access such infrastructure applying fair and reasonable terms and conditions.

On 11 January 2022 the CNMC published Communication 1/2021 of 20 December 2021, which contains guidelines regarding the resolution of conflicts concerning access to physical infrastructure that may be used to host high-speed electronic communications networks (Communication/DTSA/001/21). As the CNMC indicates in the text, the Communication is intended to serve as guidance with respect to the content of the applicable legislation (Royal Decree 330/2016) and existing administrative practices, and could be revised periodically in the light of amendments to that legislation, new pronouncements issued by this body, and such jurisprudence as may be enacted in this regard.

Some months later, on 29 June 2022, the aforementioned General Telecommunications Law 11/2022 of 28 June 2022 was published in the Official State Gazette (BOE). This law transposes into Spanish law Directive (EU) 2018/1972 establishing the European Electronic Communications Code.

As already mentioned, with the approval of this law, the General Telecommunications Law 9/2014 of 9 May 2014, hitherto in force, has been replaced. This law is one of the measures included in the Spanish economy Recovery, Transformation and Resilience Plan.

An important aspect of the law is the promotion of investment in networks with very high capacity, introducing features such as geographic studies, and joint investment and shared use of the public domain and private property, providing incentives for shared use of infrastructure and associated resources, as well as shared use of the final sections of the access networks.

The roll-out of 5G figures strongly among the main developments: in the field of infrastructure, the legislation establishes specific provisions to organise the massive deployment of 5G networks. These networks will drive services based on the internet of things, and even autonomous vehicles.

Lastly, Royal Decree-Law 7/2022 of 29 March 2022, on requirements to ensure the security of fifth-generation electronic communications networks and services, was published in March 2022. It lays down the security requirements for the installation, deployment and operation of electronic communications networks and the provision of electronic and wireless communications services based on 5G technology.

Telecommunications in Latin America

The Group provides services in different Latin American countries. In most Latin American countries, an entitlement must be obtained in order to provide satellite capacity to telecommunications service providers. Such entitlement may be in the form of permits, concessions, entry in a register or inclusion on a list of authorised satellites. The satellites in the fleet are duly authorised in all countries where this is required, except where there is no commercial interest or no satellite coverage.

The main countries where such entitlements are held are as follows:

- In Brazil, the Group holds rights to operate various orbit and spectrum resources, as well as a multimedia communications permit that entitles it to provide electronic communications services. The applicable legislation in this case is Resolution no. 220 of 5 April 2000 approving the Regulation on Satellite Operation Rights for the Transmission of Telecommunication Signals, Resolution no. 614 of 28 May 2013 approving the Multimedia Communications Service Regulation, and General Telecommunications Law no. 9,472 of 16 July 1997.
- In Mexico the Group is authorised to provide wholesale satellite internet services and satellite cellular backhaul services. To this end, it holds the sole concession for commercial use, in accordance with the Federal Telecommunications and Broadcasting Law of 14 July 2014.
- In Colombia the Group has been authorised by the ICT Single Register of providers of telecommunications networks and services to render satellite telecommunications services. The applicable legislation is essentially Law 1978 of 2019 on the modernisation of ICT, and Law 1341 of 2009 defining principles and concepts relating to the information society and the organisation of information and communication technologies.

4 Significant Accounting Policies

The accounting principles used in preparing the accompanying consolidated annual accounts have been applied consistently to the reported periods presented and are as follows:

a) Business combinations

The Group accounts for business combinations by applying the acquisition method when control is transferred to the Group. The acquisition date is the date on which the Group obtains control of the acquiree. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree. The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

At the acquisition date the Group recognises the assets acquired and liabilities assumed and any non-controlling interest at the amount of the proportionate share of the net assets acquired. This criterion is only applicable for non-controlling interests which grant present access to economic benefits and entitlement to the proportionate share of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured. The Group also recognises indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquiree, taking into consideration, where applicable, the insolvency risk and any contractual limitations on the indemnified amount.

Any excess of the consideration given, plus the value assigned to non-controlling interests, over the value of net assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after evaluating the consideration given and the value assigned to non-controlling interests, and after identifying and measuring the net assets acquired, is recognised separately in the consolidated income statement.

If the business combination can only be determined provisionally the identifiable net assets are initially recognised at their provisional values and adjustments made during the measurement period are recognised as if they had been known at the acquisition date. Comparative figures for the previous year are restated where applicable. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date.

After a period of one year, the initial measurement is only adjusted when correcting errors.

b) Administrative concessions

The Group operates various assets under service concession arrangements awarded by different public entities. The Group analyses the characteristics of the arrangements to determine whether they fall within the scope of IFRIC 12 Service Concession Arrangements. This Interpretation applies to 'public-to-private' service concession arrangements which meet two conditions:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group recognises service concession arrangements on the basis of the consideration received, as either a financial asset or an intangible asset depending on the type of contractual right stipulated in the contract clauses. The Group recognises:

- A financial asset where the operator has an unconditional right to receive cash or another financial asset from or at the direction of the grantor, and the grantor has little, if any, discretion to avoid payment.

  The financial asset model entails separate identification of the contractual obligations that must be fulfilled and the recognition of income and expenses based on the stage of fulfilment of the obligations, in accordance with the standard for income and expenses explained in section g) of this note, thus generating a financial asset in the form of a receivable. This financial asset is adjusted annually at the implicit financial rate for the concession.

  Redeia, through Red Eléctrica, is the concession holder for the Salto de Chira plant in Gran Canaria, which is recognised under the financial asset model, as explained in note 19. The financial asset has been recognised in financial assets at amortised cost, under other non-current financial assets on the consolidated statement of financial position.

- An intangible asset to the extent that it is entitled to pass on to users the cost of access to or use of the public service, or it has no unconditional contractual right to receive cash or another financial asset.

  The intangible asset model initially entails recognition of an intangible asset at fair value as consideration for construction or upgrade services rendered under the concession arrangement. The intangible asset is subsequently recognised at cost, including capitalised borrowing costs, less accumulated amortisation and accumulated impairment. These concessions are recognised in assets at acquisition cost, less accumulated amortisation and any impairment, and are amortised on a straight-line basis over the concession period. Redeia accounts for electricity transmission concessions in Peru using the intangible asset model, and they are therefore included in note 7. The intangible asset is recognised in administrative concessions and industrial property, under intangible assets on the consolidated statement of financial position.

The contractual obligations assumed by the Group to maintain the infrastructure during the operating period, or to carry out renovation work prior to returning the infrastructure to the transferor upon expiry of the concession arrangement, are recognised using the accounting policy described for provisions, to the extent that such activity does not generate revenue.

c) Intangible assets

Intangible assets are recognised at acquisition cost, which is periodically reviewed and adjusted in the event of a decline in value. Amortisation for the year is expensed and determined on a straight-line basis over the estimated useful life allocated to each item or type of intangible asset.

Intangible assets include the following:

- Licences and industrial property

Licences have a finite useful life and are recognised at acquisition cost, less accumulated amortisation and any impairment. Licences are amortised on a straight-line basis to allocate the cost over their estimated useful lives of five years.

Industrial property is initially measured at cost of acquisition or production and is subsequently carried at cost less accumulated amortisation and any impairment. These assets are amortised over their estimated useful lives of five years.

- Trademark

Amounts recognised under trademark reflect the cost incurred in acquiring trademarks, less any accumulated amortisation and any impairment. This item is amortised over a period of 10 years.

- Development expenses

Development expenses directly attributable to the design and execution of tests for new or improved computer programs that are identifiable, unique and likely to be controlled by the Group are recognised as intangible assets when it is probable that the project will be successful, based on its technical and commercial feasibility, and the associated costs can be estimated reliably. Costs that do not meet these criteria are charged as expenses when incurred. Development expenses are capitalised and amortised, from the date the associated asset comes into service, on a straight-line basis over a period of no more than five years. Computer software maintenance costs are charged as expenses when incurred.

- Computer software

This item includes computer software licences acquired, which are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. Computer software must be amortised on a straight-line basis over a period of three to five years from the date on which each program comes into use.

Computer software maintenance costs are charged as expenses when incurred.

- Goodwill

Goodwill is determined using the same criteria as for business combinations. Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Internally generated goodwill is not recognised as an asset.

- Other intangible assets

This item primarily reflects the right to regulated tariffs arising from the business combination, specifically the right to receive revenue in perpetuity, as well as the purchase price allocation attributable to customers acquired in business combinations (see note 6, “Business Combinations”). These assets are initially measured at fair value.

The right to regulated tariffs has an indefinite useful life and is tested for impairment on an annual basis (see note 4.i).

The customer portfolio is amortised on a straight-line basis over a 10-year period, which is the estimated period during which the customers are expected to be retained.

- Intangible assets under development

Administrative concessions at the construction stage are recognised as intangible assets under development and measured in line with the amount to be disbursed until completion of the construction works, in accordance with IFRIC 12.

d) Property, plant and equipment

Property, plant and equipment primarily comprise technical electricity and telecommunications facilities and are measured at cost of production or acquisition, as appropriate, less accumulated depreciation and impairment. Property, plant and equipment acquired in a business combination are initially recognised at fair value.

This cost includes the following items, where applicable:

- Borrowing costs directly related to property, plant and equipment under construction accrued on external financing solely during the construction period. Nevertheless, capitalisation of borrowing costs is suspended when active development is interrupted for extended periods, except where a temporary delay is a necessary part of the process of getting an asset ready for its intended use.
- Operating expenses directly related to property, plant and equipment under construction for projects executed under the supervision and management of Group companies.
- The initial estimate of the costs of decommissioning and retiring items of property, plant and equipment.

Assets under construction (works underway) are capitalised as work in progress. Work in progress is transferred to property, plant and equipment in use once these items come into service and provided that the assets are in working condition. Property, plant and equipment under construction are not depreciated.

After initial recognition, items of property, plant and equipment are measured on a cost basis, and recognised at cost less accumulated depreciation and any accumulated impairment.

Enlargement or improvement expenses which lead to an increase in productivity or capacity and lengthen the useful life of the assets are stated as an increase in the carrying amount of the asset.

Repair and maintenance costs on property, plant and equipment that do not increase productivity or capacity and which do not lengthen the useful life of the assets are charged directly as expenses when incurred.

- Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, which is the period during which the assets are expected to be used, and in any case applying the following ranges of depreciation rates:

	Annual depreciation rate
Buildings	2% - 10%
Technical electricity facilities	2.5% - 8.5%
Technical telecommunications facilities (fibre optics)	5% - 12.5%
Technical telecommunications facilities (satellite)	As per depreciation schedule
Other installations, machinery, equipment, furniture and other items	4% - 33%

Most undepreciated items of property, plant and equipment are depreciated at a rate of 2.5%. The depreciation charge for each period is recognised in profit or loss.

The residual values and useful lives of assets are reviewed at least annually and adjusted, if necessary, to reflect actual circumstances. Thus, in 2021 the Group decided to re-estimate prospectively as of 1 January 2021 the useful life of its fleet of satellite assets, except for the Hispasat 55W-1, Hispasat 74W-1 and Amazonas 2 satellites, which continue to have a useful life of between 13 and 15 years, and adjusted annual depreciation to a useful life of 16.5 years based on the technical analyses performed. The impact of this change in estimate was a Euros 16 million reduction in the depreciation charge (see note 8).

The average remaining useful life of these assets was 14 years at that point (see note 8).

- Impairment

When the carrying amount of assets exceeds their estimated recoverable amount, it is immediately written down to the recoverable amount. Recoverable amount is understood to be the higher of:

  - Fair value less costs to sell.
  - Value in use, i.e. the present value of the estimated future cash flows from continued use of the asset and disposal thereof.

The Group performs complementary analyses of these indicators in view of the substantial changes to the remuneration regime applicable to electricity transmission assets in Spain.

In 2020 the Group recognised an impairment loss in respect of the assets allocated to the traditional satellite business (Legacy) CGU. This resulted in a Euros 12 million reduction in the depreciation charge for those assets in 2022 and 2021 (see note 8).

The Group measures and determines impairment to be recognised or reversed in respect of the value of its cash-generating units (CGUs) based on the criteria in section i) of this note.

- Other aspects

Government grants and similar subsidies received in relation to the acquisition of these assets are recognised as deferred income and taken to the income statement over the useful lives of the assets.

Property, plant and equipment are derecognised when retired; or when no future economic benefits are expected from their use or disposal. Gains or losses on disposal of an item are calculated based on the difference between any net proceeds from selling the asset and its carrying amount (initial cost less depreciation and impairment). The gains or losses are taken to profit or loss in the year when the item is derecognised. These gains and losses are not included within results from ordinary activities.

e) Investment property

The Group companies measure their investment property at cost of acquisition. When the carrying amount of these assets exceeds their estimated recoverable amount, it must be written down immediately. The market value of the Group's investment property is disclosed in note 10 to the consolidated annual accounts.

Investment property, except land, is depreciated on a straight-line basis over the estimated useful life.

f) Leases

As a result of applying IFRS 16, the Group assesses at the inception of a contract whether that contract contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only reassesses the terms and conditions when the contract is modified.

- Lessee

In contracts that contain one or more lease components or non-lease components, the Group assigns the consideration of the contract to each lease component in accordance with the independent sale price of the lease component and the aggregate individual price of the non-lease components.

Payments made by the Group that do not constitute a transfer of goods or services thereto by the lessor do not constitute a separate lease component, but form part of the total consideration of the contract.

At the commencement date of the lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability; any lease payments made at or before the commencement date, less incentives received; initial direct costs incurred; and an estimate of dismantling or restoration costs to be incurred, pursuant to the criteria for provisions.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts lease payments at the appropriate incremental borrowing rate, unless the implicit interest rate of the lessor can be determined reliably.

Outstanding lease payments comprise fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, providing the lease term reflects the lessee exercising the option to terminate the lease.

The Group measures right-of-use assets at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the contract transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies the impairment criteria for non-current assets described in section 4.c) to the right-of-use asset.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises variable payments not included in the initial measurement of the lease liability in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group recognises remeasurements of the lease liability as an adjustment to the right-of-use asset, until the latter is reduced to zero, after which, it is taken to profit or loss.

The Group remeasures the lease liability by discounting the lease payments at a revised discount rate, if there has been a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or a change in the index or rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review.

The Group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets; and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group allocates the consideration in the modified contract applying the criteria described above, determines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group adjusts the carrying amount of the right-of-use asset for all other lease modifications.

The Group has elected not to apply the accounting policies indicated for short-term leases and leases in which the value of the underlying asset is less than Euros 5,000.

In the statement of cash flows, payments associated with leases that fall within the scope of IFRS 16, included in the above-mentioned policy, are recognised at the amount of the principal under Other payments for financing activities, within Cash flows from (used in) financing activities. Interest payments associated with the lease are classified under Interest paid and other, within Other cash flows used in operating activities.

- Lessor

The Group recognises operating lease income on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefits deriving from the leased asset are diminished.

g) Financial assets and financial liabilities

Initial recognition and measurement

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 Financial Instruments: Presentation.

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

A financial asset or financial liability is initially measured at its fair value plus, in the case of an item not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables that do not contain a significant financing component are initially measured at their transaction price.

Classification and subsequent measurement

- Financial assets:

Upon initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Assets are classified on the basis of the business model and contractual terms of the assets.

A financial asset shall be measured at amortised cost if both of the following conditions are met and it is not measured at fair value through profit or loss:

  - The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met and it is not measured at fair value through profit or loss:

  - The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Group may make an irrevocable election to present in other comprehensive income changes in the fair value. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets shall not be reclassified after initial recognition, unless the Group changes its business model for managing financial assets.

The Group classifies financial assets, excluding equity-accounted investments, into the following categories:

- Amortised cost: financial assets classified under this category are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced for impairment losses. Interest income, exchange gains and losses and impairment are recognised in profit or loss. Any gains or losses arising on derecognition are recognised directly in the consolidated income statement.
- At fair value through other comprehensive income: these assets are subsequently measured at fair value. The resulting net gain or loss is recognised in other comprehensive income. Cumulative gains or losses in other comprehensive income are not reclassified to profit or loss upon derecognition. In the case of equity instruments classified in this category, gains or losses arising from changes in fair value at the reporting date are recognised directly in other comprehensive income and are never reclassified to profit or loss.

Dividends from equity investments classified as at fair value through other comprehensive income are recognised in the consolidated income statement when the Company's right to receive payment is established.

- At fair value through profit or loss: these assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

- Financial liabilities:

Financial liabilities, which include loans, payment obligations and similar commitments, are initially recognised at fair value less any transaction costs incurred. Such debt is subsequently measured at amortised cost, using the effective interest method, except in the case of transactions for which hedges have been arranged (see section o).

Financial debt is classified under current liabilities unless the debt falls due more than 12 months after the reporting date, in which case it is classified as non-current.

Derecognition

- Financial assets:

The Group derecognises a financial asset when the contractual rights to receive cash flows from the asset expire or are transferred in a transaction in which it transfers substantially all the risks and rewards of ownership of the financial asset or it neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the transferred assets.

- Financial liabilities:

The Group derecognises a financial liability when the obligation in the contract is discharged or cancelled or expires. The Group also derecognises a financial liability when the terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at fair value, based on the new terms. Upon derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

h) Inventories

Inventories of materials and spare parts are measured at cost of acquisition, which is calculated as the lower of weighted average price and net realisable value.

The cost of acquisition comprises the purchase price, import duties and other non-recoverable taxes, as well as transport, handling and other costs directly attributable to the acquisition of the materials or services. Trade discounts, rebates and other similar items are deducted in determining the cost of acquisition.

The cost of any financing used to acquire the inventories can be recognised as an increase in the cost of the inventories until the assets are substantially ready for use or sale.

The Group assesses the net realisable value of inventories at the end of each reporting period, recognising impairment in the consolidated income statement when the cost exceeds market value or when it is uncertain whether the inventories will be used. When the circumstances that caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the previously recognised impairment is reversed and recognised as income.

i) Impairment

- Financial assets

Impairment is calculated by applying the general approach used to calculate expected credit losses on financial assets; except trade receivables, for which the simplified approach set out in IFRS 9 is used, whereby impairment is measured at an amount equal to the lifetime expected credit losses of the asset.

In order to determine whether there has been a significant increase in credit risk of a financial asset since its initial recognition, or to estimate the lifetime expected credit losses of the asset, the Group considers all reasonable and supportable information that is relevant and available without undue cost and effort. This includes quantitative and qualitative information based on the experience of the Group or of other entities of historical credit losses, and observable market information about the credit risk of the specific financial instrument or similar financial instruments. The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due. Similarly, the Group considers that a financial asset is in default when it is more than 90 days past due, unless there is reasonable and supported information that demonstrates its recoverability.

The Group considers that a debt instrument presents a low level of risk when its credit rating is at least “investment grade” at one of the prestigious rating agencies. The maximum period over which expected credit losses are measured is the maximum contractual period over which the Group is exposed to credit risk.

In general terms, IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit losses are measured as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

In broad terms, expected loss is calculated as follows:

EAD (exposure at default) x PD (probability of default) x LGD (loss given default) x DF (discount factor).

Where EAD is the exposure to risk and is measured based on the accounting balances (outstanding balances receivable in the form of a cash flow or other financial asset) less any prepayments and any bank or other guarantees provided by the customer. PD is the probability of default. LGD is the loss that would be incurred in the event of debtor default and is calculated as (1 – recovery rate). The recovery rate depends on the specific guarantees of the receivable or loan. DF is the time value of money.

Following a hierarchy in accordance with IFRS 13, i.e. from most observable inputs to least observable inputs, the following methods are used:

- If the debtor has quoted credit default swaps (CDS), the probability of default is generally obtained from the CDS, as this is the most objective market credit measure of the probability of default of a company at a specific point in time.
- If the debtor does not have a quoted CDS, the company’s rating from each credit rating agency that has issued a report is selected and used to calculate the probability of default.

- If the debtor does not have a rating, a theoretical rating can be calculated by comparing the debtor's ratios with those of other companies that do have a rating.

Provisions for impairment of financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Impairment related to trade and other receivables, including, where appropriate, contract assets under IFRS 15, is presented in the consolidated income statement.

- Non-financial assets

The Group companies analyse the recoverability of their assets at each reporting date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. Assets with indefinite useful lives are tested for impairment at least annually and the remaining assets are tested whenever there are indications of impairment.

Impairment is deemed to exist when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. An impairment loss is the difference between the carrying amount of an asset and its recoverable amount. The recoverable amount of the assets is the higher of their fair value less costs of disposal and their value in use. Value in use is calculated on the basis of expected future cash flows.

Impairment losses recognised for an asset in prior years are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, increasing the value of the asset with a credit to profit or loss up to the limit of the carrying amount that would have been determined for the asset had no impairment loss been recognised. Impairment losses on goodwill are not reversed in subsequent years.

Impairment is calculated for individual assets. Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the cash-generating unit (CGU) to which that asset belongs is calculated.

The Group has cash-generating units (CGUs), which are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs identified are related to electricity transmission (in Spain, Peru, Chile and Brazil) and telecommunications associated with the satellite and fibre optics businesses.

The Group tests for impairment when it observes indications, such as amendments to sector regulations, changes in investment plans, or changes in business performance and other parameters, that could bring to light possible impairment losses on non-financial assets subject to amortisation or depreciation. In order to calculate impairment, the Group verifies that the recoverable amount of each cash-generating unit with which the assets are associated, or of individual assets, exceeds the carrying amount.

Otherwise, an impairment loss is recognised in the consolidated income statement for the difference between the two, with a charge to impairment and gains/losses on disposal of fixed assets, up to the limit of the higher of: (i) its fair value less costs to sell and (ii) its value in use.

j) Share capital, own shares and dividends

Share capital is represented by ordinary shares. The cost of issuing new shares, net of taxes, is deducted from equity.

Own shares are measured at cost of acquisition and recognised as a reduction in equity in the consolidated statement of financial position. Any gains or losses on the purchase, sale, issue or redemption of own shares are recognised directly in equity.

Interim dividends are recognised as a reduction in equity for the year in which the dividend is declared, based on the consensus of the board of directors. Supplementary dividends are not deducted from equity until approved by the shareholders at their general meeting.

k) Grants and other

Non-repayable government capital grants and similar subsidies awarded by different official bodies to finance the Group's fixed assets are recognised once the corresponding investments have been made.

The Group recognises these grants under non-financial and other capital grants each year during the period in which depreciation is charged on the assets for which the grants were received. Where the grant is awarded on the basis of product units sold and is part of the selling price of the goods and services, the amount is included in the revenue item to which it relates.

Government assistance provided in the form of income tax deductions and considered as government capital grants is recognised applying the general criteria described in the preceding sections.

l) Contract liabilities

Non-current contract liabilities, generally arising from long-term contracts or commitments, are recognised in the appropriate revenue item over the term of the contract or commitment.

m) Provisions

- Employee benefits
  - Pension obligations

  The Group has defined contribution plans, whereby the benefit receivable by an employee upon retirement – usually based on one or more factors such as age, fund returns, years of service or remuneration – is determined by the contributions made. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions are recognised under employee benefits when accrued.

  - Other long-term employee benefits

  Other long-term employee benefits include defined benefit plans other than pension plans (such as health insurance) for certain serving and retired personnel of the Group. The expected costs of these benefits are recognised under provisions over the working life of the employees. These obligations are measured each year by independent qualified actuaries. Changes in actuarial assumptions are recognised, net of taxes, in reserves under equity in the year in which they arise, while the past service cost is recorded in the consolidated income statement.

  This item also includes deferred remuneration schemes, which are approved by the competent bodies in each of the Group companies (see note 16).

  In 2015 the Group's Appointments and Remuneration Committee approved the implementation of a Structural Management Plan (hereinafter the “Plan”) for certain members of the management team, with the aim of processing, in an orderly and efficient manner, the replacement and administration of the management positions covered in the Plan. Upon reaching the age stipulated, the executives included in the Plan will be entitled to receive an amount equal to a maximum of 3.5 times their annual salary, depending on their category and annual fixed and variable remuneration at the date of leaving the Group. Participation in the Plan is subject to meeting certain conditions, and the Plan may be modified or withdrawn by the Group under certain circumstances, including a prolonged decline in the Group's results (see note 16).

- Other provisions

The Group makes provision for present obligations (legal or constructive) arising as a result of a past event whenever it is probable that an outflow of resources will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is made when the liability or obligation is recognised. No provision is made for proceedings with a probability of occurrence of less than 50% as it is considered that such proceedings will have a favourable outcome.

Provisions are measured at the present value of the estimated expenditure required to settle the obligation using a pre-tax risk-free discount rate that reflects assessments of the time value of money. The increase in the provision due to the passage of time is recognised as a finance cost in the consolidated income statement.

n) Transactions in currency other than the Euro

- Foreign currency transactions

Foreign currency transactions are translated to the respective functional currency of the Group companies at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency using the closing exchange rate. Exchange gains and losses arising during the year due to balances being translated at the exchange rate at the transaction date rather than the exchange rate prevailing on the date of collection or payment are recognised as income or expenses in the consolidated income statement.

Fixed income securities and balances receivable and payable in currencies other than the Euro at 31 December each year are translated at the closing exchange rate. Any exchange differences arising are recognised under exchange gains/losses in consolidated profit or loss.

Transactions conducted in foreign currencies for which the Group has chosen to mitigate currency risk by arranging financial derivatives or other hedging instruments are recorded using the criteria for derivative financial instruments and hedging transactions.

- Foreign operations

The assets and liabilities of foreign operations are translated to Euros using the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euros using the exchange rates at the transaction dates.

Translation differences are recognised in other comprehensive income and presented within equity.

o) Derivative financial instruments and hedging transactions

The Group holds derivative financial instruments to cover its exposure to currency risk and interest rate risk. The Group designates certain derivatives as hedging instruments for covering variability in the cash flows associated with highly probable forecast transactions as a result of fluctuations in interest rates and exchange rates.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges.

Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated.

Derivative financial instruments are initially recognised in the consolidated statement of financial position at their fair value on the date the arrangement is executed (acquisition cost) and this fair value is subsequently adjusted as necessary. The criterion used to recognise the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedged item.

When a hedging instrument expires or is sold, or when it no longer qualifies for hedge accounting, any cumulative gain or loss recorded in equity at that time remains in equity, and is immediately reclassified to the consolidated income statement as and when changes in cash flows of the hedged item occur. Any cumulative gain or loss is also reclassified from equity to the consolidated income statement if the forecast transaction is no longer expected to occur.

The Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance costs or finance income.

The separate component of other comprehensive income associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies into finance income or finance costs the amount that is not expected to be recovered.

Details of the fair value of the hedging derivatives used are disclosed in note 20. Details of changes in equity are provided in note 14.

p) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether that price is directly observable or estimated using another valuation technique.

The fair value measurements of financial assets and financial liabilities are classified on the basis of a hierarchy that reflects the relevance of the inputs used in measuring the fair value. The hierarchy comprises three levels:

- Level 1: measurement is based on quoted prices for identical instruments in active markets.
- Level 2: measurement is based on inputs that are observable for the asset or liability.
- Level 3: measurement is based on inputs derived from unobservable market data.

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Specifically, the Group calculates the fair value of derivative financial instruments that are not traded on organised markets using valuation techniques, including recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analyses using the market interest rates and exchange rates in force at the reporting date, and option pricing models enhanced to reflect the particular circumstances of the issuer.

q) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Payables falling due in less than one year that have no contractual interest rate and are expected to be settled in the short term are measured at their nominal amount.

r) Income and expenses

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised according to the pattern of transfer of goods and services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The majority of the Group's revenues are regulated revenues from transmission and system operation activities in Spain (see notes 3, 24 and 28). The Group subsidiary Red Eléctrica de España, S.A.U. (Red Eléctrica) has been designated to carry out the electricity transmission and system operation activities on an exclusive basis. Both of these activities are regulated by Electricity Industry Law 24/2013. This legislation, which was subsequently implemented by Royal Decree 1047/2013 and by the CNMC Circulars approved in 2019, sets on an annual basis the amount of remuneration to be received for both activities in order to cover the services that Red Eléctrica renders to consumers and other electricity sector agents on an uninterrupted basis throughout the year.

The obligation arising from rendering the electricity transmission service is considered to be a single performance obligation, and the total price is therefore allocated in full to that obligation. Similarly, the legal obligations included within the obligation of the electricity system operator are understood to comprise a single performance obligation, identified as "providing the electricity system operation service". As a result, revenue from the performance obligations of transmission and system operation services is recognised over time, on a straight-line basis, for each year.

Revenue associated with the telecommunications business essentially derives from the following:

- contracts to provide satellite capacity lease services to different customers in the telecommunications sector, which are considered to be a single performance obligation for which the revenue is recognised on a straight-line basis over time, as the service is rendered to the customer.
- contracts whereby the rights to use the fibre optic backbone network and cables are granted to different customers in the telecommunications sector, as well as services rendered to those customers, which are considered to be a single performance obligation. Revenue from these contracts is recognised over time, as the service is rendered to the customer.

Initial estimates of revenue are reviewed where circumstances so require. These reviews may result in an increase or reduction in revenue, which would be recognised in profit or loss for the period in which the circumstances giving rise to the review become known to and are agreed upon by the parties.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment is established.

s) Taxation

The income tax expense or tax income for the year comprises current tax and deferred tax. Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised in the same year, directly in equity, or from a business combination.

Current tax is the estimated tax payable for the year using the enacted tax rates applicable to the current year and to any adjustment to tax payable in respect of previous years.

Tax credits and deductions arising from economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

Deferred taxes and the income tax expense are calculated and recognised using the liability method, based on temporary differences arising between the balances recognised in the financial information and those used for tax purposes. This method entails calculating deferred tax assets and liabilities on the basis of the differences between the carrying amount of the assets and liabilities and their tax base, applying the tax rates that are objectively expected to apply to the years when the assets are realised and the liabilities settled.

Deferred tax assets are recognised provided that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are recognised in respect of the temporary differences that arise from investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will reverse in the foreseeable future.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or generated the profit necessary to obtain the right to the deduction or tax credit.
- Temporary differences arising from the elimination of profits and losses on transactions between tax group companies are recognised by the company that generates the profit or loss, using the applicable tax rate.
- The Parent of the Group records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables (payables) from/to Group companies and associates.
- The amount of the debt (credit) relating to the subsidiaries is recognised with a credit (debit) to payables (receivables) to/from Group companies and associates.

If the Group considers that it is not probable that the taxation authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, this uncertainty is taken into account when determining taxable income, tax bases, tax loss carryforwards, deductions or tax rates. Tax assets or tax liabilities calculated using these criteria that exceed the amount presented in the self-assessments are presented in the consolidated statement of financial position. Changes in events or circumstances relating to tax uncertainties are recognised as a change in accounting estimates.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

t) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding own shares.

According to the consolidated annual accounts of the Group at 31 December 2022 and 2021, basic earnings per share are the same as diluted earnings per share, as no transactions that could have resulted in a change in those figures were conducted during those years.

u) Insurance

The Group companies have taken out various insurance policies to cover the risks to which the companies are exposed through their activities. These risks mainly comprise damage that could be caused to the Group companies' facilities and possible claims that might be lodged by third parties due to the companies' activities. Insurance premium expenses and income are recognised in the consolidated income statement on an accruals basis. Payouts from insurance companies in respect of claims are recognised in the consolidated income statement when they are receivable.

v) Environment

Costs derived from business activities intended to protect and improve the environment are charged as expenses in the year in which they are incurred. Property, plant and equipment acquired to minimise environmental impact and to protect and improve the environment are recognised as an increase in property, plant and equipment.

w) Share-based payments

The Group has implemented share purchase schemes whereby employees can opt to receive part of their annual remuneration in the form of shares in the Parent. This remuneration is measured based on the closing quotation of these shares at the delivery date. The costs incurred on such schemes are recognised under personnel expenses in the consolidated income statement. All shares delivered as payment are taken from the own shares held by the Parent.

x) Contingent assets and liabilities

Contingent assets are not recognised in financial statements since this could result in the recognition of income that may never be realised, except in business combinations to the extent that they represent indemnification assets. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Contingent liabilities are not recognised in the financial statements, except in business combinations to the extent that they represent present obligations arising from past events for which the fair value can be reliably measured. Contingent liabilities are assessed continually and if it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

5 Considerations Regarding the Macroeconomic Scenario

As a result of the tensions in recent years between Russia and Ukraine, an armed conflict broke out on 24 February 2022 and is still ongoing at the date of authorising these consolidated annual accounts for issue. In response to this military action, a number of countries have announced various economic sanctions against Russia and have suspended or interrupted the activities carried out by public and private companies in the country.

This has led to much uncertainty and significant global economic volatility, in turn resulting in higher prices, revaluation of various currencies against the Euro, disruption of current market conditions, suspension of trade relations with Russia, in some cases a disruption of the supply chain and, ultimately, increased interest rates both within and outside the European Union.

Redeia has no direct or indirect commercial relations with Russia or Ukraine, nor does it have investments in investees or assets in either of these countries. Moreover, its financial risk policy ensures that all risks associated with this conflict are identified, analysed, managed and assessed.

Facilities operation and maintenance was conducted normally in 2022, as was work to build new infrastructure. Furthermore, no significant incidents occurred during the period that posed a risk as regards meeting electricity demand and keeping the system up and running correctly; neither were any transmission network incidents recorded that in any way compromised the operation of the Spanish electricity system.

Both the international electricity infrastructure business and the telecommunications business have been providing services with no incidents arising. Moreover, the availability of facilities has remained at normal levels, and no service quality incidents have been reported.

The electricity sector is currently impacted by tensions in the wholesale market stemming from the armed conflict mentioned above. In Spain, as in neighbouring countries, the average price of electricity hit record highs in 2022. This situation has forced EU and domestic authorities to take steps to mitigate the impact (see note 3.a).

From a financial and economic perspective, Redeia's financial position remains robust, enabling it to continue to address these circumstances, and the measures aimed at bolstering its liquidity continue to be applied. In the course of 2022 the Group sold a non-controlling interest in Reintel for Euros 996 million and arranged loans amounting to Euros 1,180 million, US Dollars 97 million and Euros 250 million drawable in multiple currencies (in 2021 it made a Euros 600 million bond issue and arranged loans amounting to Euros 610 million and US Dollars 30 million). Following these transactions, and having already settled due debts and the payments arising from the Group's activity, the Group's liquidity position at December 2022 stands at Euros 3,305 million, specifically Euros 1,510 million in available cash and short-term money market investments, and Euros 1,795 million in undrawn credit facilities. This position ensures the Group's ability to meet its operating cash flow requirements and to honour forecast debt maturities up to 2024.

The Group's management and directors will continue to assess the situation and closely monitor any incidents arising in the infrastructure it manages, as well as trends in other external factors and the impact such factors could have on the financial statements.

6 Business Combinations

Business combinations carried out in 2022

- **Acquisition of Axess Networks Solutions Holdings, S.L.**

On 9 August 2022, after obtaining all the necessary authorisations and fulfilling the conditions precedent, Hispasat S.A. acquired 100% of the share capital of Axess Networks Solutions Holdings, S.L. (hereinafter "Axess Networks"), which has been fully consolidated in Redeia since that date.

Axess Networks is a telecommunications company specialising in satellite services and solutions for the corporate market (telcos and large companies) and public entities. It is present in Latam (Colombia, Mexico, Peru, Ecuador and Chile) and EMEA (mainly Africa and the Middle East).

The purchase price allocation (PPA) was completed at the 2022 reporting date and the Group allocated the excess of the price paid over the carrying amount of the net assets acquired primarily to goodwill and the customer portfolio. This business combination has been accounted for in accordance with IFRS 3.

The Group has recognised the assets acquired and liabilities assumed at their fair value as determined by an independent expert. The table below summarises the net assets acquired at the acquisition date:

Thousands	USD			EUR		
	09/08/2022	Adjustments	Fair value	09/08/2022	Adjustments	Fair value
Intangible assets	20,284	49,744	70,028	19,855	48,692	68,547
Property, plant and equipment	21,291	-	21,291	20,841	-	20,841
Other non-current assets	1,949	4,158	6,107	1,908	4,070	5,978
Other current assets	22,581	-	22,581	22,104	-	22,104
Cash and cash equivalents	2,825	-	2,825	2,765	-	2,765
Total assets	**68,930**	**53,902**	**122,832**	**67,473**	**52,762**	**120,235**
Non-controlling interests	(748)	-	(748)	(732)	-	(732)
Non-current liabilities	(27,353)	(28,638)	(55,991)	(26,775)	(28,032)	(54,807)
Current liabilities	(16,289)	-	(16,289)	(15,944)		(15,945)
Total liabilities	**(44,390)**	**(28,638)**	**(73,028)**	**(43,451)**	**(28,032)**	**(71,484)**
Total net assets	**24,540**	**25,264**	**49,804**	**24,022**	**24,729**	**48,751**
Price paid (100%)			**95,567**			**93,702**
Goodwill			**45,763**			**44,951**

The main fair value adjustments applied to the identifiable assets and liabilities of Axess are as follows:

- Recognition of an intangible asset to reflect the value of the customer portfolio. The value allocated to probable future profits from contractual relations with customers amounts to Euros 48,692 thousand (US Dollars 49,744 thousand). This intangible asset has a useful life of 10 years. The customer portfolio has been measured using the multi-period excess earnings method (MEEM).
  - The main measurement parameters used were as follows:
    - Discount rate for intangible assets: 8.7% post-tax.
    - Average annual cancellation rate of 5% and 2% for customers in the Americas (essentially Colombia, Mexico, Ecuador, Chile and Peru) and EMEA geographical regions, respectively.
- Recognition of non-current liabilities amounting to Euros 28,032 thousand (US Dollars 28,638 thousand), with details as follows:
  - Euros 14,480 thousand (US Dollars 14,793 thousand) of deferred tax liabilities essentially relating to fair value adjustments for assets, considering the nominal tax rate applicable depending on where the assets are located.
  - Euros 11,172 thousand (US Dollars 11,413 thousand) in respect of certain contingent liabilities.

The goodwill resulting from this business combination is attributable to the benefits and synergies expected to arise in the Hispasat Group from the acquisition and integration of Axess Networks. During the allocation process, goodwill of Euros 44,951 thousand (equal to US Dollars 45,763 thousand) was identified, which, together with the goodwill on the balance sheet of Axess Networks, amounts to total goodwill at the business combination date of Euros 57,062 thousand (equal to US Dollars 58,135 thousand), representing Euros 55,037 thousand at 31 December 2022.

Consolidated revenue and the consolidated net loss for the period, contributed since the date of acquisition, amount to Euros 28,500 thousand and Euros 1,274 thousand, respectively. Had the acquisition taken place on 1 January 2022, the consolidated revenue and consolidated net loss contributed would have amounted to Euros 66,346 thousand and Euros 2,849 thousand, respectively.

The Group incurred acquisition costs of Euros 2,776 thousand, of which Euros 1,776 thousand were accrued in 2022 and the rest was booked in prior years. These costs were included under other operating expenses in the consolidated income statement.

Business combinations carried out in 2021

- **Acquisition of a satellite television broadcast business in Peru.**

On 1 May 2021, through Hispasat Perú S.A.C. (hereinafter Hispasat Peru), a wholly owned subsidiary of Hispasat, S.A., a series of assets for the management and transmission of video signals in Latin America were acquired.

The transaction consisted of the transfer of fixed assets and customer agreements, as well as the operational infrastructure required to provide the service, and included the transfer of employees, who will now form part of the Hispasat Peru workforce.

The transaction price totalled Euros 6.7 million (US Dollars 7.7 million), which was fully paid on 31 December 2021; consequently, no liability was recognised at that date in connection with this purchase.

The transaction was considered a business combination and the purchase price allocation (PPA), which was entrusted to an independent expert, was completed at 31 December 2022.

The table below summarises the amounts recognised for the assets acquired and liabilities assumed at the acquisition date:

Thousands of Euros	01/05/2021
Intangible assets	**3,788**
- Customer portfolio	3,788
Property, plant and equipment	**2,890**
- Technical telecommunications facilities	1,957
- Under construction and advances	933
Total net assets	**6,678**

Consolidated revenue and consolidated net profit at 31 December 2021, contributed since the date of acquisition, amounted to Euros 19.1 million and Euros 3.5 million, respectively.

The Group incurred acquisition costs of Euros 0.8 million. These costs were included under other operating expenses in the consolidated income statement.

In addition to the price paid for the assets to manage the above-mentioned video signal transmission business in Latin America, the sale-purchase agreement stipulates that the Group company Hispasat Perú, S.A.C., as the buyer, undertakes to pay the vendor an amount in 2024 and 2025 that is subject to and contingent on achieving a certain business indicator at 31 December 2023 and 2024, respectively.

At the 2022 reporting date these indicators have been fulfilled, and thus a contingent liability of Euros 936 thousand has been recognised (see note 16).

7 Intangible Assets

Movement in intangible assets and details of accumulated amortisation during 2022 and 2021 are as follows:

Thousands of Euros	31 December 2020	Exchange differences	Changes in the consolidated Group	Additions	Disposals	Transfers	31 December 2021	Exchange differences	Changes in the consolidated Group	Additions	Disposals	Transfers	31 December 2022
Administrative concessions and industrial property	388,390	29,462	-	275	-	75	418,202	25,224	-	5,548	-	41	449,015
Trademark	15,234	-	-	-	-	-	15,234	-	-	-	-	-	15,234
Development expenses and computer software	90,491	360		-	(662)	5,704	95,893	354	601	1,889	-	18,358	117,095
Goodwill	231,415	279	-	-	-	-	231,694	(1,801)	57,062	-	-	-	286,955
Other intangible assets	45,242	3,774	3,788	-	-	-	52,804	1,059	55,835	-	-	-	109,698
Intangible assets under development	13,013	1,085	-	36,301		(6,380)	44,019	614	-	39,225	-	(18,399)	65,459
Total intangible assets	**783,785**	**34,960**	**3,788**	**36,576**	**(662)**	**(601)**	**857,846**	**25,450**	**113,498**	**46,662**	**-**	**-**	**1,043,456**
Accumulated amortisation of Administrative concessions and industrial property	(44,396)	(4,639)	-	(18,027)	-	-	(67,062)	(3,870)	-	(20,785)	-	(340)	(92,057)
Accumulated amortisation of Trademark	(1,905)	-	-	(1,523)	-	-	(3,428)	-	-	(1,523)	-	-	(4,951)
Accumulated amortisation of Development expenses and computer software	(40,955)	(18)	-	(18,900)	343		(59,530)	(10)	-	(20,476)	-	20	(79,996)
Accumulated amortisation of Other intangible assets	-	-	-	(1,528)			(1,528)	(62)	-	(4,356)	-	320	(5,626)
Total accumulated amortisation	**(87,256)**	**(4,657)**	**-**	**(39,978)**	**343**	**-**	**(131,548)**	**(3,942)**	**-**	**(47,140)**	**-**	**-**	**(182,630)**
Impairment of administrative concessions and industrial property	(5,357)	-	-	-	-	-	(5,357)	-	-	-	-	-	(5,357)
Impairment of trademark	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of development expenses and computer software	(322)	-	-	-	-	-	(322)	-	-	-	-	-	(322)
Total impairment	**(5,679)**	**-**	**-**	**-**	**-**	**-**	**(5,679)**	**-**	**-**	**-**	**-**	**-**	**(5,679)**
Carrying amount	**690,850**	**30,303**	**3,788**	**(3,402)**	**(319)**	**(601)**	**720,619**	**21,508**	**113,498**	**(478)**	**-**	**-**	**855,147**

- Gross intangible assets

Administrative concessions and industrial property mainly include the service concession arrangements awarded by different public entities to the Group companies for the construction and operation of technical electricity facilities in Peru, different bandwidth licences awarded to the Group for the use of orbital slots above Brazilian territory, and the renewal of satellite orbital rights at 61º west.

Details of concession arrangements under operation and/or construction in Peru at 31 December 2022 are as follows:

Thousands of Euros	Redesur	Tesur	Tesur 2	Tesur 3	Tesur 4*	CCNCM
Grantor	Peruvian State	Peruvian State	Peruvian State	Peruvian State	Peruvian State	Peruvian State
Activity	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission	Electricity transmission
Country	Peru	Peru	Peru	Peru	Peru	Peru
Concession period from start-up of commercial operations	30 years	30 years	30 years	30 years	30 years	30 years
Remaining useful life	9 years	22 years	26 years	28 years	30 years	25 years
Tariff review frequency	Annual	Annual	Annual	Annual	Annual	Annual
Carrying amount at 31/12/2022	31,048	51,372	46,434	28,184	34,611	161,428
Carrying amount at 31/12/2021	32,756	50,637	45,447	27,519	22,553	145,377
Revenue in 2022	19,333	7,462	5,937	4,366	-	17,718
Revenue in 2021	15,843	6,204	4,966	2,333	-	14,653
Profit/(loss) for 2022	4,240	1,137	1,505	1,286	(5,280)	(2,714)
Profit/(loss) for 2021	4,951	250	1,222	207	(259)	(4,531)
Renewal options	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract	Not stipulated in contract

* Tesur 4 is under construction at 31 December 2022.

The different band licences held by the Hispasat subgroup to operate orbital slots, as well as other satellite rights over orbital slots, are likewise included.

Trademark includes the Hispasat trademark arising from the recognition of the business combination resulting from the acquisition of Hispasat in October 2019 for Euros 15,234 thousand. This item is amortised over a period of 10 years.

Goodwill amounting to Euros 287 million at 31 December 2022 (Euros 232 million in 2021) derives from the Hispasat and CCNCM business combinations, and the inclusion of Axess this year (see notes 2.g and 6). The goodwill does not give rise to any deferred tax liability as it is not expected to be tax deductible in the future. This item is not amortised and is tested for impairment annually.

Other intangible assets include the perpetual right to regulated tariffs arising from the acquisition of transmission facilities forming part of the Chilean National Transmission System, included in Redenor 2, in an amount of Euros 52,050 thousand (Euros 49,016 thousand in 2021). This item is not amortised as it has an indefinite useful life, and is tested for impairment annually.

This item also includes the customer portfolio recognised as a result of the business combination arising from the acquisition of Axess (see note 6). An amount of Euros 55,835 thousand was recognised under changes in the consolidated Group in 2022 when this company joined the Group. At 31 December 2022 this customer portfolio has a carrying amount of Euros 52,022 thousand. The customer portfolio is amortised over 10 years. Lastly, changes in the consolidated Group in 2021 included the customer portfolio recognised as a result of the business combination arising from the acquisition of the signal management and transmission business in Peru (see note 6), which was fully amortised at the 2022 reporting date.

Intangible assets under development at 31 December 2022 and 2021 mainly include the acquisition and development of computer software for the Group's system operation and transmission activities, and the construction of facilities under concession arrangements, which is being carried out by the Peruvian company Tesur 4. These facilities came into service in January 2023.

- Capitalised expenditure

Operating expenses of Euros 12,044 thousand incurred directly in connection with intangible assets were capitalised in 2022 (Euros 9,559 thousand in 2021). The Group also recognised innovation and development expenditure amounting to Euros 8,820 thousand in the consolidated income statement in 2022.

During 2022 the Group capitalised borrowing costs of Euros 858 thousand as an increase in intangible assets (Euros 262 thousand in 2021).

- Fully amortised intangible assets

At 31 December 2022 the Group has fully amortised intangible assets amounting to Euros 44,474 thousand (Euros 27,943 thousand in 2021), most of which comprise development expenses and computer software.

- Investments in intangible assets located outside Spain

At 31 December 2022 the carrying amount of intangible assets located outside of Spain is Euros 442,193 thousand (Euros 407,505 thousand in 2021).

- Investment commitments

The Group has no firm commitments to purchase significant amounts of intangible assets relative to its present volume of assets, and to the investments it makes and plans to make.

- Insurance

The Group has taken out insurance policies to cover the risks to which its intangible assets are exposed. These policies provide adequate protection against the risks covered.

- Impairment analysis of intangible assets subject to amortisation

The Group assesses whether there are indications of possible impairment losses on assets subject to amortisation or depreciation to determine whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use (see note 4.h).

Given the presence of indications of impairment due to the macroeconomic scenario discussed in note 5, intangible assets subject to amortisation in the **electricity transmission CGU in Peru** have been tested for impairment. The Group has not recognised any impairment as a result of such tests.

When testing for impairment, projections of future cash flows were considered. Projections have been drawn up for each concession period (30 years as of entry into commercial service). Cash flows estimated beyond five years are deemed to be reliable on the basis of Redeia's experience of concessions in the Peruvian electricity transmission market, whereby revenue is regulated over a 30-year period.

The assumptions included in the projections used are based on up-to-date business forecasts and own past experience. The main assumptions used are as follows:

- Regulated remuneration: including estimated cash flows up to the end of the concession arrangements, assuming a rate of return on the investment that is aligned with regulations in force in Peru.
- Investment: the best information available on the asset investment and maintenance plans for the infrastructure throughout the estimated time period has been used.
- Operating and maintenance costs: projected in line with the growth expected to derive from the investment plan.

- Other costs: projected based on knowledge of the sector and past experience and in line with the growth expected to derive from the investment plan.
- Weighted average cost of capital (WACC) discount rate: a weighted pre-tax rate of 8.64% obtained from a report drawn up by an independent expert has been used.

The sensitivity analysis was performed considering reasonably possible changes in the main assumptions, such that a 0.5% increase in the discount rate and a 0.5% decrease in the growth rate would not entail impairment. No sensitivities have been applied to other assumptions, in view of the activity's regulated nature.

With respect to the assets allocated to the **traditional satellite business (Legacy) CGU**, the assumptions used in the calculation thereof are explained in note 8. In 2022 and 2021, the Group tested these assets for possible indications of impairment and concluded from this analysis that there were no events that would require any changes to the Euros 5.7 million impairment provision recognised in 2020.

As a result of recognising impairment losses on assets in 2020, the amortisation charge in 2022 was reduced by approximately Euros 0.7 million.

- Impairment analysis of intangible assets with indefinite useful lives

At the 2022 and 2021 reporting dates, the Group has tested intangible assets with indefinite useful lives (goodwill and the right to regulated tariffs) for impairment in order to determine their recoverability, and has not identified the need for any write-downs as a result.

Goodwill

At 31 December 2022 this item primarily reflects the goodwill arising on the business combination entailing the acquisition of the Hispasat subgroup for Euros 228 million in October 2019, and the acquisition of Axess Networks by Hispasat, S.A. (see notes 2.g and 6) for Euros 55 million, which was carried out as part of Hispasat's Strategic Plan, enabling Hispasat to put into effect the verticalisation initiative envisaged in that plan.

Following the acquisition of Axess, the composition of the **traditional satellite business (Legacy) CGU** remains exactly as it was in previous years. Conversely, the former "***CGU(s) for new business and satellite services***" have been split into two distinct CGUs to enable separate identification of the infrastructure adapted to new technology and the satellite services and solutions provided through the acquisition of previously operational businesses, on considering that these two CGUs generate separate cash flows and costs of capital:

- **Infrastructure with new technology CGU:** enabling more efficient and flexible management of services provided. This CGU encompasses the future satellite fleet and alliances with other sector players aimed at providing capacity or value-added services more efficiently and with greater flexibility through a new digital fleet that incorporates new technologies.
- **New business and services CGU:** this CGU serves to consolidate the focus on B2B and B2G business and incorporates the provision of satellite services and solutions (through Axess Networks and potential inorganic transactions), which will enable Hispasat to make headway on the aforementioned vertical integration strategy in the value chain.

Thus, within the telecommunications segment, goodwill arising on the acquisition of Hispasat in 2019 has been allocated, as in 2021, to the group of CGUs pertaining to the satellite business, more specifically the traditional satellite business (Legacy) CGU, the infrastructure with new technology CGU, and the new business and services CGU, as this is the level of aggregation at which goodwill is controlled for internal management purposes of Redeia. Goodwill arising on the acquisition of Axess Networks has been allocated to the new business CGU.

At 31 December 2022 the Group first tested the satellite business CGUs for impairment, excluding the goodwill that arose on the acquisition of Hispasat.

In 2020 impairment of Euros 122 million was recognised on the Legacy CGU (Euros 5.7 million for intangible assets and Euros 116.6 million for property, plant and equipment). At 31 December 2022 it was concluded that the recoverable amount and the carrying amount of the assets associated with the CGU do not differ significantly, and therefore no additional impairment has been identified (see note 8).

For the rest of the CGUs the recoverable amount exceeds the carrying amount.

The Group then determined that the group of CGUs to which goodwill was allocated (the Legacy CGU, the infrastructure with new technology CGU, and the new business and services CGU) was not impaired.

The analysis was performed at the 2022 year end and was based on the projections from the Strategic Plan for the satellite business approved in 2022.

The key assumptions used in the calculations for the impairment test on the Group's satellite business in 2022 are similar to those used in the prior year and are as follows:

- The test was performed estimating the fair value less costs to sell, taking an income approach for the purpose of determining the recoverable amount of the satellite business.

  The income approach indicates the recoverable amount of a business based on the present value of the future cash flows it is expected to generate, calculated using a discounted cash flow (DCF) methodology. The DCF method is used to discount the future free cash flow (FCF) to its estimated present value, applying a discount rate (weighted average cost of capital or WACC) that reflects the time value of money and the risks associated with the expected cash flows.

  Costs to sell have been estimated considering the costs incurred on previous transactions carried out by the Group.

  In terms of the fair value hierarchy under IFRS 13, the fair value measurement has been entirely categorised within Level 3, without consideration of whether the costs of disposal are observable.

- The cash flow projections used for existing satellites are for the 2022-2040 period, which is consistent with their useful life, as well as that of the new satellite assets expected to be launched in the coming years and the Hispasat subgroup's expected adoption of new business models and technologies.

  Cash flows estimated beyond five years are deemed to be reliable on the basis of the Group's experience of investments with a considerable technological component that entail long-term contracts and commitments. The satellite business gives rise to long-term contractual commitments with customers and it is commonplace for contracts covering a substantial portion of the useful life of the satellites to be signed, with a view to obtaining a minimum return before the new satellites are launched, which then serves as a solid foundation on which to secure the return expected from the satellite according to the estimates made before undertaking the project.

  The terminal value associated with the traditional technology is zero, given that the infrastructure supporting this business will cease to generate revenue and expenses once it reaches the end of its useful life. For infrastructure with new technology, and for new business and services, a terminal value with a perpetuity growth rate of 0% and 1.25%, respectively, has been applied.

- The EBITDA margin considered for traditional business, as well as for new technology and for new business and services, is in line with the prior year and averages 59% overall.

- The main exchange rates considered for foreign currency cash flows were based on estimates of the US Dollar (USD), Brazilian Real (BRL) and Mexican Peso (MXN) for future years.

- A discount rate based on the weighted average cost of capital (WACC) obtained from a report drawn up by an independent expert has been used to discount the cash flows. Specifically, a pre-tax rate of 8.58% has been applied for the traditional satellite business (7.60% in 2021) and for infrastructure with new technology, while a pre-tax rate of 12.3% has been used for new business and services.

Considering the foregoing assumptions, the Group has concluded that, as in 2021, it is not necessary to recognise any impairment.

The Group has performed a sensitivity analysis considering reasonable variations in the main operating and financial assumptions used in the calculation. The following increases and decreases are assumed:

Revenue	-4%	+4%
Gross margin	-200 b.p.	+200 b.p.
USD exchange rate	-5%	+5%
BRL exchange rate	-15%	+15%
Discount rate	+40 b.p.	-40 b.p.

The range of variation for the sensitivity analysis of the main operating assumptions has been estimated by weighting the relative weight of each one in the different CGUs to which goodwill was allocated.

For the revenue sensitivity range, the sensitivity analysis performed considers the impact of variations in revenue on the recoverable amount, applying a baseline variation in revenue from services rendered of ± 4%.

A sensitivity analysis was also performed on the EBITDA margin reflected in the projections supporting the recoverable amount, applying an increase/decrease in operating expenses that entails a variation in the annual EBITDA margin over the time horizon of the projections of ± 200 b.p.. This range of variation for the EBITDA margin was deemed reasonable, considering that Hispasat made a detailed estimate of the cost structure necessary to carry out the projects considered in the Strategic Plan, and taking as a reference the variation used by other operators with a degree of verticalisation similar to that envisaged in the projections.

The currencies considered in the sensitivity analysis reflecting the impact of a variation in the exchange rate used in the projections supporting the calculation of the recoverable amount are those which represent virtually the entire currency risk, namely the US Dollar (USD) and the Brazilian Real (BRL). The variations included in the sensitivity analysis are ± 5% for EUR/USD and ± 15% for EUR/BRL. These references are in line with those used for the prior year's calculation.

For the discount rate sensitivity range, the sensitivity analysis performed considers the impact on the recoverable amount of variations in the rate of ± 10 b.p., ± 50 b.p. and ± 50 b.p. for the Legacy CGU, the infrastructure with new technology CGU, and the new business and services CGU, respectively. These variations consider the risk spread associated with the three CGUs.

The analysis performed reveals that at 31 December 2022 any reasonably possible variation in any of the key assumptions considered, on which the recoverable amount of the Group's satellite business is based, would not result in the aggregate carrying amount of the group of CGUs (Euros 1,097 million in 2022 and Euros 1,036 million in 2021), to which the goodwill has been allocated, exceeding the aggregate recoverable amount of the CGUs. The recoverable amount at 31 December 2022 is approximately 20% higher than the carrying amount.

Other intangible assets

The assets allocated to the **electricity transmission CGU in Chile**, which include the intangible asset in respect of the right to regulated tariffs, the items of property, plant and equipment described in note 8 and the equity-accounted investment in TEN disclosed in note 11, have been tested for impairment and, as was the case in 2021, no impairment has been recognised as a result of the test.

When testing for impairment, the Group considered projections of future cash flows. The projections refer to the 2022-2070 period and consider a perpetuity growth rate thereafter. Cash flows estimated beyond five years are deemed to be reliable on the basis of the Group's experience of regulated business in the Chilean electricity transmission market, which involves a perpetual right to regulated tariffs.

The assumptions included in the projections used are based on up-to-date business forecasts and own past experience. The main assumptions used are as follows:

- Regulated remuneration: this has been calculated taking into account the figures approved by the Ministry of Energy in the Tariff Decree (see note 3.b) and has been updated for subsequent years based on the updating mechanisms established by legislation.

- Investment: the best information available on the asset investment and maintenance plans for the infrastructure throughout the estimated time period has been used.
- Operating and maintenance costs: projected in line with the growth expected to derive from the investment plan.
- Other costs: projected based on knowledge of the sector and past experience and in line with the growth expected to derive from the investment plan.
- Growth rate: a weighted average perpetuity growth rate of 2.05% has been estimated.
- Weighted average cost of capital (WACC) discount rate: a weighted pre-tax rate of 9.07% obtained from a report drawn up by an independent expert has been used.

The sensitivity analysis was performed considering reasonably possible changes in the main assumptions, such that a 0.5% increase in the discount rate and a 0.5% decrease in the growth rate would not entail impairment. No sensitivities have been applied to other assumptions, in view of the activity's regulated nature.

8 Property, Plant and Equipment

Movement in property, plant and equipment in 2022 and 2021, and details of accumulated depreciation and impairment, are as follows:

Thousands of Euros	31.12.2020	Exchange differences	Changes in the consolidated Group	Additions and other	Exits, disposals, reductions and write-downs	Transfers	31.12.2021	Exchange differences	Changes in the consolidated Group	Additions and other	Exits, disposals, reductions and write-downs	Transfers	31.12.2022
Cost													
Land and buildings	115,765	122	-	221	(2,506)	477	114,079	2,005	530	3,962	(1,521)	9,286	128,341
Technical electricity facilities	14,787,613	5,693	-	547	-	345,960	15,139,813	7,510	-	-	-	417,082	15,564,405
Technical telecommunications facilities	1,407,247	865	1,957	16,680	(4,668)	6,473	1,428,554	1,396	18,597	340	(2,318)	9,756	1,456,325
Other installations, machinery, equipment, furniture and other items	267,109	1,524	-	18,573	(3,890)	(306)	283,010	375	-	5,520	(5,548)	11,080	294,437
Under construction and advances	926,486	1,665	933	501,565	(1,956)	(352,003)	1,076,691	3,357	1,714	556,839	(4,380)	(497,611)	1,136,610
Total cost	**17,504,220**	**9,869**	**2,890**	**537,586**	**(13,020)**	**601**	**18,042,147**	**14,643**	**20,841**	**566,661**	**(13,767)**	**(50,407)**	**18,580,118**
Accumulated depreciation													
Depreciation of buildings	(29,870)	(12)	-	(3,473)	2,208	-	(31,147)	(69)	-	(4,224)	754	46	(34,640)
Depreciation of technical telecommunications facilities	(272,637)	(447)	-	(104,901)	3,220	-	(374,765)	(175)	-	(114,070)	5,798	237	(482,975)
Depreciation of technical electricity facilities	(7,240,156)	(314)	-	(360,089)	-	-	(7,600,559)	(283)	-	(364,837)	-	-	(7,965,679)
Depreciation of other installations, machinery, equipment, furniture and other items	(236,176)	(18)	-	(13,651)	2,203	-	(247,642)	(35)	-	(14,688)	4,933	(283)	(257,715)
Total accumulated depreciation	**(7,778,839)**	**(791)**	**-**	**(482,115)**	**7,631**	**-**	**(8,254,114)**	**(562)**	**-**	**(497,819)**	**11,485**	**-**	**(8,741,010)**
Impairment													
Impairment of land and buildings	(1,091)	-	-	-	-	-	(1,091)	-	-	-	-	-	(1,091)
Impairment of technical telecommunications facilities	(106,094)	(37)	-	(89)	2,077	-	(104,143)	(100)	-	(20)	-	-	(104,263)
Impairment of technical electricity facilities	(95,544)	-	-	-	-	-	(95,544)	-	-	-	-	-	(95,544)
Impairment of other installations, machinery, equipment, furniture and other items	(11,407)	-	-	-	-	-	(11,407)	-	-	-	-	-	(11,407)
Impairment	**(214,136)**	**(37)**	**-**	**(89)**	**2,077**	**-**	**(212,185)**	**(100)**	**-**	**(20)**	**-**	**-**	**(212,305)**
Carrying amount	**9,511,245**	**9,041**	**2,890**	**55,382**	**(3,312)**	**601**	**9,575,848**	**13,981**	**20,841**	**68,822**	**(2,282)**	**(50,407)**	**9,626,803**

- Gross property, plant and equipment

Technical electricity facilities are assets that are subject to regulated remuneration (see note 3). The main additions to technical electricity facilities in 2022 and 2021 are investments in electricity transmission facilities in Spain.

Technical telecommunications facilities essentially consist of the investments associated with the Group's satellite fleet and the concession of the rights to use and manage the operation of the fibre optic cable network and other related items, pursuant to the 20-year agreement entered into by Reintel with ADIF-AV in 2014. Changes in the consolidated Group in 2022 reflect the assets of Axess (see note 6). Changes in the consolidated Group in 2021 included the facilities incorporated into the business combination following the acquisition of the satellite television broadcast business in Peru (see note 6).

Property, plant and equipment include right-of-use assets in an amount of Euros 26,462 thousand at 31 December 2022 (Euros 27,379 thousand at 31 December 2021). These assets are included under the various property, plant and equipment headings based on their nature ("Land and buildings", "Technical telecommunications facilities" and "Other installations, machinery, equipment, furniture and other items") as detailed in note 9.

In 2022, transfers include the transfer of Euros 50,407 thousand to non-current financial assets in respect of the concession asset that arose following the approval of Ministerial Order TED/1243/2022 of 2 December 2022 approving the methodology for calculating the remuneration for the Salto de Chira pumped-storage hydroelectric power plant in Gran Canaria (see note 3).

- Capitalised expenditure

Operating expenses of Euros 50,859 thousand incurred directly in connection with property, plant and equipment under construction were capitalised in 2022 (Euros 46,178 thousand in 2021). The Group's capitalised expenses directly related to the construction of facilities include all operating expenses incurred to provide support to the units directly involved in the activity.

Moreover, during 2022 the Group companies capitalised construction-related borrowing costs of Euros 6,872 thousand as an increase in property, plant and equipment (Euros 7,412 thousand in 2021). The weighted average rate used to capitalise borrowing costs was 1.1% in 2022 (1.1% in 2021).

- Fully depreciated property, plant and equipment

At 31 December 2022, the Group has fully depreciated property, plant and equipment amounting to Euros 3,089,386 thousand (Euros 2,737,381 thousand in 2021), of which Euros 2,629,963 thousand are technical electricity facilities (Euros 2,535,627 thousand in 2021).

Exits, disposals, reductions and write-downs at 31 December 2022 and 2021 essentially reflect the disposal of fully depreciated assets.

- Investments in property, plant and equipment located outside Spain

At 31 December 2022 the carrying amount of property, plant and equipment located outside of Spain is Euros 252,182 thousand (Euros 190,390 thousand in 2021).

- Investment commitments

The Group periodically places orders to cover needs related to its investment plans. The various amounts in the aforementioned orders will normally materialise in the form of delivery orders as and when the different projects included in the plans are capitalised. Therefore, they do not constitute firm purchase commitments at the time of issue.

The Group has no firm commitments to purchase significant amounts of property, plant and equipment relative to its present volume of assets, and to the investments it makes and plans to make.

- Grants

Details of capital grants and other non-current revenue received in advance, in relation to property, plant and equipment, are provided in note 15.

- Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. These policies provide adequate protection against the risks covered.

- Impairment analysis of property, plant and equipment subject to depreciation

The Group assesses whether there are indications of possible impairment losses on assets subject to amortisation or depreciation to determine whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use (see note 4.h).

  - Satellite business

As regards the **traditional satellite business (Legacy) CGU**, in 2022 the Group updated the calculation of the recoverable amount of assets that had been impaired in 2020 in order to identify possible adjustments to impairment recognised in the prior year. To this end, the Group used the financial projections from Hispasat's Strategic Plan approved in 2022 as a basis (see note 7).

The cash flow projections used are for the 2022-2040 period, which is consistent with the useful life of the satellites. Cash flows estimated beyond five years are deemed to be reliable on the basis of the Group's experience of investments with a considerable technological component that entail long-term contracts and commitments. The satellite business gives rise to long-term contractual commitments with customers and it is commonplace for contracts covering a substantial portion of the useful life of the satellites to be signed, with a view to obtaining a minimum return before the new satellites are launched, which then serves as a solid foundation on which to secure the return expected from the satellite according to the estimates made before undertaking the project.

The Group has applied the following key assumptions in calculating the recoverable amount (fair value less costs to sell) of the traditional satellite business (Legacy):

- Revenue estimated on the basis of the portfolio of existing contracts, the historical renewal rate, past experience from renegotiations of contracts and new sales forecast for the expanding vertical markets identified by sector market research and included in the Strategic Plan of the Hispasat subgroup.
- Useful lives: 16.5 years as of the date of entry into commercial service for the fleet of satellites that make up the CGU, with the exception of the Amazonas-2, H74W-1 and H55W-2 satellites, which have an estimated useful life of between 13 and 15 years (see note 4.c).
- Gross margin: the average gross margin for the projected period used in the analysis was 66%.
- The main exchange rates considered for foreign currency cash flows were based on estimates of the US Dollar (USD), Brazilian Real (BRL) and Mexican Peso (MXN) for future years.
- Discount rate (WACC): pre-tax rate of 8.58% obtained from a report drawn up by an independent expert.

At the 2022 reporting date, the test showed that the recoverable amount is similar to the carrying amount and, consequently, the assets of the traditional business (Legacy) CGU are not impaired.

On the basis of the analysis performed in 2020, the present value of the projected future cash flows generated by the CGU was Euros 122 million lower than the carrying amount of the assets in the CGU (Euros 769 million after impairment). Accordingly, impairment was recognised in an amount of Euros 6 million for intangible assets (see note 7) and Euros 116 million for property, plant and equipment.

The assets composing the traditional business (Legacy) cash-generating unit have not changed since the previous estimate of the recoverable amount of this CGU.

The fair value measurement of the asset (CGU) has been entirely categorised within Level 3 (in terms of the fair value hierarchy under IFRS 13), without consideration of whether the costs of disposal are observable.

The sensitivity analysis reflecting the impact on the recoverable amount (in millions of Euros) of reasonably possible variations in the key assumptions used is presented below:

Revenue	**-4.0%**	**4.00%**
Variation in recoverable amount per base case	-26	+26

Gross margin	**-200 b.p.**	**+200 b.p.**
Variation in recoverable amount per base case	-21	+21

USD exchange rate	**-5%**	**5%**
Variation in recoverable amount per base case	21	-19

BRL exchange rate	**-15%**	**15%**
Variation in recoverable amount per base case	4	-3

Discount rate	**-10 b.p.**	**+10 b.p.**
Variation in recoverable amount per base case	+4	-4

The sensitivity analysis reflecting the impact on the recoverable amount of variations in revenue used a variation of ± 4% in revenue from services rendered as the baseline. This reference value was obtained by identifying revenue that is subject to greater uncertainty depending on past experience and the estimates calculated using the most recent information available at the time.

The sensitivity analysis on the variation in revenue was based on the assumption that EBITDA margins would remain the same as those considered in the approved financial projections.

A sensitivity analysis was also performed on the EBITDA margin, applying an increase/decrease in operating expenses that entails an annual variation of ± 200 b.p. in this margin over the time horizon of the projections. This range of variation was deemed reasonable to cover potential upward or downward deviations in operating expenses in the most probable scenarios, considering that a detailed estimate was made of the cost structure necessary to carry out the projects considered in the Strategic Plan.

The currencies considered in the sensitivity analysis reflecting the impact of a variation in the exchange rate used in the projections supporting the calculation of the recoverable amount are those which represent virtually the entire currency risk, namely the US Dollar (USD) and the Brazilian Real (BRL). The variations included in the sensitivity analysis were ± 5% for EUR/USD and ± 15% for EUR/BRL.

- Transmission business in Chile

Lastly, as regards the **electricity transmission CGU in Chile**, in view of the indications of impairment identified during the year due to the macroeconomic scenario discussed in note 5, the Group tested the assets pertaining to this CGU for impairment to ascertain their recoverability (see note 7). The test showed that the recoverable amount exceeds the carrying amount and, consequently, the assets are not impaired.

9 Right-of-Use Assets and Lease Liabilities

The most significant finance leases arranged by the Group at 31 December 2022 are as follows:

- The technical telecommunications facilities in respect of which Reintel entered into a right-of-use agreement with ADIF-AV to manage the operation of the fibre optic cable network and associated items. This agreement was signed in 2014 for a 20-year period. At 31 December the carrying amount reflected in the consolidated statement of financial position is Euros 282 million (Euros 303 million in 2021).
- A satellite recognised in technical telecommunications facilities, under property, plant and equipment, which is leased from the satellite operator Intelsat for an amount of Euros 28 million (Euros 31 million in 2021) until 2030.

In both cases the amount was fully disbursed in advance and, consequently, no future minimum lease payments are recognised in respect of these assets.

There are also right-of-use assets under property, plant and equipment and lease liabilities within other financial liabilities. The Group's main assets to which IFRS 16 Leases applies are as follows:

- Vehicles: primarily vehicles under operating leases.
- Buildings: offices, premises and land needed to carry out the Group's activity.
- Technical telecommunications facilities: these correspond to the lease of satellite capacity.

- Right-of-use assets

Details of right-of-use assets and movement in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Total at start of year	27,379	15,053
Additions to the consolidated Group	1,716	-
Additions during the year	10,193	18,920
Derecognitions during the year	(750)	(1,478)
Depreciation for the year	(12,250)	(5,180)
Translation differences	174	64
Total at year end	**26,462**	**27,379**

Additions to the consolidated Group include the addition of assets owned by Axess (see note 6). Additions in 2022 primarily reflect the lease of offices and a site intended for video signal management and transmission in Peru, as well as vehicle leases. In 2021, besides additions of vehicle leases, this item mainly included the lease of HTS satellite capacity in the Ka-Konnect band in an amount of Euros 12,743 thousand.

- Amounts recognised in profit or loss

Details of the amounts recognised in the consolidated income statement for 2022 and 2021 in relation to the application of IFRS 16 are as follows:

Thousands of Euros	2022	2021
Interest on lease liabilities	672	277
Depreciation charges	12,250	5,180
Total	**12,921**	**5,457**

Euros 16,469 thousand has been recognised as operating expenses in respect of leases not falling within the scope of IFRS 16 (Euros 4,554 thousand in 2021).

- Amounts recognised in the statement of cash flows

Details of lease payments made in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Lease payments	11,134	6,556
Interest paid on leases	672	277
Total	**11,806**	**6,833**

- Future minimum lease payments

Details of committed future minimum lease payments are provided in note 19.

10 Investment Property

Movement in the Group's investment property in 2022 and 2021 is as follows:

Thousands of Euros	31 December 2020	Additions	Disposals	31 December 2021	Additions	Disposals	31 December 2022
Cost							
Investment property	2,397	-	-	2,397	-	(159)	2,238
Total cost	**2,397**	**-**	**-**	**2,397**	**-**	**(159)**	**2,238**
Accumulated depreciation							
Investment property	(519)	(21)		(540)	(33)	39	(534)
Total accumulated depreciation	**(519)**	**(21)**	**-**	**(540)**	**(33)**	**39**	**(534)**
Impairment	**(553)**	**-**	**468**	**(85)**	**-**	**85**	**-**
Carrying amount	**1,325**	**(21)**	**468**	**1,772**	**(33)**	**(35)**	**1,704**

At the end of 2022, commercial premises owned by Red Eléctrica Corporación, S.A. in Oviedo and amounting to Euros 41 thousand were sold, generating a gain of Euros 6 thousand, which has been recognised in impairment and gains/losses on disposal of fixed assets in the accompanying consolidated income statement.

At the 2022 year end, an analysis of the market value of investment property revealed no impairment losses, inasmuch as the recoverable amount of the investments exceeds their carrying amount. In 2021 impairment of Euros 468 thousand was reversed in impairment and gains/losses on disposal of fixed assets in the accompanying consolidated income statement.

Investment property has a market value of approximately Euros 2.7 million in 2022 (Euros 2.6 million in 2021) and does not generate or incur significant operating income or expenses.

11 Equity-accounted Investees

This heading includes investments over which the Group has significant influence and which, accordingly, are accounted for in the consolidated financial statements using the equity method (see note 2.d):

- Transmisora Eléctrica del Norte, S.A. (TEN), in which the Group holds a 50% interest through Red Eléctrica Chile SpA. TEN was incorporated on 1 March 2007 and undertook the project in Chile for the construction of a transmission line spanning approximately 580 km and the corresponding substations. This project has connected the Far North Interconnection System to the Central Interconnected System in Chile since 2018. TEN currently operates and maintains the facilities constructed.
- Argo Energia Empreendimentos e Participações S.A. (Argo), in which Redeia holds a 50% interest through Red Eléctrica Brasil Holding, Ltda. Argo was incorporated in Brazil in 2016 and holds nine electricity concessions in that country, encompassing 4,235 km of 500 kV and 230 kV voltage lines and 33 substations.
- Hisdesat Servicios Estratégicos, S.A. (Hisdesat) in which Redeia holds a 38.56% interest through Hispasat, S.A. Hisdesat engages in the commercialisation of spatial systems for government use. This company forms part of Hispasat, which joined Redeia on 3 October 2019.
- Grupo Sylvestris, S.L., in which the Group holds a 9.73% interest through Hispasat, S.A. This company engages in reforestation. This company was acquired by Hispasat on 21 December 2022 (see note 2.g).
- Other investments Hispasat subgroup include the following:

- o Grupo de Navegación Sistemas y Servicios, S.L. (GSS), in which Redeia holds a 12.82% interest through Hispasat, S.A. GSS engages in the operation of satellite systems. This company forms part of Hispasat, which joined the Group on 3 October 2019.
- o Axess Saudi Arabian Telecommunications Company, in which the Group holds a 43.94% interest through Hispasat, S.A. This company is located in Saudi Arabia and its activity relates to the provision of telecommunications services. At the 2022 reporting date this company is fully impaired.

- RETIT's investments involving significant influence, which encompass the investments made by Elewit in various innovative startups. In the course of 2022 there were additions to the consolidated Group as a result of the investment in OKTO Grid Aps in an amount of Euros 1,002 thousand and Zeleros Global, S.L. amounting to Euros 147 thousand. Departures from the consolidated Group comprise the derecognition of the investment in Zeleros Global, S.L. generating a gain of Euros 497 thousand in the consolidated income statement in 2022 (see note 2.g).

Movement in these investments in 2022 and 2021 was as follows:

Company	31.12.2021	Exchange differences	Capital increase	Changes in the consolidated Group	Dividends	Profit/(loss) attributable to the investment	Valuation adjustments	31.12.2022
Transmisora Eléctrica del Norte, S.A. (TEN)	209,931	12,887	-	-	-	956	9,369	233,142
Argo Energia Empreendimentos e Participações, S.A.	300,937	26,538	200,730	-	(306)	46,695	-	574,594
Hisdesat Servicios Estratégicos, S.A.	72,877	-	-	-	-	2,257	-	75,134
Grupo Sylvestris, S.L.	-	-	-	4,478	-	-	-	4,478
Other investments Hispasat subgroup	119	-	-	-	-	-	-	119
Interests constituting significant influence RETIT	4,119	-	-	(466)	-	497	-	4,150
Total	**587,983**	**39,425**	**200,730**	**(4,012)**	**(306)**	**50,405**	**9,369**	**891,617**

Company	31.12.2020	Exchange differences	Changes in the consolidated Group	Dividends	Profit/(loss) attributable to the investment	Valuation adjustments and other	31.12.2021
Transmisora Eléctrica del Norte, S.A. (TEN)	174,034	16,210	-	-	(4,251)	23,938	209,931
Argo Energia Empreendimentos e Participações, S.A.	282,041	2,760	-	(780)	24,069	(7,153)	300,937
Hisdesat Servicios Estratégicos, S.A.	63,118	-	-	-	9,759	-	72,877
Grupo de Navegación Sistemas y Servicios, S.L.	119	-	-	-	-	-	119
Interests constituting significant influence RETIT	-	-	4,150	-	(31)	-	4,119
Total	**519,312**	**18,970**	**4,150**	**(780)**	**29,546**	**16,785**	**587,983**

On 30 November 2022, Argo increased its capital by Brazilian Reais 1,045 million for the purpose of acquiring a 62.5% stake in the share capital of five electricity transmission concessions in Brazil (see note 2.g). This transaction entailed an investment of Euros 200.7 million for Redeia.

The key indicators of the main companies at 31 December 2022 and 2021 are as follows:

Thousands of Euros	Transmisora Eléctrica del Norte, S.A. (TEN)		Argo Energia Empreendimentos e Participações, S.A. (*)		Hisdesat Servicios Estratégicos, S.A.		Grupo Sylvestris, S.L. (*)
Year	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Non-current assets	651,842	627,480	2,117,477	869,808	565,466	504,429	47,968
Current assets	75,592	45,685	270,819	236,560	341,660	270,200	5,367
Cash and cash equivalents	41,206	45,318	4,635	3,236	301,148	237,318	3,084
Total assets	**727,434**	**673,165**	**2,388,296**	**1,106,368**	**907,126**	**774,629**	**53,335**
Non-current liabilities	559,042	563,316	978,748	701,745	603,540	466,462	27
Current liabilities	38,198	42,160	260,360	68,582	50,268	56,442	7,295
Total liabilities	**597,240**	**605,476**	**1,239,108**	**770,327**	**653,808**	**522,904**	**7,322**
Net assets	**130,194**	**67,690**	**1,149,188**	**336,041**	**253,318**	**251,725**	**46,013**
Revenue	55,971	32,767	217,563	158,145	49,205	53,939	4
Gross operating profit	46,851	24,474	197,898	143,918	30,330	60,186	4
Net operating profit	30,785	10,136	183,993	142,819	8,937	33,899	4
Profit/(loss) after tax	**1,912**	**(8,503)**	**93,390**	**61,180**	**5,854**	**26,995**	**4**
Comprehensive income	**20,407**	**40,996**	**93,390**	**61,180**	**5,854**	**23,972**	**4**
Dividends received by the Group	-	-	309	780	-	-	-

(*) This company joined Redeia on 21 December 2022.

At 31 December 2022 and 2021 the balance of the loan extended by the Group to TEN was Euros 13,913 thousand and Euros 12,338 thousand, respectively (see note 19).

Lastly, as regards the investment in TEN, which is included in the **electricity transmission CGU in Chile**, in view of the indications of impairment identified during the year due to the macroeconomic scenario discussed in note 5, the Group tested the assets pertaining to this CGU for impairment to ascertain their recoverability (see note 7). The test showed that the recoverable amount exceeds the carrying amount and, consequently, the assets are not impaired.

12 Inventories

Details of inventories at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Inventories	74,757	63,175
Write-downs	(33,436)	(36,640)
Total	**41,321**	**26,535**

Inventories mainly reflect materials and spare parts related to the technical electricity facilities.

The Group companies regularly test inventories for impairment based on the following assumptions:

- Impairment of old inventories, using inventory turnover ratios.
- Impairment for excess inventories, on the basis of estimated use in future years.

As a result, the Group reversed impairment of Euros 3,204 thousand in the consolidated income statement for 2022 (it recorded impairment of Euros 1,844 thousand in 2021).

13 Trade and Other Receivables

Details of trade and other receivables at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Trade receivables	75,081	59,709
Other receivables	1,101,079	1,193,686
Current tax assets (note 22)	182,497	7,561
Total	**1,358,657**	**1,260,956**

Trade receivables primarily comprise balances receivable on the lease of satellite capacity and related services. This item also includes assets arising from contracts with customers in an amount of Euros 3,362 thousand at 31 December 2022 (Euros 4,904 thousand at 31 December 2021).

Other receivables mostly comprise amounts pending invoicing and/or collection for regulated transmission and system operation activities. Under the settlement system set up by the Spanish regulator, some of these receivables are settled and collected in the following year. These amounts also include the revenue receivable as a result of applying the methodology set forth in the remuneration model in force for transmission activities in Spain, which stipulates that facilities entering into service in year 'n' are to be remunerated from year 'n+2' onwards. Such revenue amounts to Euros 629 million at 31 December 2022.

Current tax assets primarily reflect the balance receivable from the Spanish taxation authorities in relation to the payment on account of income tax for 2022.

Fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the estimation date, and incorporate any risk premiums related to the present macroeconomic scenario. There are no significant differences between the fair value and the carrying amount at 31 December 2022 and 2021.

At 31 December 2022 and 2021 there are no significant amounts over 12 months past due (see note 19).

In 2022, impairment of Euros 2,758 thousand was reversed (impairment of Euros 634 thousand was recognised in 2021). Impairment of trade and other receivables based on the expected loss accumulated at 31 December 2022 amounts to Euros 2,924 thousand (Euros 1,947 thousand in 2021).

14 Equity

a) Capital risk management

The Group's management of its companies' capital is aimed at safeguarding their capacity to continue operating as a going concern, so as to provide shareholder remuneration while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital or issue shares.

The Group controls its capital structure on a gearing ratio basis, in line with sector practice. This ratio is calculated as net financial debt divided by the sum of the Group's equity and net financial debt. Net financial debt is calculated as follows:

Thousands of Euros	2022	2021
Non-current payables (*)	5,491,124	5,896,053
Current payables (*)	681,007	1,341,053
Foreign currency derivatives	(28,459)	(14,800)
Current money market investments (**)	(715,000)	-
Cash and cash equivalents	(794,824)	(1,574,427)
Net financial debt	**4,633,848**	**5,647,879**
Equity	4,894,276	3,685,131
Gearing ratio	**48.6%**	**60.5%**

(*) In both 2022 and 2021 interest payable has been excluded.

(**) These are fixed-term deposits and similar financial assets recorded under other current financial assets at amortised cost that do not meet the accounting criteria for classification as cash and cash equivalents but are identical in nature to cash and cash equivalents.

At 31 December 2022 and 2021, the financial covenants stipulated in the contracts entered into have been met.

On 26 April 2022 the credit rating agency Standard & Poor's issued a new report on the Company maintaining its long-term rating of 'A-' and short-term rating of 'A-2', with a stable outlook.

On 14 October 2022 the credit rating agency Fitch Ratings gave the Company a short-term rating of 'F1', with a stable outlook. Following this announcement, the Company and its subsidiary Red Eléctrica de España, S.A.U. maintain long-term ratings of 'A-' and short-term ratings of 'F1', with a stable outlook.

b) Equity attributable to the Parent

- Capital and reserves
  - Share capital

  At 31 December 2022 and 2021 the Company's share capital is divided into 541,080,000 shares of Euros 0.50 par value each represented by book entries, all subscribed and fully paid-in, and carrying the same voting and profit-sharing rights (notwithstanding the limits stipulated in the following paragraph). The shares are quoted on the four Spanish stock exchanges and traded through the SIBE (Spanish Stock Exchange Interlinking System).

  The Company is subject to the shareholder limitations stipulated in additional provision twenty-three of Law 54/1997 of 27 November 1997 and article 30 of Electricity Industry Law 24/2013 of 26 December 2013.

  Pursuant to this legislation, any individual or entity may hold investments in the Company, provided that the sum of their direct or indirect interests in its share capital does not exceed 5% and their voting rights do not surpass 3%. These shares may not be syndicated for any purpose. Voting rights at the Parent are limited to 1% in the case of entities that carry out activities in the electricity sector, and individuals and entities that hold direct or indirect interests exceeding 5% of the share capital of such companies, without prejudice to the limitations for generators and suppliers set forth in article 30 of the aforementioned Law 24/2013. The shareholder limitations with regard to the Parent's share capital are not applicable to Sociedad Estatal de Participaciones Industriales (SEPI), which in any event will continue to hold an interest of no less than 10%. At 31 December 2022 and 2021 SEPI holds a 20% interest in the Company's share capital.

  - Reserves

  This item comprises the following:

    - Legal reserve

    Spanish companies are obliged to transfer 10% of the profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. Until this reserve exceeds this limit, it is not distributable to shareholders and may only be used to offset losses, provided no other reserves are available. Under certain circumstances, it may also be used to increase share capital. At 31 December 2022 and 2021 the legal reserve amounts to 20% of the Parent's share capital (Euros 54,199 thousand).

    - Other reserves

    This heading includes voluntary reserves of the Parent, reserves in consolidated companies and first-time application reserves. At 31 December 2022 they amount to Euros 3,640,830 thousand (Euros 2,570,603 thousand in 2021).

    As a consequence of the transfer of a 49% stake in Reintel (see note 2.g) the amount of this item has increased by Euros 920,760 thousand, obtained as a result of the gain, net of taxes, on the transaction.

    In addition, this item includes statutory reserves amounting to Euros 369,457 thousand (Euros 364,909 thousand in 2021), particularly the following:

      - ◊ The property, plant and equipment revaluation reserve amounting to Euros 247,022 thousand created by the Parent in 1996. This reserve may be used, free of taxation, to offset accounting losses and increase share capital or, 10 years after its creation, it may be transferred to freely distributable reserves, in accordance with Royal Decree-Law 2607/1996. Nonetheless, it may only be distributed, indirectly or directly, when the revalued assets have been fully depreciated, transferred or derecognised.

◊ As provided for by article 25 of Law 27/2014 of 27 November 2014, the tax group headed by the Company has appropriated a capitalisation reserve of Euros 104,910 thousand, which is held by Red Eléctrica and Red Eléctrica Corporación, S.A., as permitted by article 62.1 d) of the aforementioned Law, corresponding to 2015 (Euros 29,110 thousand), 2016 (Euros 15,406 thousand), 2017 (Euros 11,312 thousand), 2018 (Euros 16,707 thousand), 2019 (Euros 19,668 thousand), 2020 (Euros 8,160 thousand) and 2021 (Euros 4,548 thousand). This reserve will be restricted for a period of five years. Pursuant to article 62.1.d) of the aforementioned Law, the proposed capitalisation reserve for the year ended 31 December 2022, in an amount of Euros 18,865 thousand, will be appropriated in Red Eléctrica Corporación, S.A., as the parent of the tax group. Each company forming part of the tax group has adjusted income tax for 2022 in connection with this reserve (see note 23).

- Own shares

At 31 December 2022 the Parent held 1,499,900 own shares representing 0.28% of its share capital, with a par value of Euros 0.50 per share and a total par value of Euros 750 thousand, and an average acquisition price of Euros 17.53 per share (at 31 December 2021 the Parent held 1,803,433 own shares representing 0.33% of its share capital, with a par value Euros 0.50 per share and a total par value of Euros 902 thousand, and an average acquisition price of Euros 17.53 per share).

These shares have been recognised as a reduction in equity for an amount of Euros 26,296 thousand at 31 December 2022 (Euros 31,618 thousand in 2021).

The Parent has complied with the requirements of article 509 of the Spanish Companies Act, which provides, except in the case of freely acquired own shares, that in listed companies the par value of own shares acquired directly or indirectly by the Company, plus the par value of the shares already held by the Parent and its subsidiaries, must not exceed 10% of subscribed share capital. The subsidiaries do not hold own shares or shares in the Parent.

- Profit attributable to the Parent

Profit for 2022 attributable to the Parent totals Euros 664,731 thousand (Euros 680,627 thousand at 31 December 2021).

- Interim dividends and proposed distribution of dividends by the Parent

The interim dividend authorised by the board of directors in 2022 has been recognised as a Euros 147,143 thousand reduction in consolidated equity at 31 December 2022 (Euros 147,061 thousand at 31 December 2021) (see note 19).

On 25 October 2022 the Company's board of directors agreed to pay an interim dividend of Euros 0.2727 (gross) per share with a charge to 2022 profit, payable on 9 January 2023 (Euros 0.2727 (gross) per share in 2021).

Details of the dividends paid during 2022 and 2021 are as follows:

	2022			2021		
Thousands of Euros	% of par value	Euros per share	Amount	% of par value	Euros per share	Amount
Ordinary shares	200.00%	1.0000	543,881	200.00%	1.0000	538,995
Total dividends paid	200.00%	1.0000	543,881	200.00%	1.0000	538,995
Dividends charged to profit	200.00%	1.0000	543,881	200.00%	1.0000	538,995

The cash flow forecast for the period from 30 September 2022 to 9 January 2023 indicated sufficient liquidity to allow the distribution of this dividend, in accordance with article 277 section a) of the Spanish Companies Act.

As such, the following provisional liquidity statement was drawn up pursuant to article 277 section a) of the Spanish Companies Act:

Liquidity statement of Red Eléctrica Corporación, S.A.	Thousands of Euros
Available funds at 30.09.2022:	
Non-current credit facilities available	239,190
Current credit facilities available	125,000
Current investments and cash	16,914
Forecast receipts:	
Current transactions	-
Financial transactions	348,281
Forecast payments:	
Current transactions	(324,273)
Financial transactions	(208,176)
Forecast available funds at 09.01.2023:	**196,936**

The Parent's board of directors proposed to the shareholders at their general meeting the distribution of a supplementary dividend of Euros 0.7273 per share, which would result in a total dividend for 2022 of Euro 1 per share (Euro 1 in 2021).

In addition, given the Company's cash generation capacity and the amount of undrawn credit facilities (see note 18), the Company will have sufficient liquidity within one year after the interim dividend distribution has been agreed.

- Valuation adjustments
  - Financial assets at fair value through other comprehensive income

    At 31 December 2022 and 2021 this item reflects valuation adjustments to equity instruments classified as financial assets measured at fair value through other comprehensive income due to fluctuations in the share price of the Group's 5% investment in the listed company Redes Energéticas Nacionais, S.G.P.S., S.A. (hereinafter REN), the benchmark index for which is the Portuguese PSI 20. At 31 December 2022 this item totals Euros 17,932 thousand (Euros 18,766 thousand in 2021).
  - Hedging transactions

    This line item reflects changes in the value of derivative financial instruments.

    At 31 December 2022 this item totals Euros 10,080 thousand (a negative amount of Euros 62,170 thousand in 2021).
  - Translation differences

    This line item mainly comprises the exchange gains and losses arising from translation of the financial statements of foreign operations whose functional currency is not the Euro. At 31 December 2022 the balance of this item was negative in an amount of Euros 64,795 thousand (a negative balance of Euros 87,713 thousand in 2021). This increase is primarily due to the performance of the Brazilian Real and the US Dollar against the Euro in 2022.

c) Non-controlling interests

Non-controlling interests under equity in the consolidated statement of financial position in 2022 reflect the non-controlling interests in all the Hispasat subgroup companies, in Reintel, and in the Chilean company Redenor.

Movement in 2022 and 2021 is as follows:

Thousands of Euros	31 December 2020	Changes in the consolidated Group and other	Profit/(loss) for the year	Other	31 December 2021	Changes in the consolidated Group and capital increases	Profit/(loss) for the year	Distribution of dividends and other	31 December 2022
Non-controlling interests	56,351	(8,217)	5,657	258	54,049	40,135	16,456	(5,899)	104,741

In 2022, changes in the consolidated Group and capital increases primarily reflect the sale of a non-controlling interest of 49% in Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (Reintel), in which the Parent held a 51% stake at the 2022 reporting date (see note 2.g), and the inclusion of Axess in the consolidated Group.

Through its parent, Redeia retains a 51% interest in Reintel as well as control and management of this company, and the operation is thus considered a transaction with non-controlling shareholders. This resulted in an increase in non-controlling interests within the Group in 2022, albeit with no impact on the consolidated income statement nor on the consolidation method applied to Reintel, which will continue to be fully consolidated. Moreover, Redeia controls 89.68% of Axess through Hispasat (see note 6), resulting in non-controlling interests with respect to the remaining 10.32% not held by the Group.

In 2021, changes in the consolidated Group and other included the acquisition of the entire non-controlling interest of 19.04% in Hispamar Satélites, S.A., which resulted in the Hispasat Group becoming the sole shareholder of this company (see note 2 g).

Regarding the main non-controlling interests referred to above, a summary of the financial information on assets, liabilities and profit/loss at 31 December 2022 and 2021 of the investees is as follows:

	Redenor		Hispasat subgroup		Reintel
Thousands of Euros	**2022**	**2021**	**2022**	**2021**	**2022**
Non-current assets	115,195	117,630	1,074,105	925,011	402,233
Current assets	22,208	14,684	153,141	143,009	73,909
Assets	**137,403**	**132,314**	**1,227,246**	**1,068,020**	**476,142**
Non-current liabilities	106,442	91,050	367,725	226,525	358,016
Current liabilities	18,468	13,892	135,197	121,928	21,777
Liabilities	**124,910**	**104,942**	**502,922**	**348,453**	**379,793**
Equity	**12,493**	**27,372**	**724,324**	**719,567**	**96,349**
Revenue	2,926	1,331	229,852	181,017	142,851
Expenses	1,727	1,450	84,676	57,380	37,167
Gross operating profit	1,199	(119)	145,176	123,637	105,684
Profit/(loss) after tax	**(928)**	**117**	**42,662**	**55,375**	**56,636**
Profit/(loss) attributable to non-controlling interests	**(279)**	**26**	**4,697**	**5,631**	**12,038**

15 Grants and Other Non-current Revenue Received in Advance

Movement in grants and other non-current revenue received in advance in 2022 and 2021 is as follows:

Thousands of Euros	31.12.2020	Additions	Amounts transferred to the income statement	31.12.2021	Additions	Derecognitions	Amounts transferred to the income statement	31.12.2022
Capital grants and other non-current revenue received in advance	707,920	46,533	(28,451)	726,002	51,546	(619)	(30,431)	746,498

Capital grants mainly include the amounts received by Red Eléctrica for the construction of electricity facilities and by Hispasat for the construction of satellite assets.

Other grants and revenue received in advance include income tax deductions for investments in fixed assets in the Canary Islands, which by their nature are similar to capital grants (see note 2 c). This heading also includes amounts or technical facilities received by the Group as a result of agreements with third parties.

Amounts transferred to the income statement reflect the amounts taken to consolidated profit or loss each year on the basis of the useful life of the assets associated with those deductions and agreements.

16 Non-current and Current Provisions

Movement in 2022 and 2021 is as follows:

Thousands of Euros	31.12.2021	Additions	Applications	Transfers	Actuarial gains and losses	Changes in the consolidated Group	Exchange differences	31.12.2022
Non-current provisions								
Provisions for employee benefits	74,577	17,716	(1,649)	-	(21,147)	-	-	69,497
Other provisions	55,388	14,560	(11,260)		-	11,269	368	70,325
Total non-current	**129,965**	**32,276**	**(12,909)**	**-**	**(21,147)**	**11,269**	**368**	**139,822**
Current provisions								
Other provisions	21,202	4,584	-	2,235	-	-	2,515	30,536
Total current	**21,202**	**4,584**	**-**	**2,235**	**-**	**-**	**2,515**	**30,536**
Total provisions	**151,167**	**36,860**	**(12,909)**	**2,235**	**(21,147)**	**-**	**2,883**	**170,358**

Thousands of Euros	31.12.2020	Additions	Applications	Transfers	Actuarial gains and losses	Exchange differences	31.12.2021
Non-current provisions							
Provisions for employee benefits	81,723	6,268	(2,141)		(11,273)		74,577
Other provisions	54,263	8,578	(7,453)		-		55,388
Total non-current	135,986	14,846	(9,594)	-	(11,273)	-	129,965
Current provisions							
Provisions for employee benefits	-	-			-	-	-
Other provisions	57,183	2,530	(947)	(37,925)	-	361	21,202
Total current	57,183	2,530	(947)	(37,925)	-	361	21,202
Total provisions	193,169	17,376	(10,541)	(37,925)	(11,273)	361	151,167

Provisions for employee benefits reflect defined benefit plans, which primarily include the future commitments – essentially health insurance – undertaken by the Group vis-à-vis its personnel from the date of their retirement, calculated using actuarial studies carried out by an independent expert. Details of the aforementioned defined benefit plans are as follows:

Thousands of Euros	31.12.2021	Additions	Applications	Actuarial gains/(losses)	31.12.2022
Non-current liabilities under defined benefit plans	70,372	3,011	(1,332)	(21,146)	50,905

Thousands of Euros	31.12.2020	Additions	Applications	Actuarial gains/(losses)	31.12.2021
Non-current liabilities under defined benefit plans	80,823	2,621	(1,799)	(11,273)	70,372

In 2022 and 2021 the increase is mainly due to the annual accrual of these commitments, as well as changes in the actuarial assumptions used. Additions are recognised as personnel expenses or finance costs, depending on their nature. Changes in actuarial assumptions are recognised in reserves.

The personnel expenses and finance costs recognised in this connection in the consolidated income statement for 2022 amount to Euros 1,026 thousand and Euros 975 thousand, respectively (Euros 1,646 thousand and Euros 975 thousand, respectively, in 2021).

In 2022 actuarial losses of Euros 21,147 thousand were recognised (actuarial losses of Euros 11,273 thousand in 2021). The actuarial gains and losses recognised are due to changes in financial assumptions in a negative amount of Euros 20,296 thousand (negative amount of Euros 5,670 thousand in 2021) and changes in demographic assumptions in a negative amount of Euros 851 thousand (negative amount of Euros 5,603 thousand in 2021).

The assumptions made with regard to 2022 and 2021 were as follows:

	Actuarial assumptions	
	2022	2021
Discount rate	2.87%	1.21%
Cost increase	3.0%	3.0%
Mortality table	PERM/F2020 1st rank	PERM/F2020 1st rank

The effect of a one percentage point increase or decrease in the assumed variation for health insurance costs in 2022 is as follows:

	2022					
	Cost increase health insurance (+1%)		Sensitivity	Cost increase health insurance (-1%)		Sensitivity
Thousands of Euros	4%	3%		2%	3%	
Current service cost	1,187	916	271	714	916	(202)
Interest cost of net post-employment health insurance costs	1,771	1,767	4	1,764	1,767	(3)
Accumulated post-employment benefit obligation for health insurance	54,512	44,471	10,041	36,701	44,471	(7,770)

Meanwhile, the effect of a decrease of half a percentage point in the discount rate used in 2022 for health insurance costs from 2.87% to 2.37%, in thousands of Euros, is as follows:

	2022		
	Discount rate		Sensitivity
Thousands of Euros	2.87%	2.37%	
Current service cost	916	1,040	124
Interest cost of net post-employment medical costs	1,767	1,461	(306)
Accumulated post-employment benefit obligation for health insurance	44,471	49,076	4,605

Provisions for employee benefits also include deferred remuneration schemes and other obligations (see note 4 l). At 31 December 2022 personnel expenses recognised in the consolidated income statement in this regard amount to Euros 13,281 thousand (Euros 2,138 thousand in 2021).

Other provisions basically include the amounts recorded by the Group every year to cover the potential unfavourable rulings relating to administrative proceedings, administrative disciplinary proceedings, judicial reviews, primarily of expropriation proceedings, and out-of-court claims, among others. The provisions recognised to cover these events are measured on the basis of the potential economic content of the ongoing appeals, litigation, claims and general legal or out-of-court proceedings to which the Group companies are party.

In 2022 changes in the consolidated Group include provisions in relation to the fair value of the contingent legal and tax liabilities identified in the Axess business combination (see note 6).

This heading likewise reflects provisions relating to the fair value of the contingent liabilities identified in the business combination resulting from the acquisition of the Hispasat subgroup, mainly those associated with legal and tax contingencies in Brazil which have yet to be resolved.

At the 2022 reporting date, the Group is involved in a number of ongoing proceedings, primarily judicial reviews and disciplinary proceedings. The risks have been assessed and no events are expected to arise that would amount to liabilities not considered in the Group's financial statements or that would have a significant impact on Redeia's profits.

17 Other Non-current Liabilities

Other non-current liabilities basically include contract liabilities for the revenue received in advance under agreements with various telecommunications operators for the use of the telecommunications network capacity, recognised in the consolidated income statement based on the duration of the agreements, with expiry dates up to 2046, and amounting to Euros 32,812 thousand at 31 December 2022 (Euros 26,714 thousand at 31 December 2021). At 31 December 2022 this item also includes Euros 29,687 thousand of revenue received in advance on account of future satellite capacity services to be rendered (Euros 23,716 thousand at 31 December 2021).

This item likewise includes the non-current liabilities arising from the compensation paid by Électricité de France (hereinafter EDF) under the agreement signed in 1997 for the adaptation of electricity supply contracts, which amounted to Euros 23,625 thousand at 31 December 2022 and 2021. These are multi-year commitments and could therefore be subject to the construction of facilities.

18 Financial Risk Management Policy

The Group's risk management policy establishes principles and guidelines to ensure that any significant risks that could affect the objectives and activities of Redeia are identified, analysed, assessed, managed and controlled, and that these processes are carried out systematically and adhering to uniform criteria.

A summary of the main guidelines that comprise this policy is as follows:

- Risk management should be fundamentally proactive and directed towards the medium and long term, taking into account possible scenarios in an increasingly global environment.
- Risk should generally be managed in accordance with consistent criteria, distinguishing between the importance of the risk (probability/impact) and the investment and resources required to reduce it.
- Financial risk management should be focused on avoiding undesirable variations in the Group's core value, rather than generating extraordinary profits.

Redeia's finance management is responsible for managing financial risk, ensuring consistency with the Group's strategy and coordinating risk management across the various Group companies, by identifying the main financial risks and defining the initiatives to be taken, based on different financial scenarios.

The methodology for identifying, measuring, monitoring and controlling risk, as well as the management indicators and measurement and control tools specific to each risk, are implemented through Redeia's Comprehensive Risk Management System, which is set forth in the Comprehensive Risk Management Policy and in the General Comprehensive Risk Management and Control Procedure.

The financial risks to which the Group is exposed are as follows:

a) Market risk

Market risk reflects variations in the financial markets in terms of prices, interest and exchange rates, credit conditions and other variables that could affect short-, medium- and long-term finance costs.

Market risk is managed on the borrowings to be arranged (the currency, maturity and interest rates), and through the use of hedging instruments that allow the financial structure to be modified. Market risk specifically includes:

- Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. The financial debt structure at 31 December 2022 and 2021 is as follows:

	2022		2021	
Thousands of Euros	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**
Non-current issues	3,685,453	14,954	3,966,864	14,947
Non-current bank borrowings	1,136,744	626,658	1,041,714	857,729
Current issues	305,623	-	405,027	-
Current bank borrowings	331,009	43,231	418,292	517,734
Total gross financial debt	**5,458,829**	**684,843**	**5,831,897**	**1,390,409**
Percentage	**89%**	**11%**	**81%**	**19%**

The financial debt structure is low risk with moderate exposure to fluctuations in interest rates, as a result of the debt policy implemented, which aims to bring the cost of debt into line with the financial rate of return applied to the Group's regulated assets, among other objectives.

The interest rate risk to which the Group is exposed at 31 December 2022 and 2021 derives from changes in the fair value of derivative financial instruments and mostly affects equity, but not consolidated profit for the year. A sensitivity analysis of this risk is as follows (in thousands of Euros):

	Effect on consolidated equity of market interest rate fluctuations			
	2022		2021	
Thousands of Euros	**+0.10%**	**-0.10%**	**+0.10%**	**-0.10%**
Interest rate hedges:				
- Cash flow hedges. Interest rate swap	2,102	(2,118)	2,071	(2,042)
Interest rate and exchange rate hedges:				
- Cash flow hedges. Cross-currency swap	(106)	107	29	(30)

This rise or decline of 0.10% in interest rates would have decreased or increased consolidated profit by Euros 1,118 thousand in 2022 and by Euros 1,482 thousand in 2021.

The fair value sensitivity has been estimated using a valuation technique based on discounting future cash flows at prevailing market rates at 31 December 2022 and 2021.

- Currency risk

Currency risk management considers transaction risk arising on cash inflows and outflows in currencies other than the Euro (essentially USD and BRL), and translation risk, to which the Company is exposed when consolidating its subsidiaries and/or assets located in countries where the functional currency is not the Euro.

With a view to reducing the currency risk on issues in the US private placements (USPP) market, the Group has arranged cash flow hedges through US Dollar/Euro cross-currency swaps on the principal and interest, which cover the amount and total term of the issue up to October 2035 (see notes 19 and 20).

To mitigate transaction risk, in 2022 and 2021 the Group companies arranged forward cash flow hedges in the form of cross-currency swaps and currency forwards to hedge highly probable cash flows of certain revenue in US Dollars and Brazilian Reais and certain payment commitments in Brazilian Reais (see note 20). Consequently, a strengthening or weakening of the Euro by 10% against the hedged currencies would have given rise to the following changes in the market value of these derivatives at 31 December 2022:

Thousands of Euros	Effect on consolidated equity of exchange rate fluctuations	
	+10% appreciation of Euro	**-10% depreciation of Euro**
US Dollar	20,366	(24,817)
Total	**20,366**	**(24,817)**

In order to mitigate the translation risk on assets located in countries whose functional currency is not the Euro, the Group finances a portion of such investments in the functional currency of those countries. The Group has also arranged hedges of net investments in US Dollars using cross-currency swaps up to January 2026 (see note 20). Consequently, at 31 December 2022, had the Euro simultaneously strengthened or weakened by 10% against the currencies to which the Group is exposed at year end, equity attributable to the Parent would have decreased or increased by approximately Euros 57 million, of which Euros 11 million would essentially have been caused by the US Dollar and Euros 45 million by the Brazilian Real (Euros 34 million at 31 December 2021, of which Euros 10 million would have been caused by the US Dollar and Euros 23 million by the Brazilian Real).

- Price risk

The Group is exposed to price risk relating to equity instruments classified as financial assets at fair value through other comprehensive income in the consolidated statement of financial position. Equity investments on quoted markets basically comprise the 5% interest held by the Group in REN. At 31 December 2022 had the listed share price of the Portuguese company REN been 10% higher or lower, equity would have increased or decreased, respectively, by approximately Euros 6 million (Euros 6 million in 2021).

b) Credit risk

In light of the nature of revenues from electricity transmission and electricity system operation, and the solvency of the electricity system agents, Redeia's principal activities are not significantly exposed to credit risk. For the other activities, credit risk is mainly managed through instruments to reduce or limit such risk.

In any event, credit risk is managed through policies that contain certain requirements regarding counterparty credit quality, and further guarantees are requested when necessary.

At the reporting date, exposure to credit risk in connection with the fair value of derivatives is insignificant, collateral assignment agreements entailing collateral swaps with various counterparties having been arranged since 2015 in order to mitigate this risk.

At 31 December 2022, less than 3% of balances are past due (less than 1% in 2021), and the companies do not consider there to be any risk as regards recoverability. The credit quality of the receivables is considered to be high.

c) Liquidity risk

Liquidity risk arises due to differences between the amounts or dates of collection and payment of Redeia companies' assets and liabilities.

Liquidity risk is mostly managed by controlling the timing of financial debt and maintaining a considerable volume of available capital during the year, setting maximum limits of amounts falling due for each period defined. This process is carried out at Group company level, in accordance with the practices and limits set by the Group. The limits established vary according to the geographical area, so as to ensure that the liquidity of the market in which the companies operate is taken into account. Furthermore, the liquidity risk management policy entails preparing cash flow projections in the main currencies in which the Group operates, taking into consideration the level of liquid assets and funds available according to these projections, and monitoring the liquidity indicators as per the consolidated statement of financial position and comparing these with market requirements.

The Group's financial debt at 31 December 2022 has an average maturity of 5.0 years (5.0 years at 31 December 2021). Details of the maturities of issues and bank borrowings are provided in note 19.

The Group has a robust financial position. The Group's liquidity position for 2022 is based on its considerable capacity to generate cash flows, supported by undrawn credit facilities amounting to Euros 1,795 million at 31

December 2022 (non-current and current balances of Euros 1,426 million and Euros 369 million, respectively) and a cash surplus of Euros 1,510 million. The Group's liquidity position ensures it will be able to meet operating cash flow requirements, honour debt maturities in 2023 and 2024, and address any adverse situations that might arise in the financial markets in the coming months.

19 Financial Assets and Financial Liabilities

a) Financial assets

Details of the Group's current and non-current financial assets at 31 December 2022 and 2021 are as follows:

	31/12/2022				
Thousands of Euros	**At fair value through other comprehensive income**	**At fair value through profit or loss**	**At amortised cost**	**Hedging derivatives**	**Total**
Equity instruments	84,534	8,742	-	-	93,276
Derivatives	-	-	-	110,616	110,616
Other financial assets	-	6,603	175,714	-	182,317
Non-current	**84,066**	**15,813**	**175,714**	**110,616**	**386,209**
Other financial assets	-	-	752,505	-	752,505
Derivatives	-	-	-	-	-
Current	**-**	**-**	**752,505**	**-**	**752,505**
Total	**84,066**	**15,813**	**928,219**	**110,616**	**1,138,714**

	31/12/2021				
Thousands of Euros	**At fair value through other comprehensive income**	**At fair value through profit or loss**	**At amortised cost**	**Hedging derivatives**	**Total**
Equity instruments	85,368	4,329	-	-	89,697
Derivatives	-	-	-	23,592	23,592
Other financial assets	-	1,050	23,942	-	24,992
Non-current	**85,368**	**5,379**	**23,942**	**23,592**	**138,281**
Other financial assets	-	-	25,401	-	25,401
Derivatives	-	-	-	91	91
Current	**-**	**-**	**25,401**	**91**	**25,492**
Total	**85,368**	**5,379**	**49,343**	**23,683**	**163,773**

- Equity instruments

Equity instruments essentially comprise the 5% interest held by the Group in REN, a holding company that encompasses the operation and use of electricity transmission assets and various gas infrastructure in Portugal. This interest was acquired in 2007 for Euros 98,822 thousand. In 2017 the Group subscribed 6,659,563 new shares in the capital increase carried out by REN for an amount of Euros 12,500 thousand, thereby maintaining its 5% interest in this company.

At 31 December 2021 REN's consolidated equity totalled Euros 1,409,830 thousand and the profit after tax amounted to Euros 97,153 thousand.

These instruments were classified as financial assets measured at fair value through other comprehensive income (see note 2 b). The value of this investment is subject to the listed share price (Level 1). In 2022 the fair value of this equity instrument decreased and the corresponding valuation adjustment was recognised directly under equity.

At 31 December 2022 the Group has quantified the decrease in value of this investment at Euros 834 thousand (a Euros 6,005 thousand increase in 2021).

In 2022, as was the case in 2021, this item also includes the investments made by Red Eléctrica de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit) in various innovative entities.

In 2022 the investment in Adara Ventures III, S.C.A. and Cardumen Fund I increased by Euros 1,455 thousand. Moreover, the addition of Zeleros Global, S.L., which in 2021 was accounted for using the equity method (see note 2.g), was recognised following the loss of significant influence over this company and an increase in its fair value, with a positive impact of Euros 1,343 thousand on profit, stemming from the fair value of these equity instruments.

- Derivatives

Details of derivative financial instruments are provided in note 20.

- Other financial assets

In 2022, other financial assets at amortised cost include the financial asset resulting from the application of IFRIC 12 in respect of the balance still to be invoiced to and collected from the grantor in the long term in relation to the Salto de Chira 200 MW pumped-storage hydroelectric power plant project in Gran Canaria, amounting to Euros 114,632 thousand. Following the publication of the Ministerial Order approving the methodology for calculating the remuneration (see note 3), this project was classified as a concession applying the financial asset model. To this end the Euros 50,407 thousand accumulated in under construction in respect of work carried out up to that point (see note 7) was reclassified, and the Euros 64,225 thousand balance receivable accrued during the year in respect of the construction works and the discounting of the receivable was recognised (see note 24 b).

Other financial assets at amortised cost also mainly reflect the credit facility granted by the Group company Reintel to the non-controlling shareholder, Rudolph Bidco, S.à r.l. This facility is for an amount of Euros 72,500 thousand, of which Euros 23,422 thousand has been drawn down. This item likewise includes the Euros 13,913 thousand credit facility extended to the equity-accounted investee TEN (Euros 12,338 thousand at 31 December 2021). These credit facilities accrue interest at a rate pegged to EURIBOR plus a spread of 471 b.p. in the first case, and LIBOR plus a spread of 270 b.p. in the second case. This line item further includes security deposits paid and loans granted by Redeia to its personnel, which fall due in the long term. There are no significant differences between the fair value and the carrying amount at 31 December 2022 and 2021.

Other financial assets at fair value through profit or loss also comprise the investment in economic interest groups (EIGs), measured at Euros 6,603 thousand (Euros 1,050 thousand in 2021). These EIGs engage in the lease of assets operated by an unrelated party, which retains most of the risks and rewards of the activity, while Redeia only avails of the tax incentives pursuant to Spanish legislation. The Group recognises the tax losses incurred by these EIGs against the investments, together with the corresponding finance income (see note 24 e) reflecting the difference compared to income tax payable to the taxation authorities.

- Fair value hierarchy levels

Details of the Group's financial assets measured at fair value using the inputs defined for this calculation at 31 December 2022 and 2021 are as follows:

	31/12/2022			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Equity instruments	84,066	-	9,210	93,276
Derivatives	-	110,616	-	110,616
Other financial assets	-	6,603		6,603

	31/12/2021			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Equity instruments	84,900	-	4,797	89,697
Derivatives	-	23,683	-	23,683
Other financial assets	-	1,050		1,050

Level 1 equity instruments reflect the 5% interest held by the Group in the listed company REN. Level 3 mainly includes the investments made by Elewit in investment funds innovative companies.

Other financial assets classified within Level 2 comprise the investments in economic interest groups (EIGs).

b) Financial liabilities

Details of the Group's current and non-current financial liabilities at 31 December 2022 and 2021 are as follows:

	31/12/2022		
Thousands of Euros	**Financial liabilities**	**Hedging derivatives**	**Total**
Loans and borrowings	1,762,259	-	1,762,259
Bonds and other marketable securities	3,728,865	-	3,728,865
Derivatives	-	22,016	22,016
Other financial liabilities	52,631	-	52,631
Non-current	**5,543,755**	**22,016**	**5,565,771**
Loans and borrowings	389,650	-	389,650
Bonds and other marketable securities	332,195	-	332,195
Derivatives	-	7,053	7,053
Other financial liabilities	983,432	-	983,432
Current	**1,705,277**	**7,053**	**1,712,330**
Total	**7,249,032**	**29,069**	**7,278,101**

	31/12/2021		
Thousands of Euros	**Financial liabilities**	**Hedging derivatives**	**Total**
Loans and borrowings	1,899,560	-	1,899,560
Bonds and other marketable securities	3,996,610	-	3,996,610
Derivatives	-	16,436	16,436
Other financial liabilities	57,264	-	57,264
Non-current	5,953,434	16,436	5,969,870
Loans and borrowings	945,757	-	945,757
Bonds and other marketable securities	445,965	-	445,965
Derivatives	-	5,129	5,129
Other financial liabilities	752,703	-	752,703
Current	**2,144,425**	**5,129**	**2,149,554**
Total	**8,097,859**	**21,565**	**8,119,424**

- Loans and borrowings, bonds and other marketable securities

The carrying amount and fair value of loans and borrowings and issues of bonds and other marketable securities at 31 December 2022 and 2021, excluding interest payable, are as follows:

	Carrying amount		Fair value	
Thousands of Euros	**2022**	**2021**	**2022**	**2021**
Issues in Euros	3,641,742	4,026,747	3,280,334	4,172,723
Issues in US Dollars	392,747	374,890	404,046	471,183
Bank borrowings in Euros	1,613,807	2,439,008	1,505,480	2,463,081
Bank borrowings in foreign currency	523,835	396,461	528,814	421,014
Total	**6,172,131**	**7,237,106**	**5,718,674**	**7,528,001**

The fair value of all bank borrowings and issues has been estimated using valuation techniques based on discounting future cash flows at the market rates in force at each date (Level 2 of the hierarchy).

At 31 December 2022 the accrued interest payable amounts to Euros 40,838 thousand (Euros 50,787 thousand in 2021).

Issues in Euros at 31 December 2022 reflect the Eurobonds issued by Red Eléctrica Financiaciones, S.A.U. and Red Eléctrica Corporación, S.A. totalling Euros 3,641,742 thousand (Euros 4,026,747 thousand in 2021). The Group redeemed debt in an amount of Euros 400 million in 2022 under the Euro Medium Term Note (EMTN) Programme in the Euromarket.

Issues in US Dollars at 31 December 2022 amounted to Euros 392,747 thousand (Euros 374,890 thousand in 2021), comprising a US Dollars 500 million issue on the US private placement (USPP) market, of which US Dollars 250 million is still payable (Euros 234,390 thousand at the 2022 year end), as well as three US Dollar bond issues made in Peru, of which US Dollars 173 million, equal to Euros 158 million, is still payable (Euros 179 million in 2021) (see note 18 for an analysis of currency risk).

Bank borrowings in Euros at 31 December 2022 include non-current loans and credit facilities amounting to Euros 1,613,807 thousand (Euros 1,939,008 thousand in 2021). At 31 December 2021 this item also included the balance drawn down from a syndicated loan of Euros 500,000 thousand.

Bank borrowings in foreign currency at 31 December 2022 mainly include non-current loans and credit facilities in US Dollars amounting to Euros 523,835 thousand (Euros 396,461 thousand in 2021).

Details of the maturities of bond issues and bank borrowings at 31 December 2022 are as follows:

	Maturities at 31 December 2022							
Thousands of Euros	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Amortised cost and other adjustments**	**Total**
Issues in Euros	300,000	-	900,000	500,000	675,000	1,315,000	(48,258)	3,641,742
Issues in US Dollars	5,928	6,362	147,450	7,300	7,809	221,558	(3,660)	392,747
Bank borrowings in Euros	181,545	321,044	121,050	94,706	400,928	498,567	(4,033)	1,613,807
Bank borrowings in US Dollars	192,320	183,582	60,799	5,621	5,766	83,654	(7,907)	523,835
Total	**679,793**	**510,988**	**1,229,299**	**607,627**	**1,089,503**	**2,118,779**	**(63,858)**	**6,172,131**

The average interest rate of loans and borrowings and bond issues was 1.62% in 2022 (1.52% in 2021).

At 31 December 2022 Group companies have undrawn credit facilities amounting to Euros 1,795 million (Euros 1,853 million in 2021), of which Euros 1,426 million expire in the long term (Euros 1,717 million at 31 December 2021) and Euros 369 million in the short term (Euros 136 million at 31 December 2021).

Details of bonds and other marketable securities at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31/12/2022				
	Opening outstanding balance at 31/12/2021	**(+) Issues**	**(-) Repurchases or redemptions**	**(+/-) Exchange rate and other adjustments**	**Closing outstanding balance at 31/12/2022**
Debt securities requiring a prospectus to be filed	4,026,747	-	(400,000)	14,995	3,641,742
Debt securities not requiring a prospectus to be filed	-	-	-	-	-
Other debt securities issued outside EU member states	374,890	-	(5,521)	23,378	392,747
Total	**4,401,637**	**-**	**(405,521)**	**38,373**	**4,034,489**

Thousands of Euros	31/12/2021				
	Opening outstanding balance at 31/12/2020	**(+) Issues**	**(-) Repurchases or redemptions**	**(+/-) Exchange rate and other adjustments**	**Closing outstanding balance at 31/12/2021**
Debt securities requiring a prospectus to be filed	3,422,760	600,000	-	3,987	4,026,747
Debt securities not requiring a prospectus to be filed	-	-	-	-	-
Other debt securities issued outside EU member states	350,324	-	(4,586)	29,152	374,890
Total	**3,773,084**	**600,000**	**(4,586)**	**33,139**	**4,401,637**

In 2022 and 2021 changes in debt securities requiring a prospectus to be filed relate to issues registered in Luxembourg.

Details of changes in liabilities related to financing instruments during 2022, distinguishing between those that entailed cash flows and those that did not, are as follows:

Thousands of Euros	31/12/2021	Movements entailing cash flows	Movements not entailing cash flows		31/12/2022
			Exchange differences	**Other changes**	
Issues in Euros	4,026,747	(400,000)	-	14,995	3,641,742
Issues in US Dollars	374,890	(5,521)	23,424	(46)	392,747
Bank borrowings in Euros	2,439,008	(820,221)	-	(2,246)	1,616,541
Bank borrowings in foreign currency	396,461	84,024	20,662	19,954	521,101
Total debt	**7,237,106**	**(1,141,718)**	**44,086**	**32,657**	**6,172,131**

Other changes in bank borrowings in foreign currency primarily include the debt of Axess at the time of joining the Redeia consolidated Group (see note 6).

- Derivatives

Details of derivative financial instruments are provided in note 20.

- Other financial liabilities

Details of other financial liabilities at 31 December 2022 and 2021 are as follows:

Thousands of Euros	31/12/2022	31/12/2021
Non-current lease payables	18,343	19,865
Suppliers of fixed assets and other payables	34,288	37,399
Total non-current	**52,631**	**57,264**

Dividend payable (note 13)	147,143	147,061
Current lease payables	7,537	8,068
Suppliers of fixed assets	387,603	315,374
Other payables	441,149	282,200
Total current	**983,432**	**752,703**
Total other financial liabilities	**1,036,063**	**809,967**

Suppliers of fixed assets essentially reflect balances incurred on the construction of electricity and telecommunications facilities.

As regards lease payables, details of non-current future minimum lease payments are as follows:

Thousands of Euros	2023	2024	2025	2026	2027	Thereafter	Total
Future minimum lease payments	7,537	5,737	5,906	3,656	1,211	1,833	25,880

In its position as lessee, the Group does not forecast significant future cash outflows to which it may potentially be exposed and it considers that all estimated lease liabilities are duly detailed.

Other payables basically comprise certain items pending settlement with respect to the Spanish electricity system and security deposits received.

- Fair value hierarchy levels

The fair value hierarchy levels at 31 December 2022 and 2021 of non-current and current financial liabilities measured at fair value are as follows:

	31/12/2022			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Loans and borrowings	-	2,137,642	-	2,137,642
Bonds and other marketable securities	-	4,034,489	-	4,034,489
Derivatives	-	29,069	-	29,069
Total	**-**	**6,201,200**	**-**	**6,201,200**

	31/12/2021			
Thousands of Euros	Level 1	Level 2	Level 3	Total balance
Loans and borrowings	-	2,835,469	-	2,835,469
Bonds and other marketable securities	-	4,401,637	-	4,401,637
Derivatives	-	21,565	-	21,565
Total	**-**	**7,258,671**	**-**	**7,258,671**

Loans and borrowings, bonds and other issuances, and foreign currency and interest rate derivatives are all categorised within Level 2. There are no significant differences between the fair value and the carrying amount at 31 December 2022 and 2021.

The Group's fair value estimates reflect the assumptions of market participants based on the information available and market conditions at the date these financial statements were drawn up, incorporating, where appropriate, risk premiums arising from the increased uncertainty caused by the present macroeconomic scenario, adjusting the estimates for own and counterparty credit risk and taking into consideration the fact that unobservable inputs have become significant.

20 Derivative Financial Instruments

In line with its financial risk management policy, the Group has arranged four types of derivative financial instruments: interest rate swaps, forward interest rate swaps, cross-currency swaps and currency forwards. Interest rate swaps consist of exchanging debt at floating interest rates for debt at fixed rates, in a swap where the future cash flows to be hedged are the interest payments. Forward interest rate swaps cover the finance cost of highly probable forecast future transactions. Similarly, cross-currency swaps allow fixed- or floating-rate debt in US Dollars to be exchanged for fixed- or floating-rate debt in Euros, thereby hedging future interest and capital flows in US Dollars, future floating-rate interest flows in Euros and currency risk related with highly probable forecast transactions in US Dollars. Lastly, currency forwards hedge currency risk related with highly probably forecast transactions denominated in a currency other than the Euro.

As regards the measurement of derivative financial instruments and hedging instruments disclosed in these notes, the application of IFRS 13 (see note 4 n) entails an adjustment to the valuation techniques used to calculate the fair value of derivative financial instruments. The Group has incorporated a credit risk adjustment to reflect own and counterparty risk in the fair value of derivatives using generally accepted measurement models.

To eliminate the credit risk from the cross-currency swaps arranged to hedge the exchange rate for USPP issuance, collateral assignment agreements entailing collateral swaps were entered into with the counterparties in 2015.

When determining the credit risk adjustment for other derivatives, the Group applied a technique based on calculating total expected exposure (which considers current and potential exposure) through the use of simulations, adjusted for the probability of default over time and for loss given default allocable to the Group and to each counterparty.

The total expected exposure of derivative financial instruments is determined using observable market inputs, such as interest rate curves, exchange rates and volatilities based on market conditions at the measurement date.

The inputs used to determine own and counterparty credit risk (probability of default) are mostly based on own credit spreads and those of comparable companies currently traded on the market (credit default swap (CDS) curves, IRR of debt issues, etc.).

Furthermore, adjustments of fair value for credit risk take into account credit enhancements for guarantees and collateral when determining the loss given default to be used for each position. Loss given default is considered to be constant over time. A minimum recovery rate of 40% has been used in cases where there is no credit enhancement for guarantees or collateral.

Based on the fair value hierarchy levels detailed in note 4, the Group has considered that the majority of the inputs used to determine the fair value of derivative financial instruments are categorised within Level 2, including the data used to calculate the own and counterparty credit risk adjustment.

The Group has observed that the impact of using Level 3 inputs for the overall measurement of derivative financial instruments is not significant. Consequently, the Group has determined that the entire derivative financial instrument portfolio can be categorised within Level 2 of the fair value hierarchy.

As regards observable inputs, the Group uses mid-market prices obtained from reputable external information sources in the financial markets.

Details of hedges at 31 December 2022 and 2021 in thousands of Euros are as follows:

Thousands of Euros	Principal	Term to expiry	Average rate per derivative		2022			
					Non-current		Current	
			Payable	Receivable	Assets	Liabilities	Assets	Liabilities
Interest rate hedges:								
- Cash flow hedges:								
Interest rate swap	Euros 389,542 thousand	Up to 2031	2.48%	EURIBOR+0.11%	8,065	(78)	-	-
- Forward cash flow hedges:								
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	0.32%	EURIBOR	15,301	-	-	-
Forward interest rate swap beginning in 2024	Euros 100,000 thousand	Up to 2030	0.06%	EURIBOR	15,878	-	-	-
Forward interest rate swap beginning in 2025	Euros 200,000 thousand	Up to 2031	0.20%	EURIBOR	28,743	-	-	-
Exchange rate hedges:								
- Hedges of a net investment:								
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	-	-	(2,209)	-	-
- Forward cash flow hedges:								
Cross-currency swap	US Dollars 65,230 thousand	Up to 2031	-	-	-	(7,200)	-	-
Currency forward	US Dollars 208,673 thousand	Up to 2032	-	-	5,709	(3,525)	-	(6,864)
Currency forward	Brazilian Reais 28,543 thousand	Up to 2023	-	-	-	-	-	(189)
Interest rate and exchange rate hedges:								
- Cash flow hedges (cross-currency swaps):								
Interest rate hedges	US Dollars 250,000 thousand	Up to 2035	4.12% EUR	5.35% USD	2,917	-	-	-
Exchange rate hedges					28,459	-	-	-
- Cash flow hedges (cross-currency swaps):								
Interest rate hedges	US Dollars 77,567 thousand	Up to 2031	2.975% USD	EURIBOR+0.38%	5,544	-	-	-
Exchange rate hedges					-	(9,004)	-	-
Total					**110,616**	**(22,016)**	**-**	**(7,053)**

					2021			
			Average rate per derivative		Non-current		Current	
Thousands of Euros	Principal	Term to expiry	Payable	Receivable	Assets	Liabilities	Assets	Liabilities
Interest rate hedges:								
- Cash flow hedges:								
Interest rate swap	Euros 225,000 thousand	Up to 2022	0.34%	EURIBOR	-	-	-	(1,544)
Interest rate swap	Euros 43,621 thousand	Up to 2031	0.72%	EURIBOR+0.38%	438	-	-	-
- Forward cash flow hedges:								
Forward interest rate swap beginning in 2022	Euros 20,921 thousand	Up to 2031	0.72%	EURIBOR+0.38%	207	-	-	-
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	0.32%	EURIBOR	1,131	(1,673)	-	-
Forward interest rate swap beginning in 2024	Euros 100,000 thousand	Up to 2030	0.06%	EURIBOR	1,655	-	-	-
Forward interest rate swap beginning in 2025	Euros 200,000 thousand	Up to 2031	0.20%	EURIBOR	2,758	-	-	-
Exchange rate hedges:								
- Hedges of a net investment:								
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	-	6,099	-	-	-
- Forward cash flow hedges:								
Cross-currency swap	US Dollars 161,432 thousand	Up to 2031			-	(9,535)	-	-
Currency forward	US Dollars 189,598 thousand	Up to 2025	-		-	(5,228)	33	(3,585)
Currency forward	Brazilian Reais 45,885 thousand	Up to 2022	-		-	-	58	-
Interest rate and exchange rate hedges:								
- Cash flow hedges (cross-currency swaps):								
Interest rate hedges	US Dollars 250,000 thousand	Up to 2035	4.12% EUR	5.35% USD	(3,496)	-	-	-
Exchange rate hedges			-	-	14,800	-	-	-
Total					**23,592**	**(16,436)**	**91**	**(5,129)**

Details of expected cash flows from derivatives at 31 December 2022 and 2021, which are similar to the expected impact on profit or loss, by year of occurrence, are as follows:

Thousands of Euros	Maturities at 31 December 2022								
	Principal	**Term to expiry**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028 and thereafter**	**Total**
Interest rate hedges:									
- Cash flow hedges:									
Interest rate swap	Euros 389,542 thousand	Up to 2031	-	(78)	-	-	-	8,065	7,987
- Forward cash flow hedges:									
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	-	-	-	-	-	15,301	15,301
Forward interest rate swap beginning in 2024	Euros 100,000 thousand	Up to 2030	-	-	-	-	-	15,878	15,878
Forward interest rate swap beginning in 2025	Euros 200,000 thousand	Up to 2031	-	-	-	-	-	28,743	28,743
Exchange rate hedges:									
- Hedges of a net investment:									
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	-	-	(2,209)	-	-	(2,209)
- Forward cash flow hedges:									
Cross-currency swap	US Dollars 65,230 thousand	Up to 2031	-	-	-	-	-	(7,200)	(7,200)
Currency forward	US Dollars 203,710 thousand	Up to 2032	(6,864)	(1,916)	(255)	867	1,214	2,275	(4,679)
Currency forward	Brazilian Reais 45,885 thousand	Up to 2023	(189)	-	-	-	-	-	(189)
Interest rate and exchange rate hedges:									
- Cash flow hedges (cross-currency swaps):									
Interest rate hedges	US Dollars 250,000 thousand	Up to 2035	-	-	(78)	-	-	2,995	2,917
Exchange rate hedges			-	-	17,075	-	-	11,384	28,459
- Cash flow hedges (cross-currency swaps):									
Interest rate hedges	US Dollars 77,567 thousand	Up to 2031	-	-	-	-	-	5,543	5,543
Exchange rate hedges			-	-	-	-	-	(9,004)	(9,004)
Total			**(7,053)**	**(1,994)**	**16,742**	**(1,342)**	**1,214**	**73,980**	**81,547**

Thousands of Euros	Principal	Term to expiry	Maturities at 31 December 2021						
			2022	2023	2024	2025	2026	2027 and thereafter	Total
Interest rate hedges:									
- Cash flow hedges:									
Interest rate swap	Euros 225,000 thousand	Up to 2022	(1,544)	-	-	-	-	-	(1,544)
Interest rate swap	Euros 43,621 thousand	Up to 2031	-	-	-	-	-	438	433
- Forward cash flow hedges:									
Forward interest rate swap beginning in 2022	Euros 20,921 thousand	Up to 2031	-	-	-	-	-	207	207
Forward interest rate swap beginning in 2023	Euros 100,000 thousand	Up to 2029	-	-	-	-	-	(542)	(542)
Forward interest rate swap beginning in 2024	Euros 100,000 thousand	Up to 2030	-	-	-	-	-	1,655	1,655
Forward interest rate swap beginning in 2025	Euros 200,000 thousand	Up to 2031	-	-	-	-	-	2,758	2,758
Exchange rate hedges:									
- Hedges of a net investment:									
Cross-currency swap	US Dollars 150,000 thousand	Up to 2026	-	-	-	-	6,099	-	6,099
- Forward cash flow hedges:									
Cross-currency swap	US Dollars 161,432 thousand	Up to 2031	-	-	-	-	-	(9,535)	(9,535)
Currency forward	US Dollars 189,598 thousand	Up to 2025	(3,552)	(3,486)	(1,383)	(359)	-	-	(8,781)
Currency forward	Brazilian Reais 45,885 thousand	Up to 2022	58	-	-	-	-	-	58
Interest rate and exchange rate hedges:									
- Cash flow hedges (cross-currency swaps):									
Interest rate hedges	US Dollars 250,000 thousand	Up to 2035	-	-	-	(644)	-	(2,852)	(3,496)
Exchange rate hedges			-	-	-	8,880	-	5,920	14,800
Total			**(5,038)**	**(3,486)**	**(1,383)**	**7,877**	**6,099**	**(1,951)**	**2,118**

The Group has recognised the following amounts in 2022 and 2021 as a result of the cash flow hedges:

	2022				2021			
	Financial liabilities at amortised cost	Hedging derivatives (*)	Equity-accounted investees	Total	Financial liabilities at amortised cost	Hedging derivatives (*)	Equity-accounted investees	Total
Gains/(Losses) recognised in the consolidated income statement	9,052	10,456	-	19,508	3,540	2,408	-	5,948
Gains/(Losses) recognised in the consolidated statement of comprehensive income	63,929	405	9,369	73,703	12,503	(8,516)	23,938	27,925
Total	**72,981**	**10,861**	**9,369**	**93,211**	**16,043**	**(6,108)**	**23,938**	**33,873**

(*) Cash flow hedge for a highly probably forecast transaction.

21 Trade and Other Payables

Details of this item at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Suppliers	485,624	382,309
Other payables	661,232	409,459
Current tax liabilities (note 22)	13,320	10,887
Total	**1,160,176**	**802,655**

Suppliers primarily comprise amounts not yet due for the purchase of goods and services in the course of trade operations, essentially payables arising from repairs, maintenance work and modifications to facilities.

Suppliers also include current liabilities arising from contracts with customers in an amount of Euros 37,033 thousand at 31 December 2022 (Euros 54,541 thousand at 31 December 2021). These liabilities were recognised as advances on account of future services to be rendered, essentially telecommunication capacity, work to modify third-party lines and the provision of insurance services.

Other payables mainly reflect items pending reimbursement in respect of provisional tariffs, which have arisen due to the difference between the amount settled and collected and the revenue accrued for electricity transmission services from 2016 to 2022 (see notes 3 and 24). This item also includes VAT payable to the taxation authorities, salaries payable and other amounts not yet due for the purchase of goods and services.

22 Average Supplier Payment Period. “Reporting Requirement". Additional Provision Three of Law 15/2010 of 5 July 2010

On 29 September 2022, Law 18/2022 of 28 September 2022 on the creation and growth of companies was published in the Official State Gazette (BOE). The objectives of this law include reducing commercial delinquency and improving access to financing.

Law 18/2022 of 28 September 2022 amends, among other legislation, Law 15/2010 of 5 July 2010, which amended Law 3/2004 of 29 December 2009, containing measures to combat late payments in commercial transactions, which, inter alia, regulates payment periods in commercial relations between companies or between companies and public entities. Specifically, it amends additional provision three.

With regard to the amendments to additional provision three, Law 18/2022 states that:

- All trading companies shall expressly disclose their average supplier payment period in the notes to the annual accounts.
- Listed trading companies, and unlisted companies that do not present abbreviated annual accounts, shall publish their average supplier payment period, the monetary volume and number of invoices paid within the maximum period stipulated by legislation on late payments, and the percentage they represent with respect to the total number of invoices and the total monetary payments to their suppliers. This information shall be disclosed in the notes to their annual accounts, and published on their website if they have one.

The Spanish Accounting and Auditing Institute (ICAC) has published the Spanish Accounting and Auditing Institute's Official Gazette (BOICAC) no. 132/2022, which states that Law 18/2022 of 28 September 2022 extends the information that trading companies must disclose in the notes to their annual accounts, and which they must also publish on their website, if they have one.

The information on the average supplier payment period for 2022 and 2021 is as follows:

Days	2022	2021
Average supplier payment period	**41**	**43**
Transactions paid ratio	42	45
Transactions payable ratio	19	10

Thousands of Euros	2022	2021
Total payments made	470,551	362,944
Total payments outstanding	29,402	15,498

Thousands of Euros	2022	2021
Amount of invoices paid within the maximum period stipulated	424,332	324,359
Total payments made	470,551	362,944
Amount of invoices paid within the maximum period stipulated as a % of total payments made	90%	89%

	2022	2021
Number of invoices paid within the maximum period stipulated	28,045	25,286
Total number of invoices paid	32,374	29,241
Number of invoices paid within the maximum period stipulated as a % of total invoices paid	87%	87%

23 Taxation

- Consolidated tax group

The tax group headed by Red Eléctrica Corporación has filed consolidated tax returns in Spain since 2002 (tax group No. 57/02). At 31 December 2022, in addition to the Parent, the tax group includes Red Eléctrica, Redinter, Red Eléctrica Finance, Red Eléctrica Financiaciones, Red Eléctrica Infraestructuras en Canarias, Red Eléctrica Sistemas de Telecomunicaciones, Elewit, Hispasat, S.A., Hispasat Canarias, S.L. and Hispamar Exterior, S.L.

Hispamar Exterior, S.L. joined the Redeia tax group as a subsidiary in 2022.

Moreover, following Red Eléctrica Corporación's transfer of its 49% stake in Reintel, since 1 January 2022 this company has no longer been a subsidiary of tax group No. 57/02, and instead files individual income tax returns (see note 6).

Companies that do not form part of the tax group are subject to the legislation applicable in their respective countries.

- Income tax expense and effective tax rate

A reconciliation of the prevailing tax rate in Spain with the tax rate applicable to the Group is as follows:

Thousands of Euros	2022	2021
Consolidated accounting profit for the year before tax	869,517	888,077
Permanent differences and consolidation adjustments	(63,734)	(12,979)
Consolidated taxable accounting income	805,783	875,098
Tax rate	**25%**	**25%**
Consolidated taxable accounting income multiplied by tax rate	201,446	218,775
Effect of applying different tax rates	8,704	8,248
Tax calculated at the tax rate of each country	210,150	227,022
Deductions and other adjustments	(21,820)	(25,229)
Income tax	**188,330**	**201,793**
Current income tax	210,713	212,378
Deferred income tax	(22,383)	(10,585)
Effective tax rate	**21.66%**	**22.72%**

The effective rate of income tax is primarily influenced by permanent differences and by deductions in tax payable. The effective tax rate in 2022 is 21.66% (22.72% in 2021).

Permanent differences in 2022 and 2021 primarily reflect the capitalisation reserve adjustment, as a result of the increase in equity in accordance with article 25 of Spanish Income Tax Law 27/2014 (see note 14), and investment management expenses associated with dividends from subsidiaries (article 21 of Law 27/2014).

In 2022 and 2021 consolidation adjustments primarily stem from gains/losses on different Group investees accounted for using the equity method, which have no tax effect at consolidated level.

Deductions and other adjustments mainly comprise those for research, development and technological innovation expenditure, as well as relief for international double taxation and donations.

Given the financial nature of the deduction for investments in fixed assets in the Canary Islands, it is treated as a grant, and its impact on the consolidated income statement is deferred over several years based on the useful lives of the assets associated with this incentive (see note 4 j).

Deductions recognised as grants in 2022 amount to Euros 5,436 thousand (Euros 4,892 thousand in 2021) and the amount still to be recognised at 31 December 2022 is Euros 139,593 thousand (Euros 125,871 thousand in 2021).

- Deferred taxes

Movement in deferred tax assets and liabilities is as follows:

	2022			2021		
Thousands of Euros	**Income statement, Business combinations and other**	**Income and expense recognised directly in equity**	**Total**	**Income statement**	**Income and expense recognised directly in equity**	**Total**
Deferred tax assets:						
Originating in prior years	110,827	64,054	174,880	118,889	72,545	191,433
Business combinations	5,942	-				
Movement in the year	5,747	(34,596)	(28,849)	(8,062)	(8,491)	(16,553)
Total gross deferred tax assets	122,516	29,458	151,973	110,827	64,054	174,880
Offsetting of deferred taxes from the tax group in Spain			(82,756)			(104,313)
Total net deferred tax assets			**69,217**			**70,567**
Deferred tax liabilities:						
Originating in prior years	486,875	15,249	502,124	505,522	15,249	520,771
Business combinations	13,902	-	13,902	-	-	-
Movement in the year	(16,636)	1,016	(15,620)	(18,647)	-	(18,647)
Total gross deferred tax liabilities	484,141	16,265	500,406	486,875	15,249	502,124
Offsetting of deferred taxes from the tax group in Spain			(82,756)			(104,313)
Total net deferred tax liabilities			**417,650**			**397,811**

Deferred tax assets and liabilities at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Balance sheet revaluations - Law 16/2012	18,985	17,797
Limit on deductible depreciation/amortisation - Law 16/2012	10,138	13,643
Impairment of fixed assets	24,282	28,004
Commitments with personnel	23,629	22,857
Translation differences	18,039	29,237
Financial derivatives	1,624	22,277
Unused deductions	25,599	18,741
Credits for tax loss carryforwards	12,839	11,771
Other	16,839	10,554
Offsetting of deferred assets and liabilities	(82,756)	(104,313)
Total deferred tax assets	**69,217**	**70,567**
Accelerated depreciation and amortisation	439,936	455,364
Non-deductible assets	23,597	11,711
Other	36,873	35,049
Offsetting of deferred assets and liabilities	(82,756)	(104,313)
Total deferred tax liabilities	**417,650**	**397,811**

Deferred tax assets include reversals of tax prepaid in 2013 and 2014 as a result of applying the limitation on the tax deductibility of depreciation and amortisation charges stipulated in article 7 of Law 16/2012 of 27 December 2012, which introduced several fiscal measures to consolidate public finances and boost economic activity, and those arising as a result of the commencement, in 2015, of depreciation and amortisation for tax purposes of the net increase in value resulting from the revaluations applied to the balance sheet at 31 December 2012, pursuant to article 9 of the same Law. This item also reflects amounts pertaining to asset impairment, long-term employee benefits, translation differences, changes in value of cash flow hedges, and tax credits for available deductions and tax loss carryforwards.

Deferred tax liabilities essentially relate to the accelerated depreciation for tax purposes of certain fixed assets and the inclusion of the assets and liabilities of REDALTA and INALTA, the companies absorbed by Red Eléctrica Corporación in 2006. In 2022, deferred tax liabilities due to accelerated depreciation, as provided for in additional provision eleven of Royal Legislative Decree 4/2004 and transitional provision thirty-four of Income Tax Law 27/2014, amounted to Euros 378,530 thousand (Euros 396,760 thousand in 2021).

In the consolidated statement of financial position the Group has offset deferred tax assets and deferred tax liabilities arising from the Spanish tax group in an amount of Euros 82,756 thousand, as permitted by IAS 12 (Euros 104,313 thousand in 2021).

At 31 December 2022, deferred tax assets and liabilities are expected to be recovered and settled as follows:

	Gross total	More than 1 year	Less than 1 year	Adjustment for offsetting of assets and liabilities	Net total
Deferred tax assets	151,973	145,555	6,418	(82,756)	69,217
Deferred tax liabilities	500,406	466,600	33,806	(82,756)	417,650

The recovery/settlement of the Group's deferred tax assets/liabilities is dependent on certain assumptions, which could change.

At 31 December 2022 the Group has unrecognised deferred tax assets amounting to Euros 10,576 thousand in respect of unused deductions for R&D&i expenditure, international double taxation relief and tax loss carryforwards (Euros 10,045 thousand in 2021). These assets were generated in the 2012-2019 period and expire between 2031 and 2038 in the case of deductions for R&D&i expenditure.

In 2022, the Group applied for monetisation of unused deductions for R&D&i expenditure amounting to Euros 526 thousand (monetisation of Euros 1,279 thousand in 2021).

The notes to Red Eléctrica Corporación's annual accounts for 2006 contained disclosures on the merger by absorption of REDALTA and INALTA, as required by article 86 of Law 27/2014. The notes to the 2008 annual accounts included disclosures on Red Eléctrica Corporación's contribution to Red Eléctrica of the branch of activities encompassing the duties of the system operator, transmission network manager and transmission agent of the Spanish electricity system.

The notes to the annual accounts of Red Eléctrica Corporación and Reintel for 2015 also include the disclosures stipulated in article 86 of Law 27/2014 regarding the spin-off of the telecommunications services business from Redinter to Reintel, while the notes to the annual accounts of Red Eléctrica Corporación and Redinter for 2015 contain the disclosures regarding the non-monetary contribution of shares in REN.

- Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period has elapsed.

In 2022, general inspection proceedings commenced in relation to VAT, personal income tax withholdings and non-resident withholdings for Red Eléctrica Corporación and Red Eléctrica, for tax periods from February 2018 to December 2020. The tax periods open to general inspection with respect to income tax (under the consolidated tax regime) encompass 2017 to 2020.

Moreover, in 2022 partial inspection proceedings commenced in relation to income tax for 2012 and 2014, solely encompassing certain aspects related to Redinter. The court proceedings associated with the subject matter of the aforementioned partial inspections drew to a close in 2022, with the Spanish High Court ruling in favour of the tax group. The inspection proceedings are thus likewise expected to have a favourable outcome.

Lastly, on 11 February 2023 notice was received of the start of partial inspection proceedings of income tax for the 2015 to 2020 tax periods, with respect to Hispasat, S.A. and Hispasat Canarias, S.L.

In Spain, the Group has certain tax proceedings ongoing in respect of income tax for 2011 to 2016, which are currently undergoing judicial review. The Company considers that its conduct was lawful based on reasonable interpretations of the applicable legislation, and does not expect that any penalties will be imposed or that any significant tax liabilities will arise for the Group.

In addition, in 2020 the tax group applied for rectification of the instalments for 2016 to 2020. At the end of that year, the taxation authorities resolved to uphold the rectification applied for in respect of 2016 and 2017, while the decision received with regard to the remaining years is being appealed.

As a result of the Hispasat acquisition, the Group has open tax proceedings in Brazil relating to ICMS (Brazilian tax on the circulation of goods and services), as well as other taxes, mainly of an indirect nature. These proceedings stem from inspection assessments, which the Group companies have appealed. Moreover, the Group has specific guarantees to cover this contingency (see note 16).

In general, and pursuant to Spanish tax legislation, at the date of authorising these annual accounts for issue, the Group in Spain has open to inspection by the taxation authorities all the main applicable taxes for the last four years that are not subject to the proceedings referred to in the preceding paragraphs. This period may be different for Group companies that are subject to other tax legislation.

Due to the different possible interpretations of tax legislation, additional tax liabilities could arise as a result of inspections, which cannot be objectively quantified at present. Nevertheless, any additional liabilities that could eventually arise in the event of inspection are not expected to significantly affect the Company’s future results.

24 Income and Expenses

a) Revenue

Details of this item in 2022 and 2021, by geographical area, are as follows:

Thousands of Euros	2022	2021
Domestic market	1,791,060	1,798,597
International market	223,976	154,361
a) European Union	31,707	23,463
a.1) Eurozone	31,443	23,463
a.2) Non-Eurozone	264	-
b) Other countries	192,269	130,898
Total	**2,015,036**	**1,952,958**

Domestic market essentially includes transmission and system operation services rendered, essentially reflecting the regulated revenue (see note 3) for electricity transmission and electricity system operation services. The remuneration for these services is set by the CNMC through Circulars that determine the methods and parameters for calculating the remuneration of the transmission activity based on the costs necessary to construct, operate and maintain the technical electricity facilities, and the remuneration for the system operator, pursuant to the powers bestowed upon this Commission by Royal Decree-Law 1/2019 (see note 3.a).

Revenue from the transmission activity in Spain in 2022 and 2021 was mainly accrued on the basis of Red Eléctrica's calculations pursuant to the regulations in force, given that the CNMC has yet to publish the definitive remuneration for 2022, 2021 and 2020 (see note 3.a).

In 2022, following the publication in December of Ministerial Orders TED/1311/2022 and TED/1343/2022 (see note 3) in relation to transmission revenue for 2016, and for 2017, 2018 and 2019, respectively, an analysis was undertaken to determine possible differences between the definitive amounts approved and the amounts accrued by Red Eléctrica, and the pertinent adjustments were made in 2022 for any such possible differences. This analysis also encompassed 2020, 2021 and 2022, for which the CNMC has yet to approve the definitive remuneration.

Moreover, inasmuch as the annual tariff orders have been provisionally rolling forward the amount stipulated in Ministerial Order IET/981/2016 (see note 3.a) since 2017, the consolidated statement of financial position includes a liability reflecting the estimated figure to be reimbursed to the system in respect of the difference between the amount settled provisionally and the revenue accrued from 2016 to 2022 (see note 21).

Furthermore, as regards the remuneration for the system operator, the revenue for 2022 and 2021 has been accrued in accordance with CNMC Circular 4/2019, which determines the system operator's remuneration for 2020 and thereafter. Revenue for 2014 to 2019, which is provisional, was accrued on a best estimate basis applying the remuneration methodology for the activity in question. Thus, in 2022 and 2021 the remuneration calculation methodology laid down in the draft Royal Decree, which MITERD submitted for public consultation in 2021, has been considered. At the reporting date this legislation had yet to be published, as mentioned in note 3.a.

The Group considers that the revenue resulting from the final decisions in these processes will not differ significantly from the estimated revenue recognised.

International market in 2022 and 2021 primarily includes revenue from reinsurance services, presented under European Union; and revenue of the Peruvian and Chilean companies from the rendering of transmission services, and revenue mainly recognised in Brazil from satellite telecommunications services, presented under other countries.

b) Other operating income

At 31 December 2022, this item includes revenue associated with the stage of completion of the construction work on the Salto de Chira 200 MW pumped-storage hydroelectric power plant and the discounting of the financial asset at the effective rate for the project, totalling Euros 64,225 thousand (see note 19.a).

This item likewise includes non-trading and other operating income, primarily reflecting insurance payouts for accidents, breakdowns and claims covered by the policies arranged.

c) Supplies and other operating expenses

Details of these items in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Supplies	37,061	18,655
Other operating expenses	467,088	344,252
Total	**504,149**	**362,907**

Supplies and other operating expenses mainly comprise repair and maintenance costs incurred at facilities as well as IT, advisory, lease and other service costs. In 2022 these items include costs associated with the Salto de Chira plant amounting to Euros 59.6 million (see note 24.b).

d) Personnel expenses

Details of this item in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Salaries, wages and other remuneration	168,387	147,180
Social security	32,440	29,974
Contributions to pension funds and similar obligations	2,383	2,308
Other items and employee benefits	7,404	7,879
Total	**210,614**	**187,341**

Salaries, wages and other remuneration include employee remuneration, termination benefits and the accrual of deferred remuneration. This item also includes the remuneration of the board of directors.

The Group companies have capitalised personnel expenses (see notes 7 and 8) totalling Euros 47,429 thousand at 31 December 2022 (Euros 41,160 thousand at 31 December 2021).

- Workforce

The average headcount of the Group in 2022 and 2021, distributed by professional category, is as follows:

	2022	2021
Management team	168	156
Senior technicians and middle management	710	638
Technicians	817	764
Specialist and administrative staff	555	517
Total	**2,250**	**2,075**

The distribution of the Group's employees at 31 December, by gender and category, is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Management team	119	65	184	108	56	164
Senior technicians and middle management	475	252	727	436	223	659
Technicians	723	175	898	613	163	776
Specialist and administrative staff	429	182	611	395	123	518
Total	**1,746**	**674**	**2,420**	**1,552**	**565**	**2,117**

Most of the increase in the headcount in 2022 is due to the employees transferred in the acquisition of Axess carried out by Hispasat, S.A. (see note 6).

The average number of employees with a disability rating of 33% or higher in 2022 and 2021, distributed by gender and category, is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Management team	-	-	-	-	-	-
Senior technicians and middle management	-	-	-	1	2	3
Technicians	12	4	16	11	1	10
Specialist and administrative staff	3	1	4	3	2	7
Total	**15**	**5**	**20**	**15**	**5**	**20**

At 31 December 2022 the Parent's board of directors, which is not included in the employees of the Group, comprises 12 members (12 members in 2021), of which 6 are men and 6 are women (6 men and 6 women in 2021).

e) Finance income and costs

Finance income in 2022 mainly comprises the dividends received on the Group's 5% interest in REN, amounting to Euros 7,272 thousand (Euros 5,704 thousand in 2021).

In 2022 this item also includes income of Euros 3,431 thousand from fixed-term deposits, Euros 3,307 thousand (Euros 3,257 thousand in 2021) on the investments in EIGs (see notes 19 and 23) and Euros 602 thousand of finance income (Euros 368 thousand in 2021) on the loans extended to TEN (see note 24).

Finance costs basically reflect those incurred on loans and borrowings, net of any amounts capitalised, and on bonds and other marketable securities for an amount of Euros 129,341 thousand (see note 19) (Euros 123,127 thousand in 2021).

Capitalised borrowing costs (see notes 7 and 8) totalled Euros 10,569 thousand in 2022 (Euros 7,674 thousand in 2021).

25 Transactions with Equity-accounted Investees and Related Parties

a) Balances and transactions with equity-accounted investees

These balances and transactions reflect operations carried out with TEN and Hisdesat. All transactions have been carried out at market prices. The main transactions carried out by Group companies with TEN and Hisdesat in 2022 and 2021 were as follows:

	2022				2021			
	Balances		Transactions		Balances		Transactions	
Thousands of Euros	Receivables	Payables	Expenses	Income	Receivables	Payables	Expenses	Income
Transmisora Eléctrica del Norte, S.A. (TEN)	14,287	(31)	(197)	602	12,503	-	(138)	368
Hisdesat Servicios Estratégicos, S.A.	-	-	-	2,240	8	-	-	2,170
Total	**14,287**	**(31)**	**(197)**	**2,842**	**12,511**	**-**	**(138)**	**2,537**

b) Transactions with related parties

Related party transactions are carried out under normal market conditions. Details are as follows:

Thousands of Euros	2022		
	Group employees, companies or entities	**Other related parties**	**Total**
Expenses and income:			
Leases	-	-	-
Other expenses	197	37,064	37,261
Expenses	**197**	**37,064**	**37,261**
Services rendered	2,240	851	3,091
Finance income	602	-	602
Income	**2,842**	**851**	**3,693**
Other transactions:			
Financing agreements, loans and capital contributions (lender)	12,338	-	12,338
Other operations	-	3	3
Other transactions	**12,338**	**3**	**12,341**

Transactions with Group employees, companies or entities comprise those with TEN and Hisdesat described in section a) of this note. The balance under financing agreements, loans and capital contributions (lender) at 31 December 2022 and 2021 reflects the amount receivable in respect of the credit facility extended to TEN (see note 19). The maximum amount drawn down on this facility in 2022 was Euros 14,675 thousand (maximum drawdown of Euros 17,651 thousand in 2021).

Other related parties include transactions with state public sector entities. These transactions have mostly been carried out between ADIF, which provides maintenance services for the fibre optic cable network, and the Group company Reintel. This item also includes transactions between Indra Sistemas group companies and Redeia companies.

- There were no transactions with directors and management in 2022 or 2021.

26 Remuneration of the Board of Directors

On 29 June 2021, the remuneration policy for directors of Red Eléctrica Corporación, S.A. for 2022, 2023 and 2024 was approved by the shareholders at their general meeting (the previous remuneration policy for 2019-2021 was approved in 2019).

The current remuneration policy is a continuation of the previous one and does not introduce significant changes. However, certain items have been reinforced, such as the directors' contribution to the corporate strategy and to the interests and sustainability of the Company over the long term, greater transparency as to how the policy is determined, information on the management of possible remuneration-related risks and their alignment with the remuneration policy for Group employees as a whole, pursuant to the requirements of the Spanish Companies Act.

At the proposal of the board of directors and in accordance with the articles of association, the Annual Report on Directors' Remuneration, which includes, inter alia, the remuneration of the board of directors for 2022, was approved by the shareholders at their general meeting on 7 June 2022.

The approved remuneration of the board of directors, including the remuneration of the board members, the chairwoman and the CEO, has not changed vis-à-vis 2021.

The chairwoman receives fixed annual remuneration in respect of the non-executive chair duties associated with this position, in addition to remuneration for being a member of the board of directors. The remuneration scheme for this position consists solely of fixed amounts, with no annual or multi-year variable remuneration and no termination benefit. In 2022 both remuneration components are under the same terms as in 2021.

The remuneration allocated to the CEO includes the fixed and variable annual and multi-year components corresponding to executive duties and the fixed remuneration for being a member of the board of directors. Employee benefits form part of the remuneration for this position. A portion of the annual and multi-year variable remuneration is paid through the delivery of Company shares.

Moreover, the CEO has been included in a defined contribution benefit scheme. This scheme covers the retirement, death and permanent disability contingencies. Red Eléctrica Corporación, S.A.'s obligation is limited to an annual contribution equal to 20% of the CEO's fixed annual remuneration.

The annual variable remuneration of the CEO is set by the Appointments and Remuneration Committee of the Parent at the start of each year, using predetermined quantifiable and objective criteria. The targets are in line with the strategies and actions established in the Group's Strategic Plan and the degree of fulfilment is assessed by the Committee.

The CEO participates in the Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. The objectives of this Plan are linked to those contained in the Group’s Strategic Plan and are consistent with the guidelines laid down in the directors’ remuneration policy. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

Pursuant to the directors’ remuneration policy and in line with standard market practices, the CEO’s contract provides for a termination benefit equal to one year’s salary in the event that labour relations are terminated at the discretion of the Parent or due to changes of control.

In line with market practices in such cases, as a result of the appointment of the CEO, the existing employment contract has been suspended. Should the employment contract be terminated, he would accrue the remuneration due at the date of suspension as an indemnity. For this purpose, his tenure at the Group up to the date he was appointed CEO (15 years), plus the period in which he rendered services – if any – following his termination as CEO, would be taken into consideration, in accordance with employment legislation in force.

The remuneration of the board of directors includes fixed annual remuneration, remuneration for attending board meetings, remuneration for work on the board of directors’ committees and specific annual remuneration both for the chairs of the committees and the coordinating independent director. The components and amounts of this remuneration have not changed in 2022.

Reasonable and duly supported expenses incurred as a result of their attendance at meetings and other tasks directly related to carrying out their duties, such as travel expenses, accommodation, meals and any other such costs as may be incurred, will also be paid or reimbursed to the directors.

The total amounts accrued by the members of the Parent's board of directors in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Total remuneration of the board of directors	2,485	2,502
Directors’ remuneration in respect of executive duties (1)	743	743
Total	**3,228**	**3,245**

(1) Includes fixed and variable annual remuneration accrued during the period.

The decrease in total remuneration of the board of directors with respect to the prior year is because during a certain period in 2022 a director's position was vacant.

A breakdown of remuneration by type of director at 31 December 2022 and 2021 is as follows:

Thousands of Euros	2022	2021
Executive directors	890	890
External proprietary directors	507	524
External independent directors	1,285	1,285
Other external directors	546	546
Total remuneration	**3,228**	**3,245**

The remuneration accrued by individual members of the Company's board of directors in 2022 and 2021, by components and director, is as follows:

Thousands of Euros	Fixed remuneration	Variable remuneration	Allowances for attending board meetings	Committee work	Chair of committee/board	Coordinating independent director	Other remuneration [5]	Total 2022	Total 2021
Ms. Beatriz Corredor Sierra	530	-	16	-	-	-	-	546	546
Mr. Roberto García Merino	481	263	16	-	-	-	130	890	890
Ms. Mercedes Real Rodrigálvarez [1]	131	-	16	28	-	-	-	175	175
Mr. Ricardo García Herrera	131	-	16	28	-	-	-	175	174
Ms. Esther María Rituerto Martínez [2]	86	-	11	16	-	-	-	113	-
Ms. Carmen Gómez de Barreda Tous de Monsalve	131	-	16	28	15	15	-	205	205
Ms. Socorro Fernández Larrea	131	-	16	28	15	-	-	190	190
Mr. Antonio Gómez Ciria	131	-	16	28	15	-	-	190	176
Mr. José Juan Ruiz Gómez	131	-	16	28	-	-	-	175	189
Mr. Marcos Vaquer Caballería	131	-	16	28	-	-	-	175	89
Ms. Elisenda Malaret García	131	-	16	28	-	-	-	175	89
Mr. José María Abad Hernández	131	-	16	28	-	-	-	175	89
Ms. María Teresa Costa Campi [3]	32	-	5	7	-	-	-	44	175
Other board members [4]	-	-	-	-	-	-	-	-	258
Total remuneration accrued	**2,308**	**263**	**192**	**275**	**45**	**15**	**130**	**3,228**	**3,245**

[1] Amounts received by Sociedad Estatal de Participaciones Industriales (SEPI).
[2] New director since the board meeting held on 5 May 2022.
[3] Stepped down from the board of directors after the board meeting held on 29 March 2022.
[4] Board members who stepped down in 2021.
[5] Includes the employee benefits that form part of the CEO's remuneration.

At 31 December 2022 and 2021 no loans or advances have been granted to the members of the board of directors, nor have any guarantees been extended on their behalf. The Group has no pension or life insurance obligations with the members of the board of directors at those dates, other than those previously mentioned, nor have any loans or advances been extended to board members.

At 31 December 2022 and 2021 the Group has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as directors of the Group companies. The policies cover the Group companies' directors and senior management. The annual premiums amount to Euros 583 thousand, inclusive of tax, in 2022 (Euros 519 thousand at 31 December 2021). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

In 2022 and 2021 the members of the board of directors did not engage in transactions with the Company or Group companies, either directly or through intermediaries, other than ordinary operations under market conditions.

27 Remuneration of Senior Management

The senior management personnel who have rendered services for the Group during 2022 and 2021, and the positions they hold at the 2022 reporting date, are as follows:

Name	Position
Ms. Concepción Sánchez Pérez [1]	General Manager of Operations
Mr. Angel Mahou Fernández	General Manager of Transmission
Mr. Juan Majada Tortosa [2]	General Manager of International Business Management Division

Mr. Mariano Aparicio Bueno	General Manager of Telecommunications Business
Mr. Emilio Cerezo Diez	Chief Financial Officer
Mr. José Antonio Vernia Peris	Corporate Director of Transformation and Resources
Ms. Miryam Aguilar Muñoz	Corporate Director of External Relations, Communication and Territory
Ms. Eva Pagán Díaz (2) and (3)	Corporate Director of Sustainability and Research
Ms. Laura de Rivera García de Leániz	Manager of Regulatory Affairs and Legal Services
Ms. Silvia Bruno de la Cruz	Chief Innovation and Technology Officer
Mr. Carlos Puente Pérez	Manager of Corporate Development
Ms. Eva Rodicio González	Manager of Internal Audit and Risk Control Management Area

(1) Effective 29 June 2022, Ms. Concepción María Sánchez Pérez replaced Mr. Miguel Duvisón García as General Manager of Operations.

(2) Effective 1 December 2022, Mr. Juan Majada Tortosa replaced Ms. Eva Pagán Díaz as General Manager of International Business Management Division.

(3) Effective 1 December 2022, Ms. Eva Pagán Díaz replaced Ms. Fátima Rojas Cimadevila as Corporate Director of Sustainability and Research.

In 2022 total remuneration accrued by senior management personnel amounted to Euros 3,174 thousand and is recognised as personnel expenses in the consolidated income statement. In 2021, total remuneration accrued by senior management personnel amounted to Euros 3,103 thousand. These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After the fulfilment of these objectives has been assessed, the variable remuneration, adjusted to the actual fulfilment rate, is paid in the first few months of the following year.

Euros 13 thousand of the total remuneration accrued by these executives in 2022 consisted of contributions to life insurance and pension plans (Euros 38 thousand in 2021).

No advances or loans have been extended to these executives at 31 December 2022 and 2021. At the 2022 and 2021 reporting dates, the Group has life insurance commitments vis-à-vis these executives with annual premiums totalling approximately Euros 23 thousand (Euros 19 thousand in 2021).

Senior management personnel participate in the Long-Term Incentive Plan for Promoting the Energy Transition, Reducing the Digital Divide and for Diversification. The objectives of this Plan are linked to those contained in the Group's Strategic Plan and are consistent with the guidelines laid down in the directors' remuneration policy. This Long-Term Incentive Plan covers a period of six years, until 31 December 2025.

In order to strengthen the commitment to the independence of the System Operator, specific objectives have been laid down for the General Management of Operations of Red Eléctrica de España, S.A.U., which exclude those aspects that are not related to the activity of the Electricity System Operator.

The contracts in place with serving senior management personnel do not include guarantee or golden parachute clauses in the event of dismissal. Were the employment relationship to be terminated, the indemnity to which senior management personnel would be entitled would be calculated in accordance with applicable legislation.

In 2022 the Group began to roll out a Structural Management Plan, which applies to part of its senior management personnel. Inclusion in this Plan is subject to certain conditions being met and it may be amended or revoked by the Group under certain circumstances.

At 31 December 2022 and 2021 the Group has taken out public liability insurance to cover claims from third parties in respect of possible damage and loss caused by actions or omissions in performing duties as senior management of the Group. These policies cover all the Group's directors and senior management and the annual premiums amount to Euros 583 thousand, inclusive of tax, in 2022 (Euros 519 thousand in 2021). These premiums are calculated based on the nature of the Group's activity and its financial indicators, thus they cannot be broken down individually or allocated to directors and senior management separately.

28 Segment Reporting

Redeia segments its business activities based on their nature, reflecting the main branches of activity used by the Group in its management and decision-making.

At 31 December 2022, Redeia's operating segments and their main products, services and operations are as follows:

- Management and operation of domestic electricity infrastructure:

This segment comprises Redeia's principal activity, through the functions of sole transmission agent and system operator for the Spanish electricity system (TSO). Its mission is to guarantee the security and continuity of the electricity supply at all times and manage high-voltage electricity transmission in Spain.

Redeia engages in the high-voltage transmission of electricity, through Red Eléctrica. To this end, it manages the electricity transmission network infrastructure that connects the power plants to the consumer distribution points. As transmission network manager, Red Eléctrica is responsible for the development and expansion of the network, its maintenance, managing the transfer of electricity between external systems and the mainland, and guaranteeing third-party access to the transmission network under equal conditions.

In addition, Red Eléctrica operates the mainland Spanish electricity system and the non-mainland systems in the Canary Islands, Balearic Islands, Ceuta and Melilla, guaranteeing the security and continuity of the electricity supply at all times. Operation of the system encompasses the necessary activities to guarantee such security and continuity, as well as proper coordination between the generation system and transmission network, ensuring that the energy produced by generators is transmitted to the distribution networks with the requisite quality under applicable legislation.

- Management and operation of international electricity infrastructure:

This segment comprises activities related to international business development as a natural form of growth, mainly focused on the construction and operation of electricity transmission networks outside Spain; at 31 December 2022, in Peru, Chile and Brazil specifically.

Telecommunications (satellites and fibre optics):

The telecommunications segment comprises the operation of satellite infrastructure in Spain, Portugal and South America, as well as the lease in Spain of a broad dark fibre backbone network, and technical sites and spaces for housing customers' telecommunications equipment.

Redeia also carries out reinsurance activities and fosters innovation in the electricity and telecommunications sectors. These activities do not meet the quantitative thresholds to be presented separately.

Inter-segment sales prices are established based on the normal commercial terms and conditions with unrelated third parties.

The key indicators of the operating segments identified are as follows:

Business segments at 31 December 2022

Thousands of Euros	Management and operation of domestic electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications (fibre optics and satellites)		Other, corporate and adjustments	Total
			Satellites	Fibre optics		
Revenue	1,599,006	70,599	226,197	142,663	(23,429)	2,015,036
External customers	1,596,206	70,599	226,197	96,545	25,489	2,015,036
Inter-segment revenue	2,800	-	-	46,118	(48,918)	-
Investments in equity-accounted associates (similar activity)	-	47,651	2,258	-	496	50,405
Depreciation and amortisation	(390,698)	(19,081)	(106,501)	(23,660)	(5,052)	(544,992)
Impairment and gains/(losses) on disposal of fixed assets	135	-	(628)	-	5	(488)
Results from operating activities	**754,167**	**71,321**	**43,701**	**77,385**	**14,980**	**961,554**
Finance income	2,318	15,723	347	413	4,360	23,161
Finance costs	(74,182)	(29,779)	(12,497)	(2,143)	2,133	(116,468)
Income tax	(168,740)	(3,327)	11,851	(19,019)	(9,095)	(188,330)

Profit/(loss) of the Parent after tax	**513,558**	**54,690**	**38,124**	**44,604**	**13,755**	**664,731**
Segment assets	**10,589,169**	**1,656,066**	**1,529,664**	**476,142**	**530,480**	**14,781,521**
Equity-accounted investees	-	807,736	79,731	-	4,150	891,617
Segment liabilities	**7,224,012**	**812,461**	**940,314**	**379,793**	**530,665**	**9,887,245**

Business segments at 31 December 2021

Thousands of Euros	Management and operation of domestic electricity infrastructure	Management and operation of international electricity infrastructure	Telecommunications (fibre optics and satellites)		Other, corporate and adjustments	Total
			Satellites	Fibre optics		
Revenue	1,609,689	51,550	177,413	134,411	(20,104)	1,952,958
External customers	1,606,828	51,218	177,413	92,975	24,524	1,952,958
Inter-segment revenue	2,860	332	-	41,436	(44,628)	-
Investments in equity-accounted associates (similar activity)	-	19,818	9,759	-	(31)	29,546
Depreciation and amortisation	(387,160)	(16,442)	(91,366)	(23,562)	(3,583)	(522,114)
Impairment and gains/(losses) on disposal of fixed assets	28	-	234	-	469	730
Results from operating activities	**822,068**	**34,309**	**44,852**	**75,249**	**15,490**	**991,970**
Finance income	53	7,148	92	1	3,195	10,488
Finance costs	(86,761)	(18,935)	(6,603)	(1,091)	(2,064)	(115,453)
Income tax	(182,514)	(1,762)	15,043	(18,510)	(14,050)	(201,793)
Profit/(loss) of the Parent after tax	**552,845**	**20,096**	**49,013**	**55,649**	**3,024**	**680,627**
Segment assets	**9,751,003**	**1,295,144**	**1,367,286**	**411,732**	**1,159,314**	**13,984,478**
Equity-accounted investees	-	510,867	72,997	-	4,119	587,983
Segment liabilities	**7,503,356**	**738,897**	**818,713**	**372,374**	**866,007**	**10,299,347**

Details of revenue and non-current assets by geographical area are as follows:

Thousands of Euros

Revenue	2022	2021
Spain	1,791,060	1,798,597
Other	223,976	154,361
Total	**2,015,036**	**1,952,958**

Thousands of Euros

Fixed assets (*)	2022	2021
Spain	9,761,036	9,791,652
Other	1,628,154	1,111,082
Total	**11,389,191**	**10,902,734**

(*) Excludes non-current investments, deferred tax assets, and non-current trade and other receivables.

29 Interests in Joint Arrangements

The Group (through Red Eléctrica) and Réseau de Transport d'Électricité (RTE), the French transmission system operator, each hold a 50% investment in the INELFE joint arrangement, which has its registered office in Paris. Its statutory activity is the study and execution of interconnections between Spain and France that will increase the electricity exchange capacity between the two countries. Decisions are taken with the unanimous consent of the parties. RTE and Red Eléctrica both have rights to the assets and obligations for the liabilities of INELFE. The joint arrangement has therefore been classified as a joint operation. The Group recognises the assets, including its interest in the jointly controlled assets, and the liabilities, including its share of the liabilities that have been incurred jointly in INELFE, in its consolidated annual accounts (see note 2 c).

The Group has an interest in a joint arrangement through Red Eléctrica Chile S.P.A., which holds a 50% stake in the Chilean company TEN, alongside Engie Energía Chile, S.A. (E.C.L. S.A.). The Group has classified this joint arrangement as a joint venture, inasmuch as the parties have rights to the net assets (see note 11).

Since 2020, the Group has also held a stake – through Red Eléctrica Brasil Holding Ltda., which has a 50% interest alongside Grupo Energía Bogotá S.A. E.S.P. – in the Brazilian company Argo Energia Empreendimentos e Participações, S.A. (Argo). The Group has classified this arrangement as a joint venture, inasmuch as the parties have rights to the net assets (see note 11).

Due to the existence of contractual arrangements under which decisions on relevant activities require the unanimous consent of both parties, the Group has joint control of the "UTE" (Unión Temporal de Empresas – a form of temporary business association) Balalink, through Reintel. The Group has classified the investments as joint operations because the parties have rights to the assets and obligations for the liabilities. The UTE has been formed to provide dark fibre services, with an availability guarantee, between the Balearic Islands and the Mediterranean Coast of the Spanish mainland.

30 Guarantees and Other Commitments with Third Parties and Other Contingent Assets and Liabilities

In 2022 and 2021 the Company, together with Red Eléctrica, jointly and severally guaranteed the private issue in the United States of bonds totalling US Dollars 250 million (US Dollars 250 million in 2021) carried out by the Group company Red Eléctrica de España Finance, SL.U., and Red Eléctrica Financiaciones, S.A.U.'s Eurobonds programme for an amount of up to Euros 5,000 million at 31 December 2022 and 2021. At 31 December 2022, Eurobonds issued under this programme total Euros 3,290 million (Euros 3,690 million in 2021).

Furthermore, at 31 December 2022 and 2021 the Company and Red Eléctrica have jointly and severally guaranteed the promissory notes issued under the Euro Commercial Paper Programme (ECP Programme) by Red Eléctrica Financiaciones, S.A.U. for an amount of up to Euros 1,000 million. At 31 December 2022 and 2021 no amounts have been drawn down under this programme.

On 19 February 2015, Redesur, Tesur and Scotia Sociedad Titulizadora S.A. created a securitisation trust to hold the Redesur-Tesur trust assets, in order to back the obligations arising from the bond issues amounting to US Dollars 77 million at 31 December 2022 (US Dollars 82 million at 31 December 2021).

At 31 December 2022 the Group has extended bank guarantees to third parties in relation to its normal business operations, amounting to Euros 200,087 thousand (Euros 191,656 thousand in 2021).

The Group has no significant contingent liabilities that could entail an outflow of resources for which the probability of occurrence is not remote.

31 Environmental Information

In 2022 Group companies incurred ordinary expenses of Euros 24,934 thousand in protecting and improving the environment (Euros 23,421 thousand in 2021), essentially due to the implementation of environmental initiatives intended for protecting biodiversity, fire prevention, landscape integration, climate change and pollution prevention.

In 2022 a total of Euros 4,540 thousand (Euros 3,498 thousand in 2021) was spent on environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures).

The Group companies are not involved in any litigation relating to environmental protection or improvement that could give rise to significant contingencies. The Group companies received no significant environment-related grants in 2022 or 2021.

32 Other Information

The total fees accrued for audit services rendered to the Group companies in 2022 amounted to Euros 836 thousand (Euros 710 thousand in 2021).

The main auditor of the accounts of the Group companies is KPMG. Details of the contractual fees for services provided to Redeia by the audit firm KPMG Auditores, S.L. in the years ended 31 December 2022 and 2021 are as follows:

Thousands of Euros	**2022**	**2021**
Audit services	501	451
Audit-related services	190	156
Other services	26	15
Total	**717**	**622**

The amounts detailed in the above table include the total fees for services rendered in 2022 and 2021, irrespective of the date of invoice.

Audit services include the fees for the audit of the individual and consolidated annual accounts of Red Eléctrica Corporación, S.A. and of certain Group companies.

Other audit-related services primarily include the limited review of the Group's consolidated interim financial statements, assurance services related to the issuance of comfort letters, the reasonable assurance audit report on the effectiveness of the Group's ICOFR under ISAE 3000, covenant certificates for the annual accounts and translations.

Other services include agreed-upon procedures performed for certain Group companies.

Details of the contractual fees for services provided to Redeia by other entities affiliated with KPMG in the years ended 31 December 2022 and 2021, both in Spain and abroad, are as follows:

Thousands of Euros	**2022**	**2021**
Audit services	310	251
Audit-related services	1	13
Total	**311**	**264**

Details of the contractual fees for audit services provided to the Group by PricewaterhouseCoopers Audit, SAS in France for the audit of the jointly controlled entity INELFE in the years ended 31 December 2022 and 2021 are as follows:

Thousands of Euros	**2022**	**2021**
Audit services	10	8
Total	**10**	**8**

Contractual fees for audit services provided to the Axess group are those charged by RSM. At 31 December 2022, the fees accrued since the acquisition of this group amount to Euros 15 thousand.

The auditors of the equity-accounted investees are EY in the case of TEN and KPMG in the case of Hisdesat and Argo.

33 Earnings per Share

Details of earnings per share in 2022 and 2021 are as follows:

	2022	2021
Net profit (thousands of Euros)	664,731	680,627
Number of shares	541,080,000	541,080,000
Average number of own shares	1,771,832	2,050,819
Basic earnings per share (Euros)	**1.23**	**1.26**
Diluted earnings per share (Euros)	**1.23**	**1.26**

At 31 December 2022 and 2021 the Group has not conducted any operations that would result in any difference between basic earnings per share and diluted earnings per share.

34 Share-based Payments

Details of share-based payments for management and employees at 31 December 2022 and 2021 are as follows:

	2022			2021		
	Number of shares	Average price (Euros)	Amount in thousands of Euros	Number of shares	Average price (Euros)	Amount in thousands of Euros
Senior management personnel	6,901	17.74	122	6,671	18.00	120
Employees	296,632	17.74	5,261	274,625	18.00	4,943
Total	**303,533**	**17.74**	**5,383**	**281,296**	**18.00**	**5,063**

These payments are those made to employees who have requested payment by such means, with a charge to their salary for the year, and there are no assets or liabilities associated with such payments.

These shares have been valued at the listed price on the delivery date. All shares delivered were approved by the Parent's shareholders at the general meeting, and the related costs incurred have been recognised under personnel expenses in the consolidated income statement.

35 Events after 31 December 2022

On 24 January, i.e. after the reporting date of these consolidated annual accounts, the Parent issued perpetual subordinated bonds qualifying as green bonds, totalling Euros 500 million and structured in a single tranche. The unit face value of each bond is Euros 100,000, and they have been issued at a price of 99.67% of their face value.

The bonds bear interest at a fixed annual coupon of 4.625% (with an IRR of 4.70%) from 7 February 2023 to 7 August 2028 and thereafter at an interest rate equal to the applicable 5-year swap rate plus a spread.

The issuer will have the option to defer the payment of interest on the bonds without incurring a breach. Such deferred interest will accrue and must be paid under certain circumstances defined in the terms and conditions of the bonds.

The issue was closed and disbursed on 7 February 2023 following the fulfilment of the conditions precedent customary in such transactions.

The Amazonas Nexus satellite was successfully launched on 7 February. At the date these consolidated annual accounts were authorised for issue, the satellite is making its way to its final geostationary orbital position at 61º west.

Appendix I: Details of equity investments at 31 December 2022 and 2021

Redeia
Details of equity investments at 31 December 2022 and 2021

- Company - Registered office - Principal activity	2022 Percentage ownership [1] Direct	2022 Percentage ownership [1] Indirect	2021 Percentage ownership [1] Direct	2021 Percentage ownership [1] Indirect
Red Eléctrica Corporación S.A., Parent, incorporated in 1985. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Management of the business group, rendering of assistance or support services to investees and operation of the property owned by the Company.				
A) Fully consolidated subsidiaries				
Red Eléctrica de España, S.A.U. (Red Eléctrica) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Transmission, operation of the Spanish electricity system and management of the transmission network.	100%	-	100%	-
Red Eléctrica Internacional, S.A.U. (Redinter) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition and holding of international equity investments. Rendering of advisory, engineering and construction services. Performance of electricity activities outside the Spanish electricity system.	100%	-	100%	-
Red Eléctrica Infraestructuras de Telecomunicación, S.A. (Reintel) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Rendering of advisory, engineering, construction and telecommunications services.	51%	-	100%	-
Red Eléctrica Infraestructuras en Canarias, S.A.U. - Calle Juan de Quesada, 9. Las Palmas de Gran Canaria. (Spain). - Management of the construction of energy storage facilities and the water cycle.	100%	-	100%	-
Red Eléctrica de España Finance, S.L.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-	100%	-
Red Eléctrica Financiaciones, S.A.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Financing activities.	100%	-	100%	-
Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Acquisition, holding, management and administration of Spanish and foreign equity securities.	100%	-	100%	-
Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U. (Elewit) - Paseo Conde de los Gaitanes, 177. Alcobendas. Madrid. (Spain). - Activities geared towards driving and accelerating technological innovation.	100%	-	100%	-
Redcor Reaseguros, S.A. (Redcor) - 26, Rue Louvigny. (Luxembourg). - Reinsurance activities. Incorporated in 2010 in Luxembourg in order to reinsure the risks of the Group companies, thereby guaranteeing better access to international reinsurance markets.	100%	-	100%	-
Red Eléctrica Andina, S.A.C. (REA) -Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Rendering of line and substation maintenance services.	-	100%(a)	-	100%(a)

- Company - Registered office - Principal activity	2022 Percentage ownership [1] Direct	2022 Percentage ownership [1] Indirect	2021 Percentage ownership [1] Direct	2021 Percentage ownership [1] Indirect
Red Eléctrica del Sur, S.A. (Redesur) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)	-	100%(a)
Transmisora Eléctrica del Sur, S.A.C. (Tesur) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)	-	100%(c)
Transmisora Eléctrica del Sur 2, S.A.C. (Tesur 2) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)	-	100%(c)
Transmisora Eléctrica del Sur 3, S.A.C. (Tesur 3) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(c)	-	100%(c)
Transmisora Eléctrica del Sur 4, S.A.C. (Tesur 4) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(j)	-	100%(j)
Red Eléctrica del Norte Perú, S.A.C. (Redelnor) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(a)	-	100%(a)
Concesionaria Línea de Transmisión CCNCM, S.A.C. (CCNCM) - Av. Javier Prado Este 492 Int. 1001 Urb. Jardín San Isidro. Lima (Peru) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(d)	-	100%(d)
Red Eléctrica Chile S.P.A. (Rech) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile) - Acquisition, holding, management and administration of securities.	-	100%(a)	-	100%(a)
Red Eléctrica del Norte, S.A. (Redenor) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	69.9%(e)	-	69.9%(e)
Red Eléctrica del Norte 2, S.A. (Redenor 2) - Isidora Goyenechea 3000, Oficina 1602 Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	100%(e)	-	100%(e)
Red Eléctrica Brasil Holding Ltda. (REB) - Av. Brigadeiro Faria Lima, Nº 3729, 5º, 04538-905. São Paulo (Brazil) - Acquisition, holding, management and administration of securities.		100%(a)		100%(a)
Hispasat, S.A. - Calle de Anabel Segura, 11. Alcobendas. Madrid. (Spain). - Parent of the Hispasat subgroup. Operation of the satellite communications system and rendering of space segment services for the geostationary orbital slots allocated to the Spanish state.	-	89.68%(f) (g)	-	89.68%(f) (g)
Hispasat Canarias, S.L.U. - Calle Practicante Ignacio Rodriguez s/n Edificio Polivalente IV. Las Palmas de Gran Canaria (Spain) - Sale and lease of satellites and spatial capacity	-	89.68%(g)	-	89.68%(g)

- Company - Registered office - Principal activity	2022 Percentage ownership [1] Direct	2022 Percentage ownership [1] Indirect	2021 Percentage ownership [1] Direct	2021 Percentage ownership [1] Indirect
Hispasat Brasil, Ltda. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity.	-	89.68%(g)	-	89.68%(g)
Hispamar Satélites, S.A. - Praia do Flamengo, 200 Rio de Janeiro (Brazil) - Commercialisation of satellite capacity.	-	89,68% (g)	-	89.68%(g)
Hispamar Exterior, S.L.U. - Paseo de la Castellana 39, 28046 Madrid (Spain). - Commercialisation of satellite capacity.	-	89.68%(g)	-	89.68%(g)
Hispasat de México, S.A. de C.V. - Agustín Manuel Chávez 1-001 Col. Centro de Ciudad Santa Fe, México D.F. (Mexico) - Use of radio spectrum, telecommunications networks and satellite communication.	-	89.68%(g)	-	89.68%(g)
Consultek Inc. - 1036 Country Club Drive, Suite 202, Moraga, CA 94556. (United States of America) - Technical consultancy services.	-	89.68%(g)	-	89.68%(g)
Hispamar Satélites, S.A. (Venezuela) - Torre Phelps, piso 10 ofic. 10, Caracas (Venezuela) - Commercialisation and rendering of satellite telecommunications services.	-	89.68%(g)	-	89.68%(g)
Hispasat UK, LTD. 30 Finsbury Square, London. (England) - Commercialisation and rendering of satellite telecommunications services.	-	89.68%(g)	-	89.68%(g)
Hispasat Perú, S.A.C. Jr. Baca Flor N° 307, Dpto. N° 701, distrito de Magdalena del Mar. Lima (Peru) - Commercialisation and rendering of satellite telecommunications services.	-	89.68%(g)	-	89.68%(g)
Axess Networks Solutions, S.L. Calle Beethoven 15, 2º 1ª, 08021 Barcelona (Spain) - Management and administration of equity securities in companies not resident in Spanish territory.	-	89.68%(g) (h)	-	-
Axess Networks Solutions Arabia Saudita, S.L. Calle Beethoven 15, 2º 1ª, 08021 Barcelona (Spain) - Management and administration of equity securities in companies not resident in Spanish territory.	-	89.68%(g) (h)	-	-
Axess Networks Solutions Holding Germany, GmbH Falkenweg 1, 53809, Ruppichteroth (Germany) - Acquisition, holding and management of investments in related companies operating in the telecommunications technology field.	-	89.68%(g) (h)	-	-
Axess Networks Solutions Germany, GmbH Falkenweg 1, 53809, Ruppichteroth (Germany) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axess Networks Solutions UK Ltd 2nd Floor, 168 Shoreditch High Street, E1 6RA, London (United Kingdom) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-

- Company - Registered office - Principal activity	2022 Percentage ownership [1] Direct	2022 Percentage ownership [1] Indirect	2021 Percentage ownership [1] Direct	2021 Percentage ownership [1] Indirect
Axess Networks Solutions Colombia S.A.S. Carrera 7 No. 71-52 Torre B Oficina. 501, Bogotá D.C., Cundinamarca Department (Colombia). - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axess Networks Cyprus LTD Ethnikis Antistaseos, 23, Flat/Office 303, 3025, Limassol (Cyprus) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axess Networks Solutions Ecuador, S.A. Avenida de los Shyris E9-38 y Bélgica, Edificio Shyris Century, Piso 7 Quito (Ecuador) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axess Networks Solutions Perú S.A.C Av. Alfredo Benavides Nro. 1555 Dpto. 301 – Urb. San Antonio – Miraflores – Lima. (Peru) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Ingux, S.A. Ocean Business Plaza, Piso 23, Oficina 32-02, Calle Aquilino de la Guardia, Ciudad de Panamá (Panama) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axess Networks Solutions Chile, S.A. Isidora Goyenechea 3365, Piso 9, Comuna de Las Condes, Santiago de Chile. (Chile) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axess Networks Solutions México S.A de C.V Av. Paseo de la Reforma 26, Piso 16, Col. Juárez, C.P. 06600 Del. Cuauhtémoc, Ciudad de México. (Mexico) - Rendering telecommunications services.	-	89.68%(g) (h)	-	-
Axesat Mobility S.A de C.V. Av. Paseo de la Reforma 26, Piso 16, Col. Juárez, C.P. 06600 Del. Cuauhtémoc, Ciudad de México. (Mexico) Rendering telecommunications services.	-	89.68%(g) (h)	-	-
HPS Corporativo S. de R.L de C.V Mariano Escobedo No. 353-B, Interior 3A, Col. Polanco V Sección, Del. Miguel Hidalgo, CP 11560, Ciudad de México. (Mexico) Rendering telecommunications services.	-	89.68%(g) (h)	-	-
B) Proportionately consolidated companies				
Interconexión Eléctrica Francia-España, S.A.S. (Inelfe) - Inmueble Window, 7 C Place du Dôme. Paris. (France) - Study and execution of Spain-France interconnections.	-	50%(b)	-	50%(b)
C) Equity-accounted investees				
Transmisora Eléctrica del Norte, S.A. (TEN) - Avenida Apoquindo N°3721, piso 6, Las Condes, Santiago (Chile) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50%(e)	-	50%(e)
Argo Energía Empreendimentos e Participações, S.A. - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	50% (i) (k)	-	50% (i) (k)
Argo Transmissão de Energia, S.A. (Argo I) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (k)	-	50% (k)

- Company - Registered office - Principal activity	2022 Percentage ownership [1] Direct	2022 Percentage ownership [1] Indirect	2021 Percentage ownership [1] Direct	2021 Percentage ownership [1] Indirect
Argo II Transmissão de Energia, S.A. (Argo II) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (k)	-	50% (k)
Argo III T Transmissão de Energia, S.A. (Argo III) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (k)	-	50% (k)
Argo IV Transmissão de Energia, S.A. (Argo IV) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	50% (k)	-	50% (k)
Argeb Energia Empreendimentos e Participações, S.A. (Argeb) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Acquisition, holding, management and administration of securities.	-	31.25% (k)	-	-
Argo V Transmissão de Energia, S.A. (Argo V) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	31.25% (k)	-	-
Argo VI Transmissão de Energia, S.A. (Argo VI) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	31.25% (k)	-	-
Transmissora José Maria de Macedo de Eletricidade, S.A. (Argo VII) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	31.25% (k)	-	-
Giovanni Sanguinetti Transmissora de Energia, S.A. (Argo VIII) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	31.25% (k)	-	-
Argo IX Transmissão de Energia, S.A. (Argo IX) - Calle Tabapuã, 841 – 5º andar – Itaim Bibi – São Paulo/SP (Brazil) - Electricity transmission and operation and maintenance of electricity transmission networks.	-	31.25% (k)	-	-
Hisdesat Servicios Estratégicos, S.A. - Paseo de la Castellana 143, 28046 Madrid (Spain) - Commercialisation of spatial systems for government use.	-	38.56%(g)	-	38.56%(g)
Grupo de Navegación Sistemas y Servicios, S.L. - Calle Isaac Newton 1, Madrid (Spain) - Operation of satellite systems.	-	12.82%(g)	-	12.82%(g)
Axess Saudi Arabian Telecommunications Company 2870 Tariq Ibn Ziad - Qurtubah Dist. Unit No. 28, Al Khobar 34234 - 7097 (Saudi Arabia) - Rendering telecommunications services.	-	43.94%(g) (h)	-	-
Grupo Sylvestris, S.L. Paseo de la Ermita del Santo 5, 28011 Madrid (Spain) - Reforestation.	-	9.73%(g)	-	-

- Company - Registered office - Principal activity	2022 Percentage ownership [1] Direct	2022 Percentage ownership [1] Indirect	2021 Percentage ownership [1] Direct	2021 Percentage ownership [1] Indirect
Zeleros Global, S.L.[2] - Muelle de la Aduana s/n, Edificio Lanzadera, 46024, Valencia. (Spain) - Research and development of new technologies applied to the transport sector	-	-	-	5.91%(l)
Okto Grid ApS Gammel Kongevej 11, 5. 1610 København V (Denmark) - Metering solutions for the energy industry.	-	13.07%(l)	-	-
Nearby Computing, S.L. - Travessera de Gràcia 18, 3r, 3a, 08021 Barcelona. (Spain) - Development of software and/or IT applications.	-	11.71%(l)	-	11.71%(l)
Hybrid Energy Storage Solutions, S.L. - Av. Benjamín Franklin, 12, Mód. Nº24, 46980 Paterna, Valencia. (Spain) - Design, production and sale of technological energy storage solutions for the new generation of electricity grids.	-	19.61%(l)	-	19.61%(l)
Aerolaser System, S.L. - Av. José Mesa y López, 45, L. D4, 35010 Las Palmas de Gran Canaria. (Spain) - Development and commercialisation of sensory technological solutions for geospatial technology.	-	15.79%(l)	-	15.79%(l)

1 Equivalent to voting rights.

2 The company left the consolidated Group in 2022 (see note 2.g).

(a) Investment through Red Eléctrica Internacional, S.A.U.

(b) Investment through Red Eléctrica de España, S.A.U.

(c) Investment through Red Eléctrica del Sur, S.A.

(d) Investment through Red Eléctrica del Norte Perú, S.A.C.

(e) Investment through Red Eléctrica Chile SpA.

(f) Investment through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U.

(g) Company forming part of the Hispasat subgroup, the parent of which is Hispasat, S.A.

(h) Company forming part of the Axess subgroup, the parent of which is Axess Networks Solutions, S.L.

(i) Investment through Red Eléctrica Brasil Holding Ltda.

(j) Investment through Red Eléctrica del Sur, S.A. and Red Eléctrica Internacional, S.A.U.

(k) Company forming part of the Argo subgroup, the parent of which is Argo Energia Empreendimentos e Participações, S.A.

(l) Investment through Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A.U.

Valuing the essentials

Consolidated Directors' Report

2022

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contents

The various sections of this consolidated directors' report contain certain prospective information that reflects projections and estimates based on underlying assumptions, statements referring to plans, objectives and expectations associated with future transactions, investments, synergies, products and services, as well as statements concerning results or future dividends, or estimates calculated by the directors and based on assumptions that those directors consider reasonable.

While the Group considers the expectations reflected in those statements to be reasonable, investors and holders of shares in the Parent are advised that the information and statements containing future projections are subject to risks and uncertainties, many of which are difficult to foresee and generally beyond the Group's control. As a result of such risks, actual results and developments could differ substantially from those expressed, implied or forecast in the information and statements containing future projections.

The affirmations and statements containing future projections do not provide any guarantee as to future results and have not been reviewed by auditors outside the Group or by other independent third parties. It is recommended that no decisions be made on the basis of the affirmations and statements containing future projections that refer exclusively to the information available at the date of this report. All of the affirmations and statements containing future projections that are reflected in this report are expressly subject to the warnings given. The affirmations and statements containing future projections included in this document are based on the information available at the date of this directors' report. Except as required by applicable legislation, the Group is not obligated to publicly update its statements or review the information containing future projections, even where new data is published or new events arise.

In order to facilitate comprehension of the information provided in this document, certain alternative performance measures have been included. A definition of these is available at:

https://www.redeia.com/en/shareholders-and-investors/financial-information/alternative-performance-measures

1 Situation of the entity

1.1 Organisational structure

Governing bodies of the Company

The Board of Directors and the shareholders are responsible for governing and managing Redeia and its Parent, Red Eléctrica Corporación, S.A.

The shareholders' general meeting is governed by the articles of association and the general meeting regulations, in accordance with the Spanish Companies Act.

At 31 December 2022 the Board of Directors comprises 12 members and three committees; the Audit Committee, the Appointments and Remuneration Committee and the Sustainability Committee. These three essentially technical committees created by the Board of Directors to support it in its duties are designed to enhance efficiency and transparency.

The structure, composition, roles and responsibilities of the three board committees are specified in the articles of association and are implemented in the regulations of the Board of Directors. Both sets of corporate regulations have been fully brought into line with the Spanish Companies Act, the Good Governance Code of Listed Companies and the most up-to-date international practices and recommendations on committee composition and committee member independence and qualifications.

Considering international best practice in the field of corporate governance, at the general meeting held in 2015, the Board of Directors of Red Eléctrica Corporación, S.A. submitted for the approval of the shareholders a proposal to segregate the positions of chair of the Board of Directors and chief executive of the Company, and to appoint an executive director. This executive director was also appointed CEO of the Company.

The chair of the Board of Directors is only charged with the responsibilities inherent in that position.

Moreover, the position of coordinating independent director created in 2013 has been maintained, since the shareholders and proxy advisors consider that this position embodies an efficient corporate governance practice through the responsibilities attributed to it.

The Annual Corporate Governance Report, which is attached hereto, contains detailed information regarding the composition and operation of the governing bodies of the Parent.

Composition of Redeia

See note 1 and Appendix I to Redeia's consolidated annual accounts for the year ended 31 December 2022 for details of how the Group is structured to undertake its activities.

1.2 Activities and business performance

The Group carries out activities both in Spain and abroad. Most notably, its principal activities comprise the management and operation of electricity infrastructure in Spain, Peru, Chile and Brazil, and the rendering of telecommunications services, entailing both the operation of satellite infrastructure, services and solutions in EMEA and Latin America, as well as the lease in Spain of a broad dark fibre backbone network, and technical sites and spaces for housing customers' telecommunications equipment.

1.2.1 Management and operation of domestic electricity transmission infrastructure

Transmission network

During 2022, 325.8 kilometres of new lines came into service, bringing the Red Eléctrica's total for the national transmission network to 45,019 kilometres at year end. Transformation capacity likewise increased by 725 MVA to a nationwide total of 94,221 MVA. Overall investment in the domestic transmission network amounted to Euros 448.8 million.

In March 2022 the Council of Ministers approved the Electricity Transmission Network Development Plan, which was proposed by the Ministry for the Ecological Transition and Demographic Challenge (MITERD). The Plan covers the period up until 2026 and is essential to ensure the energy transition. It sets out the transmission network projects that need to be carried out in the coming years in order to achieve the energy goals of national and European policy.

The main mission of the 2021-2026 Plan is to increase renewable energy production and maximise the use of the existing network thanks to new technologies such as batteries and power electronics. The environmental side of things takes on particular importance, with the overriding aim of making network development compatible with respect for the environment. The Plan includes almost Euros 7,000 million of investment to improve the transmission network. The bulk of the investment is earmarked to enhance the integration of renewable energy, providing clear benefits for society in the form of reducing emissions, cutting electricity system costs and activating the economy.

In 2022 the most significant initiatives in terms of development of the transmission network, by major axes, were as follows:

- Ibiza - Formentera Interconnection. This involves the laying of a 132 kV underground-submarine transmission line to interconnect the islands of Ibiza and Formentera, thus strengthening the inter-island transmission grid, the Torrent substation having come online in May of this year.
- Lanzarote - Fuerteventura Interconnection. This involves the laying of a 132 kV underground-submarine transmission line to strengthen the interconnection between the islands of Ibiza and Formentera, which has been in place since 2005. Operating authorisation for the interconnection was granted in June 2022.
- Caparacena - Baza - Ribina Axis. Its purpose is to facilitate the evacuation of energy from the ordinary regime, renewable sources, cogeneration and waste, as well as to improve the transmission network mesh and support distribution and the structural function. The 244 km, 400 kV Baza-Caparacena line and the Baza substation, with 8 bays, came into operation on 28 November 2022.
- North - East Axis. The purpose of this axis is to improve the evacuation of electricity from Asturias to supply Cantabria and the Basque Country. Construction of the Güeñes-Itxaso line continued in 2022.
- Caletillas - El Rosario Axis. Its purpose is to increase the security of supply and transmission network reliability in the Santa Cruz de Tenerife metropolitan area, as well as to make the transmission grid more robust and reduce its vulnerability to incidents. 2022 saw the entry into service of the Caletillas substation and the Caletillas-El Rosario line, with overhead and underground sections.
- Cáceres - Los Arenales - Trujillo Axis. It is designed to improve the quality and reliability of supply in the Cáceres area, preventing overloads in the zone, and to increase the capacity to evacuate hydropower generation (installed in the Cedillo and JM Oriol substations) and boost the Spain-Portugal interconnection capacity. The 220 kV Los Arenales substation came into service in 2022.
- Interconnection with France via the Bay of Biscay. The purpose of this axis is to further increase the interconnection capacity with Europe in order to achieve European energy targets. It consists of a 393 km submarine direct current dual connection which will raise energy exchange capacity to 5,000 MW. The Environmental Impact Statement was obtained in Spain in December.
- Morella - La Plana Axis. The aim is to facilitate the continuity of the mesh between the autonomous regions of Aragón and Valencia, which has been submitted for authorisation. The 400 kV Morella substation entered into service in October of this year.

- Sabinal Axis. It is designed to improve the electricity supply of the metropolitan and northern area of the island of Gran Canaria. The Sabinal substation expansion came online in 2022.
- Galicia - Portugal Interconnection Axis. The aim is to boost the international connection with Portugal. The environmental impact statement (EIS) for the interconnection was obtained in 2022, with administrative authorisation for construction of the remaining axis work pending, except for the Pazos substation, which was authorised in 2021 and came online in November 2022.
- Madrid Plan Axis. It is designed to improve the transmission network mesh and support the distribution network in this area. The Morata line came partially online in September 2022.
- Lousame - Tibo - Mazaricos Axis. The aim is to reinforce the network, evacuate electricity generated, and support distribution in the northwest of Galicia. In 2022 administrative authorisation for construction of the Lousame-Tibo line was obtained and assembly work commenced.
- El Rosario - Guajara Axis. The purpose is to increase the security of supply and reliability of the transmission network in the metropolitan area of Santa Cruz de Tenerife and the interconnection with the Granadilla and Candelaria nodes.
- Lleida - Barcelona 2 Axis. This is designed to increase the mesh of the 220 kV transmission network in the area, facilitating a widespread improvement in efficiency in transmission and in supporting supply for demand, resulting in a reduction in overall T&D losses.

The transmission network performance ended the year with a stable level in excess of 98% in all the electricity systems, which is above the 97% threshold set in article 26.2 of Royal Decree 1955/2000. Availability of the national transmission network in 2022 was 98.15% (98.51% in 2021). It was 98.13% in the mainland transmission network (98.48% in 2021), 98.53% in the Balearic Islands (98.61% in 2021) and 98.86% in the Canary Islands (99.23% in 2021).

System operation

System operation investments totalled Euros 19.0 million in 2022, up 7.8% on the prior year. In addition, Euros 64.2 million was set aside for storage in the Canary Islands (Euros 17.2 million in 2021). The most significant events which took place in 2022 are as follows:

Mainland system

- Mainland electricity demand closed the year at 235,459 GWh, down 2.9 % on 2021. Having corrected for the effect of working patterns and temperatures, demand attributable primarily to economic activity was down by 3.9%.
- Maximum instantaneous power was recorded on Thursday 14 July at 14:19 hours, at a rate of 38,284 MW. Peak demand in terms of time of day was likewise posted on 14 July (between 14:00 and 15:00 hours) at 38,003 MWh, which is 15.3% below the all-time high recorded in 2007.
- Installed capacity on the mainland has risen compared to the prior year, ending 2022 at 112,681 MW, up 4.2% on 2021. Additions to the system’s installed capacity primarily reflect the incorporation of solar photovoltaic and wind power, with the former increasing by 25% with respect to the prior year, while the latter posted growth of 4%.
- Hydropower capacity stood at 19,407 GWh at the end of December 2022, down 33.4% on the historical average and 27.8 % lower than in 2021. Reserves of hydroelectric power represented a fill level of 44.4% of total capacity across all reservoirs at the end of 2022, compared with 36.0% in the prior year.
- In 2022, 23.1% of demand was met by combined cycle generation (15.2% in 2021), 22.8% by wind power (24.0% in 2021), 21.4% by nuclear technology (21.9% in 2021), 12.0% by solar power (10.2% in 2021), 6.8% by hydroelectric power (12.0% in 2021), and 6.8% by cogeneration (10.6% in 2021). With a contribution of less than 10%, coal, other renewable sources, waste and pump-as-turbine jointly covered the remaining 7.1 % of demand.

- Renewable energy accounted for 43.7% of the total generation (48.4% in 2021). In absolute terms, renewable generation is down 4.2% on the prior year, essentially due to the 39.7% drop in hydropower output and the 12.4% decline in solar thermal output.
- Electricity exchanges through the mainland-Balearic Islands link resulted in a net balance of exports to the islands of 603 GWh (down 32.3% compared to 2021), covering 10.0% of their demand.
- International electricity exchanges resulted in a net export balance of 19,802 GWh in 2022, breaking a six-year trend.

Non-mainland systems

- At the 2022 year end, total annual demand for electricity in non-mainland systems had risen by 6.9% vis-à-vis the prior year. By individual system, demand climbed by 9.3% in the Balearic Islands and by 5.7% in the Canary Islands, and dropped 0.8% in Ceuta and 4.4% in Melilla.
- Installed capacity in non-mainland systems grew by 1.8%, essentially driven by the expansion of solar photovoltaic and wind technology, which climbed 27.3% and 1.5%, respectively.
- Pursuant to Law 17/2013 the system operator shall own the pumped-storage hydroelectric power plants in non-mainland systems, which are geared towards security of supply, system security and the integration of non-dispatchable renewable energies.

  In this context, Red Eléctrica, as system operator, is the holder of the concession for the Salto de Chira pumped-storage hydroelectric power plant in Gran Canaria. Red Eléctrica Infraestructuras en Canarias, S.A.U. is tasked with providing certain consultancy, engineering, project management, monitoring and technical assistance services relating to the implementation, start-up and effective operation of the facilities that make up the hydroelectric power plant complex.
- Regarding the possible project to install a pumped-storage hydroelectric power plant in Tenerife, in 2022 progress was made on the necessary actions to draw up the draft project.

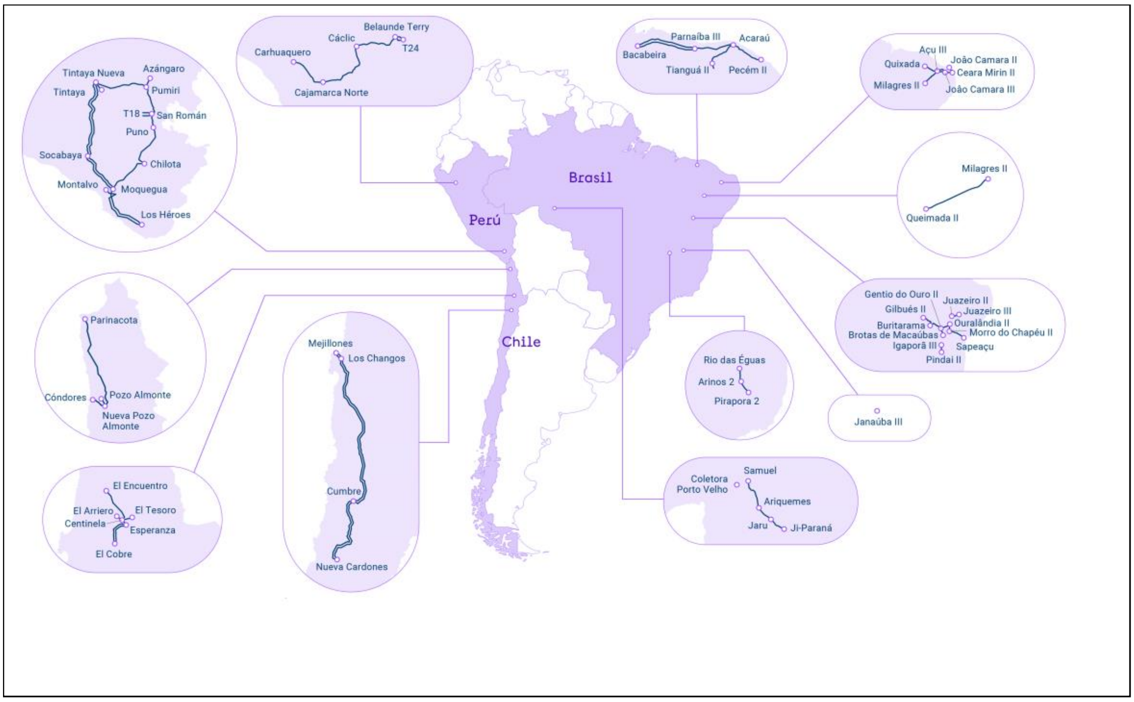
1.2.2 Management and operation of international electricity transmission infrastructure

The Group has managed and operated international electricity infrastructure for over 20 years now. This business is conducted through its subsidiary Red Eléctrica Internacional, S.A.U. (hereinafter Redinter) with a presence in Peru, Chile and Brazil.

The start-up of operations in Peru, Chile and Brazil is the outcome of an ongoing analysis of business opportunities, and meets the Group's criterion of undertaking investments in countries with a favourable economic situation and a stable regulatory framework that ensures an adequate return on the investments.

Overall, the Group manages a network spanning 7,670 km in Peru, Chile and Brazil, of which 7,650 km are up and running at present.

Presence of Red Eléctrica Internacional in Peru, Chile and Brazil:



Activity in Peru

In Peru, Redinter operates electricity transmission infrastructure under a 30-year concession. It is the main transmission agent in the south of the country and since 2019, following the acquisition of Concesionaria Línea de Transmisión CCNCM S.A.C. (CCNCM) by Red Eléctrica del Norte de Perú (Redelnor), it has also operated in the north of the country. The network spans a total of 1,686 km of transmission lines, of which 1,558 km are in commercial operation and 128 km are in pilot testing.

In 2021, the management excellence of Red Eléctrica del Sur S.A. (Redesur), Transmisora Eléctrica del Sur S.A.C (Tesur), Transmisora Eléctrica del Sur 2 S.A.C (Tesur 2), Transmisora Eléctrica del Sur 3 S.A.C (Tesur 3) and CCNCM, which all manage electricity transmission infrastructure on a commercial operation basis, enabled them to offer an energy transmission service with maximum availability, while helping to develop the surrounding areas.

During this period of the year, the average voltage levels remained within the limits set out in the Technical Standard for Quality of Electricity Services, no incidents were recorded in quality of service during the period, and network availability stood at 99.891% in Redesur, 99.904% in Tesur, 99.939% in Tesur 2, 99.904% in Tesur 3 and 99.890% in CCNCM.

The project awarded to Tesur 4 in 2018 is undergoing pilot testing before the start of commercial operations in January 2023.

In addition, Red Eléctrica Andina S.A.C (Rea) renders maintenance services for the concessions under operation, namely Redesur, Tesur, Tesur 2, Tesur 3 and CCNCM, and is also tasked with supervision and site management for the Tesur 4 works. Rea also carries out facilities maintenance and works supervision for other customers, consolidating its position in southern Peru as a leading provider of such services.

Activity in Chile

The transmission business in Chile comes under the umbrella of the parent company in that country, Red Eléctrica Chile S.P.A. (RECH), which was incorporated in 2015 and holds a 50% interest in Transmisora Eléctrica del Norte S.A. (TEN), a 69.9% interest in Red Eléctrica del Norte (Redenor) and 100% of Red

Eléctrica del Norte 2 S.A. (Redenor 2). Overall, RECH operates 1,749 km of transmission lines, of which 1,729 km are in commercial operation and 20 km are under construction.

TEN operates the 500 kV Changos – Cumbre – Nueva Cardones axis, which forms part of the National Transmission System, as well as the 220 kV Mejillones – Changos dedicated line. Availability of TEN's facilities in 2022 was 99.75%.

In 2022 Redenor completed construction of the transmission facilities in northern Chile, which were awarded in 2017. 2020 saw the entry into service of the first stage of the project, the Nueva Pozo Almonte 220 kV substation, with 100% facility availability at year end, while stage two of the project, 258 km of 220 kV power lines, came online in September 2022.

Availability of Redenor 2's transmission facilities was 99.80% in 2022.

Activity in Brazil

On 25 March 2020, the Company (through its subsidiary Red Eléctrica Brasil (REB)) and Grupo Energia Bogotá (GEB) each acquired 50% of the Brazilian holding company Argo Energia Empreendimentos e Participações S.A. (Argo), which in turn holds the Argo I, Argo II and Argo III concessions. This acquisition enabled Red Eléctrica to commence operations in Brazil where it jointly manages, with GEB, three concessions encompassing high-voltage power lines (500 kV and 230 kV) spanning a total of 1,430 km and 11 electrical substations.

Argo I operates 1,115 km of 500 kV power lines and five substations in the northeast of Brazil (availability of 99.87% in 2022, an improvement on 2021).

Argo II is a project to expand a substation in the state of Minas Gerais. The synchronous condenser 2 (SC2) came into service in 2021 and the CSI came online in February 2022 (availability of 97.97% in 2022).

Argo III operates 320 km of 230 kV power lines and five substations in the state of Rondônia (availability of 99.22% in 2022).

On 31 January 2022 Argo Energia formalised the acquisition of Rialma Transmissora de Energia III S.A., comprising 312 km of 500 kV power lines. Since then, the Group has held a 50% stake in this new concession, which has been integrated as Argo IV and is operational (100% availability in 2022).

On 30 November 2022, 100% stakes in the share capital of five electricity transmission concessions (Argo V, VI, VII, VIII and IX) were acquired from Brasil Energia FIP. This was a joint investment by Argo Energia (62.5%) and GEB (37.5%) on a co-governance basis between Redeia and GEB.

The five concessions acquired from Brasil Energia FIP are in commercial operation and comprise 2,488 km of 500 kV and 230 kV transmission lines and 20 substations. The acquisition of these concessions has doubled the size of Argo Energia (4,235 km in total) and positioned it as a transmission leader in the market with a strong presence in the northeast of Brazil, one of the areas with the biggest potential for renewable power and most in need of transmission network development in Brazil.

1.2.3 Telecommunications

Satellite business

The satellite telecommunications business is carried out through the Hispasat subgroup (hereinafter Hispasat). Red Eléctrica Sistemas de Telecomunicaciones, S.A.U., a subsidiary of Red Eléctrica Corporación, holds an 89.68% interest in Hispasat. The remaining Hispasat shareholders are Sociedad Estatal de Participaciones Industriales (SEPI) with 7.41% and the Spanish Centre for the Development of Industrial Technology (CDTI) with 2.91%.

Hispasat's principal activity consists of leasing spatial capacity and providing managed services for video and broadband data through the operation and commercial exploitation of its fleet of satellites in orbit and the related ground segment, primarily in Spain, Brazil, Peru and Mexico. Hispasat is the leading satellite operator in Spain and Latin America, while at the same time playing an important role as a driver of innovation in the aerospace industry. It has a fleet of nine satellites in six orbital slots.

2022 was a year of commercial stabilisation for Hispasat in a post-COVID-19 world. The Group saw its activity return to normal and achieved satisfactory KPIs, meeting the forecasts laid out at the beginning of the year.

A roadmap has been defined to transition, in a measured and orderly manner, the commercial operation of the traditional satellite business towards services and verticals with greater future growth potential.

In 2022 Hispasat made further inroads in this direction, notably acquiring Axess Networks, a leading satellite services provider in the Americas and EMEA that specialises in developing connectivity and added value services for telecoms companies, private enterprises and governments in countries such as Mexico, Colombia and Peru. This acquisition gives Hispasat differential capacities to provide added value services in data verticals across its leading regions, completing the acquisition of the video signal business executed in 2021.

In 2021 it acquired the video signal business for Latin America through its subsidiary Hispasat Perú, S.A.C. and launched the Conéctate initiative for the provision of a wholesale internet access service for 100% of the population and territory in Spain and Portugal.

Elsewhere, in 2021 Hispasat started a Transformation Plan aimed at preparing the company for the rendering of higher added value services and to compete in a more complex scenario. Hispasat’s Transformation Plan remains ongoing, having launched over 90% of the 26 lines of work identified. Some high-priority projects, such as the generation of a new commercial and bid management model, or the creation of a new Solutions and Services model, have successfully concluded. A voluntary departure plan was also successfully implemented, aimed at refreshing certain positions in the company, with some employees already having left on schedule.

In 2022 progress was made on the construction of Amazonas Nexus, which was launched into orbit in February 2023, as described in section 6 of this report.

Fibre optics business

The Group's telecommunications business primarily operates in Spain, doing so through the subsidiary Red Eléctrica Infraestructuras de Telecomunicación, S.A. (hereinafter Reintel), which is the Group company responsible for operating telecommunications networks and rendering telecommunications services to third parties.

Reintel is a neutral provider of telecommunications infrastructure. Its principal activity is leasing dark fibre and associated infrastructure. Reintel also provides maintenance services for fibre optic cables and telecommunications equipment.

At present, the Company operates a fibre optic network in excess of 52,956 km (52,000 km in 2021) rolled out over the electricity transmission grid and the railway network, guaranteeing transparent access on equal terms to its customers and to telecoms sector players.

After obtaining the pertinent authorisations, the sale of a 49% non-controlling interest in Reintel to Kohlberg Kravis Roberts & Co. L.P., through its subsidiary Rudolph Bidco S.À.R.L, was completed on 29 June 2022. The stake was sold for Euros 995.6 million.

After the sale was formalised, the Group retained a 51% stake in Reintel, as well as control and management thereof.

The fibre optics telecoms business continues to perform well against a backdrop of high inflation.

5G business

Redeia's Strategic Plan envisages, among other initiatives, the development of new opportunities associated with the roll-out of 5G networks, a process in which the Group wishes to be a significant player. 5G mobile communication technology is not only revolutionary for telecommunications services, but also for production and economic processes, where its speed, immediacy and capacity to connect thousands of devices simultaneously come into play.

The 5G business will unlock the value of Redeia’s infrastructure (electricity supports and fibre optic network) by developing telecoms sites to facilitate development of new 5G mobile telecommunication networks. This involves adapting high-voltage towers to furnish them with the necessary components to house active infrastructure (base stations) for mobile telephone operators, the differentiating factor vis-à-vis current alternatives in the market being the connectivity with fibre optics.

A raft of commercial activities were performed in 2022 in relation to presenting the 5G business value proposition, both to potential customers (mobile telecoms operators, infrastructure operators) and other players in the sector (public entities and regulators). Moreover, work has begun, alongside the mobile operators, to build the first sites for pilot testing, which will facilitate the adoption of the solution for future roll-outs of 5G networks.

2 Business performance

2.1 Key performance indicators

Revenue

Revenues and the share of profit of equity-accounted investees (with a similar activity to that of the Group) totalled Euros 2,065.4 million in 2022, up 4.2% on the prior year. Performance by activity was as follows:

- **Management and operation of domestic electricity infrastructure**: this activity generated revenues of Euros 1,599.0 million, compared to Euros 1,609.7 million in the previous year. The decline stems from the publication by the MITERD in December 2022 of Orders TED/1311/2022 and TED/1343/2022, changing the criteria for final remuneration for 2016-2019, which we have estimated for the 2020-2022 period as well. The above resulted in a Euros 34.9 million decrease in revenues from transmission activity. Removing this impact, 2022 revenue would have exceeded the prior year.
- **International electricity transmission:** revenues and profits of investees from this activity amounted to Euros 118.3 million, which is **Euros 46.9 million** higher than 2021. In detail, this variation is due to the following:
  - Revenues from international activity increased from Euros 51.6 million in 2021 to Euros 70.6 million this year. This year-on-year rise of **Euros 19 million** mainly stems from organic growth in Chile and Peru (Euros 6.8 million), favourable exchange differences (Euros 6.1 million) and the inclusion of work carried out for third parties in Chile (Euros 6.1 million).
  - The profits of investees in the international business amounted to Euros 47.7 million, compared to Euros 19.8 million in the same period of the prior year. The bulk of this **Euros 27.9 million** increase comes from the Brazilian subsidiary Argo, largely due to the early entry into service of Argo II and Argo III (Euros 8.8 million), the integration of Rialma from February onwards and the five new concessions acquired in December (Euros 6.4 million, both), and favourable exchange differences (Euros 4.4. million).
- **Telecommunications:** this activity generated revenues and profits in the investees of Euros 371.1 million in 2022, 15.4% more than in the prior year.
  - **Satellite business:** revenues are up 27.5% on the prior year. This improvement (Euros 36.6 million) primarily stems from changes in the accounting perimeter, due to the inclusion of Axess since August and the full-year recognition of the businesses acquired in May 2021 in Peru. It was also driven by increased sales and renewals related to the main business (Euros 7.8 million) and favourable exchange differences (Euros 4.4 million). The share in profits of investees amounted to Euros 2.3 million, down on the Euros 9.8 million in the prior year on account of Hisdesat's disposals of shares.
  - **Fibre optics**: the fibre optics business, which encompasses Reintel, posted revenues of Euros 142.7 million, 6.1% higher than the prior year. This trend mainly derived from commercial activity and because certain contracts are pegged to inflation.

Other operating income and self-constructed assets. These headings amounted to Euros 66.4 million in 2021 and rose to Euros 140.6 million in 2022. The increase is attributable to the accounting treatment of the Chira Soria project mentioned in note 1.2.1. This item reflects the income associated with the operating expenses recorded for construction of the plant (Euros 59.6 million) and Euros 4.7 million of income from applying the project's rate of financial return.

Operating expenses

Operating expenses (supplies, other operating expenses and personnel expenses) amounted to Euros 714.8 million in 2022, up 29.9%. Comparable operating expenses, excluding the impact of the special maintenance programme on the regulated business in Spain and the new lines of business on Hispasat (Peru and Axess), grew by 3.4%, which is testament to the effectiveness of the proactive and efficient measures implemented to contain the effects of inflation.

- The **cost of supplies and other operating expenses** increased from Euros 362.9 million in 2021 to Euros 504.1 million this year. This Euros 141.2 million increase stems from the incorporation of the Salto de Chira plant costs (Euros 59.6 million), due to higher operating and maintenance expenses, primarily those incurred for the critical asset maintenance programme (Euros 47.9 million) which is expected to come to an end in 2023. This item also includes the costs of new businesses and projects derived from changes in the Group's perimeter (Euros 22.7 million).
- **Personnel expenses** totalled Euros 210.6 million, an increase of Euros 23.3 million compared to 2021 (12.4%). This growth reflects a provision related to the signing of a new collective bargaining agreement (Euros 16.3 million) and personnel expenses associated with the new Hispasat business (Euros 5.1 million).

The **headcount** at 31 December was 2,420 employees, compared with 2,117 in the prior year. The average headcount for the year was 2,250 employees, versus 2,075 in 2021. The change in headcount is largely attributable to the incorporation of 233 people from Axess in August 2022. There have also been new hires in Hispasat and in the regulated business, in this case related to the investment plan.

Earnings

Gross operating profit (EBITDA) amounted to Euros 1,491.3 million, down 0.5% on 2021. EBITDA trends broken down by activity are as follows:

- **Management and operation of domestic electricity infrastructure:** EBITDA stood at Euros 1,132.9 million, reflecting a decline of 5.4% with respect to the prior year. This item is driven by the regularisation of transmission revenues for 2016-2022, increased maintenance costs for critical assets, and higher personnel expenses due to the provision related to the signing of a new collective bargaining agreement.
- **International electricity transmission:** EBITDA generated grew by 78.1% compared to the first half of 2021 to stand at Euros 90.4 million. This variation can be attributed to the good performance of revenues and profits of the investees.
- **Telecommunications**: EBITDA grew by 7.0% from Euros 236.7 million in 2021 to Euros 253.3 million. The satellite activity generated EBITDA of Euros 147 million, 10.7% higher than in 2021, while the fibre optics business posted EBITDA of Euros 105.7 million, up 2.3% on the prior year.

Results from operating activities (EBIT) amounted to Euros 961.6 million, falling 3.1% compared to 2021. This decline is mainly due to the Euros 23.0 million increase in amortisation and depreciation.

The **net finance cost** amounted to Euros 92.0 million, compared to Euros 103.9 million in 2021. Finance costs remained broadly flat because the rise in the average cost of debt, from 1.52% in 2021 to 1.62% in 2022, was offset by lower average gross financial debt. Finance income rose from Euros 10.5 million to Euros 23.2 million driven by the placement of cash surpluses, the increase in dividends received and the gains on hedging transactions.

The **effective income tax rate** applicable to the Group was 21.7%, whereas in the previous year it was 22.7%. This slight fall in the tax rate is mainly due to the higher contribution to profits by equity-accounted investees, recognised net of tax. This item also includes R&D&i tax deductions of the satellite business linked to the investment in the Amazonas Nexus satellite.

Lastly, **consolidated profit for the year attributable to the Parent** amounted to Euros 664.7 million, down 2.3% on 2021. Performance of this item by line of business is as follows:

- **Management and operation of domestic electricity infrastructure:** the net profit attributable to this activity is Euros 513.6 million, which is Euros 39.3 million less than in 2021. The decline is mainly due to lower EBITDA, as explained above.
- **International electricity transmission:** net profit of Euros 54.7 million was attributed to this activity, compared with Euros 20.1 million in the prior year. The good performance of the Brazilian subsidiary, Argo, was largely responsible for this improvement.
- **Telecommunications:** net profit is down from Euros 104.7 million in 2021 to Euros 82.7 million in 2022. The higher finance costs incurred by Hispasat are the main cause of the decline in 2022 profit attributable to this activity. The contribution of the fibre optics activity to the Group's overall profit has diminished due to the entry of non-controlling shareholders in Reintel.

Investments

The Group's total investments amounted to Euros 1,032.3 million, compared with Euros 575.8 million in 2021. This increase is driven by the strong growth in the regulated business in Spain and Redeia's corporate transactions this year, having acquired five new concessions in Brazil through Argo, as well as Hispasat's acquisition of Axess.

Investments in **management and operation of electricity infrastructure in Spain** amounted to Euros 532.0 million, almost 25% higher than in 2021. Details by business are as follows:

- In 2022 investment in the **development of the transmission network** in Spain came to Euros 448.8 million, up 14.8% on the Euros 391.0 million invested in 2021, bearing witness to the ramping-up of investment activity in the Group's main business.
- System operation investments totalled Euros 19.0 million, 7.8% higher than the prior year.
- In 2022 Euros 64.2 million was set aside for storage in the Canary Islands, versus the Euros 17.2 million invested in 2021.

As for investments related to the **management and operation of international electricity infrastructure**, the total amount of Euros 238.2 million, compared to Euros 44.5 million in the prior year, notably included **Argo's** acquisition of the five new concessions in Brazil. To make this happen, Redeia subscribed a Euros 201 million **capital increase** in this company. The **completion** of ongoing projects should also be noted. In Chile (Redenor) the 258 km Nueva Pozo Almonte – Parinacota line came online in September and in Peru (Tesur 4) the 220 kV transmission line between Tintaya and Azángaro, spanning 128 km, entered into service in January 2023.

Investment in the **satellite business** reached Euros 209.6 million in 2022, compared to Euros 73.2 million in 2021. This was chiefly attributable to the acquisition of **Axess Networks** on 9 August 2022 for Euros 120 million.

The increase in fibre optics investments to Euros 5.4 million related to the renovation of certain fibre cables.

In addition, Euros 47.1 million has been set aside for **other investments**, including infrastructure for the Group and investments made by Elewit, Redeia's venture capital investment vehicle.

Cash flows

Cash flows after tax amount to Euros 1,146.7 million, slightly lower than the prior year mainly due to the marginal decline in pre-tax profit.

The **change in working capital** contributed Euros 420.2 million in the year, versus Euros 426.8 million in 2021. This positive trend can mainly be attributed to the increase in collections made in relation to the electricity transmission activity in Spain, as the 2022 rates were provisional. These differences are expected to reverse over the course of 2023.

Investments in 2022 entailed outflows of Euros 1,032.3 million, almost 80% more than the year prior. This variation stems from the higher levels of investment related to Redeia's principal activity and the corporate transactions performed during the year.

Changes in other assets and liabilities primarily reflect the amount collected for the sale of a 49% stake in Reintel to KKR.

The above variations result in **free cash flow to equity** of Euros 1,621.0 million, up 55.2% on the prior year. With similar **dividend payments** to the prior year, net financial debt has fallen by over Euros 1,000 million in 2023.

Net financial debt

Net financial debt stood at Euros 4,633.8 million at 31 December, down 18.0% on the Euros 5,647.8 million reported at the 2021 year end.

At year end all of the Group's financial debt is **non-current**. In terms of interest, **89%** of the Group's debt is **fixed-rate** and the remaining **11%** is floating-rate.

In 2022, the **average cost** of the Group's financial debt was **1.62%**, compared to 1.52% in the prior year.

Average gross debt was Euros 6,341 million, compared with Euros 6,843 million in the previous year.

Redeia has set itself a target of arranging 100% of its financial debt under ESG criteria by 2030. On the path to achieving this target, it is worth highlighting that **42%** of the Group's financing at 31 December 2022 had been arranged under **ESG criteria** (35% in 2021).

Equity

At 31 December 2022 Redeia's equity amounted to Euros 4,894.3 million, which is Euros 1,209.1 million higher than the prior year. This increase mainly stems from the sale of the 49% stake in Reintel to KKR, which had a Euros 921 million impact on equity. The remaining difference is attributable to accrued profit yet to be distributed, exchange differences and the valuation of hedging transactions.

2.2 Financial indicators

(Millions of Euros)	2022	2021	Δ%
Revenue	2,015.0	1,953.0	3.2%
Gross operating profit (EBITDA)	1,491.3	1,498.6	-0.5%
Results from operating activities (EBIT)	961.6	992.0	-3.1%
Net profit attributable to the Parent	664.7	680.6	-2.3%
ROE	15.8%	19.0%	-16.8%
Cash flows from operating activities	1,566.8	1,605.2	-2.4%
Dividends paid	543.9	539.0	0.9%
Equity	4,894.3	3,685.1	32.8%
Gearing (Net financial debt / Net financial debt+Equity)	48.63%	60.50%	-19.6%
Total assets	14,781.5	13,984.5	5.7%
Debt service coverage ratio (Net debt/EBITDA)	3.11	3.77	-17.5%

3 Liquidity and capital

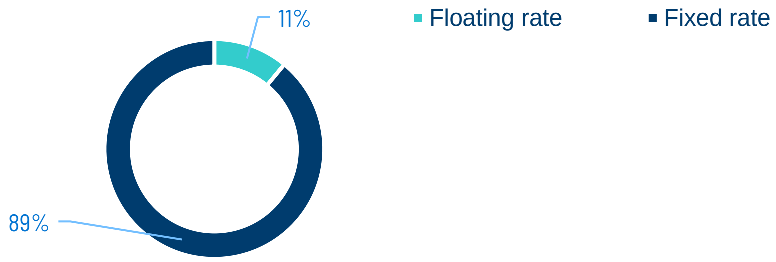
The Group's liquidity policy has been designed to ensure payment obligations are met, diversifying how financing requirements are covered and when debt matures.

The Group's robust liquidity position allows for prudent liquidity risk management. This position is essentially based on cash flow generation, primarily through regulated activities; appropriate management of collection and payment periods; and the financial capacity obtained through short- and long-term credit facilities.

At 31 December 2022 the undrawn balance on credit facilities amounts to Euros 1,795 million (Euros 1,853 million in 2021) and cash surpluses totalling Euros 1,510 million are available (Euros 1,574 million in 2021). The average maturity of the debt drawn down at the end of the year is 5.0 years, the same as in 2021.

The Group's financial strategy has aimed to reflect the nature of its businesses, at all times adhering to the legislation in force. The activities conducted by the Group are very capital-intensive, wherein a large portion of investments mature over long periods. In addition, these assets are remunerated over long periods of time, meaning that financial debt is primarily long-term and fixed-rate. The Group's strategic commitment to long-term, enterprise-wide sustainability is also present in its responsible and transparent management style, which promotes sustainable sources of financing.

Structure of financial debt: Fixed vs. Variable



The Group's capital structure policy ensures a financial structure that optimises the cost of capital through a sound financial position, which balances the generation of value for shareholders with competitive costs of financing. Capital is periodically monitored through the gearing ratio, which in 2022 stood at 48.63% (60.5% in 2021). This ratio is calculated as net financial debt divided by equity plus net financial debt.

To maintain and adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders, reimburse capital or issue new shares.

4 Risk management

Redeia has implemented a Comprehensive Risk Management System, which aims to ensure that any risks that might affect its strategies and objectives are systematically identified, analysed, assessed, managed and controlled, according to uniform criteria and within the established risk levels, in order to facilitate fulfilment of the Group's strategies and objectives. The Comprehensive Risk Management Policy was approved by the Board of Directors of the Parent of the Group. The Comprehensive Risk Management System, the Policy and the General Procedure regulating it are based on the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management – Integrated Framework (COSO ERM).

The risk management system is implemented in accordance with ISO 31000 on risk management principles and guidelines, which is comprehensive and ongoing in nature. Risk management is also strengthened at the business unit, subsidiary, support area and corporate level.

The comprehensive risk management and control policy and procedure define the various duties of the governing bodies and those of each organisational unit, as well as the information flow and activities to be performed.

4.1 Corporate risks

The types of risk to which the Group is exposed (corporate risks) as regards the achievement of its strategies and objectives can be classified as follows:

- **Strategic risks**
  - Risks related to the regulatory framework in which the Group operates.
  - Business risks associated with the business context itself or with decisions of a strategic nature.
  - Risks related to sustainability and good governance.

- **Operational risks**
  - Risks associated with planned assets and/or those in progress.
  - Risks associated with assets currently in service.
  - Risks related to information systems.
  - Risks related to personnel and the organisation thereof.
  - Compliance risks.

- **Financial risks**
  - Market risk.
  - Risks related to the solvency of the Company.
  - Counterparty risk.
  - Assurance risks.

The Corporate Risk Map depicts the Group's most significant risks and is prepared applying a bottom-up methodology, whereby the risks are identified, analysed and assessed by the different organisational units before being escalated for validation by Directors, General Managers and Corporate Directors, until their final presentation to the Chair of the Group, the Executive Committee, the Audit Committee and the Board of Directors.

The main risks to which the Group is exposed and that could affect achievement of its objectives are regulatory risk, including tax risks, in as much as the Group's principal business lines are subject to regulations, operational risk, primarily arising from the activity carried out in the electricity and telecommunications sectors, financial risk, market risk and environmental risk.

The Comprehensive Risk Management Policy includes the policy for controlling and managing tax risks. It also covers financial risk management, as detailed in the note to the consolidated annual accounts on the Financial Risk Management Policy.

The Company's Sustainability Report provides further details of the Group's main risks at present, as well as risks which could emerge in the future.

4.2 Climate change risks

The Group also manages climate change risks and opportunities in accordance with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). In addition to reviewing the governance criteria, the Group has a specific methodology to prioritise these criteria and quantify their economic impact, which has been implemented taking into account different scenarios.

Governance

Climate change risk management is built into the Company's risk management, applying the governance model for this purpose described above. The pertinent risks are included in the Corporate Risk Map.

In addition to being supervised by the Audit Committee of the Board of Directors, as part of its oversight role over the comprehensive risk control system, climate risks and opportunities are passed on to the Board's Sustainability Committee. This Committee's duties include reviewing the corporate responsibility and climate change policies to enable decisions to be made considering the results of the risk analysis.

The strategic plans incorporate the lines of action, objectives and high-level responsibilities in relation to climate change. The business areas set out the goals, actions and specific responsibilities in their operational plans in order to keep exposure to climate change risks within acceptable levels.

Identification and quantification of risks and opportunities

Climate change risks and opportunities comprise both physical risks and opportunities related to changes in climate factors (which could have a direct effect on the facilities or on the services rendered by the Group) and transition risks and opportunities (related to changes stemming from the fight against climate change: technological, market and reputational).

The Company has a specific methodology for the identification, ranking and economic quantification of the risks.

As indicated by the TCFD recommendations, the analysis is carried out taking into account different physical and transition scenarios:

- The physical scenarios considered are the Assessment Report AR5[1] of the Intergovernmental Panel on Climate Change (IPCC) (Representative Concentration Pathways RCP2.6, RCP 4.5 and RCP 8.5). Projections by the Agencia Estatal de Meteorología (AEMET) in the case of Spain and by the World Bank in the case of LATAM have been used to adjust the values of climate factors.
- Scenarios published by the International Energy Agency (IEA) in its WEO2020 report are used as a reference for transition scenarios. These scenarios are fleshed out with additional information referring to relevant factors based on the business and geographical area. Scenarios included in the integrated National Energy and Climate Plan (NECP) (trend and target scenarios), which would correspond to the International Energy Agency's STEPS and NZE2050 scenarios, are used in the case of electricity business risks in Spain.

Transition risks and opportunities are analysed for the short, medium and long term. The economic impact or monetisation of the risks is quantified for a period of 10 years.

The process to identify and quantify risks and opportunities is reviewed and updated at least annually.

Conclusions: Relevant risks and opportunities

- **Physical risks:**
  - Impact of extreme events (wind) on outdoor facilities (power lines).
  - Fires beneath the lines and near electricity substations.

The impact of these risks would materialise as damage to infrastructure with or without affecting the electricity supply; an increase in maintenance costs, affecting third parties or the environment; and impacts on reputation.

The estimated economic impact of these risks is significantly reduced and does not exceed 2% of the Group's profit. This is due to the roll-out of specific projects and the application of different adaptation measures, including insurance policies.

- **Transition risks:**
  - Claims due to caps on renewable energy production and incidents which could affect the security of the supply in the Canary Islands, associated with the significant rise in the share of renewables in the energy mix forecast for future years.

[1] IPCC Fifth Assessment Report (2014) drawn up by scientists from various countries. RCP 4.5 is a target scenario and RCP 8.5 is a trend scenario contemplating greater changes in climate parameters.

The impact of these risks would be associated with more difficulties with regard to system operation, increased caps on production and additional technical restrictions and a possible effect on supply, which in turn would be detrimental to the Company's reputation.

Red Eléctrica works hard to integrate renewables safely into the electricity system, thus minimising the materialisation and impact of these risks.

- Stricter legal requirements related to the use of fluorinated gases (SF6).

  The new requirements could lead to a rise in taxes associated with the use of gas, as well as increased management and maintenance costs to ensure that new requirements are met. Restrictions on the use of gas could also entail technical problems and high costs.

  It should be highlighted that the Company has implemented a raft of measures to reduce SF6 leaks as much as possible, and to roll out projects focused on sourcing alternative solutions. Of particular relevance is the Company's participation in work groups and the implementation of legislation, and its close collaboration with the authorities, all of which significantly helps to anticipate risk.

- Difficulties in bringing into service the necessary infrastructure for the energy transition (this risk is identified and analysed specifically for international interconnections).

  To meet the objectives of the energy transition, the transmission network must be developed. However, due to social aversion to this type of infrastructure and the long waits to obtain the necessary authorisations for its development, there could be difficulties in bringing the required facilities into service.

  To reduce this risk, preliminary studies are key for analysing the viability of the infrastructure proposed in the planning. A large number of programmes have also been implemented relating to management of stakeholders and public participation, together with other projects to improve infrastructure development processes, such as planning the materials supply and service requirements.

Thanks to the aforementioned actions carried out for the different risks, the annual economic impact estimated for these transition risks would be less than 2% of the Group's profit.

- **Opportunities:**

Energy transition policies provide huge opportunities for the Group, connected to the development of infrastructure to make the transition possible.

- Development of the existing network: integration of new renewable energy capacity, interconnections, high-speed trains and support for an increased electrification of society (investment in lines, substations, interconnections, protection systems and other network infrastructure control and monitoring equipment).
- Development of storage in non-mainland systems.
- Development of infrastructure for the energy transition in Latin America.

Moreover, new telecoms business opportunities have been identified in relation to digitalisation and increased connectivity.

- Development of infrastructure to help reduce the digital divide in telecommunications (digital connectivity via satellite and roll-out of broadband services).

Lastly, the Group's improved performance in respect of mitigating and adapting to climate change is expected to be a boon for its reputation, which could lead to:

- Better financing opportunities and/or higher stock prices.

5 Average Supplier Payment Period. "Reporting Requirement". Additional provision three of Law 15/2010 of 5 July 2010

In accordance with the Spanish Accounting and Auditing Institute (ICAC) resolution of 29 January 2016 regarding the information that must be disclosed in the notes to annual accounts on average payment periods to suppliers in commercial transactions, the average supplier payment period in the case of Spanish Group companies was 41 days at the 2022 year end (43 days in 2021).

The disclosures required by this resolution are contained in note 22 to the Group's consolidated annual accounts for 2022.

6 Events after 31 December 2022

On 24 January, i.e. after the reporting date of these consolidated annual accounts, the Parent issued perpetual subordinated bonds qualifying as green bonds, totalling Euros 500 million and structured in a single tranche. The unit face value of each bond is Euros 100,000, and they have been issued at a price of 99.67% of their face value.

The bonds bear interest at a fixed annual coupon of 4.625% (with an IRR of 4.70%) from 7 February 2023 to 7 August 2028 and thereafter at an interest rate equal to the applicable 5-year swap rate plus a spread.

The issuer will have the option to defer the payment of interest on the bonds without incurring a breach. Such deferred interest will accrue and must be paid under certain circumstances defined in the terms and conditions of the bonds.

The issue was closed and disbursed on 7 February 2023 following the fulfilment of the conditions precedent customary in such transactions.

The Amazonas Nexus satellite was successfully launched on 7 February 2023. At the date these consolidated annual accounts were authorised for issue, the satellite is making its way to its final geostationary orbital position at 61º West.

7 Outlook

As regards the management of the different businesses, Redeia will continue to undertake its activities, implementing a model encompassing two major lines of action in equal proportion: operations subject to market risk which offset the concentration of regulatory risk, and regulated operations which offset market risk. To this end, it will continue to carry out the role of Spanish Transport System Operator (TSO), helping to make the energy transition in Spain a reality; continue to foster connectivity as a leading operator of both fibre optic and satellite telecommunications infrastructure; consolidate its international business; and invest in technological acceleration and innovation.

Executing the strategy, underpinned by efficiency, digital transformation and personnel development, will enable the Group to adapt to the new, stricter regulatory and remuneration environment, and to generate more ways of creating value.

Redeia will uphold its commitment to maximising value for its shareholders, offering an attractive return in the form of dividends and generating value through efficient management of its activities, analysing alternatives for expanding its core business, maintaining a robust capital structure and working to guarantee electricity supply, propelling a fair ecological transition with sustainability criteria.

Redeia will therefore continue to seek the generation of long-term value, creating lasting, competitive advantages and improving our corporate reputation, whilst focusing on providing optimum service to society – the differentiating feature of its management.

Likewise, Redeia will concentrate on unlocking shared value by working in collaboration with stakeholders and combatting territorial, digital and gender inequality.

It is determined to forge ahead with its fulfilment of the 2030 Sustainability Commitment and to maximise the contribution of all Group companies in order to meet the global targets, noteworthy among which are the United Nations Sustainable Development Goals (SDGs).

7.1 Outlook for the management and operation of domestic electricity transmission infrastructure

Advancements in regulated activities, aimed at making the energy transition in Spain a reality, primarily observe the following lines of action:

- The integration of more renewable sources of energy generation in the electricity system, supporting the change to zero emission carriers and greater energy efficiency.
- Making the user the centre of the electricity system, providing new services for an increasingly demanding and discerning user in terms of data and information.
- Development of storage based on the management needs of the system in order to implement a more flexible electricity system.
- Digitalisation and roll-out of smart networks, proposing new technological solutions to maximise the use of transmission assets.
- A higher degree of interconnection, furthering integration with the European market and improving the functioning of non-mainland systems.

All of these challenges will require a significant level of investment in the transmission network in the coming years, with a considerable technological component, which will be rolled out in an increasingly strict regulatory and remuneration environment.

Redeia will ensure its financial policy is in line with the remuneration regime for transmission activities, which involves maintaining a suitable financial structure to safeguard the Group's financial solvency, its compliance with the ratios laid down by the Spanish National Markets and Competition Commission (CNMC) and having a solid credit position.

7.2 Outlook for the management and operation of international electricity infrastructure

The Group will continue to focus its international business activity on strengthening its outreach in countries where it has a presence, specifically Peru, Chile and Brazil, as a way to diversify business.

Work will also remain ongoing to explore viable and alternative financing streams at opportune market junctures in order to optimise the Group's capital structure and as a way of expanding the core business.

7.3 Outlook for telecommunication activities

The satellite sector is undergoing a transformation due to structural changes in demand for communications services: on the one hand, satellite video services, a significant source of revenue for the industry over an extended period of time, are immersed in a transformation process; on the other hand, data transmission services are on an upward trend, but require a much higher level of involvement by operators when providing an all-inclusive service.

Hispasat's strategic plan was approved at the end of 2022 with the aim of making progress on the lines of action defined so as to shift the commercial activity away from the traditional business and simultaneously bring on board a new focus and direction towards verticals with greater future growth potential. The aforementioned plan is expected to enable the Company to scale up and become a provider of services and solutions via satellite to meet the growing demand for global connectivity and data services with a guarantee of quality, security and resilience, whilst pushing Hispasat forward to become the go-to supplier of innovative products and services, ensuring profitability and growth, and responding to the current and future challenges of its customers and shareholders.

In addition, the telecommunications activities carried out by Reintel, as a provider of telecommunications infrastructure, will focus on the backbone fibre network market, specifically the lease of dark fibre in the infrastructure associated with telecommunications sector players.

The incorporation of KKR as a strategic shareholder in 2022 will enable Reintel, in the long term, to benefit from growth opportunities and maximise its capacity to generate value from its telecommunications business.

Reintel will continue to implement its commercial plan and undertake the investments requested by customers, as well as broadening its portfolio of fibre products, in order to generate greater revenues. Furthermore, it continues to progress on interconnecting rail and electricity fibre networks with the aim of offering new solutions to customers, such as new redundant sources and access points, whilst upholding the high level of service quality offered to its customers.

The 5G Project plan remains ongoing with the aim of driving development of the 5G business in line with the initiatives envisaged in Redeia’s Strategic Plan, as well as to take the business to market and maintain an all-encompassing view of the actions necessary to execute the project.

7.4 Other activities

As regards innovation, Elewit will help the Group to consolidate its commitment to innovation, entrepreneurship and technological development, which are the cornerstones of sustainability against a backdrop of transitions in both the energy and telco sectors.

Through Elewit, Redeia will harness the potential of technology to further its business and activity, as well as to explore new value-added businesses. Initiatives focused on new tech verticals will be explored, such as cybersecurity, energy, AI and advanced analytics, industry X.0, the Internet of Things (IoT), new communication technology and satellites, platforms and networks of the future, and any other technology with potential that is detected in the constant screening of and interaction with the tech ecosystem.

Elewit will thus enable Redeia to forge stronger ties with society, to increase the availability of its infrastructure, to strengthen system security, to maximise the integration of renewables and the use of its assets, to enhance the efficiency and sustainable management of its assets, and to improve the health and safety of people.

8 Innovation

Redeia has continued its efforts to innovate in 2022, managing 93 innovation projects with a total expenditure of Euros 8.82 million during the year. It has also set aside a Euros 20 million commitment for the creation of an Energy Transition Fund and has launched startup investment processes totalling Euros 3 million, bringing the total investment in innovation and technological development to Euros 31.82 million.

In 2022 Elewit continued to roll out all the necessary tools to capture and bring to fruition initiatives/projects at any stage of maturity which could contribute to innovation in Redeia. One of the ambitions is to have a balanced portfolio of initiatives in terms of stage of technological maturity, which help to offer both operational innovation that can be swiftly applied to businesses/activities and more disruptive innovation linked to the tech required to address the challenges of the ecological transition and connectivity.

To this end, the achievements over the course of the year can be grouped as follows:

- Venture Client: completion of the 3rd Programme and commencement of the 4th Programme.
- Corporate Venture Capital (CVC): incorporated into the OKTO portfolio, a company which offers a solution for the proactive maintenance of assets. Three follow-on projects have been carried out in Zeleros, Nearby and Countercraft, while the second outlay on the Aerolaser investment was also approved.

  Efforts are being made to create the Energy Transition fund with ADARA, having signed the collaboration agreement with Elewit acting as expert advisor. ADARA is currently collaborating with the Corporate Venture Capital team on generating a good number of investment opportunities. So far almost 450 opportunities have been received, 10 of which are being analysed in depth. These 10 companies potentially include the first investments of the fund, which are planned to be executed following the first close of the fund.
- Ecosystem generation and communication: this has allowed Redeia to surround itself with a constellation of agents (suppliers, customers, universities, research and technology centres, experts, consultants, opinion leaders, entrepreneurs, etc.) that ensure a constant supply of new ideas and knowledge, building relationships with more than 40 partners/collaborators. Among these, Elewit has 12 current collaborations with universities and technology centres, and in 2022 it signed five new collaboration agreements to develop projects in the key technologies identified for this year (IoT and AI). Notable in this connection was Elewit joining the Indesia association to promote the use of data and artificial intelligence in Spanish industry and the X Cross Industry partnership set up between European electricity network companies.
- Intrapreneurship: the DESPEGA programme —Redeia's first intrapreneurship programme— kept running in 2022.
- Technology labs: these catalyse innovation in Redeia through the introduction and swift adoption of disruptive technologies that are built into the innovative technological solutions being developed.
- Technological factory: innovative solutions are being industrialised, such as 5G infrastructures, which will enable the transmission network infrastructure to be used to provide connectivity, and ZEPAS, which will make it possible to set up a versatile, portable and easy-to-install supply point to power auxiliary services of substations through a Power Voltage Transformer (PVT).
- Project management office: this office centralises the planning and management of Elewit's innovation projects and programmes, while also providing the lab with specific management tools and resources.
- Global Innovation Hub: in 2022, the Global Innovation Hub hosted various sessions, including the "SF6 from all Redeia perspectives" session at Caixa Day One on 31 March, the 1 June session at the Vodafone Business LAB that shared all the 5G use cases carried out in Spain under the National 5G Plan and the 15 September session held at the Morvedre substation with the System Reliability team to jointly design its technology roadmap.
- Highlighting value: in addition to the internal value generated by innovation activities within Redeia, Elewit is constantly working to identify projects with marketing potential beyond Redeia. Identifying this type of project means entering into collaboration and marketing agreements with key development partners in order to jointly develop products in which Redeia holds full or shared ownership of the intellectual or industrial property.

- Venture Building: this seeks to identify both attractive new business logics in the market as well as underutilised assets, technology or knowledge within Redeia that have the potential to meet market needs. In 2022, while maintaining a medium/long-term horizon for the portfolio, this tool continued to be deployed together with an operational partner with the goal of driving investment in at least one startup company per year for the next three to four years.

A sample of the most significant projects carried out during 2022 is briefly described below:

- 5G/maximising the use of electricity infrastructures and use cases: in 2022, the four innovation pilots that Redeia was conducting in Sagunto to analyse 5G use in managing electricity infrastructures were successfully completed. The objective of Red Eléctrica, Elewit and Hispasat within the National 5G Plan was to test 5G use in the management and remote visual inspection of high-voltage transmission grid infrastructures.
- EPICS (Edge Protection and Intelligent Control Solution): in 2022, the centralised protection and control platform in the EPICS project was installed at the Sagunto 220 kV substation with differential and overcurrent protection and remote control functions.
- Met4DLR project: in 2022, the meteorological variables prediction models were expanded and their accuracy improved, developing a robust and scalable solution based on the use of different meteorological forecasts that combine deep learning and machine learning models. This provides major benefits in the meteorological estimation necessary for dynamic line rating.
- Review project: in 2022, the design process for electricity models was centralised, thus enabling integration with third parties and the possibility of viewing changes in and customising electricity grid data.
- IRIS2: satellite communications have become a priority within the European Commission, to such an extent that in 2022 the new “IRIS2” European space programme was created with the aim of rolling out infrastructure to foster, inter alia, secure institutional communication. Hispasat has been working on the definition of this system through a study that was completed in mid-2022, and efforts are ongoing with the sector’s main players to design a proposal that meets the European Commission's needs.
- GOVSATCOM Hub: as part of the IRIS2 global architecture, a “pool and share” system will be developed to orchestrate user needs and existing satellite capacities. Hispasat is working on the definition of this system as part of a European consortium. Meanwhile, as part of the prep work, it is participating in a European Space Agency (ESA) project to define the necessary interfaces with existing capacities.
- 5G continues to be a cornerstone of innovation. Satellites play a very important role in the development of new 5G infrastructure, supporting terrestrial networks. Hispasat is undertaking a very important task in the 5G ecosystem with the aim of ensuring satellite integration, both in terms of standardisation (3GPP) and in participating in integration pilot testing. Milestones in 2022 include the publication of the standard's Release 17, which adds satellite under NTN (Non-Terrestrial Networks) for the first time, while work continued on the 5GMED project (roll-out of services on a mixed 5G network (terrestrial-satellite) in the Mediterranean transmission corridor), and the RED.es PN5G project (monitoring of critical infrastructure with drones connected to 5G via satellite) was completed. Lastly, project proposals were worked on in 2022, winning two major European Commission projects for 2023, where a step forward will be taken and the radio standard will be integrated into satellite technology.
- Rural/remote solutions: this year saw the search for and incorporation of satellite connectivity-based solutions that provide added value for rural or remote environments such as the digitalisation of primary sectors and emergency solutions. This includes various pilot tests to validate the different solutions in real-world environments, such as the Valle de Arán pilot where IoT solutions were deployed to manage mountain shelters and emergency solutions in high mountains. A pilot was also carried out with Cruz Roja on the Teide volcano to test devices that monitor the status of workers via satellite.
- Open Innovation / Innovation Ecosystem: in order to remain at the forefront of state-of-the-art technology and solutions, the Company must imbue an innovation ecosystem to capture opportunities and talent. In 2022, Hispasat participated in notable innovation events such as Start-up OLE, Mobile World Congress as well as in acceleration programmes that allow for more flexible and rapid proof of concept testing. These activities include the acceleration of the Tesselo, Pyro and Earth Pulse startups.

- Motor Verde: Hispasat has become the technological partner for this initiative, the objective of which is the reforestation of natural habitats that have suffered forest fires, whilst also generating carbon credits. Hispasat is involved in the initiative by providing innovative solutions for forest fire protection, perimeter defence, and the monitoring and certification of carbon credits. These solutions have been successfully implemented in a pilot test in Las Hurdes (Cáceres).
- Cybersecurity: the future of encryption is based on quantum technology, and satellites play a major role as they allow encryption keys to be distributed across great distances. In 2022 Hispasat worked on phase A of the ESA's Caramuel project to design a quantum communications distribution system via geostationary satellite.
- Lunar communications: there is expected to be an exponential increase in lunar missions in the coming years, both commercial and institutional. Hispasat is working on an ESA project to develop a communications system for such missions.

9 Own shares

At their meeting on 31 March 2020, the Board of Directors of the Company decided to suspend own share transactions as of 14 April 2020, except where such transactions are associated with employee remuneration.

Consequently, in 2022 only one transaction took place, for the sale of 303,533 own shares associated with Group employee remuneration, with a par value of Euros 0.15 million and a cash value of Euros 5.4 million.

At 31 December 2022 the Company held 1,499,900 own shares, with a par value of Euros 0.50 per share, representing 0.28% of its share capital. These shares had an overall par value of Euros 0.75 million and an acquisition price of Euros 17.53 per share (see note 14 to the consolidated annual accounts), and the market value was Euros 24.39 million.

The Parent has complied with the requirements of article 509 of the Spanish Companies Act, which provides that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold own shares or shares in the Parent.

10 Other relevant information

10.1 Stock market performance and shareholder returns

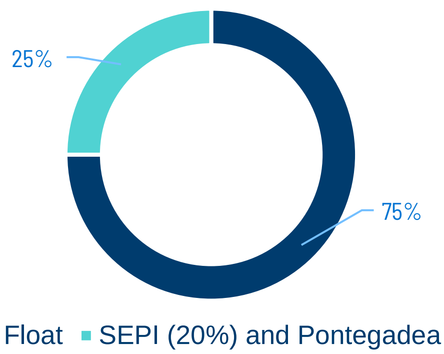
All of the shares in Red Eléctrica Corporación, S.A., the Group's listed company, are quoted on the four Spanish stock exchanges and are traded through the Spanish automated quotation system.

It also forms part of the IBEX 35 index, of which it represented 2.01% at the end of 2022.

At 31 December 2022 and 2021, the share capital of the Company amounted to Euros 270.5 million and was represented by 541,080,000 shares with a par value of Euros 0.50 each, subscribed and fully paid.

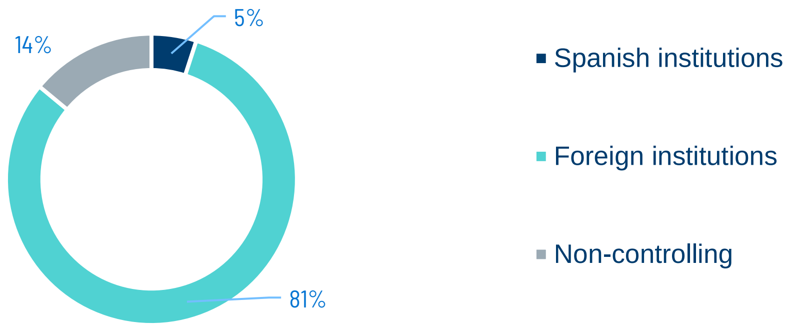
At year end the Company's free float was 75%, following Pontegadea's acquisition of a 5% stake.

Shareholder structure



At the date of the last shareholders' meeting – 7 June 2022 – the free float comprised 405,810,000 shares, of which an estimated 14% is held by non-controlling shareholders, 5% by Spanish institutional investors and 81% by foreign institutional investors, primarily in the United Kingdom and the United States.

Free float distribution



In 2022 there was a widespread drop in the world's most significant stock markets. The MSCI World index, which captures stock market value across 23 developed and emerging countries, was down 19.8% over the course of the year. Higher inflation, which sent interest rates soaring, and fears regarding economic growth made equities less appealing to investors.

The pandemic, which triggered global disturbances in production and distribution systems that remained unresolved in 2022, and then the invasion of Ukraine have been the main causes of widespread price increases. The solution has been for the main central banks to raise discount rates.

Equities are down in all regions. On Wall Street the Standard & Poor’s 500 fell more than 19% during the year, whilst the Nasdaq, blighted by the disastrous performance of tech shares, lost 33% of its value. As for Asia, the Nikkei in Japan fell by over 9% and the Hang Seng in China by 18%. The major European stock exchanges also suffered widespread losses, from 13.3% in Italy (MIB) to 5.6% in Spain (IBEX). The exception among major European markets was the UK stock exchange. The FTSE achieved modest gains of 0.9% over the course of the year, in this case supported by the major energy companies listed there.

Redeia’s stock price fell by 14.5% in 2022, in line with similar shares in Europe. The general increase in interest rates has driven investors to fixed-income instruments, rather than shares such as Redeia, as they offer attractive returns. The share price ranged from Euros 20.05 on 25 May, before the interest rate hikes, to Euros 14.505 on 13 October, when the outlook for inflation in Europe was at its worst. The stock price at the end of 2022 was Euros 16.26.

A total of 348.9 million shares were traded on the Madrid Stock Exchange during the year as a whole, which is equivalent to 64% of the number of shares comprising its share capital. Cash transactions amounted to Euros 6,251.7 million.

10.2 Dividend policy

Redeia will apply the dividend policy described in its 2021-2025 Strategic Plan, which sets out a dividend payment of Euro 1 per share for 2022.

The dividend paid in 2022 with a charge to the prior year’s profit amounted to Euros 543.9 million.

The dividend with a charge to 2022 profit proposed by the Board of Directors and pending approval by the shareholders at their annual general meeting is Euro 1 per share.

The dividend will be paid in two instalments – an interim dividend in January and a supplementary dividend halfway through the year following approval of the annual accounts by the shareholders at their general meeting.

10.3 Credit rating

On 26 April 2022 the credit rating agency Standard & Poor’s issued a report on the Company maintaining not only the same rating but also the outlook. This means that the Parent Red Eléctrica Corporación and its subsidiary Red Eléctrica maintain long-term ratings of ‘A-' and short-term ratings of 'A-2', with a stable outlook.

On 21 November 2022 the credit rating agency Fitch Ratings once again gave the Company a long-term rating of 'A-' with a stable outlook. Following this announcement, the Parent Red Eléctrica Corporación and Red Eléctrica maintain long-term ratings of ‘A-’ and short-term ratings of ‘F1’, with a stable outlook.

10.4 Excellence

One of the cornerstones of the Redeia's corporate culture is its commitment to management excellence. The Company has a Policy of Excellence, which was reviewed in 2021. This policy sets out the organisation's principles in relation to its commitment to management excellence, which is focused on the creation of sustainable value that meets or surpasses the requirements and expectations of the stakeholders within Redeia's ecosystem, acting as a lever for achieving excellent results in both the present and future.

In 1999 the Company adopted the EFQM (European Foundation for Quality Management) excellence management model as a tool to improve management, to which end external assessments are performed periodically in accordance with the model. In 2022 Redeia arranged an external assessment of the Parent (Red Eléctrica Corporación) and Red Eléctrica de España, in accordance with the EFQM 2020 model, obtaining a score of above 700 points and, with it, the EFQM 700+ Seal of Innovation and Sustainability Excellence. Following this assessment, the model will be expanded to the other Redeia companies.

Redeia's commitment to excellence is corroborated through external certifications from prestigious certifying entities, which guarantee that the organisation successfully implements certifiable management systems in the performance of its activities. Redeia has quality systems in place in the Parent and its main subsidiaries that are certified in accordance with the ISO 9001 standard.

Of particular note is the certification under the international standard UNE-ISO 19650-1 and 2 for information management in buildings and civil engineering works using the BIM (Building Information Modelling) collaborative work methodology in relation to the construction project for the Salto de Chira pumped-storage hydroelectric power plant in Gran Canaria; which complements the certification of project management systems under the international standards ISO 10006 for quality management in projects and ISO 21500 for project management.

Also noteworthy is the certification of Red Eléctrica's criminal and anti-bribery compliance system, in accordance with the standards UNE 19601 for criminal compliance management systems and UNE 37001 for anti-bribery management systems.

11 Non-Financial Information Statement in compliance with Law 11/2018 of 28 December 2018

11.1 About the Non-Financial Information Statement

GRI 2-1

Scope of the NFIS

The Non-Financial Information Statement (hereinafter "NFIS") responds to the reporting requirements established in Law 11/2018 of 28 December 2018 on non-financial and diversity information, which are reported with reference to the standards of the Global Reporting Initiative (GRI), per the option selected.

Section 11.9 of this document, "Content index required by Law 11/2018 of 28 December 2018 on non-financial and diversity information", details the specific reporting framework for each item required by the Law. For those requirements that do not pertain to any specific reporting framework, the Company uses an internal framework and details in the respective section what this internal framework entails in order to facilitate understanding.

The scope of the NFIS encompasses the entire consolidated Group formed by Red Eléctrica Corporación, S.A. and Subsidiaries. Law 11/2018 of 28 December 2018 stipulates that the Group's subsidiaries are not required to prepare an NFIS as their information is included in the Group's Consolidated NFIS.

As regards information on the main risks associated with the significant investments accounted for using the equity method, the Group carries out a risk assessment that takes into consideration both financial and non-financial aspects, both at the point the investments are made and subsequently as part of the Group's regular monitoring of its risks. The results of these analyses are not considered significant to warrant their inclusion in the NFIS for 2022.

Please also note that, subsequent to this NFIS, Redeia publishes a sustainability report which supplements this document; this sustainability report is also subjected to external assurance.

Materiality Study
GRI 3-1, 3-2

In 2022, with a view to making progress in the 2030 Sustainability Commitment and defining its 2023-2025 Sustainability Plan, Redeia updated its Materiality Study for the purpose of identifying relevant issues.

The Materiality Study is based on an analysis of the Group's sustainability context in order to build an overall picture of the environment in which the organisation operates. This then allows the Group to review sustainability planning for the 2023-2025 period. To define the context, the Group considers all the business activities and the geographical areas where it operates.

The sustainability context includes: a trend analysis that defines and/or will define the overall sustainability, industry and geographical framework in which the Group carries out its activity; the identification of good practices to ascertain the level of maturity of the Group's sustainability performance with respect to comparable benchmark companies; and an analysis of internal information to identify the requirements and expectations of stakeholders and other issues of relevance with a view to their incorporation in the commitments and corporate planning. Please note that the Group's stakeholders were involved in this study in order to gauge their requirements and expectations. In this respect, strategic interviews were conducted with Group management, key technical personnel and representatives of external stakeholders in order to collect knowledge on the challenges, risks and opportunities regarding sustainability from both an internal and external perspective. Specifically, representatives of the following stakeholder groups were involved in the 2022 analysis of the sustainability context: business partners, suppliers, technology research and development centres, social agents and associations, environmental groups, consumer associations and end consumers, rating agencies, the media, industry associations, professional and business bodies and associations, other companies in the sector and competitors.

The methodological approach applied in the 2022 materiality study is based on the concept of double materiality. This concept makes it possible to identify those sustainability matters relevant to Redeia that affect its value proposition, performance, position and growth ("outside-in" perspective) and that have an impact on people, society and the environment ("inside-out" perspective).

The solution provided in this analysis has been designed taking into account the recommendations of the world's leading voices on international sustainability, including most notably the IQNet SR10 Social Responsibility Management System, ISO 26000 Guidance on Social Responsibility, Global Reporting Initiative (GRI), RobecoSAM, SASB (sector materiality map) and AA1000AS Assurance Standard (Materiality principle).

This analysis led to the identification of a total of 13 material issues.

Relevant issue prioritisation matrix

Prioritisation of the issues

Critical	1	Energy transition
	2	Innovation, technology and digitalisation
	3	Social licence ✷
	4	Climate change
High	5	Regulatory framework ✷
	6	Supply chain
	7	Diversity
	8	Biodiversity
	9	Customer orientation
	10	Circular economy
	11	Integration of the facilities into the environment ✷
	12	Safety, health and well-being
	13	Talent

✷ New material issue compared to the 2019 matrix

It is worth noting that, compared to the previous materiality study carried out in 2019, there are fewer material issues (16 issues in 2019). This shows that the Group has evolved to a higher level of maturity in its sustainability management, which allows it to filter and focus on those issues that are truly relevant to the achievement of its strategic objectives.

Considerations regarding the macroeconomic scenario

As a result of the tensions in recent years between Russia and Ukraine, an armed conflict broke out on 24 February 2022 and is still ongoing at the date of authorising these 2022 annual accounts for issue.

This has led to much uncertainty and significant global economic volatility, in turn resulting in higher prices, revaluation of various currencies against the Euro, disruption of current market conditions, suspension of trade relations with Russia, in some cases a disruption of the supply chain and, ultimately, increased interest rates both within and outside the European Union.

The Company has no direct or indirect commercial relations with Russia or Ukraine, nor does it have investments in investees or assets in either of these countries. Moreover, its financial risk policy ensures that all risks associated with this conflict are identified, analysed, managed and assessed.

The situation brought on by the armed conflict in Ukraine has not had a significant impact on the Company's activity. The Group's management and directors will continue to assess the situation and closely monitor any incidents arising in the infrastructure it manages, as well as trends in other external factors and the impact such factors could have on the financial statements.

11.2 Description of the Group's business model

GRI 2-1, 2-6

Redeia has consolidated itself as a global operator of essential infrastructure, managing electricity transmission networks in Spain and Latin America, and telecommunications networks (satellites and fibre optics).

Red Eléctrica, management and operation of domestic electricity infrastructure

Construction and maintenance of power lines and electricity substations forming part of the transmission network (including international and inter-island interconnections) that match generation with consumption and operation in real time in the Spanish electricity system, guaranteeing continuity of supply and the safe integration of renewable energy.

This also includes the design and construction of storage infrastructure in the Canary Islands, which serves as a tool for the operation of the electricity system to improve the integration of renewable energy and the security of supply on the islands.

Redinter, management and operation of international electricity infrastructure

Construction and operation of energy transmission infrastructure in Peru, Chile and Brazil, and provision of electricity infrastructure maintenance services in Peru.

Reintel and Hispasat, Telecommunications

Satellite communications services for video, data transmission and mobility services through satellites in operation.

Commercial operation of the excess fibre optic network capacity associated with both the electricity transmission network and the rail network, as well as technical spaces for hosting telecommunications equipment in Spain.

Development of new opportunities stemming from the roll-out of 5G networks.

Elewit, innovation and technology

The Group is committed to innovation and technology, based on the acceleration of technological innovation, the generation of competitive advantages and business opportunities to turn the Group into a technological benchmark in the energy transition, the traceability and accessibility of information, as well as the provision of innovation and technological development services to third parties.

2030 Sustainability Commitment

Redeia made a strategic commitment to long-term, enterprise-wide sustainability. In 2017, the Board of Directors approved the Group's 2030 Sustainability Commitment. Through this commitment, Redeia aims to achieve long-term continuity through a business model that is capable of responding to the challenges of the future and putting the principles set out in the Sustainability Policy into practice.

The 2030 Sustainability Commitment is backed by the Board of Directors and the Group's management team, whose message is transmitted to the entire organisation with a view to encouraging a proactive attitude that incorporates sustainability into day-to-day decision-making. It is worth noting the creation of the Sustainability Committee within the Board of Directors in 2018 as a result of the strategic importance of sustainability for Redeia, as set out in the Group's 2021-2025 Strategic Plan. The key role of the Sustainability Steering Committee and the Corporate Division for Sustainability and Studies reinforces the participation of the highest decision-making levels and the involvement of all areas of the Company in the implementation, supervision and monitoring of the 2030 Sustainability Commitment.

In 2019, the Board of Directors approved the Group's 2030 sustainability objectives, which lay out 11 proposals to measure fulfilment of the commitments established in the four sustainability priorities, focusing on those aspects that provide answers to the great global challenges on the horizon for 2030. The objectives, which are defined by the Sustainability Steering Committee and validated by the Sustainability Committee of the Board of Directors, are aligned with the priorities of the 2030 Sustainability Commitment, the Group's Strategic Plan and the United Nations Sustainable Development Goals (SDGs).

The 2030 Sustainability Commitment is deployed through multi-year plans. The 2020-2022 Sustainability Plan was approved by the Executive Committee in July 2020 following a review by the Sustainability Committee of the Board of Directors. The plan is made up of 17 lines of action aligned with the Group's Strategic Plan and the Sustainable Development Goals (SDGs) and consists of a total of 39 goals, 71 monitoring indicators and 210 actions. The degree of compliance with the plan at year end was 98.5%.

Throughout 2022, Redeia worked on the design of the new 2023-2025 Sustainability Plan. The Plan was approved on 25 October by the Board of Directors, following validation by the Executive Committee, the Sustainability Steering Committee and the Sustainability Committee of the Board, and will come into force on 1 January 2023.

The 2023-2025 Sustainability Plan will increase the Group's ambition and will enable the commitments undertaken by Redeia in its 2021-2025 Strategic Plan (where Sustainability is the strategy that underpins the entire Plan) and in its 2030 Sustainability Commitment, to be implemented and fulfilled, through 14 lines of action, 190 actions and 87 quantitative and strategic objectives.

The preparation of the 2023-2025 Sustainability Plan has made it possible to define mid-term objectives to achieve the goal set for 2030 and, consequently, to redefine and/or specify the 11 existing objectives.

Redeia's 2030 sustainability priorities and targets

<table>
<tr><th colspan="2">DECARBONISATION OF THE ECONOMY</th></tr>
<tr><td colspan="2">Act as a proactive agent in the energy transition towards a zero emissions model, based on the electrification of the economy and the efficient integration of renewable energy through a robust and better-connected network and the development and operation of energy storage systems.</td></tr>
<tr><td rowspan="4">Objectives for 2030</td><td>1. Reduce scope 1[2] and 2[3] emissions by 55% and scope 3[4] emissions by 28% with respect to 2019.</td></tr>
<tr><td>2. Empower society to be actively involved in the energy transition process.</td></tr>
<tr><td>3. Safely integrate 100% of the renewable energy available in the electricity system: 74% renewable energy in electricity generation.</td></tr>
<tr><td>4. 100% sustainable financing</td></tr>
<tr><th colspan="2">RESPONSIBLE VALUE CHAIN</th></tr>
<tr><td colspan="2">Extend our responsibility commitment to all the links in the value chain, from employees to our suppliers and customers, by forging alliances, all underpinned by our model of good governance and integrity.</td></tr>
<tr><td rowspan="3">Objectives for 2030</td><td>5. Have a net positive impact on the natural capital of the area surrounding new facilities</td></tr>
<tr><td>6. Become a leading company in circular economy:
• Group: zero landfill waste
• Group: 6.5m³ of water consumption per employee per year at workplaces</td></tr>
<tr><td>7. Drive change in our suppliers. At least 25 supplies with the greatest impact in the transmission network with criteria for circularity (LCA), climate change, security, diversity and biodiversity.</td></tr>
<tr><th colspan="2">CONTRIBUTION TO THE DEVELOPMENT OF THE LOCAL AREA</th></tr>
<tr><td colspan="2">Contribute to economic, environmental and social progress in the local area, by providing an essential service in a safe and efficient way, fostering environmental conservation, enhancing people's quality of life and social well-being and involving communities in the development of our activities so as to generate tangible mutual benefits.</td></tr>
<tr><td rowspan="3">Objectives for 2030</td><td>8. Be a benchmark in gender equality: 50% women on Redeia's Board of Directors and management team in the Group.</td></tr>
<tr><td>9. Promote the inclusion of collectives at risk of social and workplace exclusion.</td></tr>
<tr><td>10. Reduce the digital divide: 100% connection rate for people in the areas surrounding our facilities.</td></tr>
<tr><th colspan="2">ANTICIPATION AND ACTION FOR CHANGE</th></tr>
<tr><td colspan="2">Foster a corporate culture of innovation and flexibility that enables us to identify growth opportunities and tackle future challenges by staying ahead of and adapting to global trends and to the regulatory environment emerging from the new energy model.</td></tr>
<tr><td>Objectives for 2030</td><td>11. Be a benchmark in technological innovation. Adoption of 64 technological solutions in Redeia that provide solutions to the Group's key challenges, contributing tangible and intangible value.</td></tr>
</table>

[2] Scope 1 emissions: direct emissions from sources owned or controlled by the Group (SF6, emissions associated with vehicle fuel combustion, generators and air conditioning).

[3] Scope 2 emissions: indirect emissions from electricity consumption (including T&D losses).

[4] Scope 3 emissions: indirect emissions linked to the Group's operations, arising from sources not controlled by the Group (supply chain, business trips, employee commuting, logistics, waste, etc.).

Stakeholder management model

The aim of Redeia's stakeholder management model (understood as groups that are affected by the Company's activities or services, and which, in turn, through their decisions and opinions can influence Redeia's financial performance, strategic objectives and/or reputation), is to develop a relationship with its stakeholders based on trust and a focus on the creation of shared value.

In designing the management model consideration was given to the provisions of the main stakeholder management regulations and benchmarks, such as AA1000, ISO 26,000, IQNet SR10 and the Global Reporting Initiative, in order to ensure that the Company analyses the main impacts of its activities on its stakeholders, as well as the influence that these stakeholders have, or could have, on the Company. This made it possible to orientate the relationship towards the creation of shared value, strengthening the positive impacts and quickly identifying the negative impacts that could affect the relationship, in order to minimise them.

The stages of the management model are identification, segmentation and prioritisation of stakeholders, the definition of the relationship framework and, finally, assessment of the management and the model as a whole.

The Group undertakes an annual programme of perception studies aimed at assessing stakeholders' satisfaction with its performance and ascertaining their requirements and expectations. As well as being a tool to foster dialogue and closer relationships with stakeholders, the studies are also an important driver of continuous improvement for the Group.

In 2020, the review of the stakeholder management model began. The overriding aim of this review is to build an up-to-date and prioritised inventory for each Redeia company, which will serve as the starting point to define new stakeholder relationship frameworks that are tailored to each company and in line with reality. In 2022, progress was made in consolidating the methodology and updating the inventory for the electricity business in Spain (Red Eléctrica).

The stakeholder categories that have been identified for Red Eléctrica are as follows: regulatory bodies and public administration, the economic-financial ecosystem, suppliers, customers, the corporate ecosystem, the social ecosystem and people.

Work will continue in 2023 on the next stages of the project, consolidating the new stakeholder management model through its progressive roll-out at various companies.

11.3 Information on environmental issues

GRI 103-1, 103-2, 103-3

Redeia's commitment to the environment stems from management and is based on environmental policy, which includes an explicit commitment to the prevention of pollution and the precautionary principle. **GRI 2-23** The involvement of all of the organisational units and of all of the Group's employees is essential to the implementation of this commitment.

Red Eléctrica and Red Eléctrica Andina have an Environmental Management System in place (ISO 14001 certified) to facilitate the continuous improvement of their environmental performance. Red Eléctrica also meets the requirements established by the EU Eco-Management and Audit Scheme (EMAS).

The Group companies incurred ordinary expenses of Euros 24.9 million in protecting and improving the environment in 2022 (Euros 23.4 million in 2021), essentially due to the adoption of measures intended for protecting biodiversity, fire prevention, landscape integration, climate change, pollution prevention and eco-innovation projects. As regards the business pertaining to the management and operation of domestic electricity infrastructure (Red Eléctrica), these expenses amounted to Euros 24.4 million (Euros 22.7 million in 2021).

A total of Euros 4.5 million (Euros 3.5 million in 2021) was spent on environmental issues associated with investment projects (including environmental impact studies, environmental oversight of work, and the adoption of preventive, corrective and accompanying measures).

The Company's main environmental impacts are those related to the construction of the electricity transmission network facilities and their physical presence in the area. The Group works to minimise these impacts, considering the entire life cycle of its facilities and paying special attention to the protection of biodiversity. In view of its role as a leading player in the transition towards a carbon-free energy model, Redeia has taken on board a specific commitment in relation to the fight against climate change. The Group's environmental commitment is based on three pillars: environmental management and the integration of electricity facilities into the environment, the protection of biodiversity and climate change.

11.3.1 Environmental management and integration of electricity facilities into the environment

The main approach for making facilities compatible with the environment is the selection of routes and sites so that the environmental impact is as low as possible. Additionally, the application of preventive and corrective measures and the monitoring of strict environmental criteria make it possible for potential effects on the environment to be reduced significantly. The best tool to guarantee this process is an Environmental Impact Assessment. By law, most of the Group's projects are subject to this procedure. The measures implemented include those carried out during the construction of facilities to minimise land clearing and the impact on vegetation, fauna and the socio-economic environment (infrastructure, crops and archaeological heritage), as well as pollution prevention measures.

Actions during the maintenance phase aimed at mitigating the noise generated by certain electrical substations (programmes for measuring and adjusting the operating parameters of certain power equipment to reduce noise levels and the design of acoustic screens) and reducing light pollution are also noteworthy. To address the latter issue, in recent years the Company has worked on implementing the necessary measures to enable facilities to be shut down at night, thereby limiting light pollution as much as possible while also achieving significant energy savings.

Thanks to the criteria considered when designing the facilities, the electromagnetic field (EMF) strength is kept within the exposure limits for the general public as per the Official Journal of the European Communities 1999/519/EC.

Lastly, visual impact assessment methodologies and tools have been improved, areas affected by works have been restored and specific landscape integration projects have been undertaken so as to mitigate the visual impact of the facilities.

In addition to the measures aimed at making facilities compatible with the environment, we should highlight the importance to the Group of working towards and making significant headway on the sustainable use of resources. The 2030 sustainability objectives include becoming a leading player in circular economy. The goals to be achieved and the actions to be carried out are enshrined in the Circular Economy Roadmap, which focuses on improvement in various dimensions:

- Materials: reduction in raw material consumption, promoting the use of materials that are or can be recycled. This notion includes action related to eco-design, which entails close cooperation with suppliers.

  On this front, the "Sustainable Purchasing" project is designed to include circular economy criteria in the purchasing process. In 2022 a Life Cycle Analysis methodology was developed with the suppliers of three major materials, which will build circularity requirements into purchasing decisions and, therefore, result in the acquisition of more sustainable equipment and material. The target for 2025 is to include such criteria into 10 types of supplies.

- Waste: actions focused on achieving the target of zero landfill waste by 2030 for the entire Group and zero landfill waste in Red Eléctrica by 2025.

Progress has been made on the "zero landfill waste" project, thanks to the adoption of measures that resulted in 92.7% of all waste generated (hazardous and non-hazardous) (88% in 2021) being recycled (this generic category includes reuse, recycling, composting, anaerobic digestion and regeneration).

- Land: measures aimed at minimising the risk of land or groundwater contamination due to hydrocarbon leaks or spills, as well as the cleaning-up of land affected by accidents using sustainable techniques. The following targets have been set for 2025: zero serious accidents in facilities and zero contaminated sites.
- Water: seeking solutions to improve efficiency and optimise use with the 2025 target of limiting water consumption per employee to 6.5 m^3 in all the Group's places of work.

11.3.2 Protecting biodiversity

GRI 304-1, 304-2, 304-3

Protecting and preserving biodiversity has always been a priority in the environmental management strategy of the Company, which maintains a specific commitment in this realm and has set a target for 2030 to have a positive impact on the natural capital of the area surrounding new facilities.

To meet this ambitious goal, a 2030 biodiversity roadmap has been drawn up based on a natural capital approach (nature versus society), which takes shape in the form of specific steps and goals laid out in the different action plans.

The Company is already working on one of the projects in this roadmap: development of the methodology to quantify Redeia's impacts (positive and negative) on biodiversity, allowing it to measure progress and ensure its 2030 target is met.

The Company manages biodiversity applying the mitigation hierarchy. First and foremost, avoiding areas that are protected or highly biodiverse is fundamental when deciding on the location of facilities (in electricity transmission infrastructure in Spain, only 15.45% of lines and 5.5% of substations are located in protected areas). The second step is to minimise possible repercussions and is achieved through the application of the corresponding preventive and corrective measures, including the restoration of habitats wherever possible. Lastly, any impacts that may arise are compensated through a variety of environmental improvement initiatives and conservation projects, undertaken in collaboration with the government, non-governmental bodies and other entities.

The main effects of the Group's activities on biodiversity can be seen on habitats and species. The former are primarily associated with the impacts on vegetation of felling and pruning to open up firebreaks, while the latter stem from the risk of birds colliding with earth wires. The following actions are noteworthy in this respect:

- Habitat protection and conservation (vegetation).
    - In 2022, Redeia formally and explicitly committed to protecting vegetation and combatting deforestation, both in its own operating activities and those of its supply chain.
    - The Company works intensively on preventing and fighting forest fires, since these pose one of the biggest threats to forest conservation. Aside from the proper maintenance of firebreaks, the Company has strict work and supervision procedures in place to reduce the risk of fire in and around its facilities. It actively and continuously collaborates with the public entities involved in forest management, through formal collaboration agreements (10 in effect in 2022) that include actions and the provision of material for forest fire monitoring, prevention, training and awareness.
    - Despite the application of best prevention and mitigation practices, the elimination of species that are incompatible with safety in the facilities is inevitable in some cases. In such scenarios, although this does not affect deforestation, the Company undertakes to compensate the entire amount of trees removed, through a range of activities aimed at conserving native woodland, such as the reforestation of the degraded areas. In 2022, 14.23 ha of mountainous terrain was reforested and a beech grove spanning 105 ha was restored through reforestation (7.5 ha), forestry work and protective fencing, in the province of Vizcaya. As part of the Redeia Forest project, more than 77,000 trees in an area covering 77.6 ha in the provinces of Avila and Navarra were planted this year, bringing the project's total to 812,972 trees planted in 993 ha since it was launched in 2009.
    - Other habitat conservation projects carried out include the Red Eléctrica Marine Forest project to restore posidonia oceanica seagrass, having rehabilitated 2 ha in the bay of Pollença, Mallorca, which is currently in the stage of scientific control and monitoring by the IMEDEA UIB-CSIC.
- Protection and conservation of birdlife:
    - After selecting the best route, the main measure implemented to reduce the risk of birds colliding with ground wires is to use bird-saving devices. Thanks to the "Birds and power lines: Mapping of bird flight paths" project, Red Eléctrica has identified the top-priority areas (where the risk is highest) and is making progress towards installing bird-saving devices on the lines therein, with the aim of reaching 100% coverage by 2025, having installed them for 70.1% of critical priority lines in 2022.

- The Company promotes and performs numerous initiatives to conserve birdlife, primarily geared towards improving their habitats, drawing on knowledge of their behaviour and condition, as well as boosting the population of species that are more sensitive to the presence of electricity lines, thus helping to compensate for impacts that cannot be prevented or mitigated. In 2022, over 10 initiatives were underway to protect the following: in Spain, the Spanish imperial eagle (in the Doñana natural reserve), the Bonelli's eagle (on the island of Mallorca together with Fundación Natura Parc and in Valencia with Universidad de Valencia), the golden eagle (in the areas of Caparroso and Cadreita alongside the Navarra Regional Government), the lesser kestrel (with the Valencia Regional Government in the Meca-Mugrón-San Benito, Els Alforins and Moratillas-Almela, Villena areas for special protection of birds (ZEPAs per the Spanish acronym)), the Egyptian vulture (together with the Extremadura Regional Government), and the osprey (in the Barbate reservoir alongside Fundación Migres), and in Chile, the black tern. There is also an ongoing collaboration with Universidad Autónoma de Barcelona to assess the potential of the electricity transmission network as regards the infrastructure's capacity for boosting and generating biodiversity in firebreaks thanks to sustainable treatment of the vegetation.

11.3.3 Climate change

GRI 305-5

Redeia, mainly through its activities in the electricity business, is a key and proactive agent in the energy transition towards a zero emissions model, the main elements of which should be: the electrification of the economy, the full integration of renewable energy into the energy mix and efficiency, while always ensuring the security of supply. Taking on this role, in 2011 the Company decided to formalise a voluntary commitment in the fight against climate change, which is reflected in the goals to reduce emissions and the Climate Change Action Plan, which were both updated in 2021 to bring them into line with the global mission to limit the rise in average temperature to no more than 1.5°C.

Redeia's targets were validated by the Science Based Targets (SBTi) in 2022:

- Reduction in scope 1 and 2 emissions of 55% by 2030 with respect to 2019.
- Reduction in scope 3 emissions of 28% by 2030 with respect to 2019.
- Suppliers that account for 2/3 of supply chain emissions must have science-based targets in place within five years.

These targets are in keeping with the Group's commitment to achieving net-zero carbon emissions by 2050 in accordance with the SBTi criteria (commitment currently being evaluated by the initiative).

The Company has also set an objective of offsetting 100% of its scope 1 emissions from 2023 onwards.

The Climate Change Action Plan covers the following lines of action:

- Contribution to a more sustainable energy model, taking the necessary actions to achieve the objectives of the National Energy and Climate Plan (NECP) for 2030:
  - Ongoing investor involvement to develop a robust, intelligent and interconnected transmission network that enables the electrification and connection of new renewable energy capacity.
  - Maximum integration of renewables by optimising the operation of the electricity system, the use of artificial intelligence as a decision-making and predictive tool, the integration of more evenly-distributed generation and the development of storage systems.
  - Furthering efficient network management by encouraging technological innovation, incorporating new elements and services and applying new flexibility measures.
- Reduction in greenhouse gas emissions resulting from the Group's activities. The main measures implemented apply to the following areas of action:
  - Reduction in SF6 emissions through the control and reduction of leaks, the renewal of switchgear equipment and the establishment of measures to limit the growth of installed gas, including the increased use of alternatives to gas.
  - Reduction in energy consumption and the associated emissions: increased use of renewable sources, the development of energy-efficiency measures and more sustainable mobility initiatives.

- Reduction in the emissions associated with the supply chain:
  - ♦ Roll-out of collaboration programmes with suppliers aimed at setting reduction targets in line with the SBTi.
  - ♦ The incorporation of sustainability criteria into procurement decisions, prioritising more sustainable supplies and promoting changes that make the reduction of emissions possible.
- Offsetting of emissions to make progress towards the Group's carbon neutrality, primarily through the Redeia Forest project and the purchase of carbon credits in the voluntary market.

- Positioning and outreach: ensuring all stakeholders are involved in Redeia's commitment, disseminating knowledge and providing complete and transparent information on the electricity system and its role in the energy transition, as well as on various energy efficiency measures.

- Adaptation: in order to address both the inevitable physical changes in the climate parameters, as well as the social, economic and regulatory changes associated with the fight against climate change, the Company regularly identifies and evaluates the risks and opportunities arising from climate change and applies various measures defined within the framework of this analysis. As per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the financial impacts of the relevant risks and opportunities are quantified, considering different physical and transition scenarios. Details of the TCFD recommendations are provided in note 4 of the consolidated directors' report.

11.3.4 Non-financial indicators

GRI 302-1, 302-2, 303-1, 305-1, 305-2

	2022	2021	Δ%
Direct greenhouse gas emissions (scope 1) (tCO_2 eq.) *(1)	20,542	24,257	-15.31
Indirect greenhouse gas emissions (scope 2) (tCO_2 eq.) *(2)	727,214	646,531	12.48
Electricity consumption (MWh) *(3)	20,604	19,770	4.2
Fuel consumption (MWh) *(4)	10,473	11,015	-4.9
Consumption of energy from renewable sources as a percentage of total energy consumption (%) *(1)(5)	61	52	18.1
Water consumption (m^3) *(6)	36,069	34,894	3.36
Hazardous waste (kg) *(7)	781,169	584,894	18.47
Non-hazardous waste (kg) *(7)	755,189	696,535	8.4
Recycled waste (%) *(8)	92.7	88	5.35
Number of environmental accidents **(9)	5	8	-37.5
Lines with bird-saving devices installed in critical priority areas (accumulated kilometres at the end of each year) ***(10)	681.2 (70.1% of the total to be installed)	562.5 (71.1% of the total to be installed)	10.6

***** Indicators that include information for all Group companies.
****** Scope: Red Eléctrica de España SAU, Red Eléctrica Corporación SA, Red Eléctrica Andina SA, Red Eléctrica de Chile SpA.
******* Scope: Red Eléctrica de España SAU

(1) There has been a significant change in methodology (updating the SF6 GWP to the values of the Fifth IPCC Report) with respect to the historical series. Accordingly, the direct emissions figure for 2021 has been recalculated to facilitate its comparability with the figure for 2022.

(2) The increase in emissions is due to the increase in the emission factor of the electricity mix in Spain (average factor 0.163 tCO_2eq/MWh compared with 0.14 tCO_2eq/MWh in 2021), mainly because of the low level of hydropower and the rise in combined cycle generation (53% higher than in 2021) and coal-fired generation (56% higher than in 2021).

(3) Most of the energy supply contracts managed by the Company are for green energy or offer guarantees of the renewable origin of the energy, which represents 92.2% of the electricity consumed in 2022 (the remaining consumption corresponds to workplaces that are leased, or workplaces that do not have electrical hook-ups and therefore receive their supply from the transmission network).

(4) Fuel consumption of fleet vehicles, generators and heating.

(5) Includes renewable energy as a percentage of total energy consumed (electricity and fuels). It does not include the percentage of renewable energy corresponding to the energy mix of each country (only that acquired contractually) or the percentage of biofuel contained in vehicle fuels.

(6) The data has a coverage of 99.4% in terms of personnel, including collaborators. The water consumed comes from the municipal supply network (61.05%), wells (36.17%) and cisterns (2.78%). In some centres there are reservoirs for the accumulation of rainwater for sanitary use, fire prevention and irrigation. The reservoirs do not have mechanisms to record the stored water so it is not possible to calculate the percentage usage of rainwater. While water is not a material issue for Redeia, the decision was made to disclose information in this respect and to seek assurance thereon, as it is nonetheless an aspect required by some sustainability indices.

(7) Redeia's waste generation is associated with the maintenance and construction of the facilities, work required to maintain the assets in the best possible conditions. The nature of these activities makes it very difficult to predict trends in the quantities of waste produced as they are linked to the number and types of actions carried out each year. This means that it is not possible to reduce waste without reducing the maintenance work required and the adaptation of facilities.

(8) % of waste generated (hazardous and non-hazardous) that has been recycled (this generic category includes reuse, recycling, composting, anaerobic digestion and regeneration).

(9) Relevant accidents are considered to be those categorised as significant, severe or major in the internal classification (level 3 accidents and above on a scale of 1 to 5). They do not include birds striking equipment.

(10) The total % of km marked in critical priority areas is reduced due to the update of the flight paths project: 1) New focal species have been incorporated (rising from 46 to 52), which means an increase in the area with the presence of focal species and 2) there have been changes in the distribution of some of these species, either because they appear recorded in new territories, or because more precise information is available than in the previous edition of the project. This has led to an increase in the number of km of lines located in critical priority areas and, consequently, in the lines where the devices are to be installed.

11.4 Information on labour and employee-related issues

GRI 103-1, 103-2, 103-3

Our people

Redeia's Personnel Policy sets out the principles that govern the management of people through leadership, efficiency, innovation, cultural transformation and personal and professional fulfilment, focusing on the employee's experience.

Compliance with these principles contributes to achieving the organisation's purpose and strategic objectives, in keeping with the values, principles and behaviour guidelines established in the organisation's Code of Ethics and Conduct.

Furthermore, the regulations in force include standards for the execution of processes and activities concerning human capital that are applicable to the different Redeia companies, notably those related to diversity management, the digital disconnection protocol and the organisation's technical procedures for safety in construction and maintenance work.

Redeia is fully committed to the professional development of its personnel and to maintaining their internal employability during their tenure, through integration, development and mobility programmes.

To this end, in 2022 work continued on the sustainable management model of diverse and committed talent, an essential part of the People and Culture Department's Operational Plan, which uses a systematic approach to attract, discover, develop, train, transform and retain talent and exchange knowledge. Through the deployment of the following six lines of action, the model pursues excellence in these processes, thus ensuring that the Company retains a foremost position both at home and abroad:

- Attraction
- Learning
- Development
- Knowledge Management
- Differentiation
- Transformative Leadership

Supported by digitalisation, technology, innovation, sustainability and diversity, Redeia seeks to become a leader in the transformation of talent and corporate culture while involving society in the organisation's challenges, fostering actions that galvanise, motivate and inspire within the Company and beyond.

This transformation is evidenced through the Leadership Model and the Skills Model, which outline Redeia's desired way of working.

On this front, in 2022 efforts were made to:

- Position leaders as model agents of transformation and develop self-leadership habits in people that promote responsibility, self-management and self-learning through the 360° assessment and the associated programmes, which seek to develop their role as leaders.
- Plan talent needs, identifying new profiles and positions, considering diversity and inclusion as a competitive advantage that brings opportunities and benefits to the organisation and society, through the creation of specific programmes for the new profiles identified (Talentia for employees with management potential, managers and data analysts, among others).
- Develop the organisation's talent, promoting internal mobility and training people for them to maintain employability in the current environment of change through an adapted and distinct proposal of initiatives that enable employees to manage their own development, and committing leaders to the their teams' achievements. To this end, the new Redeia Skills Model has been implemented, which aligns growth with the Company's objectives.

- The implementation of the Development Recommendations, which include internal mobility through temporary work stays, vacancy-filling and international mobility, or assignment to projects and training actions in different modalities so that employees can work autonomously or accompanied on the skills chosen in each case as a response to the Skills Model.

The efficiency and effectiveness of the people management processes deployed to adapt Redeia's human capital to the challenges posed by the transformation in which the Company is immersed to achieve the objectives set out in the 2022-2025 Strategic Plan are continuously monitored through key indicators, thus enabling the Company to marry its short-term objectives with its long-term goals and driving improvements in the processes.

Details of the key indicators for people management in 2022 and 2021 are as follows:

	2022	2021	∆%
Total headcount	2,420	2,117	14.3
Women (%)	27.9	26.7	4.5
Men (%)	72.1	73.3	-1.6
Women in management positions (%)	35.3	34.1	3.5
People with disabilities (%)	0.8	0.9	-0.1
Net job creation (no. of positions)	70	66	6.1
Average age	45.3	45.9	-1.3
Average length of service (years)	14.5	15.8	-8.2
Overall turnover (%)	6.0	4.9	22.2
Internal movement (%)	5.8	12.1	-52.1
Permanent contracts (%)	99.2	98.6	0.6
Management team as % of total headcount	7.6	7.7	-1.3
Pay gap	8.1	6.5	24.6
Training hours per employee	36	65	-44.1
Average investment in training per employee (€)	1,517	2,407	-37.0
Accident frequency rate	1.30	1.98	-34.3
Accident severity rate	0.06	1.33	-95.5

a) Employment

At the end of 2022, Redeia's workforce consisted of 2,420 professionals. Of these, 82.9% (2,007 employees) work in Europe, 16.9% in the Americas (410 employees) and 0.1% in Africa (3 employees). Staff enjoy stable, high-quality employment (99.2% of staff are on a permanent contract), with the focus on employability and functional mobility as a lever for growth and professional development (5.8% moved internally in 2022).

Our commitment to stable, high-quality employment is also reflected in our low unwanted external turnover (3.1%) and the average length of service of our employees (14.5 years).

In 2022 Redeia's workforce grew by 14.3%, of which 77% stemmed from the 233 Axess Networks employees joining Hispasat following the acquisition of said company, a prestigious ground stations operator and provider of satellite services with a presence in Latin America, Europe, the Middle East and Africa. The incorporation of this new company has not implied any type of reorganisation of the organisational structure or of the personnel, as there are no overlapping functions. As a result, its entire workforce has been maintained and integrated into Redeia.

Structure of the workforce by country where Redeia is present **GRI 2-7:**

2022	Women			Men			Total
Germany	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	0	0	0	0	1	4	**5**
Technicians	0	0	0	0	4	4	**8**
Administrative personnel	1	4	3	0	1	2	**11**
Total	**1**	**4**	**3**	**0**	**6**	**10**	**24**

2022	Women			Men			Total
Argentina	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	1	2	-	**3**
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1**	**2**	-	**3**

2022	Women			Men			Total
Belgium	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	-	1	**1**
Technicians	-	-	-	-	-	-	-
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**1**	**1**

2022	Women			Men			Total
Brazil	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	1	-	-	1	1	**3**
Technicians	-	9	3	2	12	7	**33**
Administrative personnel	6	2	1	4	5	3	**21**
Total	**6**	**12**	**4**	**6**	**18**	**11**	**57**

2022	Women			Men			Total
Chile	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	5	-	**5**
Technicians	1	5	-	1	19	3	**29**
Administrative personnel	-	4	-	-	2	1	**7**
Total	**1**	**9**	-	**1**	**26**	**4**	**41**

2022	Women			Men			Total
Colombia	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	4	1	-	6	-	**11**
Technicians	1	17	-	19	46	-	**83**
Administrative personnel	10	16	1	2	11	-	**40**
Total	**11**	**37**	**2**	**21**	**63**	-	**134**

2022	Women			Men			Total
Ecuador	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	**-**
Technicians	-	1	-	-	2	-	**3**
Administrative personnel	-	1	-	-	1	-	**2**
Total	-	**2**	-	-	**3**	-	**5**

2022	Women			Men			Total
Spain	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	37	20	-	39	53	**149**
Technicians	43	252	93	44	851	434	**1717**
Administrative personnel	-	21	61	-	-	20	**102**
Total	**43**	**310**	**174**	**44**	**890**	**507**	**1968**

2022	Women			Men			Total
UK	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	1	-	-	-	-	**1**
Technicians	-	-	1	-	2	-	**3**
Administrative personnel	-	-	-	-	-	1	**1**
Total	**-**	**1**	**1**	**-**	**2**	**1**	**5**

2022	Women			Men			Total
Greece	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	1	-	-	-	**1**
Technicians	-	1	-	-	2	-	**3**
Administrative personnel	1	1	-	-	-	-	**2**
Total	**1**	**2**	**1**	**-**	**2**	**-**	**6**

2022	Women			Men			Total
Luxembourg	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	1	-	-	-	**1**
Administrative personnel	-	-	-	-	-	-	**-**
Total	**-**	**-**	**1**	**-**	**-**	**-**	**1**

2022	Women			Men			Total
Mexico	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	1	**1**
Technicians	-	2	-	1	3	1	**7**
Administrative personnel	1	7	-	3	11	-	**22**
Total	**1**	**9**	-	**4**	**14**	**2**	**30**

2022	Women			Men			Total
Netherlands	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	1	-	1	-	**2**
Administrative personnel	-	-	-	-	-	-	**-**
Total	**-**	**-**	**1**	**-**	**1**	**-**	**2**

2022	Women			Men			Total
Peru	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	3	4	**7**
Technicians	1	24	1	3	98	9	**111**
Administrative personnel	-	10	1	1	8	2	**22**
Total	**1**	**34**	**2**	**4**	**85**	**14**	**140**

2022	Women			Men			Total
Senegal	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	-	-	-	-	**-**
Administrative personnel	-	-	-	-	1	-	**1**
Total	-	-	-	-	**1**	-	**1**

2022	Women			Men			Total
South Africa	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	-	-	-	1	**1**
Administrative personnel	-	-	-	-	-	1	**1**
Total	-	-	-	-	-	**2**	**2**

The information for 2021[5] is as follows:

2021	Women			Men			Total
Germany	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2021	Women			Men			Total
Argentina	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	1	-	-	1	-	2
Administrative personnel	-	-	-	1	-	-	1
Total	**-**	**1**	**-**	**1**	**1**	**-**	**3**

2021	Women			Men			Total
Belgium	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2021	Women			Men			Total
Brazil	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	1	-	-	1	1	**3**
Technicians	4	4	3	1	11	4	**27**
Administrative personnel	3	3	1	5	5	4	**21**
Total	**7**	**8**	**4**	**6**	**17**	**9**	**51**

[5] Redeia had no workforce in the following countries in 2021: Germany, Belgium, Ecuador, UK, Greece, Senegal and South Africa.

2021	Women			Men			Total
Chile	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	4	-	**4**
Technicians	-	5	-	2	17	2	**26**
Administrative personnel	-	1	-	-	-	-	**1**
Total	-	**6**	-	**2**	**21**	**2**	**31**

2021	Women			Men			Total
Colombia	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	-	-	1	-	**1**
Administrative personnel	-	-	-	-	-	-	**-**
Total	-	-	-	-	**1**	-	**1**

2021	Women			Men			Total
Ecuador	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	-	-	-	-	**-**
Administrative personnel	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2021	Women			Men			Total
Spain	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	34	21	-	43	53	**151**
Technicians	36	246	75	46	837	411	**1,651**
Administrative personnel	-	28	65	-	1	21	**115**
Total	**36**	**308**	**161**	**46**	**881**	**485**	**1,917**

2021	Women			Men			Total
UK	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	-	-	-	-	**-**
Administrative personnel	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2021	Women			Men			Total
Greece	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	**-**
Technicians	-	-	-	-	-	-	**-**
Administrative personnel	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2021	Women			Men			Total
Luxembourg	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	1	-	-	-	**1**
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**1**	-	-	-	**1**

2021	Women			Men			Total
Mexico	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	-	1	-	**1**
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**1**	-	**1**

2021	Women			Men			Total
Netherlands	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-
Administrative personnel	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

2021	Women			Men			Total
Peru	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	2	4	**6**
Technicians	-	29	1	1	62	6	**99**
Administrative personnel	-	3	-	1	3	-	**7**
Total	-	**32**	**1**	**2**	**67**	**10**	**112**

2021	Women			Men			Total
Senegal	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

2021	Women			Men			Total
South Africa	**Under 30**	**30 to 50**	**Over 50**	**Under 30**	**30 to 50**	**Over 50**	
Management team	-	-	-	-	-	-	-
Technicians	-	-	-	-	-	-	-
Administrative personnel	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Details of Redeia's total workforce in 2022 and 2021 by age, gender and professional category are as follows:

Age	2022	2021
Under 30	146	100
30 to 50	1,533	1,344
Over 50	741	673
Total	**2,420**	**2,117**

Gender	2022	2021
Women	674	565
Men	1,746	1,552
Total	**2,420**	**2,117**

Professional category	2022	2021
Management team	184	164
Technicians	2,004	1,808
Administrative personnel	232	145
Total	**2,420**	**2,117**

Workforce by contract type:

Age	Permanent contracts		Temporary contracts	
	2022	2021	2022	2021
Under 30	132	82	14	18
30 to 50	1,529	1,333	4	11
Over 50	740	672	1	1
Total	**2,401**	**2,087**	**19**	**30**

Gender	Permanent contracts		Temporary contracts	
	2022	2021	2022	2021
Women	667	555	7	10
Men	1,734	1,532	12	20
Total	**2,401**	**2,087**	**19**	**30**

Professional category	Permanent contracts		Temporary contracts	
	2022	2021	2022	2021
Management team	184	164	-	-
Technicians	1,986	1,778	18	30
Administrative personnel	231	145	1	-
Total	**2,401**	**2,087**	**19**	**30**

Details of the average number of permanent and temporary contracts by gender, professional category and age range in 2022, and a comparison with the previous year, are shown below:

Gender	2022		2021	
	Average permanent contracts	Average temporary contracts	Average permanent contracts	Average temporary contracts
Women	603.70	6.34	542.85	9.78
Men	1,629.15	4.19	1,503.01	19.62

Professional category	2022		2021	
	Average permanent contracts	Average temporary contracts	Average permanent contracts	Average temporary contracts
Management team	168.14	-	162.40	-
Technicians	1,699.70	15.41	1,737.26	29.31
Administrative personnel	365.62	1.58	146.28	-

Age	2022		2021	
	Average permanent contracts	Average temporary contracts	Average permanent contracts	Average temporary contracts
Under 30	129.07	13.7	91.18	20.02
30 to 50	1,463.74	3.8	1,368.53	11.29
Over 50	639.26	0.9	583.35	0.87

In 2022 and 2021, the workforce did not include any part-time personnel.

Details of dismissals[6] in the year

Age	2022	2021
Under 30	-	-
30 to 50	10	6
Over 50	4	3
Total	**14**	**9**

Gender	2022	2021
Women	6	3
Men	8	6
Total	**14**	**9**

Professional category	2022	2021
Management team	2	4
Technicians	9	5
Administrative personnel	3	-
Total	**14**	**9**

There have been no collective redundancies. All dismissals were on an individual basis. Furthermore, none of the individual dismissals that took place in 2022 are related to internal reorganisation, changes in the organisational structure or overlapping areas or functions and are instead due mainly to employment breaches.

[6] Information pertaining to Group employees: including employees who have an employment relationship with a Group company under the provisions of Article 1 of the Workers' Statute, and excluding those engaged under a service contract.

Remuneration

Redeia continues to implement the general principles of its remuneration model in all companies, which reflect the following common tenets:

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

Redeia has a flexible remuneration system that can be configured to provide personalised employee remuneration, offering its personnel products such as health insurance, training, life insurance, travel cards, luncheon vouchers and childcare vouchers, as well as Red Eléctrica Corporación, S.A. stock option programmes.

Remuneration model

Non-management personnel	Comprises a fixed portion with broad pay bands that enable wage differentiation and a variable portion or extraordinary bonus that allows for outstanding contributions to be recognised. Moreover, the model includes non-monetary items that can be configured to provide personalised employee remuneration in kind. The Company also offers its professionals benefits beyond what is required by law.
Management team	Includes a fixed element and a variable annual element which considers the contribution made to the achievement of individual objectives, the Company's overall targets, and leadership goals, linking the variable remuneration to the management leadership model. Long-term variable remuneration is also available to the management team at the level of director and above, the purpose of which is to maximise motivation and commitment to achieving the Strategic Plan and to develop leaders.

Redeia therefore continues to make progress with the "total remuneration" model, which consists of different elements (economic, financial, intangible and emotional), and which enables and supports new ways of working and the organisational and cultural transformation of Redeia.

This approach includes recognition programmes linked to the development of innovative and efficient ideas, as well as revenue generation, in order to encourage the participation of professionals.

In 2022 work began on the identification of the positions that are key and considered critical for the Company, either due to their criticality for the organisation or because they are difficult to fill. This work has enabled progress to be made towards adjusted remuneration models that seek to positively differentiate this special characteristic of the position through compensation, without losing the perspective of internal fairness and external competitiveness.

Details of the average remuneration

When calculating the average remuneration, all elements of employee remuneration are included, as follows:

- Fixed remuneration.
- Annual variable remuneration.
- Remuneration in kind.
- Personal supplements.
- Job-related supplements.
- Expatriate supplements.
- Benefits.

- Indemnities.
- Payments into long-term savings schemes.
- Long-term variable remuneration.
- Overtime.
- Allowances.

Details of the average remuneration of Redeia's workforce for 2022 (in Euros) GRI 405-2:

	Women			Men			Average total for women	Average total for men	Average total
Average total salary for 2022	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50			
Management team	-	114,484	204,962	-	141,221	182,466	145,107	162,364	**156,268**
Technicians	36,840	51,906	64,934	30,443	53,115	66,176	52,680	55,695	**55,009**
Administrative personnel	14,316	27,703	43,158	17,175	21,735	52,914	31,527	31,175	**31,406**
Total	**29,600**	**54,671**	**74,890**	**27,947**	**56,761**	**78,742**	**56,829**	**61,842**	**60,447**

The information for 2021 is as follows:

	Women			Men			Average total for women	Average total for men	Average total
Average total salary for 2021	Under 30	30 to 50	Over 50	Under 30	30 to 50	Over 50			
Management team	-	121,878	197,368	-	137,814	175,826	143,839	155,576	**151,591**
Technicians	35,346	53,879	62,990	35,815	54,854	68,319	53,349	57,716	**56,738**
Administrative personnel	12,387	37,644	44,421	16,830	31,065	48,927	40,517	38,398	**39,928**
Total	**33,471**	**59,219**	**70,364**	**33,832**	**59,200**	**79,195**	**59,807**	**63,973**	**62,862**

Redeia rewards its professionals under principles of fairness based on their level of responsibility and professional experience. The annual salary review processes differentiate on the basis of the contribution made over the year and the results of their achievements, never on the basis of gender, age, origin, sexual orientation and identity, religion or race, thus ensuring non-discrimination when implementing remuneration practices and policies.

We continue to promote transparency and follow market recommendations and best practices by including all elements of remuneration and all amounts received by employees when calculating the gross pay gap (including allowances, overtime and supplements for expatriate assignments) GRI 405-2.

From 2022 onwards, the calculation of the pay gap will be modified to bring it into line with international standards. The calculation formula will be as follows:

$$\frac{\text{Average salary for men} - \text{Average salary for women}}{\text{Average salary for men}}$$

The gross pay gap[7] in 2022 and 2021 is shown in the following table:

	2022	2021
Gross pay gap (previous calculation)[8]	8.82%	6.96%

	2022	2021
Gross pay gap (new calculation) without Axess	5.16%	6.51%
Gross pay gap (new calculation) with Axess	8.11%	6.51%

The gross pay gap increased by 1.6 points compared to the previous year, due to a higher presence of men in the management staff of Axess Networks, acquired by Hispasat in 2022.

Please note that if this company had been excluded from the calculation, the gross pay gap for this year would have been 5.16%, i.e. 20.7% lower, which is the result of the efforts to actively monitor equal pay between men and women.

In 2023, actions will be carried out that contribute to maintaining Redeia's commitment to reducing the pay gap.

Since its entry into force in 2020, with the implementation of RD Law 902/2020 on equal pay between women and men, the Company has been maintaining an annual pay register, which is available to the workers' representatives and which has also enabled the implementation of certain improvements identified, including actively managing its systems to ensure that pay information is correctly updated and continuously reviewing whether employees are adequately segmented.

Over the coming years, Redeia will continue working to develop initiatives that enable it to make further progress in improving these values.

Details of the average remuneration in 2022 and 2021 by gender and age are as follows:

Gender	2022	2021
Women	56,829	59,807
Men	61,842	63,973
Total	**60,447**	**62,862**

Age	2022	2021
Under 30	28,698	33,679
30 to 50	56,194	59,205
Over 50	77,790	77,083
Total	**60,447**	**62,862**

As regards the remuneration of the Board of Directors, there is no gender-based pay difference amongst the members of the Board, as disclosed in note 26 to the consolidated annual accounts.

[7] The percentage corresponding to 2021 has been recalculated using the new formula for comparative purposes.

[8] Previous calculation formula: (average salary for men – average salary for women) / average salary for women

In 2022 total remuneration accrued by senior management personnel amounted to Euros 3,174 thousand and is recognised as personnel expenses in the consolidated income statement. In 2021, total remuneration accrued by senior management personnel amounted to Euros 3,103 thousand. These amounts include the accrual of variable annual remuneration, on the assumption that the objectives set each year will be met. After the fulfilment of these objectives has been assessed, the variable remuneration, adjusted to the actual fulfilment rate, is paid in the first few months of the following year.

Implementation of policies on disconnecting from work

Redeia is aware that the digital transformation includes more flexible work organisation models, which can lead to situations where the boundaries of working hours are blurred, creating situations that interfere with employees enjoying their personal lives.

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

As a clear commitment to promoting digital disconnection, in 2021 the Digital Disconnection Protocol came into force, which defines the ways of exercising this right, and the training and awareness-raising actions to be carried out on the reasonable use of technological tools. This protocol, together with the flexible working hours available to our employees, means that employees can enjoy a balance between their personal and professional lives.

b) Organisation of working time

The actual effective working day established for employees complies with legal standards of minimum required rights and with the conventional framework applicable at the corresponding Group company.

A real and effective timetable of 1,690 hours per annum is established for 85% of the workforce. This is distributed according to the circumstances at each work centre, with a basic 7-hour day schedule on every working day of the year, and flexible starting and finishing times.

Furthermore, in 2022 office employees were able to work remotely part of the time, with the possibility of working from home in the afternoon.

Number of hours of absenteeism

The number of working hours lost due to common illness or occupational accident are shown in the table below:

	2022		
	Men	Women	TOTAL
Hours lost due to occupational accidents	1,731	473	**2,204**
Hours lost due to common illness	72,103	36,389	**108,492**
Hours lost due to health and safety	**73,834**	**36,862**	**110,696**

No hours have been lost due to occupational accidents at Hispasat or at the Latin American companies.

Hours of absence due to occupational accidents include occupational accidents + commuting accidents

Hours lost due to common illness: Sum of days of temporary disability due to common illness + illness < 3 days

Hours lost due to health and safety: Sum of days of common temporary disability + illness < 3 days + commuting accidents

When calculating this data, the number of calendar days of absence was multiplied by 5.20, which is the coefficient deemed appropriate to take into account all days of absence without considering whether they are working days or not in order to make them equivalent to the number of days actually lost.

Information on Redeia companies in 2021 is as follows:

	2021		
	Men	Women	TOTAL
Hours lost due to occupational accidents	2,148	250	**2,398**
Hours lost due to common illness	63,720	30,165	**93,885**
Hours lost due to health and safety	**65,868**	**30,415**	**96,283**

The number of hours lost due to common illness is 1,071.2 hours in Peru and 171.6 in Chile

For the Group as a whole, 87,656 hours were lost due to common illness. Zero hours were lost due to occupational accidents in Hispasat and the Latin American companies.

Hours of absence due to occupational accidents include occupational accidents + commuting accidents

Hours lost due to common illness: Sum of days of temporary disability due to common illness + illness < 3 days

Hours lost due to health and safety: Sum of days of common temporary disability + illness < 3 days + commuting accidents

Management of work-life balance

GRI 401-2

In keeping with the 3rd Comprehensive Work-Life Balance Plan 2018-2021, 2022 was characterised by the achievement of the objectives identified for the year, with 90% achievement of these objectives. Of particular note was the work-life balance survey, with 51.21% of the workforce completing it, which evaluated people's perception of the work-life balance management model and existing measures.

The work-life balance management model is also one of the fundamental pillars of the Healthy Organisation model and the Diversity model and includes over 70 work-life balance measures with associated actions. The vast majority of the measures included in the scope of the model are applicable to all companies and are divided into the following blocks:

- Leadership and management styles.
- Quality of employment.
- Flexible working time and workplace.
- Family support.
- Personal and professional development.
- Equal opportunities.

Redeia shares its experience as an expert in the Observatorio para el desarrollo de la conciliación y la corresponsabilidad [Observatory for the development of work-life balance and co-responsibility], led by Universidad Pontificia de Comillas (ICADE-ICAI). The aim of this observatory is to undertake applied, high quality, interdisciplinary research so as to offer companies and institutions relevant information and reliable data that have been contrasted against international standards, enabling other organisations to fashion their work-life balance policies based on specific and contrasted sector studies.

Health and safety

GRI 403-4, 403-8, 403-10, 404-1, 404-2

Through the commitment and leadership of the management team, Redeia promotes best practices in safety, health and well-being. Its healthy company management model has evolved with the new AENOR standard towards a healthy organisation model and is aligned with the Strategic Plan, the People Department's Operational Plan and Redeia's 2030 Sustainability Commitment.

Within this framework, the healthy organisation model revolves around four main lines of action:

- Workplace health and safety: providing all the means necessary in order to perform our professional duties in the best possible safety conditions.
- Commitment to the community: through actions performed by the Company that have an impact on improving the health and well-being of its employees' families and the communities in which it operates.

- Lifestyles: providing the workforce with tools to improve their physical and mental health, contributing to their well-being and quality of life.
- Culture focused on well-being: implementing management and work organisation tools and resources that favour the physical and psychosocial well-being of workers.

The model is deployed through annual programmes that aim to facilitate the model's continuity through continuous improvement and to consolidate Redeia as a leader in best practices for health, safety and well-being, and an advocate of preventive monitoring and good health.

Redeia has a strategy and a specific action plan that promotes best practices in relation to occupational risk during activities and work carried out at its facilities. The objective is to go beyond mere legal compliance, by training, informing and raising awareness about the obligations and responsibilities that exist and to engage the whole organisation to achieve this goal.

In this context, higher risk tasks and activities are monitored on an ongoing basis by means of safety inspection programmes, as well as improved supplier qualification requirements, which are essential to achieving the high levels of safety required.

Accordingly, in 2022 11,740 safety inspections were carried out on works and facilities (11,004 in 2021) in order to anticipate and detect possible risk situations and prevent accidents from occurring. As a result of all the activities performed to control and monitor works, over 1,450 corrective actions were required, of which 89% were resolved while the rest are in the process of being resolved.

To minimise the risks associated with construction and maintenance tasks at electricity facilities, the Group places special emphasis on training, awareness, consultation and participation (through the Health & Safety Committee, internal audits and working groups), improving safe conduct and the safety measures employed while work is being carried out by internal and external (contractors) personnel. In recent years, several initiatives aimed at reducing accidents during the works execution phases have been implemented.

In 2022 the initiatives set out in the 2020-2023 Health and Safety Action Plan have been undertaken, aimed at addressing the strategic challenge of being a Zero Accidents group. Two main lines of work have been established:

- Culture of Prevention: to instil a culture of prevention focused on the well-being of the people working at the facilities, promoting a safe working environment, strengthening the communication of all the aspects that contribute to increased safety when performing an activity.
- Innovation: focusing on innovation as a driver of digital transformation in the field of occupational safety. We manage innovation in health and safety, putting technology to work for people.

As part of the main objective to improve the incorporation of risk prevention in Redeia's processes and culture, with the aim of achieving the "zero accidents" objective, in 2022 two major actions took place relating to the organisational model of prevention and the improvement of communication and awareness of people. Testament to this is the reduction in the overall accident rate indicators, which include both own staff (severity index: 0.06) and contractors (severity index: 0.39), with the values for 2022 being the lowest in the entire statistics series.

On the one hand, the organisation has reviewed the occupational risk prevention model to adapt it to the new structure and size of the Company and, on the other hand, in order to meet the challenges of incorporating sustainability into the strategic plan, an exhaustive analysis of every activity performed was carried out, with the aim of internalising those activities with higher added value and adequately optimising the external resources in terms of business activity coordination. This new organisation allows us to respond to Redeia's businesses in a flexible, global and standardised manner.

The health and safety communication and awareness plan is aimed at maintaining a continuous preventive culture, for which various actions aimed at Redeia personnel and its suppliers have been carried out throughout the year. Under the slogan "Actitud Preventiva: en prevención de riesgos hay gestos que marcan la diferencia" ("*Preventive Attitude: risk prevention gestures that make a difference*"), various communication actions were carried out to raise awareness of the importance of prevention and to promote a preventive culture. One initiative in this connection was the organisation of Redeia's 2nd Prevention Week with the participation of more than 450 people in each of the three days planned, which culminated in the presentation of a video from the communication campaign.

Other initiatives included the launch of a manifesto that includes the main points of Redeia's preventive culture, the creation of a specific prevention community and the publication of podcasts on various current issues, with contents ranging from recommendations on high temperatures and road safety to psychosocial aspects.

Also included in this communication plan, and in line with the initiatives set out in the preventive culture axis of the 2020-2023 Occupational Safety Action Plan, were the sessions held with suppliers, which serve as a joint forum for monitoring the accident rate, as well as it being an opportunity to share lessons learned and improvements to be implemented. The participation of suppliers in these sessions allows for an exchange of various aspects concerning the preventive culture for companies that carry out the same activities at Redeia facilities.

Thus, in 2022, two sessions were held on the construction of lines: the first concerned civil works and the second concerned the assembly of structures. These sessions were a continuation of those held in previous years for felling and substation construction activities.

In view of the opportunities offered by new technologies and the digital transformation, the aim of the innovation line of work in prevention is to improve the health and safety conditions and well-being of Redeia's employees and stakeholders, strengthening the strategic areas where technology and people converge, as the most important assets of the organisation.

In 2022, progress was made in rolling out the ZAPIENS-CIRIS exploration pilot project carried out in 2021, consisting of the implementation of a virtual health and safety assistant which, by applying artificial intelligence, offers an automatic response to queries made by Redeia personnel through an app on their corporate mobile phone. This initiative facilitates people's access to specific and standard knowledge in a fast and efficient way.

In 2022, Redeia continued to strengthen its partnership with the startup ecosystem of Elewit's Venture Client programme, exploring new uses and functionalities that technology can offer us, applying them to the work environment at Redeia's facilities. In this period, a noteworthy project was the "Inspector Safe" pilot project carried out with the startup SIALI, which uses cameras with artificial vision to autonomously monitor the correct use of certain personal protective equipment (initially safety helmets and hi-visibility jackets), within the perimeters of the defined work areas.

In 2022, the development of a new corporate platform, which originates from the "Protected Areas" innovation pilot was also given the green light. The aim of this platform is to continue improving the execution and traceability of the operations process of the electricity "5 golden rules", which are necessary to modify the electrical status of the electricity transmission facilities.

Furthermore, in 2022, all of Hispasat's firefighting installations were certified, and air quality measuring probes and control of the climate system's external gates located at the Arganda del Rey Control Centre, which operates according to temperature and air quality signals, were installed.

In the specific area of health and health promotion, in addition to the basic actions of health monitoring, various campaigns aimed at guaranteeing physical, psychological and social well-being have continued, restarting many of the in-person measures interrupted during the pandemic, such as consultations on nutrition, physiotherapy consultations and sports activities co-financed by the Company, with the participation of more than 400 people this year.

Redeia conducts preventive monitoring of the health of its employees on an ongoing basis through individual and collective health surveillance in the form of periodic health examinations and consultations. As a result of the preventive measures applied, no incidents or risks of specific illnesses associated with the professional activities carried out or related to the workplace have been identified.

Another highlight of 2022 was the satisfactory result of the audit to adapt the healthy company model certificate to the healthy organisation model. Regulatory audits have also been performed on the companies that form part of the Joint Health and Safety Service.

Lastly, following the psychosocial risk assessment carried out in 2021, in 2022 an action plan was defined and developed throughout the year. The first milestone was to present the general results to the entire workforce and perform a more detailed analysis of the results by organisational unit. A fundamental outcome of the results of the analysis was the launch of the Emotion project in 2022, which will continue in 2023, with the aim of incorporating emotional management into occupational risk prevention for those activities identified as high risk. This project has been implemented in 3 areas: the inclusion of emotional perception in safety talks before starting work, the training of leaders in emotional management and its application in the prevention of occupational risks, and the analysis of the emotional profiles of those at greatest risk, with the aim of identifying areas for improvement in the skills that allow them to better cope with high risk activities.

Workplace accidents and occupational illnesses

In 2022, the key accident rates for Redeia employees were 1.30 (frequency) and 0.06 (severity). In 2021 the frequency rate stood at 1.98 and the severity rate was 1.33.

	2022			2021		
Redeia	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Accidents with leave	3	2	**5**	7	-	**7**
Fatal accidents	-	-	**-**	-	-	**-**
Days lost due to accidents [(8)]	143	75	**218**	4,699	-	**4,699**
Accident frequency rate	1.08	1.87	**1.30**	2.70	-	**1.98**
Accident severity rate	0.05	0.07	**0.06**	1.84	-	**1.33**

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

Severity rate: number of working days lost due to occupational accidents + incapacity scale, per thousand hours worked.

[(8)] The calculation is based on 6,000 working days for a fatal accident and 4,500 days for total permanent disability.

Moreover, there were no cases of occupational illness in either 2022 or 2021.

c) Labour relations

At Redeia, listening is a key tool for getting to know the current situation of its employees and implementing initiatives that meet their needs.

In December 2021, the Climate Survey was launched. The survey is carried out every two years and is a key tool for finding out the strengths of the Company and the aspects that are presented as areas for improvement and that influence the day-to-day lives of employees.

To ensure that key messages are conveyed and that teams are engaged with Redeia's challenges, the Redeia management team had a leadership objective in 2022 to present the results of the climate survey to the teams. During these sessions, action plans were also drawn up to help improve those aspects where there is room for improvement.

Other feedback initiatives undertaken in 2022 included the following:

- **Roll-out of initiatives associated with the psychosocial risks assessment:** the survey carried out in 2021 was aimed at identifying working conditions likely to generate psychosocial risks. Aspects for improvement were identified in only 4 of the 26 aspects analysed. The most highly valued aspects included the stability offered by the Company and fair treatment (with scores above 75 points), and the areas for improvement included over-involvement. As part of the initiatives associated with the results of the survey, the management team participated in communicating the general and specific results of each area to their teams.
- **Work-life balance survey**: the survey is carried out every two years, with 51.5% of the workforce taking part this year. The results allow Redeia to continue creating a healthier working environment through a process of continuous improvement, which has been supported since 2009 by the “EFR” (Family-Responsible Company) certification from Fundación Más Familia and endorsed by the Spanish Ministry of Health, Consumer Affairs and Social Welfare.

Similarly, Redeia considers internal communication a key factor for sharing its mission and strategic goals, involving employees in the organisation’s various projects and improving the work climate, thus helping to boost pride in belonging.

The main focus of internal communications was as an adjunct to the company's transformation and the introduction of new, more agile, flexible and collaborative ways of working that enable the company to achieve the challenges set out in the new Strategic Plan.

The various internal channels include NuestraRED, the collaborative intranet, which contains the most relevant news related to the Company and offers users direct access to applications, areas and tools geared towards boosting innovation and agility in the organisation, making it a simple, useful and easy-to-access tool that is on hand for all employees during the cultural transformation.

NuestraRED also has an exclusive area for the management team, the leaders portal, providing all the specific information related to team management, people management processes, development and training, thus helping to galvanise leadership in the organisation.

Consequently, in 2022 the new communications channel, Company Communicator, was put into operation, complementing and reinforcing the existing mix of channels and providing information in an agile and direct manner. It offers full accessibility, as messages are delivered directly to the Teams chat application, which has become the main working tool.

2022 was also the year of employee events, which have become a new, closer way of transmitting the Company's most important messages and projects. 13 meetings were held with employees in a hybrid format, in which different company-wide issues, such as diversity, health and safety, innovation, sustainability, cybersecurity, among others, were transmitted to employees.

Employees covered by a collective bargaining agreement

GRI 402-1, 2-30

Redeia guarantees its employees the right to trade union membership, association and collective bargaining within the framework of the provisions of the International Labour Organization (ILO), existing labour laws and the applicable collective bargaining agreement.

Thus, Redeia's Code of Ethics and Conduct expressly establishes respect for the right to collective bargaining and freedom of association, which, in turn, is reiterated and specified by Redeia’s commitment to the promotion of and respect for human rights. The Collective Bargaining Agreement of Red Eléctrica de España, S.A.U. and the Collective Bargaining Agreement of Red Eléctrica Infraestructuras de Telecomunicación, S.A. define the organisation of social dialogue, establishing the workers’ representation system in the Company through the different committees, which address the different matters allocated to them.

Thus, negotiations with the workers’ representatives form part of Redeia's labour relations, maintaining ongoing dialogue with them and with their respective trade union organisations in order to establish rights and duties between the parties, thus ensuring respect and recognition of the aforementioned rights.

Employees covered by a collective bargaining agreement	2022	2021
Employees in Spain	86%	86%
Employees in Brazil	91%	94%

In the remaining countries where Redeia is present (Peru, Chile, Argentina, Colombia and Luxembourg), 66% of employees were covered by a collective bargaining agreement in 2022 (3% in 2021).

In compliance with current legislation, and as part of Redeia's commitment to equality, at the end of 2021 and the first four months of 2022, equality plans were negotiated with the workers’ representatives of the Group's Spanish companies that have more than 50 employees. An agreement was unanimously reached during the negotiation processes (i.e. with all the workers’ representatives) in every company in which negotiations were held. Initiatives were launched to communicate the equality plans, in relation, for example, to the annual leadership target detailed in the Diversity section. This commitment to equality is reflected, in turn, in the implementation of the Comprehensive Diversity Plan, a framework in which equality is a key vector, and which applies generally to all employees, irrespective of the size of the company in which they work or their geographical location.

At the end of 2021, the Company promoted the negotiation of the following agreements: the framework collective bargaining agreement for Redeia (which does not include Hispasat in its scope of application), the 12th Collective Bargaining Agreement of Red Eléctrica de España, S.A.U., and the 1st Collective Bargaining Agreement of Red Eléctrica Corporación, S.A., with 2022 being characterised by these negotiations.

Specifically, in December 2022, a pre-agreement was reached with the trade union on the 1st Collective Bargaining Agreement of Red Eléctrica Corporación, S.A., which was ratified by the parties on 8 February 2023.

Meanwhile, in the last quarter of 2022, a series of specific matters (remote work, mileage, allowances and an extraordinary, one-off payment related to the effect of inflation in 2022) were negotiated with the workers’ committee of Red Eléctrica Infraestructuras de Telecomunicación, S.A., having reached an agreement in December.

Likewise, various meetings were held during the year with other committees in which the workers' representatives of Red Eléctrica de España, S.A.U. participated, including in the negotiations held for the agreement reached with the joint committee of the electricity transmission facilities personnel for the temporary and extraordinary revision of mileage prices, arising from the increase in fuel prices.

Redeia promotes the involvement of workers in the company's management through various internal channels of communication (as indicated above) and through social dialogue in the form of briefings, consultations and participation of workers' representatives via the different committees in place.

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

Red Eléctrica Corporación, S.A., Red Eléctrica de España, S.A.U., Red Eléctrica de Telecomunicación, S.A., and Hispasat, S.A. each have an occupational health and safety committee in accordance with current legislation in this field. These committees are a collegiate body with equal representation intended to provide regular and periodic consultation regarding the company's occupational health and safety actions.

The Red Eléctrica Corporación, S.A. committee comprises three representatives proposed by the company and three health and safety delegates, the Red Eléctrica de España, S.A.U. committee comprises six representatives proposed by the company and six health and safety delegates (a number that exceeds the representation required by law), the Red Eléctrica de Telecomunicación, S.A. committee comprises two representatives proposed by the company and two health and safety delegates, as is that of Hispasat, S.A. The representatives and delegates in all the aforementioned committees have been selected from the workers' representatives, who represent all of the employees of each of these companies. Specialists from the Group's joint health and safety service also attend the committees' meetings.

The committees meet every quarter (in accordance with Occupational Risk Prevention Law 31/1995) and at the request of any of the parties. These meetings serve to monitor all health and safety activities, any new applicable legislation, the reviews of processes and internal regulations, as well as analysing and tracking the results and the occupational health and safety programmes and monitoring safety equipment and materials. The minutes to these meetings are available to all employees under a dedicated section of the corporate intranets. These committees also receive the results of the internal and external audits that are carried out and any improvement actions that are implemented.

d) Training

GRI 404-1, 404-2

Redeia develops the organisation’s talent, training employees for them to maintain employability in the current environment of change and establishing the strategy necessary to retain critical talent.

The learning model encourages leaders, acting in their transformative role, to support their collaborators, placing emphasis on accompanying them in their own professional development.

Each employee is autonomous in the implementation of their individual learning plan. This enables them to develop by requesting the initiatives that they consider will contribute to the achievement of their objectives and will improve their contribution, and it also enables them to participate in the initiatives that, as a result of their profile and the needs of the organisation, are assigned to them.

The training offering is generated through the identification of initiatives that support the achievement of the objectives established in the Strategic Plan, which makes it possible to directly and/or indirectly assess how the learning acquired is helping in this achievement through indicators.

It is an offer that is evolving to adapt it to the different learning styles and people, and to new methodologies, exploring the use of AI to improve the adjustment of certain programmes (Digital Coaching Programme) and prioritising digitalisation, which improves the focus of the content while reducing the number of hours spent on training and optimising costs, a trend that is analysed on an annual basis.

Learning is coordinated through the Campus, which serves as a platform to deploy the organisation's strategy, values and culture and as a meeting place and catalyst for learning and development, helping to manage stakeholder knowledge by covering the various areas on which learning is focused.

The digital version through Virtual Campus, which has been deployed in all of the countries where Redeia is present, is an open learning environment with a catalogue of more than 800 resources where employees can carry out their learning plan using any type of digital device. This version favours self-learning through the possibility of self-enrolment in open courses, which account for more than 40% of the total offering. Accordingly, this year, 87,980 hours of training were undertaken (50% online training and 50% in-person), equivalent to 36 hours per employee, at an investment of Euros 1,517 per person.

Training hours by professional category and gender:

	2022			2021		
Redeia	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Management team	11,413	7,058	**18,471**	7,940	4,900	**12,840**
Technicians	49,237	15,104	**64,341**	98,955	20,756	**119,711**
Administrative personnel	2,173	2,995	**5,168**	1,779	2,680	**4,459**
Total	**62,823**	**25,157**	**87,980**	**108,674**	**28,336**	**137,010**

Redeia's commitment to the practical training of recent graduates is sustained through various internship programmes and/or educational collaboration agreements, the aim of which is to support access to employment for newly qualified professionals, to have a pool of internal talent and to reinforce our brand image as an employer.

e) Integration and universal accessibility for people with disabilities

Disabilities is one of the main areas of focus of the 2018-2022 Comprehensive Diversity Plan.

The General Law on the Rights of People with Disabilities (LGD) is applicable to four Redeia companies, one of which complies with the law through direct employment (Reintel, 2.94%).

Red Eléctrica achieves legal compliance through alternative, exceptional measures, reaching 2.30%. Of this percentage, 0.85% corresponds to direct employment and the remainder to the application of exceptional alternative measures within the framework of the LGD, consisting of contracting goods and services from Special Employment Centres and making donations to entities whose mission is the social and labour integration of people with disabilities, and which support the Group in carrying out actions related to disabilities as part of the annual diversity programme and contribute to its social initiatives.

At present, 1.02% of the workforce of Red Eléctrica Corporación, S.A. have a disability, thus, in addition to its efforts to hire a greater number of differently abled employees, in March 2022 it worked on obtaining the certificate of exceptional circumstances so as to achieve legal compliance through alternative measures.

Hispasat's direct employment percentage is 1.76% and it complies with the LGD by also applying alternative, exceptional measures.

The number of Redeia employees with disabilities is as follows:

	2022	2021
People with disabilities	20	20

The corporate website of Redeia was developed using website accessibility criteria with Level AA Conformance to Web Content Accessibility Guidelines 2.0 (WCAG 2.0) of the World Wide Web Consortium (W3C) Web Accessibility Initiative (WAI).

One of the most valuable disability projects is the Family Plan, consisting of personalised assistance to improve the social and labour integration of any employees' family members with disabilities. Redeia participates in institutional and private campaigns fostering the employment of differently abled people, as well as awareness campaigns.

f) Equality and diversity

GRI 406

Redeia's commitment to diversity, inclusion and non-discrimination is materialised in the form of its 2018-2022 Comprehensive Diversity Plan, which is aligned with the Group's Strategic Plan and the 2030 Sustainability Commitment. It seeks to inspire and become a benchmark for the Company itself and in the wider social, labour and human environment, through the Company's commitment to talent diversity, social inclusion, employment and non-discrimination, breaking down stereotypes and cultural barriers. The goals of the Comprehensive Diversity Plan are:

- Create a corporate culture that encourages diversity among employees and other stakeholders.
- Integrate diversity into all of the Group's processes, especially people management.
- Involve, raise awareness and promote the Group's mission and approach to diversity among collaborators and suppliers.
- Participate with official organisations, academic institutions and other social agents in campaigns and projects that enable the Group to become a leading social agent that contributes to building a more diverse society.
- The Comprehensive Diversity Plan has the following specific objectives:
  - 35% of all senior management positions to be held by women.
  - Reduction in the pay gap.
  - Family-Responsible Company (EFR) classification A.
  - 70% of LGD compliance through direct employment.

Gender equality is one of the facets included in the new Comprehensive Diversity Plan and refers to the principles of equal employment opportunities, the promotion of women to positions of responsibility, equal pay between men and women, the promotion of shared family responsibility, the prevention of harassment on moral, sexual and gender grounds and the prevention of gender violence. These aspects are monitored through indicators that enable the Group to measure the progress of the objectives defined.

Stemming from Redeia's commitment to equality, the percentage of women in the workforce stood at 27.9% in 2022 (26.7% in 2021). The number of women in management positions has once again increased, totalling 35.3% in 2022 (34.1% in 2021), exceeding the target set for 2022 (35.0%).

The significant female presence on the senior management personnel is notable, with 50% women, as well as on the Board of Directors, where women have a 50% representation, the highest among the IBEX 35 companies.

Accordingly, efforts remain ongoing to achieve equality between men and women. Details of the key indicators for 2022 and 2021 are as follows:

	2022	2021	Variation	Target value	2022 deviation from target value	Analysis of results
Hiring opportunities index	0.90	1.05	-15%	1.20	-30%	Recruitment in 2022 was focused on technical profiles for which the difficulty in hiring women is greater.
Selection opportunities index	0.90	1.00	-10%	1.20	-30%	The deviation in 2022 was due to the fact that most of the candidates who applied for the job offers were men, as the vast majority of these offers were technical jobs for which it is more difficult to recruit women.
Training opportunities index	1.05	1.00	5%	1.00	5%	The growth of this indicator is due to Redeia's promotion of professional development initiatives geared towards female participation.
Promotion opportunities index	1.32	1.67	-35%	1.20	12%	Exceeding the target value is evidence, once again, of the Company's Commitment to promoting women technicians to management positions.
Opportunities for internal promotion to the management team index	1.63	1.75	-12%	1.00	63%	Exceeding the target value is evidence, once again, of the Company's Commitment to promoting women technicians to management positions.

In 2022, Redeia continued to implement the Management of Diversity and Female Leadership programme, which aims to train and raise awareness, through workshops and focus groups aimed at all the Company's employees, to promote gender equality and create diverse environments through:

- Raising awareness of the importance of diversity and promoting inclusion in the organisation, reducing unconscious biases.
- Working on tools for self-leadership, assertiveness and self-confidence.
- Strengthening the impact of the work-life balance.
- Working on personal visibility and knowledge of how one's image impacts on others.

In 2022, the In©lusionate programme was launched, aimed at the entire management team (participation rate of 90% and satisfaction rate of 7.7 out of 10), which seeks to raise awareness of the importance of diversity and gender equality as facilitators of effective equality, in order to raise global awareness of inclusive leadership and equal opportunities within teams. This programme is aimed at acquiring tools to help raise awareness of emotions, the impact they have on one's individuality and the influence of differences in people's identities on leadership actions.

In 2022 a leadership objective was set for the management team, consisting of conveying the measures included in the agreed equality plans, in order to integrate and consolidate key aspects such as gender equality in the organisation's leaders, ensuring the entire organisation is aware of its importance, and communicating the different initiatives being carried out in matters relating to diversity, particularly in gender equality.

11.5 Information on respect for human rights

GRI 103-1, 103-2, 103-3, 2-26, 406, 407, 408, 409, 411-1, 412-1, 412

Respect for human rights

In 2017 Redeia's Sustainability Steering Committee approved the Company's human rights management model, which structures and systematises the action required to protect and respect human rights, as well as to address any risk in this regard as may be generated by the Company or by any third party with which it has a relationship of any nature.

Given that human rights form part of the bedrock on which Redeia's values rest, as well as an aspect tied to the United Nations' 2030 Agenda for Sustainable Development, the Company manages human rights on the basis of continuous improvement , assessing its performance in this field at least once a year, and updating its policies and commitments whenever new human rights principles emerge.

Redeia's human rights management model, based on the methodology defined by the United Nations (UN) Guiding Principles on Business and Human Rights, encompasses all business activities and geographical areas in which the Company's operates and is structured into four main elements.

1. Commitment to human rights

Respect for human rights is one the 10 principles underpinning Redeia's 2030 Sustainability Commitment and therefore a key aspect considered in the Company's decision making, helping to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

The Company has an explicit and public commitment to respecting human rights in every country in which it operates, with special emphasis on the freedoms and rights of vulnerable groups such as indigenous people, women, children, persons with disabilities, the LGBTI community and migrant workers, among others, and it extends this respect more broadly to its relationships with third parties.

This commitment, formalised in 2022 through the Ten Principles for respect for human rights, was made public through the *Commitment to the promotion and respect of human rights*, which was approved by the Board of Directors in order to cement the corporate values, principles and behaviour guidelines set out in Redeia's Code of Ethics and Conduct.

The Commitment is founded upon the principles recognised internationally through the Universal Declaration of Human Rights and its implementing conventions, the International Covenant on Economic, Social and Cultural Rights and the International Labour Organization. It was also deemed appropriate to incorporate new rights into the commitment. These respond to new human needs that have materialised through so-called emerging human rights (e.g. the right to a healthy environment or the right to decent work). This Commitment is binding on all employees and members of the governing bodies of the companies that form part of Redeia in the exercise of their functions and responsibilities and applies to the companies in which the Group holds a majority stake, regardless of their geographical location and activity. In those companies in which Redeia is not a majority shareholder, or over which it does not exert control, adoption of the Commitment is proposed.

Furthermore, in order to extend its sustainability principles across the supply chain, Redeia's *Supplier Code of Conduct* establishes the duty of this stakeholder group to respect human rights. On accepting the General Terms of Business, all the Company's suppliers undertake to comply with the Code of Conduct, which can be substantiated via social audits.

Two initiatives with suppliers were carried out in this area in 2022. During the first half of the year a training programme was launched that focused on the management of human rights, carried out in conjunction with the Spanish network of the UN Global Compact to acquaint suppliers with the Principles of the Global Pact as regards Human Rights and their regulatory framework, as well as to familiarise them with the management model for the Guiding Principles on Business and Human Rights.

Thanks to the resounding success of this initiative and a voluntary questionnaire completed by suppliers, Redeia was able to gain greater visibility over the challenges, advances and opportunities facing this particular stakeholder group. This led Redeia to carry out a second initiative during the last four months of the year based on the evident needs of suppliers, which involved a meeting at which various topics related to human rights were discussed. Redeia plans to continue down this path towards a strategy based on continuous improvement and collective learning.

2. Human rights due diligence process

Due diligence is a process whereby the impacts that the Company may have, on human rights in this instance, are identified, assessed, corrected, mitigated and prevented. In this regard, Redeia has carried out periodic due diligence analyses since 2013 that involve all Group companies in order to identity possible risks stemming from its direct and indirect activity.

In 2022 Redeia updated its due diligence procedures vis-à-vis its own activities and its relationships with third parties, bringing them into line with domestic and international legislation and current trends, as well as with emerging rights and new rights-holders on whom its activity may have an impact.

The due diligence process is divided into three stages:

- A human rights risk map: based on the human rights and the rights-holders on which Redeia could potentially have an impact, the negative, potential and actual impacts are identified, prioritised and assessed, using an in-house methodology based on the likelihood of the impact occurring and its severity. It is reviewed on an annual basis.
- Implementation of risk prevention and mitigation measures: based on the foregoing map, Redeia incorporates the conclusions into the Company's various functions and processes. It then considers and implements the prevention and/or mitigation measures for the identified risks with specific improvement targets.
- Monitoring of the measures implemented: regular assessments are performed based on pre-defined qualitative and quantitative indicators at least once every 12 months. If the results fall short of expectations, the implemented measures are revised and consultations begin with the affected parties to build fresh solutions.

In order to ensure continuous improvement in this field, Redeia reviews the internal regulations that govern this mechanism once a year.

The 2022 review took into account all the Company's activities in Spain, Peru, Chile and Brazil (including the investees Argo and TEN). The findings show that, as regards the sectors in which the Company operates, Redeia's primary human rights risks are linked to forced and child labour, human trafficking, freedom of association and right to collective bargaining, equal pay, discrimination, health and safety, decent work, data privacy and security, identity and social, cultural and economic rights of indigenous peoples, private property, fair taxation, corruption, a healthy environment and ethical management. This review has led to the analysis and strengthening of the Company's policies, commitments and control mechanisms that are designed to minimise these risks, ensure respect for human rights and remedy possible human rights violations.

The results of this due diligence process have once again evidenced that the Company presents a low level of risk and exercises the appropriate controls. Risks of human rights violations have therefore failed to materialise and, consequently, no remedial actions have been necessary thus far.

In overall terms, no risks combining a severe impact and a high probability of occurrence have been identified, thanks to the prevention measures implemented by the Company through its internal rules and regulations. In terms of risks with a very severe impact (4.3 out of 5) and a low probability of occurrence (1.3 out of 5), both in Spain and Latin America, risks linked to corruption, child labour and people trafficking have been identified. All these areas are covered by an excellent mitigation framework thanks to the internal procedures that minimise their likelihood of occurrence. Risks tied to working conditions (psychosocial risks, excessive workloads or lack of digital disconnection) have been identified as the most likely risks in both Spain and Latin America, although their probability of occurrence is very low (1.9 out of 5). In line with the foregoing, Redeia has a very high prevention level, thanks to internal regulations and the standardised controls in place in this field.

It is worth highlighting that in 2021 the need to assess possible impacts on local communities in Latin America became apparent, with particular emphasis on indigenous people. Although Peru has an indigenous population, there are no indigenous settlements or communities lying within the sphere of influence of Redinter's activities and, consequently, there is no risk of affecting this group. Nevertheless, to avoid its occurrence, work was carried out to search for parallelisms between the United Nations Guiding Principles on Business and Human Rights and the environmental impact studies undertaken by Redinter.

Additionally, the Company extends its human rights commitment to third parties with which it either has or intends to have some sort of relationship and applies due diligence measures based on the risk posed by the third party in question. Prior to formalising any arrangement with a third party, Redeia first carries out analysis to obtain information on its integrity and respect for human rights, focusing on the rights-holders identified previously . To this end, a series of due diligence measures have been established that are applied based on the risk posed by the third party and the characteristics of the expected relationship. This process is put into motion whenever a new relationship begins that involves corporate transactions, trading partners, external agents, public administrations, the management team, collaborating entities in the social sphere, land owners and holders, suppliers and customers.

Moreover, through the suppliers portal, Redeia has also put in place mechanisms to prevent human rights violations in its supply chain. No suppliers were identified in 2022 that could jeopardise the upholding of human rights and, therefore, no contract or order has had to be rescinded on these grounds.

Furthermore, certification of the corporate responsibility management system in terms of issues tied to the respect for human rights is audited at all work centres over three-year cycles.

3. Grievance mechanisms

Redeia has an Ethics and Compliance Channel that can be accessed by all stakeholders and a formal mechanism to respond to enquiries or complaints related to human rights. The Company has other communication channels with its stakeholders through which they can convey their concerns regarding any issues in this area. These channels include the Dígame service, which handles complaints and enquiries from external stakeholders regarding system operation and the transmission network, the ASA Channel that responds specifically to suppliers, and the Dígame Internacional service, focused on the business in Latin America. The whistleblowing channels available to stakeholders have not received any human rights-related complaints in respect of Hispasat.

In order to adequately handle enquiries from stakeholders on potential human rights violations, the Group has made progress on improving the process to identify enquiries received through its various channels. It is worth highlighting that Redeia did not receive any human rights-related claims through its ASA, Dígame and Dígame Internacional services in 2022.

4. Communication

Redeia keeps its stakeholders apprised of its performance in the human rights field through its Sustainability Report. The results of this due diligence process have once again demonstrated that the Company has a low risk level in terms of human rights and exercises the appropriate controls. Remedial actions have therefore not been necessary thus far.

11.6 Information on the fight against corruption and bribery

GRI 103-1, 103-2, 103-3, 2-23, 2-26, 406-1

Ethics and compliance at Redeia

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

Redeia has a series of corporate rules of conduct establishing the values, principles and standards of conduct that must be adhered to by all persons in the Company in the performance of their professional activities.

Code of Ethics and Conduct

Redeia's Code of Ethics and Conduct applies to all Company personnel. It establishes and facilitates commitment to the ethical values, principles and standards of conduct that must govern our professional activity within the organisation.

The latest version of Redeia's Code of Ethics and Conduct, approved by the Board of Directors on 26 May 2020, addresses the ethics management requirements and recommendations established by the United Nations (primarily through the Sustainable Development Goals, the Ten Principles of the Global Compact and the Universal Declaration of Human Rights and its implementing conventions), the Organization for Economic Co-operation and Development (OECD), the International Labour Organization (ILO) and Transparency International, among others.

Ethics and Compliance Channel

Redeia has set up an Ethics and Compliance Channel available to all the organisation's members and stakeholders, through which they can:

- Raise any queries regarding interpretation of the ethical values, principles and standards of conduct laid down in the Code, or propose improvements.
- Report any non-conformances in respect of the Code, legislation, internal regulations or commitments taken on by the organisation.
- Report any potential irregularities or non-conformances related to financial, accounting or business malpractice.

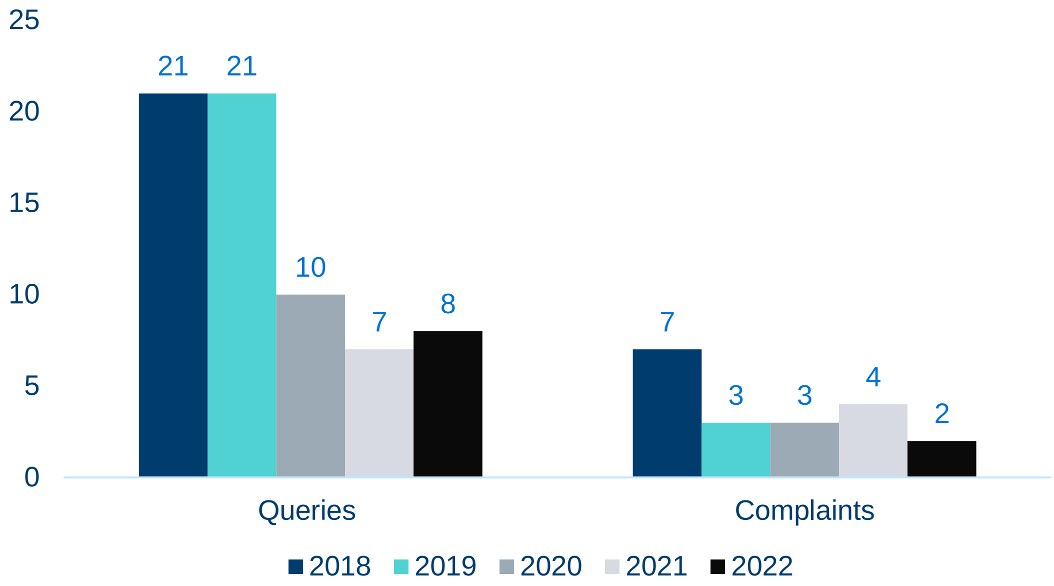
Redeia's Ethics and Compliance Channel is managed by the Ethics Office in coordination with the Compliance area and its activity is governed by practice guidelines on the channel's management, which are in line with the Spanish Data Protection and Digital Rights Act and the EU Directive on the protection of persons who report breaches of Union law.

This channel is regularly audited and ensures user confidentiality through an IT tool that reinforces the necessary guarantees and enables an enhanced monitoring of enquiries and complaints filed.

Enquiries and complaints processed in 2022

A total of eight enquiries were made to the Ethics Officer via the Ethics and Compliance Channel in 2022. Two complaints were received in relation to compliance with the Code of Ethics and Conduct in 2022. None of the complaints concerned non-conformances linked to the organisation's criminal risks.

The chart below shows the number of queries and complaints made in each of the last five years.



Compliance system

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

Redeia's Compliance Policy, the latest version of which was approved by the Board of Directors on 27 July 2021, expresses the organisation's commitment to the prevention and detection of, and response to, any conduct that contravenes the legal obligations and commitments assumed voluntarily, in accordance with the values, principles and behaviour guidelines of the Code of Ethics and Conduct. The Policy sets out Redeia's express commitment to compliance with the criminal and anti-bribery laws applicable to the organisation and its rejection of any form of criminal conduct, in keeping with the values, principles and behaviour guidelines established in the Redeia's Code of Ethics and Conduct.

Redeia has a Compliance area that is entrusted with the design, development, implementation and monitoring of the organisation's compliance system.

The main goals of the compliance system are:

- Establish a control and supervision system to mitigate compliance risks, optimising and improving their management.
- Make available to the entire organisation the content of the principles and rules that should govern their performance within the Group and the instruments required to this end.
- Raise awareness among Group members of the importance of the Compliance System and the necessary adaptation of their conduct to the values and behaviour guidelines of the Code of Ethics and Conduct.
- Formalise the Group's commitment to the prevention of any conduct that is contrary to the applicable legislation and to the commitments assumed voluntarily.
- Inform the persons subject to the Compliance System that violation of the principles and guidelines of the System will lead to disciplinary measures.
- Establish appropriate control measures to mitigate the organisation's non-conformance risk, as well as reactive and corrective measures when non-conformances are detected.
- Maintain supporting evidence of compliance with the Company's obligations and commitments.

Criminal and anti-bribery compliance system

Redeia has a criminal and anti-bribery compliance system that aims to identify the rules, procedures and tools in place within Redeia to prevent non-compliance with the criminal legislation applicable to the Company and its personnel. The management and prevention of criminal risks that could affect Redeia, based on its activities and business sectors, are thus incorporated into its control processes.

The Board of Directors, as the ultimate body in charge of Redeia's risk management, in accordance with applicable regulations, has designated the Criminal and Anti-bribery Compliance Committee as the specific body in control of Redeia's Criminal Compliance System. The Criminal and Anti-bribery Compliance Committee is responsible for the supervision and monitoring of Redeia's criminal and anti-bribery compliance system and its objective is for the main criminal risks to be properly identified, managed and disseminated internally.

The Criminal and Anti-bribery Compliance Committee is an independent body which reports its activities to the Board of Directors, via the Audit Committee. It also provides the Board of Directors with information on the adequacy and effectiveness of the criminal and anti-bribery compliance system.

The criminal and anti-bribery compliance systems of Redeia's Parent, Red Eléctrica Corporación, and its subsidiary, Red Eléctrica, have been certified under UNE 19601 and ISO 37001 standards. The certification process for these systems was carried out by AENOR in accordance with the aforementioned standards.

In 2022, none of the Redeia companies were investigated or found guilty of acts of non-compliance linked to the organisation's criminal risks. Likewise, no complaints were filed in connection with potential cases of corruption and none of the Redeia companies were investigated or found guilty by any court in connection with acts of non-compliance linked to corruption.

Prevention of corruption and money laundering

The Code of Ethics and Conduct and the criminal and anti-bribery compliance system, which include aspects related to the fight against corruption and money laundering, constitute an effective mechanism for the detection and treatment of possible cases of corruption and fraud.

Redeia has a guide for the prevention of corruption: zero tolerance, approved by the Board of Directors in 2015, which establishes behaviour guidelines and commitments, as well as the performance criteria and main controls in place at the Company associated with corruption, including money laundering.

No complaints were filed in 2022 in connection with potential cases of corruption or money laundering, and none of the Redeia companies were investigated or found guilty by any court in connection with acts of non-compliance linked to corruption or money laundering.

11.7 Information on social issues

GRI 103-1, 103-2, 103-3, 413-1

11.7.1 The Company's commitment to sustainable development.

Economic and social contribution of investments

Redeia focuses its social commitment towards unlocking shared value by pursuing actions and investments that are aligned with its business goals which, while generating shared value, also have a positive impact on the quality of life of the communities living in the areas where the Company's assets are located. This also means the Company is helping to address global challenges, such as the UN's Sustainable Development Goals or the European 2030 energy strategy.

Once again this year, Redeia's investment has benefitted society due to its dynamic effect on economic activity because, by encouraging production, it leads to an increase in wealth (as measured by GDP) and, as a result, in jobs and tax revenue, which can be used to improve the general well-being of society. All this stems not only from the Group's direct investments, but also the increase in activity driven by the circular flows of the economy.

Since 2017, Redeia has used a methodology based on multipliers computed using Input-Output Tables (drawn up by official statistics offices in each country) to estimate the level of general activity generated as a result of an initial investment. The calculations take into account the direct, indirect and induced effects.

Effects of investments

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

Socio-economic contribution in Spain

In 2022, Redeia's total investment in Spain, through activity conducted in Red Eléctrica, Reintel, Elewit and Hispasat, amounted to Euros 794 million, of which an estimated Euros 295 million was spent on importing the products needed to carry out the activity. The remainder, approximately Euros 499 million, was direct investment in Spain. The investment in Spain has generated Euros 932 million of output in the business sectors concerned, which is almost double the investment made. This represents a contribution of some Euros 420 million to Spanish GDP (around 21% of Redeia's revenues in 2022), generating activity equivalent to 6,364 jobs. All of this combined has generated tax revenue of Euros 162 million (approximately 70% of the amount provisionally collected in 2022 in respect of the special tax on electricity[9]).

	Direct	Indirect	Induced	Total
Generation (€m)	499.0	377.0	56.3	**932.3**
Income-GDP (€m)	218.3	174.5	27.0	**419.8**
Employment (no. of jobs)	3,240	2,723	400	**6,364**
Tax revenue (€m)	86.9	65.6	9.5	**162.0**

Note: The mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

[9] Royal Decree-Law 17/2021 reduced the special tax on electricity from 5.1% to 0.5% and this rate has remained in force since September 2021.

Socio-economic contribution in Chile

In 2022, through its subsidiary Red Eléctrica Chile, Redeia invested a total of US Dollars 33.3 million in the transmission network, all of which was direct investment in Chile. The investment made has generated US Dollars 62.4 million of output in the business sectors concerned. This represents a contribution of US Dollars 30.5 million to GDP, generating activity equivalent to 852 jobs. All of this combined has generated tax revenue of US Dollars 6.1 million.

	Direct	Indirect	Induced	Total
Generation (millions of US$)	33.3	24.0	5.0	**62.4**
Income-GDP (millions of US$)	16.6	11.4	2.5	**30.5**
Employment (no. of jobs)	482	301	69	**852**
Tax revenue (millions of US$)	3.4	2.2	0.5	**6.1**

Note: The mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

Socio-economic contribution in Peru

In 2022, through its subsidiaries in Peru, Redeia invested a total of US Dollars 11.3 million in the transmission network, almost all of which was direct investment in Peru. The investment in Peru has generated around US Dollars 21.6 million of output in the business sectors concerned, which is almost double the direct investment made (US Dollars 11.2 million). This represents a contribution of US Dollars 10.1 million to GDP, generating activity equivalent to 706 jobs. All of this combined has generated tax revenue of US Dollars 1.8 million.

	Direct	Indirect	Induced	Total
Generation (millions of US$)	11.2	8.2	2.1	**21.6**
Income-GDP (millions of US$)	5.1	3.9	1.1	**10.1**
Employment (no. of jobs)	232	381	93	**706**
Tax revenue (millions of US$)	0.9	0.9	0.0	**1.8**

Note: The mismatch in one case between the total figures and the sum of the partial data is due to the rounding of decimals.

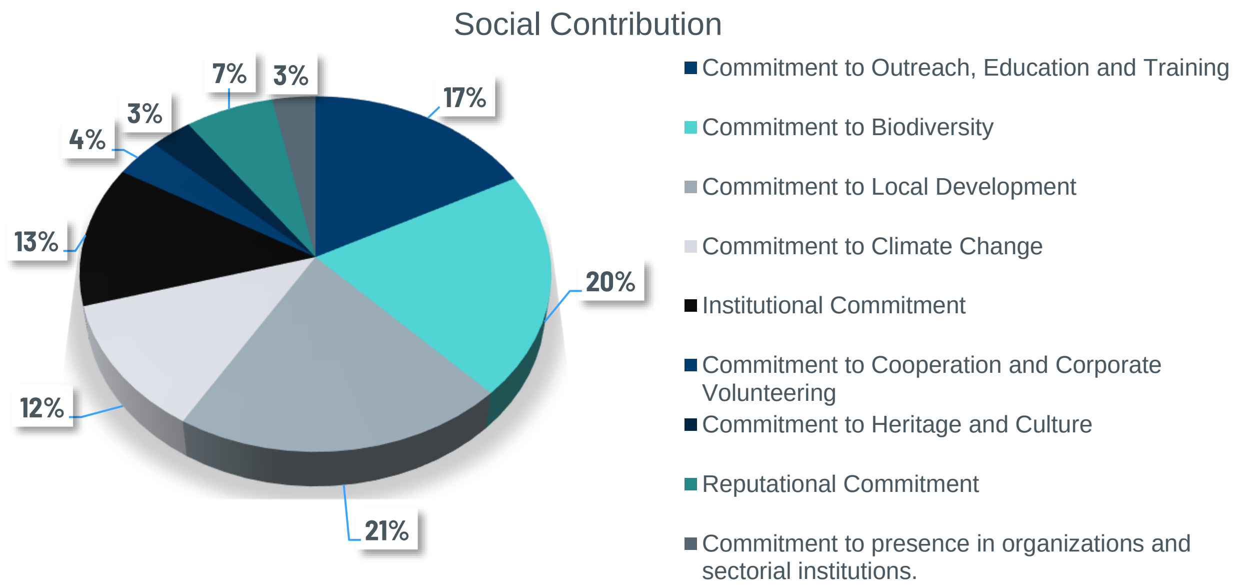
Impact of the activity on local communities and the local area

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

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

In addition, Redeia supplements its projects in the area with collaboration schemes to nurture institutional and social relationships, transparently seeking collaboration agreements, disseminating information about the electricity network's performance and fostering involvement in projects and initiatives that boost socio-economic development, education, social well-being, biodiversity and the conservation, protection and enhancement of natural and cultural heritage in the local areas.

In 2022 the Group contributed over Euros 10.5 million (Euros 10,655,806 to be precise, up 25% on 2021, calculated using the London Benchmarking Group (LBG) methodology) to social initiatives.



Of the 592 social initiatives undertaken (29.5% more than in 2021), 285 were focused on the socio-economic development of the local area, including, among others, municipal infrastructure construction or improvement projects, efforts to nurture the area's cultural wealth and restoration of emblematic and socially significant buildings with an impact on tourism.

To further strengthen Redeia 's commitment to local areas, in 2021 a new Social Innovation approach was defined, placing a greater importance on the "S" of society, with a view to making it one of the transformative levers capable of generating solutions to real needs.

The new approach aims to reduce digital, territorial, generational and gender inequality so as to improve the lives of citizens in local communities. It is deployed in an Action Plan with 11 lines of work linked to the UN's Sustainable Development Goals; the Demographic Challenge Action Plan of the Spanish Ministry for the Ecological Transition and the Demographic Challenge (MITERD); the Company's 2021-2025 Strategic Plan; and the 2030 Sustainability Commitment.

With regard to knowledge-sharing, Redeia has always played an important role through activities that seek to enhance knowledge of the Spanish electricity system. This now takes on even greater importance given the sizeable challenge posed by the new energy transition model through the decarbonisation of the economy, since a better informed society has greater capacity to develop and maintain the new sustainable energy model.

In this respect, the Company welcomed 103 visits in 2022, adapting to the new requirements brought about by the health crisis triggered by COVID-19. Over 1,100 people have visited Red Eléctrica's facilities and the control centres (CECOEL, CECRE and island control centres), both in person and virtually. School children can learn through the educational game "entreREDes", which aims to teach secondary school pupils to be efficient consumers and environmentally-friendly in the future. Over 30,000 school children from eight autonomous regions participated in the 3rd entreREDes Olympics in 2022.

The Company has 19 collaboration agreements with universities and educational institutions.

Corporate volunteering

Updated in 2021, the corporate volunteering model extends the Company's social action by driving and reinforcing collaboration in solidarity activities that respond to the social needs, problems and interests defined in its action guidelines.

It has a strategic and transformational approach, aimed at promoting volunteering actions which, on the one hand, channel internal talent into corporate volunteering and, on the other, provide innovative solutions to social and environmental problems.

The actions carried out in 2022 were in response to the interest shown by participating volunteers and were targeted primarily at improving the quality of life for groups at risk of social exclusion, fostering employability and meeting specific, real needs of society.

The situation triggered by the COVID-19 pandemic has significantly affected such actions as the vast majority have only been possible in virtual formats or small family groups. Nevertheless, the Company reached a level of participation of individual volunteers of 26.7% (23.0% in 2021), which was once again higher than the target set at the beginning of the year (20%).

Main corporate volunteering actions in 2022

Social volunteering	
Role-playing activity with women in situations of social exclusion with Fundación Quiero Trabajo	Helping women with additional difficulties to seek employment and to improve and foster their independence and confidence, all with a view to their inclusion in the labour market. • Five volunteers participated in the activity
Virtual charity race with Fundación Aldeas Infantiles	Activity carried out via a sports mobile app that measures physical activity and translates it into kilometres. The app has up to 60 activities (yoga, swimming, Pilates, etc.). The distances covered by participating companies are then converted into a monetary contribution for Fundación Aldeas Infantiles. • 12 volunteers participated in the competition, coming in third place
Cooperation with the Ukrainian people through the International Red Cross - MBT sporting event in Meandros de Sástago	Cooperation between Redeia and the Sástago Cycling Club at the mountain bike (BTT) sporting event in Meandros de Sástago. Economic aid was provided to the people of Ukraine through the International Red Cross • Euros 10 was donated per participant • 275 riders took part • Euros 2,750 was donated to the International Red Cross • Collaboration of various local volunteers to organise the race and promote the event.
Magician workshops with Fundación Abracadabra de Magos Solidarios (a charitable organisation centred around magic and magicians) at residential complexes for people with disabilities	Magician workshops for nursing home residents, fostering collaboration among the elderly during their leisure time. Two magic tricks training workshops were held: • Eight volunteers
Food collection drive for Associació tardor's charitable canteen in Palma de Mallorca	Food collection drive for Associació tardor's charitable canteen in Palma de Mallorca: • 25 volunteers. • 70 kg of food were collected • Various families with limited economic resources benefited from the initiative
Drive to collect 4,000 litres of milk, together with FESBAL (Spanish federation of food banks)	Charity drive that challenged participants to collect 4,000 litres of milk to be donated to the various food banks in participating areas: • 3,468 litres of milk were collected • 1,850 families stand to benefit
Cooperation with Fundación Pequeño deseo to design "Superhero Kits" for hospitalised children	Against the backdrop of "World Children's Day", the entire group got on board to create "Superhero Kits" alongside Fundación Pequeño deseo, which works with hospitalised children that are severely ill: • 230 kits were created (110 in the Company's various territories and 120 in Madrid) • The kits were donated to eight hospitals located across Spain.
Drive to collect children's books and gifts for the elderly	Christmas-related activity to provide books to children and gifts for the elderly in conjunction with Cruz Roja and Mensajeros de la Paz • 110 gifts were collected

Participation in organisations

GRI 2-26

The Group is an active member of various international organisations and associations, particularly within the European Union, with a view to raising awareness of its stance on fundamental aspects of its activity, building strong alliances and contributing to the achievement of common objectives.

The Group participates in international electricity-related organisations such as ENTSO-E (European Network of Transmission System Operators for Electricity), RGI (Renewable Grid Initiative), IESOE (Electricity Interconnection in South-Western Europe), Med-TSO (Mediterranean Transmission System Operators), CIGRE (International Council on Large Electric Systems), SNMPE (National Mining, Energy and Oil Company (Peru)), Asociación de Transmisoras (Transmission Association (Chile)) and Fundación España-Brasil. Regarding the satellite business, Hispasat participates in the International Telecommunication Union (ITU), the Spanish Association of Technology Companies for Defence, Aeronautics and Space (TEDAE), the Inter-American Telecommunications Commission (CITEL), the Spanish Aerospace Technological Platform (PAE), the EMEA Satellite Operators Association (ESOA), and the Inter-American Association of Telecommunications Companies (ASIET).

The Group participates in national organisations and associations that seek different objectives:

- **Share and extend best business practices**

Spanish Quality Association (AEC)	An association aimed at defending and promoting quality as a driver of competitiveness in business and improvement in society.
Spanish Compliance Association (ASCOM)	The first association created to professionalise the compliance function and facilitate the exchange of ideas and best practices.
Spanish Association for Standardisation (UNE)	Association that acts as Spain's representative at international bodies such as ISO/IEC and European bodies CEN/CENELEC, as well as being the country's ETSI standards body.
Spanish Issuers (Emisores Españoles)	An association that fosters measures to reinforce legal certainty in the issue of listed securities and contributes to the development of high standards of corporate governance.

- **Enhance knowledge of the Group's activities**

Electricity sector

Spanish Energy Club (ENERCLUB)	An association that contributes to a better understanding of various energy-related issues among interested parties in society.
Madrid Energy Foundation (Fundación de la Energía de la Comunidad de Madrid)	A foundation that drives initiatives and programmes for the research, development and application of energy technologies.
Spanish Association for Energy Economics (AEEE)	The AEEE is the Spanish branch of the International Association for Energy Economics. Its goals include disseminating knowledge about the energy economics field, among others.
Regional energy clusters	A group that operates at the regional level to promote the development and competitiveness of energy companies in Spain.

Telecommunications and aerospace sector

Madrid aerospace cluster (Clúster aeroespacial)	An association that fosters and contributes to development and innovation in the aerospace industry in the Madrid Region.
Spanish Association of Technology Companies for Defence, Aeronautics and Space (TEDAE)	This Spanish association brings together technology companies in the fields of defence, security, aeronautics and space, encompassing the Spanish tech industries in these domains, and makes a meaningful contribution to the national objective of changing the Spanish economy's production model.
Spanish Aerospace Technological Platform (PAE)	A group which furthers aeronautics and space research consultancy in Spain, currently charged with updating the Strategic Aerospace Research Agenda.

- **Promote the Group's commitment to sustainability**

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

11.7.2 Subcontracting and suppliers

GRI 414-1, 308-1, 308-2

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

In 2022 Redeia worked with 2,195 suppliers in transactions worth Euros 879 million[10] (accredited investment and spending). Of that amount, 76.4% relates to services and works, while the remaining 23.6% pertains to materials and equipment.

In addition to these suppliers, there are a further 892 subcontractors authorised to perform work in the electricity transmission network facilities.

Redeia's overall local purchases indicator (percentage of purchases from suppliers based in the same country as the company) is 81.9%. The breakdown of this indicator is as follows: 82.2% for companies based in Spain, 99.8% in Chile, 66.2% in Peru, 92.6% in Brazil, 98.8% in Mexico, 86.1% in Argentina and 80.2% in Colombia[11].

[10] For subsidiaries domiciled outside the European Union which operate in US Dollars, a conversion rate of 1 USD = 1 EUR is applied for these purposes.

[11] The volume of purchases is very low in the latter four countries: Brazil (Euros 4,677 thousand), Mexico (Euros 2,710 thousand), Argentina (Euros 341 thousand) and Colombia (Euros 219 thousand).

This enables Redeia to act as a driver of local growth, fostering business, industrial and social development through job creation across the supply chain.

The Group verifies that approved suppliers meet the minimum requirements, which vary depending on the supply contract: they must have accepted the Code of Conduct for Suppliers, show evidence of a stable financial position, fulfil certain minimum quality guarantee criteria, have adequate public liability insurance, and provide references and records of previous work.

Should more specific environmental and social criteria be needed (in addition to those required for approval), these are conveyed by the Group's technical areas as part of the technical specifications that will form part of the tender process. Their evaluation would form part of the technical assessment of the tender bids received.

The monitoring process verifies the suppliers' performance in the context of the contracts with the company and the ongoing fulfilment of the requirements made upon approval. The main areas screened are: (1) business (monitoring of the financial solvency of all approved suppliers and application of mitigating measures, continuous oversight of legal matters such as being up-to-date with payment of the required taxes, social security contributions and public liability insurance, etc.); (2) technical; (3) compliance (criminal risk, privacy and cybersecurity); (4) integrity; (5) sustainability (ESG scoring); and (6) social responsibility (verification of proper adherence to the Code of Conduct for Suppliers through social audits).

Social audits were conducted at 63 suppliers during 2022 (35 in 2021) to verify compliance with the Code of Conduct for Suppliers. As a result of the audits, 29 action plans have been agreed with 16 suppliers, so that supplier development can be monitored and improvements recorded. The results of these audits and their findings are shared internally, placing special emphasis on the detection of major non-conformances.

11.7.3 Consumers

GRI 2-29, 416-1

1. Redeia

Redeia seeks to build long-lasting relationships based on trust with its stakeholders and is therefore aware of the need to engage in constant dialogue with them. To that end it has made various communication channels with multiple contact methods available, through which consumers can convey all manner of queries related to the services discharged by Group companies.

With a view to achieving this goal, the Company has a robust model to communicate with stakeholders at the Group level; a system that ensures the traceability of communication and guarantees resolution within the allotted time frames.

A breakdown of the enquiries received in 2022 by type and Group company is as follows:

	TOTAL Redeia Global	Red Eléctrica España	Redinter Latin America	Reintel Spain	Hispasat Spain
Claims	**94**	**91**	**3**	**-**	**-**
Incidents	**5,668**	**-**	**-**	**585**	**5,083**[12]
Contact type	**9,982**	**3,701**	**707**	**-**	**5,574**
Grievances	*34*	*25*	*3*	-	*6*
Queries	*8,341*	*2,069*	*704*	-	*5,568*[13]
Suggestions	*5*	*5*	-	-	-
Requests	*1,402*	*1,402*	-	-	-
Notifications	*200*	*200*	-	-	-
Total enquiries	**15,744**	**3,792**	**710**	**585**	**10,657**

The activity of the Redeia companies has no impact whatsoever on the health and safety of consumers.

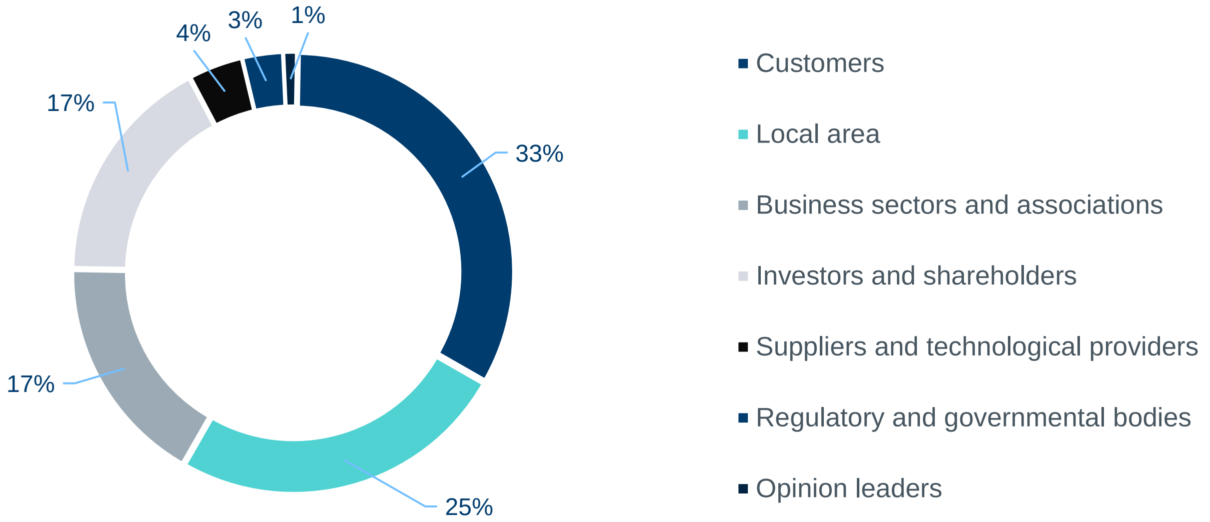
2. Red Eléctrica

Since 2008 the “Dígame” service has provided a professional response to enquiries from external stakeholders, who have several channels of communication at their disposal (telephone, email, online contact form, post or certified fax), regarding Red Eléctrica’s electricity system operation and transmission network management services. The service is manned by employees of Fundación Juan XXIII Roncalli, a non-profit entity that facilitates the workplace integration of people with disabilities.

In 2022 a total of 3,792 enquiries were received and managed, with customers being the stakeholder group accounting for the highest number (1,268), followed by local stakeholders (960), business sectors and associations (637), and then investors and shareholders (634). To a lesser extent the Group has recorded interactions with regulatory bodies and governments, suppliers and other stakeholders.

[12] Incidents: include incidents, problems, terminal-related incidents, platform-related incidents, service incidents and scheduled work.

[13] Queries: include operational matters, information requests, alignments, changes, service provisions and others.



Although Red Eléctrica responds to all enquiries received, it places particular emphasis on claims, as this is communication that is drawing attention to an instance of non-compliance with the commitments undertaken or which reports actual damage caused as a result of the Company's activity that requires a solution.

Of the 91 claims received in 2022, 45 fell under Red Eléctrica's remit and were admitted. Of these, 33 were upheld (accepted on correct and reasonable grounds, whether fully or partially).

The bulk of the claims admitted referred to the impact of Red Eléctrica's facilities in relation to felling and clearing of vegetation or damage to infrastructure.

By type	2022	2021
Quality and continuity of supply	10	13
Impacts of facilities	28	29
Measures	1	-
Other	6	2
Total	**45**	**44**
By stakeholder		
Local area	38	36
Business sectors and associations	4	6
Customers	3	2
Total	**45**	**44**

Of the 45 claims admitted, 38 had been resolved at the close of 2022. The remaining seven were related to the impact of the Company's facilities and, due to their complexity, were still pending resolution. Similarly, work was ongoing on three claims from 2021.

In the case of the electricity transmission activity, it should be noted that due to the criteria applied in the design of the facilities, the levels of the electric and magnetic fields (EMFs) remain below those recommended by the Council of the European Union (Official Journal of the European Communities 1999/519/EC: limitation of exposure of the general public in areas where they spend significant time – 5 kV/m for the electric field and 100 µt for the magnetic field). The main criteria applied are as follows:

- Construction of double circuits and phased translocation in lines.
- Raising the height of supports, thereby increasing the safety distances.
- Minimum distances from the lines to population centres and isolated homes.

To verify compliance with recommendations, Red Eléctrica has a tool that uses certain line parameters to accurately gauge the maximum levels of EMFs that the facilities can generate.

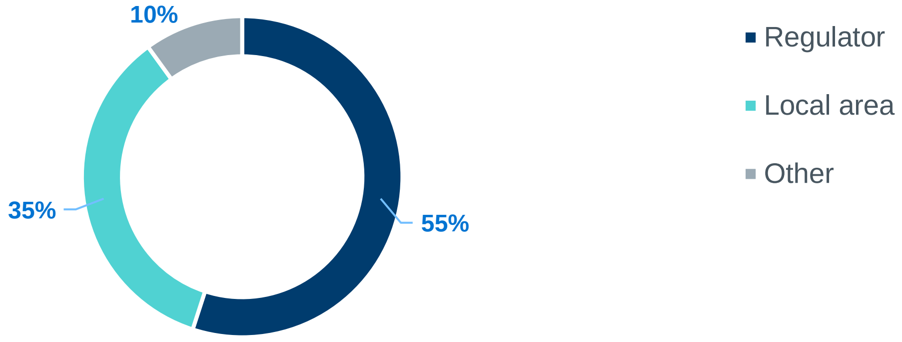
3. Redinter

The Dígame Internacional service offers a communication channel to stakeholders through which enquiries regarding the Company's activity in Peru and Chile can be submitted. These can be submitted via various communication channels (telephone, email, online form, reception desk, on-site office or community liaison officers).

In 2022 a total of 710 enquiries were received and managed in Latin America, with the regulator being the stakeholder group accounting for the highest number (390), followed by local stakeholder groups (251) and, to a much lesser extent, other stakeholders (69).

Peru recorded two claims over the course of 2022 related to the Tesur 4 concessions, whereas one was registered in Chile pertaining to Redenor. As regards grievances, three were received in Peru as regards CCNCM, while none were received in Chile.

At the reporting date of this report, 43 enquiries in Peru are still in the process of being resolved, but none in Chile.



4. Reintel

Reintel has its own 24/7 service and supervision centre, which controls and monitors the status of the network and handles incidents and scheduled work of customers, with the aim of offering a reliable service of the utmost quality.

In 2022 a total of 585 network incidents affecting customers were handled. Of these, 62.9% stemmed from power failures, third party works, natural causes and vandalism, while the remaining 37.1% were due to scheduled network work.

These incidents were handled and resolved as part of normal business within the timeframes established in the customers' contracts.

5. Hispasat

Hispasat also maintains an ongoing dialogue with its customers, providing them with various tools for direct communication: 24/7 customer service call centre offered in three languages (Spanish, Portuguese and English) with local phone numbers, a support centre and a web portal, allowing customers to open service incidents or request information.

A total of 10,657 enquiries were received in 2022, the majority of which were related to operational matters, information requests, alignments, changes and service provisions, among others.

11.7.4 Tax information

GRI 207-4

Redeia is committed to compliance with tax laws and the fulfilment of its tax obligations, seeks a cooperative relationship with the taxation authorities and considers it important to contribute to economic and social development by paying taxes in all the countries in which it operates.

In 2022 and for the third consecutive year, the Group topped the tax responsibility transparency ranking of IBEX 35 companies, obtaining a 't*** de transparente' (T is for Transparency) mark of tax transparency awarded by Fundación Haz. To attain this accolade, the voluntary transparency shown by IBEX 35 companies as regards their tax obligations is analysed.

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

On 29 September 2015 the Board of Directors approved the Group's Tax Risk Control and Management Policy and its inclusion in the Comprehensive Risk Management Policy. The tax risk control and management systems are described in the Corporate Governance Report.

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

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

The Group has no presence and carries out no activity in countries considered tax havens or non-cooperative jurisdictions under applicable laws and regulations [14] [15].

Considering the applicable legislation for the preparation of the CBCR (Country-By-Country-Report) in Spain, details of aggregate profits and taxes, by country, of Redeia entities included in the consolidated financial statements, except for those accounted for using the equity method, are provided below.

This information is prepared on the basis of the respective individual financial statements.

Country-by-country earnings

Profit/(loss) before corporate income tax comprises the pre-tax income and expenses of each company, excluding dividends received from Group entities, aggregated at country level.

[14] *Additional provisions one and ten and transitional provision two of Law 36/2006 of 29 November 2006, on measures for the prevention of tax fraud (as worded in Law 11/2021 of 9 July 2021, on measures to prevent and combat tax fraud, effective from 11 July 2021), Order HFP/115/2023, of 9 February 2023, establishing the countries and territories, as well as harmful tax regimes, that are considered non-cooperative jurisdictions, the European Union list of non-cooperative jurisdictions for tax purposes and the OECD's list of uncooperative tax havens.*

[15] *In August 2022, the Axess Group was acquired, which has subsidiaries in various countries, among them a company domiciled in Panama, which will be wound up in 2023.*

Millions of Euros

Pre-tax profits obtained by country	2022	2021
Spain	1,766	844
Peru	4	11
Chile	-30	-4
Brazil	2	3
Other (*)	-	-

(*) Includes France, Luxembourg, United Kingdom, Germany, Cyprus and Greece in Europe and other countries in the Americas, with amounts under Euros 1 million.

The increase in pre-tax profit in Spain in 2022 is primarily due to the proceeds from the sale of the 49% stake in Reintel (Euros 970 million). This transaction has no impact on the consolidated income statement because it is the sale of a minority stake and the Group maintains control of the company.

Income tax paid

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

The corporate income tax paid in each country in 2021 and 2022 is as follows:

Millions of Euros

Corporate income tax paid	2022	2021
Spain	355	177
Peru	8	4
Brazil	1	-
Other (*)	-	-
Total	**364**	**181**

(*) Includes France, Luxembourg, United Kingdom, Germany, Cyprus and Greece in Europe and other countries in the Americas, with amounts under Euros 1 million.

The increase in the amount paid in 2022 in Spain is mainly due to the first-time application of the minimum payment rule when calculating the tax group's tax instalment payments. This was as a result of the sale of the 49% stake in Reintel. The annual income tax return to be filed in July 2023 will include a request for the reimbursement of the higher amount paid.

Government grants received

In 2022 Euros 55 thousand was received in grants from official bodies (Euros 3,523 thousand in 2021). The grants received in 2022 and 2021 in thousands of Euros, broken down by country, are as follows:

Thousands of Euros

Government grants received	2022	2021
Spain	55	3,523
Total	**55**	**3,523**

11.8 EU Taxonomy Information

In 2018 the European Commission published its "Action Plan: financing sustainable growth", launching a comprehensive strategy on sustainable finance. One of the objectives established in that action plan was to reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth.

Building on the aforementioned Action Plan, in June 2020, the European Parliament and the Council of the European Union approved Taxonomy Regulation (EU) 2020/852[16]. This Regulation establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable.

The EU's environmental objectives as set out in the Taxonomy Regulation are as follows:

a) climate change mitigation;
b) climate change adaptation;
c) the sustainable use and protection of water and marine resources;
d) the transition to a circular economy;
e) pollution prevention and control;
f) the protection and restoration of biodiversity and ecosystems.

An economic activity shall be considered environmentally sustainable, i.e. it shall comply with the Taxonomy, when it contributes substantially to one of these six objectives, without causing significant harm to any of the other five, and provided it is carried out in compliance with minimum social safeguards: the Organisation for Economic Co-operation and Development (OECD) guidelines on multinational enterprises, the United Nations (UN) guiding principles on business and human rights, and the core conventions of the International Labour Organization (ILO).

In June 2021, Commission Delegated Regulation (EU) 2021/2139[17] was published, establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

Furthermore, in July 2021, Commission Delegated Regulation (EU) 2021/2178[18] specifying the content and presentation of the information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU was adopted.

The Taxonomy distinguishes between Taxonomy-eligible and Taxonomy-aligned economic activities as follows:

- Eligible economic activity: that described in the delegated acts adopted as per Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical selection criteria set out in those delegated acts.

- Taxonomy-aligned economic activity: an economic activity that contributes substantially to one of the six EU environmental objectives (meets the established technical selection criteria), does not cause significant harm to any of the other five, and is carried out in compliance with minimum social safeguards.

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[16] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

[17] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

[18] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

In the process of studying and analysing the degree of eligibility and alignment of Redeia's activities to the Taxonomy, the following steps have been taken:

a) Classification and grouping of the economic activities of Redeia companies.
b) Eligibility analysis of the identified activities.
c) Assessment of compliance with the technical criteria established by Commission Delegated Regulation (EU) 2021/2139 for the contribution to the environmental objectives of climate change mitigation and adaptation.
d) Analysis of the *"Do No Significant Harm"* (DNSH[19]) principle. Activities must not cause significant harm to the other EU environmental objectives defined in Regulation (EU) 2020/852.
e) Verification of compliance with minimum social safeguards.

Based on the analysis performed, the following classification of eligibility and alignment of Redeia's activities is established.

Redeia companies	Redeia activities	Activity Description per Commission Delegated Regulation 2021/2139	Eligible activities	Aligned activities
	Activity 1. **Management and operation of domestic electricity infrastructure**. Includes electricity transmission, system operation and management of the transmission network for the Spanish electricity system. System operation includes storage through the Salto de Chira pumped-storage hydroelectric power plant.	Activity: Transmission and distribution of electricity. Description: Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system. Activity: Storage of electricity. Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. The activity includes pumped hydropower storage.	YES. 100% eligible	YES. 100% aligned
Red Eléctrica Internacional, S.A.U. (Redinter), REA, Redesur, Tesur, Tesur 2, Tesur 3, Tesur 4, Redelnor, CCNCM, Rech, Redenor, Redenor 2.	Activity 2. **Management and operation of international electricity infrastructure**	Activity: Transmission and distribution of electricity. "Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system."	YES. 100% eligible	NO
Hispasat subgroup (Hispasat)	Activity 3. **Telecommunications Satellite Business**	Activity not covered by Commission Delegated Regulation 2021/2139		
	Activity 4. **Telecommunications Fibre Optics**	Activity not covered by Commission Delegated Regulation 2021/2139		
Other Redeia companies	Activity 5. **Other businesses, Corp. and adjustments**	Activity not covered by Commission Delegated Regulation 2021/2139		

As a result of the assessment of compliance with the technical selection criteria for determining the conditions under which an economic activity is considered to make a substantial contribution to climate change mitigation or adaptation[20], it is considered that the Redeia activities that meet these criteria, and, accordingly, contribute substantially to these two objectives are the following:

- Management and operation of domestic electricity infrastructure.

[19] Do No Significant Harm (DNSH)

[20] Laid down in Commission Delegated Regulation 201/2139

Compliance with the technical criteria of substantial contribution to the climate change mitigation objective.

The electricity transmission activity, at national level, meets criteria[21] a) and b) defined in point 4.9 of Annex I of Commission Delegated Regulation 2021/2139, as it belongs to the interconnected European system, and the new electricity capacity connected to the transmission network, from 2017 to the present, is exclusively renewable.

The operation of the national electricity system, in turn, meets criteria d) and e)[22].

The operation of the electricity system is playing a leading role in the energy transition by taking on the challenge of integrating renewable energy, new energy uses and flexible assets into the system.

As system operator, Red Eléctrica works to safely integrate as much renewable energy as possible. The control and monitoring of this type of energy is carried out by CECRE (the Control Centre of Renewable Energies). This enables reduction of CO_2 emissions thanks to the fact that demand can be covered by this type of energy without affecting the security or quality of supply.

Furthermore, to facilitate the incorporation of non-dispatchable energy and avoid wasting the energy generated when demand is low, Red Eléctrica works on the development of energy storage instruments based on both hydroelectric power generation systems and other technologies (R&D+i). To this end, it carries out prospective evaluations on the impact of new storage facilities on the integration of renewable energy, identifies the technical or management characteristics necessary for greater integration, and as a consequence of both actions, makes legislative and regulatory proposals to the competent authority. These systems will also help significantly improve the efficiency of the electricity system as a whole and optimise electricity infrastructure.

[21] Criteria defined in point 4.9 of Annex I of *Commission Delegated Regulation 2021/2139*:

The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:

a) the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzer-land and the United Kingdom, and its subordinated systems;

b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 g CO_2 e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;

c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 g CO_2 e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.

[22] d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation.

e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources.

Compliance with the technical criteria of substantial contribution to the climate change adaptation objective.

The activity of management and operation of national electricity infrastructure as a whole is a key element in the adaptation of the energy system to the risks arising from climate change and meets the criteria defined in point 4.9 of Annex II of Commission Delegated Regulation 2021/2139.

The effects of climate change could physically affect electricity transmission facilities and influence future patterns of energy generation and consumption, which would impact the activity of Red Eléctrica as electricity system operator. Therefore, the Company has carried out work to identify and assess the risks associated with climate change in order to be able to deal with the physical changes caused by changes in climate parameters.

The Company has defined and prioritised the most relevant climate risks for its activity and has monetised those for which a potential financial impact has been identified.

The exercise of identifying physical climate risks has been carried out based on the classification of climate-related hazards from the list in section II of Appendix A of Commission Delegated Regulation 2021/2139.

The physical risks identified have been assessed considering the criteria of exposure, sensitivity and capacity to adapt. Different physical scenarios have been considered in the analysis.

Climate-related risks are assessed considering the short, medium and long term (the most significant changes and impacts are expected by the end of the century), using the Intergovernmental Panel on Climate Change (IPCC) RCP[23] scenarios as a reference. Therefore, the entire lifetime of the projects is considered in the assessment (the lifetime of transmission projects is at least 30-40 years).

In the case of Spain, the projections made by the *Agencia Estatal de Meteorología* (AEMET - Spain's National Meteorology Agency) for the most important scenarios of the fifth IPCC report (AR5) have been considered.

Following the assessment process, two main physical risks have been defined:

- Impact of extreme events on outdoor facilities.
- Fires in power lines and substations.

The adaptation measures implemented to minimise the risk of extreme events affecting outdoor facilities consist of creating wind maps and reviewing construction parameters, reinforcing vulnerable lines, developing and implementing contingency plans (including the availability of emergency support), and optimising maintenance work (e.g. the MANINT project[24]).

The adaptation measures implemented to minimise the risk of fire in power lines and substations are based on the optimisation of firebreak maintenance plans (VEGETA project), fire prevention procedures, early fire detection measures (PRODINT project), training, awareness raising and the development of emergency plans.

Climate-related risk management is part of the Company's risk management system. Therefore, the established governance model applies to this type of risk.

The activity of domestic electricity infrastructure operation and management contributes as a whole to the climate change mitigation and adaptation objectives, reducing the risks and impact of climate change in society. However, the Taxonomy disclosures show a 100% contribution to the climate change mitigation objective and a 0% contribution to the adaptation objective. This allows for adjustment to the KPI calculation methodology provided for by Commission Delegated Regulation 2021/2178.

[23] Representative Concentration Paths (RCPs)

[24] Intelligent Maintenance

Assessment of compliance with the "Do No Significant Harm" (DNSH) principle

Redeia's activities which contribute substantially to the objectives of climate change mitigation and adaptation do not cause significant harm to the rest of the environmental objectives defined in the Taxonomy Regulation.

Sustainable use and protection of water and marine resources.

Redeia's activities do not have any significant impact on this environmental objective, taking into account both the direct effects and the main indirect effects throughout the life cycle. No risks of environmental degradation related to the preservation of water quality have been identified, nor significant impacts on the good ecological status or potential of bodies of water (surface water and groundwater); or on the good environmental status of marine waters.

During the process of designing the facilities, a detailed study is carried out to avoid any type of impact on surface watercourses. As regards groundwater, numerous preventive and corrective measures are implemented to prevent the contamination of groundwater by leaks or spills of oils, fuels and hazardous substances. Containment systems (especially for power equipment containing large quantities of oil) and protocols are in place for immediate response to possible events to mitigate the consequences of accidents, should they occur.

Transition to a circular economy.

Redeia works together with the stakeholders in its value chain so that the equipment and materials used in all its activities are produced from reused or recycled materials and that, at the end of their useful life, they are also recycled, reused or recovered, thus closing the circle of sustainability for all the equipment and materials used.

In terms of waste management, the objective has been set for 2030 to achieve the reduction, reuse, recycling or energy recovery of all waste generated. To this end, an action plan is in place to recover 100% of the waste generated.

Pollution prevention and control. Construction activity.

The principles described in the CFI's[25] Environmental, Health, and Safety Guidelines for Electricity Transmission and Distribution are followed in all construction activities for electricity transmission network facilities.

Red Eléctrica has also implemented an Environmental Management System (EMS) certified under ISO[26] 14001 and the EMAS[27]. The ISO certifications cover the CFI guidelines.

During the construction phase, the necessary preventive and corrective measures are implemented to minimise the potential effects of the project. To guarantee the effectiveness of the measures established, environmental monitoring programmes are defined and developed. These are applied during the construction of the facilities and in the early years of their operation, and facilitate the definition of new measures if necessary. The environmental monitoring of construction sites supervises the work done by contractors to meet environmental requirements.

Environmental monitoring of works and "environmental certification" (environmental requirements must be met by contractors for full certification of construction works) are very important to ensure alignment with environmental criteria.

Pollution prevention and control. PCB.

In the carrying out of its maintenance activities, Red Eléctrica has no direct relationship with PCBs. The power equipment owned by Red Eléctrica does not contain PCBs.

Pollution prevention and control. Electromagnetic fields.

The activities comply with the applicable standards and regulations to limit the effects of electromagnetic radiation on human health. Thanks to the criteria applied in the design of the facilities, the levels of electric and magnetic fields (EMF) are kept below those recommended by the Council of the European Union[28].

Measurements give maximum levels (at the closest point from the ground to the conductors) ranging from 3-5 kV/m for the electric field and 1-15 µT for the magnetic field on 400 kV lines. In addition, the field strength decreases very rapidly as the distance to the conductors increases: at a distance of 30 metres, the electric and magnetic field levels range from 0.2-2.0 kV/m and 0.1-3.0 µT, respectively, and are normally less than 0.2 kV/m and 0.3 µT from 100 metres away.

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25 Corporate Finance Institute.

26 International Organization for Standardization.

27 Eco-Management and Audit Scheme.

28 Official Journal of the European Communities 1999/519/EC: exposure limits for the general public in places where they are likely to remain for a long time of 5 kV/m for the electric field and 100 µT for the magnetic field.

In the case of 220 kV lines, these levels are lower, ranging between 1-3 kV/m for the electric field and 1-6 µT for the magnetic field at the closest point to the conductors. At a distance of 30 metres, the electric and magnetic field levels range between 0.1-0.5 kV/m and 0.1-1.5 µT, and are generally lower than 0.1 kV/m and 0.2 µT from 100 metres away.

Protection and restoration of biodiversity and ecosystems.

All Redeia projects are assessed from an environmental perspective, and the competent environmental authorities are informed and their approval is requested, even in the case of projects that are not legally required to be subjected to the environmental impact assessment procedure.

Most of Redeia's projects are subject by law to this environmental impact assessment procedure, and it is carried out in accordance with Directive 2011/92/EU, state legislation (Law 21/2013 of 9 December 2013 on Environmental Assessment) and applicable regional regulations.

Where the environmental impact assessment is carried out, the required mitigation and compensation measures are implemented to protect the environment and, therefore, biodiversity. These measures encompass those established by the environmental body and included in the project's environmental authorisations.

For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 Network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (KBAs), as well as other protected areas), an appropriate assessment, where applicable, is conducted and based on its conclusions the necessary mitigation measures are implemented.

Those projects that may directly or indirectly affect Natura 2000 Network sites are subject to the environmental assessment procedure, even if their thresholds do not reach those defined in the Annexes of Law 21/2013 on Environmental Assessment.

Climate change adaptation

Note: From the point of view of the contribution to the objective of climate change mitigation, this section also includes information on compliance with the DNSH principle on climate change adaptation.

The activity of management and operation of national electricity infrastructure as a whole is a key element in the adaptation of the energy system to the risks arising from climate change.

An exercise has been carried out to identify the physical climate risks that could cause damage to the electricity transmission network infrastructure and/or affect their operation. Those that could be significant have been defined and prioritised, and the appropriate adaptation measures have been designed and implemented to minimise such risks.

Compliance with minimum social safeguards

Redeia has an explicit and public commitment to promoting and respecting human rights in all its activities and in all the territories and countries where it operates.

The Company pays special attention to vulnerable groups, and as such instils this in the corporate culture through the Ten Principles for respect for human rights, included in its Commitment to the promotion of and respect for human rights, the Code of Ethics and Conduct and the Sustainability Policy.

With a view to extending this behaviour throughout the supply chain, the human rights obligation is extended to suppliers through the Code of Conduct for Suppliers. In the development of these Principles and Codes, human rights internationally recognised in national and international laws and benchmarks have been taken into account:

- OECD Guidelines for Multinational Enterprises.
- OECD Guidelines for Responsible Business Conduct.
- The UN Guiding Principles on Business and Human Rights.
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.
- The eight ILO core conventions.
- International Bill of Human Rights.

In addition, the Company develops the necessary tools in terms of due diligence in integrity and human rights, both for its own activities and in its relations with third parties, in order to mitigate the risk of Redeia being linked to third parties associated with conduct which is not in line with its ethical values. To such end, since 2013 it has carried out periodic due diligence analyses that involve all Group companies in order to identity possible risks stemming from its direct and indirect activity.

In July 2021, European Commission Delegated Regulation 2021/2178 implementing Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements, was published. This Regulation specifically sets out the environmentally sustainable economic activities and the methodology to comply with the Taxonomy disclosure obligation.

Under Article 8, non-financial undertakings are required to disclose the following information:

a) The proportion of their turnover (Revenues) derived from products or services associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.
b) The proportion of their capital expenditure (CAPEX) and the proportion of their operating expenditure (OPEX) related to assets or processes associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.

The quantitative and qualitative information to be reported (KPIs) and the criteria for preparing such indicators are also described.

In relation to the calculation of KPIs, Annex I of Commission Delegated Regulation 2021/2178 includes in its point 1 the content of the KPIs to be disclosed by non-financial undertakings, categorically specifying that the following information must be reported for each of the indicators:

Turnover (Revenues):

The proportion of turnover, to be calculated as the share of net turnover derived from products or services, including intangible assets, associated with Taxonomy-aligned economic activities (numerator), divided by net turnover (denominator).

Investments in fixed assets (CAPEX):

The denominator shall include additions to tangible and intangible assets during the reporting period before depreciation, amortisation and any revaluations, including those resulting from revaluations and impairments, for the relevant period, excluding changes in fair value. The denominator shall also include additions to tangible and intangible assets resulting from business combinations.

The numerator is equal to the part of the investments in assets included in the denominator that a) relates to assets or processes that are associated with Taxonomy-aligned economic activities; b) is part of a plan to expand Taxonomy-aligned economic activities or to enable Taxonomy-eligible economic activities to comply with the Taxonomy.

Operational expenditure (OPEX):

The denominator shall include direct non-capitalised costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, and any other direct expenditures related to the day-to-day maintenance of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

The numerator shall include the part of the operational expenditure included in the denominator which: a) related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development.

Additionally, in October 2022, there was a Communication from the European Commission on the interpretation of certain legal provisions of the delegated act on disclosure of information under Article 8 of the EU Taxonomy Regulation, on the reporting of Taxonomy-eligible economic activities and assets, which clarifies a number of issues that had been highlighted in relation to the application of Article 8 of the Regulation.

In relation to the considerations set out in Annex I of the Regulation, it should be noted that the procedures followed to determine the numerator and denominator of each of Redeia's KPIs meet the requirements of the Regulation.

Likewise, the accounting regulations referred to in relation to Revenue, CAPEX and OPEX correspond to the accounting regulations applicable to Redeia. Therefore, it has not been necessary to make any adaptation or interpretation in this respect.

Based on the foregoing, Redeia's information for 2022 and 2021, in accordance with the Taxonomy Regulation, is as follows:

Taxonomy-eligible and Taxonomy-aligned activities. KPIs:

	2022	2021
Revenue	79.2%	82.3%
CAPEX	76.7%	75.5%
OPEX	**90.0%**	**89.1%**

Taxonomy-eligible but non-Taxonomy-aligned activities. KPIs:

	2022	2021
Revenue	3.5%	2.6%
CAPEX	4.3%	7.7%
OPEX	**4.2%**	**4.1%**

The percentages assigned to the contribution to the objectives of climate change mitigation and adaptation included in Appendix I "Information on KPIs" show a 100% contribution to the climate change mitigation objective and 0% to the climate change adaptation objective. However, the items assigned to the mitigation objective could also include items related to the adaptation objective. In line with the European Commission's FAQs, one of the two objectives has been selected to avoid any risk of double counting.

The criteria applied to calculate Redeia's KPIs are set out below.

As set forth in point 1.2. on Specifications of the disclosures accompanying the KPIs of non-financial undertakings, of Commission Delegated Regulation 2021/2178 of the European Commission implementing Article 8 of the Taxonomy Regulation:

Determination of numerator and denominator of KPIs

Point 1.2.1. of the Regulation states that non-financial undertakings shall explain:

(a) How turnover, capital expenditure and operating expenditure were determined and allocated to the numerator;

b) The basis used to calculate turnover, capital expenditure and operating expenditure, including any assessment made when allocating revenues or expenditures to different economic activities.

In carrying out the calculation of the ratio of Revenue, CAPEX and OPEX aligned with the Taxonomy, in relation to the Group total, the following steps have been taken:

1. The Taxonomy-aligned activities have been identified. As detailed above, these activities are as follows:
    - Management and operation of domestic electricity infrastructure.
2. The companies that carry out these activities have been identified within the consolidated Group:
    - Management and operation of domestic electricity infrastructure: Red Eléctrica
3. Within Red Eléctrica we have analysed which activities or businesses meet the criteria to be identified as Taxonomy-aligned activities.

    The activities carried out by Red Eléctrica are classified as follows:
    a. Electricity transmission (Taxonomy-aligned activity).
    b. System operation, mainland and non-mainland (Taxonomy-aligned activity).
    c. Other activities. Supplementary activities carried out by Red Eléctrica related to its main activities of electricity transmission and system operation (Taxonomy-aligned activities).

    In view of the foregoing, all activities carried out by Red Eléctrica are considered Taxonomy-eligible and Taxonomy-aligned activities.

    In relation to Revenue, since the description provided by the Regulation meets the accounting criteria for the classification of "Revenue" in the financial statements, this figure was considered directly, net of consolidation adjustments.

    As regards CAPEX, the description included in the Regulation matches that relating to the accounting of additions to fixed assets. Therefore, this figure from Red Eléctrica's annual accounts was considered directly.

    In relation to OPEX, since the Regulation determines that only activities that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, and any other direct expenditures related to the day-to-day maintenance of assets of property, plant and equipment must be considered, we differentiated, from the total expenditure, those that meet the aforementioned definition.

    With regard to the OPEX of the activities of Management and Operation of National Electricity Infrastructure (an activity carried out by Red Eléctrica) and Management and Operation of International Electricity Infrastructure (an electricity transmission activity carried out in Peru and Chile), it should be noted that all the activities carried out by the Group companies that engage in this activity correspond to actions related to the proper performance of their business. For this reason, in determining the OPEX, all the expenses incurred by the companies were taken into account (supply expenses, other operating expenses, personnel expenses, from which self-constructed assets have been deducted as they are considered in the CAPEX figure).

    As regards the OPEX denominator, in the case of Red Eléctrica de España, and for the electricity transmission activities carried out in Peru and Chile, the same figure was considered as in the case of the numerator, and for the other Group companies, their asset maintenance costs were considered. Based on the above, the activities carried out by Reintel and Hispasat were also considered.

As laid down in the Regulation, and in relation to the calculation of the numerator of the ratios, it was ensured that Taxonomy-aligned activities were considered only once, as they are specific activities carried out by Red Eléctrica, and not by other Group companies, nor were these activities duplicated.

In the case of the denominator, the Revenues, CAPEX and Taxonomy-aligned OPEX figure used relates to the figure recorded in the Group's consolidated financial statements, in the case of Revenues and CAPEX. Likewise, in the case of OPEX, it was ensured that it does not include duplicated expenses between Group companies.

4. After identifying the Taxonomy-aligned activities, the Revenues, CAPEX and Taxonomic OPEX ratio was calculated by including in the numerator the figures provided for Revenues, CAPEX and Taxonomic OPEX of Red Eléctrica, and in the denominator, the total Revenues, CAPEX and Taxonomic OPEX of Redeia, taking into account the above comments.

In relation to Taxonomy-eligible but Taxonomy non-aligned activities, which correspond to the management and operation of international electricity infrastructure, the procedure was similar to that described in the case of Red Eléctrica. In this case, these activities are carried out by Red Eléctrica Internacional (Redinter), through its investees in Peru and Chile.

The activities carried out by these companies were considered fully Taxonomy-eligible but not Taxonomy-aligned.

Regarding Revenue and CAPEX (additions to fixed assets), a procedure similar to that described in relation to Red Eléctrica's Taxonomy-aligned activities was followed.

As far as Taxonomic OPEX is concerned, likewise, expenses directly related to asset maintenance activities were differentiated for the purposes of calculating the numerator. In relation to the denominator, the taxonomic OPEX considered for the Group was the same as that considered in the case of the aligned Taxonomic OPEX.

Contextual Information

The Taxonomy Regulation states in point 1.2.3 of Annex I that non-financial undertakings shall explain the figures for each KPI and the reasons for any changes in those figures in the reporting period.

Since the numerator of the KPIs corresponds to the activities of Red Eléctrica, they indicate the weight of the activities carried out by this company within Redeia as a whole.

As is reflected in the figures provided, these activities represent a very significant percentage of all Group's activities. Therefore, we can conclude that most of the activities carried out by Redeia are aligned with the Taxonomy Regulation.

Regarding the comparability of the information for 2022 and 2021, as shown in the results above, in terms of Revenue, CAPEX and OPEX, we find that in all cases it remains in line. This can largely be attributed to the fact that the Group activities considered to be Taxonomy-aligned in 2022 and 2021 have been the same. By the same token, the weight that these three activities have represented in Revenue, CAPEX and OPEX, as a proportion of the Group's total, has also been in line during these two years.

As regards Taxonomy-eligible but Taxonomy non-aligned activities, as is evidenced by the indicators obtained, the results are in line with those obtained for 2021.

APPENDIX I. INFORMATION ON KPIs ON TURNOVER, OPEX AND CAPEX FOR TAXONOMY-ELIGIBLE, ENVIRONMENTALLY SUSTAINABLE, TAXONOMY-ELIGIBLE BUT TAXONOMY NON-ALIGNED AND TAXONOMY NON-ELIGIBLE ACTIVITIES.

Pursuant to Article 2(2) of Commission Delegated Regulation 2021/2178, and in accordance with the table format set out in Annex II of such Commission Delegated Regulation, the KPI information is as follows.

				Substantial contribution criteria						No significant harm criteria										
Economic activities	Code	Net turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources (*)	Circular economy (*)	Pollution (*)	Biodiversity and ecosystems (*)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards	Proportion of turnover aligned with the Taxonomy 2022	Proportion of turnover aligned with the Taxonomy 2021	Enabling activity (E)	Transition activity (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Management and operation of domestic electricity infrastructure	4.9	1,595,973	79.2%	100%	-	N/A	N/A	N/A	N/A	Y	Y	N/A	Y	Y	Y	Y	79.2%	82.3%	F	
Turnover from environmentally sustainable activities (Taxonomy-aligned activities) (A.1)		1,595,973	79.2%	100%	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	79.2%	82.3%		
Management and operation of international electricity infrastructure	4.9	70,564	3.5%																	
Turnover from Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities) (A.2)		70,564	3.5%																	
Total (A.1 + A.2)		1,666,537	82.7%														79.2%	82.3%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Telecommunications Satellite Business	-	226,008	11.2%																	
Telecommunications Fibre Optics	-	96,545	4.8%																	
Other businesses, Corp. and adjustments	-	25,946	1.3%																	
Turnover from Taxonomy non-eligible activities (B)		348,499	17.3%																	
TOTAL (A+B)		2,015,036	100.0%																	

(*) Pending publication of the details of the technical criteria associated with the environmental objective.

Economic activities	Code	Net OPEX	Proportion of OPEX	Substantial contribution criteria						No significant harm criteria										
				Climate change mitigation	Climate change adaptation	Water and marine resources (*)	Circular economy (*)	Pollution (*)	Biodiversity and ecosystems (*)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards	Proportion of OPEX aligned with the Taxonomy 2022	Proportion of OPEX aligned with the Taxonomy 2021	Enabling activity (E)	Transition activity (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Management and operation of domestic electricity infrastructure	4.9	422,084	90.0%	100%	–	N/A	N/A	N/A	N/A	Y	Y	N/A	Y	Y	Y	Y	90.0%	89.1%	F	
OPEX from environmentally sustainable activities (Taxonomy-aligned activities) (A.1)		422,084	90.0%	100%	–	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	90.0%	89.1%		
Management and operation of international electricity infrastructure	4.9	19,614	4.2%																	
OPEX from Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities) (A.2)		19,614	4.2%																	
Total (A.1 + A.2)		441,698	94.2%														90.0%	89.1%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Telecommunications Satellite Business	-	3,409	0.7%																	
Telecommunications Fibre Optics	-	23,700	5.1%																	
Other business, Corp. and adjustments	-	-	-																	
OPEX from Taxonomy non-eligible activities (B)		27,109	5.8%																	
TOTAL (A+B+C)		468,807	100.0%																	

(*) Pending publication of the details of the technical criteria associated with the environmental objective.

				Substantial contribution criteria						No significant harm criteria										
Economic activities	Code	Net CAPEX	Proportion of CAPEX	Climate change mitigation	Climate change adaptation	Water and marine resources (*)	Circular economy (*)	Pollution (*)	Biodiversity and ecosystems (*)	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards	Proportion of CAPEX aligned with the Taxonomy 2022	Proportion of CAPEX aligned with the Taxonomy 2021	Enabling activity (E)	Transition activity (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
Management and operation of domestic electricity infrastructure	4.9	470,370	76.7%	100%	-	N/A	N/A	N/A	N/A	Y	Y	N/A	Y	Y	Y	Y	76.7%	75.5%	F	
CAPEX from environmentally sustainable activities (Taxonomy-aligned activities) (A.1)		470,370	76.7%	100%	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	76.7%	75.5%		
Management and operation of international electricity infrastructure	4.9	26,273	4.3%																	
CAPEX from Taxonomy-eligible, but not environmentally sustainable, activities (Taxonomy non-aligned activities) (A.2)		26,273	4.3%																	
Total (A.1 + A.2)		496,643	81.0%														76.7%	75.5%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Telecommunications Satellite Business	-	87,044	14.2%																	
Telecommunications Fibre Optics	-	6,699	1.1%																	
Other businesses, Corp. and adjustments	-	22,937	3.7%																	
CAPEX from Taxonomy non-eligible activities (B)		116,680	19.0%																	
TOTAL (A+B)		613,323	100.0%																	

(*) Pending publication of the details of the technical criteria associated with the environmental objective.

11.9 Content index required by Law 11/2018 of 28 December 2018 on non-financial and diversity information

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Measures aimed at facilitating a work-life balance and encouraging sharing of responsibilities between both parents.	51	(*) 401-2
Health and safety		
Occupational health and safety conditions.	51-54	(*) 403-10 / 404-1 / 404-2
Number of work-related accidents and ill health by gender, frequency and severity.	54	Related regulations per Ministry of Work standards. https://herramientasprl.insst.es/Accidentesdetrabajo/RecursosAdicionales.aspx
Labour relations		
Organisation of social dialogue, including procedures on worker communication, consultation and negotiation.	55-56	(*) 402-1
Percentage of employees covered by collective bargaining agreements by country.	55	(*) 2-30
Summary of collective bargaining agreements, particularly in the field of health and safety.	56	(*) 403-4 / 403-8

Mechanisms and procedures that the Company has in place to promote the involvement of workers in its management in terms of information, consultation and participation. [28]	54-55	Internal framework. Climate survey and communication channels
Training		
Policies implemented.	57	(*) 404-2
Total hours of training by professional category.	57	(*) 404-1
Universal accessibility for people with disabilities.		
Universal accessibility for people with disabilities.	57-58	Internal framework. Accessibility measures
Equality		
Measures taken to promote equal treatment and equal opportunities for women and men.	58-60	Internal framework. Measures adopted to promote diversity.
Equality plans: job stimulation measures, protocols against sexual harassment and gender bias.	58-60	Internal framework. Diversity plan.
Integration and universal accessibility for people with disabilities.	57-58	Internal framework. Hiring of people with disabilities and integration and accessibility measures.
Policies against all kinds of discrimination and, as the case may be, diversity management.	57-60	406.
III. Information on respect for human rights		
Management approach.	60-63	(*) 103-1, 103-2,103-3
Implementation of human rights due diligence procedures.	61-62	(*) 407-1 / 408-1 / 409-1
Prevention of risks of human rights violations and, where applicable, measures to mitigate, manage and redress any such violations.	60-63	(*) 411-1 / 412-1 / 412-3
Reported human rights violations.	62	(*) 2-26
Promotion of and compliance with the provisions of the conventions of the International Labour Organization with regard to respect for freedom of association and the right to collective bargaining; elimination of discrimination in employment and occupation; elimination of forced or compulsory labour; effective abolition of child labour.	60	406, 407, 408, 409
IV. Information on the fight against corruption and bribery		
Management approach.	63-65	(*) 103-1, 103-2,103-3
Measures to prevent corruption and bribery.	63-65	(*) 2-23 / 2-26 / 406-1
Anti-money laundering measures.	63-65	(*) 2-23 / 2-26 / 406-1
Contributions to foundations and non-profit organisations.	68-72	Internal framework. Contributions to foundations and non-profit organisations.

[28] Modification of the content of the NFIS resulting from the application of Law 5/2021, which amends the Revised Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July 2010, and other financial standards, as regards the encouragement of long-term shareholder engagement in listed companies.

V. Information on social issues		
Management approach.	66-78	(*) 103-1, 103-2,103-3
The Company's commitments to sustainable development.		
Impact of the Company's activity on employment and local development.	66-67	(*) 413-1
Impact of the Company's activity on local populations and the local area.	68-69	(*) 413-1
Relations with local community players and types of dialogue.	68-72	(*) 413-1
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Subcontracting and suppliers		
Inclusion of social, gender equality and environmental issues in the purchasing policy.	72-73	(*) 414-1
Attention given to social and environmental responsibility in relations with suppliers and subcontractors.	72-73	(*) 414-1
Supervision systems and audits and results.	72-73	(*) 308-1 / 308-2
Consumers		
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Grievance mechanisms in place.	74-76	(*) 2-29
Complaints received and resolution thereof.	74-76	(*) 2-29
Tax information		
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Government grants received.	78	(*) 201-4
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Proportion of turnover (Revenues) derived from products or services associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.	79-92	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.
Proportion of capital expenditure (CAPEX) related to assets associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.	79-92	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.
Proportion of operating expenditure (OPEX) related to assets or processes associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation.	79-92	European Commission Delegated Act on Article 8 of the Taxonomy Regulation, concerning the transparency of undertakings in non-financial statements.

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

12 Annual Corporate Governance Report

The Annual Corporate Governance Report forms an integral part of the directors' report and can be viewed at the following address:

http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-78003662

13 Annual Report on Directors' Remuneration

The Annual Report on Directors' Remuneration forms an integral part of the directors' report and can be viewed at the following address:

https://www.cnmv.es/Portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-78003662

Red Eléctrica Corporación, S.A. and subsidiaries

Independent Reasonable Assurance Report
on the System of
Internal Control over Financial Reporting

31 December 2022

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Reasonable Assurance Report on the System of Internal Control over Financial Reporting

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Further to your request, and in accordance with our engagement letter dated 21 December 2022, we have examined the Internal Control over Financial Reporting (hereinafter "ICOFR") information of Red Eléctrica Corporación, S.A. (the Parent) and subsidiaries (the Group) described in note F of the accompanying Annual Corporate Governance Report at 31 December 2022. This system is based on the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

An entity's internal control over financial reporting is designed to provide reasonable assurance that its annual financial reporting complies with the applicable financial reporting framework. It includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Group's consolidated annual accounts in accordance with the applicable financial reporting framework; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the consolidated annual accounts. In this respect it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

Directors' and Management's Responsibility

The Board of Directors of the Parent and Senior Management of the Group are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control over financial reporting, evaluating its effectiveness and developing improvements to that system, and preparing and defining the content of the ICOFR information attached hereto.

Our Responsibility

Our responsibility is to express an opinion on the effectiveness of the Group's Internal Control over Financial Reporting based on our examination.

We conducted our examination in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issue of reasonable assurance reports. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group maintains, in all material respects, effective internal control over financial reporting. Our work included obtaining an understanding of the Group's Internal Control over Financial Reporting, testing and evaluating the design and operating effectiveness of that system, and performing such other procedures as were considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

Our firm applies International Standard on Quality Management 1 (ISQM1), which requires us to design, implement and maintain a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Inherent Limitations

Due to the limitations inherent in any internal control system, there is always a possibility that ICOFR may not prevent or detect misstatements or irregularities that may arise as a result of errors of judgement, human error, fraud or misconduct. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Conclusion

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting at 31 December 2022, in accordance with the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Furthermore, the disclosures contained in the ICOFR information included in note F of the Group's Annual Corporate Governance Report at 31 December 2022 have been prepared, in all material respects, in accordance with the requirements set forth in article 540 of the Revised Spanish Companies Act and in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, and subsequent amendments thereto, the most recent being CNMV Circular 3/2021 of 28 September 2021, with respect to the description of Internal Control over Financial Reporting in Annual Corporate Governance Reports.

Other Matter

Our examination did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain. As such, in this report we do not express an audit opinion on the accounts under the terms provided in the above-mentioned legislation. However, on 27 February 2023 we issued our unqualified auditor's report on the consolidated annual accounts of the Group for 2022, in accordance with the legislation regulating the audit of accounts in Spain.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Ana Fernández Poderós

27 February 2023

Independent Assurance Report on the Consolidated Non-Financial Statement and Information on Sustainability for the year ended December 31, 2022

RED ELÉCTRICA CORPORACIÓN, S.A. AND SUBSIDIARIES

Building a better working world

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
Fax: 915 727 238
ey.com

INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT AND INFORMATION ON SUSTAINABILITY

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of RED ELÉCTRICA CORPORACIÓN, S.A.:

In accordance with article 49 of the Commercial Code, we have verified, with a limited scope, the Consolidated Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2022 of RED ELÉCTRICA CORPORACIÓN, S.A. and subsidiaries (hereinafter the Group), which is part of the Group's accompanying Consolidated Management Report.

The content of the Consolidated Management Report contains information in addition to that required by prevailing company law in respect of non-financial information that was not included in the scope of our assurance work. Consequently, our work was limited exclusively to verifying the information identified in the section 11.9 "Content index required by Law 11/2018 of 28 December 2018 on non-financial and diversity information" included in the accompanying Consolidated Management Report.

Responsibility of the directors

The preparation of the NFS included in the Group's Consolidated Management Report and its content is the responsibility of the directors of RED ELÉCTRICA CORPORACIÓN, S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the GRI Sustainability Reporting Standards (GRI standards), selected GRI, as well as other criteria described according to that mentioned for each subject in the section 11.9 "Content index required by Law 11/2018 of 28 December 2018 on non-financial and diversity information" of said Report.

This responsibility likewise includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the NFS is free of material misstatement, due to fraud or error.

The directors of RED ELÉCTRICA CORPORACIÓN, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information for preparing the NFS is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international standards on independence) issued by the International Ethics Standards Board for Professional Accountants (IESBA). in English) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies current international quality standards and consequently maintains a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards, and applicable legal and regulatory provisions.

The EY team is made up of experts in non-financial information engagements and specifically, information on economic, social, and environmental performance.

Our responsibility

Our responsibility is to express our conclusions on the Independent Assurance Report with limited assurance, based on the work performed. We have carried out our work in accordance with the requirements established in the International Standard on Assurance Engagements (ISAE) 3000 (revised), "Assurance Engagements Other than Audits and Review of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the Guidelines on performing non-financial statement assurance engagements issued by the Spanish Institute of Chartered Accountants.

In a limited assurance engagement, the procedures carried out vary in their nature and timing and are less in extent than those carried out for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is also substantially lower.

Our work consisted in making inquiries of management and of the Group's various business units participating in the preparation of the NFS, reviewing the processes for compiling and validating the information presented therein, and applying certain analytical procedures and sample review tests as described in general terms below. These procedures included:

- Holding meetings with Group personnel to gain an understanding of the business model, the policies and management approaches applied, and the main risks related to these matters, as well as to gather the information needed to perform the independent assurance work.
- Analyzing the scope, relevance, and integrity of the contents of the 2022 NFS, based on the materiality assessment performed by the Group and described under 11.1 "About the Non-Financial Information Statement", in light of the content required under prevailing company law.
- Analyzing the processes used to compile and validate the data presented in the 2022 NFS.
- Reviewing the disclosures relating to the risks, policies, and management approaches applied with respect to the material matters presented in the 2022 NFS.
- Checking, via tests of a selected sample, the information underlying the contents of the 2022 NFS and the satisfactory compilation of the NFS based on data taken from information sources.
- Obtaining a representation letter from the directors and management.

Conclusions

Based on the procedures performed and the evidence obtained, no additional matter came to our attention that would lead us to believe that the NFS of the Society for the year ended December 31, 2022 has not been prepared, in all material respects, in accordance with the content established in prevailing mercantile regulations and following the criteria of the selected GRI standards as well as those other criteria described as mentioned for each subject in the section 11.9 "Content index required by Law 11/2018 of 28 December 2018 on non-financial and diversity information" of the report.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(Signed in the original version in Spanish)

Alberto Castilla Vida

February 27, 2023