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## Green Bond Report

After releasing its **Green Finance Framework** in September 2019, Redeia updated its framework in 2021 in order to be aligned as much as possible with the current version of the proposed EU Green Bond Standard and to be fully aligned with the EU Taxonomy Delegated Act for sustainable economic activities.

Regarding Redeia's Green Bond issuances, the Company has two outstanding issues for a total amount of EUR 1.3 billion under its Euro Medium-Term Notes Programme.



## The Green Finance Framework sets the basis for the identification, selection, verification and reporting of the Eligible Green Assets.

As set out in the Redeia Green Finance Framework, the net proceeds of Green Finance Instruments will be exclusively used to finance and/or refinance in whole or in part eligible assets ("Eligible Green Assets") including related partnerships and joint ventures in the use of proceeds category, together forming the "Eligible Green Asset Portfolio":

The Green Finance Framework sets the basis for the identification, selection, verification and reporting of the **Eligible Green Assets**, as well as the management of the proceeds from Green Finance Instruments.

Within the Framework, the categories relating to Eligible Green Assets are aligned with the Sustainable Development Goals of the United Nations (UN SDGs), in particular, Goals 7 on affordable and clean energy and 13 on climate action.

Redeia's Green Finance Framework has been verified with the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and the Green Loan Principles (GLPs). This information can be found in the corresponding Second Party

Opinion (SPO) prepared by Sustainalytics, which is available on the [corporate website](#). ↗

The Eligible Green Asset Portfolio includes mainly tangible green assets and a small amount of intangible green assets). Assets are included in the portfolio at their current IFRS net balance sheet value, which will be updated annually to reflect investment and depreciation under IFRS.

Ernst and Young has provided limited assurance on specific elements related to the use of funds raised by the Green Bonds issuances. See page ↗ for the assurance report.

With this report, Redeia complies with its commitment assumed in its Green Finance Framework to report on the allocation of net proceeds and the associated environmental

### Eligible green asset portfolio

Use of proceeds category	EU Economic Activity	Detail asset description	ICMA GBP / LMA GLP
Electricity network	Transmission and Distribution of Electricity	<ul style="list-style-type: none"> <li>Transmission assets, including projects directly aimed at increasing the production of renewables such as international interconnections, converters and connections, among islands and with the mainland.</li> </ul>	Renewable Energy
		<ul style="list-style-type: none"> <li>Assets, part of the transmission network, aimed at improving the efficiency of the rail system (high speed rail lines and electrical connections).</li> </ul>	Clean Transportation

impacts annually until the proceeds of each Green Finance Instrument have been fully allocated.

This report contains information on the use of proceeds, allocation and impact reporting of the two Green Bonds issued to date.

Also included are case studies on two projects aimed at directly increasing the production of renewable energies. They provide background information on the assets that can be financed by the green finance instruments issued.

### Notes to the allocation report

All proceeds from the Green Bonds issued have been fully allocated to the Eligible Green Assets categories and have been fully used for refinancing purposes.

The Electricity Network Assets (transmission infrastructure or equipment) complies with the following criterion:

- More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO<sub>2</sub>e/



## Allocation report

Portfolio date: 31 December 2021

### Use of proceeds Allocation Table

Eligible Green Assets Portfolio per 31 December 2021

ICMA GBP Category	Eligible Green Assets (mEUR)	Green Funding			
		Instrument (ISIN)	Issuance Date	Maturity Date	Amount (mEUR)
Renewable Energy (Electricity Network Assets)	8,195	XS2103013210	24/01/2020	24/07/2028	700
Clean Transportation	150	XS2343540519	24/05/2021	24/05/2033	600
<b>Total Eligible Green Assets</b>	<b>8,345</b>	<b>Total Green Funding</b>			<b>1,300</b>

Percentage of Green Assets Portfolio allocated to Green Finance Instruments:	16%
Percentage of Net Proceeds of Green Funding allocated to Eligible Green Assets Portfolio:	100%
Percentage of Eligible Green Assets Portfolio - Unallocated:	84%

kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; but excluding any infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO<sub>2</sub>e/

All the investments included in the portfolio have been carried out in Spain.

## Impact report

Portfolio date: 31 December 2021

ICMA / LMA category	Eligible Green Assets (mEUR)	Share of total Portfolio Financing	Eligibility for Green Financing Instruments	Renewable energy installed capacity (in GW)	Estimated Renewables energy production (in GWh per year)	Installed capacity (in MVA)	Estimated avoided CO <sub>2</sub> emissions (in tCO <sub>2</sub> eq per year) <sup>(1)</sup>	Contribution to specific UN SDG	Contribution to EU Environmental Objective
a/	b/	c/	d/	e/	e/	e/	e/		
Renewable Energy - Increasing the production of renewable energies	8,195	98%	100%	65	6,245		5,420,811	UN SDG 7, 13	Climate Change Mitigation
Clean Transport	150	2%	100%			3,654		UN SDG 7, 13	
<b>Total</b>	<b>8,345</b>	<b>100%</b>	<b>100%</b>	<b>65</b>	<b>6,245</b>	<b>3,654</b>	<b>5,420,811</b>		

(1) All of them are indirect emissions.

a/ Eligible category. b/ Eligible assets represents the amount legally committed by the issuer for the portfolio or portfolio components eligible for Green Finance Instruments. c/ This is the share of the total portfolio per Eligible category. d/ This is the share of the total portfolio costs that is eligible for Green Finance Instruments. e/ Impact reporting indicators per Eligible category.

### Notes to the impact report

The impacts of the green assets are calculated as the sum of various parts of the asset base.

One part of the asset base enables the connection of new renewable capacity (MW) to the transmission grid.

The expected amount of increased production of renewable energy (MWh/year) is calculated by multiplying the installed power capacity by technology (MW), identified for each project, per the average annual production (hours/year).

It is considered an average annual production of 2,310 hours for wind generation and 1,684 hours for photovoltaic generation based on a mid-term horizon forecast analysis.

The estimated amount of CO<sub>2</sub> tons emissions avoided is calculated considering that the new production of renewable energy will replace mainly combined cycle production, that have an emission of 0.355 tCO<sub>2</sub> equivalent/MWh. The total impact is estimated at 5,033 ktCO<sub>2</sub> equivalent and 5,092 GWh renewable energy generated per annum.

A second part of the asset base is enhancing the transmission capacity for renewable energy in the grid.

The impact of these projects is calculated through a cost-benefit analysis. The main indicators are based on the methodology CBA 2.0 of ENTSO-E approved by the European Commission in 2018. The total impact is estimated at 388 tCO<sub>2</sub> equivalent and 1,153 GWh renewable energy generated per annum.



The total of these two parts of the asset base is estimated at  $5,033+388=5,421$  ktCO<sub>2</sub> equivalent avoided and  $6,245 = 5,092+1,153$  GWh renewable energy generated per annum.

For the remaining part of the asset base, we are calculating the impact as the installed renewable energy capacity that is being connected to the entire asset base over the past years. This is 65 GW for the current size of the green asset portfolio.

In the category of Clean Transportation, the assets are aimed at improving the efficiency of the rail system.

The impact of this projects is calculated considering the increase in the installed capacity for the rail system over the past years. This is 3,654 MVA for the current size of the green asset portfolio.

### CASE STUDY. SALTO DE CHIRA PUMPED-STORAGE HYDROPOWER PLANT

The Salto de Chira hydropower plant is an essential infrastructure in the push for the sustainability of the new energy model in the Canary Islands based on renewable energies.

This energy storage installation is an effective operational tool of the electrical system for improving supply guarantee, system security and renewable energy integration on the island of Gran Canaria.

The General Directorate for Energy of the Department of Ecological Transition, the Fight against Climate Change and Territorial Planning of the Government of the Canary Islands has issued the administrative authorisation for the Salto de Chira pumped-storage hydroelectric power station project to be built on the island of Gran Canaria. This is the first major energy storage project in the Canary Islands.

The approval of the preliminary administrative and construction permits, as well as the declaration of Public Utility of the project by the General Directorate for Energy of the Government of the Canary Islands, will allow construction work to begin on the energy storage infrastructure.

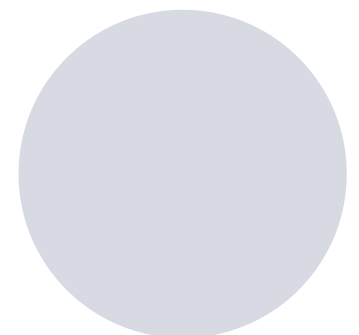
The authorised project will take advantage of the fact that there are two large inland reservoirs (the Chira and Soria dams) located on the island in order to build between them a 200-MW pumped-storage hydroelectric power station (equivalent to approximately 36% of the peak demand of the island of Gran Canaria) and an energy storage capacity of 3.5 GWh. Additionally, the project includes the construction of a seawater desalination plant and the associated marine works, as well as the necessary facilities for connection to the transmission grid.

Water will be an essential element for the operation of the new infrastructure, but it is also a scarce resource in the archipelago. Therefore, in order to fulfil its mission as an energy storage facility, the project includes the construction of a water desalination plant in the municipality of Arguineguín, which will guarantee the necessary flow in the reservoirs at all times.

Red Eléctrica will invest more than €600 million in the construction of Salto de Chira, a project that has been declared of general interest by the Government of the Canary Islands. Project execution and completion are expected to take about 70 months as of the date the works commence.

### Benefits of the Salto de Chira hydro-electric power station



The benefits it will provide the Canary Islands' electricity system are the following:



## Red Eléctrica will invest more than 600 million euros in the construction of the Salto de Chira power station, a project that has been declared to be of general interest by the Government of the Canary Islands.

- **Increased guarantee of supply** for Gran Canaria by increasing the installed power capacity and strengthening the security of the electricity system; elements that are essential for an isolated electricity system, as is the case of the Canary Islands system, in order to reduce the vulnerability of the system as a whole. In addition, in the event of a supply interruption, this facility will help speed up and drastically shorten the service restoration times.
- **An increase in the integration of renewable energies** by having an essential facility to take advantage of the surplus of renewable energies and that will help integrate a greater amount of locally produced energy. In 2026, the power station will increase renewable energy, production on the island by 37%, over the estimated energy that would be generated without the existence of this facility, would raise the average annual coverage of the demand using renewable generation to 51%, which at specific times may be much higher. This will lead to an additional reduction in annual CO<sub>2</sub> emissions of 20%.
- **Increased energy independence and savings** in variable generation costs amounting to 122 million euros per year by reducing imports of more expensive and polluting fossil fuels.

Furthermore, it is estimated that the project will generate 4,366 jobs, of which 3,518 will be generated in Gran Canaria (1,423 direct jobs, 1,987 indirect jobs and 109 induced jobs), contributing to the economic recovery of the Canary Islands archipelago in a sustainable manner and in line with the principles of the European Green Deal and the strategic lines and basic principles of the Pact for the Social and Economic Reactivation of the Canary Islands.

You can find more information about the project in the following [link](#)  and in the [Renewable Integration](#)  section of this Report.

### CASE STUDY. 400 KV ALMARAZ-GUILLENA AXIS

This electricity infrastructure, which was allocated an investment of approximately 270 million euros, represents a significant improvement in the guarantee and quality of the electricity supply in the regions of Extremadura and Andalusia.

The 400 kV axis links the central and southern areas of the Spanish peninsula, linking the substations of Almaraz, San Serván, Brovales and Guillena by means of 327 km of electricity lines. Similarly, the axis includes another 48 km of 220 kV lines to Mérida and Balboa.

The goals this axis seeks to resolve are to:

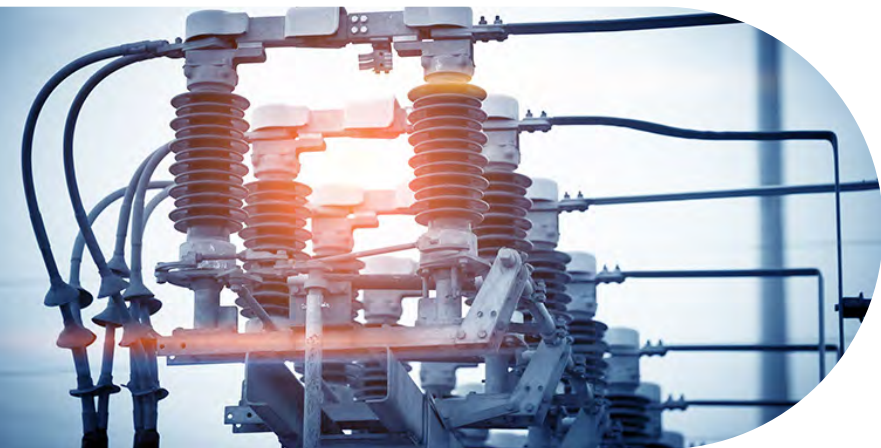
- Strengthen transmission grid meshing in an area with insufficient power generating stations.
- Further the interconnection with Portugal via the Guillena-Puebla de Guzman-Portuguese border axis.
- Provide support for the electricity distribution network in the area.
- Facilitate the evacuation of new renewable generation.

San Serván Substation. It is one of the substations that make up the electricity axis. It is comprised of 2 switchyards: one 400 kV in a one-and-a-half switch configuration and one 220 kV in a double busbar configuration. The connection between these two switchyards is performed through a 600 MVA autotransformer bank.



### Main environmental measures applied in the axis

- Comprehensive field survey of areas where work is to be performed and continuous environmental monitoring of work.
- Increasing the height of towers in order to save wooded areas.
- Signage and marking off of access routes and work areas close to endangered or catalogued flora populations.
- 62% of towers assembled using a boom crane (method that minimises the need to open access roads and work sites).
- Pilot cable hung by hand (142 km) to prevent damage arising from the use of vehicles.
- Conducting birdlife census in winter, pre-reproductive and reproductive periods.
- Comprehensive monitoring of birds in the migratory, pre-migration and wintering seasons.
- Biological stoppages of works in 78 towers during different periods.
- Marking of sections of line with bird flight diverters.
- Recovery and restoration of all areas affected by the works.



# Independent Limited Assurance Report on the Green Bonds Report



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## INDEPENDENT LIMITED ASSURANCE REPORT ON THE GREEN BONDS REPORT

To the Board of Directors of Redeia:

In accordance to our engagement letter dated December 2022, we have reviewed, with limited assurance limited assurance scope, the "Green Bond Report" (hereinafter the Report), included in the attached Sustainability Report prepared by Redeia, according to the "Red Eléctrica Group Green Finance Framework", published by the company and available on its website ([Green Finance Framework \(redeia.com\)](https://www.redeia.com)).

### Management Responsibility

The Management of Redeia is responsible for the preparation and presentation of the content included in the Report in accordance with the criteria established in the document "Red Eléctrica Group Green Finance Framework".

This responsibility also includes the design, implementation and maintenance of the internal control deemed necessary to control deemed necessary to ensure that the Report is free from material misstatement, due to fraud or error.

### Independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including the international standards on independence) issued by the International Ethics Standards Board for Professional Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior with no with no conflict of interest in the review process.

Our firm applies the international quality standards in force and, consequently, maintains a quality system that includes policies and procedures related to the compliance with the requirements of ethics, professional standards and applicable legal and regulatory provisions.

The work team was made up of professionals with expertise in non-financial information reviews and, specifically, in economic, social and environmental performance information.

### Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our work in accordance with the requirements of the current International Standard on Assurance Engagements 3000 (revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (NIA-3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

Domicilio Social: C/ Raimundo Fernández Villaverde, 65, 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.384 general, B.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1989. A member firm of Ernst & Young Global Limited.



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In a job of limited assurance the procedures carried out vary in nature and timing, and are of a lesser extent, than those carried out in a job of reasonable assurance and, therefore, the assurance obtained is substantially less.

Our work consisted of asking questions to the Management, as well as to the various units of Redeia that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests described below:

- ▶ The analysis of the collection and internal control processes of the quantitative data related to the environmental impact indicators reflected in the report in terms of the reliability of the information, using analytical procedures and review tests based on sampling.
- ▶ The review of the key environmental performance indicators included in the "Impact Report" section of the Report.
- ▶ Verification that the investments made by Red Eléctrica included in the project portfolio have been carried out in accordance with the criteria of the "Red Eléctrica Group Green Finance Framework".
- ▶ The traceability of funds allocated to the refinancing of projects included in the "Allocation Report" section of the Green Bonds Report.
- ▶ Reading the information included in the Report to determine whether it is in line with our general knowledge and experience, in relation to the sustainability strategy and goals of Redeia.
- ▶ The contrast of the rest of the non-financial information reflected in the report with that included in the Sustainability Report 2022 of Redeia.
- ▶ Obtaining a letter of representation from the Directors and Management.

### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information included in the sections entitled "Allocation report" and "Impact report" of Redeia for the year ended December 31, 2022 relating to the aspects included in the scope of our work contains material misstatements or has not been prepared, in all material respects, in accordance with the criteria established by Redeia in accordance with the "Red Eléctrica Group Green Finance Framework".

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# Independent Limited Assurance Report on the Green Bonds Report

(continued)



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## Uso y distribución

This report has been prepared in response to the requirement established in current Spanish mercantile regulations, and therefore may not be suitable for other purposes and jurisdictions.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated April 14th, 2023. In the event of any discrepancy, the Spanish version always prevails.)

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