



Chairman of Red Eléctrica Corporación

JOSÉ FOLGADO

“2014 HAS BEEN CHARACTERISED BY REGULATORY STABILITY AND THE PROMOTION OF INTERNATIONAL ELECTRICITY INTERCONNECTIONS AND THOSE BETWEEN THE ISLANDS”

2014 has been a key year for the energy sector and in particular for Red Eléctrica de España; a year characterised by a number of significant milestones that open up an encouraging future as well as important challenges. Noteworthy amongst these milestones are regulatory stability, the clear commitment of the European Council and the Spanish Government to international electricity interconnections, and the establishment of new European targets for 2030 on matters regarding the reduction of CO2 emissions, produc-

tion from renewable sources and energy efficiency.

With the aim to provide a safe, efficient and sustainable electricity supply, Red Eléctrica has continued to devote its efforts to the development of a transmission grid that is more interconnected and more reliable, the strengthening of international interconnections and of those between the islands, the safe integration of renewables and the development of innovative initiatives geared towards energy efficiency. ▶

◀ IMPROVEMENT OF THE TRANSMISSION GRID OF THE INSULAR SYSTEMS

Regarding the improvement of the transmission grid of the insular systems, noteworthy is the commencement of the Majorca-Ibiza interconnection, a link which will strengthen the integration of electricity of the Balearic Islands and that will be fundamental in ensuring the reliability of supply in the archipelago, in addition to saving costs for the system and also favouring competition. No less important is the investment plan –around 800 million euros– that Red Eléctrica is going to be carrying out in the coming years in order to promote the progressive change of the energy model of the Canary Islands, based on the integration of

renewable energies and the development of inter-island connections. The agreement signed with ENDESA for the transfer of the concession of the Chira-Soria hydroelectric pumping station project in Gran Canaria will also contribute to this goal. The project will represent an investment of nearly 300 million euros and will be a powerful tool for the system operator for the stability and security of the electricity supply.

BOOSTING INTERNATIONAL ELECTRICITY INTERCONNECTIONS

For the operation of the electricity system to be truly effective, it is necessary to strengthen international interconnections, which are essential for improving security of supply, the optimising energy resources, providing a

greater and better integration of renewable energy into the European electricity network, and ultimately increase the competitiveness of the electricity markets. However, the exchange capacity of Spain with regard to its installed power capacity is still below the 10% recommended by the European Union for 2020. We have recently taken an important step forward with the inauguration of the interconnection with France through the Eastern Pyrenees. This project, with an investment of 700 million euros, has been a major technological challenge and doubles the exchange capacity between the two countries from

1,400 MW to 2,800 MW. With regard to Portugal, last year, the interconnection between Puebla de Guzmán and Tavira was brought into service. Although we have made progress, without doubt it is still not enough. Therefore, we are focusing our efforts on working with France to study at least two new interconnections. The integration of renewables into the electricity system, thanks to the work of the CECRE, represented 43% of the demand in 2014. Specifically in order to facilitate the integration of renewable energies and to increase system efficiency, work was carried out in the development of 66 technological innovation projects that represent a new lever for growth and efficiency.

INTERNATIONAL
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grid and increase
competitiveness

CORPORATE RESPONSIBILITY

Red Eléctrica is not only committed to innovation and the promotion of energy efficiency, but also to the environment, paying particular attention to the protection and conservation of biodiversity and the fight against climate change. To this end, the Company works on a consensual basis with all interested parties so that the siting of facilities and the routes chosen for the lines



have the minimum impact on the territory. As for biodiversity conservation, noteworthy is the project 'Birds and power lines: mapping of bird flight paths' for which the company received the European Environment Award 2014 in the category 'Business and Biodiversity'.

The creation of quality stable employment is another commitment of Red Eléctrica, as stability positively affects the pride of belonging amongst employees and reinforces their commitment to the business project. The 10th Collective Bargaining Agreement, signed in 2014, includes measures such as increasing operational efficiency and the promotion of flexibility and the work-life balance, as well as personal and professional development, helping to attract and retain talent.

Last year also saw the definition of the Corporate Wellness model, so as to promote the health, safety and well-being of employees; important issues that affect us and concern us, such as the commitment to diversity and equality, which is built into the code of ethics and internal company policies. Proof of this is the increased presence of women in the workforce and, in particular, in management positions. There is also a significant number of women on the Board of Directors, allowing Red Eléctrica to become the first company in the IBEX 35 to have a Board composed of 50% external female members.

In response to international best practices, the number of independent board members on each of the Committees of the Board of Directors, the Audit Committee and the Corporate Responsibility and Governance Committee, has increased. Furthermore, in 2014, the first Corporate Governance policy of the Company was approved. In terms of the creation of value, the Company achieved solid results, with a net profit of 717.8 million euros. With regard to shareholder return, we must highlight the excellent market performance of Red Eléctrica shares during 2014, with an increase of 50.9%. For its part, the dividend per share increased 18% over the previous year. To enable the Company to work in a coordinated manner in order to achieve its commitments regarding sustainability, the Corpo-

rate Responsibility and Governance Committee approved the Corporate Liability Plan 2014-2016, which is structured into five management areas: corporate governance and ethics; sustainable energy model; commitment towards employees; community involvement and commitment towards the environment.

NEW STRATEGIC PLAN

The Strategic Plan 2014-2019 is based on the core business of the Company, grid management, and geared towards achieving solid growth in consolidated activities: electricity transmission and system operation, and

the management of fibre optic networks, including the concession contract for ADIFS dark fibre in November 2014. This will be supported by a management model focused on innovation, excellence and corporate responsibility. The efficiency criteria has been strengthened to adapt the Company to the new regulatory and remuneration environment, which is more restrictive, and give greater scope for expanding the business base as an alternative avenue of growth for the Company.

On the other hand, Red Eléctrica, as a pillar of its corporate culture, is committed to achieving business excellence through the application of efficient and sustainable management models. Thus the Company has continued to renew the 500+ seal awarded by the *Club de Excelencia en Gestión*, and the Company has been included in the MSCI

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index and the Euronext-Vigeo family of indexes, in recognition of its high level of performance regarding corporate responsibility and sustainability.

Finally, I would like to highlight that the Corporate Responsibility Report 2014 that I hereby present has been prepared according to principles of the G4 Global Reporting Initiative Guide (GRI) and, for the first time, its content has been audited in accordance with the ISAE 3000 standard.

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