

THE VALUE OF CONNECTED ENERGY

CORPORATE
RESPONSIBILITY
REPORT
2014
SUMMARY



RED
ELÉCTRICA
CORPORACIÓN

**CORPORATE
RESPONSIBILITY
REPORT
2014**
Summary

FOR MORE IN-DEPTH INFORMATION



Access the Red Eléctrica corporate website.

Capture the QR code with your smartphone or tablet to access additional information about the Company that may be of interest to you.

This Report presents a summary of the full *Corporate Responsibility Report 2014*. The complete version of the same, as well as the legal information (*Consolidated Annual Accounts 2014 and Corporate Governance Report 2014*) are published solely in electronic format (browsable pdf) and are available on the corporate website www.ree.es



CORPORATE RESPONSIBILITY REPORT 2014



CORPORATE GOVERNANCE REPORT 2014



CONSOLIDATED ANNUAL ACCOUNTS 2014

Scope of the Corporate Responsibility Summary Report 2014: activity in Spain.

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Chairman of Red Eléctrica Corporación

JOSÉ FOLGADO

“2014 WAS CHARACTERISED BY REGULATORY STABILITY AND THE PROMOTION OF INTERNATIONAL ELECTRICITY INTERCONNECTIONS AS WELL AS THOSE BETWEEN THE ISLANDS”

2014 was 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 point to 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, production from renewable sources and energy efficiency.

With the aim of providing 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.

IMPROVEMENTS TO THE TRANSMISSION GRID OF THE ISLAND SYSTEMS

Regarding the improvement of the transmission grid of the insular systems, noteworthy is the commencement of works for the Majorca-Ibiza interconnection, a link which will strengthen the integration of electricity on the Balearic Islands and which will be fundamental in ensuring the reliability of supply in the archipela-

go, in addition to reducing costs for the system and favouring competition.

No less important is the investment plan - around 800 million euros - that Red Eléctrica is going to be putting into operation in the coming years in order to promote the changes to the Canary Islands energy model, based on the integration of renewable energies and the development of inter-island connections. The signing of the agreement with Endesa to transfer the concession of the Chira-Soria hydroelectric pumping station project in Gran Canaria will also contribute to achieving 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, optimising energy resources, providing a greater and better integration of renewable energy into the European electricity network, and ultimately increasing the competitiveness of electricity markets. Nevertheless, the exchange capacity of Spain with regard to its installed power capacity is still below the 10% recommended by the European Union for 2020.

The recent inauguration of the interconnection with France via the Eastern Pyrenees has been an important step forward. 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. Despite

the progress made, it is still not enough and, therefore, efforts are being focussed on the study of at least two new interconnections with France

Thanks to the work of the CECRE, the integration of renewables into the electricity system 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 that represent a new lever for growth and efficiency.

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 landscape. In the field of biodiversity conservation, the

INTERNATIONAL INTERCONNECTIONS

are essential to strengthen the security of supply, optimise resources, provide greater integration of renewable energies into the European grid and increase competitiveness

Company's outstanding project 'Birds and power lines: mapping of bird flight paths' received the European Environment Award 2014 in the category 'Business and Biodiversity'.

Red Electrica is also committed to quality stable employment as it fosters a sense of pride and belonging among employees reinforcing 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 flexible working to help the work-life balance, as well as personal and professional development, helping to attract and retain talent.

Last year also saw the development of the healthy workplace company model so as to promote the health, safety and well-being of employees; commitment

to important issues which affect and concern us all such as diversity and equality are built into the code of ethics and internal company policies. The increased presence of women in the work-force and particularly in management positions is proof of this commitment.

The significant number of women on the Board of Directors means that Red Eléctrica is the first IBEX 35 company to have a Board with 50% external female members. In response to international best practices, the number of independent board members has increased on each of the Committees of the Board of Directors: the Audit Committee and the Corporate Responsibility and Governance Committee. 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 Corporate 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 with a view to 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 gives 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 maintain the 500+ seal awarded by the Club de Excelencia en Gestión, and has been included in the MSCI 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.

KEY PERFORMANCE INDICATORS 2014



GOVERNANCE

REDUCED BOARD
(No variation)

11 MEMBERS

INDEPENDENT DIRECTORS
(No variation)

64%

WOMEN ON THE BOARD
(+25%)

45.5%

BOARD REMUNERATION
(No variation)

2,387 THOUSANDS OF €



BUSINESS

KM OF LINES
(+1.4%)

42,601 Km

SUBSTATIONS
(+1.8%)

5,292 SUBSTATION BAYS

QUALITY OF SERVICE OF THE GRID
(No variation)

98.2% GRID AVAILABILITY

INTEGRATION OF RENEWABLES
(+1.4%)

42.8% OF DEMAND



FINANCIAL DATA

NET REVENUE
(+5.0)

1,846.7 M€

EBITDA
(+6.4)

1,385.4 M€

NET PROFIT
(+35.7%)

717.8 M€

DISTRIBUTION OF DIVIDENDS
(+18%)

3 EUROS PER SHARE



EMPLOYMENT

WORKFORCE
(+0.6%)

1,682 PEOPLE

WOMEN ON THE WORKFORCE
(+8% 2009-2014)

384

WOMEN IN MANAGEMENT POSITIONS
(+43.8% 2009-2014)

19.3%

TRAINING
(+29,8%)

74 HOURS PER EMPLOYEE



SOCIAL

INVESTMENT IN SOCIETY
(+42.5%)

5.7 M€

SHAREHOLDERS' ATTENTION CENTRE
(+2.5%)

1,105 VISITS ATTENDED TO

LOCAL SUPPLIERS
(+3.2%)

98% OF PURCHASES

CLIENT SATISFACTION
(No variation)

8.3 OUT OF 10



ENVIRONMENTAL

ENVIRONMENTAL EXPENDITURE (-4%)

22.4 M€

KM OF LINE MARKED WITH BIRD-SAVING DEVICES
(+7.4%)

2,776 Km

FIRE PREVENTION
(+12.2%)

1.1 M€ IN AGREEMENTS IN FORCE

SF₆ EMISSIONS
(-1%)

1.05 AVERAGE RATE

01 . THE COMPANY

CONNECTED TO A **SECURE AND SUSTAINABLE** ENERGY FUTURE

WHO WE ARE

RED ELÉCTRICA is the sole transmission agent and operator (TSO) of the Spanish electricity system. The Company carries out this responsibility with transpar-

ency, neutrality, independence and economic efficiency, with the aim of providing the highest quality electricity service for society as a whole.

MISSION AND VISION

RED ELÉCTRICA, as TSO of the Spanish electricity system, has the mission of ensuring the continuity and security of the electricity supply and the effective coordination of the electricity generation and transmission

system. Additionally, it is responsible for the transmission of high voltage electricity and it builds, maintains and operates the facilities of the transmission grid.

Our vision is to be one of the leading companies in the trans-

mission of electricity and the operation of high voltage electricity grids, recognised worldwide for offering a high quality service, carrying out ethical and responsible management, maintaining a firm commitment towards sustainable development and generating value for all our stakeholders.

OUR VALUES



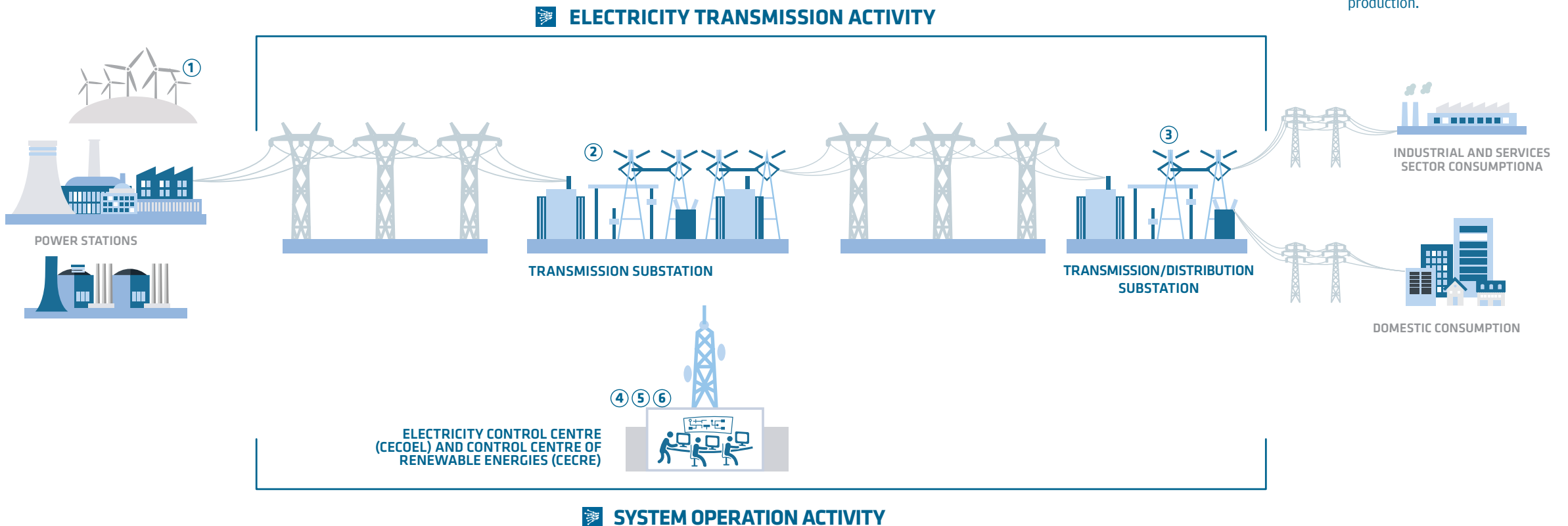
WHAT WE DO

TRANSMISSION ACTIVITY

1. The electricity supply process begins in the power stations, where electricity is generated.
2. Next, Red Eléctrica, through its high-voltage transmission grid, is responsible for the transmission of electricity from the power stations to the distribution centres.
3. And from there, it is the distribution companies that carry out the final distribution of electricity to consumers.

SYSTEM OPERATION ACTIVITY

4. For this process to work, Red Eléctrica has to operate the system maintaining the constant balance between generation and consumption, due to the fact that electricity cannot be stored in large quantities.
5. Therefore, Red Eléctrica forecasts the electricity consumption that is going to be demanded nationwide, so that power stations can schedule their production for each hour of the day.
6. Red Eléctrica, through its electricity control centre (CECOEL), is responsible for maintaining the balance between the scheduled production and the energy demanded at each moment. And, as demand varies, it sends the appropriate orders to the power stations to adjust their production.



ELECTRICITY ACTIVITY IN SPAIN

OPERATOR OF THE ELECTRICITY SYSTEM

RED ELÉCTRICA is responsible for maintaining the constant balance that is necessary between electricity generation and demand, and ensuring at all times the

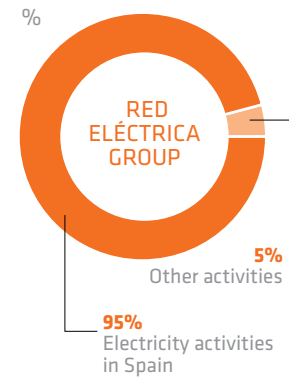
continuity and security of supply. Through its control centres, it operates both the peninsular electricity system and the non-peninsular electricity systems.

TRANSMISSION AGENT AND MANAGER OF THE HIGH VOLTAGE GRID

RED ELÉCTRICA is responsible for the transmission of electricity from the power stations where it is generated to the centres for distribution to consumers. In addition, the Company has the responsibility

for developing, expanding and maintaining the transmission grid under homogenous and coherent criteria. Red Eléctrica is the owner of the entire Spanish high voltage electricity transmission grid.

CONSOLIDATED NET REVENUE



¹ Risk reinsurance and financing activities, as well as the telecommunications and electricity business abroad.



OTHER ACTIVITIES

ACTIVITIES OUTSIDE SPAIN

ELECTRICITY ACTIVITY outside Spain is channelled through Red Eléctrica Internacional (REI) with investments in Peru (REDESUR, REA, and TESUR).

However, activities regarding risk reinsurance and financing of the Group are carried out through its subsidiaries REDCOR (Luxembourg) and Red Eléctrica Finance (Netherlands), respectively.



TELECOMMUNICATIONS ACTIVITIES

ON 20 NOVEMBER 2014, the Company through Red Eléctrica Internacional formalised the acquisition of the transfer of the rights to use and manage ADIF's dark fibre optic network for the next 20 years, for a total consideration of 433.7 million euros. This transaction represents a significant operation for the expansion of the Company's business base. Through this transaction, Red Eléctrica Internacional doubles its current

fibre optic network in commercial operation and now has a network of over 32,000 km deployed nationwide via the high voltage electricity transmission grid and the rail network. At present, the Company positions itself as a neutral provider of telecommunications infrastructure; its main customers being telecom operators and other private companies.

RED ELÉCTRICA INTERNACIONAL DOUBLES IT CURRENT FIBRE OPTIC NETWORK in commercial operation and now has a network of over 32,000 km deployed nationwide via the high voltage electricity transmission grid and the rail network

02 . STRATEGY

CONNECTED TO TSO DEVELOPMENT MAXIMISING EFFICIENCY AND EXPANDING THE BUSINESS BASE

A NEW STRATEGY SET AT THE HEART OF THE BUSINESS

THE NEW STRATEGY for 2014-2019 is set at the heart of the Company's business: the management of electricity transmission grids and fibre optic networks.

The new Plan represents a substantial change with regard to

its predecessor as it improves efficiency criteria, in order to bring the Company in line with the new, and more restrictive, regulatory and remuneration framework, and provides greater scope for expanding the business base.

STRATEGIC PLAN 2014-2019

KEY STRATEGIES

- ▶ DEVELOPMENT OF THE TSO ACTIVITY
- ▶ EFFICIENCY
- ▶ EXPANDING THE BUSINESS BASE

TRANSVERSAL STRATEGIES

- ▶ EXCELLENCE AND CORPORATE RESPONSIBILITY
- ▶ INNOVATION
- ▶ PEOPLE

KEY STRATEGIES

Development of the TSO activity

Efficient management of the TSO activity

- > Development of Red21: flexible, intelligent, secure, efficient, open and sustainable.
- > Regulatory framework: the new regulation ensures the stability of the energy transmission activity and encourages efficiency and grid availability.

- > Investment in the transmission grid: pending approval of the new Infrastructure Plan 2015-2020, we can define the investment portfolio of the Company for the period 2014-2019 that will reach approximately 515 million euros annually, with an annual average commissioning of infrastructure assets in the region of 600 million euros.

New System Operation tools

- > Development of other activities such as: the interruptibility service, cross-border energy balancing services, drafting of new voluntary prices for small consumers, new activities linked to the development of smart grids.

Efficiency

THE NEW REMUNERATION

model leads to a greater need for obtaining operational and financial efficiencies. This plan entails fostering a culture and business management approach focused mainly on the optimisation of construction and maintenance activities, those of greater economic

and financial impact, and the continuous improvement at an operational and process level. Financial efficiencies will be focused on:

- >> Capital cost optimisation and new policy regarding dividends.

- >> Taking advantage of current interest rate levels and coverage of future financial costs.

- >> Flexible financial structure.

Expanding the business base

THE CURRENT economic and energy context brings with it a lower growth scenario from the Company's main activity, which means having to consider expanding the business base in Spain and internationally to drive growth in the coming years. In this regard, a significant portfolio of investments will be made in the following areas:

Telecommunications

- > The concession contract of the management rights and commercial use of ADIF's dark fibre optic network makes Red Eléctrica the neutral operator of fibre optic networks of reference in Spain.

Energy storage

- > Promotion of increased energy storage capacity in the islands as a system operation tool, mainly through pumped storage, without neglecting other future technologies.
- > The Chira-Soria hydroelectric pumping station project in Gran Canaria is the first step in the development of this activity.

International

- > Corporate acquisitions or business concessions outside of Spain will be made in countries with low country risk and with stable regulatory frameworks, and ensuring a majority stake of Red Eléctrica in the shareholding structure and an active involvement in management.



More information in the 'Strategy' section of the corporate web.

GROWTH IN A LOW-RISK ENVIRONMENT (2014-2019)

SOLID GROWTH IN 'CONSOLIDATED' ACTIVITIES

- > Investment in the transmission grid **€3.1bn**
- > Investment in the dark optic fibre network **€475m***

ADDITIONAL GROWTH - NEW ACTIVITIES €1BN

- > Investment in energy storage on the islands
- > International investment

2019 OBJECTIVES OF THE GROUP (Using 2013 as the basis for the calculation)

- > Improved EBITDA Margin \geq 200 basis points
- > Average net debt to EBITDA ratio of 3.5 times over the period
- > 5-6% Growth in earnings per share over the period (CAGR)
- > 7% Growth in dividend per share (CAGR) since 2014

Includes the concession contract of ADIF's dark fibre optic network.

THE PLAN FORECASTS THAT IN 5 YEARS, MAJOR INVESTMENTS will enable the Company to achieve solid growth in 'consolidated' activities and additional growth in new activities

TRANSVERSAL STRATEGIES

Excellence and Corporate Responsibility. With regard to excellence, it is necessary to consolidate the current benchmark position in the execution of our activities whilst focusing our efforts on actively managing corporate reputation and brand, and improving communication with stakeholders, maintaining the focus of corporate responsibility on developing the management of the business.

Innovation. Innovation as a transversal strategy involves a cultural change, which is not limited only to the R&D+i activity. Thus, the scope of innovation is more far-reaching, becoming an

integral part of the operating process and promoting technological innovation as a lever for growth that would allow the great challenges of the future to be overcome.

People. People are the cornerstone on which any strategy is built enabling the forecasted objectives to be achieved. Red Eléctrica is committed to a healthy working environment that promotes the organisation of work and the well-being of its workers, whilst allowing the optimisation of resources.

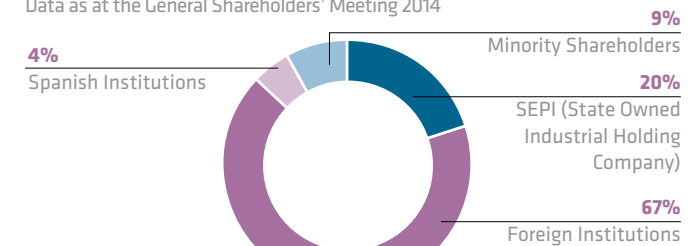
03 . CORPORATE GOVERNANCE

CONNECTED TO CORPORATE GOVERNANCE BEST PRACTICES

GOVERNANCE STRUCTURE OF THE COMPANY

SHAREHOLDER STRUCTURE

Data as at the General Shareholders' Meeting 2014



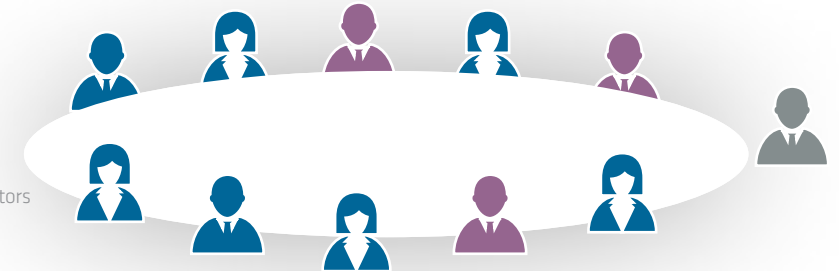
BOARD OF DIRECTORS

1 executive director
7 independent directors
3 external nominee directors

64%
independent directors

45.5%
women

● 1 executive director
● 7 independent directors
● 3 external nominee directors



AUDIT COMMITTEE
75% independent directors
50% women
Chairperson
Female independent director

FEMALE LEAD INDEPENDENT DIRECTOR

CORPORATE RESPONSIBILITY AND GOVERNANCE COMMITTEE
75% independent directors
75% women
Chairperson
Female lead independent director

CORPORATE GOVERNANCE

FROM THE OUTSET, Red Eléctrica has maintained a constant and firm commitment towards adopting corporate governance best practices.

This is made possible not only through compliance with the applicable legal standards and the most widespread national and international recommendations on the subject, but also through the voluntary implementation of a series of measures and initiatives geared towards the core of the most relevant issues regarding the good governance of the Company; issues that are not only those of most concern to shareholders, investors and markets, but are also those that receive more requests for information.



NOTEWORTHY ACTIONS IN 2014

- >> Approval of a Corporate Governance policy.
- >> Progress in gender diversity on the Board: IBEX 35 leader with 50% of external directors who are women.
- >> Improvements in the structure of the remuneration policy of the Board and its external reporting (Annual Remuneration Report).
- >> Publication of an analysis of how corporate governance has evolved in Red Eléctrica since becoming a listed company.
- >> Consolidation of the audit process of the General Shareholders' Meeting.
- >> Involvement at the General Shareholders' Meeting of the chairs of the Board Committees.
- >> Improvement of information on corporate governance on the website.
- >> Dissemination of the Company's roadmap regarding corporate governance: Governance Story (background), Annual Corporate Governance Report (outlook) and inclusion in the corporate website.
- >> Corporate governance included as a strategic course of action in the Company's Corporate Responsibility Plan 2014-2016.



More information in the 'Corporate Governance' section of the website and in the Corporate Governance Report 2014.

GENERAL SHAREHOLDERS' MEETING

AS PART OF THE COMPANY'S commitment to the adoption of best practices, in 2014 the Company continued to drive improvement on matters related to guarantees, transparency and the participation rights of shareholders. The most relevant aspects in this area are the following:

GUARANTEES AND RIGHTS OF ATTENDANCE

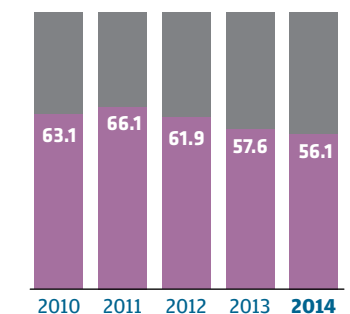
- >> No minimum number of shares required to attend the Meeting.
- >> Representation at the Meeting by any person, without having to be a shareholder.
- >> Separate voting on each matter submitted for approval at the Meeting.
- >> External audit of the management processes of the Meeting.
- >> Vote certification.

TRANSPARENCY AND PARTICIPATION

- >> Implementation of the electronic voting system at the Shareholders' Meeting since 2005.
- >> Section on the corporate website with complete information regarding the Meeting
- >> Live broadcast of the Meeting via Internet, with simultaneous translation in English and sign language in Spanish.
- >> Shareholders' Electronic Forum.
- >> Dissemination via social networks.
- >> Shareholder and investor office



PERCENTAGE OF ATTENDEES AT THE GENERAL SHAREHOLDERS' MEETING (% over share capital)



BOARD OF DIRECTORS

RED ELÉCTRICA HAS a reduced, diverse, active and efficient Board of Directors, composed of 11 members, all of whom are recognised distinguished professionals with extensive expertise.

The Board has two committees made up of a majority of independent directors and chaired by female independent board members.

Similarly, the Board also has a female Independent Lead Director. The primary role of this post is to organise the common

positions of the independent directors, and serve as a communicator or spokesperson regarding said common positions before the Chairman of the Board, the Board itself and its Committees. The post is granted extensive powers which act as a counterbalance to the powers conferred on the Chairman of the Board.

Moreover, Red Eléctrica conducts an annual evaluation of the functioning and performance of the Board, the Chairman and the Board Committees, with the support of independent external advisers.

THE BOARD HAS A FEMALE INDEPENDENT LEAD DIRECTOR whose key task is to organise the common positions of the independent directors, and serve as a communicator or spokesperson regarding said common positions before the Chairman of the Board, the Board itself and its Committees

REMUNERATION POLICY

RED ELÉCTRICA APPLIES the principle of maintaining a remuneration policy for the Board of Directors based on moderation, effective dedication, alignment with the long-term strategies and interests of the Company and its shareholders and other stakeholders, to act as a financial incentive whilst not affecting a director's impartiality due to the amount of the same.

In line with this criteria, as of 2014 the remuneration of external board members is composed only of fixed compensation elements. Both the remuneration of the

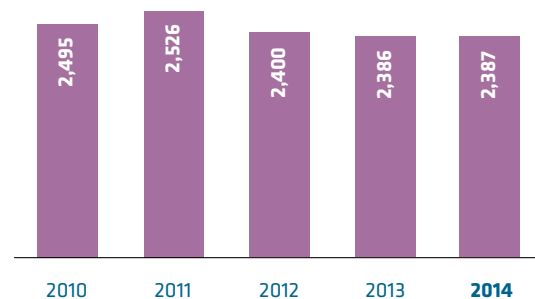
Board of Directors and the Annual Remuneration Report are subject to approval at the Meeting.



More information in the 'Corporate Governance' section of the website and in the Annual Remuneration Report 2014

REMUNERATION OF BOARD MEMBERS

Thousands of euros



BOARD OF DIRECTORS AS AT 31 DECEMBER 2014

EXECUTIVE CHAIRMAN



José Folgado Blanco

LEAD INDEPENDENT DIRECTOR



Carmen Gómez de Barreda Tous de Monsalve
Chairwoman of the Corporate Responsibility and Governance Committee.

EXTERNAL NOMINEE DIRECTORS PROPOSED BY SEPI



Francisco Ruiz Jiménez
Member of the Corporate Responsibility and Governance Committee.



Fernando Fernández Méndez de Andés
Member of the Audit Committee.



Santiago Lanzuela Marina

GENERAL COUNSEL AND SECRETARY OF THE BOARD



Rafael García de Diego Barber
Non-board member

DEPUTY SECRETARY OF THE BOARD



Fernando Frías Montejo
Non-board member

EXTERNAL INDEPENDENT DIRECTORS



María de los Ángeles Amador Millán
Member of the Audit Committee.



Paloma Sendín de Cáceres
Chairwoman of the Audit Committee.



Socorro Fernández Larrea
Member of the Corporate Responsibility and Governance Committee.



María José García Beato
Member of the Corporate Responsibility and Governance Committee.



Antonio Gómez Ciria
Member of the Audit Committee.

The Board of Directors, at a meeting held on 13 February 2015 and further to a proposal made by the Corporate Responsibility and Governance Committee, has co-opted Mr. José Luis Feito Higuera as independent director of the Company to cover the vacancy left by the resignation from the independent director position of Mr. Juan Irazo Martín, dated 13 October 2014, which was accepted by the Board of Directors at its meeting of 28 October 2014.

RISK MANAGEMENT

THE COMPANY has a risk policy that sets out the necessary directives for ensuring that material risks, which could affect the strategies and objectives of the Red Eléctrica Group, are systematically identified, assessed, managed and controlled with standardised criteria and within the established risk limits.

To do this, it has a risk management system covering both the risks of internal processes and those of the environment in which the activities of the Company are carried out. The system conforms to the ISO 31000 standard on the principles and guidelines on risk management.

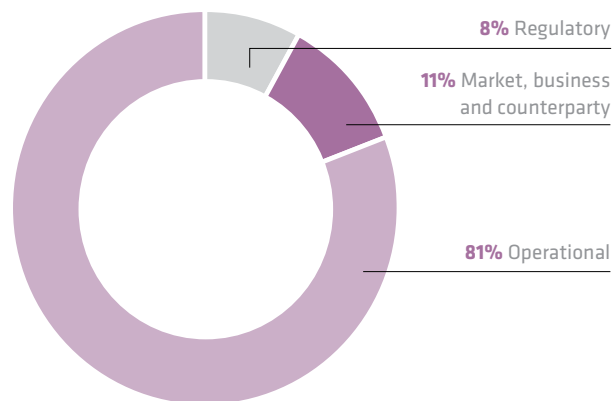
The different responsibilities of the governing bodies and of each organisational units, as well as information flows and activities to be undertaken by the various bodies, are defined in the risk policy and specific procedures.

RISK STRUCTURE

THE ACTIVITIES of Red Eléctrica are considered to be regulated and this circumstance affects both the setting of revenues and the environment and conditions in which these activities should be undertaken. In this context, it is important to highlight two types of risk: regulatory and operational, due to their relevance and specificity.

In addition to these specific risks, Red Eléctrica faces other risks common to the execution of economic and business activities such as: market risk, business risks not associated to the electricity system and credit or counterparty risk.

RISK STRUCTURE



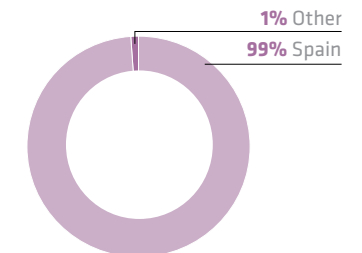
TAX TRANSPARENCY

WITHIN THE FRAMEWORK for the development of best practices in corporate social responsibility and in order to voluntarily provide greater transparency regarding tax information for its different stakeholders, the Red Eléctrica Group has proceeded to calculate and publish their Total Tax Contribution, highlighting the important economic and

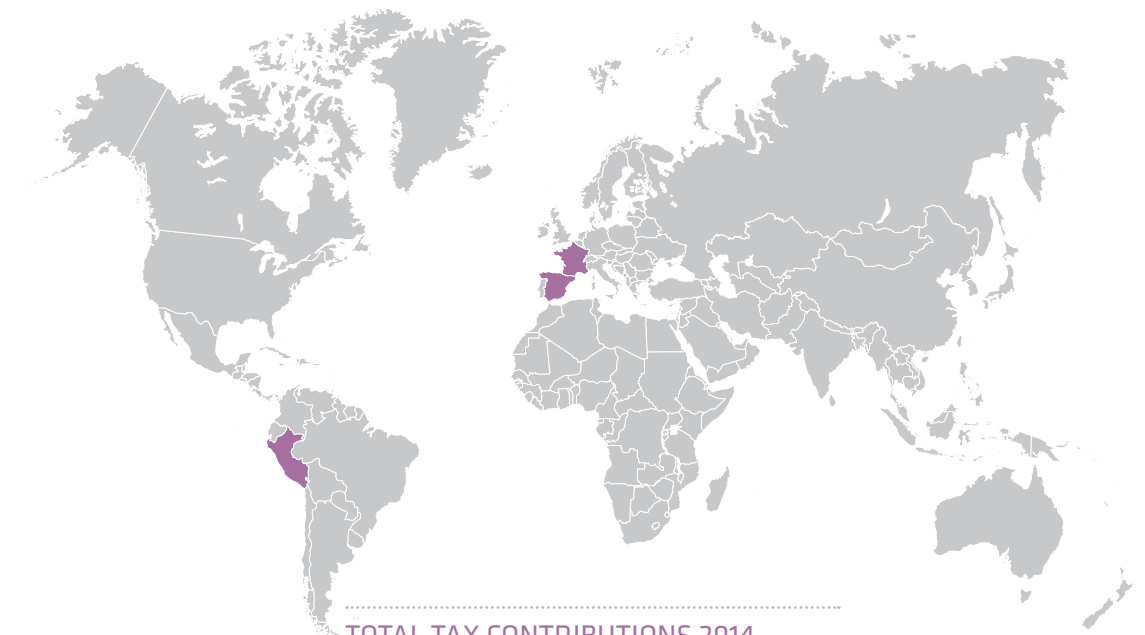
social function derived from the Group's tax payments.

The total tax contribution of the Red Eléctrica Group to governments in all countries in which it operates amounted to 788 million euros, Spain being the jurisdiction with a higher tax contribution (99%).

TOTAL TAX CONTRIBUTIONS



The revenue of the Red Eléctrica Group is principally in Spain (98%)



TOTAL TAX CONTRIBUTIONS 2014

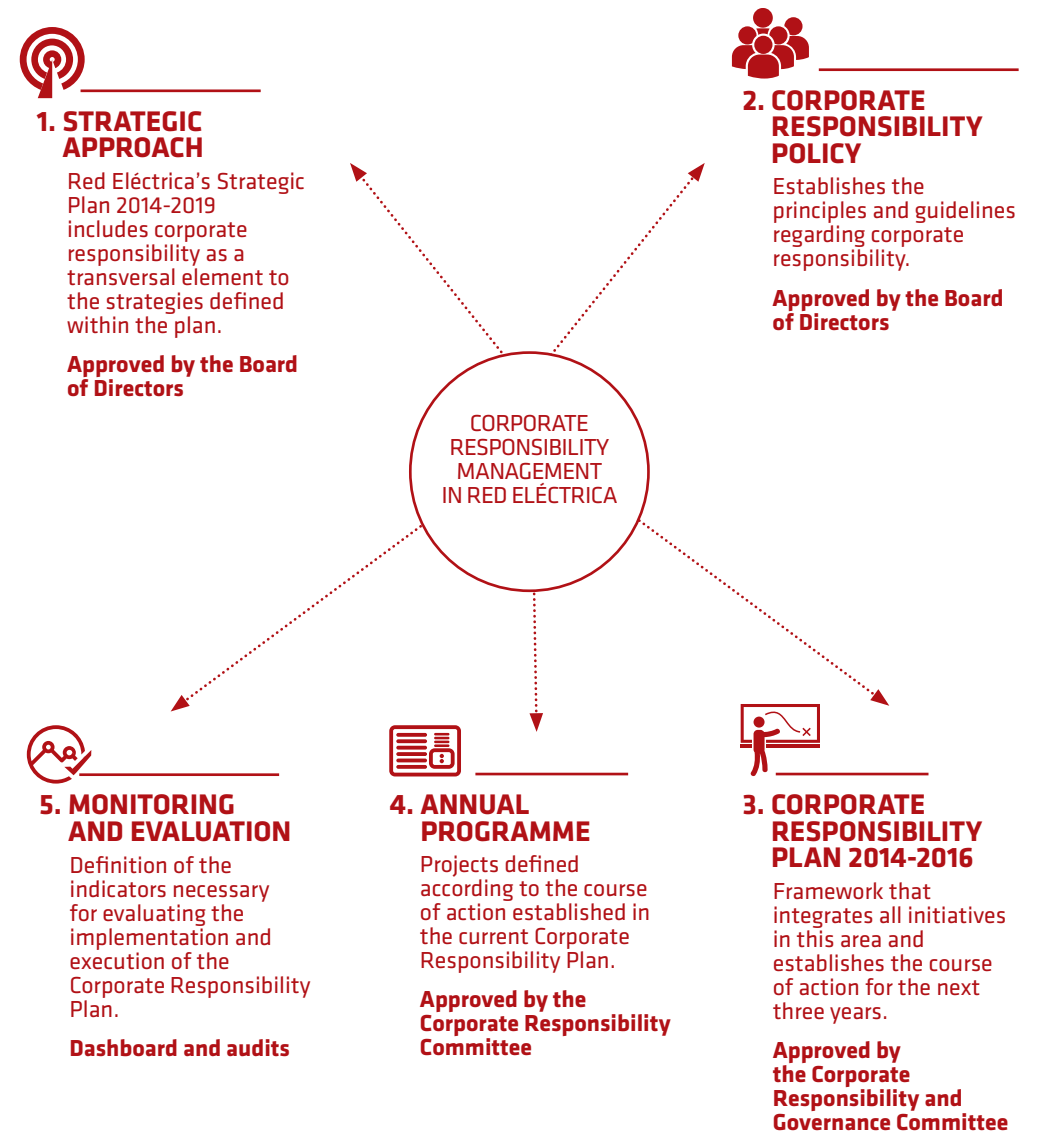
Million euros	Spain	Latin America	Others (EU)	TOTAL
Input Tax	260	3	1	264
Tax collected	520	2	2	524
Tax contribution	780	5	3	788

To calculate the Total Tax Contribution, Red Eléctrica has followed PwC's Total Tax Contribution (TTC) methodology.

04 . MANAGEMENT APPROACH

CONNECTED TO EXCELLENCE AND CORPORATE RESPONSIBILITY

OUR CORPORATE RESPONSIBILITY MODEL



COMMITMENT TO SUSTAINABILITY

FOR RED ELÉCTRICA corporate responsibility is part of the Company's corporate culture and provides the framework for all its activities in order to carry out its mission as operator and sole transmission agent of the Spanish electricity system. In this regard, the objective of the Company is to consolidate itself a sustainable and ethical business, committed to society,

and the management of which is undertaken with a focus on excellence and responsibility in the performance of its functions.

The *Strategic Plan 2014-2019 of the Red Eléctrica Group* includes the commitment to excellence and responsibility in the execution of the activities as transversal elements of the key strategies defined within the plan.

THE QUEST FOR EXCELLENCE

THE COMPANY'S COMMITMENT to excellence was evidenced by the approval in 2014 of its updated excellence and quality policy. Red Eléctrica follows the EFQM (European Foundation for Quality Management) excellence management model which has been implemented since 1999. In 2014, the Company retained the European Excellence Seal 500+, which was renewed in 2013 with a score between 650 and 700 points.

Processes Manual was updated. Similarly, a project for the design, inventory and implementation of a dashboard of key indicators of the Company was also undertaken in alignment with the new map of processes.



More information in the 'Sustainability' section of the corporate website.

MAJOR RECOGNITIONS IN THE FIELD OF SUSTAINABILITY



The excellence management system is based on a management by processes approach. In 2014, the process management methodology was revised and the

CORPORATE RESPONSIBILITY MANAGEMENT

THE COMMITMENT towards Red Eléctrica's sustainable development is part of its Corporate Responsibility Policy. In 2014, the Board of Directors approved the sixth edition of said policy which sets out the Company's commitments towards contributing to a sustainable energy future.

Corporate governance and ethics; sustainable energy model; commitment towards employees, society and the environment; areas on which a corporate responsibility programme is defined annually. The 2014 programme had a fulfilment rate of 83%.

This commitment is articulated through the Corporate Responsibility Plan 2014-2016, approved by the highest governance body of the Company, through the Corporate Responsibility and Governance Committee. This plan is structured into five areas of management:

In addition, Red Eléctrica has a management system which undergoes regular internal and external audits, and has a corporate responsibility scorecard. In 2014, a review of the scorecard indicators was carried out.

Commitment towards external initiatives

RED ELÉCTRICA participates in several initiatives that strengthen its commitment towards corporate responsibility, amongst which the following are noteworthy: UN Global Compact, Biodiversity Compact, Carbon Disclosure Project (CDP) and Caring for Climate.

Stakeholder management

THE COMPANY'S FIRM commitment to its stakeholders is clearly set out in the corporate responsibility policy.

In order to ensure compliance with this commitment, Red Eléctrica has a management system that includes identification, segmentation and prioritisation, as well as the definition of the relationship framework with each stakeholder group.

In addition, this framework defines the relationship channels, based on dialogue and transparency; two of these transversal channels are noteworthy: the DÍGAME service and the satisfaction studies carried out via surveys and interviews. In 2014, satisfaction studies of two stakeholder groups, clients and the media, were conducted with an overall satisfaction score of 8.2 out of 10.

8.2 OUT OF 10 IS THE OVERALL SATISFACTION LEVEL of clients and the media, the two stakeholder groups on which a survey was conducted in 2014

05 . SUSTAINABLE ENERGY

CONNECTED TO PROVIDING A **SECURE AND EFFICIENT ELECTRICITY SUPPLY** OF THE **HIGHEST QUALITY**

CORNERSTONES FOR ACHIEVING SUSTAINABLE ENERGY



INTEGRATION OF RENEWABLE ENERGIES

The safe integration of renewable energies to reduce air pollutant emissions, and to reduce Spain's dependence on foreign energy.

42.8% of the electricity demand covered by renewable energies



SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

Construction of new facilities in order to increase transmission capacity, improve grid meshing, facilitate the evacuation of renewable energies and enable connections between electricity systems.

600 km of new line in the grid

98.2% availability of the peninsular grid

SUSTAINABLE ENERGY: A SECURE AND EFFICIENT ELECTRICITY SUPPLY OF THE HIGHEST QUALITY



ENERGY EFFICIENCY

Development of various initiatives aimed at achieving a more efficient management of the electricity system in the fields of energy storage, smart grids and consumer involvement as an active part of the electricity system.

'PRICE' Project
'PERFILA' Project



TECHNOLOGICAL INNOVATION

Incorporation of new innovative technologies that improve the stability and efficiency of the system, and facilitate the integration of renewable energies.

66 technological innovation projects

8.3 million euros in investment



INTERNATIONAL INTERCONNECTIONS

Strengthening interconnections in order to improve the guarantee and security of supply, and to facilitate the creation of a single European electricity market.

France: Santa Llogaia-Baixas line

Portugal: Puebla de Guzmán-Tavira lin



QUALITY AND SECURITY OF SUPPLY

RED ELÉCTRICA, as transmission agent and operator of the Spanish electricity system, is responsible for helping to make the objectives of energy policy viable in regard to providing a secure, efficient and sustainable electricity supply.

Therefore, the Company is working on developing a transmission grid that is better meshed, more robust and better interconnected

through the strengthening of international interconnections and also those between the islands. It is also focusing on the safe integration of renewables, the development of initiatives aimed at energy efficiency and on incorporating innovative technologies to improve system efficiency. All this is geared towards achieving the new energy targets set by the European Council for 2030:

27% improvement in energy efficiency

40% reduction in CO₂ emissions compared to 1990 levels

27% demand coverage by renewable energies

SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

IN 2014, INVESTMENT in the transmission grid responded basically to the need to increase grid capacity and meshing to support electricity distribution in several areas of the country, and also to move forward with

the execution of projects of a unique nature such as international interconnection projects, as well as submarine interconnection projects between the islands.

In 2014, a total of 600 km of new line and 95 new substation bays were brought into service, and also transformer capacity was increased by 3,250 MVA, representing a total investment in the transmission grid of 493 million euros.

Peninsular transmission grid

WITHIN THE KEY developments of the peninsular grid, the following projects are significant:

- >> The Almaraz-Guillena axis, worthy of mention is the commissioning of both the Brovales-Guillena line (237.5 km) and the Mérida-San Serván line (46.1 km).
- >> Commissioning of the Bescanó-La Farga-Santa Llogaia axis (85.1 km).

- >> The interconnection line with France through Gerona.
- >> The interconnection line with Portugal from Andalusia.
- >> In addition, among others, the commissioning of the Vilanova-Valldigna-Gandia line (31.3 km) stands out, as well as the Costa de la Luz-Onuba line (25.7 km) and several 400 and 220 kV substations.

RED ELÉCTRICA MANAGES A TRANSMISSION GRID consisting of 42,601 km of line and 5,292 substation bays

Balearic Islands' transmission grid

THE MOST SIGNIFICANT

milestone in the Balearic Islands system is the inception of the Majorca-Ibiza interconnection: a link that enhances the electricity integration process between the Balearic Islands and the Spanish Peninsula, key to ensuring the reliability of supply in the archipelago. The main objective of this interconnection is to end the current electrical isolation of Ibiza, in addition to saving costs for the system and promoting competition in electricity generation on the islands.

The project incorporates rigorous preventive and corrective

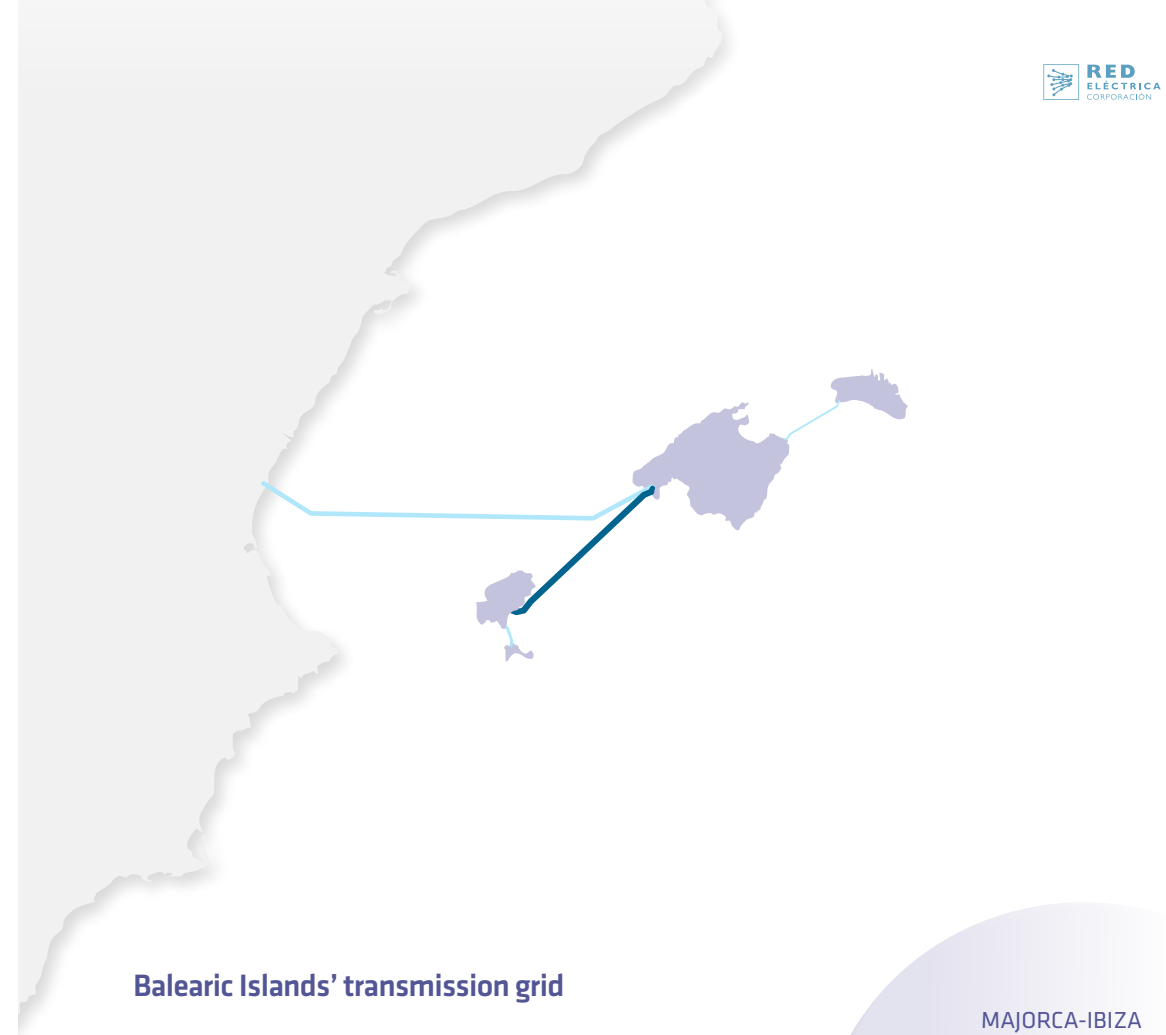
measures to protect both flora and fauna and archaeological heritage. In addition, it takes into consideration steps to improve biodiversity in the areas through which the infrastructures pass.

As for the interconnection that links the island of Majorca with the peninsular electricity system, brought into service in 2012, in addition to the improvement achieved in terms of quality and security of supply, it is worth mentioning that the energy transferred from the Spanish Peninsula in 2014 covered 27% of the demand on the Balearic Islands, at times reaching peaks

MAJORCA-IBIZA SUBMARINE INTERCONNECTION

The interconnection consists of a 132 kV alternating current double tri-polar link that is 126 km in length. Its route consists of a land section on each island where the line runs underground (3 km on Majorca and 5 km on Ibiza) and a submarine section of 118 km

of 35% of the hourly consumption. This resulted in a saving of 23% regarding the coverage costs of the Balearic Islands' system and avoided the emission into the atmosphere of nearly 340,000 tonnes of CO₂.



Canary Islands' transmission grid

RED ELÉCTRICA'S PLAN TO INVEST approximately 800 million euros in the Canary Islands system in the coming years is highly significant

This investment will drive the progressive change of the current energy model in the Canary Islands, to move towards a model based on the integration of renewable energy and the development of interconnections between the islands. The new infrastructure will allow the evacuation of future wind farms and improve the efficiency and security of the islands' electricity systems. Additionally, Red Eléctrica and Endesa have reached an agreement on the transfer of the concession for the Chira-Soria hydroelectric pumping station in Gran Canaria. The total investment in the facility is of approximately 300 million euros.



STRENGTHENING AND IMPROVING THE CANARY ISLANDS TRANSMISSION GRID

Priority objectives

- >> Drive the change in the energy model on the Canary Islands:
 - > Facilitate the evacuation and integration of renewable energies.
 - > Construct a reversible hydroelectric pumping station.
 - > Ensure a more sustainable and efficient electricity supply.
- >> Move towards more secure and robust electricity systems:
 - > Improve grid meshing.
 - > Resolve structural weaknesses in the grid.
 - > Increase the quality standards of existing infrastructure.
 - > Develop interconnections between the islands.

INCREASED EFFICIENCY, security and sustainability of the electricity systems on the Canary Islands

INTERNATIONAL INTERCONNECTIONS

FOR THE EFFICIENT operation of the electricity system it is essential to strengthen international interconnections. Having an increased electricity exchange capacity with neighbouring countries provides greater security of supply and a better use of renewable energy.

In the case of Spain, the need for investment in the strengthening of interconnections is very important because our country has a limited level of interconnection with Europe, well below the 10% of its installed capacity target established at the European Summit in Barcelona in 2002.

In this regard, in October 2014, the European Council set a new target: raise interconnection capacity up to 15% by 2030. This milestone was agreed along with the other three targets related to the reduction of CO2 emissions, production from renewable sources and energy efficiency to be achieved in the same time scale.



It is clear that, in order for Spain to achieve these objectives, it must have a greater electricity interconnection between the Iberian Peninsula and Europe. Therefore for Red Eléctrica, in the coming years, infrastructure development will focus on international interconnection projects

SERVICE QUALITY

Grid availability (%)	2010	2011	2012	2013	2014
Peninsular transmission grid	97.93	97.72	97.78	98.20	98.20
Canary Islands transmission grid	99.50	98.95	98.91	98.30	98.35
Balearic Islands transmission grid	99.17	98.21	98.07	97.96	98.00

INTERCONNECTION WITH FRANCE

IN 2014, the construction of the interconnection axis with France through the Eastern Pyrenees was completed; an interconnection which is due to be put into service in early 2015. This considerable engineering feat has been carried out with minimal environmental impact and maximum integration

into the landscape. This infrastructure will double the current electricity exchange capacity between Spain and France from 1,400 to 2,800 MW. The interconnection is of great importance in influencing the quality and security of the Spanish electricity system and the integration of renewable energy.



KEY PROJECT DATA

- >> A high voltage direct current line that runs underground throughout its entire length (65 kilometres).
- >> A converter station has been built at each end of the line in order to transform alternating current to direct current and vice versa.
- >> A tunnel (8.5 km in length and 3.5 metres in diameter) houses the cables in the stretch that crosses the Pyrenees.
- >> A total investment of €700 million, co-financed with our neighbouring country through the company INELFE (owned 50% by REE and 50% by RTE).

Interconnection with Portugal

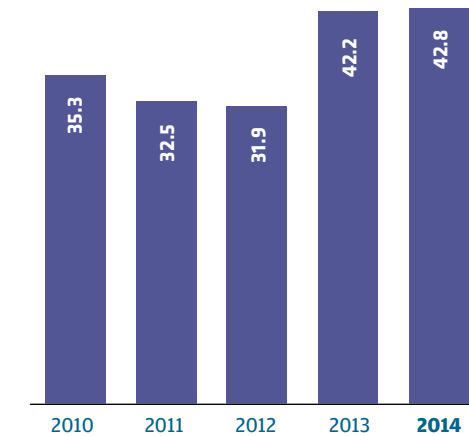
IN 2014 the Puebla de Guzmán-Portuguese border electricity line was brought into service with the aim of increasing the interconnection capacity between Spain and Portugal and enhancing the security level of the operation of both electricity systems. The interconnection involved the meshing of the 400 kV grid of the Spanish and Portuguese systems between the substations of Puebla de Guzmán (Spain) and Tavira (Portugal).

THE SAFE INTEGRATION OF RENEWABLES

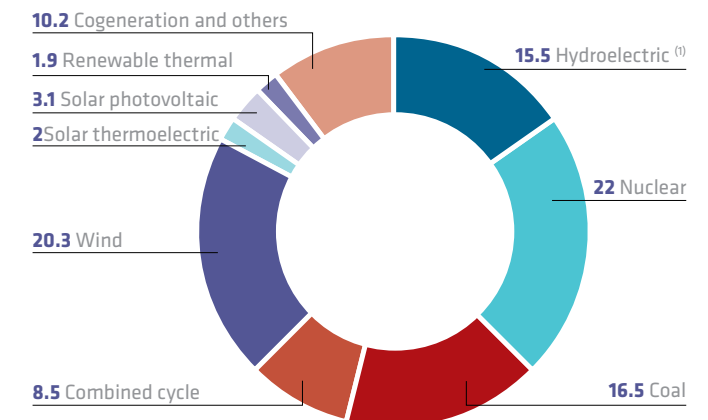
IN LINE with previous years, the main objective of the operation of the electricity system throughout 2014 has been to ensure the safe integration of the maximum amount of renewable energy into the system. To this end, the role of the CECRE (Control Centre of Renewable Energies) has been essential. The work carried out by CECRE is contributing to an increasingly prominent role of renewable energy in the coverage of the demand, which favours both the reduction of emissions and reduces Spain's high foreign energy dependence.

In 2014, energy production from renewable sources in the peninsular electricity system represented 43% of the total amount generated. For yet another year, the remarkable role of wind-power generation in contributing 20% to the annual energy production, putting this technology second, just behind nuclear energy, in terms of its contribution to the overall mix used to cover demand.

EVOLUTION OF THE CONTRIBUTION OF RENEWABLE ENERGIES IN THE COVERAGE OF DEMAND %



COVERAGE OF THE ELECTRICITY DEMAND 2014 %



⁽¹⁾ Excludes pumped storage generation

ENERGY EFFICIENCY

RED ELÉCTRICA continues to work actively on the promotion, development and dissemination of demand-side management measures as necessary tools for both the current and future electricity system. Amongst the initiatives developed, noteworthy are, on the one hand, those measures designed to achieve a more balanced consumption

RED ELÉCTRICA PROMOTES the involvement of consumers as a key player in the new energy model

profile and, on the other, those that aim to provide a greater flexibility in the operation of the system.

Active citizen

RED ELÉCTRICA promotes the involvement of consumers as a key player in the new energy model.

that enable citizens to easily understand the functioning of the electricity system, helping them to change their habits leading to a more efficient and responsible use of energy.

The progressive electrification process of our society, resulting from the ever-increasing importance of electricity in our lives, requires initiatives to disseminate recommendations on energy efficiency best practices

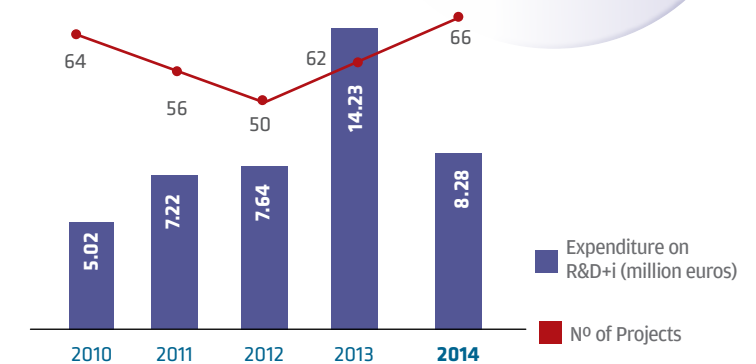


TECHNOLOGICAL INNOVATION

ALL PROJECTS within this scope respond to the Company's commitment to innovation as a lever for growth, efficiency and as a key element for progress towards a more sustainable electricity system.

IN 2014 WORK WAS CARRIED OUT on the development of 66 technological innovation projects aimed at increasing system efficiency and the integration of renewable energies

EXPENDITURE ON R&D+i



INITIATIVES FOR EFFICIENT MANAGEMENT OF THE ELECTRICITY SYSTEM



'PRICE' PROJECT

The 'PRICE' deployment project (Joint Smart Grid Project in the Corredor del Henares area of the Community of Madrid) has allowed

Red Eléctrica to gain knowledge and technology for the implementation of demand-side management tools and new mechanisms aimed at providing citizens with information about their electricity consumption and data regarding the electricity system.



PROFILING SERVICE

Red Eléctrica leads this project that seeks to introduce improvements in the current profiling service

through a panel of approximately 20,000 consumers who already have smart meters installed, and thus Red Eléctrica has a more in-depth knowledge of consumption patterns and schedules of households and a large number of small shops and services.

Noteworthy Projects

IN 2014, TWO PROJECTS represented a major milestone in Red Eléctrica's commitment to incorporating innovative technologies to improve key aspects such as energy efficiency, the integration of renewable energies and the stability of the electricity system.

>> The installation and bringing into service of a flywheel to stabilise the frequency of the electricity system of Lanzarote-Fuerteventura, installed in Mácher (Lanzarote).

>> The installation of a battery for large scale energy storage (ALMACENA Project) located in Carmona (Seville), which has allowed two functionalities to be tested aimed at promoting the integration of renewable energies and improving operation services: load curve modulation and frequency-power regulation.

'BEST PATHS' PROJECT



This European project, launched in 2014, aims to overcome the technical barriers that the current pan-European power network could encounter in order to safely, efficiently and reliably integrate massive amounts of energy from renewable sources such as solar or offshore wind power, satisfying the demand in a competitive manner and reducing the levels of CO2 produced. Red Eléctrica co-ordinates this Project in which 39 partners from universities, research institutes, the industrial sector and European TSO's participate.

06 . ECONOMIC VALUE

CONNECTED TO SOLID GROWTH AND
A CLEAR ORIENTATION TOWARDS
**OPERATIONAL EFFICIENCY AND
FINANCIAL SOUNDNESS**

CORNERSTONES FOR CREATING ECONOMIC VALUE



FINANCIAL RESULTS

Stable growth and solid results based on the investment plan, the development of new business and the improvement of operational efficiency.

€717.8 million
in net profit

€1,385.4 million
in EBITDA



FINANCIAL STRATEGY

A financial policy adapted to the new remuneration model, maintaining a diversified financial debt and a comfortable position of liquidity to cover upcoming maturities.

€5,408.5 million
of net financial debt

EBITDA-To-Interest
Coverage Ratio
of **3.9 times**



SHAREHOLDER RETURN

Maximising returns for shareholders and investors, offering an attractive dividend yield, and contributing to the increase in the share price through efficient business management.

50.9% increase
in the share price

18% increase
in the dividend



EVOLUTION OF RESULTS

DURING 2014 Red Eléctrica managed to show stable growth. The Company achieved solid results whilst maintaining a clear focus on operational efficiency and the permanent creation of value.

Net profit for the year, which amounted to 717.8 million euros - 35.7% above the figure registered in the previous year, was positively impacted by several one-off events such as the agreement with the State of Bolivia on compensation for TDE, the acquisition of the rights to use and operate ADIF's dark fibre optic network and

the impact of tax reform (Law 27/2014). If we eliminate these impacts, the profit for the year would have increased by 5.4%, exceeding the target set for 2014.

Investment totalled 957.6 million euros and included 492.6 million euros for transmission grid development in Spain and 433.7 million euros for the acquisition of the rights to use and operate ADIF's dark fibre optic network.



More information in the 'Management Report' section of the Consolidated Annual Accounts Report 2014.

MAIN FINANCIAL INDICATORS

Million euros

	2013	2014	△ %
Net Revenue	1,758.3	1,846.7	5.0%
Gross operating result (EBITDA)	1,301.9	1,385.4	6.4%
Net operating result (EBIT)	898.7	949.2	5.6%
Net profit	529.1	717.8	35.7%
ROE (PAT/Equity)	23.8%	28.1%	18.2%
Cash flows from operating activities	1,191.9	512.0	-57.0%
Net financial debt	4,541.2	5,408.5	19.1%
Net Equity	2,224.6	2,552.5	14.7%
Gearing	67.1%	67.9%	1.2%
Investments	596.0	957.6	60.7%
Total assets	9,419.9	10,558.0	12.1%
EBITDA-To-Interest Coverage Ratio	3.49	3.90	12.0%

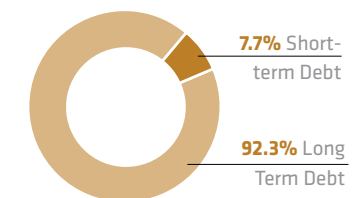
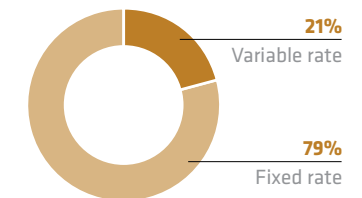
FINANCIAL STRATEGY

RED ELÉCTRICA'S financial strategy is geared towards reflecting the nature of its business, at all times adhering to legislation in force.

Transmission and operation of the electricity system are very capital-intensive activities, wherein investments mature over long periods.

In addition, the remuneration of these assets is for periods of 40 years at rates linked to Spanish long-term government debt. Therefore, our financial debt is primarily long-term and referenced mainly at fixed rate. The weighted average term of maturity of debt drawn at the end of the year is 5 years.

STRUCTURE OF FINANCIAL DEBT



SHAREHOLDER RETURN

RED ELÉCTRICA SHARES

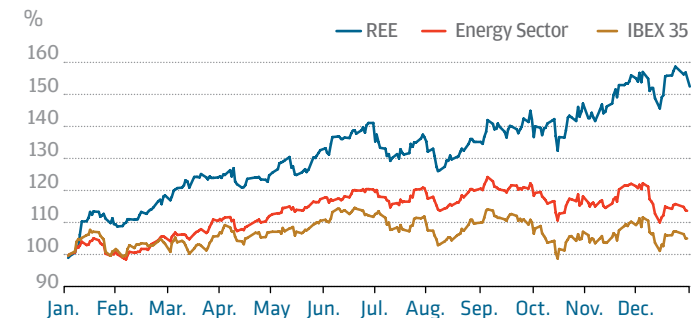
THE STOCKMARKET performance of Red Eléctrica during 2014 can be described as extraordinary. The share price rose 50.9% over the year in a business environment marked by the elimination of a great deal of the

regulatory uncertainty associated with our core business, and also the improvement of the country's premium risk which has led to investment in Spain as it is no longer considered high risk.

DISTRIBUTION OF DIVIDENDS

THE DIRECT RETURN for the shareholder in the form of dividends increased by 18% over the previous year. The gross dividend proposed at the General Meeting with a charge to 2014 profit, is 3 euros per share. On 2 January 2015 a gross interim dividend payout of 0.8323 euros gross per share was made, with 2.1677 euros per share pending distribution, as part of a gross complementary dividend.

COMPARISON OF RED ELÉCTRICA'S SHARE VALUE 2014



07 . EMPLOYEES

CONNECTED TO TALENT,
EQUALITY, HEALTH
& SAFETY AND **STABLE
EMPLOYMENT**

CORNERSTONES OF OUR COMMITMENT TOWARDS TO EMPLOYEES



STABLE AND QUALITY EMPLOYMENT

Our commitment towards to stable employment is reflected in the high percentage of permanent contracts for employees.

99.4% permanent contracts



TALENT MANAGEMENT

Training activities, knowledge management and the development of skills and competencies are unified under a global model.

124,158 training hours.
74 hours per employee (average)

CONSTANT
FOCUS ON THE
CREATION OF
A QUALIFIED,
MOTIVATED AND
COMMITTED
TEAM



WORK-LIFE BALANCE

Comprehensive work-life balance plan with additional flexibility measures regarding working hours, improvement of paid authorised leave, financial assistance to employees and their families

7,5 out of 10
Rating in the work-life balance survey



HEALTHY WORKPLACE

Our goal is a continual and progressive improvement in the levels of health and safety; understood to encompass physical, psychological and social well-being.

More than **45%** reduction in the frequency and severity of work-related accidents in the last three years



EQUALITY AND DIVERSITY

Steady increase in the number of women on the workforce, in management positions and on the Board of Directors. Existence of a plan for the incorporation of people with disabilities.

19.3% of directors are women
22.8% of the workforce are women
2.43% of people with disabilities on the workforce, in compliance with collaboration agreements under the Disability Act (Ley General de la Discapacidad)

EMPLOYEES

SUSTAINED GROWTH OF QUALITY EMPLOYMENT

THE WORKFORCE of Red Eléctrica de España by the end of 2014 totalled 1,682 highly qualified professionals, representing an increase of 0.6% over 2013. With regard to the Red Eléctrica Group, the workforce stood at 1,742.

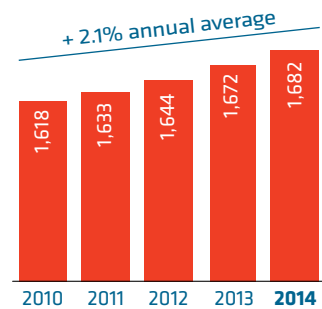
Red Eléctrica's commitment towards creating stable employment is reflected in the percentage of workers on permanent contracts, which stands at over 99%. This stability fosters a sense of pride and belonging among employees reinforcing their commitment to the business

project. Proof of this is the rate of undesired external turnover which has stood below 1% for the last five years.

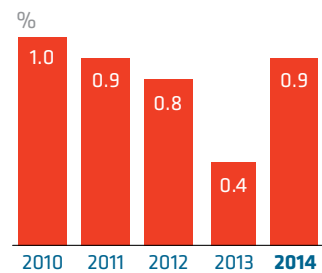


More information in the 'Employees' subsection of the 'Sustainability' section of the corporate website.

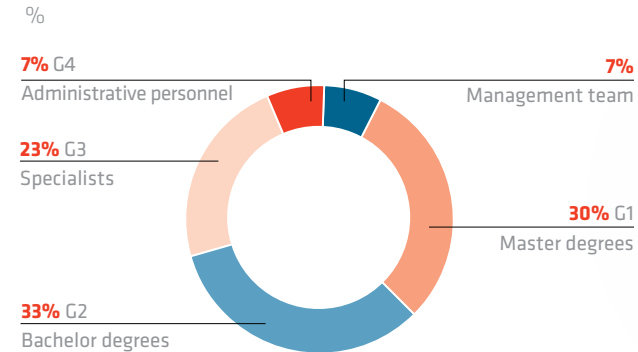
EVOLUTION OF THE WORKFORCE



UNDESIED EXTERNAL TURNOVER INDEX

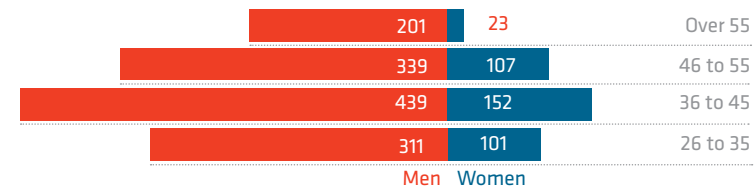


STRUCTURE OF THE WORKFORCE BY PROFESSIONAL CATEGORY



RED ELÉCTRICA'S COMMITMENT TOWARDS THE CREATION OF STABLE EMPLOYMENT is reflected in the percentage of workers on permanent contracts, which stood at 99.4% in 2014

WORKFORCE DISTRIBUTION BY AGE GROUP AND GENDER



KEY EMPLOYMENT INDICATORS

(Data for Spain)

	2012	2013	2014
Total workforce	1,646	1,672	1,682
Women (%)	22.7	23.1	22.8
Men (%)	77.3	76.9	77.2
Women in management positions (%)	19.4	19.7	19.3
People with some type of disability (%)	-	0.66	0.71
Creation of net employment (number of job posts)	13	26	10
Average age	42	43	43
Average length of service (years)	13	13	14
Undesired external turnover (%)	0.8	0.4	0.9
Total turnover (%)	1.5	1.0	1.2
Permanent contracts (%)	100	99.8	99.4

RECOGNITIONS

- >> Red Eléctrica has ranked amongst the three most attractive companies to work for in the energy sector in the 5th edition of the Randstad Awards in Spain.
- >> Leading company in the energy sector to be ranked among 'The 100 best companies to work for' in the 2014 in the 'Actualidad Económica' magazine's annual survey.
- >> Red Eléctrica holds position 22 in the MercoPersonas 2014 ranking.

EQUALITY AND DIVERSITY

THE COMMITMENT to diversity and equality is an intrinsic part of Red Eléctrica's culture, and is enshrined within the Company's Code of Ethics and internal policies. The aim is to foster a working environment in which all employees, regardless of gender, age or ability, have the possibility to advance professionally.

In this regard, since 2009 the Company has had an equality plan, developed jointly with the Social Representation, which includes actions aimed at promoting effective equality between men and women. Proof of this is the increased presence of women on the

workforce, with 384 women in 2014 compared to 356 women in 2009. In the same vein, the percentage of women in director positions increased from 15.7% in 2009 to 19.3% in 2014.

IN RECENT YEARS
THERE HAS BEEN
AN INCREASE in the
number of women
on the workforce,
an increase of 8%
between 2009 and
2014



THE NUMBER
OF WOMEN IN
MANAGEMENT
POSITIONS grew by
43.8% during the
2009-2014 period

CORNERSTONES FOR EQUALITY AND DIVERSITY

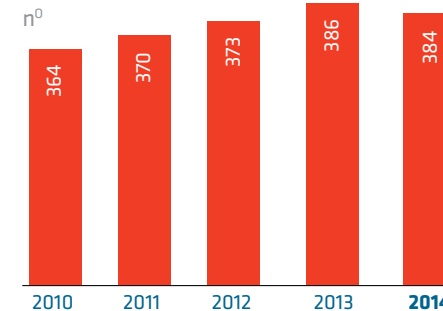
- >> Equal Opportunities in employment
- >> Promotion of women into positions of responsibility
- >> Protection against gender-based violence
- >> Protection against moral, sexual and gender-based harassment
- >> Integration of people with disabilities

FOSTERING INTEGRATION

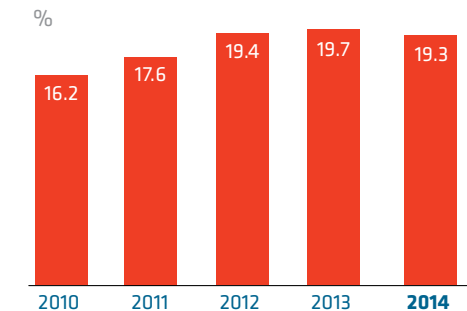
THE INTEGRATION of people with disabilities is an key objective of Red Eléctrica's corporate responsibility policy. For its deployment, a management model and a comprehensive disability plan has been defined that incorporates the following measures:

- >> Raising the awareness of the workforce.
- >> Exceeding compliance with the statutory obligations and integrating the concept of disability into the different processes of the Company.
- >> Integrating people with disabilities into the workforce, participating in job fairs aimed at this group and taking part in projects seeking to integrate university students into the business world such as the Proyecto Unidos in collaboration with the Adecco Foundation.

EVOLUTION OF WOMEN IN MANAGEMENT POSITIONS



EVOLUTION OF WOMEN IN MANAGEMENT POSITIONS



EMPLOYEES

TALENT MANAGEMENT

MANAGING THE TALENT of the people that make up the Company is key to helping achieve the goals of the business. To promote this, a global talent management model has been designed with the aim

of aligning training, skills and competency development and knowledge management. The goal is to provide the talent management process with greater efficiency and quality.

THE RED ELÉCTRICA CORPORATE SCHOOL (ECRE) provides the global framework to develop training adapted to the needs of the Company and its employees

TRAINING AND DEVELOPMENT

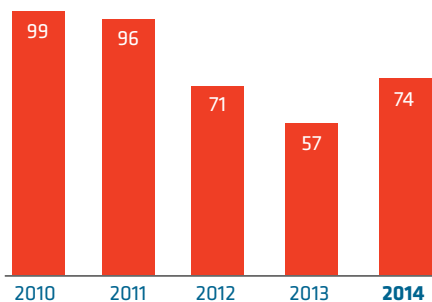
RED ELÉCTRICA maintains a constant commitment to the training and development of its employees, to continuous improvement and to professional excellence in response to both current challenges and those of future scenarios.

The Red Eléctrica Corporate School (ECRE) provides the global framework to develop and provide training adapted to the needs of the Company and its employees. This School trains Company professionals to perform the operation and

transmission functions of the electricity system, and it also manages skills and competency training and development. In 2014, noteworthy was the launch of the 'Aula' protections workshop, equipped with the latest technology.

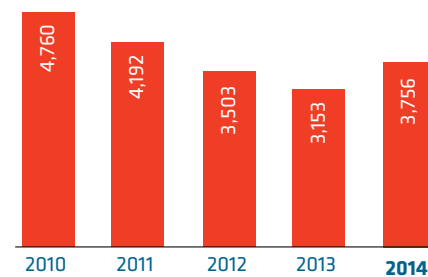


AVERAGE TRAINING HOURS PER EMPLOYEE



INVESTMENT IN TRAINING PER EMPLOYEE

Euros



KNOWLEDGE MANAGEMENT

TALENT MANAGEMENT INTEGRATES training, knowledge management and the development of skills and competencies

IN 2104, a multidisciplinary working group was assembled in order to promote and develop a comprehensive knowledge management model based on two aspects: firstly, to facilitate the identification of key knowledge and ensure it is available to the organisation and, secondly, to improve the

generation and exchange of ideas and facilitate innovation. The project will provide various benefits such as cost savings by avoiding the loss of core expertise and will boost employee motivation.

HEALTHY WORKPLACE

RED ELÉCTRICA is a company that is concerned with the health and safety of its employees and therefore carries out multiple activities to promote health and quality of life, as reflected in the implementation of health and safety management systems, which have resulted in persistently low rates of work-related

accidents of both Company employees and contractors.

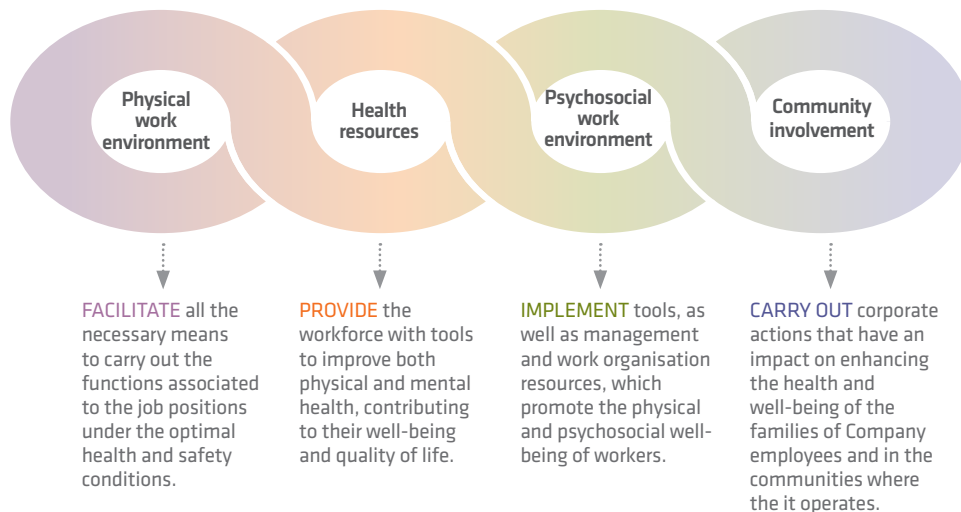
In 2014, the Company went a step further by defining the healthy workplace model, which sets out the principles and guidelines to protect and promote health, work-related safety, the well-being of employees and the sustainability of the

workspace, extending it both to the family environment and to society. It has also drafted an action plan for the next three years to develop the model.



More information on the Healthy Workplace model in the 'Employees' subsection of the corporate website.

RED ELÉCTRICA'S HEALTHY WORKPLACE MODEL



THE WORK-LIFE BALANCE

RED ELÉCTRICA'S WORK-LIFE balance management model is included in the main course of action of the healthy workplace model as the Company is fully aware of the effect the work-life balance has on the health of its workforce.

The challenge lies in being able to assess, on a case-by-case basis, the dual demands placed on people (work-personal life) to achieve a more flexible work-life balance based on a mutual commitment between the Company and its people.

Amongst the actions carried out in 2014 the following are worth highlighting:

- >> The new work-life balance measures regarding flexi-time working, improved authorised leave, and financial aid to employees and their family members with 33% disability.
- >> The family support activities and services: takeaway food service, Days without school (activities for the children of employees during working days), urban summer camps

and Open Doors Day for the families of employees.

- >> Recognitions: Red Eléctrica is certified as a 'Family-responsible Company'



- >> **Recognitions:** Red Eléctrica is certified as a 'Family Responsible Company'

DIALOGUE AND TRANSPARENCY

INTERNAL COMMUNICATION is a key element for the involvement of employees in meeting business objectives, to improve the working climate, promote the integration of people and increase their pride of belonging.

In this regard, Red Eléctrica works on various communication actions amongst which the following are noteworthy: communication plans regarding corporate projects, promotion of activities outside the workplace, sports activities,

induction and integration plans and social climate surveys.

Similarly, it has multiple communication tools and platforms amongst which the corporate intranet 'miRED' is worth noting.

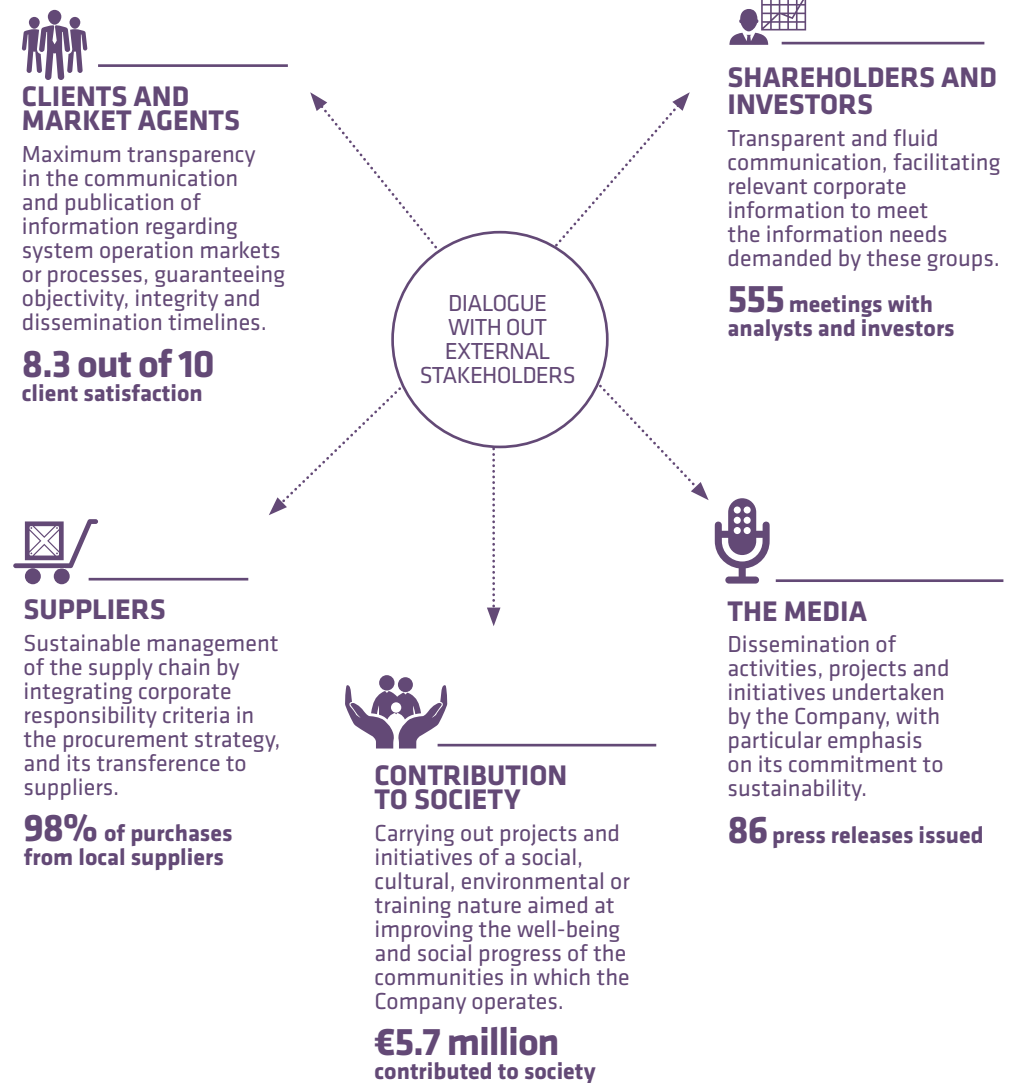
The management team's commitment to communication has been strengthened with the addition of various leadership goals linked to the dissemination of matters of interest such as the new collective bargaining agreement.

Regarding social dialogue, the most important milestone was the coming into force of the 10th Collective Bargaining Agreement, signed by all union representatives and with a validity period of four years, whose pillars are labour productivity, the work-life balance, improving flexibility and sustainability, and which decouples workforce salary increases from the Consumer Price Index and links it to the Company's productivity and GDP growth.

08 . SOCIETY

CONNECTED TO OUR
STAKEHOLDERS THROUGH
**TRANSPARENT, FLUID AND
CLOSE-KNIT DIALOGUE**

CORNERSTONES OF OUR RELATIONSHIP WITH STAKEHOLDERS



DIALOGUE WITH SHAREHOLDERS AND INVESTORS

RED ELÉCTRICA maintains a solid commitment to an open dialogue with its shareholders and investors, facilitating them with the relevant corporate data to meet their information needs. This communication is transparent and fluid, which is key to achieving a trust relationship with them.

functionalities of the system for voting on proposed resolutions by electronic means have also been improved.

Similarly, in 2014 the General Shareholders' Meeting, so as to facilitate the participation of

persons with disabilities, provided a sign language interpreter. Moreover, the Shareholders' Attention Centre attended to 1,105 minority shareholders and was responsible for the delivery of documentation relating to the Meeting.

In 2014, 555 meetings were held with analysts and institutional investors: 537 for variable income securities, 12 for fixed income securities and 6 for corporate governance. For yet another year, the Company has turned to major financial forums in the domestic market, Europe, the United States and Australia, in accordance with its communication and transparency policy.

Regarding the General Shareholders' Meeting, the Company has, as in previous years, continued to improve communication with its shareholders. In this regard, the opportunities for the participation of shareholders at the Meeting have increased through the live broadcast over the Internet, for the ninth consecutive year, of the event, with translation in English. The



THE CUSTOMER SATISFACTION SURVEY conducted in 2014 reflected an overall average rating of 8.3 out of 10

MAXIMUM TRANSPARENCY IN THE RELATIONSHIP WITH CLIENTS AND MARKET AGENTS

RED ELÉCTRICA bases its success as manager of the Spanish electricity system on the principles of neutrality, independence and efficiency that it applies in all its processes and activities, especially in the service it provides to its clients and market agents. To this end, the Company has a Code of Conduct for System Operation, to ensure transparency, confidentiality, ethics and objectivity in its role as operator of the electricity system. In 2014, a revision of this code began.

Furthermore, Red Eléctrica has an internal control system for the operation activity under the standard known as SSAE-

16 (Standards for Attestation Engagements). This system is regularly subjected to rigorous external evaluation.

With respect to the information the Company must publish regarding the results of the system operation markets or processes, Red Eléctrica has a public website (www.esios.ree.es) and another one that can only be accessed by certified market subjects. Both channels, which undergo continual improvement, are key tools to ensure compliance with legal requirements regarding communication and disclosure of information.

Additionally, the Company participates in the implementation of the European Regulation regarding the Wholesale Energy Markets Integrity and Transparency (REMIT) and the Incident Analysis Group, GRAI, in which the most relevant incidents, their causes and necessary corrective actions are analysed.

Satisfaction Surveys

Red Eléctrica biennially conducts a satisfaction survey of clients and business agents. The client satisfaction survey conducted in 2014 reflected an overall average rating of 8.3 out of 10.

STABLE AND TRUSTWORTHY RELATIONSHIP WITH SUPPLIERS

THE MANAGEMENT of the Red Eléctrica's suppliers seeks to minimise, throughout the supply chain, the business, technical, environmental, health and safety risks, in addition to those related to working conditions and ethical behaviour.

In 2014, 526.7 million euros in the purchase of goods and services were managed through

1,202 suppliers. 98% of this amount was awarded to suppliers with head offices in Spain. During 2014, 27 audits of suppliers were conducted focused on working conditions and ethical behaviour and another 41 related to various corporate responsibility aspects.



IN 2014, RED ELÉCTRICA ISSUED a total of 175 news items (86 press releases and 89 photonews; in both Spanish and English), of which 102 focused on the actions of the Company concerning sustainability matters

IN 2014, 526.7 million euros in the purchase of goods and services were managed through 1,202 suppliers. 98% of this amount was awarded to suppliers with head offices in Spain

SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

The Company has a sustainable management model for the supply chain which is governed, amongst other things, by the guidelines of the Procurement

Policy and within the framework of relations established in the Supplier Code of Conduct. This model in turn is based on the following pillars:

- >> Transparency and segregation of functions in the management process
 - > The existence of a specific department for suppliers
 - > Maximum communication for the supplier in all processes. The supplier is „listened to“
- >> Development and ethical management of suppliers and subcontractors
 - > Processes defined under the principles of transparency, fairness and objectivity
 - > Diverse attention channels guaranteeing confidentiality: ASA, DÍGAME and the ETHICS MANAGER
 - > Specific development plans as a result of continuous monitoring
- >> Minimising the risk associated with the Procurement process
 - > Continual verification of compliance with legal/business/technical/corporate responsibility requirements in the following processes:
 - > The qualification, selection, awarding, subcontracting and ongoing monitoring of suppliers

COMMUNICATION CHANNELS

COMMITMENT TO INFORMATION TRANSPARENCY

DURING 2014, Red Eléctrica continued with its commitment to transparent disclosure of their activities, whether it be about those performed as sole transmission agent and system operator, or those it carries out within the scope of sustainability.

Specifically, in 2014, Red Eléctrica issued a total of 175 news items (86 press releases and 89 photonews), of which 102 focused on the actions of the Company concerning sustainability matters. In this regard, the information disseminated

on environmental, R&D+i and energy efficiency projects carried out by the Company, and other initiatives related to corporate responsibility has clearly increased compared to previous years.

Also, special emphasis has been placed on promoting the digital channels of the Company, through which 25 audiovisuals and monographs were published.

RAISING THE COMPANY'S PROFILE

IN 2014, the dissemination of business activities in the territories in which Company facilities are located was promoted not only to bring the Company closer to the public, but also to help improve their knowledge about electricity facilities and increase their understanding of the need for the electricity infrastructure in their region. In this regard, a series of meetings were held with regional media, and press releases were published, in order to disseminate knowledge related to the scope of the Company's projects both on the Peninsula and on the islands.

CONTRIBUTION TO SOCIETY

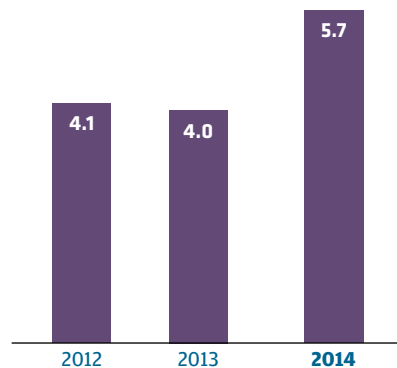
RED ELÉCTRICA undertakes, as an objective of its business management, to contribute towards the sustainable development of society, whereby it carries out diverse actions that promote institutional and social relationships. It openly seeks collaboration

agreements, disseminates information on the operation of the electricity system and encourages participation in projects and initiatives that foster well-being and progress in the communities in which it carries out its activities.

In 2014, Red Eléctrica's contribution to the community amounted to 5.7 million euros (0.93% of its net profit). 62% of this amount was earmarked for initiatives aligned with the business and 38% to social investment projects.

CONTRIBUTION TO THE COMMUNITY

Million euros



RELATIONS WITH THE SOCIAL ENVIRONMENT

RED ELÉCTRICA promotes and maintains an ongoing relationship with the local areas in which its facilities are located, not only during the process of construction of new facilities, but also throughout the lifecycle of the facility.

In this regard, in 2014 noteworthy was the signing of 52 agreements with Autonomous Communities and Local Councils. At the same time, thanks to this ongoing dialogue, the Company has managed to build new facilities after reaching amicable agreements with 95% of the landowners.

SOCIAL COMMITMENT

THE COMMITMENT of Red Eléctrica to society takes place through actions defined in collaboration with the various institutions and public and private entities that seek to meet the various collaboration requests coming from social organisations.

The programme carried out in 2014 includes actions geared towards promoting sustainability and the efficient use of energy, supporting local and regional communities, and contributing to cultural and educational projects, amongst others.



More information in the 'Employees' subsection of the 'Sustainability' section of the corporate website.



RED ELÉCTRICA's EXHIBITION 'A HIGHWAY BEHIND THE WALL SOCKET' has been chosen by the European Commission as one of the five best practices of European TSOs to raise awareness about the need to develop electricity grids

CORPORATE WEBSITE

THE CORPORATE WEBSITE

(www.ree.es) is an interactive and informative space, which helps to strengthen the Company's brand and enhance awareness of its activities and provides direct contact with its stakeholders.

The website was recognised in 2014 as the sixth best website of the IBEX 35 companies according to the Webranking of the Comprend consultancy. Moreover, the Corporate Governance section on the website has received recognition as one of the five best practices of good governance, identified in the report prepared by *Fundación Compromiso y Transparencia* (Commitment and Transparency Foundation), regarding the governance of listed companies.

TRAVELLING EXHIBITION

THE TRAVELLING EXHIBITION

'A highway behind the wall socket' has received 15,000 visitors since its opening in March 2014 at the Museo Abierto of Merida. The exhibition, which began in 2010, has travelled to five other Spanish cities registering a total of about 275,000 visitors.

This exhibition, whose goal is to explain the operation of an electricity system and raise

public awareness about the need for responsible consumption, has been chosen by the Directorate General for Energy of the European Commission as one of the five best practices of European TSOs. Its aim is to improve the understanding of society for the need to develop electricity transmission facilities, and to encourage their social acceptance.

09 . ENVIRONMENT

CONNECTED TO THE NATURAL ENVIRONMENT, BIODIVERSITY AND **THE FIGHT AGAINST CLIMATE CHANGE**

CORNERSTONES OF OUR ENVIRONMENTAL COMMITMENT



ENVIRONMENTAL INTEGRATION

Making facilities compatible with the environment, dialogue with stakeholders and implementing preventive and corrective actions to minimise potential environmental effects.

Environmental assessment of all projects



ENVIRONMENTAL MANAGEMENT

Carrying out activities in accordance with strict environmental criteria, according to the principles adopted in the environmental policy of Red Eléctrica.

ISO 14001 Certification and EMAS Register

COMMITTED TO THE PROTECTION OF THE NATURAL ENVIRONMENT



CLIMATE CHANGE

Contributing to energy efficiency and the fight against climate change by providing solutions in the execution of the business activities, and through the commitment to reducing the carbon footprint.

42.8% of demand (integration of renewables)

External verification of the carbon footprint



BIODIVERSITY

Biodiversity conservation has always been a key principle in the Company's environmental policy as well as a substantial part of the business strategy.

European Business Awards for the Environment 2014



ENVIRONMENTAL MANAGEMENT

ALL THE ACTIVITIES of Red Eléctrica are carried out in conformance with strict environmental criteria in accordance with the principles undertaken in its environmental policy, which was revised in 2014.

The main objective of the Company's environmental management is to make their electricity lines and facilities compatible with the environment, paying particular attention to the protection and conservation of biodiversity. Furthermore, in

line with its firm commitment to move towards a more sustainable energy future, Red Eléctrica has decided to take on a specific commitment to the fight against climate change and the promotion of energy efficiency.

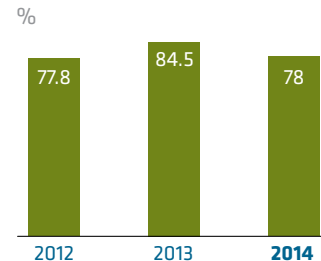
ENVIRONMENTAL MANAGEMENT SYSTEM

RED ELÉCTRICA has a certified environmental management system in accordance with ISO 14001 and is registered under the Community Eco-management and Audit Scheme (EMAS). It has also been awarded the silver certificate for having been included in the EMAS register for over 10 years.

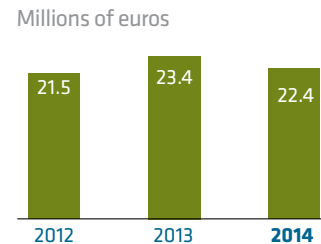
In order to continuously improve its environmental performance, an environmental programme is defined annually that sets out the various objectives derived from the strategies of the Company and that establishes a specific course of action.



FULFILMENT OF THE ENVIRONMENTAL PROGRAMME



ENVIRONMENTAL EXPENDITURE



ENVIRONMENTAL INTEGRATION OF THE FACILITIES

THE MAIN effects of electricity infrastructures are linked to the presence of the facilities within the territory. Therefore, all projects regarding new lines and facilities are submitted to an environmental assessment and are carried out in consensus with all interested parties, so that the siting of substations and the routes for the lines have the least impact on the territory and local communities.

Once projects have been defined, then preventive and corrective measures are established in order to reduce or avoid possible effects, and environmental monitoring and supervision of the construction and maintenance work is performed in order to ensure the implementation of the measures defined and their effectiveness.

SIGNIFICANT DATA 2014

- >> **Project phase.** Administrative permitting process has been started for 10 new projects and has been completed for 31 other projects.
- >> **Construction phase.** Environmental monitoring of works has been carried out for 94% of substations (30) and 100% of lines (698 km).
- >> **Maintenance phase.** Environmental supervision has been carried out for four substations and 1,641 kilometres of line.

MINIMISATION OF SOCIO-ECONOMIC IMPACT

THE PRESENCE of electricity infrastructure may have some effects of a social nature, but in no case is there a significant alternation in the way of life of the communities affected.

In any case, the socioeconomic aspects are taken into account from the outset of the design phase of all projects. The analysis of these aspects is integrated into the environmental impact study and appropriate measures are established to minimise impacts on the land affected.

Of the infrastructure managed by Red Eléctrica, just substations represent a total and irreversible occupation of land as it is not possible to make their presence compatible with other land uses. However, agricultural activities are compatible with electricity lines, allowing all types of agricultural crops to be grown beneath them.

ALL PROJECTS FOR NEW FACILITIES undergo an environmental assessment and work is carried out in consensus with all interested parties, so that the facilities have minimal effects on the territory



More information in the 'The natural environment' subsection of the 'Sustainability' section of the corporate website.



Model of the future 'El Sabinal' substation in Gran Canaria

TO ACHIEVE THE INTEGRATION OF SUBSTATION BUILDINGS INTO THE LANDSCAPE, Red Eléctrica has defined 13 different models of buildings depending on the environment in which the facility is to be located

BLENDING FACILITIES INTO THE LANDSCAPE

TO REDUCE the visual impact of its facilities, Red Eléctrica implements diverse measures to blend them into the landscape. Therefore, the main actions carried out by the Company are geared towards:

- >> The restoration of work sites and landscaping of slopes, as well as the planting of trees and the sowing of seed.
- >> The creation of vegetative screens and green areas in substations.
- >> Blending substation buildings into the landscape: Red Eléctrica has defined 13 different models of buildings depending on the environment in which the facility is to be located.

PROTECTION OF ARCHAEOLOGICAL AND ETHNOLOGICAL HERITAGE

BEFORE STARTING any construction work for facilities, an archaeological survey is carried out. In addition, during 2014 archaeological supervision was carried out in the construction of 12 lines and 5 substations, with the permanent presence of an archaeologist in 70% of the

cases. Amongst them, noteworthy were the archaeological works derived from the construction of the new 132 kV switchyard at the Torrent electricity substation in Ibiza, which has represented a cost in excess of 700,000 euros.

ELECTRIC AND MAGNETIC FIELDS

THANKS TO the preventive measures applied in the design of facilities, the levels of electric and magnetic fields stay below those recommended by the European

Union Council. Nonetheless, the Company keeps abreast of all innovations and the latest scientific advances in the field.

BIODIVERSITY

GIVEN THAT THE MAIN potential effects caused by the facilities are related to biodiversity, its conservation has always been an key principle in Red Eléctrica's environmental policy and business strategy.

Therefore, the Company has a biodiversity strategy and a specific action plan covering all activities associated to the de-

velopment of facilities. In 2014, it was updated and a new biodiversity strategy was approved, and in 2015 a new action plan will be defined. In addition, Red Eléctrica is part of the Spanish 'Business and Biodiversity' Initiative, sponsored by the Ministry of Agriculture, Food and the Environment.

ELECTRICITY INFRASTRUCTURE AND BIODIVERSITY

THE INTERACTION between electricity infrastructure and biodiversity is mainly due to the presence of the infrastructure in the territory and the works associated with its construction and maintenance. In this regard, the most effective measure to minimise possible

effects is to avoid the siting of infrastructure in areas rich in biodiversity.

Due to the large number of protected spaces in Spain (about 25% of the area is protected) in some cases it is inevitable that infrastructure crosses, or be located in protected areas, or areas with species of interest. In these cases, preventive and corrective measures are implemented to minimise the impact, and also environmental improvement actions are established to boost biodiversity in areas where facilities and lines are located. Currently only 0.09% of the total surface area of Spain's Red Natura is occupied by Red Eléctrica facilities.

THE COMPANY HAS A BIODIVERSITY STRATEGY and a specific action plan covering all activities associated to the development of facilities. In 2014, it was updated and a new biodiversity strategy was approved, and in 2015 a new action plan will be defined

PROTECTION OF HABITATS AND SPECIES

The main impacts to be avoided are the alteration of the habitat of certain species of flora and fauna and the impact on vegetation caused by the opening up of safety corridors, necessary to prevent fires. To do this, numerous actions are carried out, of which the following were noteworthy in 2014:

- >> Modifications in the design of facilities to minimise their effect on vegetation.
- >> The use of signage and the protection of habitats and species of ecological value.
- >> Hoisting of towers with boom cranes, or by helicopter and hanging of lines by hand.
- >> Biological stoppages of works to reduce the effects on fauna.
- >> Recovery of affected areas: restoration of slopes, planting of trees and the sowing of seed.



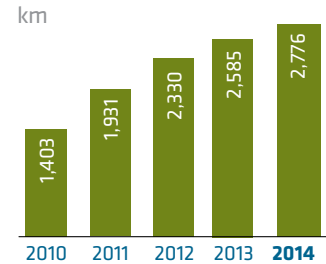
More information in the 'Commitment to biodiversity' subsection in the 'Sustainability' section of the corporate website.

PROTECTION OF BIRDLIFE

THE MAIN EFFECT of electricity lines is the risk of collision of birds with grounding cables that protect the lines against electrical discharges during storms. The most effective measure to reduce this risk is marking the grounding cables with devices that increase their visibility.

In this regard, in order to establish the most appropriate line marking plans, work has continued on the project for the *identification, characterisation and mapping of routes and flight paths of birds that interact with high-voltage transmission lines; a project for which Red Eléctrica was awarded the European Environment Award 2014 in the category 'Business and Biodiversity'*

MARKING OF LINES WITH BIRD-FLIGHT DIVERTERS



RED ELÉCTRICA WAS THE WINNER OF THE EUROPEAN ENVIRONMENT AWARD 2014 in the category 'Business and Biodiversity' for its project 'Birds and power lines: Mapping of bird flight paths'

FIRE PREVENTION

IN ORDER TO MINIMISE the risk of fire associated with the presence of transmission lines it is critical that the safety distances between flora and facilities be strictly complied with.

Therefore, in the management of safety corridors, all facilities are reviewed annually and the necessary forestry related tasks (felling and pruning) are regularly carried out.

Moreover, given the importance of this issue, the Company is working on strengthening cooperation with the local and regional administrations involved in forestry management, by formalising specific agreements that set out the commitment to fight against forest fires. Since 2007, 11 agreements have been signed (1 in 2014). The total budget associated with existing agreements is 1.1 million euros.



CONTRIBUTION TO BIODIVERSITY CONSERVATION

RED ELÉCTRICA actively contributes to the conservation of the biodiversity of Spain, by leading or participating in various projects and conducting dissemination actions and training activities.

Within this area, in addition to projects for the conservation of threatened bird species conducted with the participation of different government agencies and environmental organisations, noteworthy in 2014 are other projects geared towards

the restoration of degraded habitats:

>> Restoration of the Ses Salines coastal sand dunes (Formentera).

>> *The Red Eléctrica Forest* project whose goal is to offset part of the Company's emissions through the planting of trees. In 2014, planting works were carried out on 36 hectares of burned lands in the Sa Duaia public 'common' land in Majorca

'THE RED ELÉCTRICA FOREST' IN FIGURES (2009-2014)

362,099
trees and shrubs planted

604
hectares of land recovered

100,669 tCO₂e
emissions offset

1,245,107
euros of investment

5,364
person-days of employment created

CLIMATE CHANGE AND ENERGY EFFICIENCY

RED ELÉCTRICA, as TSO of the Spanish electricity system, is a key player in the progress towards a more sustainable energy model and the achievement of European climate targets. Aware of this, in 2011 the Company decided to formalise its commitment to the

fight against climate change by adopting a specific strategy which was revised in 2014.

Moreover, in 2014 Red Eléctrica signed the Declaration of Adhesion to the Spanish Green Growth Group. The signatories recognise

the importance of the risks and opportunities related to climate change as part of their strategy, as well as assessment of their carbon footprint, the definition of targets for reducing emissions and the undertaking to publicly report on their achievements.

The Company's strategy for fighting climate change is carried out along the following course of action:

INTEGRATION OF RENEWABLES

RED ELÉCTRICA continues with the goal of safely integrating the maximum possible production of renewable energy into the electricity system. In 2014, 42.8% of the total energy production came from renewable sources.

CARBON FOOTPRINT

RED ELÉCTRICA continues to work on measuring its carbon footprint. Therefore, in 2014 the emissions inventory of the Company was subjected to an independent review in accordance with ISAE 3410.



CONTROL OF EMISSIONS

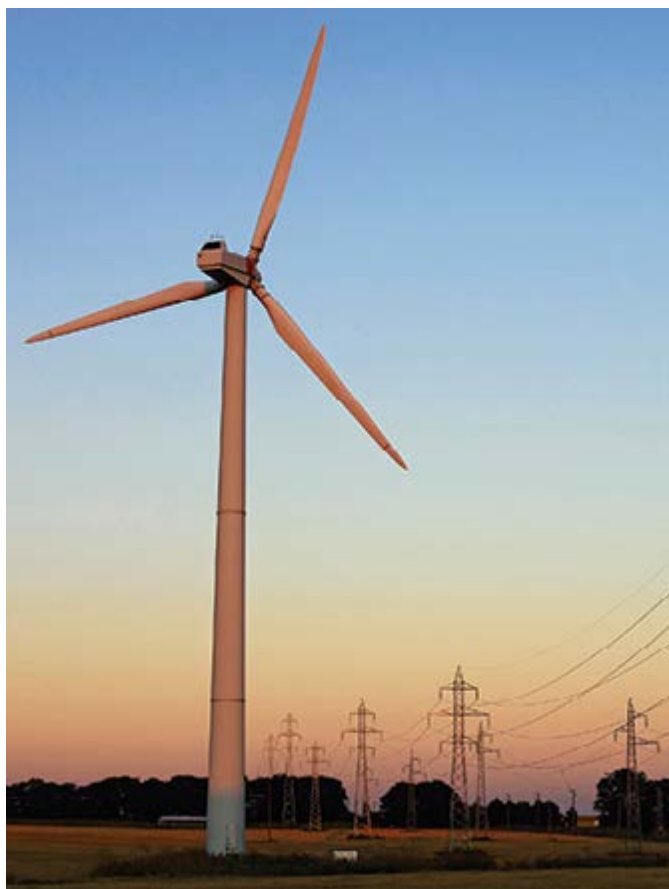
THE MAIN direct emissions derived from the Company's activities are sulphur hexafluoride (SF₆). For this reason, work is carried out in collaboration with the public administration and other entities in the quest for solutions aimed at its control and reduction. The main measures are associated with the implementation of best practices in the maintenance of equipment and management of the gas.

ENERGY EFFICIENCY

IN THIS FIELD, in addition to the various demand-side management initiatives carried out by the Company, aimed at achieving greater efficiency of the electricity system, the Company also works in other areas such as reducing electricity consumption in the workplace, the application of efficiency criteria in the construction of new buildings or the sustainable mobility plan, amongst others.

OFFSETTING EMISSIONS

WITHIN THE Climate Change Action Plan, Red Eléctrica has set a target to offset at least 20% of their direct emissions. In addition, the Company has offset, for the first time, 2,324 tonnes of CO₂ resulting from the movement of employees to and from the workplace, through the purchase of Certified Emissions Reductions (CERs).



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