



ANNEXES

ABOUT THIS REPORT

SUSTAINABILITY CONTEXT

This sustainability report aims to provide transparent information on the economic, social and environmental matters identified as the most relevant for Red Eléctrica, as well as the practices regarding corporate governance and ethics during 2014. [G4-28]

Red Eléctrica has published this report annually since 2002, and since 2003 it has been prepared according to the Global Reporting Initiative (GRI) model, an international standard for the development of sustainability reports. [G4-29, G4-30]

The 2014 report has been prepared in accordance with the principles and contents defined in the new GRI G4 guide. This new version requires the company to conduct a materiality analysis that allows it to focus on those matters of social, environmental and economic nature that are relevant to its business and which influences the decisions of its stakeholders.

SCOPE [G4-22, G4-23]

Consistent with the G4 guide, this report focuses primarily on those issues identified as relevant in the materiality analysis conducted in 2014, whose drafting process and results are shown on the next page.

The content of this report is supplemented with the following information published by Red Eléctrica:

- >> Corporate Governance Report and the Consolidated Annual Accounts Report of the Red Eléctrica Group, which include the management report of the businesses of the Group.
- >> Wide range of content on the corporate website (www.ree.es).

COVERAGE [G4-17, G4-22]

This report includes complete information regarding the management approach, activities and financial results of the main activity of the Group: the electricity business in Spain through Red Eléctrica de España, S.A.U. (REE) which represents 95% of the Group's consolidated revenue.

It was not considered relevant to provide information by business segment, or geographically of the remaining activities that together represent just 5% of consolidated revenue. However, all companies that make up the Red Eléctrica Group are subject to and comply with the policies, the Code of Ethics, comprehensive risk management, information on corporate governance and the economic and financial consolidated data, as well as the tax contribution set out in this report. The structure of the companies in the Red Eléctrica Group are detailed in the Consolidated Annual Accounts Report and on page 12 of this report.

In general, no other relevant information has been reformulated with regard to previous reports. It is possible that data regarding previous years may have been updated, in which case said updating is indicated in the corresponding section.

Thus, Red Eléctrica considers that the Corporate Responsibility Report 2014 was drawn up 'in accordance' with G4 Guidelines, encompassing it within its 'comprehensive' level. To check the reliability of information, Red Eléctrica has submitted the report to external verification by PWC with a limited level of assurance. As a result of the verification process an Independent Review Report is drafted which includes the objectives and scope of the process as well as the verification procedures used and the conclusions reached.

MATERIALITY DETERMINATION PROCESS [G4-18]

PHASE 1

Identification. Internal and external information sources of reference were analysed to identify trends, demands and requirements in sustainability matters and those specific to the electricity sector. The preliminary list of relevant issues was obtained as a result.⁽¹⁾

PHASE 2

PHASE 2.a

Internal prioritisation and validation. The preliminary list of relevant issues was analysed by an internal dialogue panel composed of a representative sample of managers and experts of 14 management areas of the Company. Said panel was moderated by an external expert in the field of sustainability and dialogue with stakeholders. The prioritised list of relevant issues, internally assessed and validated was obtained as a result.

PHASE 2.b

External validation. In order to include the perspective of external stakeholders in the analysis, an external dialogue panel was assembled composed of a representative sample of the different stakeholder groups and moderated by the same person as in the case of the internal dialogue panel. The prioritised list of relevant issues, externally assessed and validated was obtained as a result. In addition, several proposals were collected to enhance the appreciation of the actions regarding sustainability.

PHASE 3

Evaluation. The results derived from the internal and external evaluation phases were assessed, this led to a final list of 22 relevant issues being obtained that were prioritised according to two variables: Influence on the success of the business and the importance to the stakeholders of the Company.

PHASE 4

Analysis of opportunities. Attainment of a relevant issues matrix (future trends) vs. maturity (degree of implementation) and identification of opportunities. This phase is planned to be carried out during 2015.

(1) SOURCES CONSULTED

EXTERNAL

- >> Global Reporting Initiative: topics set out in the G4 Guide, Electric Utility Supplement and the Sustainability Topics for Sectors document.
- >> Energy trends: Planning of the electricity and gas sectors 2008-2016, 2030 Framework for climate and energy policies, Ten-Year Network Development Plan 2014.
- >> Concerns collected by external international organisations of repute in this field: sustainability agencies, ISO26000, European Directive on non-financial information.
- >> Concerns raised in public debates: National CSR Plan, Global Compact.
- >> Topics considered by peer companies.
- >> Analysis of the media.
- >> Concerns raised by stakeholders.

INTERNAL

- >> Policies and commitments.
- >> The Company's Strategic Plan.
- >> The Company's corporate reports.
- >> 2013 Materiality study performed within the framework of the International Integrated Reporting Council (IIRC).
- >> 2011 Materiality study.

RESULTS OF THE MATERIALITY ANALYSES [G4-19, G4-20, G4-21]

Red Eléctrica relevant aspects	Impact		GRI Indicators
	Internal	External	
Corporate governance practices	x	x	G4-34 a G4-44 , G4-49 a G4-55, G4-LA12
Ethics and transparency	x	x	G4-56 a G4-58, G4-SO3, G4-SO4, G4-SO5, G4-SO8
Risk control	x	x	G4-45 a G4-47, G4-2, G4-14, G4-EC2
Respect for human rights	x	x	G4-HR9, G4-HR12
Financial strength and soundness	x	x	G4-EC1, G4-EC3, G4-EC4
Regulatory framework	x	x	Aspect specific to Red Eléctrica. No GRI indicators
Technological innovation	x	x	Sectorial management approach
Responsible management of the supply chain		x	G4-12, G4-EC9, G4-LA14, G4-LA15, G4-EN32, G4-EN33, G4-SO9, G4-SO10, G4-HR10, G4-HR11
Quality and transparency in the management of system operation		x	G4-56
Grid planning, development and maintenance	x	x	EU10, EU12, EU28, EU29
Integration of renewable energies		x	Aspect specific to Red Eléctrica. No GRI indicators
Energy efficiency and demand-side management	x	x	Sectorial management approach
Efficient management of resources	x	x	Aspect specific to Red Eléctrica.(1) No GRI indicators.
Quality and stable employment	x		G4-LA1, G4-LA2, G4-LA3, G4-LA4, G4-LA16, EU15
Equal opportunities and diversity	x		G4-LA12, G4-LA13
Well-being, security and health & safety	x	x	EU17, G4-LA5, G4-LA6, G4-LA7, G4-LA8, EU18
Talent management	x		G4-LA9, G4-LA10, G4-LA11
Commitment to society		x	G4-SO1
Dialogue with stakeholders		x	G-24 a G4-27, G4-SO11
Integration of facilities into the landscape		x	G4-SO1, G4-SO2, G4-EN29, G4-EN31, G4-EN33, G4-EN34, G4-PR1, G4-PR2
Climate change		x	G4-EN3 a G4-EN7, G4-EN15 A G4-EN21
Biodiversity		x	G4-EN11 a G4-EN14, EU13
Waste and discharges		x	G4-EN22 a G4-EN-26

(1) Refers mainly to the optimization of the construction and maintenance activities, and the ongoing improvement at the operation and process level.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE

PART I. GENERAL STANDARD DISCLOSURES



Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision-maker of the organization	5		182-183
G4-2	Key impacts, risks and opportunities	30		182-183
ORGANIZATIONAL PROFILE				
G4-3	Name of the organization	12		182-183
G4-4	Primary brands, products and services	10		182-183
G4-5	Location of the organization's headquarters	Red Eléctrica Paseo Conde de los Gaitanes, 177 Alcobendas (Madrid) - España		182-183
G4-6	Countries of operation	10		182-183
G4-7	Nature of ownership and legal form	12		182-183
G4-8	Markets served	10		182-183
G4-9	Scale of the organization	6, 52		182-183
G4-10*	Number of employees	89, 96		182-183
G4-11*	Employees covered by collective bargaining agreements	89	Percent of contractors covered by collective bargaining agreements is not available	182-183
G4-12	Organization's supply chain	116		182-183
G4-13	Significant changes to the organization's size, structure, ownership, or its supply chain	10		182-183
G4-14	Precautionary approach	28, 121		182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART I. GENERAL STANDARD DISCLOSURES (CONTINUATION)

Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
G4-15	Economic, environmental and social charters, principles, or other initiatives	44		182-183
G4-16	Memberships of associations and national or international advocacy organizations	14		182-183
EU1*	Installed capacity, broken down by primary energy source and by regulatory regime		Not applicable. All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.	182-183
EU2*	Net energy output broken down by primary energy source and by regulatory regime		Not applicable. All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.	182-183
EU3*	Number of residential, industrial, institutional and commercial customer accounts	112		182-183
EU4*	Length of above and underground transmission and distribution lines by regulatory regime	49, 52		182-183
EU5*	Allocation of CO2 emissions allowances or equivalent, broken down by carbon trading framework		Not applicable. The rights regarding CO2 Equivalent Emission Allowances do not apply to power transmission activities.	182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART I. GENERAL STANDARD DISCLOSURES (CONTINUATION)

Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents	12, 154		182-183
G4-18	Process for defining the report content and the Aspect Boundaries	155		182-183
G4-19	Material Aspects identified in the process for defining report content	156		182-183
G4-20	Aspect Boundary within the organization	156		182-183
G4-21	Aspect Boundary outside the organization	156		182-183
G4-22	Restatements of information	153, 154		182-183
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	153		182-183
STAKEHOLDER ENGAGEMENT				
G4-24	Stakeholder groups engaged by the organization	45		182-183
G4-25	Basis for identification and selection of stakeholders with whom to engage	44		182-183
G4-26	Approach to stakeholder engagement	44, 45		182-183
G4-27	Key topics and concerns raised through stakeholder engagement	45		182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART I. GENERAL STANDARD DISCLOSURES (CONTINUATION)

Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
REPORT PROFILE				
G4-28	Reporting period	153		182-183
G4-29	Date of most recent previous report	153		182-183
G4-30	Reporting cycle	153		182-183
G4-31	Contact point for questions regarding the report or its contents	DÍGAME SERVICE www-ree-es digame@ree-es Teléfono- +34 91728615 Fax- +34 916504542		182-183
G4-32	Index with respect to the 'in accordance' option chosen	157		182-183
G4-33	External assurance for the report	182		182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).
The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART I. GENERAL STANDARD DISCLOSURES (CONTINUATION)

Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
GOVERNANCE				
G4-34	Governance structure of the organization	11, 20		182-183
G4-35	Delegating authority from the highest governance body to senior executives and other employees	25		182-183
G4-36	Executive-level positions with responsibility for economic, social and environmental topics	25		182-183
G4-37	Processes for consultation between stakeholders and the Board of Directors	25		182-183
G4-38	Composition of the highest governance body and its committees	20, 25		182-183
G4-39	State whether the chair of the highest governance body is also an executive officer and the reasons for this arrangement	24		182-183
G4-40	Selection and nomination of the members of the highest governance body	26		182-183
G4-41	Processes for the highest governance body to ensure conflicts are avoided	26		182-183
G4-42	Roles of highest governance body and senior executives in the development, approval and updating of the organization's vision, mission, values, strategies, policies and goals	25		182-183
G4-43	Highest governance body's knowledge of economic, environmental and social topics	26		182-183
G4-44	Highest governance body's performance	26		182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART I. GENERAL STANDARD DISCLOSURES (CONTINUATION)

Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
G4-45	Processes of the highest governance body to supervise the identification and management of economic, environmental and social performance, as well as its role in the implementation of due diligence processes and in stakeholder consultations	28		182-183
G4-46	Highest governance body's role in reviewing the effectiveness of the management of economic, environmental and social risks and opportunities	28		182-183
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	28		182-183
G4-48	Highest body that reviews and approves the report	The Chairman of the Corporate Responsibility Committee approves the 'Corporate Responsibility Report' ensuring that it reflects the key issues in sustainability.		182-183
G4-49	Process for communicating critical concerns to the highest governance body	25		182-183
G4-50	Critical concerns communicated to the highest governance body	25		182-183
G4-51	Remuneration policies for the highest governance body and senior executives, as well as the relationship to economic, environmental and social performance	27		182-183
G4-52	Process for determining remuneration of the highest governance body and senior executives, stating whether independent consultants are involved	27		182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART I. GENERAL STANDARD DISCLOSURES (CONTINUATION)

Indicators	Description	Page Number/ or Link/ direct answer	Omissions	External Assurance (págs.)
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration	27		182-183
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees		The ratio between the highest paid person in the organization (Chairman) ¹ and the median total remuneration for all employees (excluding the Chairman) was 11.8 times.	182-183
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees		Percentage increase in the remuneration of the Chairman (2014/2013) ³ : 0% Percentage increase in annual total remuneration for all employees (2014/2013) ⁴ : 2.8%.	182-183
ETHICS AND INTEGRITY				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	34		182-183
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	34		182-183
G4-58	Internal and external mechanisms for whistleblowing	36		182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

1 Total remuneration accrued by the Chairman: 746,000 euros. It includes both fixed and variable remuneration corresponding to the role as the Company's Chief Executive and the fixed remuneration for being a member of the board of directors. Information available in note 23 of the 'Red Eléctrica Corporación SA and Subsidiaries' Consolidated Annual Accounts Report and in the Annual Corporate Governance Report.

2 Average total remuneration of staff: 63,056 euros (personnel costs excluding social security expenses). Information available in note 21-c of the 'Red Eléctrica Corporación SA and Subsidiaries' Consolidated Annual Accounts Report.

3 Total remuneration accrued by the Chairman: 746,000 euros (2014) and 746,000 (2013). Details in note 23 of the 'Red Eléctrica Corporación SA and Subsidiaries' Consolidated Annual Accounts Report.

4 Median total remuneration of staff: 63,056 euros (2014) and 61,336 euros (2013). Details in note 21-c of the 'Red Eléctrica Corporación SA and Subsidiaries' Consolidated Annual Accounts Report.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
CATEGORY: ECONOMIC						
Material aspect: Economic performance						
G4-DMA	Disclosures on management approach	68-73				182-183
G4-EC1	Direct economic value generated and distributed	70				182-183
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	32, 133				182-183
G4-EC3	Coverage of the organization's defined benefit plan obligations	Consolidated Annual Accounts Report. Note 4				182-183
G4-EC4	Financial assistance received from government	22, 70				182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
Material aspect: Procurement practices						
G4-DMA	Disclosures on management approach	115-116				182-183
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	115				182-183
Material aspect of the electric utility sector: Availability and Reliability						
G4-DMA*	Disclosures on management approach	48-60				182-183
EU10*	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	48				182-183
Material aspect of the electric utility sector: Demand-Side Management						
G4-DMA*	Disclosures on management approach	62-64				182-183
Material aspect of the electric utility sector: Research and Development						
G4-DMA*	Disclosures on management approach	64-66				182-183
Material aspect of the electric utility sector: Plant Decommissioning						
G4-DMA*	Disclosures on management approach			Not applicable	All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.	182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
Material aspect of the electric utility sector: System Efficiency						
G4- DMA	Disclosures on management approach					
EU11*	Average generation efficiency of thermal plants by energy source and regulatory regime			Not applicable	All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.	182-183
EU12*	Transmission and distribution losses as a percentage of total energy	58				182-183
CATEGORY: ENVIRONMENTAL						
Material aspect: Energy						
G4-DMA	Disclosures on management approach	133-137				182-183
G4-EN3	Energy consumption within the organization	139-140				182-183
G4-EN4	Energy consumption outside of the organization	140				182-183
G4-EN5	Energy intensity	139, 140				182-183
G4-EN6	Reduction of energy consumption	140				182-183
G4-EN7	Reductions in energy requirements of products and services			Not applicable	Red Eléctrica, as system operator, performs various initiatives regarding demand-side management aimed at achieving greater energy efficiency of the electricity system as a whole, but it does not produce or market products nor services, whereby it is not possible to quantify the energy reductions that may result from them.	182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
Material aspect: Water (2)						
G4-DMA	Disclosures on management approach	Note 2				182-183
G4-EN8*	Total water withdrawal by source	151		Not applicable to the sectorial aspect	Red Eléctrica does not have electricity generation	182-183
G4-EN9	Water sources significantly affected by withdrawal of water			Not applicable	The water consumed is obtained from authorised water withdrawal points (municipal mains and wells) or from cisterns. Therefore, no direct effect exists on ecosystems.	182-183
G4-EN10	Percentage and total volume of water recycled and reused	151				182-183
Material aspect: Biodiversity						
G4-DMA*	Disclosures on management approach	127-132				182-183
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	141				182-183
G4-EN12*	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	142				182-183
G4-EN13	Habitats protected or restored	132				182-183
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	132, 143, 144				182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

(2) Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is a matter demanded by some sustainability indexes.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
EU13*	Biodiversity of offset habitats compared to the biodiversity of the affected areas				"Thanks to the preventive and corrective measures implemented, Red Eléctrica facilities do not entail a loss of biodiversity that is significant enough so as to require the establishment of offset areas. The impacts generated are one-off situations, having established in some cases very specific offsetting measures such as planting woodland or the restoration of habitats."	182-183
Material aspect: Emissions						
G4-DMA	Disclosures on management approach	134-137				182-183
G4-EN15*	Direct greenhouse gas (GHG) emissions (Scope 1)	145				182-183
G4-EN16*	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	145				182-183
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	145				182-183
G4-EN18	Greenhouse gas (GHG) emissions intensity	146				182-183
G4-EN19	Reduction of greenhouse gas (GHG) emissions	146				182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-EN20	Emissions of ozone-depleting substances (ODS)			Not applicable	"These can be considered irrelevant, with the exception of those associated with the use of air conditioning systems with R22. Losses are minimal owing to the fact that they undergo adequate maintenance. Equipment with R22 has been replaced. There still are 7 pieces of air conditioning equipment whose replacement will be completed in 2015."	182-183
G4-EN21*	NOX, SOX, and other significant air emissions			Not applicable	"The activities of the Company do not give rise to these emissions. (REE activities do not involve the burning of fossil fuels - REE does not generate electricity - except for fuel used in generator sets and vehicles, and whose emissions are not considered relevant under this aspect."	182-183
Material aspect: Effluents and Waste						
G4-DMA*	Disclosures on management approach	138				182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-EN22*	Total water discharge by quality and destination			Not applicable	The activities of the Company do not give rise to these discharges. (Pluvial water discharges only occur in substations).	182-183
G4-EN23*	Total weight of waste by type and disposal method	149-150				182-183
G4-EN24	Total number and volume of significant spills	151				182-183
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	150				182-183
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff			Not applicable	Pluvial water discharges from substations (which is the only water dumping associated with the activities of REE that takes place) do not affect water resources nor the associated habitats.	182-183
Material aspect: Compliance						
G4-DMA	Disclosures on management approach	121				182-183
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	147				182-183
Material aspect: Overall						
G4-DMA	Disclosures on management approach	121				182-183

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-EN31	Total environmental protection expenditures and investments by type	148				182-183
Material aspect: Supplier Environmental Assessment						
G4-DMA	Disclosures on management approach	116, 122				182-183
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	116				182-183
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	116				182-183
Material aspect: Environmental Grievance Mechanisms						
G4-DMA	Disclosures on management approach	44				182-183
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	148				182-183
CATEGORY: SOCIAL						
LABOR PRACTICES AND DECENT WORK						
Material aspect: Employment						
G4-DMA*	Disclosures on management approach	76-78				182-183
G4-LA1*	Total number and rates of new employee hires and employee turnover by age group, gender, and region	76, 77, 90 ,91				182-183
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	88				182-183
G4-LA3	Return to work and retention rates after parental leave, by gender	91				182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
EU15*	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region	96				182-183
EU17*	Days worked by contractor and subcontractor employees that participate in construction, operation and maintenance activities	96				182-183
EU18*	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	86				182-183
Material aspect: Labor/Management Relations						
G4-DMA	Disclosures on management approach	84				182-183
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	84				182-183
Material aspect: Occupational Health and Safety						
G4-DMA	Disclosures on management approach	85-88				182-183
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs	86,91				182-183
G4-LA6*	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	92, 96				182-183
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	86, 92				182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).
The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-LA8	Health and safety topics covered in formal agreements with trade unions	84, 86				182-183
Material aspect: Training and Education						
G4-DMA	Disclosures on management approach	81-82				182-183
G4-LA9	Average hours of training per year per employee by gender, and by employee category	93				182-183
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	81				182-183
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	94				182-183
Material aspect: Diversity and Equal Opportunity						
G4-DMA	Disclosures on management approach	78-80				182-183
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	94, 95				182-183
Material aspect: Equal Remuneration for Women and Men						
G4-DMA	Disclosures on management approach	78-80				182-183
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	96				182-183
Material aspect: Supplier Assessment for Labor Practices						

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-DMA	Disclosures on management approach	115-116				182-183
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	116				182-183
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	116				182-183
Material aspect: Labor Practices Grievance Mechanisms						
G4-DMA	Disclosures on management approach	36, 84				182-183
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	36				182-183
HUMAN RIGHTS						
Material aspect: Assessment						
G4-DMA	Disclosures on management approach	38				182-183
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	38				182-183
Material aspect: Supplier Human Rights Assessment						
G4-DMA	Disclosures on management approach	35, 115				182-183
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	116				182-183
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	116				182-183
Material aspect: Human Rights Grievance Mechanisms						

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-DMA	Disclosures on management approach	36				182-183
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	36				182-183
SOCIETY						
Material aspect: Local Communities						
G4-DMA*	Disclosures on management approach	104, 123-124				182-183
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	104, 123				182-183
G4-S02	Operations with significant actual or potential negative impacts on local communities	124				182-183
EU22*	Number of people physically or economically displaced and compensation, broken down by type of project			Not applicable	Red Eléctrica facilities do not produce any form displacement.	182-183
Material aspect of the electric utility sector: Disaster/ Emergency Planning and Response						
G4-DMA*	Disclosures on management approach	56				182-183
Material aspect: Anti-corruption						
G4-DMA	Disclosures on management approach	34-38				182-183
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	38				182-183
G4-S04	Communication and training on anti-corruption policies and procedures	34, 38				182-183
G4-S05	Confirmed incidents of corruption and actions taken	38				182-183

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The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
Material aspect: Compliance						
G4-DMA	Disclosures on management approach	34-38				182-183
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	"On February 22, 2014 a sanctioning order was issued by the Regional Ministry of Employment, Industry and Commerce of the Canary Islands, for an alleged failure to maintain the security zone of the 66 kV SE Cuesta de la Villa - SE Icod power line, in breach of Article 61.a) 12 of Law 54/1997, of 27 November, on the Electricity Sector; as a result Red Eléctrica de España was sanctioned with a fine of 2,000,000 euros. Red Electrica de España, whom does not consider itself responsible for this incident, has filed an administrative appeal against said administrative decision before the Contentious-Administrative court of the High Court of Justice of the Canary Islands, which is in administrative process".				182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities). The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
Material aspect: Supplier Assessment for Impacts on Society						
G4-DMA	Disclosures on management approach	116				182-183
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	116				182-183
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	116				182-183
Material aspect: Grievance Mechanisms for Impacts on Society						
G4-DMA	Disclosures on management approach	36				182-183
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No grievances have been filed, addressed nor resolved through formal grievance mechanisms about impacts on society.				182-183
PRODUCT RESPONSIBILITY						
Material aspect: Customer Health and Safety						
G4-DMA*	Disclosures on management approach	126				182-183

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The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement					182-183
		Thanks to a specific program for the estimation of the field values associated with any particular facility, REE has evaluated said values for different line voltage configurations (220 kV and 400 kV). The lower voltages (found in systems on the islands), given the unavailability of the necessary parameters to be input into the calculation program, are for the time being considered as evaluated (in 2015 a Specific Plan to complete the assessment will begin). The percentage of facilities assessed is 94.6%.				
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	126				182-183
EU25*	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements, and pending legal cases of diseases					182-183
		In 2012, no fatal injuries nor casualties involving Company assets have occurred among citizens.				

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The symbol * indicates those indicators where sector-specific information is included.

GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE (continuation)

PART II. SPECIFIC STANDARD DISCLOSURES (CONTINUATION)

DMA and Indicators	Description	Page Number /Link / direct answer	Omission	Reason for Omission	Explanation for Omission	External Assurance (págs.)
Material aspect of the electric utility sector: Access						
G4-DMA*	Disclosures on management approach	48				182-183
EU26*	Percentage of population unserved in licensed distribution or service areas			Not applicable	Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.	182-183
EU27*	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime			Not applicable	"Red Eléctrica does not carry out distribution activity, only high voltage transmission. The quality indicators of the transmission activity are shown in the following link: Quality and security of supply ".	182-183
EU28*	Power outage frequency	56				182-183
EU29*	Average power outage duration	56				182-183
EU30*	Average plant availability factor by energy source and by regulatory regime			Not applicable	All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.	182-183
Material aspect: Compliance						
G4-DMA	Disclosures on management approach	34				182-183
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No significant fines were imposed on the Company due to breach of laws and provisions regulating the supply and use of products and services.			182-183
Material aspect of the electric utility sector: Provision of Information						
G4-DMA*	Disclosures on management approach			Not applicable	Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.	182-183

(1) This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities).

The symbol * indicates those indicators where sector-specific information is included.

UNITED NATIONS GLOBAL COMPACT [G4-15]



RED ELÉCTRICA adheres to the United Nations Global Compact. Their activities seek to back and consolidate this international project, as it considers this initiative a high value proposition for the defence of fundamental human rights, protection of the environment, support for social development, respect for workers' rights and the fight against corruption.

RED ELÉCTRICA de España, founding Member of the Spanish Global Compact Network (Red Española del Pacto Mundial), annually presents the Progress Report, which includes the main actions carried out in relation to the Ten Principles. This information is available on the Spanish Global Compact website, www.pactomundial.org and on the Global Compact website, www.unglobalcompact.org.

IN 2011, THE GLOBAL COMPACT introduced the Differentiation Programme, oriented towards categorising the Progress Reports of the participating companies based, on one hand, on the degree of implementation of the Ten Principles and, on the other, on the degree of transparency. The Progress Report of Red Eléctrica de España has obtained, for a fourth consecutive year, the "GC Advanced qualification", granted to companies that implement and communicate best practices related to the integration of the Ten Principles in their management.

GLOBAL COMPACT ASPECTS AND PRINCIPLES

HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights within their scope of influence.
 2. Businesses should ensure that their companies are not complicit in human rights abuses.
-

LABOUR RIGHTS

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
 4. Businesses should ensure the elimination of all forms of forced and compulsory labour.
 5. Businesses should support the effective abolition of child labour.
 6. Businesses should support the elimination of discrimination in respect of employment and occupation.
-

ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges.
 8. Businesses should undertake initiatives to promote greater environmental responsibility.
 9. Businesses should encourage the development and dissemination of environmentally friendly technologies.
-

ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery.
-



Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.

REPORT ON INDEPENDENT REVIEW OF THE CORPORATE RESPONSIBILITY REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A.

To the Management of Red Eléctrica Corporación, S.A.:

We have reviewed the Corporate Responsibility indicators contained in the "G4 GRI Index" Appendix of the Corporate Responsibility Report of Red Eléctrica Corporación, S.A. (hereinafter referred to as REC) for the financial year ending 31 December 2014, with regard to the general and specific standard disclosures proposed in the Guidelines for the Preparation of Sustainability Reports of the Global Reporting Initiative (GRI) version G4 (hereinafter referred to as G4 GRI Guidelines) and the Electric Utilities Sector Supplement.

Responsibility of REC's Management

REC's Management is responsible for the preparation, contents and presentation of the Corporate Responsibility Report in accordance with the G4 GRI Guidelines and according to the "In-accordance" option indicated in point G4-32 of the "G4 GRI Index".

Management is also responsible for establishing, implementing, adapting and maintaining the internal management and control systems from which information is obtained.

Our responsibility

Our responsibility is to issue an independent review report to give a limited assurance conclusion based on the procedures applied in our review in accordance with the ISAE 3000 Standard "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines on reviews of Corporate Responsibility Reports issued by the Spanish Institute of Certified Public Accountants.

Procedures carried out

To issue this report, we have applied analytical procedures and tests, which have generally been as follows:

- Meetings with REC staff from various departments involved in preparing the 2014 Corporate Responsibility Report, to ascertain the procedures for collecting and validating the information on the indicators presented in the "G4 GRI Index" of the 2014 Corporate Responsibility Report and obtain the information required for the external review.
- Review of the actions taken in relation to identification and consideration of interested parties during the financial year, and the boundaries, materiality and integrity of information on the Corporate Responsibility indicators included in the 2014 Corporate Responsibility Report based on REC's understanding of the requirements of stakeholders.
- Analysis of the adaptation of the indicators of the 2014 Corporate Responsibility Report to the G4 GRI Guidelines on the preparation of reports and the Electric Utilities Sector Supplement.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.com/es

1



- Verification, by review tests applied to a selected sample, of the quantitative and qualitative information for the 2014 financial year of the indicators included in the general and specific basic contents proposed in the G4 GRI Guidelines and the Electric Utilities Sector Supplement and included in the "G4 GRI Index" Appendix of the 2014 Corporate Responsibility Report. We have also verified that the information has been adequately compiled from the data provided by REC's sources of information.

The scope of a limited review is substantially less than that of a reasonable assurance review and, consequently, such reviews provide less assurance. In no event may this report be understood to be an audit report.

Independence and Quality Control

We have complied with the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA), which includes the requirement of independence and other requirements based on the main principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

PwC applies the International Standard on Quality Control 1 (ISQC 1) and, consequently, our firm has a global quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards and applicable statutory requirements.

Conclusion

During our review, we have not observed any matters which have led us to believe that the Corporate Responsibility indicators contained in the "G4 GRI Index" Appendix of REC's 2014 Corporate Responsibility Report contain significant errors or have not been prepared, with regard to significant aspects, in accordance with the G4 GRI Guidelines and the Electric Utilities Sector Supplement.

PricewaterhouseCoopers Auditores, S.L.



M^a Luz Castilla

13 April 2015

EXECUTIVE SUMMARY OF THE 'ANNUAL CODE OF ETHICS MANAGEMENT REPORT 2014'

INTRODUCTION

The Code of Ethics approved by the Board of Directors on May 28, 2013 addresses the concern of the Board of Directors and the Management of the Red Eléctrica Group to define and establish its values, make them known to all its staff and stakeholders, and the need to disseminate the Code. The Code of Ethics is a regulatory instrument for the purposes of establishing, in a general way, guidelines and patterns of conduct in the different fields of the professional sphere in which the people of the Red Eléctrica Group carry out their activity. It is intended to serve as a general guideline when making decisions in certain situations which may be encountered by professionals of the Red Eléctrica Group.

It applies to companies of the Group, i.e. those in which the Group has a majority shareholding, regardless of their geographical location and in those countries where it is temporarily carrying out actions, providing professional services or any other activity related to the Group.

ETHICAL CHANNEL

Red Eléctrica has appointed an Ethics Manager to manage the ethical questions that may be posed and to collate, analyse and resolve the various claims/complaints received. The person appointed is Rafael García de Diego Barber, General Counsel and Secretary of the Board of Directors of Red Eléctrica. This figure, with a direct relationship to the Chairman and the Board of Directors, is also responsible for maintaining the confidentiality of the processes, the development, consolidation and ongoing improvement of the ethics management in Red Eléctrica. The Ethics Manager can count on the support of the Company's organisational units that he/she deems necessary to carry out the designated responsibilities.

Throughout the whole of 2014, a highly visible and easily accessible and confidential channel has been operating on the Group's website through which claims/complaints and enquiries can be transmitted to the Ethics Manager. The Company has also improved the information contained in the corporate website on the ethical management of the Company, in accordance with international best practices.

With regard to the whistle-blowing channel for reporting non-compliance, claims/complaints, enquiries and suggestions regarding ethical matters, in 2014, thirty-two consultations/enquiries were received by the Ethics Manager, with a maximum resolution period of 10 days. Consultations received have referred to the following areas of conduct:

◀ responsible monitoring of the management of suppliers; protection and use of facilities and equipment of the Organisation; limitation on the acceptance of gifts, loans or invitations and the respect, integrity, accountability and transparency within the Organisation. In 2014, no breach of the Code of Ethics was registered.

Amongst the functions undertaken by the Ethics Manager is the obligation to communicate the claims/complaints that could lead to a criminal risk for the companies of the Red Eléctrica Group, for which the Control and Monitoring body of the Criminal Risk Prevention Programme of the Group, of which the Ethics Manager is a member, can assess the aforementioned claims/complaints and, where appropriate, initiate an investigation into the event until it is clarified. In 2014, the Ethics Manager received no complaint about breaches related to criminal risk, and none of the companies of the Red Eléctrica Group has been investigated, or convicted by any law court for infringements related to criminal risks of the organisation.

INTEGRITY AND TRANSPARENCY.

Amongst the patterns of conduct and guidelines for action to be followed by the people of the Red Eléctrica Group in the performance of their duties and responsibilities, within all the professional fields in which they represent the Company, is the establishment of impeccable business relations. The commitments undertaken in this regard entails the strict prohibition of any practice of corruption, bribery or facilita-

tion payment, in all its active and passive forms, either through acts or omissions or through the formation and maintenance of irregular situations or favours. People of the Red Eléctrica Group take on the commitment to not solicit, accept or offer any payment or incentive within business transactions, or due to other circumstances.

Processes considered susceptible to the risk of corruption are monitored regularly by means of internal audits through the criminal risk prevention programme. During 2014, there were no complaints reported through the whistle-blowing channel regarding possible corruption cases. None of the companies of the Red Eléctrica Group have been accused or convicted by any law court of infringements related to corruption cases.

PLAN TO ENCOURAGE AWARENESS

Due to its innovative nature, noteworthy within the Company's Plan to encourage awareness regarding ethical management, approved by the Company's Corporate Responsibility Committee, is the launching in 2014 (to continue throughout 2015) of a set of presentations and debate sessions held at all the Company's work centres. These are being held to improve knowledge of the ethics management system, reflecting on the values and commitments undertaken by the organisation and examining the role and tasks of the Company's Ethics Manager. These meetings have been attended by the Ethics Manager and the ombudsman for Red Eléctrica's stakeholders.

**RED ELÉCTRICA CORPORACIÓN, S.A.**

Independent Assurance Report on the design and effective
application of the System of Internal Control over Financial Reporting

31 December 2014



This version of our report is a free translation from the original in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT ASSURANCE REPORT ON THE DESIGN AND EFFECTIVE APPLICATION OF THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors of Red Eléctrica Corporación, S.A.:

We have verified, to the level of reasonable assurance, the design and effective application of the System of Internal Control over Financial Reporting (SICFR), described in the accompanying document of Red Eléctrica Corporación, S.A. and subsidiaries (the Red Eléctrica Group) for the year ended 31 December 2014. This system is based on the criteria and policies defined by the Red Eléctrica Group in accordance with the guidance published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in their "Internal Control-Integrated Framework".

A System of Internal Control over Financial Reporting is a process designed to provide reasonable assurance on the reliability of financial information, in accordance with the applicable financial reporting legislative framework and includes those policies and procedures which: (i) enable the records reflecting the transactions performed to be kept accurately and to an appropriate level of detail; (ii) provide reasonable assurance that transactions are correctly accounted for, enabling the preparation of the financial information, in accordance with the applicable financial reporting framework and they are performed solely in accordance with established authorisation; and (iii) they provide reasonable assurance concerning the timely prevention or detection of unauthorised acquisitions, use or sales of the Group's assets which may have a material impact on the financial information. In this respect, it should be borne in mind that, given the limitations inherent in all Systems of Internal Control over Financial Reporting, irrespective of the quality of design and operability, these can only provide reasonable but not absolute assurance, for the objectives pursued, accordingly, there may be errors, irregularities or fraud which may not be detected.

Responsibility of the Directors for the System of Internal Control over Financial Reporting

The Board of Directors is responsible for adopting the necessary measures to reasonably assure the implementation, maintenance and supervision of an adequate System of Internal Control over Financial Reporting and assessing its efficiency, the development of improvements to that system and the preparation and definition of the content of the information concerning the attached SICFR report.

Professional's Responsibility

Our responsibility is limited to issuing an independent assurance report on the design and effective application of the System of Internal Control over Financial Reporting of the Red Eléctrica Group, on the basis of the work carried out in accordance with the guidance contained in ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", published by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), for the issue of reasonable assurance reports.



Reasonable assurance engagements include understanding the System of Internal Control over Financial Reporting, assessing the risk that there may be material internal control weaknesses, that the controls are not adequately designed or do not operate efficiently, testing and assessing the design and effective application of such system and carrying out those other procedures which may be considered necessary.

We understand that the evidence that we have obtained provides a sufficient and appropriate basis for our opinion.

Procedures performed

For the purposes of the issue of this report, we applied the procedures described below:

1. Reading and understanding the information prepared by the Red Eléctrica Group on the SICFR and assessing whether it includes all the information required under Circular 5/2013 of 12 June 2013 of the Spanish National Securities Exchange Commission, for the purposes of describing the SICFR in Annual Corporate Governance Reports.
2. Review of the supporting documentation, explaining the information included above and which mainly comprises that directly made available to the persons responsible for preparing the descriptive information of the SICFR. In this respect, such documentation includes reports prepared by the Internal Audit function, Senior Management and other internal and external specialists as part of their work supporting the Audit Committee.
3. Interviews with key personnel, responsible for the areas affected by the System of Internal Control over Financial Reporting in order to gain an understanding of the processes, assess their design and verify that the control procedures described are in place in the Red Eléctrica Group.
4. Performance of selective tests, based on sampling criteria, on supporting documentation evidencing the effective application of the System of Internal Control over Financial Reporting.
5. Re- performance of key controls through a selection of transactions in order to obtain evidence that internal control procedures are applied in the established manner and obtain assurance of the existence, effectiveness and on-going functioning of controls throughout the period.
6. Reading of the minutes of the meetings of the Board of Directors, Audit Committee and other committees of the Red Eléctrica Group for the purposes of assessing consistency between the matters addressed by them in connection with the SICFR and the information detailed in point 1 above.
7. Obtaining the letter of representation for the work performed, duly signed by the persons responsible for the preparation and writing up of the information detailed in point 1 above.

Independence

We carried out our work in accordance with the independence rules required by the Code of Ethics of the International Federation of Accountants (IFAC).



Conclusion

In our opinion, at 31 December 2014, the Red Eléctrica Group had, in all material respects, an effective System of Internal Control over Financial Reporting for the year ended 31 December 2014, which is based on the criteria and policies defined by the Management of the Red Eléctrica Group in accordance with the guidance published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control – Integrated Framework".

Similarly, we verified that the disclosures contained in the SICFR information attached at 31 December 2014 have been prepared, in all materials respects, in accordance with the requirements laid down by Legislative Royal Decree 1/2010, of 2 July, which approved the revised text of the Spanish Corporations Law, modified by Law 31/2014, of 3 December, for the improvement of the Corporate Governance, and Circular 5/2013 of 12 June 2013 of the Spanish National Securities Market Commission for the purposes of the description of the SICFR in Annual Corporate Governance Reports.

This engagement does not constitute an audit of the accounts, nor is it subject to the Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July. Accordingly, we do not express an audit opinion in the terms envisaged in said legislation.

PricewaterhouseCoopers Auditores, S.L.



Iñaki Goiriéna Basualdu

25 February 2015

EXECUTIVE SUMMARY OF THE INTERNAL AUDIT

Report by the Internal Audit and Risk Control Department



EXECUTIVE SUMMARY OF THE INTERNAL AUDIT OF THE CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM (SECOND HALF OF 2013 and FIRST HALF OF 2014)

Objective and scope

For the period of the second half of 2013 and first half of 2014, verify the adoption of the Corporate Responsibility Management System in the activities conducted by Red Eléctrica, verifying whether the requirements of the IQNet SR 10 and SA8000 standards, and those of the organisation itself, are suitably implemented and efficient.

In relation to the activities carried out by Red Eléctrica at its Head Offices, the general aspects of the system and specifically in the Committed to the Environment Vector have been verified (report 14/14).

Additionally, a report was drafted (report 25/14) to complete the verifications conducted in the aforementioned internal audit. 21 individual interviews were held with employees of the Central Transmission Regional Office, the East Transmission Regional Office and the Northeast Transmission Regional Office. Additionally, questionnaires were completed by 18 employees of the South Transmission Regional Office and of the Tres Cantos centre.

Conclusions

It can be concluded that the Corporate Responsibility Management System is suitably implemented, as no deficiencies have been detected that, in accordance with the auditor's judgment, need to be categorized as anomalies.

Strengths

- The approval of a new Corporate Responsibility Plan 2014-2016.
- The majority of the employees have expressed they are satisfied and enjoy working at REE and believe the Company is recognized externally. Employment stability is the aspect most highly valued by the employees.
- It is considered that there is a high commitment to Corporate Responsibility by REE.

Observations

Report 14/14 on the Corporate Responsibility Management System in the Head Office

1. The anomaly detected in the last internal audit of Corporate Responsibility Management System, regarding the legal compliance assessment, is pending resolution.
2. The new Processes Manual and the Corporate Responsibility Plan 2014-2016 have been approved. The Functions Manual and the updated documentation associated with the Corporate Responsibility Management System are pending approval.
3. It was not shown how the methods and criteria are determined for assessing the relevance of the actual and potential impacts on affected stakeholders. Therefore, there is no assurance that these impacts are considered when defining the objectives, goals, decisions and activities.

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4. It was observed that there is certain lack of awareness regarding the figure of the Ethics Manager and the existence of a form on the internal corporate web to report behavior that is non-compliant with the Code of Ethics.
5. It has been evidenced that the training, communication and dissemination actions to employees in the field of corporate responsibility, have not always achieved the expected goals.
6. In general, employees are not aware that the Company has a Harassment Protocol.
7. In some cases, vertical communication is not very fluid and could be improved.
8. Employees have expressed shortcomings regarding the communication of the strategic objectives so that staff are made aware of it, in general terms.

Areas of improvement

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1. We recommend that REE continue to increase its recruitment of personnel with disabilities as well as increase contracting with companies who are committed to the integration of people with disabilities into the working world

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2. Conduct an analysis of the actual degree of awareness that employees have on corporate responsibility with the aim to identify training needs and weaknesses in communication.
3. Improve communication to the regional offices regarding corporate affairs. We have been told that there is information regarding the Company that they are unaware of because the information on the internal corporate web is not always clear and, on other occasions, it was not communicated to them through other channels.
4. Conduct training activities for employees of the regional offices and for employees of other departments that often work together, to get to know in more detail the work each of them do (similar to the activities in the Link Project – 'Proyecto Enlace').
5. Carry out more actions for further improvement in monitoring suppliers who provide services in the regional offices.

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Beatriz Cordero Márquez

Internal Auditor

Manuel Sánchez Gómez

Head of the Internal Audit and Risk
Control Department

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