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LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

KEY PERFORMANCE INDICATORS

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ANNEXES

# 04 MANAGEMENT APPROACH

CONNECTED TO EXCELLENCE AND SUSTAINABILITY



## CORNERSTONES OF THE CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM

Sustainability, ethics and responsibility



### 1. STRATEGIC PLAN

Defines excellence and corporate responsibility as one of its cross-cutting strategies, in order to consolidate the Company as a sustainable company.

Approved by the Board of Directors



### 3. CORPORATE RESPONSIBILITY PLAN

Sets out the commitments undertaken by the Company and establishes the action framework regarding corporate responsibility and defines the courses of action for the next three years.

Approved by the Appointments and Remunerations Committee



### CORPORATE RESPONSIBILITY PROGRAMME

Fulfilment linked to a management goal



### 4. CORPORATE RESPONSIBILITY PROGRAMME

Encompasses the most relevant projects carried out by the Company within the corporate responsibility scope.

Approved by the Sustainability Management Committee  
96% fulfilment of the 2016 annual programme



### 2. CORPORATE RESPONSIBILITY POLICY

Establishes the principles and guidelines regarding corporate responsibility, gearing the business activities towards a sustainable business management model and focusing on the creation of value.

Approved by the Board of Directors



### 5. MONITORING AND EVALUATION

Definition of the tools that allow the assessment and supervision of the implementation and execution of the Corporate Responsibility Plan.

Dashboard  
Internal and external audits



# RED ELÉCTRICA'S COMMITMENT TO SUSTAINABILITY

## The Corporate Responsibility Policy reflects the commitment to sustainable development through a multi-year plan that defines the framework for action in the medium term.

Red Eléctrica maintains a commitment to sustainability by creating shared value for all its stakeholders in the execution of its activities, through the design and implementation of a management system based on guidelines for responsible action.

In this regard, at Red Eléctrica, corporate responsibility is part of our business culture and a key tool for the creation of shared value in carrying out our mission as an operator and as the sole transmission agent of the Spanish electricity system.

Red Eléctrica's 2014-2019 Strategic Plan establishes management based on best practices in corporate responsibility as a key action for the Company. In carrying out this strategy, Red Eléctrica acts in a responsible manner and is committed to its stakeholders and to society in general.

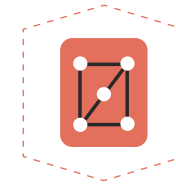
### The management of corporate responsibility

Red Eléctrica's commitment to sustainable development is reflected in the principles and guidelines defined in its Corporate Responsibility Policy and is materialised through a multi-year

plan that defines the medium-term framework for action regarding corporate responsibility.

The Corporate Responsibility Plan 2014-2016 is structured into five management areas. Each one of these areas is deployed across specific courses of action that involve all areas of the Company for its effective implementation.

### CORPORATE RESPONSIBILITY PROGRAMME



# 96

% OF OVERALL FULFILMENT IN 2016

A management objective with impact on the remuneration of the workforce has been in place since 2015

Based on these courses of action, each year Red Eléctrica defines its corporate responsibility programme by means of projects that contribute substantially and strategically to furthering the objectives established in said Plan. At the close of 2016, the

degree of overall fulfilment of the programme was 96%. It is worth noting that from 2015, fulfilment of this programme is a management goal that has an impact on staff remuneration.

### AREAS OF ACTION OF CORPORATE RESPONSIBILITY



### INTERNATIONAL CERTIFICATION



## SR10 ON CORPORATE RESPONSIBILITY MANAGEMENT

Renewed in 2016 following external audit by AENOR

### Monitoring and evaluation

The corporate responsibility management system of Red Eléctrica is systematically evaluated with tools that determine the degree of compliance with the commitments undertaken and the progress made towards the goals defined.

In this regard, the Company has a set of corporate responsibility indicators that reflect the main management indicators. Similarly, Red Eléctrica's corporate responsibility management system has received the certification of the international standard IQNet SR10 (Social Responsibility Management System) whose correct implementation is assessed annually by external auditors. In 2016, the requirements to renew this certification were met.

The 2014-2016 Corporate Responsibility Plan involves all areas of the Company in order for its effective implementation.

# The creation of the Corporate Management of Sustainability, Innovation and Institutional Coordination department reinforces the involvement of the highest levels of decision making and all organisational areas in corporate responsibility matters.

In addition, the management system is periodically submitted to internal audits. The executive report included in the annex to this document details the results of the most recent audit, corresponding to 2016.

## Sustainability model of the Red Eléctrica Group

Throughout the year, the Company has worked on the design of the Sustainability Model of the Red Eléctrica Group with a horizon of 2030. Its objective is to establish a common framework for sustainability that combines all the actions carried out in this

field by all the companies of the Group, in order to give a better response to its stakeholders, increase efficiency and showcase the Group's commitment and performance in sustainability. It is foreseen that the Model will be approved in 2017, along with its implementation and deployment through specific multi-year plans for the companies in the Group.

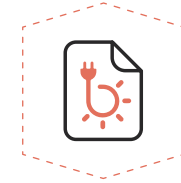
## Organisational structure

With the creation of the area for the Corporate Management of Sustainability, Innovation and Institutional Coordination, Red Eléctrica has reinforced the involvement of the highest levels of decision making in the Company.

Similarly, the Company has involved all areas of the organisation in the implementation, supervision and monitoring of the commitments made regarding corporate responsibility.

In 2016, Red Eléctrica revised the composition and functions of the Sustainability Management Committee (formerly the Corporate Responsibility Committee) in order to adapt it to the reorganisation process the Company undertook at the end of 2015.

### SUSTAINABILITY MODEL



## OBJECTIVE: ESTABLISH A COMMON FRAMEWORK

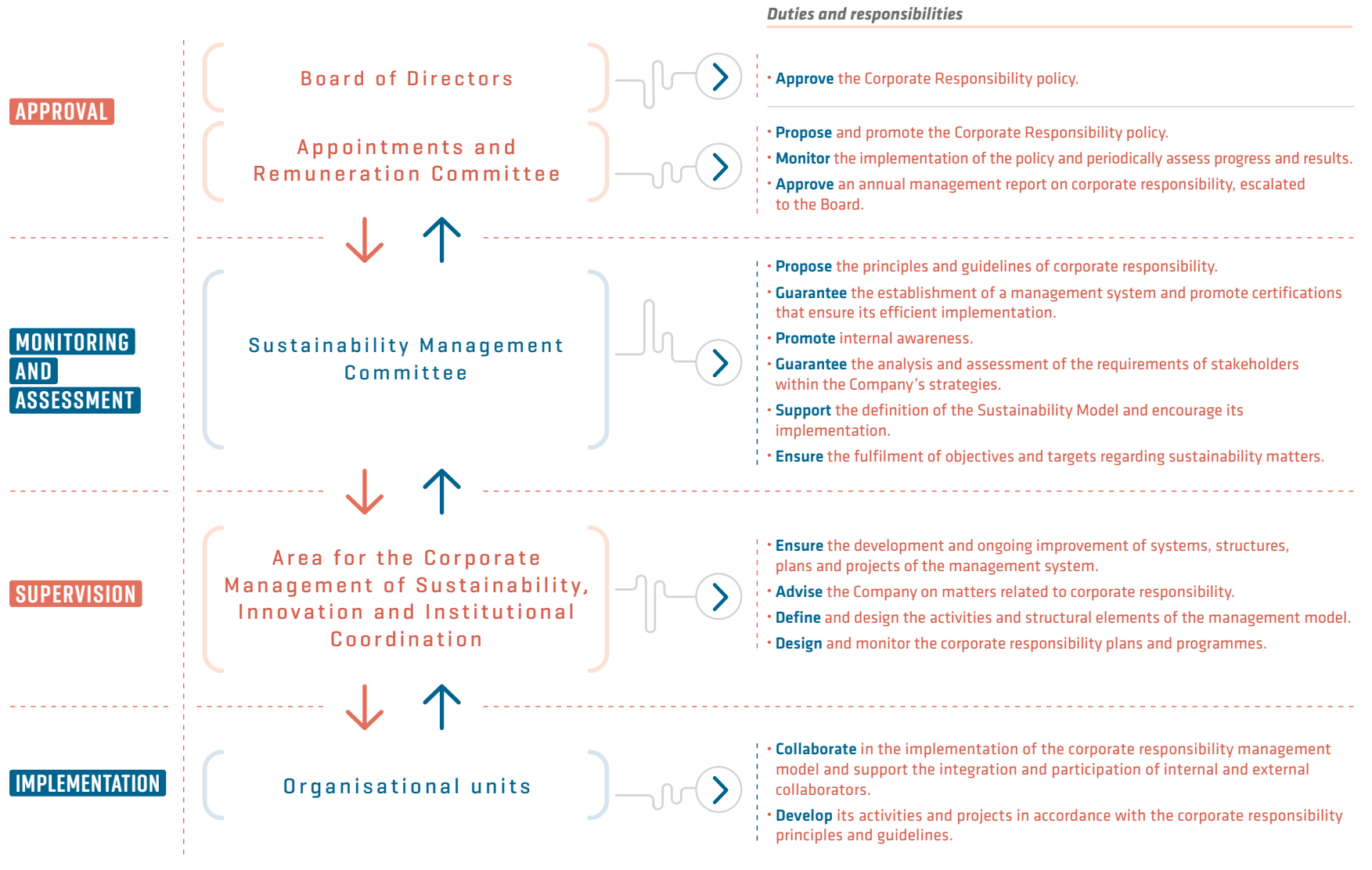
In sustainability matters for all companies of the Group

### SUSTAINABILITY MANAGEMENT COMMITTEE

Ensures fulfilment of objectives and goals on sustainability matters, promoting internal awareness.



## ORGANISATIONAL SCHEME OF CORPORATE RESPONSIBILITY MANAGEMENT

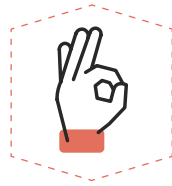




# The Company retained the European Seal of Excellence 500+, renewed in 2015, with a score of over 700 points, ranking it among the leading European companies.

The new composition of the Sustainability Management Committee represents all the areas of corporate responsibility management: economic, social and environmental. A new feature worth noting is the incorporation of the Business Diversification area, aimed at guaranteeing the involvement of all the companies of the Group; the area responsible

2016-2017 EXCELLENCE PLAN



46 IMPROVEMENT MEASURES

Based on the 2015 Excellence Assessment Report



for the supply chain as a focus of critical attention in corporate responsibility; and the area of communication, to help build a corporate culture of sustainability.

In addition, the Sustainability Management Committee has widened the scope of its functions and responsibility over that of the former committee, in order to drive the design and deployment of the Sustainability Model. In 2016, the Sustainability Management Committee held six sessions, with an average attendance rate of 86 %.

### The quest for excellence

Red Eléctrica's commitment to excellence in management and quality and is one of the cross-cutting strategies in the Company's strategic plan.

In this regard, since 1999 Red Eléctrica has had the EFQM [European Foundation for Quality Management] model of excellence management implemented. In 2016, the Company retained the European Seal of Excellence 500+, which was renewed in 2015, with a score of over 700 points, consolidating Red Eléctrica among the leading Spanish and European companies.

The excellence management system is founded upon a process-based management approach. In 2016, risk management has been introduced at a process level, broadening the scope of corporate management. Also, the 2016-2017 Excellence Plan has been prepared, which contains 46 improvement measures based on the excellence assessment report drafted in 2015.

Similarly, since 2000 Red Eléctrica has had a certified system that encompasses all processes in the organisation. In 2016, the fifth integrated audit of all the certified corporate management systems was conducted.



## Presence in sustainability indexes

Red Eléctrica is included in the main sustainability indexes, which select companies with a distinguished performance in the ethical, social and environmental aspects of corporate governance. These indexes are an important incentive for companies, as investors increasingly find an advantage in these types of companies.

In 2016, Red Eléctrica consolidated its presence in the Dow Jones Sustainability World and Dow Jones Sustainability Europe Indexes, improving its overall

score and leading the electric utilities sector in nine areas of sustainability.

In the economic dimension, Red Eléctrica renewed its leadership in ethics management and compliance. In the environmental dimension, noteworthy is that the Company obtained a maximum score in five of the six criteria, bringing to the forefront the Company's firm commitment to the fight against climate change, and to the conservation of the natural environment. Regarding the social dimension, Red Eléctrica positioned itself as the industry

## Red Eléctrica's main recognitions regarding sustainability



## SUSTAINABILITY RECOGNITIONS



RED ELÉCTRICA WAS AWARDED THE 'SILVER CLASS' DISTINCTION

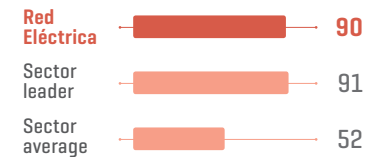
In 'The Sustainability Yearbook 2017' from RobecoSAM

leader. The index positively acknowledged the Company's work in stakeholder management, the creation of shared value in the territory where its facilities are located and the development of initiatives that underscore Red Eléctrica's long-term commitment to its employees through talent management and measures that promote and protect their health, well-being and security.

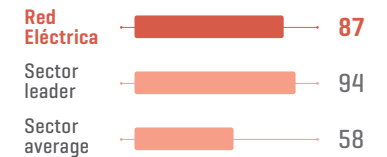
As a result of this, Red Eléctrica has received the 'Silver Class' distinction in 'The Sustainability Yearbook 2017' from RobecoSAM.

## RED ELÉCTRICA'S RATING IN THE DJSI WORLD 2016

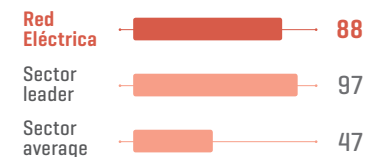
### OVERALL SCORE



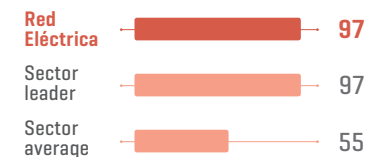
### ECONOMIC DIMENSION



### ENVIRONMENTAL DIMENSION



### SOCIAL DIMENSION



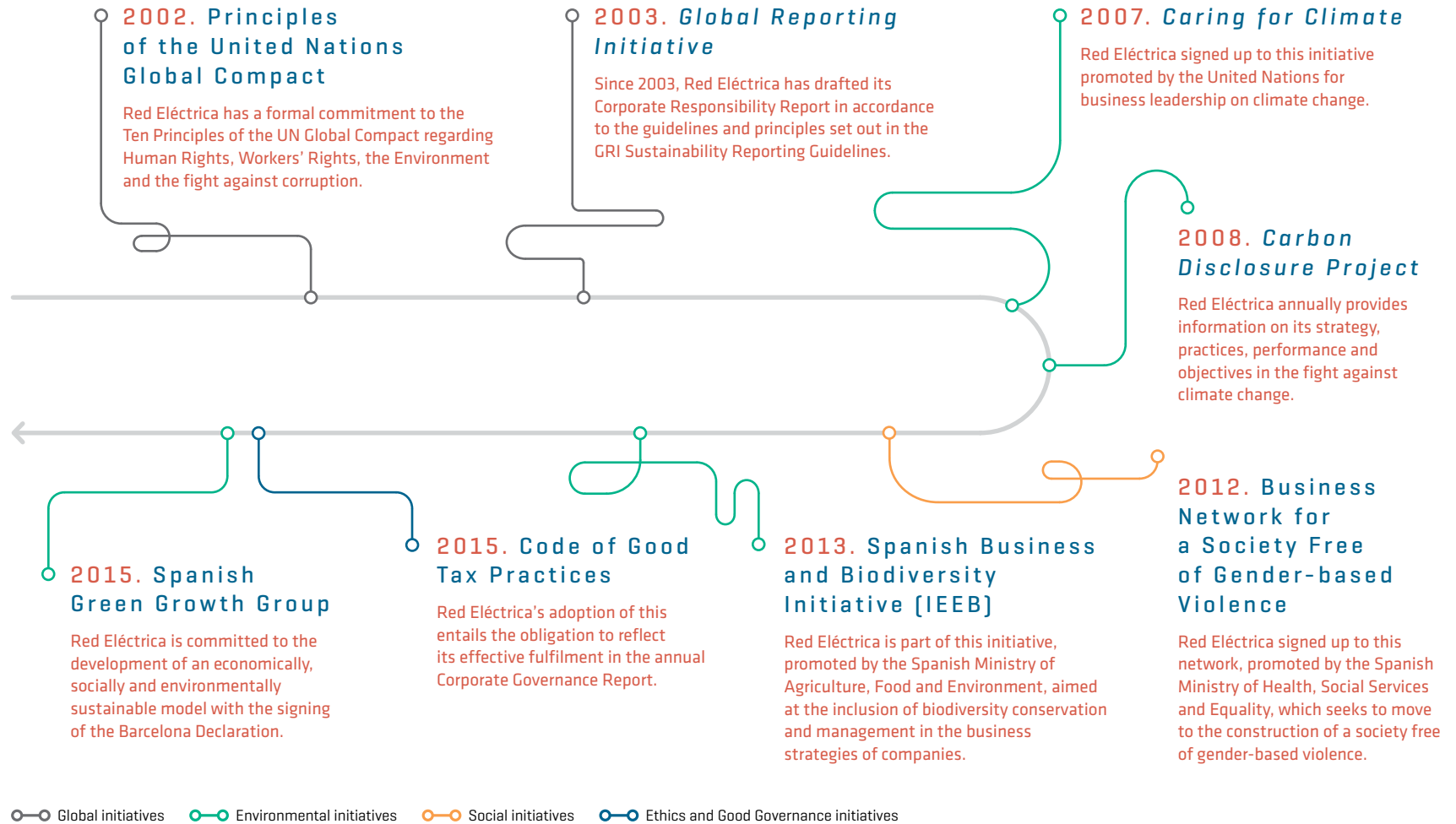




### Commitment to external initiatives / G4-15

Red Eléctrica is a member of and voluntarily participates

in different initiatives that strengthen its commitment to corporate responsibility, among which the following are noteworthy:

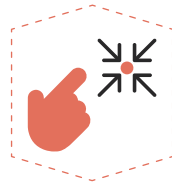


## Sustainable development goals (SDG's)

The United Nations' 2030 Agenda established 17 global goals, divided into a total of 169 targets that seek to unite efforts in achieving sustainable development. For the first time, the business community has been asked to play a main role this transformation, as a key agent in achieving inclusive economic growth based on equal opportunities, environmental protection and prosperity for all.

Red Eléctrica, as operator and sole transmission agent of the Spanish electricity system, holds a key position in the energy sector and, as a company committed to sustainability, collaborates actively in developing a sustainable energy future. In this regard, the activity of **Red Eléctrica de España contributes to attaining the goals regarding energy, innovation and infrastructures, and climate change (objectives 7, 9 and 13)**. It should be pointed out that the corporate responsibility commitments undertaken by Red Eléctrica de España, and the actions derived from the same, are also aligned with other Sustainable Development Goals and as

### CONTRIBUTION TO THE UNITED NATIONS SDGs



## RED ELÉCTRICA CONTRIBUTES TO MEETING THE GOALS: ENERGY, INNOVATION AND INFRASTRUCTURE, CLIMATE CHANGE

And it also aligns the remaining Goals within its commitments

### UNITED NATIONS' 2030 AGENDA

Establishes 17 global goals in sustainable development matters, broken down into 169 targets.

## SUSTAINABLE DEVELOPMENT GOALS



Red Eléctrica contributes mainly to the achievement of the **energy, innovation and infrastructure and climate change goals (Goals 7, 9 and 13)**.

such, increase the Company's contribution to achieving the United Nations' 2030 Agenda.

The process of designing the Group's Sustainability Model, which will be implemented throughout 2017, has considered the targets

set by the Sustainable Development Goals, in order to define priorities for the Company in terms of sustainability that make a notable contribution to achieving the SDG's.



# STAKEHOLDERS / G4-25

Red Eléctrica operates under a model of sustainable business management, focused on creating value for its stakeholders. The Corporate Responsibility Policy contains the Company's formal commitment to establishing long-term relationships based on trust and ongoing dialogue with stakeholders, strengthening relationship models that allow

the Company to respond to their needs and expectations.

## Stakeholder management model

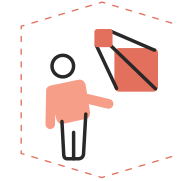
Red Eléctrica's stakeholder management model, designed and implemented in 2004 and revised in 2012, includes the identification and prioritisation of stakeholder groups, as well as the definition of the framework of relationships and the evaluation of the same, according to the requirements of the benchmark norms and

standards in this area, such as AA1000, IQNet SR10, ISO26000 or GRI.

Red Eléctrica understands that its stakeholders are all those groups affected by the services or activities of the Group and whose opinions and decisions have an influence on the Company's financial results, or on its reputation. In this regard, Red Eléctrica has an advanced and mature system of process

In 2016, Red Eléctrica obtained a maximum score (100 points out of 100) in the criteria of the Dow Jones Sustainability Index, which evaluates a company's commitment and performance with respect to its stakeholders.

## MANAGEMENT MODEL



CREATED IN 2004 AND REVISED IN 2012 IDENTIFIES AND PRIORITISES STAKEHOLDER GROUPS

Defines and assesses the relationship framework

## IDENTIFICATION OF STAKEHOLDER GROUPS

Obtained based on the analysis of the interactions between the processes and activities of the Company and its environment.



management, by which the identification and segmentation of stakeholder groups is done, mainly through analysis of the interrelationships between the processes and activities of the Company and its environment.

The prioritisation of the stakeholder groups is established according to their degree of influence in achieving the Company's strategic objectives, and according to the importance or effect of the impact of the organisation on the stakeholder groups.

In this context, Red Eléctrica defines the framework of relationships, establishing the type of relationship with each stakeholder group, from the transmission of information to the development of strategic alliances. For each relationship category, the Company defines the most appropriate channels, among which noteworthy are the satisfaction surveys and the DÍGAME service, due to their cross-cutting nature across all the stakeholder groups.

PRIORITISATION OF STAKEHOLDER GROUPS



ACCORDING TO THEIR DEGREE OF INFLUENCE

IN ACHIEVING STRATEGIC OBJECTIVES

According to the importance of the impact of the organisation on stakeholders

IN 2016

Red Eléctrica held training sessions for project managers, to improve and systematise the management of stakeholders.

# Among the actions encompassed in the stakeholder management system, noteworthy is the analysis of Red Eléctrica's existing alliances, linking them to the Strategic Plan and to stakeholders.

Lastly, Red Eléctrica's stakeholder management model has internal and external tools for evaluating performance and identifying areas for improvement, such as internal and external audits, pursuant to the specific requirements set out in the IQNet SR10 and ISO9001 standards.

Main actions in 2016

Among the actions taken in 2016 within the framework of the stakeholder management system, noteworthy is the analysis of Red Eléctrica's existing alliances, linking them to the Company's Strategic Plan and to stakeholders. Once the alliance concept had been clearly defined for Red Eléctrica, and the existing alliances

were classified and analysed, this work served as a point of departure for the identification of opportunities in the quest for the creation of shared value with our stakeholders.

Similarly, in 2016 Red Eléctrica held training sessions for project managers, in order to improve and systematise the management of stakeholders within the Project Management process, according to the criteria of the ISO 21500 standard.



Furthermore, the future Sustainability Model of the Group, designed throughout 2016, has led to a new update of the stakeholder management model and extending its compliance to the whole of the Red Eléctrica Group; its approval and implementation will take place in 2017. It is worth noting that the active involvement and participation of the stakeholders in the process of designing this model has been essential in defining its key elements.

### DÍGAME Service / G4-DMA

The DÍGAME service has guaranteed, since 2008, the professional management of all enquiries (claims, requests or grievances) from external stakeholders, by making various communication channels available (phone, e-mail and online web form). This service is staffed by personnel from the Juan XXIII Roncalli Foundation, an organisation that works with people with some type of disability.

**DÍGAME SERVICE**

**2,901**  
ENQUIRIES MANAGED  
In 2016

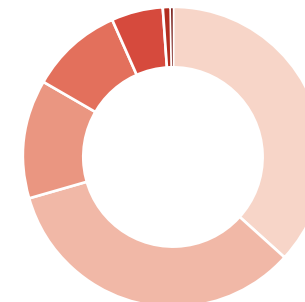
**SINCE 2008**

The Dígame service manages enquiries and grievances made by external stakeholder groups.

### 'DÍGAME' SERVICE

[2,901 enquiries managed in 2016]

Social environment	36.9 %
Investors and shareholders	33.7 %
Clients	12.9 %
Business sectors and associations	9.9 %
Suppliers and technology providers	5.5 %
Public administration and regulators	0.8 %
Opinion generators	0.2 %



### APPLICABLE GRIEVANCES MANAGED THROUGH THE 'DÍGAME' SERVICE IN 2016

/ G4-S011

**By grievance type**

Impact of facilities	30
Electricity system metering	3
Other	2
<b>Total</b>	<b>35</b>

**Claimant by stakeholder group**

Social environment	31
Business sector/Professional associations	2
Other	2
<b>Total</b>	<b>35</b>

**Note:** An applicable grievance is understood as that which corresponds to the duties and responsibilities of Red Eléctrica. Of the 35 applicable grievances in 2016, 27 have been considered applicable (accepted by Red Eléctrica, as a result of considering the arguments presented as valid and reasonable for their acceptance, complete or partial). These include environmental grievances (see indicator GRI G4-EN34). 80% of grievances that are applicable have been closed, whereas the rest are currently in process. In 2016, all grievances reported in 2015 and that were pending resolution, were closed (8 grievances).



# The evaluation and analysis of the needs contained in the satisfaction surveys lead to the drafting of an improvement action plan and the subsequent monitoring of compliance with said actions.

## Satisfaction surveys

Satisfaction surveys allow the Company to perform a quantitative and qualitative analysis of the demands and needs of the stakeholders. These surveys are conducted periodically, generally every two years, by an external consultant to guarantee the confidentiality and validity of the process. / G4-26 / G4-27

The evaluation and analysis of the needs contained in the satisfaction surveys led to the drafting of an improvement action plan and the subsequent monitoring of compliance with said actions. The monitoring of the plan includes sending the results

to the stakeholders and seeking their approval on the improvement actions. / G4-45

During 2016, satisfaction surveys were conducted among the following external stakeholder groups: NGOs and foundations, educational centres, R&D+i centres, environmental groups

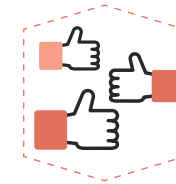
and external clients. In the internal environment, surveys were conducted to evaluate the management of IT services, sustainable mobility, internal communication, and occupational health and safety. The overall satisfaction of all the stakeholder groups analysed during 2016 was 8.2 out of 10.

## GLOBAL INDICATORS OF THE STAKEHOLDER PERCEPTION SURVEYS

	2012	2013	2014	2015	2016
Overall satisfaction	8.2	8.2	8.2	8.4	8.2
Satisfaction of the quality of services	7.9	7.9	7.7	7.9	8.0
Reputation	8.5	8.5	8.4	8.6	8.6
Ethical business conduct	8.1	8.1	8.1	8.3	8.4
Management of Corporate Responsibility	7.6	7.6	7.7	7.6	7.7
Dialogue with stakeholders	7.9	7.8	7.9	8.0	8.0

Note: value range [0-10].

## SATISFACTION OF STAKEHOLDER GROUPS



## AVERAGE OVERALL SCORE

8.2





OUT OF 10

Of all stakeholder groups analysed

## IN 2016





satisfaction surveys were conducted among NGOs and foundations, educational centres, R&D+i centres, environmental groups and external clients.

## Our commitments to stakeholder groups / G4-24

STAKEHOLDER GROUPS	MAIN COMMITMENTS	MAIN CHANNELS OF COMMUNICATION
 <p><b>Investors / shareholders</b></p>	<ul style="list-style-type: none"> <li>• Creating value.</li> <li>• Good governance and risk control.</li> <li>• Fluid and transparent dialogue.</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders' office.</li> <li>• E-mail for shareholders/investors.</li> <li>• Shareholders' Electronic Forum / Web Page.</li> <li>• Road Shows and meetings.</li> <li>• Satisfaction surveys.</li> <li>• Corporate reports.</li> </ul>
 <p><b>Regulatory bodies</b></p>	<ul style="list-style-type: none"> <li>• Security, quality and continuity of service.</li> <li>• Independence and transparency.</li> <li>• Effective solutions to challenges.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic work meetings.</li> <li>• Institutional meetings.</li> <li>• Periodic information.</li> <li>• Handling of requests for information.</li> </ul>
 <p><b>Clients</b></p>	<ul style="list-style-type: none"> <li>• Fulfilment of the Transmission Grid planning.</li> <li>• Leadership and innovation.</li> <li>• Efficient management</li> <li>• Dialogue, impartiality and transparency.</li> </ul>	<ul style="list-style-type: none"> <li>• Public Web and Market Agent's Web (e-sios).</li> <li>• Periodic technical publications.</li> <li>• Telephone help desk service.</li> <li>• Specific e-mail addresses.</li> <li>• 'DÍGAME' Service.</li> <li>• Satisfaction surveys.</li> <li>• Committees and Technical working groups.</li> <li>• Communication forums.</li> </ul>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Stable employment and equal opportunity.</li> <li>• Work-life balance.</li> <li>• Professional development and recognition.</li> <li>• Ensuring occupational health and safety.</li> <li>• Freedom of association and dialogue with management.</li> <li>• Ethical and responsible conduct.</li> </ul>	<ul style="list-style-type: none"> <li>• Channel for enquiries and grievances regarding the Code of Ethics.</li> <li>• Corporate portal miRED 2.0.</li> <li>• Employee self-service site.</li> <li>• Employee telephone help desk.</li> <li>• Working climate survey and services satisfaction survey.</li> <li>• Communication plan and induction and integration programme.</li> <li>• Work, social and leisure communities.</li> <li>• Bulletin boards and information screens</li> <li>• Social representation committees/panels.</li> <li>• Appraisal interview.</li> </ul>



## Our commitments to stakeholder groups / G4-24 / continued from previous page

STAKEHOLDER GROUPS	MAIN COMMITMENTS	MAIN CHANNELS OF COMMUNICATION
 <p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Compliance with contractual obligations.</li> <li>• Ethics and transparency.</li> <li>• Collaboration to generate mutual benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Channel for enquiries and grievances regarding the Supplier Code of Conduct.</li> <li>• Specific supplier help desk. ASA (Procurement Help Desk).</li> <li>• Specific area on the corporate website.</li> <li>• Associations and working groups.</li> <li>• Meetings and training days.</li> <li>• Satisfaction surveys.</li> <li>• Tenders published via DOUE and BOE.</li> <li>• Informative bulletin regarding construction.</li> </ul>
 <p><b>Social environment</b></p>	<ul style="list-style-type: none"> <li>• Transparency on actions carried out and their impact.</li> <li>• Territorial planning and community involvement.</li> <li>• Safety and security of facilities and the electricity supply.</li> <li>• Ethical business practices.</li> <li>• Protection of the natural environment.</li> </ul>	<ul style="list-style-type: none"> <li>• 'DÍGAME' Service.</li> <li>• Satisfaction surveys.</li> <li>• Attention channel on grid planning and development processes.</li> <li>• Periodic meetings.</li> <li>• Dissemination of information on the electricity system.</li> <li>• Corporate reports.</li> <li>• Informative brochures.</li> <li>• Visits to facilities.</li> <li>• Statistics of the electricity system.</li> <li>• 'Entrelíneas' blog.</li> </ul>
 <p><b>Opinion generators</b></p>	<ul style="list-style-type: none"> <li>• Information transparency.</li> <li>• Efficiency in the management of enquiries and requests.</li> </ul>	<ul style="list-style-type: none"> <li>• E-mail / Website.</li> <li>• Road Shows and meetings.</li> <li>• Satisfaction surveys.</li> <li>• Reports, press releases, training days, social networks, etc.</li> <li>• Corporate reports.</li> <li>• 'Entrelíneas' blog.</li> </ul>
 <p><b>Business sectors/ professional associations</b></p>	<ul style="list-style-type: none"> <li>• Fluid, transparent and close-knit dialogue.</li> <li>• Exchange of best practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in technical committees, working groups (national and international).</li> </ul>