

# THE VALUE OF CONNECTED ENERGY

CORPORATE  
RESPONSIBILITY  
REPORT  
2014



**RED**  
ELÉCTRICA  
CORPORACIÓN

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Click on the  symbol to access additional information about the Company that may be of interest to you.



Chairman of Red Eléctrica Corporación

## JOSÉ FOLGADO

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

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

tion from renewable sources and energy efficiency.

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

### ◀ IMPROVEMENT OF THE TRANSMISSION GRID OF THE INSULAR SYSTEMS

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

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

### BOOSTING INTERNATIONAL ELECTRICITY INTERCONNECTIONS

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

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

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

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

### CORPORATE RESPONSIBILITY

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





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

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

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

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

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

## NEW STRATEGIC PLAN

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

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

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







IN REGARD TO THE CREATION OF VALUE, the Company achieved solid results, with a net profit of 717.8 million euros. For its part, the dividend per share registered and 18% increase over the previous year

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

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

[G4-1]

## KEY PERFORMANCE INDICATORS 2014 [G4-9]

 <b>GOVERNANCE</b>	 <b>BUSINESS</b>	 <b>FINANCIAL DATA</b>	 <b>EMPLOYMENT</b>	 <b>SOCIAL</b>	 <b>ENVIRONMENTAL</b>
<p><b>REDUCED BOARD</b> (No variation)</p> <p><b>11 MEMBERS</b></p>	<p><b>KM OF LINES</b> (+1.4%)</p> <p><b>42,601 Km</b></p>	<p><b>NET REVENUE</b> (+5.0)</p> <p><b>1,846.7 M€</b></p>	<p><b>WORKFORCE</b> (+0.6%)</p> <p><b>1,682 PEOPLE</b></p>	<p><b>INVESTMENT IN SOCIETY</b> (+42.5%)</p> <p><b>5.7 M€</b></p>	<p><b>ENVIRONMENTAL EXPENDITURE</b> (-4%)</p> <p><b>22.4 M€</b></p>
<p><b>INDEPENDENT DIRECTORS</b> (No variation)</p> <p><b>64%</b></p>	<p><b>SUBSTATIONS</b> (+1.8%)</p> <p><b>5,292 SUBSTATION BAYS</b></p>	<p><b>EBITDA</b> (+6.4)</p> <p><b>1,385.4 M€</b></p>	<p><b>WOMEN IN WORKFORCE</b> (+8% 2009-2014)</p> <p><b>384</b></p>	<p><b>SHAREHOLDERS CARE CENTER</b> (+2.5%)</p> <p><b>1,105 VISITS ATTENDED TO</b></p>	<p><b>KM OF LINE MARKED WITH BIRD-SAVING DEVICES</b> (+7.4%)</p> <p><b>2,776 Km</b></p>
<p><b>WOMEN ON THE BOARD</b> (+25%)</p> <p><b>45.5%</b></p>	<p><b>QUALITY OF SERVICE OF THE GRID</b> (No variation)</p> <p><b>98.2% GRID AVAILABILITY</b></p>	<p><b>NET PROFIT</b> (+35.7%)</p> <p><b>717.8 M€</b></p>	<p><b>WOMEN IN MANAGEMENT POSITIONS</b> (+43.8% 2009-2014)</p> <p><b>19.3%</b></p>	<p><b>LOCAL SUPPLIERS</b> (+3.2%)</p> <p><b>98% OF PURCHASES</b></p>	<p><b>FIRE PREVENTION</b> (+12.2%)</p> <p><b>1.1 M€ IN AGREEMENTS IN FORCE</b></p>
<p><b>BOARD REMUNERATION</b> (No variation)</p> <p><b>2,387 THOUSANDS OF €</b></p>	<p><b>INTEGRATION OF RENEWABLES</b> (+1.4%)</p> <p><b>42.8% OF DEMAND</b></p>	<p><b>DISTRIBUTION OF DIVIDENDS</b> (+18%)</p> <p><b>3 EUROS PER SHARE</b></p>	<p><b>TRAINING</b> (+29.8%)</p> <p><b>74 HOURS PER EMPLOYEE</b></p>	<p><b>CLIENT SATISFACTION</b> (No variation)</p> <p><b>8.3 OUT OF 10</b></p>	<p><b>SF<sub>6</sub> EMISSIONS</b> (-1%)</p> <p><b>1.05 AVERAGE RATE</b></p>

Note; more information regarding these indicators is detailed throughout this Report.

# 01

THE COMPANY

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

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## WHO WE ARE

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

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

**RED ELÉCTRICA'S MISSION** is to ensure the proper functioning of the Spanish electricity system and guarantee the continuity and security of the electricity supply at all times

### MISSION AND VISION

**RED ELÉCTRICA**, as TSO of the Spanish electricity system, has the mission of ensuring the continuity and security of the electricity supply, and the effective coordination of the electricity generation and transmission system. Additionally, it is responsible for the transmission of high voltage electricity and it builds, maintains and operates the facilities of the transmission grid.

Our vision is to be one of the leading companies in the transmission of electricity and the operation of high voltage electricity grids, recognised worldwide for offering a service of the highest quality, carrying out ethical and responsible management, maintaining a firm commitment to sustainable development and generating value for all our stakeholders.



**More information** and a complete overview of the Company in the 'About Us' section of the corporate website.

### OUR VALUES





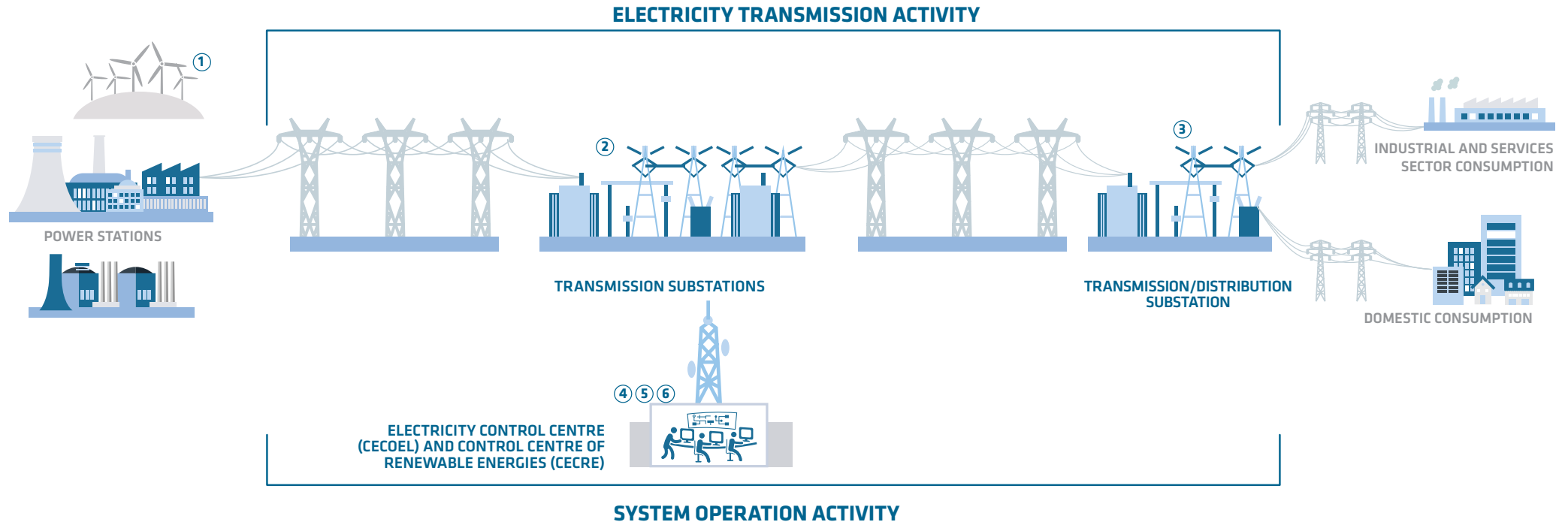
# WHAT WE DO

## ELECTRICITY TRANSMISSION ACTIVITY

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

## SYSTEM OPERATION ACTIVITY

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



## ELECTRICITY ACTIVITY IN SPAIN

[G4-4, G4-6, G4-8]

As the operator of the electricity system, Red Eléctrica is responsible for maintaining the constant balance that is necessary between electricity generation and demand, and for ensuring at all times the continuity and security of supply. Through its control centres, it operates both the peninsular electricity system and the non-peninsular systems.

As the transmission agent and manager of the grid, Red Eléctrica is responsible for the transmission of electricity from the power generation stations to the centres for distribution to consumers. In addition, the Company has the responsibility for developing, expanding and maintaining the transmission grid under homogeneous and efficient criteria. Red Eléctrica is the owner of the entire Spanish high voltage electricity transmission grid.

In 2008, INELFE was founded in order to construct the electricity interconnection with France. INELFE is a mixed capital corporation jointly owned in equal shares (50% by REE and 50% by RTE).

## OTHER ACTIVITIES

### Activities outside Spain

Electricity activity outside Spain is channelled through Red Eléctrica Internacional (REI) with investments in Peru (REDESUR, REA, and TESUR). These subsidiaries are responsible for the following: REDESUR, design, construction and operation of electricity transmission systems located in the south of Peru; TESUR, construction and operation, as per a 30 year concession contract, of the Tintaya-Socabaya line and associated substations; REA, provision of high

voltage electrical maintenance services. In 2014 The TESUR commissioned the aforementioned line.

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

**THE TELECOMMUNICATIONS ACTIVITY is oriented to the commercial operation and management of the dark fibre optic network and associated infrastructure that is not engaged in the operation of the electricity system**

### Telecommunications activity [G4-13]

The telecommunications business being carried out by the Company is oriented towards the commercial use and management of the dark fibre optic network and associated infrastructure that is not engaged in the operation of the electricity system. Moreover, on 20 November 2014, the Company, through its subsidiary Red Eléctrica Internacional, formalised the transfer of the rights to use and manage ADIF's dark fibre optic network (not dedicated to the rail service), as well as as other associated elements, for a period of 20 years and for a total consideration of 433.7 million euros.

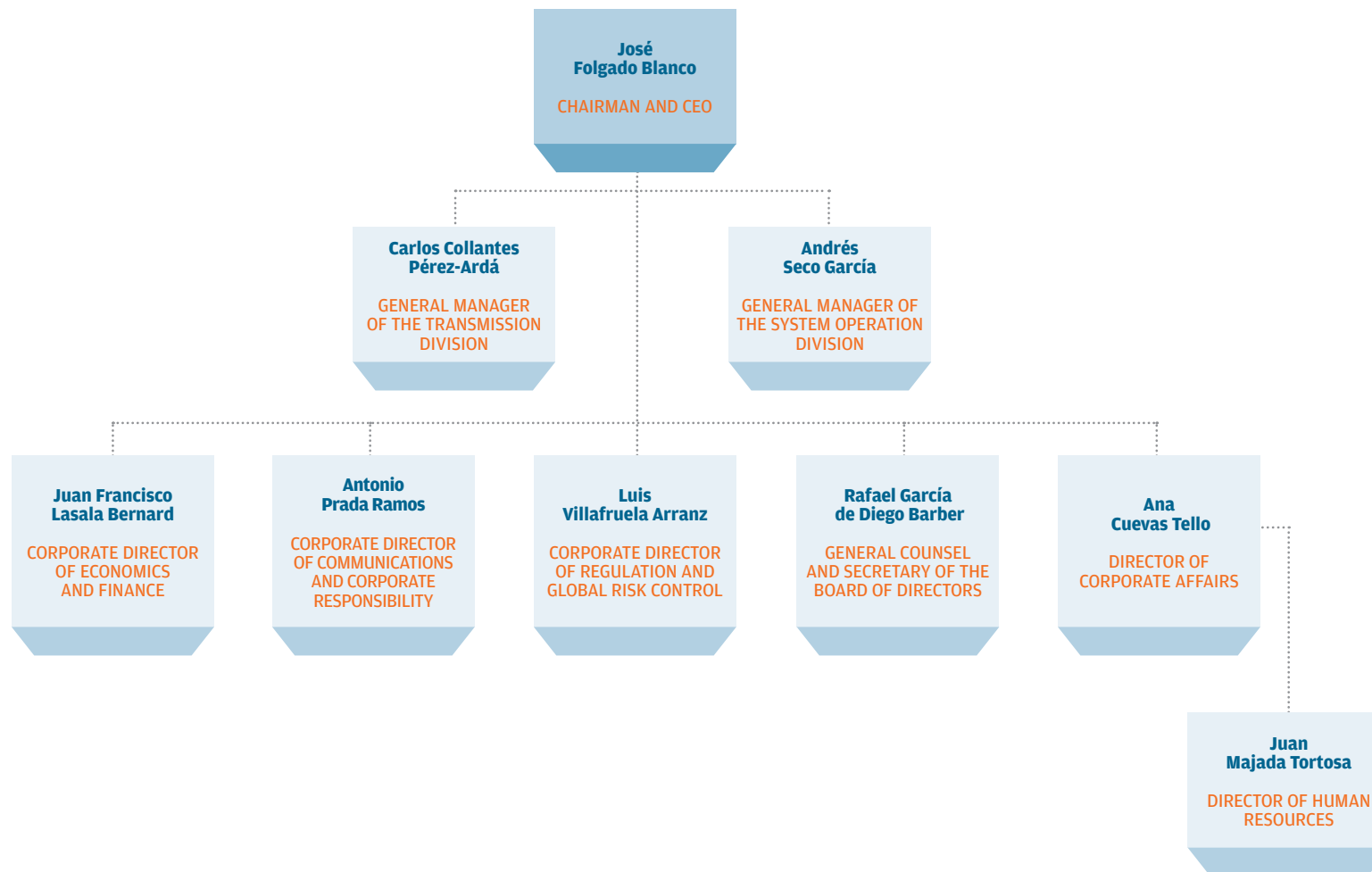
This transaction represents a significant operation for the expansion of the Company's business base. Through this transaction, Red Eléctrica Internacional doubles its current fibre optic network in commercial operation and now has a network of over 32,000 km deployed nationwide via the high voltage electricity transmission grid and the rail network. At present, the Company positions itself as a neutral provider of telecommunications infrastructure; its main customers being telecom operators and other private companies.



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

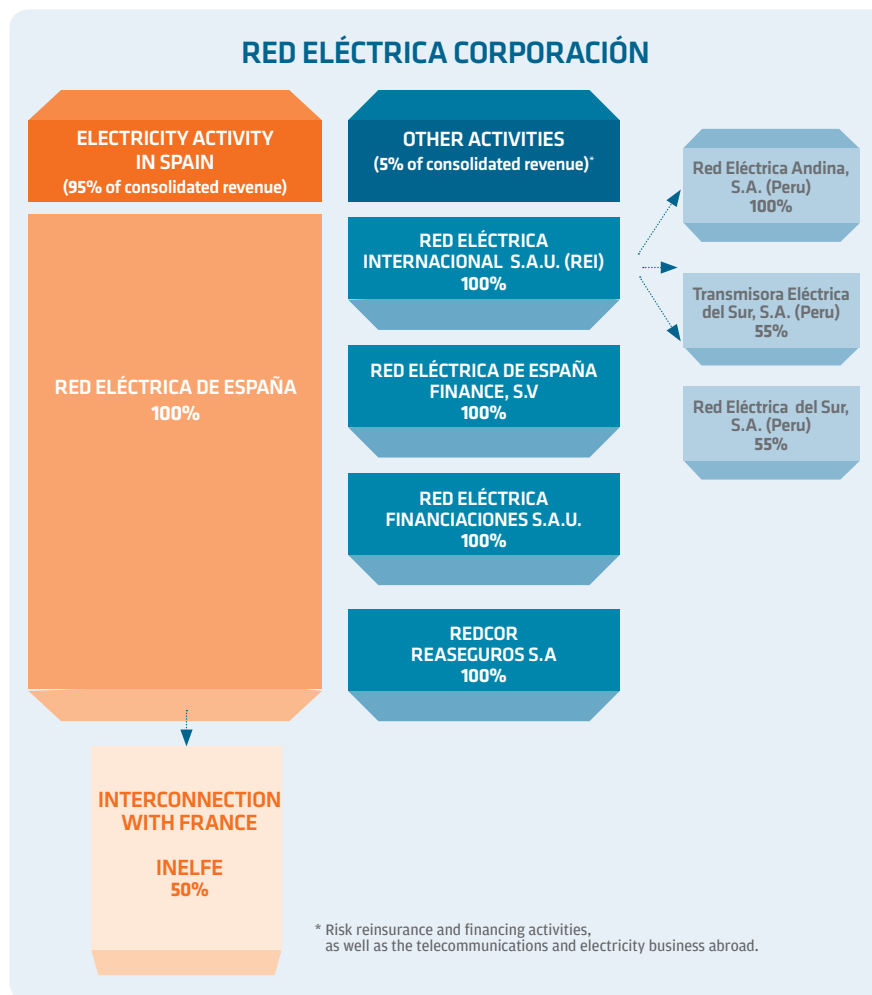
MANAGEMENT STRUCTURE. MANAGEMENT COMMITTEE

[G4-34]



## RED ELÉCTRICA CORPORACIÓN, A GROUP WITH A 'HOLDING' STRUCTURE [G4-3, G4-7, G4-17]

With the objective of reinforcing the separation and transparency of the regulated activities in Spain from the rest of the activities, the organisational structure of the Company was transformed into a holding structure in 2008.



**More information**  
in the *Consolidated*  
*Annual*  
*Accounts 2014.*



## REGULATORY FRAMEWORK

### THE BUSINESS ACTIVITIES

of Red Eléctrica are regulated by European and Spanish legislation. In the European sphere the following apply: Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009.

In Spain, the electricity sector is regulated by Law 54/1997, of 27 November (Electricity Power Act), amended by Law 17/2007

of 4 July, that assigns Red Eléctrica the role of sole transmission agent. This Law was amended by the entry into force of Law 24/2013, of 26 December, on the Electricity Sector that establishes the rules that regulate the activities of Red Eléctrica.

In 2014, further steps were taken to obtain certification for Red Eléctrica as transmission grid manager, as required by Directive 2009/72/EC, following the approval of Order IET/2209/2014 of 20 November 2014, which

authorises and appoints Red Eléctrica de España, S.A.U. as electricity transmission grid manager, under an ownership unbundling model. To complete the certification process, there only remains for this appointment to be published in the "Official Journal of the European Union", in accordance with article 31.1 of Law 24/2013 of 26 December 2013.

In addition, on 27 December 2013 Royal Decree 1047/2013 was approved by the Council of Ministers establishing a new model

for calculating the remuneration of the electricity transmission activity. This new remuneration framework, expected to come into force as of 2016 after the transitory remuneration model applied in 2013 and 2014 defined in Royal Decree-Law 9/2013, of 12 July, was extended into 2015. Said decree establishes urgent measures to ensure the financial stability of the electricity system, defines a clear, stable and transparent methodology; and

**IN 2014, RED ELÉCTRICA DE ESPAÑA, S.A.U. was appointed as transmission grid manager pursuant to Directive 2009/72/EC**

serves to reinforce and clarify the principles and criteria for determining the remuneration for regulated activities in line with comparable European companies.



**More information** in the 'Regulatory framework' subsection in the 'About us' section of the corporate website.

## PARTICIPATION IN ORGANISATIONS AND ASSOCIATIONS [G4-16]

RED ELÉCTRICA is present in various domestic and international organisations and actively collaborates with their governing bodies, standardisation and study committees and working groups. The goal is to help in the drafting of proposals regarding sustainability, legislation, regulation, operational rules and criteria regarding the operation of grids and electricity systems, especially within the sphere of the European Union.

### ENTSO-E (EUROPEAN NETWORK OF TRANSMISSION SYSTEM OPERATORS FOR ELECTRICITY)

In 2014, this organisation continued with the drafting of Network Codes, and to which a tenth code titled Network Code on Emergency and Restoration has been added. This code is classified within the scope of operation in three areas: markets, operation and connection to networks.

Another important milestone in the development of the Network Codes is the Capacity Allocation and Congestion Management code that has passed the final scrutiny stage by the European Parliament and the European Council. Similarly, the following have also represented significant advancements: the development of Regula-

tion 347/2013, on guidelines for trans-European energy infrastructure, and the Ten Year Network Development Plan 2014 (TYNDP 2014), as well as the progress made on the integration of markets aimed at establishing the Internal Energy Market. In this last aspect, noteworthy are the developments carried out for the implementation of the ENTSO-E Transparency Platform, the coupling of the day-ahead markets of NWE (North West Europe) and the synchronised operations with SWE (South West Europe), performed simultaneously.

### MED-TSO (ASSOCIATION OF THE TSO OF THE MEDITERRANEAN BASIN)

This association of the TSOs of the Mediterranean basin (Med-TSO), of which Red Eléctrica is a founding partner, aims to coordinate

plans for development and operation of the electricity grids in the countries of the Mediterranean basin.

### CIGRE (INTERNATIONAL COUNCIL ON LARGE ELECTRIC SYSTEMS)

Organisation which groups together electricity companies, manufacturers of capital equipment and goods, engineering companies and research centres

from around the world with the aim of exchanging technical knowledge. Red Eléctrica holds the position of President and Secretary of the Spanish Committee.

### GO 15 (RELIABLE AND SUSTAINABLE POWER GRIDS)

An international initiative which groups together the world's 17 largest Power Grid Operators, representing together more than 70% of the world's electricity demand. 2014 marked the 10th anniversary of this as-

sociation and the activities of the same have been rearranged into four main areas: flexible network resources, reliability and security of supply network, financial sustainability of the network and network intelligence.

### IESOE (ELECTRICITY INTERCONNECTION WITH SOUTH EAST EUROPE)

This organisation groups together RTE (France), REN (Portugal), ONE (Morocco) and Red Eléctrica (Spain). Its aim is to analyse the behaviour of the electricity interconnection grid of these countries and draw up initiatives to perfect its operation. Red Eléctrica holds the position of Secretary of

this organisation. In 2014 improvements were made to the IESOE Platform, a common website which provides detailed and elaborate information on cross-border interconnections of the TSO members, through the incorporation of an Arabic language version of the platform.

### TSO-INTERNATIONAL COMPARISON

An international association of European, Asiatic, South African and American Electricity System Operators. Its mission is to exchange information on present and future system operation practices, with the aim of establishing comparisons and benchmarks.

### EELI (EDISON ELECTRIC INSTITUTE)

Association of electric power companies from the USA and affiliated international companies. Red Eléctrica participates in financial conferences with analysts and investors in the sector.

# 02 STRATEGY

CONNECTED TO TSO  
DEVELOPMENT, MAXIMISING  
**EFFICIENCY  
AND EXPANDING  
THE BUSINESS BASE**

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## STRATEGIC PLAN 2014-2019

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

Red Eléctrica has defined this Plan (approved by the Board in February 2015) after a reflection process on the foreseeable macroeconomic and energy sector scope in the coming years,

given that the level of involvement of the Company within Europe is becoming more and more relevant and that the plan foresees a possible expansion of the business base abroad.

Similarly, the behaviour and strategies of other companies similar to Red Eléctrica have also been assessed.

### STRATEGIC LINES

THE NEW PLAN establishes three key strategies that define the courses of action, and three transversal strategies, that establish the criteria to be applied.

The key strategies are defined as:

- >> Development of the TSO activity.
- >> Efficiency.
- >> Expanding the business base.

The transversal strategies that allow the fulfilment of the aforementioned key strategies are: Innovation, Excellence and People.

The new Strategic Plan is still based on the continuance of the Company performing its role as TSO in Spain, but it represents a substantial change with regard to its predecessor as it improves the efficiency criteria.

The aim is to bring the Company in line with the new, and more restrictive, regulatory and remuneration framework, and provides greater scope for expanding the business base as an alternative route for growth. These strategic lines are articulated on 25 key actions that will be deployed in an action plan for each of them, which will ensure the fulfilment of the Plan.

IN FIVE YEARS, THE PLAN FORESEES important investments that will enable the Company to achieve solid growth in 'consolidated' activities and additional growth in new activities

### STRATEGIC PLAN 2014-2019

#### KEY STRATEGIES

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

#### TRANSVERSAL STRATEGIES

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



## KEY STRATEGIES

### Development of the TSO activity

**THE MAIN ACTIVITY** of Red Eléctrica continues to be linked to its status as the sole transmission agent and operator of the Spanish electricity system. Therefore, the main strategy of the Company is based on two fundamental aspects:

#### Efficient management of the TSO activity

>> Development of Red21 (21st Century Grid): flexible, intelligent, secure, efficient, open and sustainable.

>> Regulatory framework: the new regulation ensures the financial stability of the energy transmission activity and incentivises efficiency and grid availability.

>> Investment in the transmission grid: pending approval of the new Infrastructure Plan 2015-2020, we can define the

investment portfolio of the Company for the period 2014-2019 that will reach approximately 515 million euros annually, with an annual average commissioning of infrastructure assets of around 600 million euros.

>> Contribution of the Company, as a key element in the operation of the electricity system, to make the challenge of sustainable development a reality.

#### New System Operation tools

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

### Efficiency

**FOLLOWING A** stage of high growth and acquisitions and the integration of assets, the Company has begun a process of analysis and review of processes, seeking to improve the current levels of efficiency.

The new remuneration model implies a greater need for obtaining both operational and financial efficiencies. This entails fostering a culture and business management approach, focused mainly on the optimisation of construction and maintenance activities, those of greater economic and financial impact, and the ongoing improvement at a process and operational level. Achieving greater efficiency will contribute to mitigating the impact of the lower profitability of

new investment, according to the new remuneration model, creating value through improved operating margins.

Regarding financial efficiencies, these will be focused on:

- >> Capital cost optimisation and a new policy regarding dividends
- >> Taking advantage of current interest rate levels and coverage of future financial costs
- >> Flexible financial structure.

### Expanding the business base

**THE CURRENT** economic and energy context brings with it a lower growth scenario from the Company's main activity, which means having to consider expanding the business base in Spain and internationally to drive growth in the upcoming years.

This could involve the execution of regulated activities that are different to the current ones and non-regulated activities in the field of telecommunications and infrastructure management, as well as expanding into other geographical areas. To this end, a significant portfolio of investments will be made in these areas over the coming years.

#### Telecommunications

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

>> Opens the door to greater business opportunities (closing of transmission axes by adding new sections line, access to rural and urban areas, areas with insufficient coverage, new redundancies regarding existing line sections, etc). ▶

#### ◀ Energy storage

>> Increase in the energy storage capacity on the islands, as a system operation tool, mainly through pumped storage, without neglecting other future technologies, which would enable a greater integration of renewables and, at the same time, provide more security to the electricity system.

>> The agreement signed with Endesa for the transmission of the Chira-Soria pumping station project in Gran Canaria, establishes the first step in the development of this activity, as it represents the most

significant project in terms of investment, with an estimated budget of 300 million euros.

#### International

>> Based on our know-how and on profitability criteria with the aim of improving shareholder return.

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

## TRANSVERSAL STRATEGIES

**THE TRANSVERSAL STRATEGIES** that allow the achievement of the previously indicated key strategies are:

### Excellence and Corporate Responsibility.

**IN THE FIELD** of excellence, the current benchmark position demonstrated in the execution of our activities will continue whilst focusing efforts on actively managing corporate reputation and brand. Also, work will be carried out to improve communication with stakeholders, maintain our focus on consolidating ourselves as a sustainable company through ethical management and the commitment to society whilst maintaining a focus on excellence and responsibility in the execution of our activity.

Red Eléctrica's corporate responsibility model is established on a set of structural elements regarding management, planning and temporary deployment, monitoring, assessment and information dissemination to ensure the proper management of the economic, social and environmental impacts of the Company's activities on its stakeholders.

### Innovation

**INNOVATION** as a transversal strategy involves a cultural change, which is not limited only to the Research, Development and Innovation (hereinafter 'RDI') activity. Thus, the scope of innovation is more far-reaching, becoming an integral part of the

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

### People

**PEOPLE** are the cornerstone on which any strategy is built enabling

the forecasted objectives to be achieved. Red Eléctrica is committed to a healthy working environment that promotes the organisation of work and the well-being of its workers, whilst allowing the optimisation of resources.

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

### SOLID GROWTH IN 'CONSOLIDATED' ACTIVITIES

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

### ADDITIONAL GROWTH - NEW ACTIVITIES €1bn

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

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

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

\*Includes the concession contract for ADIF's dark fibre optic network.

# 03

CORPORATE  
GOVERNANCE

CONNECTED  
TO CORPORATE  
**GOVERNANCE**  
**BEST**  
**PRACTICES**

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# GOVERNANCE OF THE RED ELÉCTRICA GROUP [G4-34, G4-38]

## CORPORATE GOVERNANCE STRUCTURE OF THE ORGANISATION



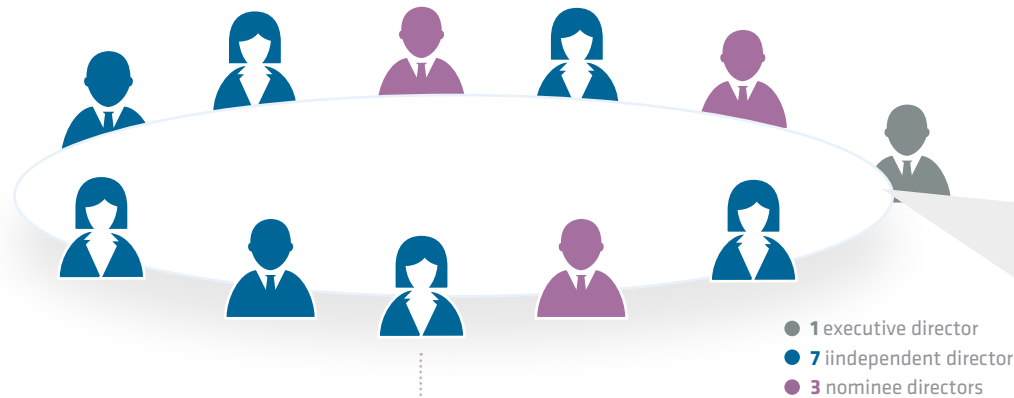
## BOARD OF DIRECTORS

**64%**

Independent directors

**45.5%**

Women



## COMPETENCIES <sup>(1)</sup>

- >> Approval of the general policies and strategies of the Company and the Group.
- >> Risk control of the Group.
- >> Effective supervision of the management team.
- >> Annual assessment of the quality and efficiency of the Board and the functioning of its Committees.

### AUDIT COMMITTEE

**75% Independent directors**  
**50% Women**  
**Chairperson: Female independent director**

#### COMPETENCIES IN REGARD TO: <sup>(2)</sup>

- >> Monitoring of the drafting process regarding the Company's financial/economic information.

- >> Monitoring of the internal control and risk management systems.
- >> The independence of the external auditor.
- >> Compliance with laws and internal regulations.
- >> Those concerning the relationship with shareholders

### LEAD INDEPENDENT DIRECTOR

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

### CORPORATE RESPONSIBILITY AND GOVERNANCE COMMITTEE

**75% Independent directors**  
**75% Women**  
**Chairperson: Female Lead Independent Director**

#### COMPETENCIES IN REGARD TO: <sup>(2)</sup>

- >> The appointment and removal of directors.
- >> The Remuneration policy of the Board and senior management.

- >> The fulfilment of the duties of the administrators.
- >> The management of the evaluation process of the Board.
- >> Information, monitoring and proposals on governance and corporate responsibility.
- >> Drafting the Gender Diversity Report that is submitted to the Board for approval at the Shareholders' Meeting.

(1) + Regulations of the General Shareholders' Meeting (2) + Corporate By-laws + Regulations of the Board of Directors



## GOOD GOVERNANCE

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

This is made possible not only through compliance with the applicable legal standards and the most widespread national and international recommendations on the subject, but also through the voluntary

implementation of a series of measures and initiatives geared towards the core of the most relevant issues regarding the good governance of the Company; issues that are not only those of most concern to shareholders, investors and markets, but are also those that receive more requests for information.

### INTERNAL GOVERNANCE RULES

(As at 31 December 2014)

- >> Code of Ethics
- >> Corporate By-laws
- >> Regulations of the General Shareholders' Meeting
- >> Regulations of the Board of Directors
- >> Internal Code of Conduct on the Securities Market
- >> Procedure on proxies, voting and information by remote means

- >> Operating Rules of the Shareholder Electronic Forum
- >> Succession Plan for the Chairman of the Company
- >> Corporate Governance Policy

### NOTEWORTHY ACTIONS IN 2014

- >> Approval of a Corporate Governance policy by the Board: detailed content of the principles and practices of the Company.
- >> Progress in gender diversity on the Board: leading position in IBEX 35 with 50% of external directors who are women.
- >> Improvements in the structure of the remuneration policy of the Board and its external reporting (Annual Remuneration Report).
- >> Publication of an analysis of how corporate governance has evolved in Red Eléctrica since becoming a listed company.
- >> Consolidation of the audit process of the General Shareholders' Meeting.
- >> Involvement of the chairs of the Board's Committees at the General Shareholders' Meeting.
- >> Improvement of information on corporate governance on the website: continual updating of information on Corporate Governance and publication of Corporate Governance indicators for the Socially Responsible Investor.
- >> Dissemination of the Company's roadmap regarding corporate governance: Governance Story (background), Annual

Corporate Governance Report (Section V, outlook) and inclusion in the corporate website.

- >> Corporate governance included as a strategic course of action in the Company's Corporate Responsibility Plan 2014-2016.

IN 2014, PROGRESS WAS MADE REGARDING THE POLICY OF GENDER DIVERSITY on the Board, with the Company having 50% of external directors being women, placing the Company in a leading position among IBEX 35 companies.

## CORPORATE SHAREHOLDING STRUCTURE

ON 31 DECEMBER 2014, the Company's capital was comprised of 135,270,000 fully subscribed and paid-up shares belonging to a single class and series, each with a par value of 2 euro, represented by book entries and listed on the four Spanish stock exchanges.

The entry into force of Law 17/2007, of 4 July, introduced a series of legal limitations on participation and voting rights applicable to the Company's shareholders, with the aim to guarantee the independence of the Company vis-a-vis all other electricity sector activities and agents. In this regard, the following equity limits were established:

- >> Any individual or legal entity may hold shares in the Company, provided that the sum of their direct and indirect interests in the Company's capital does not exceed 5% of the capital and they do not hold more than 3% of the voting rights.
- >> Parties that engage in activities in the electricity industry, and those individuals or legal entities that directly or indirectly hold more

than 5% of their capital, may not exercise more than 1% of the voting rights in the parent company.

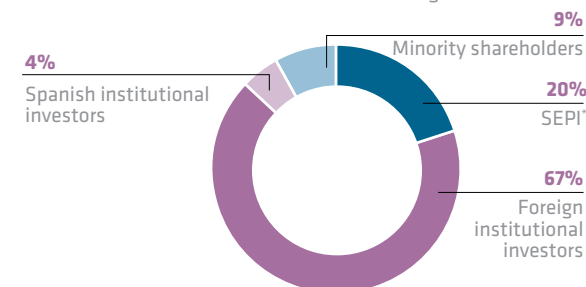
- >> The special regime for the State Industrial Holding Company (SEPI) is maintained, whereby it must hold at least ten percent (10%) of the share capital in all cases.

The equity of the Company is comprised of a 20% shareholding owned by SEPI, with the remaining 80% being free float distributed as follows: 67% foreign institutional investors, 4% national institutional investors and 9% minority shareholders.

RED ELÉCTRICA  
FORMS PART  
OF THE IBEX 35  
and its shareholding  
is comprised  
of a 20% ownership  
by SEPI and 80%  
free float

## CORPORATE SHAREHOLDING STRUCTURE [G4-EC4]

Data from the 2014 General Shareholders' Meeting



\*SEPI: State Industrial Holding Company.

## GENERAL SHAREHOLDERS' MEETING

**THE GENERAL SHAREHOLDERS' MEETING** represents all of the shareholders. The rules on the organisation and functioning of the General Shareholders' Meeting

are contained in the Corporate By-laws (Articles 11 through 18 inclusive) and in the Regulations of the General Shareholders' Meeting.



More information in the 'General Shareholders' Meeting' subsection of the 'Corporate Governance' section of the corporate website.

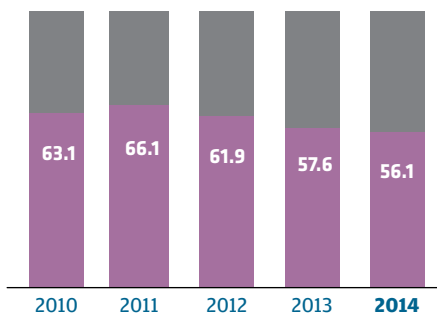
## GUARANTEES AND RIGHTS OF ATTENDANCE

**THESE ARE REGULATED** in Red Eléctrica's Corporate By-laws and in the Regulations of the General Shareholders' Meeting. The most relevant aspects related to guarantees, transparency and the participation rights of shareholders are the following:

>> No minimum number of shares required to attend the Meeting.

- >> Representation at the Meeting by any person, without having to be a shareholder.
- >> Separate voting on each matter submitted for approval at the Meeting.
- >> External audit of the management processes of the Meeting.
- >> Vote certification.

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



## TRANSPARENCY AND PARTICIPATION

**THE COMPANY** pays special attention to the right to information, as reflected in Article 15 of the Corporate By-laws and in the Regulations of the Shareholders' Meeting, which also facilitates the maximum participation of shareholders. Some of the key mechanisms are:

- >> Implementation of the electronic voting system at the Shareholders' Meeting since 2005.
- >> Section on the corporate website with complete information regarding the Meeting

- >> Live broadcast of the Meeting via Internet, with simultaneous translation in English and sign language in Spanish.
- >> Shareholders' Electronic Forum
- >> Dissemination via social networks.
- >> Shareholders and investors office.

RED ELÉCTRICA PAYS SPECIAL ATTENTION to the right to information, the guarantees and rights of attendance and the participation of shareholders

## BOARD OF DIRECTORS

THE BOARD of Directors administers, manages and represents the Company, without prejudice to the powers that correspond to the General Shareholders'

Meeting. It carries out its activity according to the rules of organization and operation contained in the Corporate By-laws and the Regulations of the Board.

### BALANCE OF POWERS

RED ELÉCTRICA establishes in its Corporate Governance Policy the essential principle to preserve an adequate balance and proportionality in the powers inherent to the Board of Directors' structure and composition, by adopting the necessary

measures to enable action with unity of purpose and impartiality, pursuing the interest of the Company and its shareholders, as well as the Company's sustainability.

The Board Chairman is also the Chief Executive of

the Company, by express decision of the Board of Directors and of the General Shareholders Meeting, pursuant to Article 25 of the Corporate By-laws. Nevertheless, the By-laws stipulate that one or more executive directors may be appointed. [G4-39]

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

### BOARD OF DIRECTORS AS AT 31 DECEMBER 2014

#### EXECUTIVE CHAIRMAN



**José Folgado Blanco**

#### EXTERNAL NOMINEE DIRECTORS PROPOSED BY SEPI



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



**Fernando Fernández Méndez de Andés**  
Member of the Audit Committee.



**Santiago Lanzuela Marina**

#### GENERAL COUNSEL AND SECRETARY OF THE BOARD



**Rafael García de Diego Barber**  
Non-board member

#### DEPUTY SECRETARY OF THE BOARD



**Fernando Frías Montejo**  
Non-board member

#### LEAD INDEPENDENT DIRECTOR



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

#### EXTERNAL INDEPENDENT DIRECTORS



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



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



**Antonio Gómez Ciria**  
Member of the Audit Committee.



**Paloma Sendín de Cáceres**  
Chairwoman of the Audit Committee.



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



More information regarding the Company's governance structure and composition in the 2014 Corporate Governance Report and in the 'Corporate Governance' section of the website.

## DELEGATION OF ECONOMIC, SOCIAL AND ENVIRONMENTAL MATTERS [G4-35, G4-36, G4-42]

THE POLICY of the Board is to delegate the general management of the Company and of Red Eléctrica de España, S.A.U., to the executive bodies and the management team of the Company and of Red Eléctrica de Spain, S.A.U., and focuses its activity on the general supervision and approval of the key guidelines for action.

On this basis, the Corporate Economics and Finance Division is conferred overall responsibility for economic matters, while responsibilities regarding social issues are distributed among the Corporate Affairs and Institutional Relationship Division and that of the Corporate Responsibility and Communication Division. Meanwhile, the environmental responsibilities are conferred to the Transmission Division.

The directors of these divisions are part of the Management Committee, headed by Chairman of the Company, ensuring direct dialogue with the Board. Also, they regularly appear before the Board to report on issues within the scope of their responsibilities.

RED ELÉCTRICA, IN ACCORDANCE WITH ITS CORPORATE GOVERNANCE POLICY tries to consolidate and nurture symmetrical mechanisms of dialogue and engagement with shareholders, investors and key stakeholders

## DIALOGUE BETWEEN STAKEHOLDERS AND THE HIGHEST GOVERNANCE BODY [G4-37, G4-49, G4-50]

ONE OF THE PRINCIPLES underlying the Corporate Governance Policy of Red Eléctrica and that serves as a benchmark for the performance of the Company in its relations with its stakeholders is: to consolidate, develop and nurture symmetrical mechanisms of dialogue and engagement with shareholders, investors and key stakeholders to improve relationships, increase commitment and strengthen their confidence.

Also, in application of this principle, Red Eléctrica tries to fulfil the needs of institutional shareholders, given their large presence in the Company's shareholding,

as well as the most relevant proxy advisors and other stakeholders, in order to improve its relationship with them, increase commitment and strengthen their trust, without prejudice to the guarantees and equal treatment enjoyed by other shareholders.

Also, in application of this principle, Red Eléctrica is committed to providing its shareholders homogeneous and systematised information that communicates the corporate environmental, social and good governance objectives that are part of the Company's social interest.

Besides the direct communication channels indicated in the Transparency and Participation section, on page 23 of this report, and detailed in the Corporate Governance Report and in

the Regulations of the Board (Articles 42-47), the highest governance body has access to other consultation mechanisms with stakeholders among which the following are noteworthy:

- >> Enquiry and claim/complaint system of the Code of Ethics.
- >> DÍGAME Service.
- >> Social Representation/committees.
- >> Stakeholder satisfaction reports.

During 2014, there have not been any relevant issues in the management reports regarding the management of said channels that would require submission to the Board.

## SELECTION OF BOARD DIRECTORS [G4-40]

**THE SYSTEM** used for the selection, appointment and re-election of members of the Board of Directors is expressly governed by the Corporate By-laws and the Regulations of the Board.

Red Eléctrica applies the principle of ensuring that appropriate procedures exist to select Board directors, guaranteeing a reasonable balance and diversity within the Board of Directors in order to adequately perform its tasks.

Therefore, when assessing candidates participating in the selection process, the procedure shall take into account any competences,

experience, professionalism, suitability, impartiality, knowledge, qualities, abilities and availability of the members of the Board of Directors at all times, and the Corporate Responsibility and Governance Committee plays a relevant role in the process.

The appointment and removal of directors and ratifying, where appropriate, the appointment by co-optation, corresponds to the General Shareholders' Meeting.

RED ELÉCTRICA CONDUCTS AN ANNUAL assessment of the operation and performance of the Board of Directors, the Chairman and Chief Executive of the Company and of the Board's Committees

## ASSESSMENT OF THE COMPETENCIES AND PERFORMANCE OF THE BOARD [G4-43, G4-44]

**FOR YEARS NOW**, Red Eléctrica has been applying the principle of conducting an annual assessment of the operation and performance of the Board of Directors, the Chairman of the Board and Chief Executive of the Company and the Board's Committees, ensuring that support is received from independent external advisors. The process is carried out under the management of the Corporate Responsibility and

## CONFLICTS OF INTEREST [G4-41]

**REGARDING** Board members, Article 32 of the Regulations of the Board establishes the possible conflicts of interest and procedures to be followed in such conflicts. Furthermore, the Corpo-

rate Governance Annual Report 2014 details the mechanisms put in place to detect and resolve possible conflicts of interest between Red Eléctrica and its Board directors, managers and relevant shareholders.

Governance Committee, in coordination with the lead independent director, and a summary of its main conclusions is voluntarily included in the Annual Corporate Governance Report.

In terms of knowledge development, Article 24 of the Regulations of the Board establishes that the Company will have an information fast-track programme that

provides new directors sufficient knowledge about the Company and its corporate governance rules, and shall also offer programmes for directors to update their knowledge when circumstances deem it necessary.

Periodically, internal information programmes on national and international trends in corporate governance may be established.

One of the tools that has contributed to increasing the efficiency of the Board and its Committees has been the Director Portal, in which relevant information is published, such as the meeting minutes of the Board and its Committees, as well as corporate information of interest regarding economic, social and environmental matters.



## REMUNERATION OF THE BOARD [G4-51, G4-52, G4-53]

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

To this end, it makes comparative analyses with similar companies and keeps permanent contact with its shareholders and proxy advisors. As a result of these analyses and a market study conducted by the Company with the support of an international consultant, in 2014 a new remuneration structure that replaces the variable portion of remuneration for fixed

remuneration, eliminating the variable component of the remuneration of the Board. Only the remuneration of the executive director also includes variable remuneration elements in the short and long term linked and aligned with the key objectives of the Company.

Key aspects of the remuneration policy are:

- >> Transparency in the remuneration received by each board member. Individualised information.
- >> Maximum statutory limit for the remuneration of board members.

The Annual Report on Board of Directors Remuneration and Compensation Policy is published and subjected to the

approval of the General Shareholders' Meeting as a separate item on the agenda.

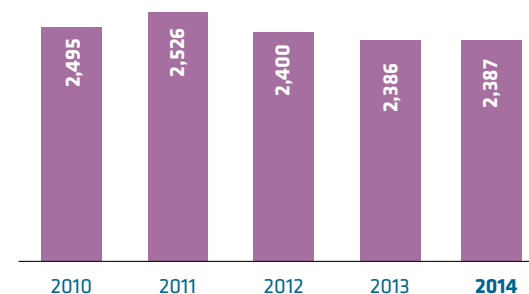
- >> Remuneration aligned with the long-term interests of the Company and shareholders.
- >> The remuneration of board members is fixed aiming to take into account criteria and parameters relating to the administration and management of risks to the Company and the Group, and also environmental and social aspects and Good Governance (Environmental, Social & Governance-ESG-).

The Board's remuneration was approved by a majority vote at the General Shareholder's Meeting 2014 and consists only of elements of a fixed nature. The total amount of remuneration of the Board in 2014 remained at 2007 levels.

On the other hand, it is worth noting that the remuneration of the Chairman is in percentile levels of 10% compared with a panel of comparable companies, and is in the minimum values of the market compared with the Ibex 35, as determined by the analysis of the international benchmarking applied to the Board's remuneration plan and CEO of Red Eléctrica, together with the consultancy firm Towers Watson

### REMUNERATION OF BOARD MEMBERS

Thousands of euros



**Detailed information** on the remuneration of the Board can be found in the 2014 Annual Report on the Board's remuneration and compensation policy and 2014 Corporate Governance Report, both available in the 'Corporate Governance' subsection of the section regarding the General Shareholders' Meeting to be held in April 2015.

### NEW ASPECTS OF NOTE REGARDING THE REMUNERATION OF THE BOARD

Red Eléctrica Corporación will submit for approval at the next General Shareholders' Meeting a remuneration policy of the Board for three years, in accordance with current legislation and best practices in corporate governance.

Red Eléctrica Corporación will include detailed information in its Annual Remuneration Report 2014 and 2015 with respect to the executive director and non-executive directors. This report will also be submitted for approval at the General Shareholders' Meeting and will be adapted to the current legislation and best practices in corporate governance.

From 2015, Red Eléctrica Corporación shall incorporate ECG criteria (environmental, social and good corporate governance) for the calculation of the annual and multi-year variable remuneration of the Chairman and senior executives.

## RISK MANAGEMENT [G4-14]

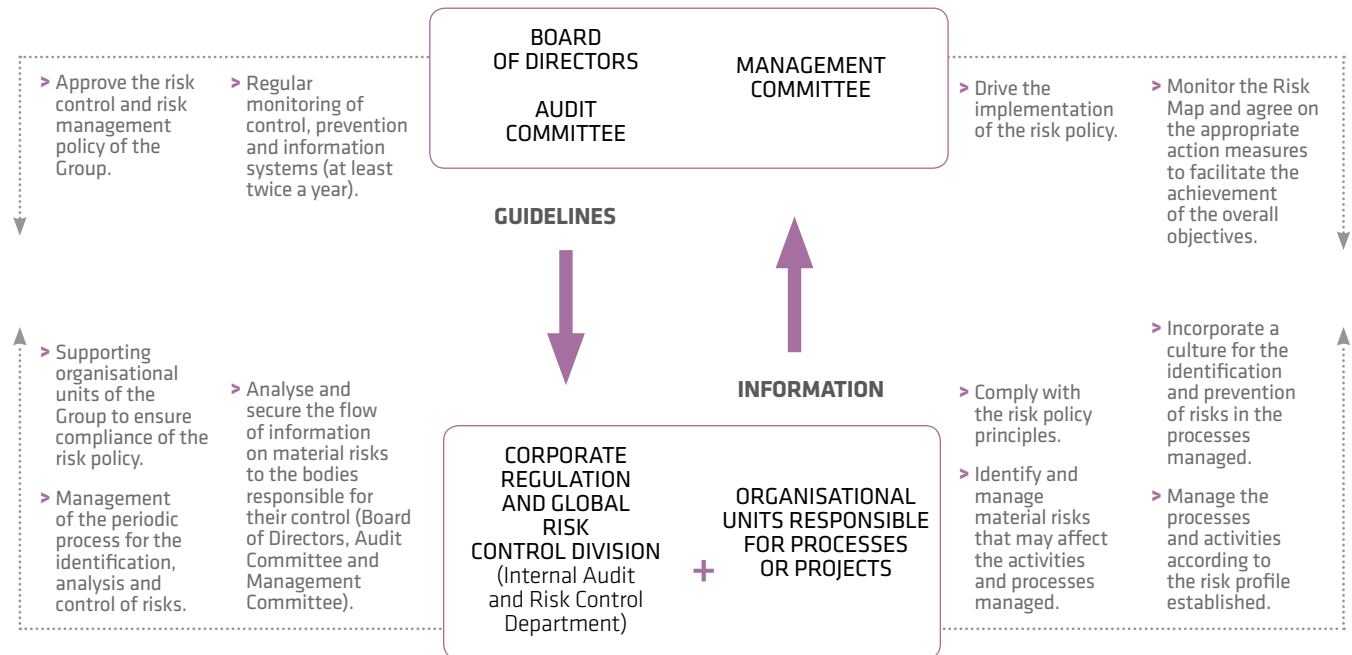
RED ELÉCTRICA has a risk policy that sets out the necessary directives for ensuring that material risks, which could affect the strategies and objectives of the Red Eléctrica Group, are systematically identified, assessed, managed and controlled with standardised criteria and within the established risk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

To do this, it has a risk management system covering both the risks of internal processes and

those of the environment in which the activities of the Company are carried out. The system conforms to the ISO 31000 standard on the principles and guidelines on risk management.

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

### RISK MANAGEMENT ORGANISATIONAL SCHEME [G4-45, G4-46, G4-47]



## MANAGEMENT SYSTEM

**THE RISK MANAGEMENT SYSTEM** of the Red Eléctrica Group defines a methodology for determining the level of acceptable risk and the tolerance level. Thus all risks are assessed in terms of two parameters: the probability of the risk occurring and the impact on the Company in the event the risk materialises. The combination of these two parameters automatically determines the level of risk.

In the process of identification, analysis, evaluation and control of risks, referred to above, the actions required are established to reduce the degree of risk to an acceptable level.

In accordance with risk policy, all risks above this acceptable level must be subjected to actions in order to achieve this value, as long as the risk is manageable and the costs of this management are proportionate to the effect of the risk avoided.

For the monitoring of risks, the current risk management system includes the monitoring of over 500 action plans aimed at reducing the level of risk, and more than 300 indicators to monitor their progress.

In addition, Red Eléctrica has several contingency plans that regulate crisis situations that could occur in the case of electrical in-

cidents (to ensure security of supply), or any other incident that may affect the environment, people, the operation of the Company, business results, or any other events that could impact the Company's reputation.

On the other hand, Red Eléctrica Group's processes have been designed to incorporate elements to mitigate or reduce related risks. These processes have been integrated

into structured management systems based on international standards (ISO 9001, ISO 14001 and OHSAS 18001, among others). These are subject to systematic internal and external audits of the adequacy of their design and compliance, and include mechanisms for controlling the objectives that they must meet

TO REDUCE  
THE RISK LEVEL,  
the current risk  
management  
system includes  
the monitoring of  
over 500 action plans



**More information** in the 'Risk management' subsection of the 'Corporate Governance' section of the website

## RISK STRUCTURE [G4-2]

**THE PRINCIPAL** business of the Red Eléctrica Group is the transmission of electricity and operation of the electricity system in Spain, which are regulated activities, in so far as they are critical to the security and continuity of electricity supply and are carried out on under a regime of exclusivity.

This classification as a regulated activity affects both the setting of revenues and the environment and conditions in which it has to undertake its principal activities. In this context it is important to highlight the following two risks due to their importance and relevance:

> **Regulatory risks**  
Possible changes to the legal framework regulating the business, which could affect its revenues and/or costs, either directly or through the introduction of new requirements and conditions for the operation of the business.

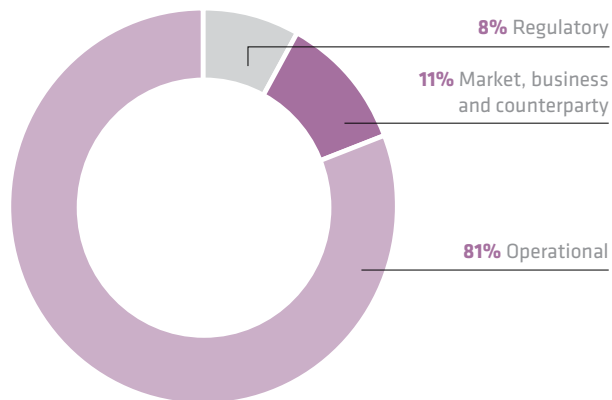
> **Operational risks**  
Risks deriving from the inadequacy or failure of processes, personnel, internal equipment or systems or due to external events. Although this type of risk is common in all kinds of economic activity, the critical nature of the functions carried out by Red Eléctrica mean that this type of risk could have a wider

social and economic importance, for which reason it is necessary to pay them special attention. An example of this are those related to cybersecurity, which are very important due to the type of activity carried out by the Company and the systems it uses. These risks are given special attention in the risk

management system. In addition to the above-mentioned specific risks, Red Eléctrica also faces other types of common risks in the carrying out of economic and business activities, and which include:

- > **Market risks**
- > **Business risks outside the electricity system**
- > **Counterparty risk**

### RISK STRUCTURE



### MATERIALIZED RISKS IN 2014

**THE FACILITIES** of the transmission grid are exposed, permanently, to operational events that may affect the continuity and security of the electricity supply.

During 2014 there have been events whose consequences have been power

cuts of less importance. In general, these events are caused by third parties and by extreme weather conditions.

Given these events, the control systems worked properly, as evidenced by the transmission grid availability rate which

in 2014 was of 98.20% (provisional figure), the same as the rate obtained in 2013 (98.20% - final data).

The Company also has insurance policies that limit the potential impact of these events on the income statement.

## OBJETIVES 2014

- >> Implementation of recommendations for improvement identified by the consulting company that performed the assessment of the risk management system.
- >> Improvement in the analysis of the risks monitoring plans.

## RESULTS 2014

- >> An analysis of mitigation plans of the most relevant risks of the Group has been carried out using the new methodology drafted.
- >> The risks associated to the new activities of the Group have been assessed and the corresponding mitigation plans have been established.
- >> Actions were carried out to classify by categories risks to the Group for easy aggregation and monitoring as well as to aid in more specifically determining the acceptable levels of risk.
- >> Project for improvement of the Integrated Risk Management System (IRMS) that has allowed the identification of improvement actions to be undertaken in the period 2014-2016.

## CHALLENGES 2015-2016

- >> Execution of improvement actions included within the project for improvement of the IRMS, whose main milestones to be achieved in 2015 will be to improve the definition of risk appetite for different categories of risk and from a global perspective, as well as the development of a new risk indicator dashboard.
- >> Updating the analysis of criminal risks of the legal entity, in compliance with the Criminal Risk Prevention Programme.
- >> Identify, analyse and assess the risks associated to the construction and management of pumped storage facilities granted by Law to Red Eléctrica in the Canary Islands.

## MAIN RISKS OF THE RED ELÉCTRICA GROUP [G4-45]

### REGULATORY RISKS

Risk	Description	Management
> Risk of regulatory changes.	> Risk of regulatory changes occurring that could negatively impact the transmission facilities and/or the system operation activity.	> Dialogue with the Regulator. > Presentation of proposals to the Regulator.

### OPERATIONAL RISKS

Risk	Description	Management
> Risk of power outages and of evacuation of generation	> Risk of a breakdown/fault occurring in the facilities that may significantly impact on the electricity system, causing power outages on the Spanish peninsula or the islands.	> Emergency equipment and procedures. > Periodic inspections of equipment and systems. > Preventative and predictive maintenance programmes. > Renovation and improvement plans for facilities. > Improvement of grid meshing and increase in the construction of facilities to deal with the Electricity Infrastructures Plan approved by the State. > Contracting insurance policies to cover possible damages that can be derived from an incident. > Contingency plan.
> Environmental risks	> Impact on flora. > Impact on fauna. > Contamination of soil. > Impact on archaeological heritage. > Risk of fires. > New environmental legislation applicable.	> Application of strict environmental criteria in all phases of planning, development and maintenance of facilities. > Environmental supervision of works. > Strategy and actions for biodiversity. > Development of research projects and fire prevention plans. > Projects for birdlife conservation. > Environmental training courses for field staff. > Establishment of collaboration agreements in the field of environmental protection with the Autonomous Communities. > Fire protection plans. > Contingency plans.

Risk	Description	Management
<p>&gt; Risks derived from climate change. [G4-EC2]</p>	<p>&gt; Reduction in rainfall. &gt; Increase in temperatures. &gt; Changes in wind currents. &gt; Impacts on structural elements due to wind, ice, electrical discharges (lightening) etc. &gt; Alteration in the properties of the conductors. &gt; Erosion around foundations of facilities and of the towers.</p>	<p>&gt; Climate change strategy. &gt; Development of system operation tools (CECRE). &gt; Construction of new transmission lines for the evacuation of renewable energy. &gt; Strengthening of international interconnections. &gt; Development of demand-side management initiatives (interruptibility service, measures to achieve a more efficient consumption profile, and initiatives for the implementation of the electric vehicle). &gt; Development of research and innovation projects: new technologies and technical solutions for efficient system management, new tools for emergency situations, smart demand-side management, energy storage. &gt; Voluntary agreement with the Ministry of the Environment and entities of the electricity sector for the reduction of SF<sub>6</sub> emissions.</p>
<p>&gt; Risks associated with the operation of the systema.</p>	<p>&gt; Human errors, coordination, or equipment configuration. &gt; Malfunction of telecommunications. &gt; Failure of computer systems that support the activity.</p>	<p>&gt; Strengthening of the transmission grid in certain areas where the situation is precarious. &gt; Power service restoration plans. &gt; Renovation and improvement of facilities plan. &gt; Improvement of the telecommunication systems. &gt; Implementation of security mechanisms in the IT information systems used. &gt; Continuous training of operators. &gt; Contingency plans.</p>
<p>&gt; Risks related to management and employees</p>	<p>&gt; Lack of motivation and competencies of staff to reach the Company objectives. &gt; Fraud and corruption. &gt; Workplace accident rate. &gt; Adaptation of occupational health and safety risk prevention.</p>	<p>&gt; Development programmes for specialists and directors. &gt; Work-life balance policy and implementation of a management system. &gt; Hiring of young employees with potential. &gt; Maintenance and improvement of the structured risk prevention system in accordance with the OHSAS 18001 standard. &gt; SA8000, EFR1000 certifications and internal audits. &gt; Implementation of the Code of Ethics, the claims/complaints reporting system and the auditing system. &gt; Applying the staff appraisal system.</p>

Risk	Description	Management
> Risk related to cyber security.	<ul style="list-style-type: none"> <li>&gt; Non-availability of systems</li> <li>&gt; Unauthorised access to specific IT applications</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Fire walls and anti-intrusion systems.</li> <li>&gt; Antivirus systems.</li> <li>&gt; Securing access requirements.</li> <li>&gt; Improvement of the security system regarding access requirements.</li> <li>&gt; Software updates.</li> <li>&gt; Hacking simulations.</li> </ul>

#### MARKET RISKS

Risk	Description	Management
> Risk of increased costs of equipment and raw materials.	> The control of the price of equipment and raw materials is a key part of the management of the construction and maintenance activities.	<ul style="list-style-type: none"> <li>&gt; Promote competition.</li> <li>&gt; Increase normalisation and standardisation.</li> <li>&gt; Drafting of turnkey contracts.</li> <li>&gt; Using hedging mechanisms.</li> </ul>
> Risk of increase in the interest rates.	> Risk of occurrence of shifts in interest rates that could vary from those contemplated in the Strategic Plans of the Company.	<ul style="list-style-type: none"> <li>&gt; Periodic reviews of the interest rates and their impact on the accounts.</li> <li>&gt; Maintenance of the fixed/variable percentages of the financial structure.</li> <li>&gt; Development of a financial risk policy and tools for its management and control.</li> </ul>
> Unfavourable change in exchange rates.	> Although the part of the business managed in non-euro currencies is not very significant, unfavourable variations in exchange rates may cause a negative impact.	<ul style="list-style-type: none"> <li>&gt; Establishing hedging mechanisms for transactions performed in non-euro currencies.</li> <li>&gt; Development of a financial risk policy and instruments for its management and control.</li> </ul>
> Risk of tightening of the conditions regarding the access to financial markets.	> Negative development of different macroeconomic variables, affecting financial markets, status of the euro and sovereign debt rating.	<ul style="list-style-type: none"> <li>&gt; Contracting of long-term financing with public funding institutions.</li> <li>&gt; Establishment of new financing mechanisms.</li> <li>&gt; Monitoring of possible situations that may imply a reduction in the rating of the Company.</li> </ul>

#### BUSINESS RISKS

Risk	Description	Management
> Risks to foreign subsidiaries.	> The various political and economic situations that the subsidiaries are exposed to, make it necessary that possible losses of the subsidiaries be considered as a risk.	<ul style="list-style-type: none"> <li>&gt; Maintaining good relationships with agencies and organisations where the subsidiaries are located.</li> <li>&gt; High quality standards in the services offered.</li> <li>&gt; Monitoring of regulatory developments and economic evolution.</li> </ul>



## ETHICS AND TRANSPARENCY [G4-56, G4-57]

RED ELÉCTRICA considers ethics and transparency as essential pillars for the smooth running of the business. This means acting with the utmost responsibility in fulfilling the duties and functions entrusted to the Company, as well as maintain and demonstrate at all times an ethical, honest and transparent conduct in

the relationships with and commitments to its stakeholders.

To do this, Red Eléctrica approaches its management model based on the Code of Ethics, and various policies, procedures and specific tools designed to achieve better compliance with the ethical duties of the Company.

### CODE OF ETHICS

THE CODE OF ETHICS of the Red Eléctrica Group aims to provide an ethical guide for people of the companies of the Red Eléctrica Group, setting out the values and commitments that should govern the performance of their activity within the Company.

This code is applicable to all persons working in the Red Eléctrica Group, and that shall be understood as its Board of Directors,

its managers and other employees in the performance of their duties and responsibilities, making it necessary for everyone to know, to understand and to undertake it.

The current edition of the Code of Ethics of the Red Eléctrica Group was approved by the Board of Directors on 28 May, 2013 with the aim of taking on board the requirements of stakeholders and the

recommendations of the international organisations of repute in this field, among which the following are noteworthy: United Nations Organization, the European Union, the Organization for Economic Cooperation and Development and international organisations such as Transparency International or the ÉTNOR Foundation, amongst others.

In addition, with the latest modifications introduced, the Company seeks to incorporate the necessary changes resulting from the experience gained since the entry into force of the original Code of Ethics, adjust the scope and content of the aspects covered in the Code of Ethics and adapt the ethical management system to the contents of the latest version of the Criminal Code.

### Plan to encourage awareness

IN THE CONSULTATIONS conducted during the drafting of the latest edition of the Code of Ethics, it became evident that there was a manifest interest on behalf of the participants on issues regarding business ethics and the mechanisms for resolving

ethical dilemmas arising for the performance of the activity of the Red Eléctrica Group. As part of its Plan to encourage awareness regarding ethical management, approved by the Company's Corporate Responsibility Committee, and as result of this

process, during 2014 (to continue throughout 2015) a set of presentations and debate sessions are being 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 ombudsman for Red Eléctrica's stakeholders. [G4-S04]

THE CURRENT EDITION OF THE CODE OF ETHICS OF THE RED ELÉCTRICA GROUP was approved by the Board of Directors on 28 May 2013 in order to undertake the requirements demanded by stakeholders



**More information** in the 'Ethics and Transparency' subsection of the 'Corporate Governance' section of the corporate website.

## Supplier Code of Conduct

**FOR THE RED ELÉCTRICA** Group the responsible monitoring of the management of its suppliers is especially relevant, and as such the Company has a specific Code of conduct for its suppliers. This Code puts a lot of emphasis on monitoring the compliance of its suppliers on matters related to human rights, equality and integration of people with disabilities, as well as the fulfilment of the occu-

pational health safety and environmental requirements, in the manufacturing of products or the provision of services required by the Company, whether these are carried out directly or indirectly through other companies.



More information on the 'Supplier Code of Conduct' subsection in the 'Suppliers' section of the corporate website.

## Ethics Manager

**RED ELÉCTRICA** has appointed an Ethics Manager and Stakeholder Ombudsman to manage the ethical questions that may be posed and to collate, analyse and resolve the various complaints and claims 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 continuous 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.

The responsibilities of the Ethics Manager are the following:

- >> Resolve enquiries and advise all stakeholders regarding any doubts in relation to the values and commitments contained in the Code of Ethics.
- >> Institute proceedings regarding claims/complaints through the verification and investigation of the conduct of those employees or organisational units reported.

- >> Develop action plans to resolve the claims/complaints and submit them for approval by the Chairman of Red Eléctrica Group or the Chairperson of the Audit Committee or, where appropriate, the Chairperson of the Corporate Responsibility and Governance Committee if it affects any member of the Management Committee or the Board of Directors.
- >> Keep an updated record on the process (enquiries, claims/complaints, procedures and communications with interested parties).
- >> Keep claimant abreast on the status and resolution of enquiries or claims/complaints, when required.

- >> Draft a periodic report on the review of the reporting system and propose actions to improve the management system.
- >> Maintain at all times the confidentiality of the claimant, unless legally required to disclose this information.
- >> Carry out the functions assigned under the principles of independence, rigour and fairness.

**RED ELÉCTRICA HAS APPOINTED AN ETHICS MANAGER and Stakeholder Ombudsman to manage the ethical questions that may be posed and for the collation, analyses and resolution of the different complaints and claims received**

## Whistle-blowing Channel [G4-58, G4-HR12]

**TO PROMOTE** the implementation of the Code of Ethics, Red Eléctrica has a whistle-blowing channel, available on the corporate website, through which enquiries, claims/complaints or suggestions can be conveyed to the Ethics

Manager. This channel has been audited and guarantees the confidentiality of users.

In addition, Red Eléctrica has another channel for reporting non-compliance, claims/complaints, en-

quiries and suggestions regarding ethical matters through its stakeholder attention centre DÍGAME, in order to provide a reporting channel for requests from external stakeholders who are not aware of the aforementioned channels.

This service will transfer to the Ethics Manager the requests received, preserving their confidentiality.

In 2014, thirty-two consultations/enquiries were received by the Ethics Manager through the Ethics

Channel, 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

>> respect, integrity, accountability and transparency within the organisation.

In 2014, no breach of the Code of Ethics was registered. [G4-LA16, G4-S05]

## Criminal risk prevention

THE CRIMINAL RISK PREVENTION PROGRAMME, was approved by the Board of Directors at its meeting of 24 November 2011

RED ELÉCTRICA has a Criminal Risk Prevention Programme that aims to identify the rules, procedures and tools established within the Group to avoid the breaching of the legal rules that carry criminal implications applicable to the Company and its staff, and to adapt it to the new

regulatory environment. Therefore, in addition to the already existing risk control exercised by the Red Eléctrica Group, the scope now incorporates the management and prevention of criminal risks that could affect the Company according to their activity and business sector, in compliance with

Organic Law 5/2010, of 22 June, amending the Spanish Penal Code.

This programme was approved by the Board of Directors of the Red Eléctrica Group at its meeting on 24 November 2011, following a favourable report of its Corporate Responsibility and Governance Committee. ▶

◀ The Criminal Risk Prevention Programme requires, for its effectiveness, that a control body monitors its compliance and undertakes specific measures to ensure it is adequately updated and implemented.

To do this, Red Eléctrica has put in place the Control and Supervision Body, which has among its responsibilities the regular monitoring of the criminal risk control

and prevention systems, with the aim of ensuring that the main risks are identified, managed and disclosed properly. This body is composed of the following members:

- >> The Ethics Manager.
- >> A representative of the Internal Audit and Risk Management Department.

>> A representative of the Human Resources Organisation and Planning Department.

>> A representative of the Legal Department.

This body reports to the Internal Audit and Risk Management Department, responsible for monitoring compliance of the control measures regarding criminal risk, as well as to the Legal Department.

Similarly, the Ethics Manager informs the Control and Supervision Body about claims/complaints received, that may have possible implications of a criminal nature. This body ensures the confidentiality of all information received in the same way as the Ethics Manager does.

The Control and Supervision Body of the Criminal Risk Prevention Programme has among its du-

ties the following responsibilities: the monitoring, compliance and updating of the programme, as well as reporting regularly to the Audit Committee on actions implemented, proposed improvements, updates implemented, measures agreed, and any other aspect considered relevant in the performance of its functions.

RED ELÉCTRICA HAS PUT IN PLACE THE CONTROL AND SUPERVISION BODY, which has among its responsibilities the regular monitoring of the criminal risk control and prevention systems



More information in the 'Ethics and Transparency' subsection of the 'Corporate Governance' section of the corporate website

## Corruption and fraud

### THE CODE OF ETHICS

and the corresponding management system for consultations and formal claims established by the Company constitutes an effective mechanism for the detection and addressing of the possible cases of fraud and corruption. The governing bodies, employees and suppliers of Red Eléctrica, accept the Code of Ethics Code and, where appropriate, the Code of Conduct for suppliers who provide goods and services to the organisation, as a whole, which includes aspects related to the fight against corruption within the organisation, as well as the management and reporting systems in relation to the aforementioned risk. [\[G4-S04\]](#)

During 2014, no formal complaints regarding

fraud and corruption were reported through this channel.

Those processes considered susceptible to risk of fraud and corruption are controlled periodically by means of an internal audit of the fraud risk prevention and the criminal risk prevention programmes, which incorporate specific controls regarding these risks. In 2014, 100% of the divisions/departments of Red Eléctrica de España (24 organisational units) have been audited concerning the various risks related to corruption; no incidents were identified in said audits. [\[G4-S03, G4-S05\]](#)

Additionally, the processes of Red Eléctrica are integrated in structured systems in compliance with the international reference standards (ISO 9001, ISO 14001 and OHSAS 18001)

and their design includes controls to mitigate or reduce the main risks associated thereto.

In addition to these processes, the Company has an internal control over financial reporting (ICFR) system in place, which includes controls over the risks regarding inappropriate use of assets and intentional errors in the financial statements), whose independent assurance report is included in the annex to this Report.

In 2014, in accordance with the guidelines on conduct contained in the Code of Ethics, in which the contribution to political parties or organisations is prohibited, no donations, grants or loans to political parties have been provided on behalf of the Group.

## Human Rights

**THE ACTIVITIES** of Red Eléctrica are carried out in conformance with the principles and guidelines contained in its Corporate Social Responsibility Policy and in a manner compatible with the values and commitments established in the Code of Ethics.

When drafting the Corporate Social Responsibility Policy, Red Eléctrica has kept in mind the OECD Guidelines for Multinational Enterprises, as well as the Tripartite declaration of principles concerning multinational enterprises and social policy drafted by the ILO. In this manner, the Corporate Social Responsibility Policy has an explicit commitment to Human Rights.

Likewise, the Code of Ethics, which determines the guidelines for behaviour to be followed by all employees, establishes respect for human rights as an inalienable principle.

It should also be noted that since 2002, Red Eléctrica has been a founding member of the Spanish Network of the UN Global Compact, which implies drafting an annual progress report that sets out and details the actions that represent advances in the company's commitment to the Ten Principles.

The company has performed an internal assessment of the degree of alignment of its practices with the U.N. Guiding Principles on Business and Human Rights. In order to delve further into the aspects that were detected in this assessment and may require action, the Company is working on developing an action plan.

For example, in 2014 the first social audits of Red Eléctrica's suppliers were performed, in order to

evaluate the degree of their compliance with the requirements of the Supplier Code of Conduct for suppliers, which includes a commitment to fundamental human rights.

Likewise, the performance level of Red Eléctrica is audited according to standards which contain aspects related to the respect to Human Rights in companies (such as SA8000, IQNet SR10 and EFR), and the corresponding certifications were again renewed following the 2014 audits.

In 2014, audits were performed at the head offices and in the building of Tres Cantos (two of the four work centres in which system operation activity carried out, representing 50% of the total) and in four of the eight regional head offices (representing 50% of total). [\[G4-HR9\]](#)



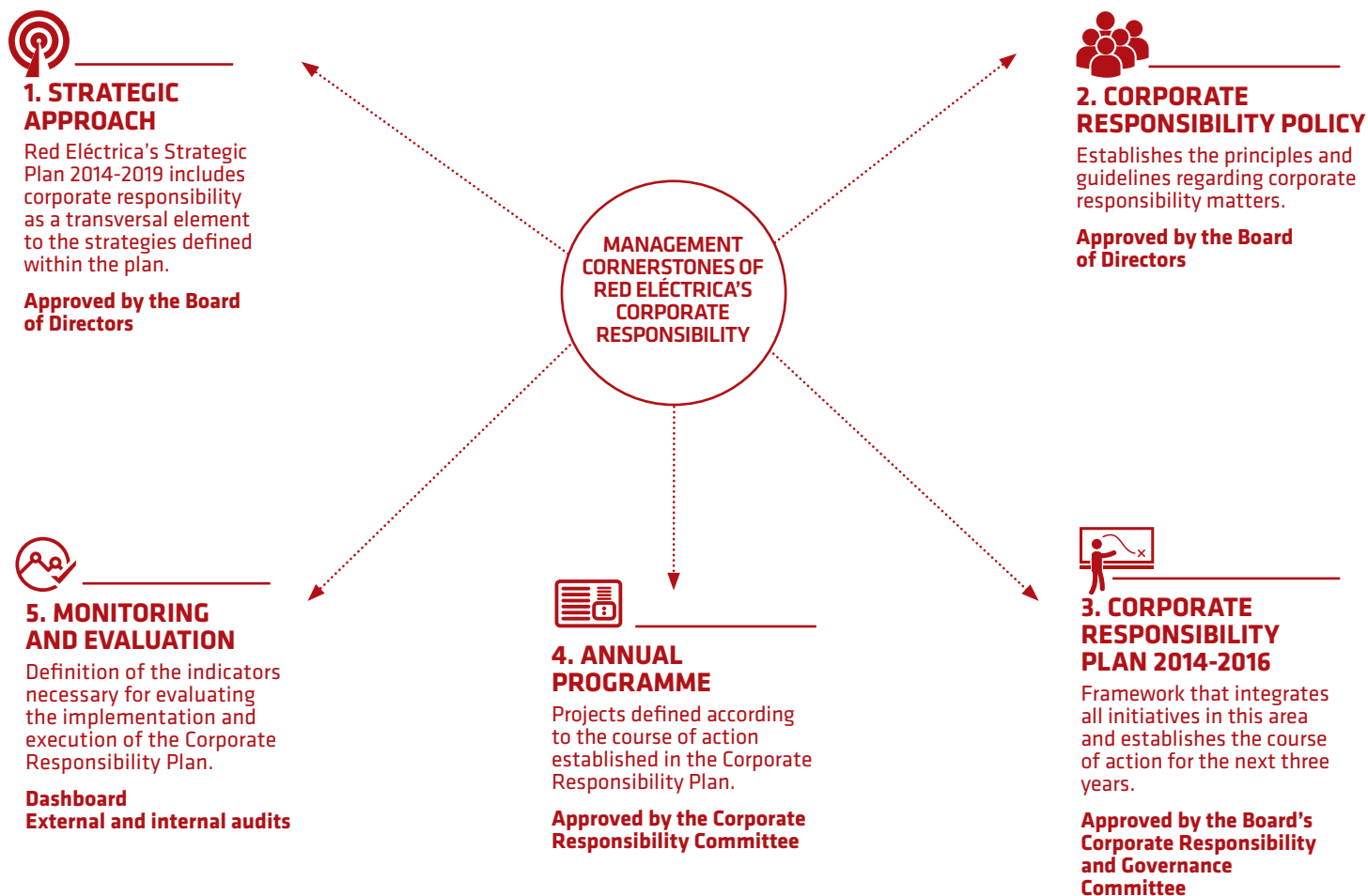
# 04

MANAGEMENT  
APPROACH

CONNECTED TO  
EXCELLENCE AND  
**CORPORATE  
RESPONSIBILITY**

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## OUR CORPORATE RESPONSIBILITY MODEL





## THE COMMITMENT TO SUSTAINABILITY IN RED ELÉCTRICA

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

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

The Strategic Plan 2014-2019 of the Red Eléctrica Group, approved by the Board, includes the ongoing commitment to excellence and responsibility in the execution of the activities as an integral component of the key strategies defined within said plan.



**More information** in the 'Management model' subsection of the 'Sustainability' section of the corporate website.

### THE QUEST FOR EXCELLENCE

**RED ELÉCTRICA'S** Commitment to management excellence was evidenced by the approval in 2014 of its updated excellence and quality policy, and its integration into the Company as one of the key strategies to be implemented.

Red Eléctrica follows the EFQM (European Foundation for Quality Management) excellence management model, implemented since 1999. In 2014, the Company retained the EFQM European Seal of Excellence **500+**, which

was renewed in 2013 with a score between 650 and 700 points. Notably, in 2011 Red Eléctrica was granted the 'Taking responsibility for a sustainable future' award, which forms part of the EFQM awards given each year to the best European companies.

The excellence management system is based on a management by processes approach. In 2014, the corporate methodology for the management of process was revised and the 'Processes Manual' was updated. Similarly, a project for the design, inventory and implemen-

tation of a dashboard of Company's key performance indicators was also undertaken in alignment with the new map of processes. Additionally, the Company also carried out Lean Process Improvement projects.

In 1994 Red Eléctrica began to implement quality management systems in its corporate processes. These systems, based on international standards, gave way to the first certifications of the Company's key activities in 1996.

As of the year 2000, the Company has had a corporate management system

in place encompassing all organisational processes. The certification audit of this system has been integrated since 2012, in a single audit whose scope covers all of the Company's certified corporate management systems.

**THE EFQM EUROPEAN SEAL OF EXCELLENCE 500+, renewed in 2013, was retained by the Company in 2014 with a score between 650 and 700 points**

## CORPORATE RESPONSIBILITY MANAGEMENT

### RED ELÉCTRICA'S

Commitment to sustainable development is set out in its Corporate Responsibility Policy. In 2014, the Board of Directors approved the sixth edition of said policy which sets out the Company's updated commitments to contributing to a sustainable energy future.

This commitment is articulated through a multi-year plan that sets out the medium term course of action regarding corporate responsibility matters. In 2014, the highest governance body of the Company, through the Corporate Responsibility and Governance Committee, approved the Corporate Responsibility Plan 2014-2016.

This plan is structured into five areas of management that allows the Company to work in a coordinated manner to fulfil its commitments:

- >> Corporate Governance and Ethics
- >> Sustainable energy model
- >> Commitment to employees
- >> Commitment to society
- >> Commitment to the environment

A general objective has been defined for each of the corporate responsibility management areas. The fulfilment of each objective is deployed through a specific course of action, which involves all areas of the Company.

Based on these courses of action, an corporate responsibility programme, composed of a set of projects aimed at achieving the objectives set out in the Plan, is defined each year. Said Plan is approved by the Corporate Responsibility Committee and is monitored periodically. The 2014 programme had a fulfilment rate of 83%.

In addition, the management system is evaluated systematically with various tools that provide insight into how the established commitments, objectives and projects are progressing.

Internally, Red Eléctrica has a corporate responsibility scorecard which includes the key performance management indicators related to each of the five areas of action. In 2014, a review of said indicators was carried out in order to adapt them to the new corporate responsibility plan.

Furthermore, the management system undergoes regular internal audits. The executive report included in the annex of this report presents the results of the last audit, conducted in 2014.

Externally, Red Eléctrica has the certifications regarding the international standard IQNet SR10 (Social Responsibility Management System) and the SA8000 standard, both are submitted to annual external audits. In 2014, the Company met the requirements established for retaining both certifications.

### KEY RECOGNITIONS REGARDING SUSTAINABILITY



## SHARING EXPERIENCES

**DISSEMINATING** the principles of sustainable management and participating in the design of present and future trends in corporate responsibility represent commitments that are voluntarily adopted by the Company. Therefore, Red Eléctrica participates in the dissemination and exchange of experiences in the business fabric as

well as with various social agents, among which include educational and research institutions and renowned bodies in corporate responsibility.

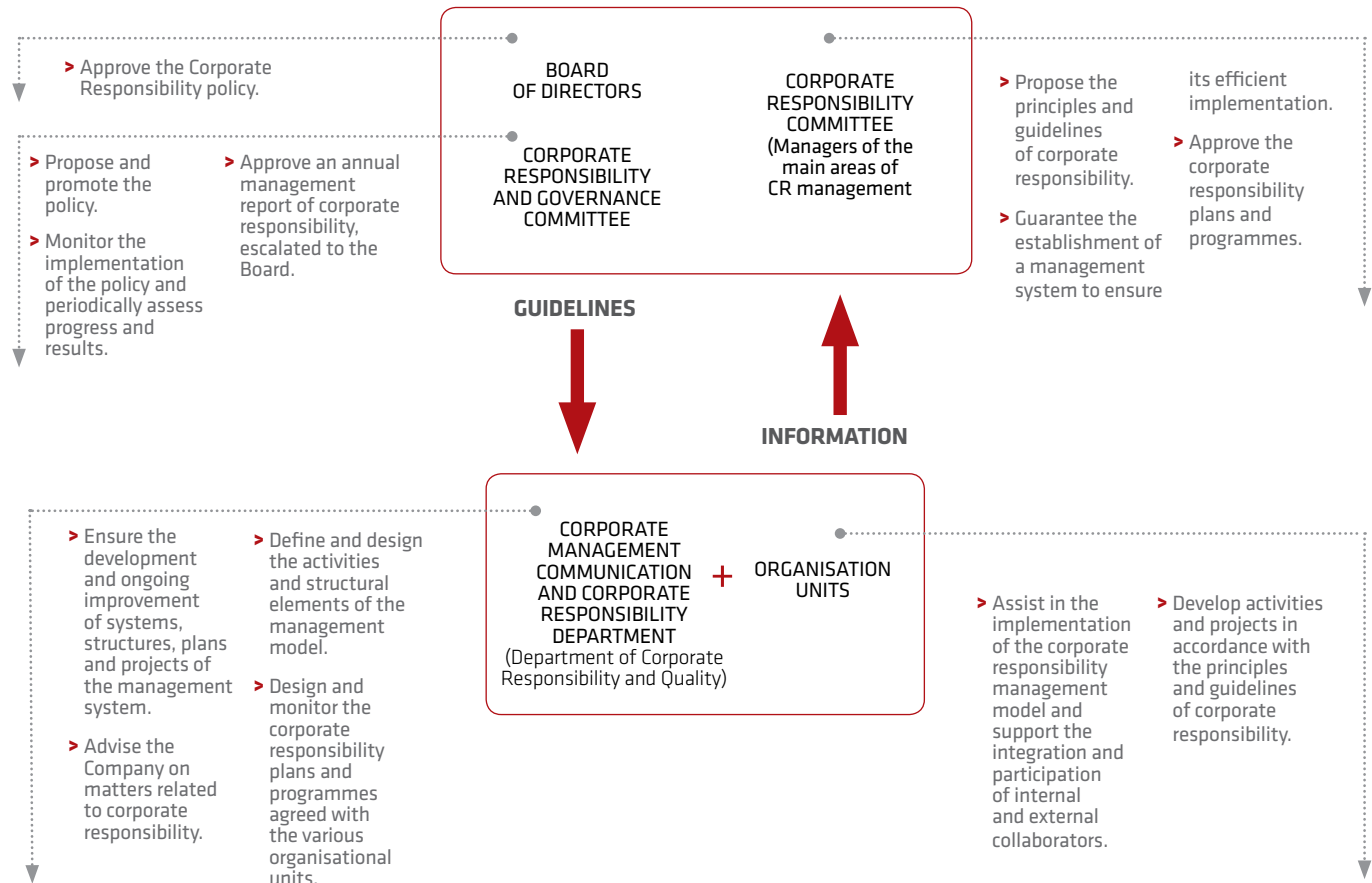
Note that in 2014, Red Eléctrica was selected by the EFQM to participate in the working group that designed the model on which the new recognition EFQM Committed to Sustainability is based.

## ORGANISATIONAL STRUCTURE

**THE ORGANISATIONAL STRUCTURE** for the management and monitoring of corporate responsibility commitments in Red Eléctrica has the involvement of the highest levels of decision making and the

involvement of all areas of management of the company. The following graphic shows an outline of the governance and management bodies and their main functions

## GOVERNING BODIES AND MANAGEMENT OF CORPORATE RESPONSIBILITY (KEY FUNCTIONS)



## COMMITMENT TO EXTERNAL INITIATIVES [G4-15]

RED ELÉCTRICA voluntarily participates in different initiatives that strengthen its commitment to corporate responsibility, amongst which the following are noteworthy:

**>> Global Compact.** RED ELÉCTRICA has been adhered to the Global Compact since 2002 and seeks to consolidate this international project through its activities. It is founding member of the Spanish Global Compact Network (Red Española del Pacto Mundial), and annually presents the Progress Report, which includes the main actions carried out in

relation to the Ten Principles regarding the defence of fundamental human rights, protection of the environment, support for social development, respect for workers' rights and the fight against corruption.

**>> Caring for Climate.** In 2007, Red Eléctrica joined this initiative promoted by the United Nations.

**>> Biodiversity Compact.** In 2013, Red Eléctrica adopted this initiative, promoted by the Spanish Ministry of Agriculture,

Food and Environment, aimed at the inclusion of biodiversity in the business strategies of companies.

**>> Carbon Disclosure Project (CDP).** Since 2008, Red Eléctrica has participated in this initiative to fight against climate change and for the protection of natural resources, annually providing information on its strategy, practices, performance and objectives in the fight against climate change.

## STAKEHOLDER PERCEPTION SURVEYS - OVERALL INDICATORS

	2010	2011	2012	2013	2014
Overall satisfaction	7.7	8.1	8.2	8.2	8.2
Satisfaction of the quality of services	7.6	7.9	7.9	7.9	7.7
Reputation	8.2	8.2	8.5	8.5	8.4
Ethical behaviour	8.0	7.9	8.1	8.1	8.1
Management of Corporate Responsibility	7.8	7.5	7.6	7.6	7.7
Dialogue with stakeholders	7.8	7.9	7.9	7.8	7.9

## STAKEHOLDERS [G4-25]

**THE CORPORATE** Responsibility Policy clearly sets out Red Eléctrica's commitment to improve relations and dialogue with its stakeholders, through the development of tools that allow their requirements and expectations to be identified. The policy seeks to continuously help guide the organisation's processes to meet these needs, as well as to create shared value.

In order to ensure compliance with this commitment, Red Eléctrica has, since 2004, designed, implemented and improved its corporate stakeholder management system; extensively revised in 2012. This system includes the identification, segmentation and prioritisation, as well as the definition of the relationship framework with each stakeholder group, in order to understand and respond

to their requirements and expectations.

The identification and segmentation of stakeholder groups is carried out based on the analysis of the interrelationships between the processes and activities of the Company with the environment of its stakeholders.

The prioritisation of requirements and expectations is plotted in accordance with the stakeholders' capability to influence the achievement of the strategic objectives of the Company and the importance of the impacts of the organisation on them.

The relationship framework defines the channel or activities with each stakeholder, based on active dialogue and transparency, key elements to strengthen their confidence. Among these channels, two of

are noteworthy due to their transversal nature across all stakeholder groups:

**>> Satisfaction surveys** that allow quantitative and qualitative analysis of the requirements and expectations of stakeholders with an established periodicity, usually biennial. These surveys are conducted by an external consultant to ensure the confidentiality and validity of the process. [G4-26]

**>> The DÍGAME service** that guarantees, since 2008, the professional management of all queries and requests from external stakeholders, and which makes available various communication channels (phone, email and online web form). This service is staffed by personnel from the Juan XXIII Foundation, an organisation that works with people with some type of disability. ▶

◀ The assessment and analysis of the requirements collated from the satisfaction surveys give way to the drafting of an improvement action plan and the subsequent monitoring of compliance with these actions.

In addition to a corporate stakeholder management system, the Company is committed to the development of operational maps

as tools for the identification and management (at the process level) of the stakeholder groups involved and of the relationship channels established. In 2014, a stakeholder operational map was drafted regarding the processes for electricity measurement and inspection. This operational map along with the development of a specific satisfaction survey has led to a greater

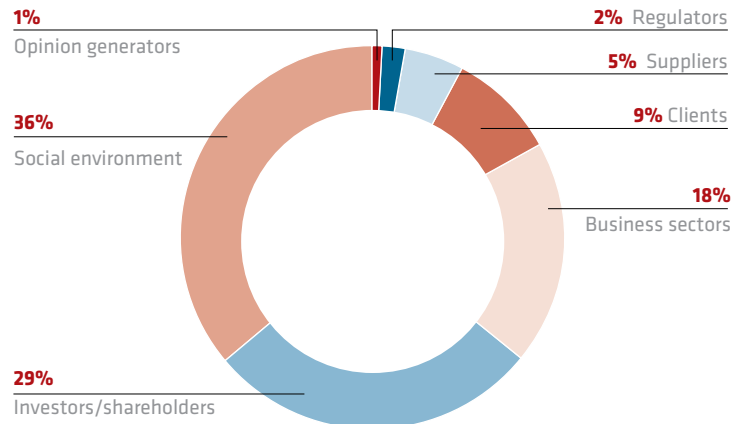
understanding of the needs of affected groups and the design of a more complete improvement action plan.

**Summary 2014 [G4-26]**

In 2014, satisfaction surveys were conducted on the following external stakeholder groups: clients and the media, with an overall satisfaction score of 8.2 out of 10.

**'DÍGAME' SERVICE**

(3,558 requests in 2014)



**More information** regarding engagement, dialogue channels and the stakeholder management model in the 'Stakeholders' subsection of the 'Sustainability' section of the corporate website.

**OUR COMMITMENTS TO STAKEHOLDER GROUPS [G4-24, G4-27]**

STAKEHOLDER GROUPS	MAIN COMMITMENTS
<b>Investors / Shareholders</b>	<ul style="list-style-type: none"> <li>&gt; Creating value.</li> <li>&gt; Good governance and risk control.</li> <li>&gt; Fluid and transparent dialogue.</li> </ul>
<b>Regulatory bodies</b>	<ul style="list-style-type: none"> <li>&gt; Security, quality and continuity of service.</li> <li>&gt; Independence and transparency.</li> <li>&gt; Effective solutions to challenges.</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>&gt; Fulfilment of the Transmission Grid planning.</li> <li>&gt; Leadership and innovation.</li> <li>&gt; Efficient management.</li> <li>&gt; Dialogue, impartiality and transparency.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>&gt; Stable employment and equal opportunity.</li> <li>&gt; The work-life balance.</li> <li>&gt; Professional development and recognition.</li> <li>&gt; Ensuring occupational health and safety.</li> <li>&gt; Freedom of association and dialogue with management.</li> <li>&gt; Ethical and responsible conduct.</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>&gt; Compliance with contractual obligations.</li> <li>&gt; Ethics and transparency.</li> <li>&gt; Collaboration to generate mutual benefits.</li> </ul>
<b>Social environment</b>	<ul style="list-style-type: none"> <li>&gt; Transparency on actions carried out and their impact.</li> <li>&gt; Territorial planning and community involvement.</li> <li>&gt; Safety and security of facilities and the electricity supply.</li> <li>&gt; Ethical business practices.</li> <li>&gt; Protection of the natural environment.</li> </ul>
<b>Opinion generators</b>	<ul style="list-style-type: none"> <li>&gt; Information transparency.</li> <li>&gt; Efficiency in the management of enquiries and requests.</li> </ul>
<b>Business sectors/professional associations</b>	<ul style="list-style-type: none"> <li>&gt; Fluid, transparent and close-knit dialogue.</li> <li>&gt; Exchange of best practices.</li> </ul>

# 05

SUSTAINABLE  
ENERGY

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

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## CORNERSTONES FOR ACHIEVING SUSTAINABLE ENERGY



### INTEGRATION OF RENEWABLE ENERGIES

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

**42.8%**  
of the electricity demand covered by renewable energies



### SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

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

**600 km** of new line in the grid  
**98.2%** availability of the peninsular grid



### ENERGY EFFICIENCY

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

**'PRICE' Project**  
**'PERFILA' Project**



### TECHNOLOGICAL INNOVATION

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

**66** technological innovation projects  
**8.3** million euros in investment



### INTERNATIONAL INTERCONNECTIONS

Strengthening interconnections in order to improve the guarantee and security of supply, enabling a greater integration of renewables and facilitating the creation of a single European electricity market.

**France:**  
**Santa Llogaia-Baixas line (2015)**

**Portugal:** Puebla de Guzmán-Tavira line (2014)

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



## QUALITY AND SECURITY OF THE ELECTRICITY SUPPLY

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

Therefore, the Company is working on the development of a transmission grid that is better meshed, more robust and better interconnected through the strengthening of international interconnections and also those between the islands. It is also fo-

cusating on initiatives aimed at energy efficiency and on the incorporation of innovative technologies to improve system efficiency. All this is geared towards the achievement of the new energy targets set by the European Council for 2030:

### DEVELOPMENT OF THE TRANSMISSION GRID

#### Electricity infrastructure planning [EU10]

THE MINISTRY of Industry, Energy and Tourism (MINETUR) is responsible for designing Spain's energy policy. To this end, it proposes, in collaboration with the Autonomous Communities, a medium and long term energy

planning. The policy details the new electricity infrastructures that must be undertaken nationwide, under the principles of transparency and with minimal cost for the electricity system as a whole. These infrastructures are

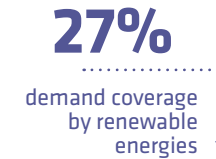
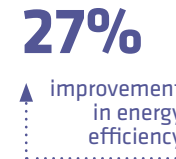
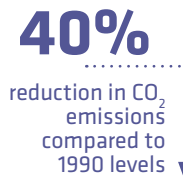
essential both to improve the quality and security of supply and to provide greater efficiency and competitiveness of the electricity markets.

The current planning is contained within the

'Electricity and Gas Sector 2008-2016 Planning' document, approved by the Council of Ministers in 2008 and updated in the 2010 and 2012 annual programmes, and in the agreement of the Council of Ministers in June 2014.

However, there is a set of actions contained in this plan whose administrative authorisation is paralysed although, as an exception, the administrative process was unblocked for certain actions contained in the resolutions of the Council

of Ministers in December 2012, February 2014 and June 2014. In this process, Red Eléctrica is responsible for drawing up proposals for the planning of the transmission grid. ▶



◀ Thus, since 2010, various proposals stemming mainly from the need to adjust to the prevailing economic situation and the new electricity sector legislation have been submitted to the MINETUR.

After submitting the final draft of the initial proposal in July 2014, the MINETUR sent the actions proposed therein to the Autonomous Communities so that they could present any argument they deemed necessary. These arguments were

sent to Red Eléctrica on 12 November, with further arguments being received at a later date (1 December 2014 and 12 January 2015). From that date, Red Eléctrica has two months to send the MINETUR the Grid De-

velopment Proposal that takes into account the arguments submitted by the Autonomous Communities. The infrastructure planning, once approved by the Government, covers terms of six years and is binding for Red Eléctrica.

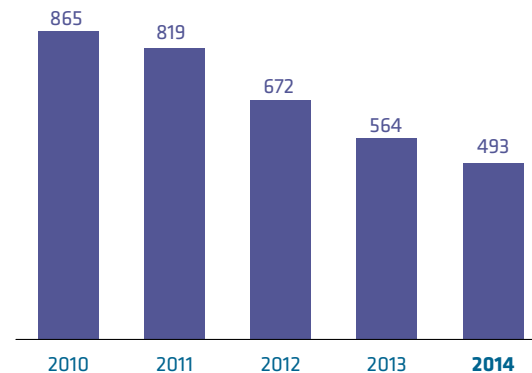
THE DEVELOPMENT OF INTERNATIONAL INTERCONNECTIONS represents the most significant actions of the latest electricity infrastructure planning proposal

### Transmission grid construction [EU4]

IN 2014, investment in the transmission grid responded basically to the need to increase grid capacity and meshing, support electricity distribution in several areas of the country, and also to move forward with the execution of projects of a unique nature such as international interconnections and submarine interconnections

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

INVESTMENT IN THE TRANSMISSION GRID  
(Millions of Euros)



### PRIORITY OBJECTIVE IN THE DEVELOPMENT OF THE TRANSMISSION GRID

- >> Ensure the quality and security of supply.
- >> Improve the efficiency of the system.
- >> Improve transmission grid meshing.
- >> Support the electricity distribution network.
- >> Strengthen international interconnections.
- >> Facilitate the powering of the high speed train routes.
- >> Favour the evacuation of renewable energies.

## MAIN TRANSMISSION GRID AXES IN 2014

### ASTURIAS-GALICIA LINK

**Status:** under construction  
**Total investment:**  
218.9 million euros  
**Investment in process:**  
32.5 million euros  
**Construction:** 2008-2019

#### General objective

Guarantee the security and quality of supply throughout the whole northern axis, creating a 400 kV transmission infrastructure, through the incorporation of 361 km of line, 46 substation bays and 3 transformers. A large part of the axis was commissioned before 2011. The Boimente-Pesoz line is currently under construction.

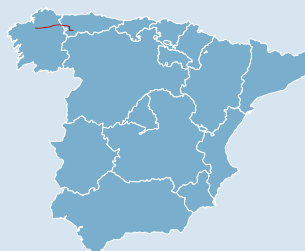
#### Specific objectives

Connect northern Galicia with the west of Asturias to meet the consumption forecasts for this area and facilitate the evacuation of new generation. The aim is to close the Cantabrian axis linking it up with the Soto-Penagos line, so that areas with surplus energy such as Galicia

and Asturias can evacuate their energy to regions with a lack of supply. Another of its future objectives is to enable the powering of the high speed train in the Cantabrian region.

#### Key socio-environmental measures

- >> Performing specific environmental studies for the design of accesses. Restoration of the aforementioned accesses at the end of works via the introduction of topsoil, seeding and planting of trees native to the area.
- >> Performing a comprehensive inventory of the actions regarding the pruning and felling of flora and continuous monitoring to avoid any unnecessary effects.
- >> Hanging electricity lines by helicopter to avoid affecting the land and flora (more than 20% of line hung using this method).
- >> Hoisting via the use of a boom crane in steep areas



and those with native flora.

- >> Over-elevation of towers to reduce the opening up of safety corridors.
- >> Intensive archaeological monitoring. Protection and cataloguing of items found: Celtic hillfort remains, Roman mining channels, lime kilns and civil war trenches.
- >> Amicable agreements reached with landowners in 96% of the cases.

#### SUMMARY 2014

- >> Attainment of the administrative permits for the Boimente-Pesoz line and commencement of its construction.

#### FORECAST FOR 2015

- >> Construction of the Boimente-Pesoz line.

### BESCANÓ-LA FARGA-SANTA LLOGAIA AXIS

**Status:** under construction  
**Total investment:**  
92 million euros  
**Investment in process:**  
1.3 million euros  
**Construction:** 2013-2017

#### General objective

Give continuity to the inter-connection with France and improve the electricity supply to Gerona.

#### Specific objectives

Strengthen the meshing of the 400 kV grid in Catalonia and support the powering of the high speed train in the Barcelona-French border section. The axis consists of 164 km of line, 25 substation bays and 2 transformers.

#### Key socio-environmental measures

- >> Design of the lines, in parallel to the existing 220 kV and 132 kV lines and the subsequent dismantling of sections of the indicated existing lines.
- >> Restoration of the safety corridors used by the sections of the lines being dismantled.
- >> Marking with bird-flight diverter devices on a high percentage of the line.
- >> Biological stoppage of works.
- >> Amicable agreements reached with landowners in 96% of the cases.



#### SUMMARY 2014

- >> Commissioning of the Bescanó-La Farga-Santa Llogaia line and of the Santa Llogaia substation.

#### FORECAST FOR 2015

- >> Commencement of the construction of the La Farga substation and the incoming/outgoing line.

## ALMARAZ-GUILLENA AXIS

**Status:** in service

**Total investment:**

201 million euros

**Construction:** 2012-2014

### General objective

Ensure the quality of supply for the forecasted demand in the Autonomous Communities of Extremadura and Andalusia via the connection of the central and southern areas of the Spanish peninsula through an 400 kV axis, consisting of 703 km of line, 37 substation bays and 2 transformers.

### Specific objectives

The axis will link up the Almaraz, San Serván, Brovales and Guillena substations, linking from north to south an area with a generation deficit, and will serve as support for the expansion of the interconnection with Portugal, as well as support for the distribution in the area allowing the evacuation of new renewable generation.

### Key socio-environmental measures

Given the characteristics of

the area where the work was undertaken, the principal challenge was the design of the route and the siting of towers so as to have the minimal effect on the protected natural areas, pasture lands and other areas rich in biodiversity, especially bird life, for which the following actions were carried out:

>> Drafting of specific reports regarding the effects on Red Natura and the establishment of specific measures for the protection of priority habitats.

>> Over-elevation of towers to avoid the need for opening up of safety corridors.

>> Assembly and hoisting with boom cranes in all sensitive areas.

>> Installation of bird-flight diverter devices (spirals and blades) in SPAs and on lines crossing major water courses (more than 85% of the axis).



>> Biological stoppages of works on 78 towers during various periods from 1 January to 23 August.

>> Establishment of numerous accompanying measures of various characteristics aimed at improving habitats.

>> Amicable agreements reached with landowners in 90% of the cases.

### SUMMARY 2014

>> Commissioning of the Brovales-Guillena and Mérida-San Serván lines, as well as the Almaraz substation.

### FORECAST FOR 2015

>> The axis is fully operational and no further work is foreseen.

## SAN MARTÍN AXIS

**Status:** under construction

**Total investment:**

31.1 million euros

**Investment in process:** 2.4 million euros

**Construction:** 2011-2016

### General objective

Facilitate the evacuation of the production of the Es Murterar thermal power station and strengthen supply to the northwest of Majorca.

### Specific objectives

The axis, which consists of 20 substation bays, 12 km of line and 2 transformers will facilitate the evacuation of the production of the Es Murterar thermal power station.

### Key socio-environmental measures

>> Landscaped integration of the San Martín substation, through the design of the GIS building and by the incorporation of vegetation on the land on the southwest side.

>> Stoppage of works for the Alcudia-San Martín line between the months of April and September in urban areas to avoid the impact on tourism.

>> The line was buried underground throughout its entire length.



### SUMMARY 2014

>> Bringing into service of the San Martín substation, I/O San Martín and the Alcudia substation.

### FORECAST FOR 2015

>> Commissioning of the San Martín - Alcudia 2 line and continuing with the work of building the Murterar - San Martín line with the final section of line being brought into service in 2016.

## ARAGÓN-LEVANTE LINE

**Status:** under construction

**Total investment:** 156.4 million euros

**Investment in process:** 15.6 million euros

**Construction:** 2010-2018

### General objective

Strengthening of the transmission grid meshing to allow wind power energy from Aragon to be evacuated to Castellón, through a 414 km network of line, 31 substation bays and one transformer. This connection is part of a new Basque Country-Navarra-Aragon-Levante axis for the evacuation of wind power, avoiding the saturation of the existing Valladolid/Palencia-Madrid and Aragon/Cataluña-Levante corridors.

### Specific objectives

The axis links the substations of Aragon, Fuendetodos, Muniesa, Mezquita and Morella, allowing wind power evacuation to Castellón from new generation in the region of Maestrazgo.

### Key socio-environmental measures

- >> Biological stoppage between March and June to avoid the breeding season of the Dupont's lark.
- >> Biological stoppage between January and June due to the nesting of Golden eagles.
- >> Intensive archaeological supervision in the Community of Valencia and monitoring in Aragon.



### SUMMARY 2014

- >> Obtaining administrative authorisations for the Mezquita-Morella line and commencement of the Morella substation enlargement.

### FORECAST FOR 2015

- >> Commencement of construction of the Mezquita-Morella line and the commissioning of the Morella substation.

## OTHER IMPORTANT GRID DEVELOPMENTS IN 2014

Among the facilities brought into service in 2014, in addition to those lines identified in the main axes, also noteworthy are the Vilanova-Valldigna-Gandia line (31.3 km) and the Costa de la Luz-Onuba line (25.7 km), amongst others, as well as various 400 kV and 220 kV substations.

## PENINSULAR AND NON-PENINSULAR TRANSMISSION GRIDS [EU4, G4-9]

	2010	2011	2012	2013	2014
Km of 400 kV line	18,792	19,671	20,109	20,639	21,094
Km of 220 kV line	17,565	18,410	18,779	19,077	19,221
Km of 150-132-110 kV line	257	272	272	272	272
Km of <110 kV line	2,010	2,011	2,014	2,014	2,014
<b>Total km of line</b>	<b>40,364</b>	<b>41,174</b>	<b>42,002</b>	<b>42,002</b>	<b>42,601</b>
400 kV Substation bays	1,189	1,253	1,319	1,374	1,394
220 kV Substation bays	2,662	2,813	2,936	3,026	3,077
150-132-110 kV Substation bays	47	52	52	52	52
<110 kV Substation bays	725	743	743	745	769
<b>Total substation bays</b>	<b>4,623</b>	<b>4,861</b>	<b>5,050</b>	<b>5,197</b>	<b>5,292</b>
<b>Transformer capacity (MVA)</b>	<b>70,219</b>	<b>72,869</b>	<b>78,629</b>	<b>81,289</b>	<b>84,539</b>

## DATA AS AT 31 DECEMBER 2014

2014	Peninsula	Balearic Islands	Canary Islands	Total
Overhead lines (km)	39,068	1,061	1,023	41,151
Submarine cable (km)	265	306	30	601
Underground cable (km)	463	150	237	850
<b>Total</b>	<b>39,795</b>	<b>1,517</b>	<b>1,289</b>	<b>42,601</b>

## GRID DEVELOPMENT ON THE ISLANDS

### Balearic Islands' electricity system

**THE MOST SIGNIFICANT MILESTONE** in the Balearic Islands' system is the commencement of the Majorca-Ibiza interconnection: a link that enhances the electricity integration process between the Balearic Islands and the Spanish Peninsula, key to ensuring the reliability of supply in the archipelago. The main objective of this interconnection is to end

the current electrical isolation of Ibiza, in addition to saving costs for the system and promoting competition in electricity generation on the islands.

The electricity interconnection, with a total length of 126 km, consists of an alternating current double link in high voltage 100 MVA per line and a voltage of 132 kV. The route of the

line consists of a land section on each island which runs underground (3 km in Majorca and 5 km in Ibiza) and a submarine section of 118 km, with a maximum depth of 800 m. In 2014, work began on the laying of the submarine cables and it is forecasted that the double link will be brought into service in 2015.

Although this is the main project, there are other interconnection projects between islands that will connect Majorca-Menorca and Ibiza-Formentera.



### MAIN MEASURES FOR THE SOCIO-ENVIRONMENTAL PROTECTION OF FLORA, FAUNA AND NATURAL HERITAGE

- >> Measures to protect endangered species such as the Spur-thighed tortoise or noble pen shell.
- >> Action protocol in the case of sighting whales.
- >> Minimising effects on Posidonia and beaches through the use of micro-tunnelling to house cables.
- >> Stoppage of works during the high season for tourism.
- >> Study of cultural heritage, noting the absence of archaeological remains.



**More information** regarding the interconnection between the Spanish Peninsula and the Balearic Islands in the 'Unique projects' sub-section of the 'Activities' section of the corporate website.

### A RECORD-BREAKING SUBMARINE INFRASTRUCTURE

The Majorca-Ibiza submarine double link is the world's longest using alternating current and the deepest of its type running along the seabed at depths of up to 800 metres.

## Canary Islands' electricity system

RED ELÉCTRICA will invest approximately 800 million euros in the Canary Islands' system in the coming years. This investment will drive the progressive change of the current energy model in the Canary Islands, to move towards a model based on the integration of renewable energy and the development of interconnections between the islands. The new infrastructure will allow the evacuation of

energy from future wind farms and improve the efficiency and security of the Islands' electricity systems, as well as strengthen the meshing of the transmission grid to ensure the security of supply. The aim is, ultimately, to implement a more sustainable, efficient and safe system, with significant investment in which Red Eléctrica will commit to and for which it has adequate technical, human and financial capacity.

Additionally, Red Eléctrica and Endesa have reached an agreement on the transfer of the concession for the Chira-Soria hydroelectric pumping station in Gran Canaria. The total investment in the facility is of approximately 300 million euros. The project, which is in the administrative permitting phase, encompasses the construction of a reversible pumping station, which will not be used as a genera-

tion facility, but as a tool for the system operator for ensuring the stability and security of the electricity supply. It will be one of the major projects of Red Eléctrica over the coming years, as it will provide an essential infrastructure for the integration of renewables on the island and will contribute to a new energy model in the Canary Islands.



### STRENGTHENING AND IMPROVING THE CANARY ISLANDS' TRANSMISSION GRID

#### Priority objectives

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



**More information** regarding the 'Canary Islands' Electricity System' in the 'Activities' section of the corporate website.

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





## GRID MAINTENANCE

RED ELÉCTRICA's mission is to guarantee that the facilities of the transmission grid are always in optimum condition in terms of availability and reliability by establishing adequate maintenance, renovation and improvement policies. This is accomplished through the establishment of an annual programme that sets out all the activities and resources necessary to

ensure energy efficiency and the continuity of the electricity supply. This programme is established in line with the Company's strategic plan.

In line with Red Eléctrica's responsible management model, the following maintenance activities carried out in 2014 are noteworthy:

### IMPROVING THE QUALITY OF FACILITIES

- >> Review of maintenance processes for the safe, efficient and effective operation of the transmission grid.
- >> Implementation of a new system for the monitoring and evaluation of the performance of contractors.
- >> Strengthening the Peninsula-Balearic Islands interconnection through additional optical fibre and telecommunication systems.
- >> In addition to scheduled maintenance, work has continued regarding the environmentally friendly weatherproofing of facilities and the reconditioning of various transformer units.

### TECHNOLOGICAL INNOVATION ACTIONS

- >> Installation of remote devices for the control of fires near to the electricity lines and a device to dissuade birds from nesting via the use of ultrasound.
- >> Use of drones for the inspection of overhead lines, contributing to the minimisation of socio-economic impacts.
- >> Installation of a new type of fibre optic communications cable, housed within one of the conductors (OPPC type), on the island of Tenerife.
- >> Study on the potential development of a sustainable hybrid transformer

### ACTIONS FOR THE OPTIMISATION AND EFFICIENCY OF RESOURCES

- >> Use of a fleet management system, resulting in an increased availability of own resources increased availability of own resources, as well as saving fuel.
- >> Establishing links between fibre optic cable and telecommunications equipment between different substations and converter stations for the interconnection with France.

### MAR PROJECT (IMPROVEMENT OF GRID ASSETS)

Within the maintenance activity, Red Eléctrica is undertaking a significant programme for the integration of the assets acquired from the utility companies, especially in the island systems, raising them to the quality standards established by the Company. The programme, being carried out in the period 2011-2018, is contributing to a significant improvement in the levels of quality of service in the two archipelagos.

RED ELÉCTRICA'S MISSION IS TO GUARANTEE that the facilities of the transmission grid are always in optimum condition in terms of availability and reliability

## Service quality [EU28, EU29]

**THE SERVICE QUALITY INDICATORS** highlight for yet another year the highest level of security and quality of supply provided by Red Eléctrica's facilities, being well within the benchmark established in the current legislation which establishes average

interruption time at 15 minutes/year.

In 2014, there was a significant improvement in the values regarding Energy Not Supplied (ENS) and Average Interruption Time (AIT) compared to the previous year. The greater part of the energy not supplied is due to supply

interruptions in insufficiently meshed nodes, whose particular topology, on occasions, involves maintaining connections in antenna configuration associated to a single line. This type of incidents represented 84% of the total ENS registered in the peninsular system.

## QUALITY OF SERVICE INDICATORS

	2010	2011	2012	2013	2014*
<b>Peninsular grid</b>					
Grid availability (%)	97.93	97.72	97.78	98.20	98.20
Energy Not Supplied (ENS) (MWh)	1,552	259	113	1,126	199
Average Interruption Time (AIT) (minutes)	3.135	0.535	0.238	2.403	0.429

\* The 2014 values are pending external audit.

## CONTINGENCY MANAGEMENT

**RED ELÉCTRICA** develops protocols and methodologies to efficiently manage the contingencies that may occur in the Company. These protocols are set out in a series of policy documents governing actions in the case of operational emergencies. Their application in crisis situations are complemented through mobile response units/equipment capable of responding immediately in any area of the country, aimed at guaranteeing the quality and continuity of supply.

These measures are complemented with action plans, called Service Restoration Plans, which detail the precise actions to be taken to restore the electricity supply, under safe conditions, when the electricity system faces contingencies. As an additional measure, other documents

**THE COMPANY HAS CONTINGENCY PLANS IN PLACE** to ensure the quality and continuity of supply in any area of the country

## ACCESS AND CONNECTION TO THE TRANSMISSION GRID

complete the coverage of operational contingencies, covering the full spectrum of contingencies such as those affecting the environment and/or people. These other rules include actions when faced with situations caused by pandemics, evacuation of buildings and facilities of the Company and the protection plans of buildings, facilities and substations of the Company. Red Eléc-

trica also has a dedicated training centre called the Red Eléctrica Corporate School (ECRE), where staff from the electricity control centres is trained by means of system restoration and service recovery simulations.

RED ELÉCTRICA  
CORPORATE  
SCHOOL  
(ECRE), trains  
electricity control  
centre staff by  
means of system  
restoration and  
service recovery  
simulations

**DURING 2014**, Red Eléctrica continued to manage the procedures for access and connection to the transmission grid. The economic situation, expectations of growth in demand, the regulatory situation and the existing capacity in the complete set of generation facilities, as well as the delay in the approval of a new planning horizon of the transmission grid, have led to a slowdown in the trend regarding new requests for access to the transmission grid.

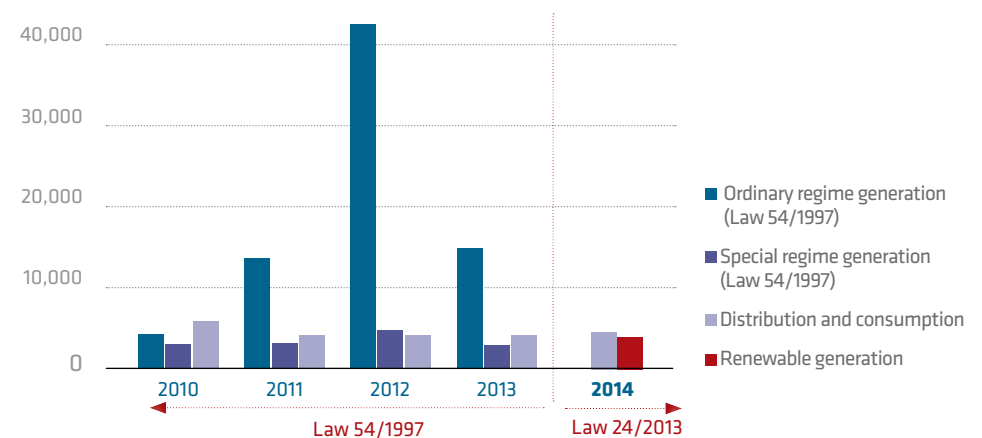
In particular, the suspension of the planning of electricity and gas sectors 2008-2016 (according to Royal Decree Law 13/2012) and the need for policy development for

access and the failure to grant connection permits regarding transmission grid developments not approved by planning have meant the decline of the total quota of requests for

access to the transmission grid. The graph shows the evolution in recent years of access requests received, foreseen to be provided connection to the transmission grid.

### REQUESTS RECEIVED FOR TRANSMISSION GRID ACCESS

Requests received in MW or MVA



## TRANSMISSION GRID LOSSES [EU12]

**THE TRANSMISSION** of electricity inevitably entails a loss of energy in the grid. This means that in order to satisfy a given final consumption, it is necessary to have a higher level of generation. Therefore, losses in the transmission grid are the difference between the energy generated and the energy demanded for distribution.

There are several factors that generate losses: the Joule\* effect, the corona effect and the own consumption of electricity substations required for their proper operation. Of these, the most important is undoubtedly the Joule effect associated with the

flow of current through the conductors.

Losses in the electricity transmission grid depend on the distance between generation points and consumption points (primarily), the generation mix, the size of the transmission grid, voltage levels, international exchanges and the behaviour of the demand (amount of energy demanded and shape of the demand curve).

Red Eléctrica works to improve the aspects that depend on their management and that can influence the reduction of

these losses. Among them are the following actions:

- >> Development and meshing of the transmission grid
- >> Increase the number of conductors per line

(Both measures aim to generate, in a parallel way, so that electricity flows with the same intensity, which causes reduced resistance thus reduced losses).

- >> Using technologies and systems with the best performances (conductors with less resist-

ance, efficient equipment etc.).

- >> Maintenance of facilities to ensure they are in the best condition for their correct functioning.

However, these improvements have a greatly reduced impact in the evolution of losses, as other aspects, not controlled by Red Eléctrica have the greatest influence.

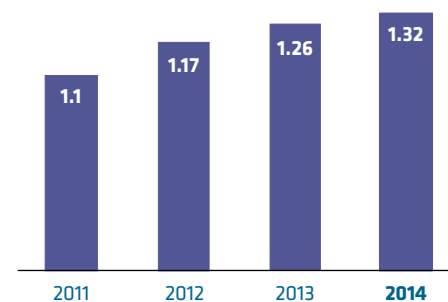
Losses increase mainly with the increase in distances between generation and consumption points. The structure of electricity generation depends on the rules of the electricity market,

regulated by an independent body. The role of Red Eléctrica, as electricity system operator, shall conform to specific and mandatory operational procedures. According to these procedures, it is not possible to operate the electricity system taking into account the criteria for reducing losses, so the Company's capacity to act in relation to reducing losses is limited.

Moreover, it is noteworthy that in the case of the Spanish electricity system, increased losses are closely related to the amount of renewable energies in the generation mix. Normally, increases in hydroelectricity and wind power are related to an increase in transmission distances (this type of generation is usually quite a distance away from consumption points).

RED ELÉCTRICA WORKS TO IMPROVE the aspects that depend on their management and that may influence the reduction of energy losses in the grid

PERCENTAGE OF LOSSES IN THE TRANSMISSION GRID WITH RESPECT TO ANNUAL DEMAND



\* Joule effect: the effect whereby, when an electrical current flows through a conductor, part of the kinetic energy of electrons is transformed into heat which thereby raises the temperature of the conductor. Joule effect losses are proportional to the intensity flowing through the conductor and the resistance thereof, the greater the length of the line the greater this resistance is. In view of this, it can be understood that the losses are mainly related to the distance between points of generation and consumption.

## INTERNATIONAL INTERCONNECTIONS

### FOR THE EFFICIENT

operation of the electricity system it is essential to strengthen international interconnections. Having an increased electricity exchange capacity with neighbouring countries provides greater security of supply and a better use of renewable energy. In the case of Spain, the need for investment in the strengthening of interconnections is very important because it has

a limited level of interconnection with Europe, well below the 10% of its installed capacity target established at the European Summit in Barcelona in 2002.

In this regard, in October 2014, the European Council set a new target: to raise interconnection capacity up to 15% by 2030. This milestone was agreed to along with the other three targets related to the energy strategy that shall be achieved in the same time scale. In the

case of Spain, it is clear that in order to achieve these targets it must have a greater electricity interconnection between the Iberian Peninsula and Europe.

Therefore, interconnection projects will be, in the coming years, the most significant actions of Red Eléctrica regarding infrastructure development.



**More information**  
in the 'Unique projects' subsection  
in the 'Activities' section of the corporate website.

### BENEFITS OF INTERNATIONAL INTERCONNECTIONS

#### Technical

- >> Allow the security of supply of the interconnected countries to increase, increasing grid reliability in border areas.
- >> Improve the quality of supply, with greater frequency stability and quality.
- >> Reduce losses, especially in electrically complementary borders.
- >> Facilitate the integration of non-manageable renewable energy.
- >> Contribute to a greater diversity of energy sources.
- >> Reduce the required power reserves in each country, which means less need for investment in generation and transmission.
- >> Represent an essential element for building the Internal Electricity Market and for increasing competition.

#### Environmental

- >> Reduce CO2 emissions.
- >> Contribute to meeting the environmental targets of the European Union.
- >> Represent a reduced effect on the region resulting from lower requirements for investment in generation and connection networks.

#### Economic

- >> Increase the geostrategic importance of the region and the countries through which the interconnection passes.
- >> Attract investments arising from reduced energy costs, leading to the creation of employment.
- >> Promote competition amongst companies.
- >> Reduce economic distortions arising from the heterogeneity of prices in Europe.

## INTERCONNECTION WITH FRANCE

IN 2014, the construction of the interconnection axis with France through the Eastern Pyrenees was completed; an interconnection whose inauguration and commissioning is foreseen for 2015. This infrastructure doubles the current electricity exchange capacity between Spain and France from 1,400 MW to 2,800 MW. However, this is still insufficient to reach the minimum level of interconnection of 10% of installed capacity recommended by the European Union.

The Spain-France interconnection is of great importance due to its influence on the quality and security of the Spanish electricity system and the integration of renewable energy.

### GENERAL PROJECT DATA

- >> Construction of a high voltage direct current line that overcomes the physical barrier posed by the Pyrenees and is buried throughout its entire length of 65 kilometres.
- >> A tunnel (8.5 km in length and 3.5 metres in diameter) houses the cables in the stretch that crosses the Pyrenees.
- >> A total investment of €700 million, co-financed with our neighbouring country through the company INELFE (owned 50% by REE and 50% by RTE). The project has received a grant of 225 million euros from the European Union.
- >> A converter station has been built at each end of the line, Santa Llogaia (Spain) and Baixas (France), in order to transform alternating current into direct current and vice versa.

The circumstances surrounding the project have made it a considerable engineering feat that has been carried out with minimal environmental impact and maximum integration into the landscape.



**More information** regarding the interconnection with France in the 'Unique projects' subsection of the 'Activities' section of the corporate website.

## INTERCONNECTION WITH PORTUGAL

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

and Portuguese systems between the substations of Puebla de Guzmán (Spain) and Tavira (Portugal). This infrastructure, which has represented an investment of 9.5 million euros, has seen the expansion of one substation bay in the Puebla de Guzmán substation and the construction of a 25 km line.

At the same time, the administrative permitting process for the new northern interconnection (Galicia-Porto) will continue with an investment of 12.5 million euros and it is forecast to be brought into service for 2017. With these interconnections the objective of reaching a commercial exchange capacity of 3,000 MW with the neighbouring country is maintained.

### Future international interconnections

**THE NEED** to increase interconnection capacity is, for the European Commission, one of the four electricity priorities for achieving energy targets that will allow access to a sustainable, competitive and secure energy. Therefore, to improve the interconnection of the Spanish Peninsula with the European system several Projects considered to be of

Common Interest (PCI) are included:

- >> A phase shifter in the Arkale-Argia 220 kV line
- >> A submarine interconnection through the Bay of Biscay.
- >> A new interconnection project with Portugal in the region of Galicia, between Fontefría and Vilafria.

The classification as PCI is relevant because it measures Community contribution covering various areas, most notably the obligation for Member States to grant the PCIs the status of maximum priority at a national level and potentially receive community economic and financial support.

## INTEGRATION OF RENEWABLES

**IN LINE** with previous years, the main objective of the operation of the electricity system throughout 2014 has been to ensure the integration of the maximum amount of renewable energy into the system, whilst ensuring the security and quality of the electricity supply. To this end, the role of CECRE (Control Centre of Renewable Energies), a pioneering control centre

and worldwide benchmark reference regarding the monitoring and control of renewable energies, has been essential. In 2014, the work carried out by CECRE has made it possible to register new all-time highs in daily and monthly wind power production, reaching 352,087 MWh on 25 March 2014 and 6,626 GWh in January 2014 respectively.

In 2014, energy production coming from renewable sources in the peninsular electricity system represented 43% of the total generation. For yet another year, the important role played by wind power production stood out, whose contribution to the annual energy production reached 20%, ranking second, just behind that of nuclear

energy, as the technology that contributed most to demand coverage.

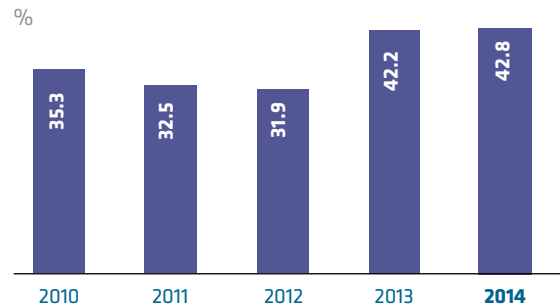
Similarly, in the months of January, February and November wind generation technology was the great-

est contributor to the total energy production of the peninsular electricity system, reaching 29.2%, 27.8% and 25.8%, respectively.

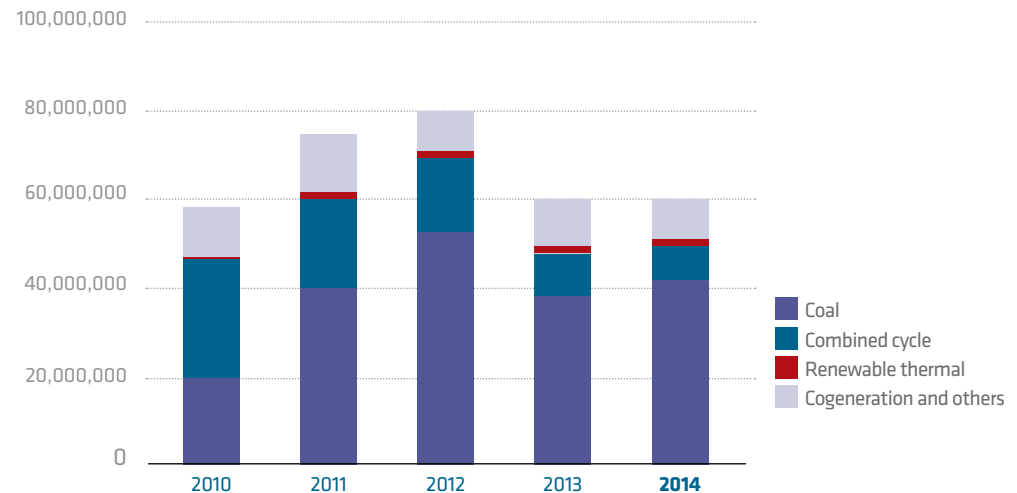
In 2014, the Cross-border Energy Balance Mecha-

nism came into operation, a process that allows the exchange of surplus energy between neighbouring electricity systems using the unused interconnection capacity. ▶

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



### CO<sub>2</sub> EMISSIONS ASSOCIATED WITH ELECTRICITY GENERATION ON THE PENINSULA (t CO<sub>2</sub>)





◀ With this mechanism competition in generation resources is promoted, optimising the use of international interconnections and promoting the integration of renewable energies. Also, this fact is another step in the progress towards the internal electricity market.

Regarding the Balearic Islands' electricity system, in 2014 work continued with the realisation of the positive effects of the operation of the link that joins the island of Majorca with the peninsular electricity system. This infrastructure represents an improvement in the quality and security of the electricity supply on the islands of Majorca

and Menorca, avoiding frequency deviations outside of established limits and outages caused by loss of generation. Furthermore, the energy transferred from the Spanish Peninsula covered 27% of the demand on the Balearic Islands, at times reaching peaks of 35% of the hourly consumption. This resulted in a saving of 23% on the

cost of coverage of the Balearic Islands' system and avoided the emission into the atmosphere of about 340,000 tons of CO<sub>2</sub>.

In the Canary Islands' electricity system, generation from renewable sources - wind and photovoltaic - represented 8% of the total generation in 2014, at times reaching levels of 32% in Tenerife and 35% in Palma throughout the year, values especially challenging in small isolated electricity systems. In mid-2014, the hydro-wind power station in Gorona del Viento located on the island of El Hierro was brought into service and which consists of two reservoirs, higher and lower elevation, a wind farm and a pump-turbine system that underwent testing in the second half of the year.

## ENERGY EFFICIENCY

RED ELÉCTRICA continues to work actively on the promotion, development and dissemination of demand-side management measures as one of the necessary tools for both the current and future electricity system.

In this regard, demand-side management initiatives seek to contribute to the guarantee and security of supply by promoting the integration of renewable energy, reducing green-

house gas emissions and promoting the sustainable use of energy in order to reach a greater efficiency for the electricity system as a whole. Amongst the initiatives developed, noteworthy are, on the one hand, those measures designed to achieve a more balanced consumption profile and, on the other, those that aim to provide a greater flexibility in the operation of the system.

### PARTICIPATION OF RENEWABLES IN THE COVERAGE OF THE ELECTRICITY DEMAND 2014

%

10.2 Cogeneration and others

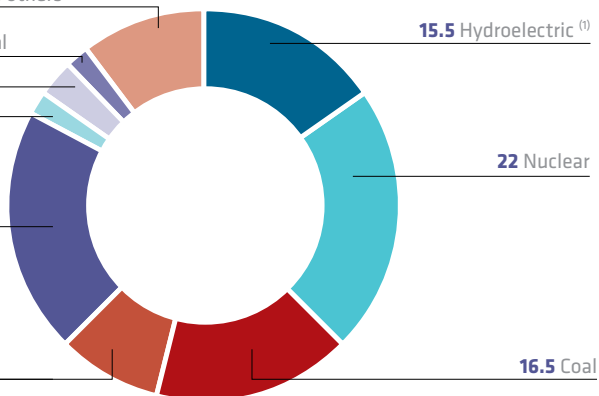
1.9 Renewable thermal

3.1 Solar photovoltaic

2 Solar thermoelectric

20.3 Wind

8.5 Combined cycle



<sup>(1)</sup> Excludes pumped storage generation

## Active citizen

### THE ELECTRICITY SYSTEM

is in a transition phase towards a new more dynamic energy model in which the role of the citizen, as a key part of system operation, is becoming increasingly noteworthy. For this reason, Red Eléctrica promotes the implication of consumers by disseminating recommendations on best practices regarding efficient consumption. In this regard, in 2014 the 'Operation System for Dummies' book was drafted and disseminated to meet this commitment to disclose the operation of this activity managed by the Company.

Also in 2014 hourly energy pricing schedules were made public through the web that are applied in

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

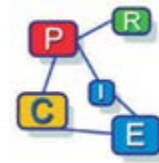
the electricity bill of those consumers with contracted power not exceeding 10 kW and which are covered by the Voluntary Price for the Small Consumer (*Precio Voluntario para el Pequeño Consumidor [PVPC]*).

The progressive electrification process of our society, resulting from the ever-increasing impor-

tance of electricity in our lives, requires this kind of initiatives that enable citizens to easily understand the functioning of the electricity system, helping them to change their habits leading to a more efficient and responsible use of energy.

## INICIATIVAS PARA UNA GESTIÓN EFICIENTE DEL SISTEMA ELÉCTRICO

### 'PRICE' PROJECT



The 'PRICE' deployment project (Joint Smart Grid Project in the Corredor del Henares area of the Community of Madrid) has received the European Electricity Grid Initiative Core Label that recognises the alignment of the same with the criteria and objectives defined in the European Electricity Grid Initiative.

In 2014, the demonstration phase of this project started, a project carried out in the field of residential demand, and that has allowed Red Eléctrica to gain knowledge and technology for the implementation of demand-side management tools and new mechanisms aimed at providing citizens with information regarding the status of the electricity system.

### PROFILING SERVICE



Red Eléctrica leads this project that seeks to introduce improvements in the current profiling service through a panel of approximately 20,000 consumers, who already have smart meters installed,

The project seeks to improve the current profiling service and

have more knowledge available about both household hourly consumption and that of an important part of small businesses and services. With this in mind, Red Eléctrica is spearheading this project, that includes the involvement of the major distribution companies, and that is based on the analysis of the hourly information

coming from a panel of around 20,000 consumers.

The information that has been collected since January 2014 from the members of the panel has been used in the proposal for initial profiles for 2015 developed by Red Eléctrica.

## INTERRUPTIBILITY SERVICE

ORDER IET/2013, of 31 October 2013, included as part of the demand-side management service the challenge of a new mechanism for allocating the interruptibility resource based on an auction procedure.

Red Eléctrica, in its role as administrator of the auction, made a major effort in 2014 for the transparent and effective implementation of this new mechanism, especially in the tasks of communication with the stakeholders involved through briefings and a

plenary session with all the applicants requesting the service.

In order to allocate the service, an auction system with face-to-face bidding is used. It is a competitive and efficient mechanism, similar to that used in other known markets, such as the wholesale fish markets or the Dutch flower auctions. Specifically, it has been large industries of the country that have competed for the allocation of the interruptible resource in auctions held between 17 and 21 November in

**DURING 2014 the first auction for the Interruptibility service was successfully held**

Madrid, and on 22 and 23 December in Zaragoza and have resulted in the allocation of 3,020 MW of interruptible resource for the system during 2015.



**More information** regarding the interruptibility service in the 'Operating System' subsection of the 'Activities' section of the corporate website.

## TECHNOLOGICAL INNOVATION

IN 2014 work was carried out on the development of 66 technological innovation projects aimed at increasing system efficiency and facilitating the integration of renewable energies.

Some of these projects, which are encompassed within the Technological Innovation and Development Plan designed by the Company for the 2012-2016 horizon, have been promoted in collaboration with different universities and public administrations.

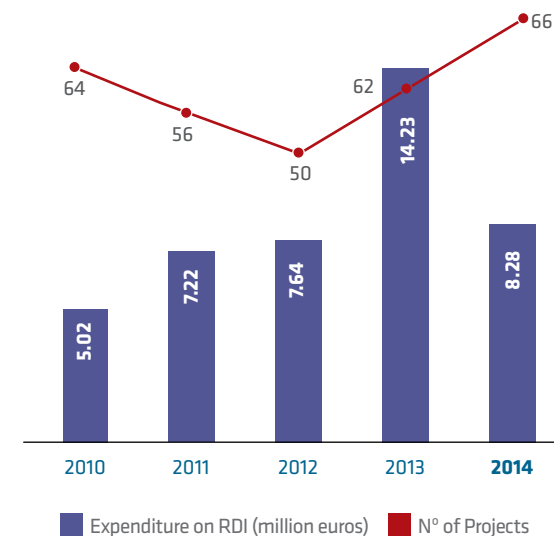
A total of 8.3 million euros was earmarked for carrying out these projects. This figure, despite being significantly lower than the previous year (14.2 million euros), due to the commissioning of major equipment on which work had been carried out during the previous years, consolidates a growing

trend in the Company's commitment to innovation and technological development that has been taking place since 2010. In this regard, in order to maintain this commitment to incorporating new innovative technologies that increase the efficiency and sustainability of the system, Red Eléctrica plans to

invest around 9.2 million euros in 2015.

A total of 288 employees worked on the 66 RDI projects that were active in 2014. Of the 288 employees, 46 were women (16%). 39,100 work hours were dedicated by our own staff, the equivalent of 23.1 full-time personnel.

### EXPENDITURE ON RDI



## INNOVATION: NATIONWIDE PROJECTS

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

On the one hand, the installation and commissioning of a flywheel to stabilise the frequency of the electricity system of Lanzarote-Fuerteventura, installed in Mácher (Lanzarote).

On the other hand, the installation of a battery for large-scale energy storage (ALMACENA Project) located in Carmona (Seville), which has allowed two functionalities to be tested aimed at promoting the integration

of renewable energies and improving operation services (load curve modulation and frequency-power regulation).

THE 'ALMACENA' PROJECT (STORAGE) PROMOTES the integration of renewables and improves operational services, providing greater stability to the system

### Other national projects completed in 2014

**REGARDING** the projects included in national programmes for the promotion of innovation, work continued on the INNPACTO programme: ESP-

Líder (SSSC device for the redirection of current flows in Torres del Segre) and the PRICE project (intelligent demand-side management).

>> Implementation of new functionalities of the SAIR system (Automatic Grid Inspection System).

>> Improved tools for calculating demand coverage.

>> Software for the simulation of voltages induced in the sheaths of underground cables.

>> Methodology for the controlled powering of transformers.

>> Study of the possible impact of geomagnetic solar storms on the Spanish electricity system and RTE. The project has received a grant of 225 million euros from the European Union.

## INNOVATION: EUROPEAN PROJECTS

**INTERNATIONALLY**, noteworthy are the efforts to develop the Implementation Plan 2015-2017, a document containing the technological measures to be carried out over the next three years under the RDI plan of ENTSO-E; as well as the collaboration on a joint roadmap for energy technology under the SET Plan of the

European Union 'Towards an integrated Roadmap: Research & innovation challenges and needs of the EU Energy system'. Also a new edition of the Monitoring report of ENTSOE was prepared, focusing on analysing the use made by TSO's of the results of the European RDI projects concluded in recent years.

Furthermore, in 2014 the European project GRID+ concluded (which has supported the European Electricity Grid Initiative for the coordinated design a joint RDI roadmap between TSO's and DSO's).



### 'BEST PATHS' PROJECT

This European project, launched in 2014, aims to overcome the various technical barriers that the current pan-European power network could encounter in order to safely, efficiently and reliably integrate massive amounts of energy from renewable sources such as solar or offshore wind power, satisfying the demand in a competitive manner and

reducing the levels of CO2 produced. Red Eléctrica co-ordinates this project, which embraces five large-scale demonstrations, with a total budget of 62.8 million euros (with EU funding in the amount of 35.5 million euros).

The Best Paths project has the participation of 39 partners from universities, technological centres, the industrial sector, electricity utilities and European TSO's.



**More information**  
in the 'Red21' section  
of the corporate  
website.

## INNOVATION: PROJECTS OF ENVIRONMENTAL INTEREST

**IN 2014** of note was the RDI project 'Birds and Power Lines: Mapping of bird flight paths' with which Red Eléctrica won the European Environment Award 2014, in the special category 'Business and Biodiversity'.

The project allows sensitivity maps to be drafted which identify areas with the greatest potential risk of birds colliding with

power lines, which in turn facilitates more efficient and sustainable decisions during the stages of planning and development of new power lines, in addition to prioritising corrective actions on existing lines.

Also, work has continued on a project aimed at developing and validating an experimental technique for the recovery of underwater Posidonia oceanica meadows, an aquatic plant native of the Mediterranean-

an Sea which enjoys a high level of protection, that involves the collection and cultivation of Posidonia oceanica seeds grown under laboratory-controlled conditions or fragments obtained directly from natural seagrass meadows.

This will mitigate the effects of works for the laying of submarine electricity cables programmed in the Balearic Islands.

**RED ELÉCTRICA WAS THE WINNER** of the European Environment Award 2014 in the special category 'Business and Biodiversity'



**More information**  
in the 'Environment' sub-section of the 'Sustainability' section of the corporate website.

# 06

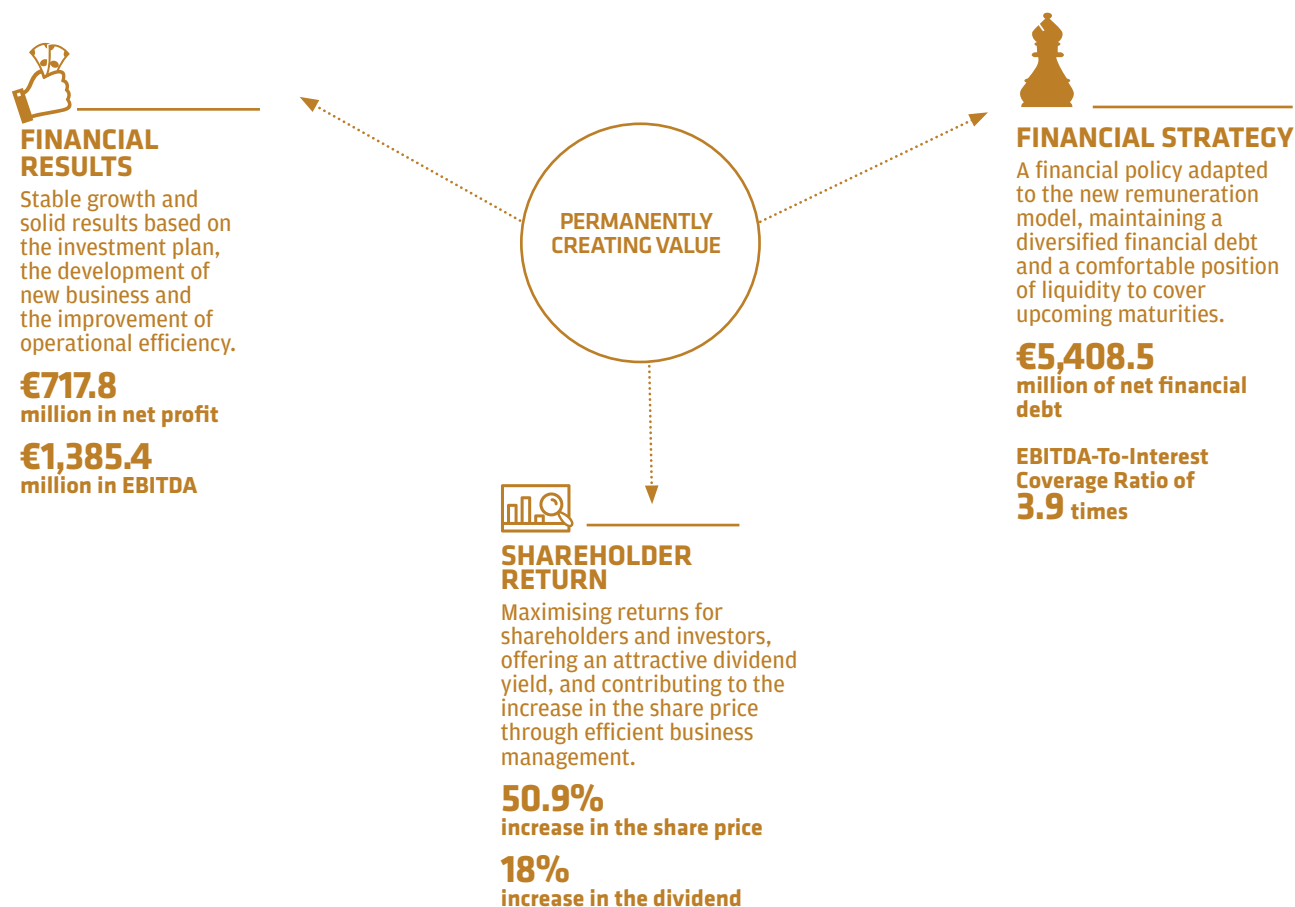
ECONOMIC  
VALUE

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

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## CORNERSTONES FOR THE CREATION OF ECONOMIC VALUE





## EVOLUTION OF RESULTS [G4-9]

**DURING 2014**, Red Eléctrica managed to show stable growth. The Company achieved solid results and a significant strengthening of its core solvency ratios whilst maintaining a clear focus on operational efficiency and the permanent creation of value. The results for the year have been positively impacted by several one-off events such as the agreement with the State of Bolivia on compensation for TDE, the acquisition of the rights to use and operate ADIF's dark fibre optic network and the impact of tax reform (Law 27/2014).

Revenues in 2014, in like-for-like terms, amounted to 1,846.7 million euros and this equated to a growth rate of 5.0%. This increase is due to revenue associated with the commissioning of new transmission facilities during 2013, and the increase in income from the provision of system operation services set out in the 2014 Tariff Order. It is important to note that as of 20 November 2014, for the first time revenue associated with the rights to use and manage ADIF's dark fibre optic network was included.

Gross operating profit (EBITDA) reached 1,385.4 million euros, 6.4% more than in the previous year. The EBITDA performance has also been marked by the favourable evolution of operating costs.

For its part, profit for the year amounted to 717.8 million euros, 35.7% higher than that recorded the previous year as it contemplates a lower tax payment of 106.5 million euros in application of the new Law 27/2014 on Corporate Income Tax. This amount is due to the reduction in deferred tax liabilities as a result of lowering the tax rate from 30% to 28% in 2015 and

25% from 2016, and has no effect on the amounts paid by the Company throughout 2014 as a tax on earnings.

Exclusion of the impact on results of compensation for TDE, Law 27/2014 on Corporate Income Tax, and the agreement signed with ADIF at the end of the year, would have increased the profit for the year by 5.4%, exceeding the target set for 2014.

Investment in 2014 totalled 957.6 million euros and included 492.6 million euros for transmission grid development in Spain and 433.7 million euros for the acquisition of the rights to use and operate ADIF's dark fibre optic network.

**IN 2014, RED ELÉCTRICA HAS OBTAINED solid results whilst maintaining a clear focus on operational efficiency and the permanent creation of value.**

### MAIN FINANCIAL INDICATORS

Million euros

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

## ECONOMIC VALUE GENERATED AND DISTRIBUTED (REE Group) [G4-EC1]

Millions of euros

	2012	2013	2014
<b>Economic value generated</b>	1,802.0	1,805.8	1,884.1
Net revenue	1,755.3	1,758.3	1,846.7
Other net incomes and losses <sup>(1)</sup>	46.7	47.5	37.4
<b>Economic value distributed to stakeholders</b>	(1,177.6)	(1,208.0)	(1,122.3)
Employees: Personnel costs	(129.1)	(127.3)	(133.0)
Company: Tax on earnings <sup>(2)</sup>	(188.4)	(203.2)	(134.4)
Investment in the community	(4.1)	(4.0)	(5.7)
Suppliers: Other operating expenses <sup>(3)</sup>	(355.4)	(363.4)	(347.7)
Shareholders: Dividends <sup>(4)</sup>	(319.9)	(343.9)	(405.8)
Other capital providers: Net financial costs	(180.7)	(166.1)	(95.7)
<b>Economic value retained</b>	624.4	597.8	761.9
Reserves	172.4	181.2	312.0
<b>Amortisation and depreciation <sup>(5)</sup></b>	452.0	416.6	449.8

Note: Data obtained from Consolidated Annual Accounts.

(1) Includes: other operating income/net results obtained via equity method/results from divestment of non-current assets (divestitures)/ capital subsidies/other deferred incomes transferred to the fiscal year's results/works performed by the Company on its assets.

In 2014, 9.7 million of euros for capital subsidies received by Red Eléctrica for the construction of electricity facilities from government agencies and deductions for investments have been transferred to the result. More information in note 12 of the Consolidated Annual Accounts 2014. [G4-EC4]

(2) Costs due to Corporate Income Tax.

(3) Procurements and other operating costs (excluding investments in the community).

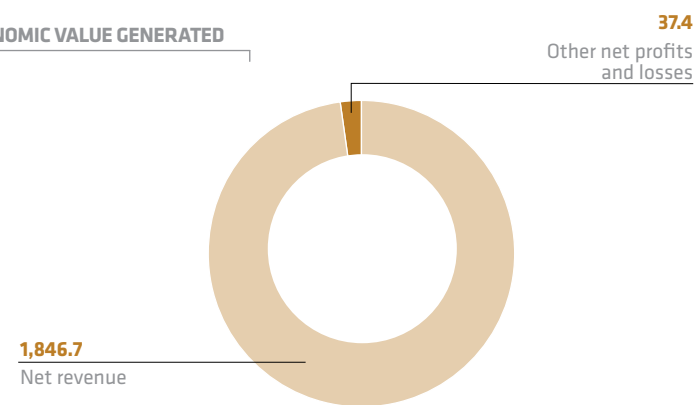
(4) Includes the interim dividend and complementary dividend.

(5) Includes: Amortisation / Depreciations (Includes mainly provisions for deterioration in asset value).

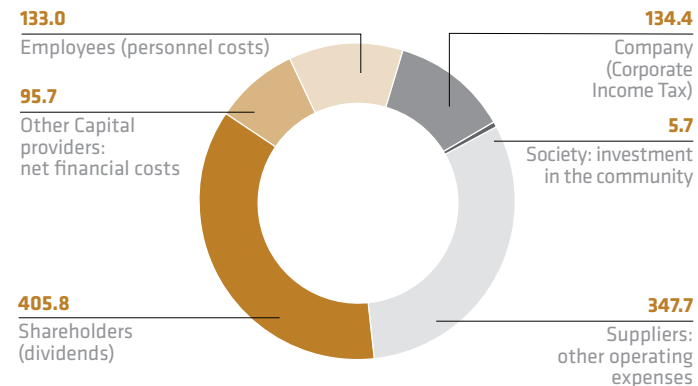
## CREATING VALUE [G4-EC1]

Millions of euros

### ECONOMIC VALUE GENERATED



### ECONOMIC VALUE DISTRIBUTED

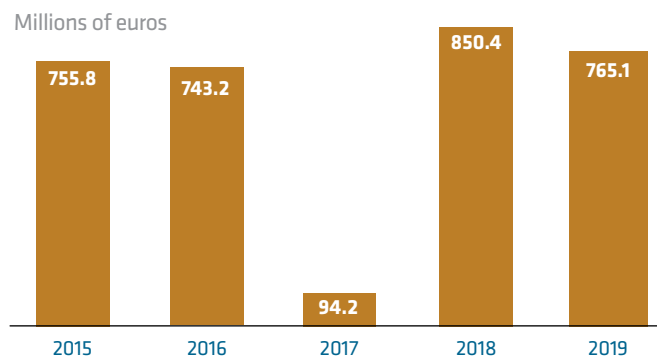


## FINANCIAL STRATEGY

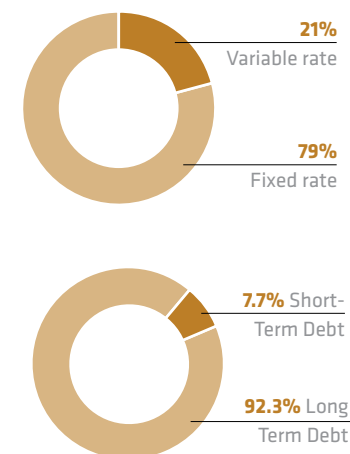
**THE FINANCIAL STRATEGY** traditionally followed by Red Eléctrica is geared towards reflecting the nature of its business, at all times adhering to legislation in force. In this regard, the Company maintains a liquidity policy that ensures compliance with payment commitments, diversifying the coverage of financing needs and debt maturities.

Transmission and operation of the electricity system are very capital-intensive activities, wherein investments mature over long periods. In addition, the remuneration of these assets is for periods of 40 years at rates linked to Spanish long-term government debt. Therefore, our financial debt is primarily long-term and referenced mainly at fixed rate. The weighted average term of maturity of debt drawn at the end of the year is 5 years.

### FINANCIAL DEBT MATURITY 2015-2019



### STRUCTURE OF FINANCIAL DEBT



### Credit rating

RED ELÉCTRICA has been awarded long-term credit ratings of 'BBB' with a positive outlook and short-term 'A- 2' by Standard & Poor's. Meanwhile, Fitch awarded Red Eléctrica long-term rating of 'A-', also with a

positive outlook, and 'F2' in the short term. Both rating agencies indicated the predictability and recurrent earnings and strong balance sheet as strengths of the Company.



**More information** regarding the financial strategy in the 'Shareholders and Investors' section of the corporate website.

## SHAREHOLDER RETURN

### Stock market performance

**STOCK MARKETS**, for yet another year, mirrored the economic situation. Doubts about the strength of economic growth were becoming more apparent as the year progressed, the exception was the USA, and the stock markets reflected this situation.

The persistence of imbalances in major European economies and the delay of the ECB to bring in more aggressive monetary policies have cooled expectations that had been aroused for Europe. The situation has not

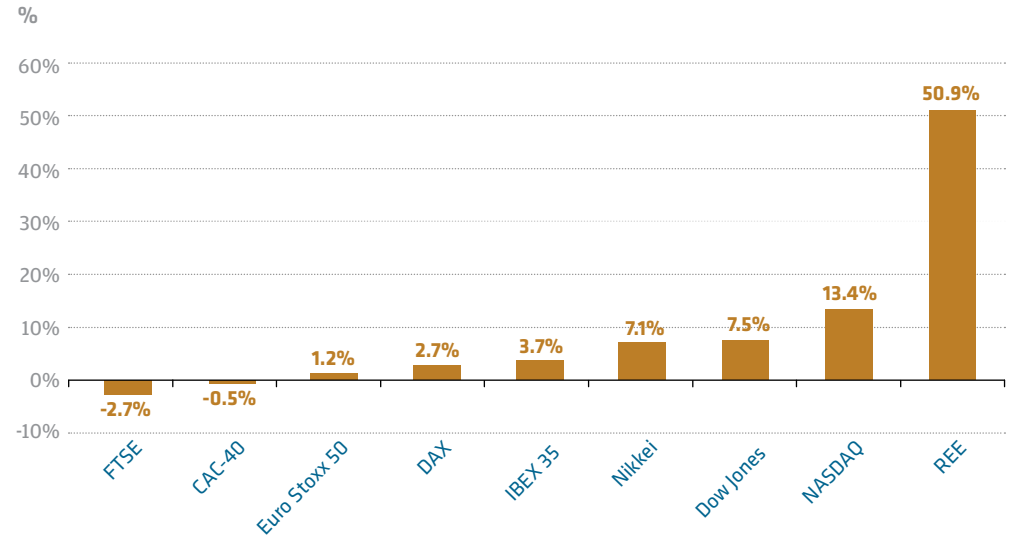
been more promising in developing countries that have suffered from the stagnation of exports and the fall in prices of raw materials: at this point it is worth highlighting in particular the fall in oil prices experienced in the second half of the year.

In this context noteworthy are the gains made by the US stock markets and which reflect the good time the USA is currently living, indexes such as the Standard & Poor's 500 or the Dow Jones have once again exceeded the record highs set in the previous year and have recorded gains of around 10%. The

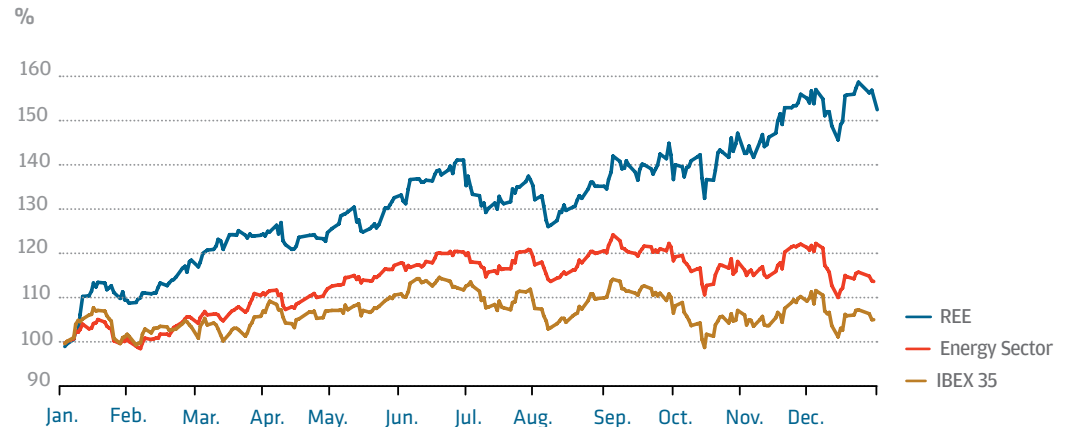
Nikkei gained 7% mainly due to new tax measures to boost the Japanese economy. In Europe, however, doubts about the recovery, have led to the most important European indexes having closed the year at levels very similar to those of last year.

The same could be said for the markets of developing countries, where the stagnation of exports and the fall in prices of raw materials have been felt in their stock markets.

### COMPARISON OF RED ELÉCTRICA'S SHARE VALUE 2014



### COMPARISON OF RED ELÉCTRICA'S SHARE VALUE 2014



More information regarding Red Electrica's shares in the 'Shareholders and Investors' section of the corporate website.

## Red Eléctrica shares

**THE STOCKMARKET** performance of Red Eléctrica during 2014 can be described as extraordinary. The share price rose over 50% over the year in a business environment marked by the elimination of a great deal of the regulatory uncertainty associated with our core business, and also the improvement of the country's premium risk

which has led to investment in Spain as it is no longer considered high risk.

In 2014 as a whole, 241.5 million shares were traded, representing 1.79 times the capital of the Company. Purchases made in cash totalled 15,184 million euros, up on the previous year which totalled 13,171 million euros.

## Distribution of dividends

**RED ELÉCTRICA** maintains its commitment to maximising the share value for its shareholder, offering on one hand, an attractive dividend yield and, on the other, contributing to the increase in the share price through the efficient management of its business. The direct shareholder return in the form of dividends increased by 18%

over the previous year. The gross dividend proposed at the General Shareholder's Meeting with a charge to 2014 profit, is 3 euros per share. On 2 January 2015, a gross interim dividend payout of 0.8323 euros gross per share was made, with 2.1677 euros per share pending distribution, as part of a gross complementary dividend.

## MAIN STOCK MARKET INDICATORS

	2010	2011	2012	2013	2014
Total number of shares	135,270,000	135,270,000	135,270,000	135,270,000	135,270,000
Number of shares in circulation (free float)	108,216,000	108,216,000	108,216,000	108,216,000	108,216,000
Face value of the share (euros)	2	2	2	2	2
<b>Daily trading volume (shares)</b>					
Maximum	5,796,441	9,925,190	21,690,186	5,096,386	1,607,352
Minimum	186,526	288,027	81,925	69,150	85,033
<b>Share price (euros)</b>					
Maximum	40.755	43.89	39.75	48.50	74.95
Minimum	27.930	30.24	29.00	36.99	47.40
Year end	35.200	33.06	37.30	48.50	73.21
Market capitalisation at close of fiscal year (euros)	4,761,504,000	4,472,026,200	5,045,571,000	6,560,595,000	9,903,116,700
Earnings per share (EPS) (euros)	2.90	3.42	3.66	3.92	5.31
Share price/EPS (number of times)	12.14	9.66	10.19	12.37	13.78
Dividend per share (in euros)	1.8751	2.2124	2.3651	2.5422	3.0

# 07

EMPLOYEES

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

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## CORNERSTONES OF OUR COMMITMENT TO EMPLOYEES





## STABLE AND QUALITY EMPLOYMENT

### SUSTAINED GROWTH OF THE WORKFORCE [G4-LA1]

THE WORKFORCE of Red Eléctrica, by the end of 2014, totalled 1,682 highly qualified professionals, representing an increase

of 0.6% over 2013. With regard to the Red Eléctrica Group, the workforce stood at 1,742.

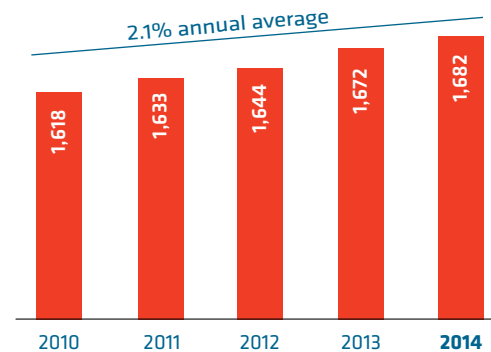
### STABLE EMPLOYMENT

RED ELÉCTRICA'S COMMITMENT to creating stable employment is reflected in the percentage of workers on permanent contracts, which stands at over 99%. This stability fosters a sense of pride and belonging among all employees reinforcing their commitment to the business project.

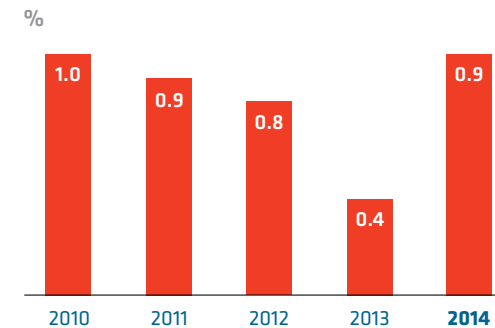
Proof of this is the rate of undesired external turnover which has stood below 1% for the last five years.

The 10th Collective Bargaining Agreement, signed during the year, is a tool towards providing stable and quality employment by incorporating measures such as increasing efficiency and promoting the work-life balance, which is a major appeal in attracting and retaining talent in Red Eléctrica.

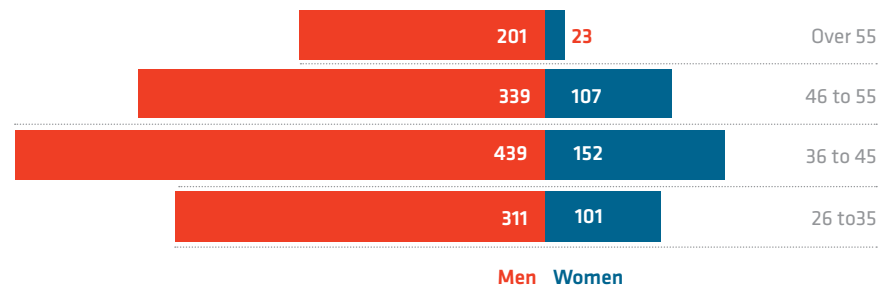
#### EVOLUTION OF THE WORKFORCE



#### UNDESIED EXTERNAL TURNOVER INDEX



#### WORKFORCE DISTRIBUTION BY AGE GROUP AND GENDER



## SELECTION MODEL

RED ELÉCTRICA through a transparent and objective selection process identifies and integrates the most appropriate people

based on the qualifications and the suitability of candidates for each job position, equal opportunity and their commitment.

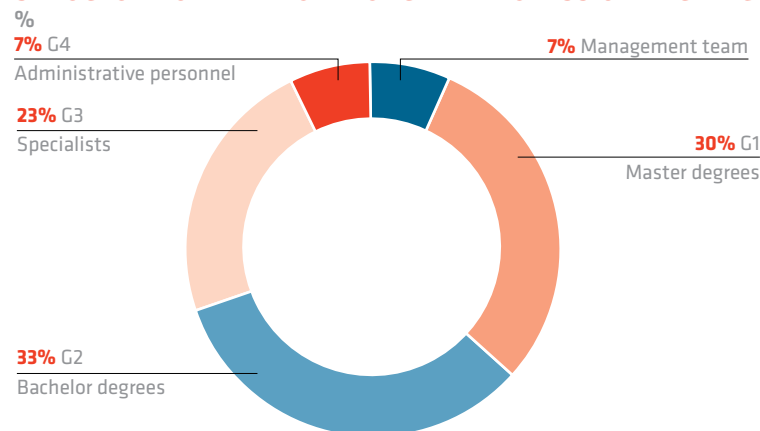
## REMUNERATION MODEL

WE WORK with a remuneration and overall reward model to attract and motivate people. Fair, internally equitable and externally competitive, that recognises and respects diversity, fosters professional development and the spirit of excellence. On this basis, the remuneration model of Red Eléctrica has a fixed remuneration within broad salary bands and a special bonus scheme that recognises outstanding contributions. In addition, we make benefits in kind (non -monetary) available to all employees that

are based on a series of products such as health insurance, pension plans, life insurance, luncheon vouchers, childcare vouchers, etc.

In 2014, we implemented a new remuneration model for the management team, based on market research and best business practices. It incorporates the special characteristics of REE and principles of internal equity and competitiveness.

## STRUCTURE OF THE WORKFORCE BY PROFESSIONAL CATEGORY



## KEY EMPLOYMENT INDICATORS [G4-LA1]

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

(1) REE+REC

## RECOGNITIONS

- >> Red Eléctrica has ranked among the three most attractive companies to work for in the energy sector in the 5th edition of the Randstad Awards in Spain.
- >> Leading company in the energy sector to be ranked among 'The 100

- best companies to work for' in the 2014 edition of the 'Actualidad Económica' magazine's annual survey.
- >> Red Eléctrica holds position 22 in the MercoPersonas 2014 ranking.

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

## MAIN OBJECTIVES 2015

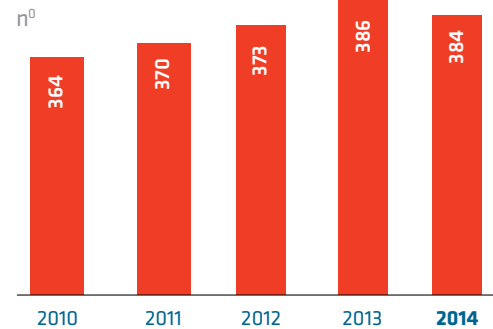
- >> Maintaining the stability and quality of employment.
- >> Efficiency of the management of the organisation and the workforce.
- >> Alignment of HR policies in the various companies of the group.
- >> Implementation of the operating model of the HR Department following the lifecycle of the employee in the Company.

## DIVERSITY: EQUALITY AND DISABILITY

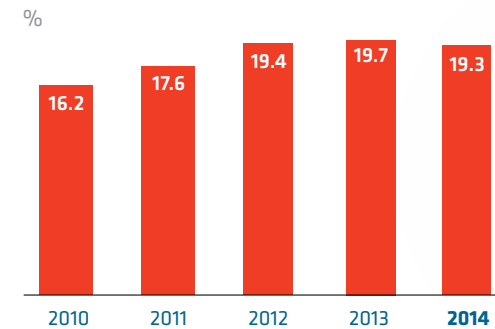
THE COMMITMENT to diversity and equality is an intrinsic part of Red Eléctrica's culture, and is enshrined within the Company's Code of Ethics and internal policies. The

aim is to foster a working environment in which all employees, regardless of gender, age or ability, have the possibility to advance professionally.

### EVOLUTION OF WOMEN ON THE WORKFORCE



### EVOLUTION OF WOMEN IN MANAGEMENT POSITIONS



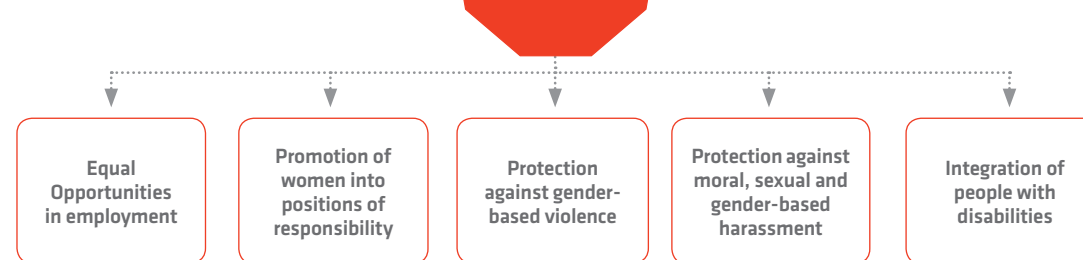
IN THE LAST FIVE YEARS THE NUMBER OF WOMEN ON THE WORKFORCE grew by 8% and those in management positions by 43.8%

## EQUAL OPPORTUNITIES AND GENDER EQUALITY

RED ELÉCTRICA has had an Equality Plan in place since 2009, developed jointly with the Social Representation, which includes actions to promote effective equality between men and women in the areas of employment (selection, promotion and recruitment),

training and development, remuneration, and actions for raising awareness regarding equality. The body responsible for monitoring the Plan is the Joint Commission on Equality as set out in the Collective Bargaining Agreement of the Company. ▶

### CORNERSTONES FOR EQUALITY AND DIVERSITY



## ◀ Highlights 2014

- >> Gender balance on the Board of Directors. 45.45% of female board members compared to 27.30% in 2009.
- >> Increased presence of women in the workforce, with 384 women in 2014 compared to 356 women in 2009.
- >> Increase in the percentage of women in managerial positions. 19.3% in 2014 compared to 15.7% in 2009.
- >> Participation in conferences, forums and seminars on the promotion of equality.
- >> Communication campaigns to raise awareness among staff on issues related to equal opportunity and joint responsibility.
- >> Design of an Equality dashboard.

IN 2015, RED ELÉCTRICA WILL CONTINUE to undertake activities aimed at promoting equal opportunities and diversity

### MAIN OBJECTIVES 2015

- >> Continue activities to promote equal opportunities and diversity in all areas of action as set out in the Company's Equality Plan.
- >> Promotion and participation in internal and external forums related to equal opportunities and diversity.
- >> Constantly endeavouring to raise awareness about the different concepts related to equal opportunities and diversity.
- >> Equality seal in the Company awarded by the Ministry of Health, Social Services and Equality.

UNDERTAKING INITIATIVES AND AGREEMENTS WITH THE MINISTRY OF HEALTH, SOCIAL SERVICES AND EQUALITY



- >> 'Equality in the Company' Seal granted awarded by the Ministry of Health, Social Services and Equality.

THE COMPANY HAS SIGNED UP TO the collaboration agreement 'Red de empresas' (Network of companies) for a society free of gender-based violence



## FOSTERING INTEGRATION

**THE INTEGRATION** of people with disabilities is an essential objective of Red Eléctrica's Corporate Responsibility Policy. Within the framework of Company's Healthy Workplace Model, a Comprehensive Disability Plan has been defined that incorporates the following measures:

- >> Raising the awareness of the workforce on the subject.
- >> Exceeding compliance with legal obligations that require the integration of disability into the different processes of the Company.
- >> Integrating people with disabilities into the workforce, participating in job fairs aimed at this group and taking part in projects focused on the integration of university students into the business world such as the *Proyecto Unidos* in collaboration with the Adecco Foundation.

AS AN OBJECTIVE FOR 2015, RED ELÉCTRICA will include disability in Company processes and extend this commitment to suppliers and other stakeholders

### MAIN OBJECTIVES 2015

- >> Define an Action Plan for the implementation of the new system of disability management.
- >> Include disability in company processes and extend the disability commitment to suppliers and other stakeholders.
- >> Work towards incorporating people with disabilities into the workforce to reach a level of 2%.
- >> Encourage procurement from Special Employment Centres.
- >> Continue with the activities related to the *Plan Familia* and *Proyecto Unidos* initiatives.

## Highlights 2014

- >> Workforce awareness. Day in the Garden of the Juan XXIII Foundation, to raise the awareness of children of Red Eléctrica employees regarding disability.
- >> *Plan Familia*. Personalised employee support measures for the full integration into society and the working world of any immediate family member of theirs with disabilities.
- >> Support for the management process for recognising those employees who may have an illness that could be classified as a disability.
- >> Procurement of goods and services from Special Employment Centres: document management, gardening, catering, RH2000 and Dígame service, indirectly promoting the contracting of people with disabilities. In 2014, contracts were signed for an amount of 350,000 euros, equivalent to the hiring of 18 people.
- >> Donations to the Adecco Foundation and the Randstad Foundation, aimed at job placement and job creation for people with disabilities, equivalent to the hiring of 11 people.
- >> Extension of the collaboration agreement 'Proyecto Unidos' with 5 universities and the Adecco Foundation.

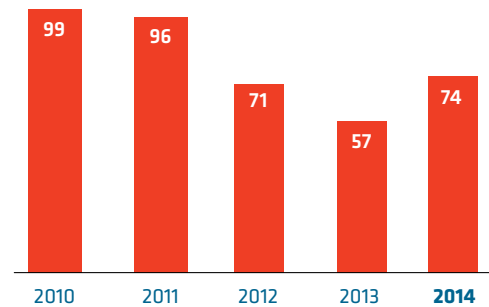
## TALENT MANAGEMENT [G4-LA10]

IN RED ELÉCTRICA we understand that managing the talent of people within the Company is key to helping achieve business goals. In order to promote this, we have designed the Comprehensive Talent Management Model which provides a learning strategy that is based on five principles:

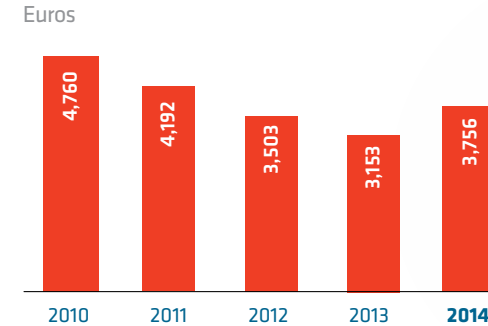
- >> Self Development
- >> Management implication
- >> Innovation and continuous improvement
- >> Excellence
- >> Employability

This model is geared towards unifying training activities, knowledge management and the development of skills and competencies under a comprehensive model and the objective is to provide the talent management process with greater efficiency and quality.

AVERAGE TRAINING HOURS PER EMPLOYEE



INVESTMENT IN TRAINING PER EMPLOYEE



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

### TRAINING AND DEVELOPMENT

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

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

ECRE trains Company professionals to perform the operation and transmission functions of the electricity system, and it also manages skills and competency training and development.

### KNOWLEDGE MANAGEMENT

A MULTIDISCIPLINARY working group was assembled in order to promote and develop a comprehensive knowledge management model based on two aspects: firstly, to facilitate the identification of key knowledge and ensure it is available

to the organisation and, secondly, to improve the generation and exchange of ideas and facilitate innovation.

The project will provide various benefits such as cost savings by avoiding the loss of core exper-

tise, improving business results through the ability to extrapolate and manage knowledge associated with the good practices of the Company, and will boost employee motivation. ▶

## ◀ PERFORMANCE ASSESSMENT

IN RED ELÉCTRICA all employees are evaluated annually on their competence, commitment and contribution.

In parallel, the evaluation of the management team is conducted with a new multisource system (self assessment, lateral and bottom-up evaluation) as part of the leadership development model.

### COLLABORATION WITH THE EDUCATION SECTOR

DURING 2014, Red Eléctrica has continued the development of the *PRAC-TICA+* grant programme from which 110 recent graduates have benefitted.

THE MANAGEMENT OF TALENT INTEGRATES ACTIONS on training, knowledge management and the development of skills and competencies

### Highlights 2014

>> More than 100,000 hours of training (74 per employee), representing an investment of over 6 million euros (3,756 euros per employee).

>> Implementation of a new blended-learning language training programme: online via an IT platform, phone classes and videoconference classes.

>> Development of the first Potential Bank programme, for technical positions and department heads, which aims to promote the potential of both groups and work on their professional development within the organisation.

the sector and cross-mobility with the aim of increasing the versatility and employability of the employee.

>> Specific plan in order to strengthen employee awareness regarding corporate responsibility and support the deployment of the key action, "adopt best practices in corporate responsibility and good governance". 95% of the employees have participated in this plan.

>> Progress in consolidating ECRE with the launch of the 'Protections' Workshop, equipped with the latest technology, for the advanced technical training practice for the transmission area.

>> Implementation of 'Talent' roundtables, as an instrument of validation and consensus, which helps provide greater rigour, objectivity and transparency to all the processes related with: performance evaluation, training, development and mobility.

>> Within the Mobility model in the Potential Bank programme, International Mobility projects have been put in place in order to exchange knowledge with European companies in

## MAIN OBJECTIVES 2015

>> Revise and adapt the Company Induction Plan for new employees under the new more-globalised social environment.

>> Establish a system for evaluating training that enables the return on investment (ROI) to be calculated.

>> Continue consolidating ECRE as the Red Eléctrica Corporate School.

>> Promote the functional Mobility model to bring together the Company's interests with those of the employees.

>> Continue advancing in the standardisation of guidelines for unsupervised operation centres that provide contracted services.

>> Develop the REE Leadership model.

>> Ongoing training of employees classified as experts, to improve their technical career progression through innovative learning experiences (digital skills, knowledge networks, collaborative learning, etc.).

>> Optimise the performance assessment system according to the identified improvements and new corporate competencies.

>> Develop a Comprehensive Knowledge Management Model in Red Eléctrica.

>> Continued cooperation with the education sector through grant programmes that offer students and recent graduates an internship in the Company.



## DIALOGUE AND TRANSPARENCY

### RED ELÉCTRICA CONSIDERS

internal communication as a key element for the involvement of employees in meeting business objectives, to improve the working climate, promote the integration of people and increase the pride of belonging.

During 2014, we worked on communication actions to promote a culture of participation that is transparent, enhancing bilateral communication that facilitates the streamlining of information and listens to the various collectives.

In the customised communication plans of corporate projects to disclose the strategies, policies and objectives, focused has been placed on face-to-face communication, convening meetings to which all interested parties can attend.

In addition, all relevant company information is available to employees through various channels: the employee intranet, informative displays in common areas, publications, posters, etc.

Within the actions to strengthen commitment, participation and transparency, periodically climate and commitment surveys are conducted that act as a valuable management tool. The last survey was held in 2012 which showed a high level of overall satisfaction (9.3 out of 10).

The commitment of the management team as a communication channel has been strengthened with the addition of various leadership goals related to communication issues such as the new collective bargaining agreement.

### Highlights 2014

- >> Direct communication of the following relevant topics:
  - > Healthy Workplace Model
  - > Code of Ethics.
  - > CARS Project (safe responsible and agile driving).
- >> Improved communication tools among which the progress of the employee (miRED) web renovation project with new functionalities and the integration of corporate applications to become the access point for information and work.
- >> Continuation of the activities of the social plan:
  - > 13<sup>th</sup> edition of the annual painting competition for the children of employees.
  - > 23<sup>rd</sup> edition of the photography contest.
  - > Environmental Awareness Day in GREFA with the families of employees.
- >> More than 9,000 requests handled through the RH2000 employee channel, a service managed by the Juan XXIII Foundation that works with people with disabilities.

### MAIN OBJECTIVES 2015

- >> Working Climate Survey to obtain the views and concerns of employees on issues of interest to the organisation.
- >> Development of customised transversal communication plans to gain knowledge of the various areas of Red Eléctrica.
- >> Implementation of the new more collaborative miRED intranet that allows multidirectional communication; encourages participation and facilitates knowledge management and streamlines information.
- >> Creation of new streamlined communication channels that give voice to all areas of the Company.
- >> Expansion of the activities of the Social Plan aimed at the participation and integration of employees, and their awareness on issues of sectoral, social and environmental interest.
- >> Analysis and diagnosis to manage the "Voice" of the employee as a bidirectional HR channel with the rest of the organisation designed to ensure continuous improvement and excellence in management.

## SOCIAL DIALOGUE [G4-LA4, G4-EU15]

RED ELÉCTRICA de España guarantees employees the right to union affiliation, association and collective bargaining within the framework of existing labour laws and the collective bargaining agreement. Collective bargaining is also a management principle of HR.

After the due negotiation process, on 24 April 2014 the 10th Collective Bargaining Agreement was signed whose validity will continue until 31 December 2017. This agreement was approved by all union representation and endorsed by 82.74% of the employees.

It is worth noting that, as of 1 January 2015, the entire collective of people who came from Endesa, due to the purchase of the assets of the island transmission grid, are now fully integrated under this regulatory framework.

Therefore, this agreement covers virtually the entire workforce, with only managers being excluded from its scope and employees who voluntarily accept the proposal of the board for exclusion from the agreement, but this decision can be reversed if requested. Nevertheless, social agreements are universally applied.

The 10th Collective Bargaining Agreement focuses on the criteria of efficiency, productivity, flexibility and sustainability of the working environment in order to help achieve business objectives and the personal and professional development of individuals.

In this regard, one of the notable aspects of this agreement is the decoupling of workforce salary increases from the Consumer Price Index (CPI). Instead, this salary update is linked to internal productivity based on the achievement of management objectives and productivity, using a scaled and capped

function of the true growth rate of Gross Domestic Product (GDP).

Equally noteworthy is that this agreement promotes greater flexibility in working schedules, and enables workers to better balance their work and personal life through a more active and reciprocal participation between the Company and the employees in the organisation and the time management of work.

Worker representation is instrumented through the following dialogue channels:

- >> Inter-work centre Committee
- >> Health and Safety Committee [\[G4-LA8\]](#)
- >> Joint Commission on Social Affairs
- >> Joint Commission on monitoring and interpretation
- >> Joint Commission for staff of transmission grid facilities
- >> Joint Commission on Equality
- >> Training Committee

Notification of organisational changes is carried out in accordance with current legislation. With regard to the mecha-

**THE 10th COLLECTIVE BARGAINING AGREEMENT signed in April 2014, was approved by all union representation and endorsed by 82.74% of employees**

nisms for the notification of complaints/claims concerning labour practices; in addition to those established by law, the Company offers a channel for enquiries, suggestions and claims/complaints regarding the Code of Ethics.

## HEALTHY WORKPLACE

**THE INTEREST** of Red Eléctrica to implement best practices in the well-being of its employees and to position the Company as a benchmark regarding the healthy workplace is defined within the Human Resources Director Plan and the strategic policies of the Company, and is a key element for promoting health and safety from a comprehensive approach. Our goal is to create and develop a healthy working

environment and as a consequence provide a better quality of life.

In 2014, the Company went a step further by defining the Red Eléctrica Healthy Workplace Model, which aims to integrate health into a framework that allows us a broader view related to physical, mental and social well-being. This model establishes the principles and guidelines to protect

and promote the health, safety and well-being of employees and the sustainability of the workspace, family environment and community.

Similarly, an action plan has been drafted, for the next three years, aimed at reducing accidents and the ongoing and progressive improvement in safety levels.

### RENEWAL OF OHSAS 18001 CERTIFICATION

Adherence to the Luxembourg Declaration regarding the commitment to integrate the basic principles of health promotion at work in the managing the employee health.

### PSYCHOSOCIAL WORK ENVIRONMENT

**THE MAIN** actions in this area have focused on the periodic identification of psychosocial risks that may have greater influence on the health of people and the establishment of a plan to prevent these risks. The social climate study, stress prevention,

the work-life balance and the management of diversity and equality are other issues that Red Eléctrica considers within the psychosocial environment. The management approach and results of the latter are detailed in the relevant section. ▶

### HEALTH RESOURCES

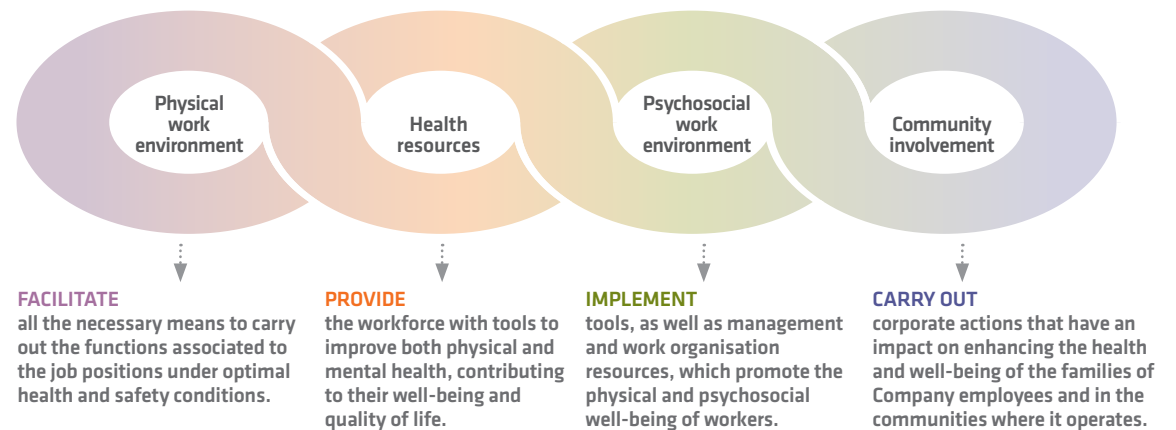
**THE HEALTH** monitoring unit focuses on identifying the major health problems of workers and on actions for the prevention and promotion of health in its entirety. In addition, it conducts updates of medi-

cal examinations based on specific protocols depending on the risk associated to each job position.



**More information** regarding the Healthy Workplace model in the 'Employees' subsection of the 'Sustainability' section of the corporate website.

### RED ELÉCTRICA'S HEALTHY WORKPLACE MODEL



## ◀ PHYSICAL WORK ENVIRONMENT

RED ELÉCTRICA SEEKS to improve two areas regarding health and safety. On one hand, by steadily reducing work-related accidents until ZERO accidents are reached, and on the other, via ongoing and progressive improvement in the levels of health and safety of both its employees and the employees of suppliers who collaborate or work in facilities of the Company.

To achieve these objectives, Red Eléctrica has

a risk prevention strategy, which is based on management leadership, risk assessment, the allocation of prevention tasks to organisational units, the participation of all concerned, training, communication and the improved measurement of performance.

The continuous monitoring of jobs and riskier activities by technicians, safety coordinators and work supervisors by the implementation of inspection

programmes, becomes the pivotal element in ensuring the efficient deployment of programmes.

Thanks to the protective measures implemented and the social context of Spain, there is at present no incidence or risk of specific diseases linked to the professional activity carried out by employees, nor has any been identified to date. In addition the results of health checks confirm this statement. [G4-LA7]

THE OBJECTIVES ARE: reach "ZERO" accidents and the ongoing improvement of the health and safety of both its employees and employees of suppliers working in Company facilities

## COMMUNITY INVOLVEMENT

FROM this perspective, the actions of Red Eléctrica focus on extending the actions of health promotion for families of employees. These actions are focused on improving the integration of family

members with disabilities in actions that impact the health of the community and health of suppliers and collaborators of the Company.

## HEALTH AND SAFETY IN THE SUPPLY CHAIN

WITH RESPECT TO the work undertaken by suppliers of works and services, all companies and people who work in facilities and workplaces of Red Eléctrica are approved and qualified in occupational health and

safety, and in the case of activities with risks, such activities should be addressed by the Worksite Managers of the provider that have been previously approved by the Red Eléctrica's Prevention Service. [EU18]

## CONSULTATION, PARTICIPATION AND TRANSPARENCY [G4-LA5, G4-LA8]

RED ELÉCTRICA has a Health and Safety Committee whose composition and functioning is established in the 10th Collective Bargaining Agreement (Chapter VII). This Committee is a joint and collective body set up for regular and periodic consultation regarding the Company's actions on the prevention of occupational risks. The Committee consists of six representatives nominated by the Company and six prevention delegates chosen from representatives of the workers, representing 100% of the workforce. It will meet quarterly and whenever requested by any of the representations thereof. The minutes of these meetings are available to all employees in a specific section on the corporate intranet. ▶

## ◀ Highlights 2014

- >> Low accident rates for employees of Red Eléctrica and continued improvement in the accident rate of employees of contracted suppliers.
- >> Management team leadership objectives associated with the accident rate.

- >> Development of the healthy workplace model.
- >> Control and monitoring of activities conducted in facilities: 12,821 inspections, 1,539 corrective actions, 98% resolution.
- >> 7,988 hours of safety training imparted to 721 participants.

- >> Consolidation of the supplier qualification model regarding safety criteria.
- >> Establishment of criteria for measuring the cost/benefit analysis of health and safety.
- >> Integration of ergonomics and industrial hygiene in the health and safety management system and the draft-

- ing of an action plan. Ergonomic assessments and postural hygiene of work stations.
- >> Promoting physical activity as a healthy lifestyle habit, through financial support benefitting 37% of the workforce across 29 sports.
- >> Development of prevention and health promotion campaigns,

- noteworthy being the prevention of colon and prostate cancer, prevention of psychosocial risks and those oriented to cardiovascular health and musculoskeletal disorders.
- >> 1,095 medical examinations, 953 nursing and medical consultations and 243 vaccinations.

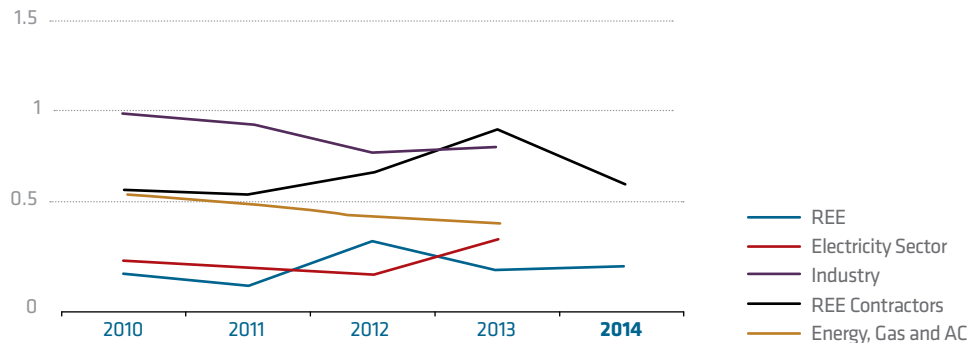
- >> Implementation of a physical security system (called Kérberos) for facilities and persons who access them.
- >> Regular meetings of the Occupational Health and Safety Committee, which represents 100% of employees.

## MAIN OBJECTIVES 2015

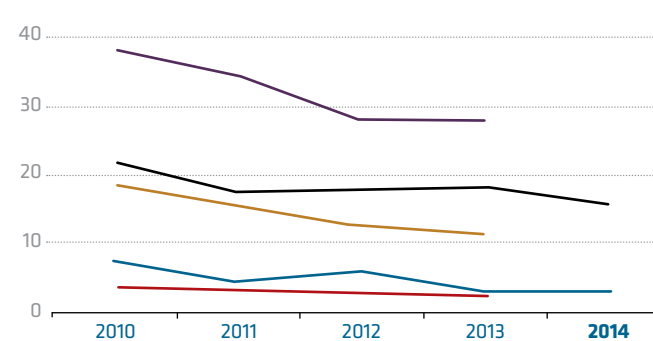
- >> Development of the Healthy Workplace Plan 2014-2017.
- >> Development and dissemination of Red Eléctrica's Healthy Workplace Manual.
- >> Comprehensive Management of the aging of Red Eléctrica's workforce in order to analyse and assess the risks associated with age from the perspective of safety, health and well-being.

- >> Development of campaigns promoting health, making employees participate and extend good practices to their family.

## ACCIDENT SEVERITY INDEX



## ACCIDENT FREQUENCY RATE



## THE WORK-LIFE BALANCE

**THE SYSTEM** for the ongoing improvement of Red Eléctrica's work-life balance management model is among the main areas of action of the Healthy Workplace Model, aware of the effect it has on health, and the work-life balance.

Our challenge is to be able to individually assess the existing bi-directionality between the different areas of people (work-person) to achieve a more flexible balance based on mutual commitment between business and

people, with the aim of achieving an improvement in well-being and quality of life.

The 10th Collective Bargaining Agreement, signed in 2014, has been a step forward in terms of the work-life balance to including new measures or extending existing ones as follows:

- >> Labour flexibility
- >> Authorised leave
- >> Parenthood
- >> Disability/family dependents
- >> Social Benefits
- >> Services
- >> Events and activities

These measures apply to all staff irrespective of the type of contract. [G4-LA2]

### Highlights 2014

- >> New work-life balance measures with flexitime, improved authorised leaves, and economic aid to employees and family with 33% disability.
- >> 37% increase in consultations made to the work-life balance interlocutors regarding special personal situations.
- >> Development of actions under the Comprehensive Work-life Balance Plan.
- >> Launch of a work-life balance survey which had a participation rate of 62% and whose results reflect a high level of satisfaction, with an average score for the work-life balance management model of 7.15 (out of 10).
- >> Inclusion of a Return on Investment (ROI) indicator for the work-life balance using a bespoke methodology.
- >> Activities and family support services: take-away service (meals included in the canteen menu), Days without school (activities with children of employees during the working day), urban summer camps.

RED ELÉCTRICA  
IS CERTIFIED  
under the Family  
Responsible  
Company EFR  
Certification

### MAIN OBJECTIVES 2015

- >> Renewal of the EFR certificate.
- >> Management team training and awareness to manage people through work-life balance.
- >> Development of a protocol on the criteria and implementation of work-life balance measures.
- >> Movement towards a culture of the optimisation of working time, linked to models of leadership and well-being.



- >> **Recognitions**  
'Family-Responsible Company' (EFR) Certification

## INDICATORS

### BREAKDOWN OF WORKFORCE BY TYPE OF EMPLOYMENT, CONTRACT, REGION AND GENDER [G4-10]

Spain

	2012			2013			2014		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Workforce (nº of people)	1,273	373	1,646	1,286	386	1,672	1,298	384	1,682
Employees with permanent contract (nº)	1,271	373	1,644	1,285	383	1,669	1,289	383	1,672
Employees with temporary contract (nº)	2	0	2	1	3	3	9	1	10
Permanent contracting (%)	99.8	100.0	99.8	99.9	99.2	99.8	99.3	99.7	99.4
Part-time contracting (%)	0	0	0	0	0	0	0	0	0
Workers from temporary employment agencies (nº)	14	14	28	7	6	13	6	4	10
Interns (nº)	63	36	99	55	16	71	79	31	110

### EMPLOYEES COVERED BY THE COLLECTIVE BARGAINING AGREEMENT [G4-11]

Spain<sup>(1)</sup>

	2012	2013	2014
Employees included in the collective bargaining agreement (%)	98.85	98.84	98.99
Employees excluded from the collective bargaining agreement (%) <sup>(*)</sup>	1.15	1.16	1.01

(\*) People voluntarily excluded from the collective bargaining agreement that are not part of the management team

(1) REE+REC



## TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY AGE GROUP, GENDER AND REGION [G4-LA1]

Spain <sup>(1)</sup>

	2012			2013			2014		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Under 25	6	0	6	5	2	7	8	1	9
26 to 35	409	134	543	361	119	480	311	101	412
36 to 45	359	132	491	398	147	545	439	152	591
46 to 55	343	92	435	349	98	447	339	107	446
Over 55	156	15	171	173	20	193	201	23	224
<b>Total</b>	<b>1,273</b>	<b>373</b>	<b>1,646</b>	<b>1,286</b>	<b>386</b>	<b>1,672</b>	<b>1,298</b>	<b>384</b>	<b>1,682</b>

(1) REE+REC

## TURNOVER INDICATORS BY AGE AND GENDER [G4-LA1]

Spain <sup>(1)</sup>

	2012				2013				2014			
	NUMBER OF PEOPLE LEAVING		TURNOVER INDEX%		NUMBER OF PEOPLE LEAVING		TURNOVER INDEX%		NUMBER OF PEOPLE LEAVING		TURNOVER INDEX%	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Under 25	0	0	0.0	0.0	0	0	0.0	0.0	0	0	0.0	0.0
26 to 35	6	1	1.5	0.7	3	2	0.8	1.7	0	3	0.0	3.0
36 to 45	2	2	0.6	1.5	1	2	0.3	1.4	1	5	0.2	3.3
46 to 55	7	0	2.0	0.0	2	1	0.6	1.0	2	0	0.6	0
Over 55	5	2	3.2	13.3	5	0	2.9	0.0	7	2	3.5	8.7
<b>Total turnover</b>	<b>20</b>	<b>5</b>	<b>1.6</b>	<b>1.3</b>	<b>11</b>	<b>5</b>	<b>0.9</b>	<b>1.3</b>	<b>10</b>	<b>10</b>	<b>0.8</b>	<b>2.6</b>

Note. Average length of service of those leaving: 17.4 years.

## NEW RECRUITMENT BY AGE AND GENDER [G4-LA1]

Spain <sup>(1)</sup>

	2012			2013			2014		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Under 25	2	0	2	1	2	3	5	0	5
26 to 35	13	4	17	16	9	25	12	3	15
36 to 45	8	2	10	6	8	14	5	4	9
Over 45	7	2	9	0	0	0	0	1	1
Total recruitment	30	8	38	23	19	42	22	8	30

(1) REE+REC

## MATERNITY/PATERNITY LEAVE INDEXES (M/P) [G4-LA3]

Spain <sup>(1)</sup>

	2012		2013		2014	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Employees with the right to M/P leave (n <sup>0</sup> )	74	37	79	35	76	38
Employees who have taken M/P leave (n <sup>0</sup> )	74	37	79	35	76	38
Reincorporations at the end of M/P leave (n <sup>0</sup> ) (2)	74	36	79	31	76	33
Employees with M/P leave who remain on the workforce (%) (3)	100	100	100	99	100	95

(1) REE+REC

(2) The difference between the number of reincorporations of women compared to those who have enjoyed leave is due to 1 authorised leave due to child care.

(3) Employees who return to work after M/P leave and continued their work in the twelve months after their reincorporation. Data as at year end.

Note: In the columns with the heading 'women', takes into account people who have benefited from maternity leave (which includes men with that right). In 2014, there were three men who were entitled to maternity leave and the three benefited from it.

## EMPLOYEES REPRESENTED BY HEALTH AND SAFETY COMMITTEES [G4-LA5]

Spain <sup>(1)</sup>

	2012	2013	2014
	100	100	100

(1) REE+REC

## OCCUPATIONAL HEALTH AND SAFETY INDICATORS [G4-LA6]

Spain <sup>(1)</sup>

	2012			2013			2014		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Average workforce	1,269	373	1,652	1,267	386	1,653	1,291	385	1,676
Hours worked	2,173,403	636,826	2,810,229	2,154,252	656,307	2,810,559	2,181,790	650,650	2,832,440
Accidents with sick leave (serious/minor)	42,280	0/2	42,341	0/7	0/0	0/7	0/7	0/1	0/8
Fatal accidents	0	0	0	0	0	0	0	0	0
Days lost due to accidents (2)	738	62	770	332	0	332	348	35	393
Accident frequency index	5.98	3.14	5.34	3.24	0.00	2.49	3.21	1.54	2.82
Accident severity index	0.34	0.09	0.27	0.020	0.00	0.12	1.16	0.05	0.14
Incidence rate	10.24	5.36	9.07	5.520	0.00	4.23	5.42	2.60	4.77
Absenteeism rate (3)	1.13	1.04	2.17	1.180	0.98	2.13	1.61	2.64	1.84

(1) REE+REC+REI

(2) The calculation is based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

(3) The calculation formula was amended as of 2014. Therefore, the data for that year is not comparable with previous years.

Frequency index = number of work-related accidents with leave of absence per million hours worked.

Accident severity index = number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked.

Absenteeism index. Until 2014, the calculation formula was: hours absent due to common TI (temporary incapacity) &gt; 3 days, TI hours &lt; 3 days and non-regulated leave / average workforce collective bargaining agreement personnel/collective bargaining agreement theoretical hours x 100.

As of 2014, the health and safety calculation formula is: days absent due to common TI &gt; 3 days + days absence TI &lt; 3 days + days absence for WA+OD/average headcount \* 365 \* 100

Incidence rate = number of accidents with sick leave x 1,000 / average workforce.

Serious accident (standard) = those classified as serious by each doctor that issued the sick leave certificate.

Note 1: Red Eléctrica de Spain complies with applicable Spanish legislation that includes the recording and notification of accidents. The Company also has the OHSAS18001 certification. The Spanish legislation complies with the ILO recommendations.

Note 2: Red Eléctrica has no declared occupational diseases. [G4-LA7]

## TRAINING AND EDUCATION INDICATORS [G4-LA9]

Spain <sup>(1)</sup>

	2012	2013	2014
Training hours	115,969	100,997	133,118
Employee training hours	115,969	94,333	124,158
Training hours for interns (operation internship grant programme)	0	6,664	8,960
Hours per employee*	71	57	74
Employees in training (%)	91	96	102
Hours given with own resources (internal and virtual)	26,820	24,682	35,668
Number of courses managed	711	696	758
Investment in training/total personnel costs (%)	5.2	4.3	4.9
Investment per employee (euros)**	3,503	3,153	3,756
Training during working hours (%)	61	77	68

\* Over the average workforce.

\*\* Total training cost/average workforce

(1) REE+REC

## AVERAGE HOURS OF TRAINING BY PROFESSIONAL GROUP AND GENDER [G4-LA9]

Spain <sup>(1)</sup>

	2012			2013			2014		
	MEN	WOMEN	GENERAL	MEN	WOMEN	GENERAL	MEN	WOMEN	GENERAL
Management team	62	97	69	50	90	54	64	77	66
G1 Master degrees	75	86	79	46	48	44	86	93	88
G2 Bachelor degrees	91	88	91	65	74	62	47	74	51
G2 Control centre operators	88	80	87	121	54	106	101	77	98
G3 Specialists	53	61	53	47	22	43	38	13	38
G4 Administrative personnel	9	25	21	6	32	24	13	23	20
Total	71	69	71	64	54	57	76	73	74

(1) REE+REC

## PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, BY GENDER [G4-LA11]

Spain <sup>(1)</sup>

	2012		2013		2014	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Employees with a performance appraisal (%)	100	100	100	100	100	100

(1) REE+REC

## COMPOSITION OF THE CORPORATE GOVERNANCE BODIES [G4-LA12]

Spain (1)

	2012				2013				2014			
	M	W	TOTAL	% W	M	W	TOTAL	% W	M	W	TOTAL	% W
Board of Directors	8	3	11	27.3	7	4	11	36.4	6	5	11	45.5
Audit Committee	1	2	3	66.7	1	2	3	66.7	2	2	4	50.0
Corporate Responsibility and Governance Committee	2	1	3	33.3	2	1	3	33.3	1	3	4	75.0

(1) Calculations have been made on the average number of board members during the year.

## COMPOSITION OF THE CORPORATE GOVERNANCE BODIES BY AGE [G4-LA12]

%

	2014		
	UNDER 30	30-50	OVER 50
Board of Directors	0	30	70
Audit Committee	0	0	100
Corporate Responsibility and Governance Committee	0	100	0

## DISTRIBUTION OF WORKFORCE BY GENDER AND PROFESSIONAL GROUP [G4-LA12]

Spain <sup>(1)</sup>

	2012			2013			2014		
	M	W	% W	M	W	% W	M	W	% W
Management team	87	21	19.4	94	23	19.7	96	23	19.3
G1 Master degrees	327	160	32.9	326	170	34.3	326	170	34.3
G2 Bachelor degrees	468	87	15.7	467	90	16.2	471	89	15.9
G3 Specialists	360	9	2.4	369	9	2.4	374	10	2.6
G4 Administrative personnel	31	96	75.6	30	94	75.8	31	92	74.8
Total	1,273	373	22.7	1,286	386	23.1	1,298	384	22.8

(1) REE+REC

M=MEN W=WOMEN

## BREAKDOWN OF THE WORKFORCE BY AGE GROUP AND GENDER [G4-LA12]

España <sup>(1)</sup>

	2014		
	UNDER 30	30 TO 50	OVER 50
Management team	0%	51%	49 %
G1 Master degrees	3%	76%	21%
G2 Bachelor degrees	5%	77%	18%
G3 Specialists	4%	66%	30%
G4 Administrative personnel	1%	55%	44%

(1) REE+REC

## RATIO OF BASE SALARIES OF WOMEN TO MEN [G4-LA13]

Spain <sup>(1)</sup>

	2012	2013	2014
Management team	1.10	1.03	1.02
G1 Master degrees	1.11	1.11	1.10
G2 Bachelor degrees	1.07	1.06	1.05
G3 Specialists	0.99	0.97	0.98
G4 Administrative personnel	1.03	1.00	0.98
Total	1.05	1.03	1.02

(1) REE

Note: In the calculation the 41 members of staff coming from Endesa have not been taken into account.

## OCCUPATIONAL HEALTH AND SAFETY INDICATORS. REE CONTRACTORS [EU17, G4-LA6, G4-10]

REE CONTRACTORS	2012	2013	2014
Average workforce <sup>(1)</sup>	3,510	3,527	3,336
Hours worked	5,968,524	6,059,285	5,637,084
Accidents with sick leave (serious/minor)	7/102	4/105	4/84
Fatal accidents	0	0	0
Days lost due to accidents <sup>(2)</sup>	3,826	5,368	3,437
Accident frequency index	18.26	17.99	15.61
Accident severity index	0.64	0.89	0.61
Incidence rate	31.04	30.90	26.37

(1) Based on hours worked.

(2) Calculation based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

## EMPLOYEES ELIGIBLE TO RETIRE IN THE NEXT 5 YEARS % [EU15]

Spain <sup>(1)</sup>

	IN THE NEXT 5 YEARS 2015-2019	IN THE FOLLOWING 5 YEARS 2020-2024
Management team	1.6	1.2
G1 Master degrees	1.0	2.6
G2 Bachelor degrees	0.9	1.8
G3 Specialists	2.0	2.8
G4 Administrative personnel	0.2	1.3
Total	5.7	9.8

(1) REE

Note 1. Considering retirement age as a sole requirement and estimating this as 65 years of age.

Note 2. In the calculation the 41 members of staff coming from Endesa have not been taken into account.



# 08

SOCIETY

CONNECTED TO  
THE PROGRESS  
AND WELL-BEING OF  
**THE COMMUNITIES  
IN WHICH OUR FACILITIES  
ARE LOCATED**

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## CORNERSTONES OF OUR COMMITMENT TO SOCIETY



## TAX TRANSPARENCY

**THE TAX POLICY** of the Red Eléctrica Group is based on the principles of transparency, good governance and responsibility.

Among the principles and general guidelines of the economic-financial management in the area of finance, is the drafting of tax information for internal management

and compliance with external requirements, in order to provide support in decision-making, providing, with the utmost transparency, the necessary information to financial markets and other stakeholders, and comply with legal and tax requirements.

In the context of development of good practices in

corporate social responsibility, and to offer fiscal information to the different stakeholders voluntarily, with greater transparency, the Red Eléctrica Group has calculated and published its Total Tax Contribution, in order to highlight the economic and social function derived from the Group's tax payments.

### KEY DATA IN 2014

**€788 million**

Total Tax Contribution ↓

More than  
**€1.2 billion**

↑ paid in taxes in 2013 and 2014

**99%**

of the Total Tax Contribution made in Spain ↓

**46%**

of value generated earmarked for tax payments ↓

**43%**

↑ Tax Contribution compared to revenues

## TOTAL TAX CONTRIBUTIONS

TO CALCULATE its total tax payments, the Red Eléctrica Group has followed PwC's Total Tax Contribution (TTC) methodology, whose characteristics are:

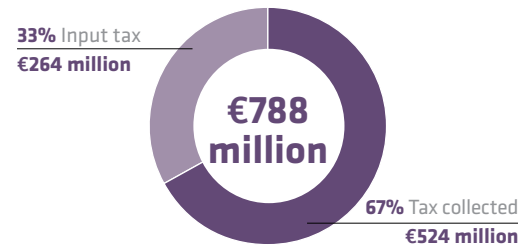
- >> It measures the total impact derived from a company's payment of tax.
- >> It reflects the total amount of all the taxes input (which represents an effective cost for the company) and col-

lected (which are paid by other taxpayers as a result of the economic activity generated), at any level of the Public Administration.

- >> It includes all the tax payments made to the Public Administrations.
- >> It adapts to any tax regime in the world and it is simple to use, even for people with no knowledge of taxes.

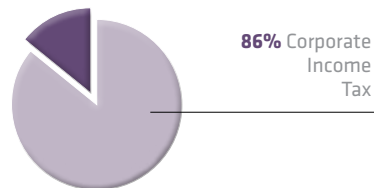
## TOTAL TAX CONTRIBUTIONS 2014

Red Eléctrica's Total Tax Contribution during 2014 amounted to 788 million euros, 264 million euros corresponding to input tax and 524 million euros to taxes collected.



## INPUT TAXES

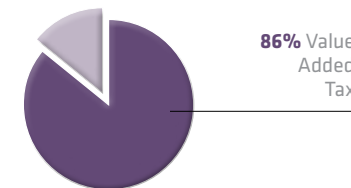
Corporate Income Tax\* represents 86% of total input taxes that have been paid to the various tax authorities, mostly to the Spanish tax authority.



(\* The Consolidated Annual Accounts provide detailed and specific information regarding this (accounting deductions, effective tax rate, etc.)

## TAXES COLLECTED

Of the total of taxes collected during 2014, the taxes on products and services stand out, fundamentally the Value Added Tax\* (IVA), which accounts for 86% of the total.



(\* Understood as those indirect taxes equivalent to Spanish IVA, which taxes consumption.



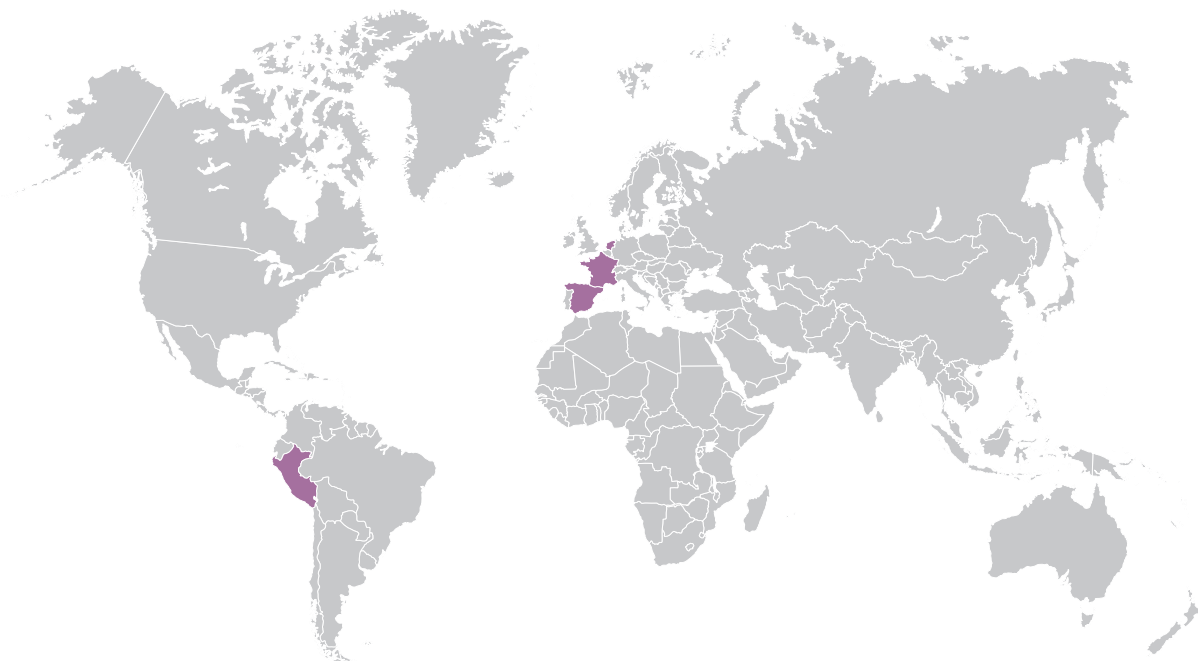
## GEOGRAPHIC DISTRIBUTION

### TOTAL TAX CONTRIBUTIONS 2014

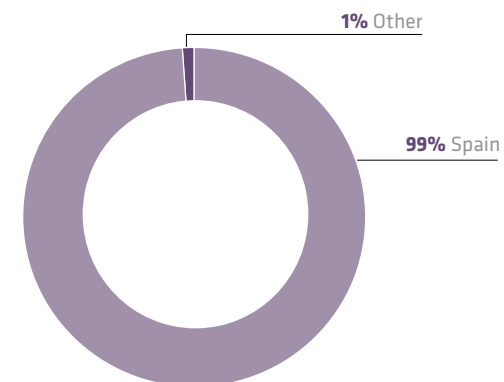
Million euros

	Spain	Peru	Others (EU)	TOTAL
Input Tax	260	3	1	264
Tax collected	520	2	2	524
<b>Tax contribution</b>	<b>780</b>	<b>5</b>	<b>3</b>	<b>788</b>

THE TOTAL TAX CONTRIBUTION OF THE RED ELÉCTRICA GROUP to the relevant tax authorities in all countries in which it operates amounted to 788 million euros, Spain being the jurisdiction with a greater tax contribution (99%)



### TAX CONTRIBUTIONS



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

## TAXES WEIGHT ON VALUE DISTRIBUTED

APPLYING the methodology of Total Tax Contribution (TTC), the value distributed by the Red Eléctrica Group in 2014 would total 1.72 billion euros, a figure which is composed of the following elements:

>> After-tax profit or shareholder value (719 million euros)

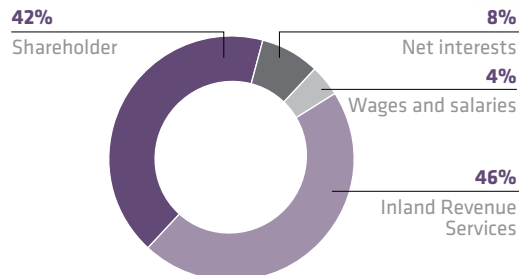
>> Wages and salaries after taxes collected (65 million euros).

>> Net interest (148 million euros).

>> Taxes (788 million euros): input, 15% and collected, 31%.

### VALUE DISTRIBUTED 2014

Of every 100 euros in value generated by the Red Eléctrica Group in 2014, 46 euros went to tax payments.



The distributed tax value is calculated by dividing the input and collected taxes / total value distributed.

## TAX CONTRIBUTION AS A PERCENTAGE OF REVENUES

THE COMPARISON of Total Tax Contribution to total revenues is an indicator that shows the amount of the contribution made by Red Eléctrica in relation to the size of its business.

The ratio of Total Tax Contribution to total revenues is 43%, of which:

>> 14% are input taxes.

>> 29% are collected taxes.

THE TOTAL TAX CONTRIBUTION compared to the revenue of Red Eléctrica represented 43%

## TAX RESPONSIBILITY

REGARDING RED Eléctrica's tax responsibility, noteworthy are the following aspects:

>> Red Eléctrica is committed to complying with tax legislation and tax obligations in the countries in which it operates. In the area of transfer pricing, Red Eléctrica operates on the principle of full competition. Red Eléctrica's Code of Ethics sets out the commitment not to create companies to evade taxes in territories considered tax havens.

>> Red Eléctrica has an Comprehensive Risk Management System that includes any relevant tax risks for the Company. It also has a specific internal control system for financial information (ICSFI), which includes tax data and processes, based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology. These processes and systems are systematically subject to internal and external audits.

>> In 2014, inspection activities on basic Spanish taxes have concluded, for the 2008, 2009 and 2010 financial years. As a result, all Certificates have been signed In Conformity, reflecting the adequate statement, in the Inspectorate's opinion, of all the Company's taxes; said Certificates are final, as they cover verification and investigation activities on all components of the Company's tax obligations

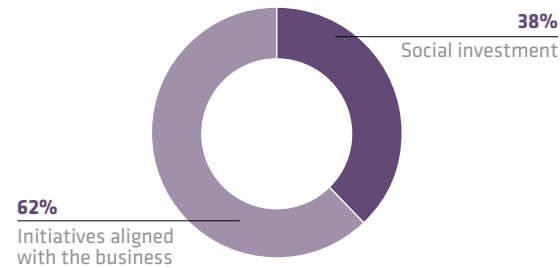
## INVESTMENT IN THE COMMUNITY

**RED ELÉCTRICA** is a key element in the Spanish electricity system, because through its activities, it contributes to all citizens and companies having a guaranteed access to electricity, which is a basic good. Additionally, thanks to its efforts to integrate renewable energies, the Company is making it possible for the energy model to be increasingly sustainable.

In this same line, the Company undertakes, as an objective of its business management, to contribute towards the sustainable development of society, whereby it carries out diverse actions that promote institutional and social relationships. It openly seeks collaboration agreements, disseminates information on the operation of the electricity system and encourages participation in projects and initiatives that foster well-being and progress in the communities in which its facilities are located.

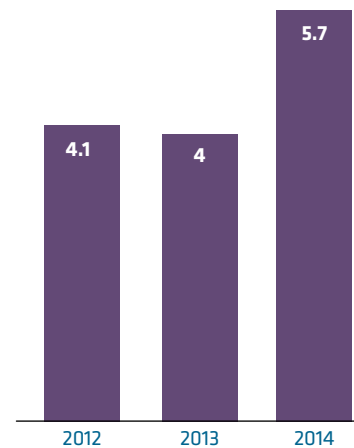
In 2014, Red Eléctrica's contribution to the community amounted to 5.7 million euros (0.93% of its net profit). 62% of this amount was earmarked for initiatives aligned with the business and 38% to social investment projects.

### CONTRIBUTION TO THE COMMUNITY



### CONTRIBUTION TO THE COMMUNITY

Million euros





## TIES WITH THE COMMUNITY [G4-S01]

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

Therefore, it has an organizational structure distributed nationwide in order to maintain communication and institutional collaboration with administrations and public and private institutions. This open and participatory strategy aims to establish relationships based on trust and collaboration that:

>> Integrate the presence of the Company in the social, environmental and institutional fabric of the territories where the projects are implemented, through collaboration agreements.

>> Explain and disseminate the need for the projects and provide adequate response to the demand for information from communities where its facilities are located.

>> Maintain informative transparency and facilitate the maximum amount of information to communities where its facilities are located.

>> Balance the general interests of the territorial scope with the needs of the project to obtain social acceptance.

>> Promote the maximum institutional and social consensus in the implementation of the projects.

As a result of this strategy, in 2014 noteworthy was the signing of 52 agreements with Autonomous Communities and Local Councils.

In the case of local governments, and in relation to the construction of new infrastructure, Red Eléctrica fosters close-knit ties with communities to report

on the need for facilities and promote dialogue that facilitates the development of projects in a sustainable manner and with social acceptance. Thanks to this ongoing dialogue, the Company has managed to construct new infrastructure after reaching amicable agreements with 94% of the landowners, and through the signing of relevant agreements with various local governments.

THANKS TO AN ONGOING DIALOGUE, THE COMPANY has managed to build new infrastructure after reaching amicable agreements with 94% of the landowners

During the administrative permitting procedure for electricity transmission infrastructure, all projects undergo a rigorous and transparent permitting procedure, which ensures the participation of the local government and citizens affected. ▶

◀ The administrative permitting procedure for infrastructures can be summarised in the following steps:

**>> Environmental impact Assessment.**

All the projects the Company carries out are submitted to an environmental impact study. This guarantees an adequate prevention of the environmental and social impacts that can be generated by the installations, while establishing efficient mechanisms to avoid, reduce or compensate for those possible effects.

**>> Obtaining the required administrative authorisations**

In order to develop projects, it is necessary to obtain the authorisations that are issued

by the competent authorities in energy and environment of the Public Administration, or of the Autonomous Communities, depending on the route chosen for the line.

**>> Public information period**

The processing of projects and environmental impact studies includes a period during which they are made available to all the affected parties, for consultation and for the submission of allegations.

**>> Integration of facilities in the local community**

Red Eléctrica attempts to integrate all its projects in the community with the greatest possible consensus, seeking to reach a balance between territorial, economic, social and environmental interests.

**>> Contribution to local development**

In accordance with its social responsibility, the Company maintains a commitment to the development of the local communities and the conservation of its natural environment, collaborating with actions that contribute to these goals and represent a social benefit.

ALL THE PROJECTS ARE SUBMITTED TO AN ENVIRONMENTAL IMPACT STUDY to guarantee an adequate prevention of environmental and social impacts that the facilities might generate.

**Dissemination of information regarding the electricity system**

**ON THE OCCASION OF** the bringing into service of new infrastructure that strengthens the operation of the electricity system, Red Eléctrica held different events to present the most representative facilities.

Similarly, special attention has been placed on publicising the specific actions the Company has been taking in recent years in the Canary Islands and the Balearic Islands, to improve the security and quality of supply under the same criteria of quality as applied in the rest of Spain.

Additionally, the Company promotes and encourages knowledge regarding the electricity system by hosting visits to its facilities. In 2014, 69 institutional visits were organised to the CECOEL and CECRE electricity control centres, and visits were arranged to 13 different transmission grid facilities, bringing the total number of visitors to around 400.

Red Eléctrica contributes to the training of National Security Forces regarding matters of safety and security in electricity facilities and fire prevention, by organising specific training sessions aimed at the members of the Civil

Guard, National Police, the Military Emergency Unit, Civil protection and Local Police and Fire Brigades. During 2014, training sessions were organised in 12 provinces of seven Autonomous Communities with the participation of 1,519 attendees.

Red Eléctrica has continued making a great effort to produce various publications, as a key tool for transparency and communication with its stakeholders, and to contribute to increasing knowledge and awareness regarding the electricity system.



**More information** regarding the dissemination of electricity system information in the 'Map of Projects' subsection of the 'Sustainability' section of the corporate website.

## SOCIAL COMMITMENT

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

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

In the area of **cultural heritage**, in 2014 Red Eléctrica signed 64 collaboration and sponsorship agreements with different organisations and entities to support the development of actions of an environmental, cultural and local character. For example, REE participates in projects for the recovery and dissemination of information about the architectural and archeological heritage nationwide and in cultural activities that help to maintain popular traditions.

The National Theatre of Catalonia, the Cultural Association of Cronicon de Oña and the Santa María la Real Foundation are some of the institutions with which the Company collaborates in this area.

In relation to **environmental actions**, worthy of mention is the Red Eléctrica Forest, which since 2009 has contributed to the fight against climate change through tree planting projects. In 2014, work began on the ecological restoration of the Sa Duaia-Es Recó public forest in Majorca, becoming the eighth forest project.

The Company also collaborates with the Life+ Activa Red Natura project supported by the European Commission which aims to improve knowledge and awareness about Red Natura.

In the **educational scope**, Red Eléctrica has among its priority objectives, to provide society with access to knowledge regarding the electricity system and its operation, paying special attention to higher education and training in the area of energy and the environment. Dur-

ing 2014, of note was the support for the training of 933 students in masters or specialisation courses of more than 30 schools and colleges through 46 visits to Company facilities. Also noteworthy are the 12 agreements signed with universities and educational institutions, and collaboration for the delivery of workshops and lectures at universities, in which Red Eléctrica participates in disseminating information on issues related to grid management and electricity systems.

Moreover, within this scope of social commitment, it should be noted that the Chairman, as evidence of his strong personal commitment to social responsibility and best practices of good corporate gover-

nance, has given instructions that, in his name and on his behalf, the Company will proceed to make monetary donations to certain foundations for the full amount of his remuneration in 2014 corresponding to the long-term remuneration plan 2009-2013. The aforementioned donations have been made to ▶

**IN 2014, ACTIONS  
HAVE BEEN  
UNDERTAKEN  
designed to promote  
sustainability and the  
efficient use of energy,  
to support local and  
regional communities,  
and to contribute  
to cultural and  
educational projects**



**More information**  
regarding educational  
projects in the 'Society'  
subsection of the  
'Sustainability' section of  
the corporate website.

the Fundación ADECCO and the Fundación Universitaria Comillas-ICAI. The first, within the activities of the Fundación ADECCO to promote initiatives for collaboration for the promotion of employment and support for social responsibility projects (entrepreneurs, groups with difficulty in accessing the labour market, etc.)

have been designated for Proyecto MUJER 2020 (the WOMEN Project 2020). The second has been designated for end-of-course projects in themes linked to promoting of initiatives geared towards the promotion of training, research, innovation and investment in human and technological capital in the field of energy.

## Travelling exhibition

**THE TRAVELLING** exhibition '*A highway behind the wall socket*' has received 15,000 visitors since it relocated to the Museo Abierto of Merida in March 2014. The exhibition, which began in 2010, has travelled to five other Spanish cities and has been visited by approximately 275,000 members of the public.

This exhibition explains the operation of an elec-

tricity system and raises public awareness about the need for responsible consumption,

This year, a programme of visit began, in which a bus was put at the disposal of the public in the local areas close to the Almarez-Guillena axis, to enable them to visit this exhibition. As a result of this initiative, more than 3,000 people from all over

Extremadura have visited the exhibition. Similarly, in order to favour socio-economic development and employment in the area, maintenance services and support personnel at the exhibition were contracted, as well as the transportation service for groups in the programme of visits for workers and local companies.

## CORPORATE WEBSITE

**THE CORPORATE WEBSITE** ([www.ree.es](http://www.ree.es)) is an interactive and informative space, which helps to strengthen the Company's brand and enhance awareness of its activities and provides direct contact with its stakeholders. The website was recognised in 2014 as the sixth best website of the IBEX 35 companies according to the Webranking of the Comprend

consultancy. Moreover, the Corporate Governance section on the website has received recognition as one of the five best practices of good governance, identified in the report prepared by Fundación Compromiso y Transparencia (Commitment and Transparency Foundation), regarding the governance of listed companies.

The most significant development on the website during 2014 was the publication, for the first time, of the Company's annual Corporate Responsibility Report for 2013, in web format, within the 'Our Management' section of the site. This section includes the entire content of the report in html format.

Among other new editions to the site during the year, noteworthy is the publica-

tion of an interactive map with files on sustainability projects, principally environmental and social projects, which contains a great deal of information and audiovisual support material.

Also worth mentioning is the publication of new sections related to system operation, such as the management of the interruptibility service or the voluntary price for the small consumer (PVPC).

In 2014, the number of downloads of different documentation published on the website totaled 800,000, while the number of total visits and page views went down compared to previous years because of the introduction of a new methodology for web analytics. In 2014, the corporate website had 2,150,000 visits and 91 million page views.

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



**More information** regarding the exhibition in the 'Map of Projects' subsection of the 'Sustainability' section of the corporate website.

## PARTICIPATION IN ASSOCIATIONS

RED ELÉCTRICA collaborates with 39 organisations and entities, where it exchanges its knowledge of and experience in the challenges of the electricity system, corporate responsibility, social investment and economic-financial management, among other things. Some of these associations, whose purpose is to carry out actions of a social character, are:

### >> *Fundación Lealtad*

A pioneer non-profit organisation in Spain whose mission is to promote Spanish society's confidence in NGOs. Red Eléctrica has been a member since 2012.

### >> *Fundación de Víctimas del Terrorismo*

(Victims of Terrorism Foundation) Red Eléctrica has collaborated with this foundation since 2010 in programmes directed particularly to young people.

### >> *Fundación de Energías Sin fronteras*

(Energy Without Borders Foundation) Since 2012, Red Eléctrica has contributed resources to and participated in the

sponsorship of this Spanish foundation, whose mission is to extend and facilitate access to energy and drinkable water services, in a continuous fashion, to those who still do not have them or who receive them in non-suitable conditions.

### >> *LBG*

Since 2014, Red Eléctrica has been a member of the LBG España group, an organisation made up of companies committed to promoting social action in business, using an internationally accepted methodology for the comparative evaluation and measurement of commitment to society.

## CORPORATIVE VOLUNTEERING

'ENREDANDO', the corporate volunteering group of Red Eléctrica, was set up in 2005 with the aim of extending the social action of the Company through the promotion and strengthening of the collaboration of employees in solidarity activities that respond to social and environmental needs, problems and interests. During 2014, noteworthy were the following projects:

### >> *Operation kilo-litre campaign*

During the Operation kilo-litre campaign 2014 employees donated a total of 5,738 kilos and litres of foodstuffs for food banks and various Cáritas offices (Religious charity) located throughout Spain. In addition, the Company has also supported the campaign with 3,000 euros to the

"Put your name to an aisle" campaign from the Madrid Food Bank, sponsoring throughout 2015, a block of shelving in the previously stated Food Bank.

### >> *Participation in the VIII edition of Companies' Solidarity Day.*

In this edition, the Company has helped make two projects possible, along with volunteers from other companies: one of an environmental nature, carrying out the task of restoring an ecological garden area and another of a social character in a social soup kitchen and clothing dispensary.

### >> *Swimming for Maiti Nepal, 1 metro= 1€*

With the proceeds collected from this initiative, activities of the orphanage of this Nepalese NGO were funded.

### >> *V edition of the Race for Hope*

Participation in this race organised by FEDER (Spanish Federation of Rare Diseases) for the World Rare Disease Day.

### >> *Ninth Fair trade campaign*

Collection of over 2,400 euros through a fair trade market, in order to contribute to the eradication of poverty in developing countries.



**More information** regarding Volunteering Projects in the 'Society' subsection of the 'Sustainability' section of the corporate website.

# 09

DIALOGUE  
WITH STAKEHOLDERS

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

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## CORNERSTONES OF OUR RELATIONSHIP WITH STAKEHOLDERS



### CLIENTS AND BUSINESS AGENTS

Compliance with legal requirements on communication and publication of information, ensuring transparency, integrity and timelines for the dissemination of the same.

**8.3 out of 10**  
client satisfaction.



### SUPPLIERS

Sustainable supply chain management model: transparency in management, integration of corporate responsibility criteria in the procurement strategy and the transference of this criteria to suppliers.

**98%**  
of purchases from  
local suppliers.

### DIALOGUE WITH STAKEHOLDER GROUPS



### SHAREHOLDERS AND INVESTORS

Transparent and fluid communication, facilitating the relevant corporate information to meet the information needs demanded by these groups.

**555**  
meetings with analysts  
and investors.



### THE MEDIA

Dissemination of activities, projects and initiatives undertaken by the Company, with particular emphasis on its commitment to sustainability.

**86**  
press releases issued.



## SHAREHOLDERS AND INVESTORS

RED ELÉCTRICA maintains a solid commitment to open dialogue with its stakeholders, facilitating relevant corporate information to satisfy the information requirements of shareholders and investors. This communication is transparent and fluid, which is key to achieving a trust relationship with them.

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

ency policy. Our purpose is to keep moving forward seeking to increase the number of meetings with these stakeholders in the coming years.

In our quest for ongoing dialogue it is worth mentioning the Company's website, which is a necessary tool to achieve this commitment. Updated last year, it collates the suggestions regarding information that is received from investors and analysts. Available in the Shareholders and Investors section of the website, amongst other content, is a specific section about socially responsible investors, through which Red Eléctrica aims to furnish them with all the relevant ethical, social and environmental information they will require when making investment deci-

sions, as a complement to traditional economic and financial criteria.

Since 2005, REE's presence has been notable in the most representative international indexes in the sector. In 2014, the Company was included for the seventh consecutive year in the FTSE4Good, which is one of the indexes with the best reputation. Similarly, it is worth noting REE's recent inclusion in the MSCI indexes and the Euronext-Vigeo family of

indexes, where the Company is distinguished for its actions in corporate social responsibility and for its contribution to sustainable development, which has raised its profile for many investors. Our presence in said indexes is the result of the confidence given by those institutional investors who understand the importance of corporate social responsibility as an indicator of the quality of the Company's management and good governance.

Regarding the General Shareholders' Meeting, the course of action started in previous years and targeted at improving communication with shareholders has also continued. In this regard, the opportunities for the participation of shareholders at the Meetings have increased through the live broadcast of the event over the Internet, for the ninth consecutive year, in both Spanish and English, and the functionalities of the system for voting on proposed resolutions by

electronic means have also been increased.

Similarly, in the 2014 Meeting, so as to facilitate the participation of persons with disabilities, the Company provided a sign language interpreter. Moreover, the Shareholders' Attention Centre attended to and delivered the relevant documentation relating to the Meeting to 1,105 minority shareholders.



**More information** in the 'Shareholders and investors' section of the corporate website.

### MAIN INDICATORS

	2010	2011	2012	2013	2014
Shareholders' office (visits managed)	966	1,495	1,259	1,078	1,105
Shareholder electronic forum - via phone and email (consultations managed)	1,273	1,067	1,031	1,003	1,008
Meetings with analysts and institutional investors (n°)	314	346	581	712	555

## CLIENTS, MARKET AGENTS AND REGULATORY BODIES

### PROFILE OF RED ELÉCTRICA'S CLIENTS

**THESE ARE** those organisations or bodies with which Red Eléctrica establishes a relationship necessary for the supply of their services as transmission agent, manager of the transmission grid and operator of the Spanish electricity system and that can be grouped into the following broad categories:

>> Regulatory bodies (Ministry of Industry, Energy and Tourism; National Commission of Markets and Competition and the various public administration energy depart-

ments of the different Autonomous Communities). They are responsible for regulating the activity of Red Eléctrica, as well as assessing its management and establishing remuneration for their services.

>> Market agents (electricity generators, traders and consumers connected to the transmission grid) and other participants in the electricity system, such as agents (generators, distributors or consumers) requesting access to the transmission grid, managers of the distribution network, the Iberian Spot Market Operator (OMI, Polo Español S.A. [OMIE]), neighbouring electricity system operators as well as suppliers of the

interruptibility demand-side management service. As at December 2014, the number of market agents registered in the information system of the system operator totaled 547 subjects. [EU3]

>> Other groups that request Red Eléctrica's management (local operation and maintenance) of their transmission facilities, or the adaptations of or changes to the route taken by high-voltage electricity lines.

### TRANSPARENCY AND INDEPENDENCE AS THE ELECTRICITY SYSTEM OPERATOR

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

With respect to the information the Company must publish regarding

the results of the system operation markets or processes; Red Eléctrica guarantees the confidentiality of the data provided by the market agents. The operating procedure No.9 (P.O.9) 'Exchange of Information with the System Operator', defines the criteria for the aggregation of this information and the timeframes within which it may be made available to market agents and society in general. To this end, the System Operator has a website available to market agents (<http://sujetos.esios.ree.es>), only accessible by certified market agents, and another for the

**THE SUCCESS OF RED ELÉCTRICA IS BASED on the principles of neutrality, independence and economic efficiency that is applied across all its processes and activities**

society in general (<http://www.esios.ree.es>). Both channels, which undergo continual improvement, are key tools to ensure compliance with the legal requirements regarding communication and disclosure of information. ▶

◀ In 2014, Red Eléctrica adapted its information systems to guarantee compliance with the EC's Commission Regulation No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets (Transparency Regulation), and in accordance with which it has collaborated on the implementation of the centralised information platform, managed by ENTSO-E, which has been accessible to the public since 5 January 2015.

In October, 2014, Red Eléctrica, as System Operator, sent to the Ministry of Industry, Energy and Tourism the proposal for adapting the P.O.9 'Exchange of Information with the System Operator', to Regulation (EU) 543/2013, of the EC, on Transparency and to Regulation (EU) 1227/2011

on Wholesale Energy Market Integrity and Transparency (REMIT).

In addition, the Company participates, through the ENTSO-E working groups, on the development and application of Commission Implementing Regulation (EU) No 1348/2014 of the EC, of 17 December relating to the communication of data in virtue of article 8, paragraphs 2 and 6, of Regulation (EU) 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT).

During 2014, Red Eléctrica included among its publications the information related to the Voluntary Price for the Small Consumer (PVPC), in compliance with the regulations of Royal Decree 216/2014 of 28 March, which establishes the methodology for calculating the voluntary price for the small consumer of electricity and the legal framework for contracting it.

Every two months, Red Eléctrica organises the CTSOSEI, the committee which provides market subjects and regulatory bodies with information about the operation of the electricity systems of the Iberian Peninsula and information on the electricity system adjustment services markets in Spain

and Portugal, and on the energy exchanges made through the interconnection between the two electricity systems.

Additionally, the Company participates in, and leads in some cases, working groups that endeavor to increase communication and transparency, such as the Incident Analysis Group, GRAI, which analyses the most relevant incidents, their causes and necessary corrective actions of said incidents to ensure that they do not occur again.

On the other hand, in January, 2014, the Company implemented the Arabic version of the IE-SOE Regional Platform for Information Regarding the Region ([www.iesoe.eu](http://www.iesoe.eu)), in which the operators of the Spanish, French, Portuguese and Moroccan electricity systems publish data on the capacity and the use of electrical interconnections that connect the Spanish peninsular electricity system with the electricity systems of these countries. This improvement in the platform represents a step forward to greater dissemination of information about the interconnection capacity of the different electricity systems, which marks an increase in transparency in the region.

Red Eléctrica also has, since 2008, a system for the analysis and revision of processes and results associated to the operation activity under the standard known as SSAE-16 (Standards for Attestation Engagements). This system is regularly submitted to rigorous external evaluation. In 2014, an evaluation of the previous year commenced.



**More information**  
regarding the Voluntary  
Price for the Small  
Consumer in the 'Activities'  
section of the corporate  
website.

**IN 2014, RED  
ELÉCTRICA  
INCLUDED IN  
ITS CORPORATE  
WEBSITE  
information relating  
to the Voluntary  
Price for the Small  
Consumer (PVPC)**

## SATISFACTION STUDIES

RED ELÉCTRICA carries out satisfaction surveys every two years, directed to its customers and market agents. The most recent one was done in 2014. The overall average evaluation obtained was 8.3 over 10. Based on these results and

the analysis of the requirements and expectations collected, the 2015-2016 Improvement Plan was drawn up, which contains different actions aimed at improving communication, transparency and the processes and services offered.

## MANAGEMENT OF INCIDENTS AND CLAIMS

RED ELÉCTRICA manages claims related to the services it offers and to the impact of its activities, according to clearly defined criteria, in order to assure that they are treated properly. The e-sios website for market agents contains a Claims section, in which claims related to the system adjustment services market can be processed directly.

These are processed by the system operator; market agents are also allowed to consult the state of their claims and to obtain historical information about them. Red Eléctrica also publishes, on this website, periodical reports on incidents identified, the handling of the claims received and the solutions adopted.

## CLIENTS AND MARKET AGENTS SATISFACTION INDICATORS

	2004	2006	2008	2010	2012	2014
Overall satisfaction level	7.8	7.8	7.6	8.0	8.3	8.3
Level of satisfaction of quality factors	7.3	7.4	7.4	7.6	7.9	8.0
Level of satisfaction of services provided	7.0	7.0	7.2	7.8	7.9	7.7
Customer service	7.5	7.8	7.4	7.5	7.8	7.7
Evaluation of improvement actions undertaken as a result of the previous evaluation study	6.4	6.5	6.8	6.1	7.2	6.6

Evaluation (0-10)

## MAIN INDICATORS

	2009	2010	2011	2012	2013	2014
The number of estimated claims related to system adjustment services market and scheduling of international interconnections	44	70	6*	6	3	2
Claims per 1.000 GWh of energy managed in the system adjustment services market	1.84	2.52	0.26	0.31	0.15	0.09
Percentage of claims resolved	100	100	100	100	100	100

\* The number of estimated claims fell significantly in 2011 due to the implementation of the e.sios system on 5 October 2010, of the automation of the mechanism for the reassignment, in real-time, of secondary control reserve (as contemplated in the existing operating procedure 7.2)

# SUPPLIERS

IN 2014, 526.7 million euros in the purchase of goods and services were managed through 1,202 suppliers. 98% of this amount was awarded to suppliers with head offices in Spain. [G4-EC9]

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

relationship framework established in the Supplier Code of Conduct, which in 2014 did not register any infringement – as was the case in the previous year.

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



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

## SUPPLY CHAIN MANAGEMENT MODEL

### FRAMEWORK OF THE MODEL

- >> Law 31/2007\*
- >> REE Code of Ethics
- >> Supplier Code of Conduct
- >> Procurement Policy
- >> CR Policy
- >> Regulation

### LEVERS FOR ONGOING IMPROVEMENT

- >> REE Strategic Plan
- >> Strategic Plan of the Procurement Department
- >> Annual objectives and Projects
- >> Our suppliers
- >> Evaluations/Audits

### PILLARS

- >> **Separation of functions in the processes and transparency in management**
  - >> **Separation of duties**
    - > Existence of a specific department for Suppliers.
    - > Whoever defines the need does not make the purchase.
    - > Whoever makes the purchases neither qualifies, nor certifies, nor pays, nor decides on the supplier.
    - > Whoever certifies does not pay.
  - >> **Transparency**
    - > Maximum communication with the supplier throughout the entire process. The supplier is 'listened to'.
    - > A supplier qualification process that is open and accessible on the corporate website.
    - > System-managed processes that are traceable, auditable and that are visible to top management.
- >> **Ethical management and building relations with suppliers and subcontractors**
  - >> **Ethical management**
    - > Processes defined under the principles of transparency, fairness and objectivity.
    - > Diverse communication channels that guarantee confidentiality: ASA (Supplier Attention Centre), DÍGAME and the Ethics Manager.
  - >> **Building relationships with suppliers and subcontractors**
    - > Informing them about technical and corporate responsibility requirements.
    - > Information campaigns for suppliers and participation with them in working groups.
    - > Acceptance of the Supplier Code of Conduct.
    - > Social audits.
    - > Specific development plans as a result of continuous monitoring.
    - > Medium- and long-term purchasing strategy that gives visibility to the business of the suppliers.
- >> **Minimisation of the risk associated with the procurement processes**
  - >> **Minimisation of risk**
    - > Continuous verification of compliance with the business/technical/CSR requirements for qualification, selection, awarding, subcontracting, and continuous monitoring of performance.
    - > Continuous search for an optimum market of suppliers.

\* Law of contracting procedures in the water, energy, transport and postal services sectors

## DESCRIPTION OF THE SUPPLY CHAIN [G4-12]

**THE SUPPLY** chain of Red Eléctrica is characterised by:

- >> Centralised management.
- >> The existence of an independent unit for management of the stakeholder group of suppliers and associated processes.
- >> A supply chain with separated functions:
  - > Whoever defines the need does not make the purchase,
  - > Whoever makes the purchases neither qualifies, nor certifies, nor pays, nor decides on the supplier, and
  - > Whoever certifies does not pay.

- > Management of stock and outsourced distribution.
- > Development of a specific communication channel for the supplier: ASA (Supplier Attention Centre).

In 2014, of the 526.7 million euros in purchases managed, 75% were related to services and works, while the remaining 25% corresponded to material/equipment. The Company formalised orders with 1,199 suppliers.

To this figure should be added another 1,099 (authorised subcontractors) that have performed work for the Company, bringing

the total number of companies that have worked within the framework of contracts during the year 2014 to 2,298.

All the suppliers have accredited business solvency, complying with the technical, environmental, labour conditions, and ethical behaviour requirements. These requirements are verified initially (during the qualification of the supplier) and subsequently in a continuous manner (monitoring). 95% of the suppliers from which the Company made purchases in 2014 have their head offices in Spain and 99% belong to countries in the European Union.



**More information** regarding the supplier qualification process can be found in the "Suppliers" section of the corporate website

## QUALIFICATION OF SUPPLIERS [G4-LA14, G4-EN32, G4-S09, G4-HR10]

**DURING 2014**, the Company processed 560 requests for qualification, corresponding to 360 suppliers, for supplies that have a significant impact upon the Company.

These requests affect suppliers that require different verifications, as a function of the risk identified (environmental; occupational

health and safety prevention, labour conditions and ethical behaviour).

Of the requests processed, 199 passed the qualification process (representing 138 suppliers).

>> 13% (representing 18 suppliers) were for supplies affecting occupational health and safety prevention.

>> 57% (representing 79 suppliers) were for supplies with a possible environmental impact.

>> 100% were for supplies that require verifications, according to labour practices and Human Rights criteria.

## EVALUATION AND SOCIAL AUDITS [G4-LA15, G4-EN33, G4-S010, G4-HR11]

**DURING 2014**, 27 audits were performed related to labour conditions and ethical behaviour, included in the programme of annual audits of suppliers of those supplies with an impact on corporate social responsibility. Of the 27 social audits performed on suppliers, no infringement regarding human rights matters, nor

relevant negative impacts on corporate responsibility were observed

These audits were complemented by another 41, performed by Achilles for Red Eléctrica, in which, among other things, a documental verification was made of factors related to corporate social responsibility. In

the audits that uncovered aspects that could be improved, actions were agreed with the supplier to correct the shortcomings that were detected.

In parallel, 100% of the orders are issued to the supplier with the General Conditions of Contract and the Supplier Code of Conduct, as an integral part of the same.

## COMMUNICATION CHANNELS

### COMMITMENT TO INFORMATION TRANSPARENCY

DURING 2014, Red Eléctrica continued with its commitment to the transparent disclosure of their activities, whether regarding those performed as the sole transmission agent and system operator, or those it carries out within the field of sustainability. The Company's commitment to its

stakeholders is reflected in increased disclosure of all its activities through informative actions such as press releases and 'photonews' in both Spanish and English.

Specifically, in 2014, Red Eléctrica published/issued a total of 175 news/information items (86

press releases and 89 photonews), of which 102 focused on the Company's actions regarding sustainability. In this regard, the information disseminated on environmental, RDI and energy efficiency projects carried out by the Company, and other initiatives related to corporate responsibility have clearly

increased compared to previous years.

Also, special emphasis has been placed on promoting the digital channels of the Company, such as the corporate social networks or the Press Room, through which 25 audiovisual and monographics were published. These informa-

tional materials represent a value-added element to the dissemination of traditional press releases, as they provide the media with additional information on the projects of the Company.

IN 2014, RED ELÉCTRICA ISSUED a total of 175 news/information items (86 press releases and 89 photonews), of which 102 focused on the Company's actions regarding sustainability matters



**More information** regarding Red Eléctrica's corporate communication strategy can be found in the 'Press room' section of the corporate website.

## PRESENCE IN THE TERRITORY WHERE OUR FACILITIES ARE LOCATED

IN 2014, RED ELÉCTRICA promoted the dissemination of business activities in the territory in order to bring the Company closer to citizens and improve their knowledge on electricity facilities, and increase their understanding regarding the need for the electricity infrastructure in their region. In this regard, a series of meetings were held with regional media, and press releases were published, in order to boost knowledge and acceptance of the scope of the Company's projects in Spain.

The carrying out of the Red Eléctrica Forest projects 'El Robledal de Remendón' in Vitoria and Sa Duaia in the Balearic Islands, as well as and the results of the Grid Asset Improvement Project in the Canary Islands' Grid and the commissioning of a flywheel in Lanzarote have been the subject of some of the press conferences held with the media that Red Eléctrica has organised this year at a regional level. Also worth highlighting is the communication made regarding interconnections. In this sense, several press conferences

were organised with the media to report on the scope of these projects:

- >> The commissioning of the electricity interconnection between Spain and Portugal, between Puebla de Guzmán and Tavira.
- >> The completion of works for the new electricity interconnection between Spain and France, via Gerona.
- >> The commencement of the laying of the interconnection cables that will link Majorca to Ibiza.

Moreover, also worthy of mention was the presence of Red Eléctrica in the Canary Islands and as a result of the approval in July 2014 of a major investment plan, in the coming years actions will be carried out to improve the electricity infrastructure of the Canary Islands.

Considering the commitment to information disclosure, the Company has raised its profile, both with island media and national media, to explain the details of this investment. Thus, the Company has carried out 20 communication actions covering the dissemination of informa-

tion, the organisation of meetings with media and publishing platforms and opinion articles detailing the evolution of the actions that the Company is undertaking to improve the Canary Islands' infrastructure.

### MAIN INDICATORS

	2010	2011	2012	2013	2014
Press Releases	51	56	68	86	86
Press conferences and meetings	39	30	21	13	14
Interviews and statements	178	147	67	58	63



# 10

THE ENVIRONMENT

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

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## CORNERSTONES OF OUR ENVIRONMENTAL COMMITMENT



# ENVIRONMENTAL MANAGEMENT

RED ELÉCTRICA carries out all its activities in compliance with strict environmental criteria in accordance with the principles undertaken in its environmental policy, which includes the principle of precaution. [G4-14]

The main objective of Red Eléctrica regarding the environment is to make their facilities compatible with

the environment in which they are located, paying particular attention to the protection and conservation of biodiversity

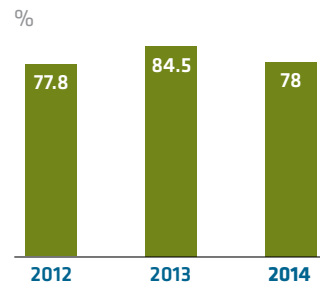
Furthermore, as a company with a direct relationship with the energy sector, Red Eléctrica has decided to take on a specific commitment towards the fight against climate change and to promote energy efficiency.

## MANAGEMENT SYSTEM

RED ELÉCTRICA has a certified environmental management system in accordance with ISO 14001 and which has been registered under the Community Eco-management and Audit Scheme (EMAS) since October 2001.

In order to continuously improve its environmental performance and processes, Red Eléctrica annually defines an environmental programme that sets out the various objectives derived from the strategies of the Company and that establishes specific courses of action.

### FULFILMENT OF THE ENVIRONMENTAL PROGRAMME



## ORGANISATIONAL STRUCTURE

THE COMMITMENT of Red Eléctrica to the environment stems from senior management, which establishes the environmental policy and implements the means for the fulfilment of the environmental requirements. The Chairman, who has maximum

responsibility regarding the environment, has designated the role of the specific representative of the environmental management system to the General Manager for Transmission.

The engagement of all organisational units and the

commitment of all those working in the Company are key to the development of this system. To provide technical support, there is a specific environmental department that has 35 experts located at the head offices and in the areas where the facilities are located.

RED ELÉCTRICA HAS A CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM in accordance with ISO 14001 and which is registered under the Community Eco-management and Audit Scheme (EMAS)

## ENVIRONMENTAL EXPENDITURE

RED ELÉCTRICA devotes important financial resources to the environment. In 2014, a total of 22.4 million euros was earmarked for environmental management. Of this, 2.6 million corresponded to activities associated with the implementation of new projects: environmental impact studies, preventive and corrective measures,

works supervision and environmental improvement measures (investment). The remaining 19.8 million was allocated to environmental expenditure associated with facilities maintenance, biodiversity protection and conservation projects related to climate change and energy efficiency, communication, training activities and other expenses.

### ENVIRONMENTAL EXPENDITURE

Millions of euros



## THE SUPPLY CHAIN

RED ELÉCTRICA considers its suppliers as an essential link in the execution of their activities and, therefore, its commitment to the environment extends to each and every one of them. In this regard, suppliers have been identified who are considered to have the greatest environmental impact. These are service providers that can generate a direct impact on the environment (construction activities, forestry works (felling, cutting back vegetation) and the maintenance of

equipment in substations) and those that provide equipment whose manufacturing process is intensive in the use of natural resources.

Red Eléctrica requires all these suppliers to have a documented Management System or one that is certified by a third party. In addition, it is important to note that environmental requirements to be fulfilled (in terms of training and the carrying out of works) are included in the contractual documentation for the undertaking of contracted activities. In this regard, for construction activities (likely to generate an environmental impact), there is a process of environmental work certification, linked

to the fulfilment of environmental requirements, that conditions a part of the payment for the work. This process involves a thorough monitoring of the activities performed to verify compliance with all requirements.

Given that the monitoring of works is primarily carried out by external supervisors, in 2013 a system of personal accreditation of these supervisors was launched which ensures they have the training and knowledge necessary to perform said task in accordance with Red Eléctrica's criteria.

On the other hand, since 2011 work has been carried out on the calculation of the water and carbon footprint of Red Eléctrica's suppliers.

## INTEGRATION OF FACILITIES INTO THE ENVIRONMENT

THE MAIN environmental impacts of Red Eléctrica's activities are those linked to the area an countryside where electricity lines pass through. To minimise these effects, it is essential that a detailed study is performed on the area and work is carried out to reach consensus on the location of substations and the routes chosen for the lines.

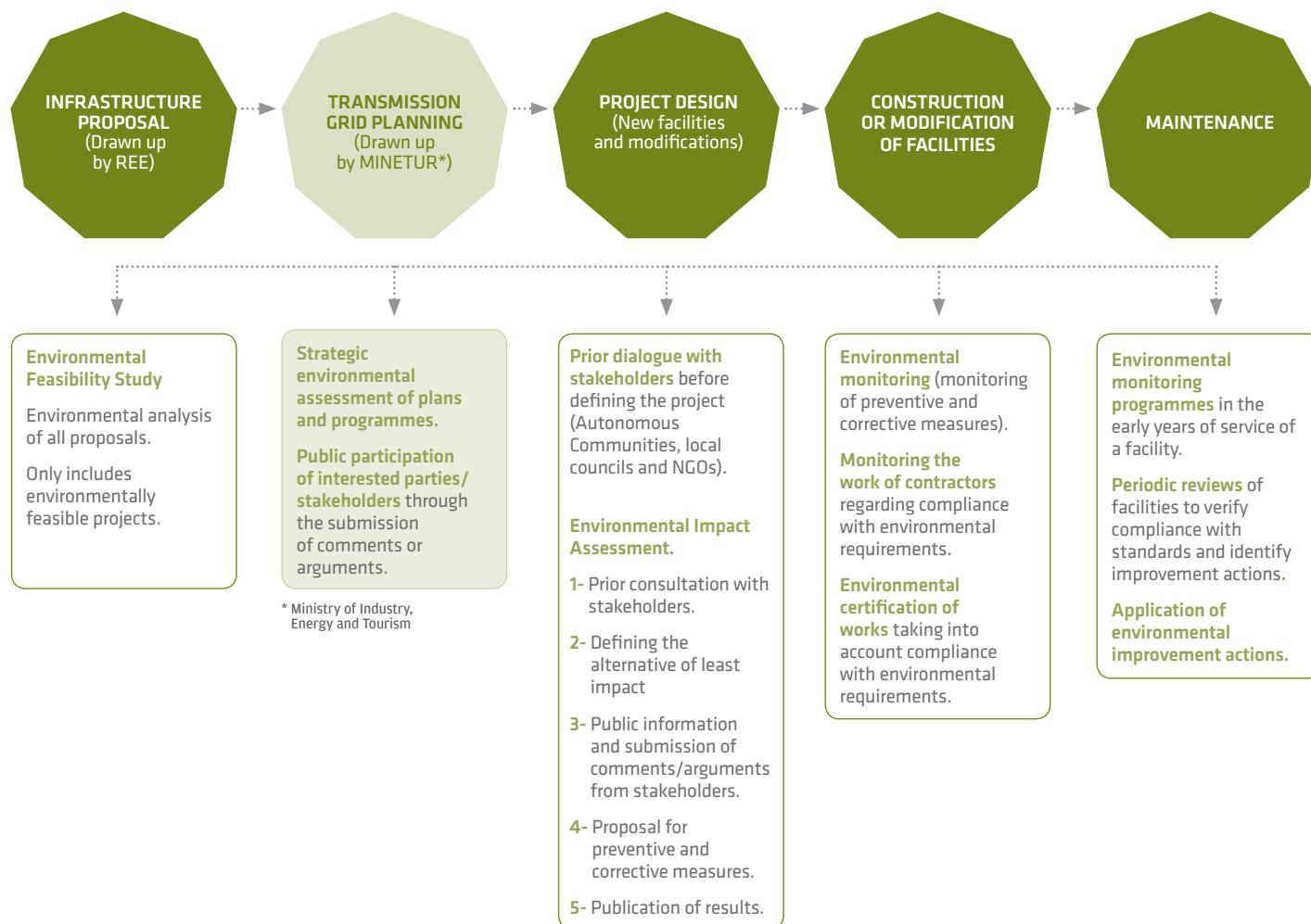
Furthermore, defining appropriate preventive and corrective measures is fundamental in order to avoid or reduce undesirable impacts on the area and on local communities.

The monitoring of construction and maintenance works, through environmental monitoring programmes, ensures the implementation of the measures defined and evaluates their effectiveness, defining new actions if necessary. Coordination with local governments and other stakeholder groups is ongoing and is key throughout this process.

The best tool for developing this process is the Environmental Impact Assessment procedure. Most of the projects carried out by Red Eléctrica de España are bound by law to carry out this procedure. When the law does not require any regulated procedure, Red Eléctrica performs an assessment of an environmental nature by which preventive and corrective measures are defined and applied, and voluntary communication with the competent authority is established.

THE MAJORITY OF PROJECTS undergo an environmental assessment to define the appropriate preventive and corrective measures

DEVELOPMENT AND IMPLEMENTATION PHASES FOR TRANSMISSION GRID INFRASTRUCTURE [G4-S01]



**FACILITIES AND BIODIVERSITY**

**ONE OF THE ASPECTS** relevant to the integration of facilities into the environment is related to biodiversity. Hence Red Eléctrica, in addition to minimising the effects derived from its actions, has undertaken a special commitment to biodiver-

sity conservation. Because of its importance, the strategy and the many actions undertaken by the Company in this area are dealt with in detail within this chapter of the report.

## MINIMISATION OF SOCIO-ECONOMIC IMPACTS [G4-S02]

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

Of all the infrastructures constructed and managed by Red Eléctrica, lines and substations, only the latter represent a total and irreversible occupation of land, since it is not possible to make their presence compatible with other uses. Regarding the occupation of land resulting from the construction of a line, this is limited to the placement of the feet of the towers and access paths necessary for new

stretches of line. In relation to the land surface with overhead electricity lines, this surface is subject to a right of way easement during the useful life of the infrastructure. Nonetheless, farming and livestock activities are compatible with the lines, allowing all kinds of agricultural crops to be grown under them and the free movement of the machinery necessary for its management.

Although current legislation allows Red Eléctrica to expropriate both the surface to be acquired as well as that in which it needs to establish easements, the Company's policy is to obtain the maximum number of amicable agreements with the owners by agreeing on financial compensation that cover the economic

losses that the installation of a transmission line and its corresponding right of way easement represent. At present, the percentage of amicable agreements is 94%.

The social aspects are taken into account in the design phase when determining the corridors for lines and the locations for substations; this analysis is integrated into the environmental impact study. The main factors to consider are:

- >> Use of grounds not compatible with the facilities.
- >> Tourist and cultural resources, and the landscape.
- >> Areas of high agricultural yields and agroforestry.

Once the corridor of a line is defined, all the necessary preventive and corrective measures are carried out in order to ensure the impacts on the land and the activities carried out on the land are kept to a minimum.

These measures are similar to those used for the protection of habitats and vegetation. Noteworthy amongst these are the location of towers and adequate work techniques to minimise impacts on crops and carrying out restoration work on the land and the elements affected by the works (paths, walls etc.). Sometimes improvement measures requested by the affected parties are added, which often involve the opening of forest tracks and paths and the making good of access routes.

## BLENDING FACILITIES INTO THE LANDSCAPE

**TO REDUCE** the visual impact of its facilities, Red Eléctrica implements diverse measures to blend them into the landscape, among which the following are noteworthy:

- >> Restoration of areas affected by construction or maintenance, adapting slopes and worksites, and sowing seeds and planting vegetation.
- >> Creating vegetative barriers and gardens in substations.

Blending substation buildings into the landscape. In accordance with the criteria of the European Landscape Convention, Red Eléctrica has defined thirteen different models depending on the environment in which the facility is located.

**IN ACCORDANCE WITH THE EUROPEAN LANDSCAPE AGREEMENT, Red Eléctrica has defined 13 models for blending substation buildings into the landscape**

## PROTECTION OF ARCHAEOLOGICAL AND ETHNOLOGICAL HERITAGE

THE PROTECTION of archaeological and ethnological heritage is an important aspect in the design and construction of facilities. In 2014, the Arqueored project was launched, which aims to provide digital mapping of information regarding catalogued heritage sites that can be consulted prior to the planning of works. Being fully aware of the situation in advance, enables potential effects to be avoided and or prior measures can be taken if needed in each case. The project requires close collaboration with the competent authorities and will run throughout 2015 and 2016.

Furthermore, before performing any earthworks, an archaeological survey is carried out whose intensity and scope are based on the probability of any material of interest in the area. The results of this survey determine the need for the ongoing presence of an archaeologist during works. In 2014, archaeological supervision was carried out in the construction of 12 lines and 5 substations, with a permanent presence of an archaeologist in 70% of the cases.

Red Eléctrica also collaborates with the Public Administration in heritage conservation. In 2014, collaboration was carried out on the archaeological assessment of megalithic monuments of Eskatxabel I (Galdames) and Kanpazaulo (Gueñes).

**IN ORDER TO PROTECT ARCHAEOLOGICAL HERITAGE Red Eléctrica has launched the 'Arqueored' project which aims to provide digital mapping of information regarding catalogued heritage sites**



**More information** regarding Heritage and Culture in the 'Map of projects' subsection of the 'Sustainability' section of the corporate website.

## ARCHAEOLOGICAL WORKS DERIVED FROM THE CONSTRUCTION OF THE NEW 132 KV TORRENT SUBSTATION IN SANTA EULÀRIA DES RIU (IBIZA)



Following the completion of prior surveys on the foundation of the Torrent electricity substation evidence of archaeological remains were found. The excavations confirmed the existence of a vast necropolis of the Byzantine period (VI -VII centuries) consisting of 18 tombs. In addition, a living and working area of about 1,500 m<sup>2</sup> was found, confirmed by the presence of various walls and roads of a rural settlement of the late Punic period (II-I centuries BC).

The Torrent substation is a facility of general interest, vital to the security of the electricity supply in Ibiza and point of interconnection with Majorca. According to the Energy Sector Roadmap for the Balearic Islands, there are no alternatives to the siting of this substation, making it impossible to change the route to relocate the project.

Red Eléctrica has had to make an effort to redesign the substation (the initial planned siting occupied over 90% of the plot) and also the associated lines to minimise the impact on

the archaeological value of the remains found, ensuring no overall effect on the new archaeological site. It has also undertaken the extraction, relocation and relocating of burial structures as their location in the centre of the plot meant that it was not possible to preserve them in situ. Red Eléctrica has allocated more than 700,000 euros to the archaeological works, as well as the preservation of the remains and the closing off of the archaeological reserve area.



## ELECTRIC AND MAGNETIC FIELDS (EMFS)

**THANKS TO** the preventive measures applied in the design of facilities, the levels of electric and magnetic fields (EMFs) stay below those recommended by the Council of the European Union.

The Official Journal of the European Communities 1999/519/EC: limits exposure values for the general public in sites where they may remain for a period time at 5kV/m for electric fields and 100µT for

magnetic fields. The most important measures are the following:

- >> Construction of double circuits and transposition of phases in lines.
- >> Increasing the height of towers, thus increasing the safety distances.
- >> Establishing the minimum distance of electricity lines from population nuclei and isolated houses.

In order to verify that the facilities are below exposure limits, between 2004 and 2006 Red Eléctrica carried out an exhaustive measurement plan for

EMFs. From that moment, thanks to the great development of calculating tools, in situ measurement plans are no longer necessary as given the parameters of the lines it is possible to precisely calculate the maximum levels of EMFs that such facilities can generate. Only in the case these parameters are not available would in situ measurements be needed.

This is the case of some facilities acquired by the Company in 2010 in the island systems, for which it has established an action plan which will begin in 2015.

In addition, Red Eléctrica performs some measurements at the request of interested parties. In 2014, five lines were measured, with results in all cases being below those values recommended by the European Union. During 2014, there were no incidents resulting from non-compliance in this area. [G4 - PR2]

On the other hand, Red Eléctrica attaches great importance to remaining abreast of all the new developments in this area; it also participates in various working groups and actively supports research projects on this topic.

Therefore, the Company subscribes to an international information service (ELF Gateway, which keeps its clients informed via email, almost on a daily basis, on the most recent developments regarding EMF that occur at a world-wide level and the Company maintains close contact with different entities and associations in this field.

In order to reflect advances in the scientific community, the latest declarations from international organisations in the field of EMFs and to incorporate information on new electricity tech-

**THANKS TO THE PREVENTIVE MEASURES** applied in the design of facilities, the levels of electric and magnetic fields stay below those recommended by the Council of the European Union

nologies, Red Eléctrica is working on updating the publication called '*Electric and magnetic fields 50 HZ. Analysis of the current state of knowledge*', which is available on the corporate website.



**More information** regarding Electromagnetic fields in the 'Environmental' subsection of the 'Sustainability' section of the corporate website.



## BIODIVERSITY

**THE COMMITMENT** of Red Eléctrica to biodiversity has always been a key principle of its environmental policy and specifically it becomes evident in its biodiversity strategy and in a specific action plan covering all the Company's activities.

In 2014, a new biodiversity strategy was updated and signed and a new action plan was drafted to be undertaken as of 2015 (currently under approval) which gives continuity to the 2010-2014 action plan.

Red Eléctrica is part of the Spanish Business and Biodiversity Initiative (IEBB) promoted by the Ministry of Agriculture, Food and Environment.

### CORNERSTONES OF THE BIODIVERSITY STRATEGY



**Foster a communication** and collaboration framework with stakeholders, increasing the visibility of the Company's commitment to biodiversity conservation.



**Establish mechanisms** to ensure the protection and conservation of environmental values in the Company's activities, especially in sensitive natural environments.



**Integrate conservation** and the sustainable use of biodiversity in the development of the transmission grid.



**Contribute and promote** the development of applied research projects aimed at blending the transmission grid into the environment.

### MAIN HIGHLIGHTS OF THE ACTION PLAN 2010-2014

#### Direct actions regarding biodiversity:

- >> Development of the Mapping of flight paths project to identify the routes and flyways of birds that interact with transmission lines.
- >> Monitoring of the interaction of birds with the lines: methodology and protocols for the collection and analysis of data from bird collision accidents with transmission lines.
- >> Improved knowledge of natural protected areas and species of interest: development of the project Territorial Observatory/Updating of existing mapping.

#### Collaborative actions with the competent entities in biodiversity:

- >> Framework agreements for the protection of biodiversity
- >> Specific agreements related to specific projects and activities.
- >> Collaboration agreements for the prevention of forest fires (11 agreements).
- >> Agreements for the reforestation of degraded areas (REE Forest).
- >> Number of Autonomous Communities with collaboration agreements: 14

### AWARDS



European Environment Award for Business 2014 (EBAE) in the special category Business and Biodiversity, for the project "Birds and Power Lines: mapping of bird flight paths".



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



**More information** in the 'Environmental' subsection of the 'Sustainability' section of the corporate website

## MAIN PROPOSALS OF THE ACTION PLAN 2015-2020

### Direct actions regarding biodiversity:

- >> Drawing up bird collision risk maps
- >> Definition and development of the multiyear plan for the marking of electricity lines with bird-saving devices.
- >> Evaluation of the effectiveness of blade or rotating-ball bird-saving devices.
- >> Habitat Project (2015-2017). Obtaining up-to-date geo-referenced information regarding the natural habitats of community interest; in addition to their conservation status with regard to the sphere of influence of Red Eléctrica's facilities.

### Collaborative actions with the competent entities in biodiversity:

- >> Continuity regarding collaboration with the Autonomous Communities.
- >> Continuity of agreements for the reforestation of degraded areas (REE Forest).
- >> Signing of agreements for the prevention of forest fires nationwide.

## ELECTRICITY GRIDS AND BIODIVERSITY

**THE AIM** of the electricity transmission grid is to link the points of energy generation with those of consumption. Therefore, Red Eléctrica's facilities are located nationwide.

The priority criteria for the siting of new facilities is to avoid areas rich in biodiversity. This criteria is taken into account in the planning phase of the transmission grid and

continues in the definition phase of each project. However, in some cases it is inevitable that infrastructures cross or are located in protected areas or areas with species of interest as many spaces are protected in Spain (approximately 25% of the surface area is protected).

On these occasions, Red Eléctrica implements all the necessary preventive and corrective measures to minimise such effects on spaces and species and it even establishes environmental improvement actions to improve biodiversity in those areas where its facilities are located.

**ALL PROJECTS FOR NEW FACILITIES** undergo an environmental assessment and work is carried out in consensus with all stakeholders so that facilities have minimal impact on the area

## RED NATURA

In 2014, 335 km of line was brought into service, of which 9.6% is located in Red Natura spaces (this high percentage is related to the commissioning of the Spain-Portugal interconnection via

Extremadura, which was impossible to construct without crossing *Red Natura* spaces).

Of all existing infrastructures, only 15.1% of the lines and

6.2% of substations are in protected areas (*Red Natura*). Currently, Red Eléctrica's facilities occupy only 0.09% of *Red Natura* in Spain.



**More information** in the 'Habitats and species' subsection of the 'Sustainability' section of the corporate website.

## THE PROTECTION OF HABITATS AND SPECIES

**IN WORKS** for the construction of lines or the modification of facilities, the main effects to be avoided are the alteration of the habitat of certain species of fauna and flora, and also the impact on vegetation due to the opening up of safety corridors, necessary to prevent fires in the operation of the line. **[G4- EN12]**

Preventive and corrective measures implemented include the following:

>> Detailed field studies on specific issues.

>> Introduction of some modifications in the design of facilities to minimise its effect on flora: compacting or increasing the height of towers, the relocation of towers, modification to access roads etc.

>> Signage and protection of habitats and species of ecological value to avoid them being damaged in the course of the work.

>> Using specific techniques to raise towers and hang conductors that minimise the need to open access roads and work sites: hoisting with a boom crane or helicopter and hanging lines by helicopter or by hand.

>> Biological stoppages (halting all works in the identified periods to reduce effects on fauna).

>> Recovery of affected areas: restoration of slopes, sowing of seed and the planting of trees.

>> Accompanying measures for improving biodiversity in affected areas.

>> RDI projects for improving the recovery of areas affected by the activities.

**IN 2014, DRONES WERE USED** for the first time for hanging cables between two towers on two sections of line. This technology improves the safety of personnel and is a major fuel saving when compared to the use of a helicopter

### MAIN ACTIVITIES FOR THE PROTECTION OF HABITATS AND SPECIES 2014

>> Hoisting towers and hanging line by helicopter in the construction of a total of 28 km of line.

>> Using a drone, for the first time for hanging cables between two towers on two sections of line. This technology improves the safety of personnel and is a major fuel saving

when compared to the use of a helicopter

>> Restoration of areas with the use of strawberry trees (90), cherry (20), oak (65), apple (12), willow (36), fig (25), holly (50) and chestnut (25).

>> Development of the research project "Experimental technique for the

recovery of oceanic Posidonia meadows" (2013-2016), whose objective is to develop a technique to implant seeds germinated in the laboratory in areas that have been affected by the laying of submarine electricity cables. In 2014, fragments were grown in an aquarium which will be planted in 2015.

>> Biological stoppages of all work on line:

>> Penagos-Gueñes line: stoppages for various periods from February to September in 13 towers.

>> Mérida-San Serván line: stoppages during the period March to July in 9 towers.

>> Brovales- Guillena line: stoppages for various periods from January to August in 17 towers.

>> Boimente-Pesoz line: stoppages for various periods from April to September in 3 towers.

## BIRDLIFE PROTECTION

**THE MAIN** effect on fauna by Red Eléctrica's facilities is the risk of birds colliding with grounding cables that protect the lines from electrical discharges during storms. The main measure to reduce that risk is marking the grounding cables

with devices that increase their visibility. [G4- EN12]

In 2014, 191 km of line was marked and work has continued on the project: 'Birds and Power Lines: mapping of bird flight paths'. Red Eléctrica was awarded the European Environment Award for

Business 2014 (EBAE) for this project in the special category Business and Biodiversity.

Furthermore, it has begun to implement a specific methodology to assess the effectiveness of the measures put in place to reduce bird collisions: methodol-

ogy and protocol for the collection and analysis of data from bird collision accidents with electricity transmission lines.

The method is applicable to both new installations (assessments in the context of environmental monitoring programmes),

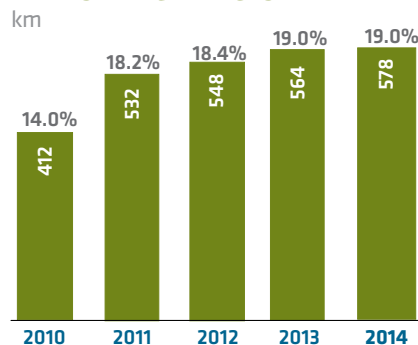
as in sections or specific points of existing lines. It is also valid for comparisons between different types of devices, such as the new blade-type model bird-saving device in comparison to the traditional spiral model.

RED ELÉCTRICA HAS WON THE EUROPEAN ENVIRONMENT AWARD 2014 for Business, in the category Business and Biodiversity for its project "Birds and Power Lines: mapping of bird flight paths"



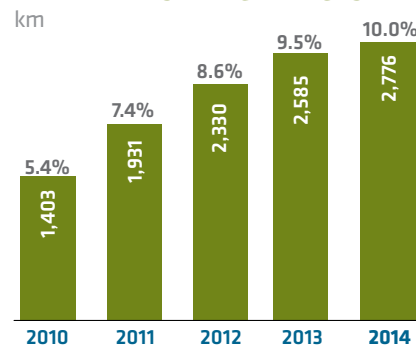
**More information** regarding this distinguished project in the 'Noteworthy projects' subsection of the 'Sustainability' section of the corporate website.

### MARKING OF LINES IN SPAS WITH BIRD-SAVING DEVICES



Note: There are SPAs that protect species not susceptible to collisions, and there are areas with sensitive species that are not classified as SPAs therefore, these values are currently calculated by identifying SPAs as areas of risk, although they may not always coincide.

### MARKING OF LINES WITH BIRD-SAVING DEVICES



## PROJECT 2010-2014

### Identification, characterisation and mapping flight paths of birds that interact with high voltage transmission lines.

The design and implementation of a tool based on the use of geographic information systems (GIS) that integrates data regarding bird flight paths. In a first phase, this information allows the design of sensitivity maps, drawn up from the information related to those species

that are more prone to collisions. By introducing other environmental and territorial factors into the model, collision risk maps are also obtained. These maps are needed to prioritise corrective actions on existing lines and establish line marking plans. The ultimate goal

of the project is to define and develop line marking plans for all Autonomous Communities.

**Project Status:** Complete information of 14 Autonomous Communities. Risk maps developed for both the Balearic and Canary Islands.

## FIRE PREVENTION

**THE CRITERIA** relative to Red Eléctrica's course of action regarding the fighting of forest fires is formally set out in an internal forestry management document, which this year incorporates new criteria and milestones to be achieved in this area.

To minimise the risk of fire associated with the presence of transmission lines, strict compliance with the safety distances between flora and the facilities is critical. The main activities carried out by Red Eléctrica are:

- >> Implementation of best practices in the design and maintenance of safety corridors.
- >> Active collaboration with the public administrations involved in forestry management.

- >> Predictive maintenance: annual review of all facilities.
- >> Preventive maintenance: periodic forestry works.
- >> Good practices in the opening up and maintenance of access roads: respect for shrub land and species of low-growing trees, minimisation of activities on protected species and the re-vegetation of degraded areas.
- >> Elimination of the use of chemical methods for treating the safety corridors.

These actions result in the number of fires involving Red Eléctrica's facilities being very low. During 2014, there was only one small

**TO REDUCE AS FAR AS POSSIBLE THE RISK OF FIRE associated with the presence of transmission lines, strict compliance with the safety distances between flora and facilities is critical**

outbreak of fire which was without consequence.

Noteworthy in 2014, the carrying out of the tests corresponding to the RDI project, 'Monitoring system for forest fires caused by lines' (2013-2014), whose objective is the development of an autonomous detection system of forest fires in the vicinity of overhead high voltage electricity lines.

## COLLABORATION AGREEMENTS FOR THE PREVENTION AND FIGHTING OF FOREST FIRES

Since 2007, Red Eléctrica has aimed to sign agreements with the different competent administrations regarding forestry management through which, in addition to addressing issues related to the management of safety corridors which electricity lines run through, other commitments to fight fires are set out. In total eleven agreements have been signed, one of them in 2014. The total budget associated with existing agreements is 1.1 million euros.

- Main activities carried out under said agreements in 2014:
- >> Testing of new solutions for the prevention and fighting of fires: placement of cameras to detect forest fires, self-charging compactor for the management of forestry remains, retardant products to stop the spread of fire, biomass control system through controlled grazing.
  - >> Creation of a fire-break in the Balearic Islands.

- >> Improvement of forest fire-breaks and the refurbishment of access routes.
- >> Supply of personal protective equipment for forest fire-fighting volunteers.
- >> Raising awareness: public awareness sessions on forest fires in Castilla La Mancha (with 1,000 participants), the public awareness campaign on the island of Tenerife (20 sessions with a total of 1,500 participants) and the development of a manual for the prevention of fires.



**More information** regarding fire prevention in the 'Environment' subsection of the 'Sustainability' section of the corporate website.

## CONTRIBUTION TO BIODIVERSITY CONSERVATION [G4-EN13]

RED ELÉCTRICA actively contributes to the conservation of biodiversity in Spain spearheading or participating in various projects and conducting dissemination activities and environmental training. During the period of the last Biodiversity Action Plan (2011-2014) we signed agreements and developed projects in 14 Autonomous Communities.

Most of the projects are aimed at the conservation of endangered bird species, although it also works with other species, for example by installing bat roosting boxes in towers.

In addition, the projects aimed at restoring degraded habitats are relevant, of note are: the REE Forest and the Recovery of the Ses Salines dunes (Formentera). Under the framework of the latter project numerous actions

were carried out and Red Eléctrica is committed to following up on the monitoring of the restored area for a period of ten years, which includes the review and replacement of elements that have been damaged and the assessment of the degree of evolution of the beach-dune system.

## CONSERVATION PROJECTS IN CONNECTION WITH ENDANGERED SPECIES [G4-EN14]

>> Monitoring and analysis of the factors driving the increase in population of the Egyptian Vulture (*Neophron percnopterus*) in Catalonia <sup>(1) (3)</sup>

>> Programme for the reintroduction of the Black Vulture (*Aegypius monachus*) in Catalonia. <sup>(2) (3)</sup>

>> Platforms for the Osprey (*Pandion haliaetus*) in Andalusia. <sup>(3)</sup>

>> Reintroduction of the Bonelli's Eagle (*Hieraetus fasciatus*) in Majorca. <sup>(3)</sup>

>> Recovery of the Bonelli's Eagle in Aragón (*Hieraetus fasciatus*) <sup>(3)</sup>

>> Conservation of the Shrike (*Lanius minor*) in Spain. <sup>(4)</sup>

<sup>(1)</sup> Endangered species according to the IUCN Red List.

<sup>(2)</sup> Near threatened species according to the IUCN Red List.

<sup>(3)</sup> Vulnerable species according to the national catalogue of endangered species.

<sup>(4)</sup> Endangered species according to the national catalogue of endangered species.

## RED ELÉCTRICA'S FOREST

Started in 2009 and ongoing, this project is twofold: to offset emissions from Red Eléctrica by planting trees and the recovery of degraded natural areas, thus contributing to the conservation of biodiversity. This

initiative also seeks to contribute to the development of local economies by contracting work to companies or groups in the area, and also involve the local population through environmental education activities

and reforestation with volunteers. The project is undertaken on public land in different areas of Spain.

In 2014 the following works were carried out:

### >> Zamora Forest

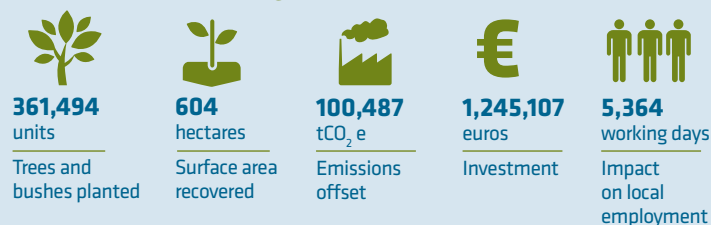
Work was carried out for the preparation of the land and the planting of 51 ha of pine began (*Pinus sylvestris*) in public highlands in the municipality of Puebla de Sanabria (Zamora). The area is included in the Sierra de la Culebra SCI (Site of Community Interest).

### >> Majorca Forest

Recovery of 36 ha of burned lands in the Sa Duaia public commonland (Artá municipality) included in the Muntanyes d'Artá SCI. 11,520 species were planted including Pines (*Pinus halepensis*), Holm Oak (*Quercus ilex*) and Olive (*Olea europea* var. *Sylvestris*). The restored area will have a hiking route indicated with a plaque stating, "Walk in the Red Eléctrica's Forest".



### The Red Eléctrica's Forest Figures 2009-2014





## CLIMATE CHANGE

RED ELÉCTRICA as transmission agent and operator of the electricity system is a key player in the progress towards a more sustainable energy model: the development of transmission infrastructure and the implementation of solutions for system operation aimed at integrating renewable energy represent major opportunities in sustainability and at the same time, are essential to the achievement of the European climate targets. [G4 - EC2]

Red Eléctrica is not subject to regulations requiring reporting and the reduction (or possibly offsetting) of emissions associated with their activities, but as it is a company related to energy, in 2011 it decided to formalise its commitment to climate change by approving a specific strategy, which was reviewed and approved by the Chairman in May 2014.

The strategy to combat climate change is associated with an action plan covering not only actions related to the activity as transmission agent and operator of the electricity system, but also actions related to reducing its carbon footprint. This plan

RED ELÉCTRICA'S STRATEGY TO COMBAT CLIMATE CHANGE is associated with an action plan with actions related to the Company's activity as TSO and to the reduction of the carbon footprint. This plan was revised in 2014 and is set to be approved in 2015

was revised in 2014 and is scheduled for approval in 2015.

The activities as transmission agent and operator of the system are described in the Sustainable Energy chapter of this report.

### CORNERSTONES OF THE CLIMATE CHANGE STRATEGY



**Integration** of renewable energies.



**Backing for** energy efficiency at all levels.



**Protection** of forested areas. Fire prevention and promoting reforestation projects.



**Reduction** of Greenhouse Gas emissions.



**Development** of climate change adaptation projects.



**Extending the** commitment to stakeholders, mainly suppliers.

### MEMBER OF THE SPANISH GREEN GROWTH GROUP

In 2014, the Chairman of Red Eléctrica signed the Pact for adhesion to the Spanish Green Growth Group. The signatory companies recognise the importance of considering the risks and opportunities linked to with climate change as part of their business strategy, evaluate their own carbon footprint, set targets to reduce emissions and publicly report on their achievements.



### PRESENT IN THE CARBON DISCLOSURE PROJECT (CDP) RANKING

Since 2011, Red Eléctrica has annually taken part in the CDP ranking (index of outstanding global companies on climate change) and discloses its responses to society. The Company has established,

as an objective, the progressive improvement of its score. In 2014, (corresponding to the 2013 fiscal year) the Company achieved a score of 83 B (vs. 71 C the previous year).



**More information** in the 'Energy and Climate Change' subsection of the 'Sustainability' section of the corporate website.

## EMISSIONS

RED ELÉCTRICA drafts its emissions inventory based on the methodology of the GHG Protocol. Since 2011, the Company has been working on expanding

the inventory and improving the calculation methodology. In 2014, the inventory data of 2013 was submitted to independent review in accordance with ISAE 3410.

### Control of SF<sub>6</sub> emissions

THE MAIN direct emissions derived from Red Eléctrica's activities are those of sulphur hexafluoride (SF<sub>6</sub>). This gas, in spite of its high potential for global warming, provides huge technical advantages. It is a non-toxic gas that allows a huge reduction in the distances to be maintained between the various elements of facilities making it possible to reduce the size of the installation and therefore better blend it into the landscape. The emissions of this gas are associated to small leaks

from equipment, leakages due to handling the gas and those one-off accidents that may occur.

Red Eléctrica works in collaboration with the government and other entities in the search for solutions aimed at controlling and reducing these emissions. The main measures are associated with the implementation of best practices in equipment maintenance and management of the gas. The following actions are noteworthy:

### MANAGEMENT OF SF<sub>6</sub>

	2012	2013	2014	OBJECTIVE 2015	OBJECTIVE 2020
SF <sub>6</sub> installed (kg) <sup>(1)</sup>	280,017	297,694	324,696		
Emissions from equipment in service (kg) <sup>(2)</sup>	3,039	3,156	3,412		
Average emission rate of equipment in service (%) <sup>(3)</sup>	1.08	1.06	1.05	1	0.8
Emissions derived from accidents (kg)	31	11	141		
Total emissions (kg)	3,070	3,167	3,553		

(1) The growth in installed gas is due to the putting into service of new facilities and the replacement of old equipment for SF<sub>6</sub> insulated equipment.

(2) The savings derived from reduction measures implemented are not reflected in this inventory due to the fact that the calculation is based on the allocation of different emission factors depending on the age of the equipment installed (these factors are reflected in the Voluntary Agreement signed in 2008 by the parties involved).

(3) Variations with respect to the 2012 and 2013 data published in the 2013 report are derived from the corrections made after the independent GHG inventory review process in 2014.

>> Improved procedures for the control and identification of leaks, an inventory and SF<sub>6</sub> gas management.

be avoided and with the planned replacement for 2015/2020 the forecasted savings in emissions will be over 1,500 tCO<sub>2</sub>e during that period.

ment of this gas (Red Eléctrica has two legally recognised training centres offering classroom lectures and a workshop for hands-on training).

>> Replacing old equipment for equipment with lower leakage rates (2015-2020). Thanks to the equipment replaced in 2014, it is estimated that annually around 337 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) of emissions can

>> Incorporation of the most efficient equipment for leak detection, and the management and measurement of SF<sub>6</sub>.

>> RDI projects related to the improvement in the management of this gas (Programme in collaboration with the Electric Power Research Institute) (2015-2020).

>> Training of personnel involved in the manage-

### OBJECTIVE 2020

Reduction of 1,500 tCO<sub>2</sub>e by replacing old equipment with new equipment with lower leakage rates.

RED ELÉCTRICA DRAFTS ITS EMISSIONS INVENTORY based on the GHG Protocol methodology. In 2014, the inventory was submitted to independent review in accordance with ISAE 3410.



## ENERGY EFFICIENCY

**AS A KEY COMPANY** within the electricity system, Red Eléctrica considers relevant the efforts geared towards efficiency and electricity savings due to the enormous benefits they represent in economic, social and environmental terms.

Red Eléctrica works in this field from two converging perspectives. As electricity system operator, the first is focused on the implementation of various demand-side management measures aimed at promoting energy efficiency within the electricity system, mainly through research projects related to smart grids and electric mobility. The information detailed regarding these

actions is detailed in the Sustainable Energy chapter of this report.

The second is aimed at promoting internal energy efficiency of the Company and reducing its carbon footprint. To do this, Red Eléctrica works in three main areas: reducing electricity consumption, efficient mobility awareness raising actions.

### MAIN HIGHLIGHTS 2014

- >> 3.8% reduction in electricity consumption of the head office since 2012, thanks to the increase of efficiency measures envisaged in the 2012-2019 plan, as set out in the ISO 50001 Energy Management System Certification for the head office.
- >> Implementation of efficiency measures in 10 work centres. In late 2014, of the 64 buildings owned by Red Eléctrica, 6 have a B energy rating and 12 have C.
- >> 20% reduction in electricity consumption associated with the use of computers in the period 2012-2014. Specifically, the renewal of IT equipment (screens and PCs) in 2014 will mean an estimated annual saving in consumption of 27,880 kWh.
- >> Specific analysis on consumption in substations and the potential reductions whose conclusions were included in the Guide to Energy Efficiency in Red Eléctrica facilities.

## Reduction of electricity consumption

**THE MAIN** actions in this field are:

- >> Improved energy management of existing buildings and applying strict efficiency criteria in the construction of new buildings. The maximum rating the

Company selects for buildings is B, since A requires generating a certain quantity of renewable energy and Red Eléctrica, by law, cannot generate electricity.

- >> Reducing electricity consumption in substations by selecting more efficient equipment and components.

- >> Renewal of IT equipment and systems, with a target of reducing electricity consumption associated with this equipment of 60% during the period 2012-2020.

## THE 'RED ELÉCTRICA EFICIENTE' DISTINCTION



To raise the profile of Red Eléctrica's interest in improving efficiency and to engage employees and shareholders in its commitment, the Company has created an internal seal of recognition for efficiency (Red Eléctrica Eficiente), which distinguishes those projects that promote the efficient use

of natural resources. In 2014, the second edition of Red Eléctrica Eficiente took place.

On that occasion three distinctions were awarded to the following projects: Energy management equipment (monitoring and recording of electricity consumption, water and temperatures in work centres); Perfila

Project (creation of a panel of consumers with smart meters that allows a more accurate knowledge regarding residential electricity consumption) and CARS Project (development of a tool that allows the monitoring and reduction of fuel consumption of Red Eléctrica's fleet vehicles).

## EFFICIENT MOBILITY

### AMONG THE ACTIONS

carried out by Red Eléctrica in this area are those related to its fleet vehicles. In this regard it is noteworthy that 70.6% of Company vehicles (fleet and leasing) have an energy rating A or B.

In this regard, noteworthy is the CARs Project (safe responsible and agile driving), whose implementation will enable the monitoring and optimisation of fuel consumption thanks to the

tools to be implemented, such as calculating efficient routes and responsible driving, among others.

In addition to these and other measures already in place (such as videoconferencing, lighting [led] in available parking spaces, company shuttle bus to the head office), Red Eléctrica's Sustainable Mobility Plan was defined and approved by the Management Committee in December 2014.

THE 'CARs PROJECT' will allow the optimisation of fuel consumption thanks to the tools that will be implemented, such as the calculation of efficient routes and responsible driving

### 2020 OBJECTIVES REGARDING MOBILITY

- >> Reduction of 21% of the emissions associated with the use of fleet vehicles (base year 2010).
- >> Business related travel: savings as over 300 tCO<sub>2</sub>e per year is avoided.
- >> Commuting to and from work centres: over 200 tCO<sub>2</sub>e in savings.

### RED ELÉCTRICA'S SUSTAINABLE MOBILITY PLAN

Approved in December 2014, the Sustainable Mobility Plan is addressed from an environmental perspective (reducing emissions) and a social perspective (improving the quality of life of its employees). It includes a series of measures to improve mobility conditions for employees of Red Eléctrica and applies to business trips as well as the daily commute.

Four courses of action are carried out:

- >> Rationalise the use of private vehicles.
- >> Promote the use of efficient vehicles.
- >> Apply fuel saving measures.
- >> Awareness and training.

The implementation of the *Sustainable Mobility Plan* will have an associated saving in emissions.

## OFFSETTING EMISSIONS

**WITHIN THE** climate change action plan, we have set a goal to offset at least 20% of our direct emissions. In this regard, Red Eléctrica offsets its emissions primarily through the project: the Red Eléctrica's Forest described in the biodiversity section of this report.

It is estimated that the trees planted in 2014 as part of that project will offset 3,456 tCO<sub>2</sub> e throughout their lifetime, representing 4.16% of the direct emissions of this year.

For reasons beyond Red Eléctrica's control, work on the Zamora Forest has been

delayed, which is why the plan to offset 20% of direct emissions has not been achieved so far.

On the other hand, Red Eléctrica has offset, for the first time, part of the emissions corresponding to the commuting of employees to and from work, having acquired a total of 2,324 CER (Certified Emission Reductions on the basis of projects derived from the Clean Development Mechanism (CDM) under the Kyoto Protocol) that correspond to the emissions generated by all those workers who responded to the mobility survey relative to 2014. The project for offsetting emissions, Hydroelectric Generation in

Lam Dong Province (Vietnam) was chosen by these same employees.

In addition, Red Eléctrica annually calculates and offsets the emissions associated with the holding of its General Shareholders' Meeting. In 2014, 17 tCO<sub>2</sub> e was offset with the purchase and permanent retirement in the National Registry of Emission Allowances account of 17 CER, for the project: CECIC Changma HKC Gansu Wind Power Project.

## AWARENESS

**AWARENESS ACTIVITIES** for employees carried out this year have been mainly focused on the Sustainable City concept through posters, intranet communica-

tions, visits, competitions etc. Furthermore, in 2014 a specific campaign was developed for contractors working in Red Eléctrica's facilities.

## CARBON FOOTPRINT OF SUPPLIERS

RED ELÉCTRICA continues to work on the calculation of the carbon footprint associated with its value chain. The information, as in previous years, was collected through a dedicated portal. For those providers with more weight in our indirect emissions (in the sectors of construction and the

manufacturing of equipment) a detailed monitoring was carried out. The aim is that through collaboration with these suppliers, the calculation process will improve year on year and thus monitoring can be performed on the improvements that the aforementioned suppliers implement regarding emissions reduction, and in addition promote the development of said improvements.

**THE COMPANY ESTABLISHES TARGETS** for the offsetting of at least 20% of its direct emissions, offsetting that is achieved primarily through the Red Eléctrica's Forest project



**More information** regarding the Red Eléctrica's Forest in the 'Noteworthy projects' subsection of the 'Sustainability' section of the corporate website.

## WASTE AND DISCHARGES

### THE MOST RELEVANT

waste generated by Red Eléctrica is produced as a result of the following activities:

>> Standard tasks regarding preventive or corrective maintenance: revisions, changing of parts, oil renewal, etc.

>> Actions against accidents: containment measures used in the case of leaks or spillages and cleaning work may lead to a lot of associated waste.

>> Adaptation of facilities: renewal of obsolete switchgear, improvement in accident prevention systems, among others.

In recent years, the largest quantities of waste are associated with the activities for the adaptation of facilities, given that a major campaign is being undertaken to bring the assets acquired from other companies to Red Eléctrica's standardised criteria.

Given the nature of these activities, it is

very difficult to predict the evolution of the amount of waste and set targets for its reduction. Therefore, although minimisation criteria have been established, such as the regeneration of oil from transformers and reducing the danger of some products used, the main ways of working are aimed at improving segregation and final waste management

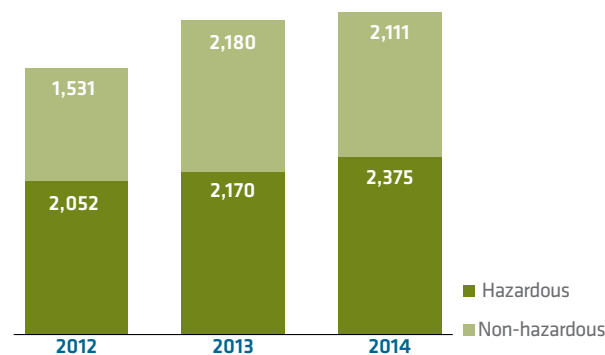
seeking the best options among our suppliers and promoting good practices through training and awareness.

The waste generated by construction activities is managed by contractors. For all works there is a Waste Management Plan which establishes the waste management to be carried out in each case, the criteria of minimisation and

reuse being of utmost importance (especially important for surpluses from excavation works). In addition, Red Eléctrica includes specific requirements for waste management in the contractual documentation of works and reviews compliance through the supervision works, visits and through the control of documentation.

### WASTE

(tonnes)



### Protection against leaks and spillages

**THE RISK** of spillages occurring that can cause the contamination of soil or water is mainly related to the presence and operation of equipment containing oil, with transformers being the most important example. To minimise

the consequences of a possible accident, these machines have containment systems appropriate for the volume of oil contained in the machine. The timely revision, maintenance and upgrading activity of these systems

is very important for the Company.

The adequate maintenance of equipment containing oil, the containment systems, the application of best practices in the work and

the suitable response to incidents make the number of spillages associated with our activities very low and the consequences thereof, when they occur, are usually minor.

## INDICATORS

## FUEL CONSUMPTION [G4-EN3]

(litres)

	2012	2013 <sup>(4)</sup>	2014
Diesel	498,388	475,792	408,277
Petrol	19,408	27	-
Total fuel <sup>(1)</sup>	517,796	475,818	408,277
Average consumption (l/100 km) <sup>(2)</sup>		10.5	9.6
Generator sets <sup>(3)</sup>	5,374	2,377	4,100

(1) Included fleet vehicles, cherry pickers and executive vehicles until 2013. The 2014 figure does not include executive vehicles (shared leasing). [G4-EN5]

(2) This ratio is an average based on the different types of vehicles. Data was recalculated in 2013 after the launch of a new control methodology for the km travelled.

(3) Corresponds to diesel refilled in the fuel tanks.

(4) Data corrected after the verification process of the 2013 carbon footprint.

## SUMMARY OF ENERGY CONSUMPTION [G4-EN3]

(Joules)<sup>(1)</sup>

	2012	2013	2014
Fuel consumption	1.93·10 <sup>13</sup>	1.77·10 <sup>13</sup>	1.52·10 <sup>13</sup>
Consumption of electricity	5.76·10 <sup>13</sup>	5.46·10 <sup>13</sup>	5.82·10 <sup>13</sup>

1 kWh = 36·10<sup>6</sup> joules; 1 l of diesel = 37·10<sup>6</sup> joules; 1 l of petrol = 34·10<sup>6</sup> joules; 1 l of gas oil = 37·10<sup>6</sup> joules

(1) Total consumption data in joules, according to the criteria defined by GRI G4.

## ENERGY CONSUMPTION [G4-EN3]

(kWh)

	2012	2013	2014
Head Offices (Moraleja+Albatros) <sup>(1)</sup>	8,788,140	8,566,662	8,399,121
Tres Cantos (1)	1,693,771	1,674,293	1,652,529
Non-peninsular systems <sup>(1)</sup>	1,408,343	689,674	1,304,592
Regional head offices	2,396,947	2,353,001	2,176,256
Regional work centres <sup>(2)</sup>	1,713,227	1,887,422	2,648,473
Total	16,000,428	15,171,052	16,180,971

(1) These are work centres with special characteristics due to the fact that electricity control centres are located there. These work 24 hours a day 7 days a week and have special energy consumption.

(2) These are work centres staffed primarily with maintenance personnel. In the period 2012-2013, only the regional head offices (7 offices) were included. In 2014, the consumption of 38 additional work centres has been included.

## INDIRECT ENERGY CONSUMPTION [G4-EN3]

Electricity

	2012	2013	2014
Transmission grid losses (MWh) <sup>(1)</sup>	2,947,000	3,115,000	3,187,000
Transmission grid losses (Joules)	1.06·10 <sup>16</sup>	1.12·10 <sup>16</sup>	1.15·10 <sup>16</sup>

(1) Losses in the electricity transmission grid are related to the location of generation points in relation to the consumption points (the greater the distance, the greater the losses), the amount of energy demanded during the year, the generation mix of the year (percentage of each generation technology in the total energy generated), international exchanges and the shape of the demand curve. Practically none of these factors are controllable by Red Eléctrica, making it very difficult to reduce them. However, Red Eléctrica works to identify and improve those factors it can have an influence on (see Sustainable Energy chapter).

During 2014, the value of losses in the transmission grid increased slightly over the previous year mainly due to the different distribution of generation in the Spanish peninsular system that, in general, is far away from the point of consumption. Especially noteworthy was the increase of generation with domestic coal.

## EXTERNAL ENERGY CONSUMPTION [G4-EN4]

Logistics

	2012	2013	2014
Fuel consumption (l)	291,914	251,654	239,120
Fuel consumption (Joules)	10.80·10 <sup>12</sup>	9.31·10 <sup>12</sup>	8.85·10 <sup>12</sup>

1 l of gas oil = 37·10<sup>6</sup> joules

## ENERGY INTENSITY [G4-EN5]

	2012	2013	2014
Average consumption of fleet vehicles (l/100km) <sup>(1)</sup>		10.51	9.6
Average consumption of vehicles for logistical use (external) (l/100km)	27.08	26.36	25.75
Electricity consumption per employee in head offices (kWh/employee)	7,569	7,642	6,725
Transmission grid losses (MWh/MWh transported) (%) <sup>(2)</sup>	1.170	1.265	1.320

(1) Average of different types of vehicles. The indicators have been recalculated for 2013 after the launch of a new control methodology for km travelled.

(2) The indicated percentage corresponds to the energy dissipated in losses with respect to total demand. Losses in the Electricity Transmission Grid are related to the location of generation points in relation to the consumption points (the greater the distance, the greater the losses), the amount of energy demanded during the year, the generation mix of the year (percentage of each generation technology in the total energy generated), international exchanges and the shape of the demand curve. Practically none of these factors are controllable by Red Eléctrica, making it very difficult to reduce them. However, Red Eléctrica works to identify and improve those factors it can have an influence on (see Sustainable Energy chapter). During 2014, the value of losses in the transmission grid increased slightly over the previous year mainly due to the different distribution of generation in the Spanish peninsular system that, in general, is far away from the point of consumption. Especially noteworthy was the increase of generation with domestic coal.

## REDUCTIONS IN ELECTRICITY CONSUMPTION <sup>(1)</sup> [G4-EN6]

	kWh	Joules
Reduction in the Head Office via the implementation of an energy management system <sup>(2)</sup>	299,593	1.07·10 <sup>12</sup>
	kWh/annually	Joules/annually
Reduction due to renewal of IT systems and PCs <sup>(3)</sup>	27,880	1.10·10 <sup>11</sup>

(1) Reductions resulting from the measures already taken or plans that are in place in 2014 have been included. No reductions associated with measures previously implemented in the Company are included.

(2) Reduction achieved in 2014 compared to 2012, the year in which the energy management system was launched (associated reduction measures implemented in 2012, 2013 and 2014).

(3) Expected reduction with the measures implemented in 2014.

## PRESENCE OF FACILITIES IN RED NATURA SPACES [G4-EN11]

	2012	2013	2014
<b>Peninsular system</b>			
Km of line in Red Natura / total km of line (%)	15.4	15.6	15.5
Number of substations in Red Natura / Total substations (%)	7.3	7.2	6.8
Surface area of facilities in Red Natura / Total surface in Red Natura on the Spanish Peninsula (%) <sup>(1)</sup>	0.12	0.12	0.10
<b>Non-peninsular system</b>			
Km of line in Red Natura / total km of line (%)	9.8	10.0	9.3
Number of substations in Red Natura / Total substations (%)	2.8	2.8	2.80
Surface area of line in Red Natura / Total surface in Red Natura on the islands (%) <sup>(1)</sup>	-	0.08	0.03*
<b>Total Spain</b>			
Km of line in Red Natura / total km of line (%)	15.0	15.2	15.1
Number of substations in Red Natura / Total substations (%)	6.6	6.4	6.2
Surface area of facilities in Red Natura / Total surface in Red Natura in Spain (%) <sup>(1)</sup>	0.11	0.12	0.09*

Red Natura (Natura 2000 Network) includes: SCI: Site of Community Importance; SPA: Specially Protected Areas for birds.

(1) Surface area occupied by lines and substations: The surface area of lines has been calculated assuming an occupation of 20 m on each side of the line. It is necessary to keep in mind that the occupation is overhead; there is only actual occupation in the case of the towers.

**Note 1:** For the calculation of the ratios of 2012 and 2013 the database of Red Natura 2000 published in 2011 and 2012 respectively was used. For the calculation of the ratios of 2014 the database published in July 2014 has been used. (The mapped area of Red Natura insular is significantly higher than in previous years, which explains the variation in the indicators identified).

**Note 2:** The mapping of in-service facilities is improved and updated annually, whereby some variations in calculations not related to the increase or decrease of facilities can be derived.

## MOST SIGNIFICANT IMPACTS ON FLORA [G4-EN12]

Felling of 88 Oaks in several important areas for the protection of birdlife (classified as IBAs or SPAs) associated with the construction of new electricity line.

Felling of 99 Oaks and 9 Cork Oaks in the Sierra Norte Natural Park (SAC and SPA) and IBA 236 Sierra Morena in Seville, associated with the construction of new electricity line.

Felling of 210 poplars within the 'Rio Ebro' SCI (the felling is associated with the commitment of replanting 2,500 specimens of riverbank flora in the area).

Felling of native flora: Sweet Tabaiba (*Euphorbia balsamifera*), 14 large, 20 medium and 28 small.

Note: IBA: Important Bird and Biodiversity Area.  
SAC: Special Areas of Conservation.

## DETECTED COLLISION OF SPECIES OF INTEREST [G4-EN12]

Species affected	Nº of birds affected
Great Bustard ( <i>Otis tarda</i> ) <sup>(1)</sup>	22 <sup>(6)</sup>
Little Bustard ( <i>Tetrax tetrax</i> ) <sup>(2) (3)</sup>	4 <sup>(7)</sup>
Red Kite ( <i>Milvus migrans</i> ) <sup>(4)</sup>	1 <sup>(7)</sup>
Canarian Egyptian Vulture ( <i>Neophron percnopterus majorensis</i> ) <sup>(4)(5)</sup>	1 <sup>(8)</sup>
Houbara Bustard ( <i>Chlamydotis undulata</i> ) <sup>(1)</sup>	1 <sup>(8)</sup>

(1) Vulnerable species according to IUCN Red List [EN14]

(2) Near threatened species according to IUCN Red List [EN14]

(3) Vulnerable species according to the National Catalogue of Endangered Species [EN14]

(4) Near extinction species according to the National Catalogue of Endangered Species [EN14]

(5) Endangered species according to IUCN Red List [EN14]

(6) Bird fatalities. Sixteen of the accidents were identified during the Environmental Monitoring Programme of a recently constructed line. The need for corrective measures will be analysed at the conclusion of said Programme. The rest have been detected on lines in service, whose marking is contemplated within the multi-year line marking plan.

(7) Bird fatalities. Accident identified during the Environmental Monitoring Programme of a recently constructed line. The need for corrective measures will be analysed at the conclusion of said Programme.

(8) Marking of this line will take place in 2015.



## TOTAL NUMBER OF IUCN RED LIST SPECIES AND NATIONAL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK [G4-EN14]

The main effects on protected species from the operations of Red Eléctrica are those derived from birds colliding with electricity lines. Within

the framework of the "Birds and Power Lines: mapping of bird flight paths" project 2010-2014 for the identification, characterisation and

mapping of flight corridors of birds interacting with high voltage transmission lines, the species that prone to collision with the lines of Red Eléctrica

have been identified (focal species, a total of 47) and whose habitats are in areas where these lines exist. Of the 47 species identified, 31 are considered threatened.

Scientific name	Common name	Classification according to MARM (2011) (National Catalogue)	Classification according to the IUCN red list
<i>Aquila adalberti</i>	Imperial Eagle	In danger of extinction	Vulnerable (VU)
<i>Hieraaetus fasciatus</i>	Bonelli's Eagle	Vulnerable	Least concern (LC)
<i>Pandion haliaetus</i>	Osprey	Vulnerable	Least concern (LC)
<i>Aquila chrysaetos</i>	Golden Eagle	-	Near threatened (NT) / Least concern (LC)
<i>Burhinus oedicephalus</i>	Stone-curlew	Vulnerable	Least concern (LC)
<i>Neophron percnopterus</i>	Griffon Vulture	Vulnerable	Endangered (EN)
<i>Neophron percnopterus majorensis</i>	Canarian Egyptian Vulture	In danger of extinction	Endangered (EN)
<i>Chersophilus duponti</i>	Dupont's Lark	Vulnerable	Species native to the Canary Islands
<i>Botaurus stellaris</i>	Euroasian Bittern	In danger of extinction	Near threatened (NT)
<i>Otis tarda</i>	Great Bustard	-	Least concern (LC)
<i>Chlamydotis undulata</i>	Houbara Bustard	In danger of extinction	Vulnerable (VU)
<i>Aegypius monachus</i>	Black Vulture	Vulnerable	Vulnerable (VU)
<i>Marmaronetta angustirostris</i>	Marbled Duck	In danger of extinction	Near threatened (NT)
<i>Ciconia nigra</i>	Black Stork	Vulnerable	Vulnerable (VU)
<i>Corvus corax canariensis</i>	Common Raven	-	Least concern (LC)
<i>Fulica cristata</i>	Crested Coot.	In danger of extinction	Species native to the Canary Islands
<i>Pterocles alchata</i>	Pin-tailed Sandgrouse	Vulnerable	Least concern (LC)
<i>Pterocles orientalis</i>	Black-bellied Sandgrouse	Vulnerable	Least concern (LC)
<i>Ardeola ralloides</i>	Squacco Heron	Vulnerable	Least concern (LC)
<i>Falco pelegrinoides</i>	Barbary Falcon	In danger of extinction	Least concern (LC)

Scientific name	Common name	Classification according to MARM (2011) (National Catalogue)	Classification according to the IUCN red list
Geronticus eremita	Northern Bald Ibis	-	Critically endangered (CE)
Oxyura leucocephala	White-headed Duck	In danger of extinction	Endangered (EN)
Milvus migrans	Black Kite	In danger of extinction	Least concern (LC)
Columba junoniae	White-tailed Laurel Pigeon	Vulnerable	Near threatened (NT)
Dendrocopos leucotos	White-backed Woodpecker	In danger of extinction	Least concern (LC)
Fringilla teydea subsp	Blue Chaffinch	In danger of extinction (Gran Canaria) / Vulnerable (Tenerife)	Near threatened (NT)
Aythya nyroca	Ferruginous Duck	In danger of extinction	Near threatened (NT)
Gypaetus barbatus	The Bearded-Vulture	In danger of extinction	Near threatened (NT)
Tetrax tetrax	Little Bustard	Vulnerable	Near threatened (NT)
Tetrao urogallus cantabricus	Cantabrian Capercaillie	In danger of extinction	Least concern (LC)
Tetrao urogallus aquitanicus	Aquitanian Capercaillie	Vulnerable	Least concern (LC)



**More information** in the  
'Habitats and Species'  
subsection of the  
'Sustainability' section of the  
corporate website.

**GREENHOUSE GAS EMISSIONS [G4-EN15]**(t CO<sub>2</sub> equivalent)<sup>(1)</sup>

Direct (SCOPE 1)	2012	2013	2014
SF <sub>6</sub> <sup>(2)</sup>	69,986	72,210	81,018
Air conditioning <sup>(3)</sup>	-	545	809
Fleet vehicles	1,381	1,275	1,094
Generator sets	-	950	204
<b>Total direct emissions</b>	<b>71,367</b>	<b>74,980</b>	<b>83,125</b>

(1) The emission calculation is performed from an operational control approach. The information on the scope and methodology of inventory is available on the website of REE. <http://www.ree.es/es/sostenibilidad/energia-sostenible/energia-y-cambio-climatico/nuestra-huella-de-carbono>. The values of 2013 and 2014 have been submitted to independent review in accordance with ISAE 3410. The variation in the values of 2012 and 2013 with regard to the report published in 2013 are due to the corrections made during this process.

(2) Taking GWP to 100 years: 22,800 (Source IPCC, Intergovernmental Panel on Climate Change: 4th assessment report). The increase in SF<sub>6</sub> emissions is derived from the increase in installed gas due to the commissioning of new installations and the replacement of old SF<sub>6</sub> insulated equipment. However, the emission factor (gas emitted/installed gas) is lower than previous years.

(3) The increase in 2014 is mainly due to adjustments made in data collection and the collation of information.

**INDIRECT GREENHOUSE GAS EMISSIONS  
FROM THE GENERATION OF ENERGY [G4-EN16]**(t CO<sub>2</sub> equivalent)<sup>(1)</sup>

Indirect (SCOPE 2)	2012	2013	2014
Emissions associated to electricity consumption <sup>(2) (4)</sup>	4,752	3,565	3,867
Emissions associated to transmission losses <sup>(3)</sup>	875,259	732,025	767,907
<b>Total indirect emissions</b>	<b>880,011</b>	<b>735,590</b>	<b>771,774</b>

(1) The emission calculation is performed from an operational control approach. The information on the scope and methodology of inventory is available on the website of REE. <http://www.ree.es/es/sostenibilidad/energia-sostenible/energia-y-cambio-climatico/nuestra-huella-de-carbono>.

(2) Peninsular emission factor calculated by REE that takes into account the energy mix of each year and an emission factor is associated with each generation technology.

(3) Losses in the Electricity Transmission Grid are related to the location of generation points in relation to the consumption points (the greater the distance, the greater the losses), the amount of energy demanded during the year, the generation mix of the year (percentage of each generation technology in the total energy generated), international exchanges and the shape of the demand curve. Practically none of these factors are controllable by Red Eléctrica, making it very difficult to reduce them. However, Red Eléctrica works to identify and improve those factors it can have an influence on (see sustainable energy chapter). In this case, the same way that emissions associated with electricity consumption, CO<sub>2</sub> is not emitted during Red Eléctrica activities, as it takes place at the different points of power generation. To calculate this, the emission factor calculated by Red Eléctrica is used. In 2014, emissions increased slightly over the previous year due both to increased losses (3% increase in 2014/2013), and the increase of the emission factor (0.235 in 2013, 0.239 in 2014). The different distribution of generation in the Spanish peninsular system that, in general is located far from the point of consumption, has influenced the increase in losses. The growth in generation using domestic coal, has also affected the small worsening of the emission factor.

(4) Increased emissions associated with electricity consumption in 2014 are primarily due to the inclusion in the calculation of 38 additional works centres.

**INDIRECT EMISSIONS [G4-EN17]**(t CO<sub>2</sub> equivalent)<sup>(1)</sup>

Indirect (SCOPE 3)	2012	2013	2014
Emissions associated to business travel	827	1,046	1,485
Emissions associated to internal material transport (logistics)	782	674	641
Emissions associated to employee commuting <sup>(1)</sup>	-	1,579	3,468
Emissions associated to the value chain <sup>(2)</sup>	190,858	176,528	175,389

(1) In 2013, the calculation was performed only for employees at the head offices. In 2014, this calculation was performed for all employees of REE.

(2) 2012: data on suppliers representing 95% of the volume of orders. Carbon intensity of the value chain: 294 t CO<sub>2</sub> / million Euros.

2013: provisional data calculated on suppliers representing 87% of the volume of orders. Carbon intensity in the value chain: 331 t CO<sub>2</sub> / million euros.

2014: information on suppliers representing 95% of the volume of orders. Carbon intensity in the value chain: 370 t CO<sub>2</sub> / million euros

Note: For the correct interpretation of the data it is necessary to take into account that:

- Carbon intensity depends on the type of orders made in the year and there are products / services with different carbon intensity. Therefore, one cannot establish strict comparisons between different years. Of all the activities, the construction of facilities and the manufacturing of equipment are the most carbon intensive (representing 88% of the emissions associated with the value chain in 2014).

- From the latest study of the value chain of Red Eléctrica, for the year 2014, it can be deduced that 44% of emissions in the value chain are associated to just 5 suppliers, and 73% to 25 suppliers.



**More information in**  
the 'Sustainable Energy'  
subsection of the  
'Sustainability' section of the  
corporate website.

## GREENHOUSE GAS EMISSIONS INTENSITY [G4-EN18]

	2012	2013	2014
Emissions of SF <sub>6</sub> /installed SF <sub>6</sub> (%)	1.08	1.06	1.05
Emissions <sup>(1 and 2)</sup> /revenues (t CO <sub>2</sub> /million euros) <sup>(1)</sup>	562	476	479
Emissions/revenues (t CO <sub>2</sub> /million euros) <sup>(2)</sup>	44.93	46.16	48.76
Emissions/energy transported (t CO <sub>2</sub> /GWh) <sup>(3)</sup>	3.78	3.29	3.51

(1) Emissions Scope 1 and 2 (includes transmission grid losses)

(2) Emissions Scope 1 + electricity consumption emissions. REE considers it relevant to monitor this indicator, without including transmission grid losses (since it is not possible to act on them, as explained above).

(3) Emissions Scope 1 and 2 (including transmission grid losses). The total energy transported corresponds to the annual demand measured at power station busbars.

## REDUCTIONS OF GREENHOUSE GAS EMISSIONS<sup>(1)</sup> [G4-EN19]

Net savings (tCO <sub>2</sub> e)	t CO <sub>2</sub> e
Reduction at the head office due to the implementation of an energy management system <sup>(2)(3)</sup>	72
Annual savings	t CO <sub>2</sub> e/year
Reduction due to the renewal screens and PCs <sup>(2) (4)</sup>	7
Reduction in SF <sub>6</sub> emissions through the substitution of old equipment for that with a lower leakage rate <sup>(4)</sup>	337

(1) Reductions resulting from the measures already taken or plans that are in place in 2014 have been included. No reductions associated with measures previously implemented in the Company are included (installation of efficient equipment, use of videoconferencing, company bus, etc.).

(2) The factor for 2014 emissions was used to estimate emissions savings.

(3) Reduction achieved in 2014 compared to 2012, the year in which the energy management system was launched (reduction associated to the measures implemented in 2012, 2013 and 2014).

(4) Reductions associated to the measures implemented in 2014.

## SANCTIONS AND FINES [G4-EN29]

(Euros)

Type of infringement	2010		2011		2012		2013		2014	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Fire risk <sup>(1)</sup>	2	200	7	2,314	4	1,082	6*	6,522*	1	100
Unauthorised felling and pruning	2	1,067	3*	22,477*	1	300	3*	1,478*	1	100
Felling, pruning and shrub-clearing without preventive measures	1*	722*					-	-	-	-
Fire due to line discharge	3	13,923	1	3,848	1	3,948	-	-	-	-
Obstruction of waterway / Unauthorised works in certain areas	1	300	2	3,100	-	-	1*	1,200*	1	3,000
Activities with high probability of soil contamination	5	1,050	1	-	-	-	-	-	-	-
Accumulation of biomass waste	-	-	-	-	-	-	1	100	-	-
Fauna/wildlife in captivity without authorisation	-	-	-	-	-	-	1	100	-	-
Works in protected areas without authorisation	1*	6,010*	-	-	-	-	-	-	-	-
Works without authorisation					2*	62,153*	1*	2,000*	-	-
<b>Total</b>	<b>15*</b>	<b>23,273*</b>	<b>13*</b>	<b>31,138*</b>	<b>8*</b>	<b>67,483*</b>	<b>13*</b>	<b>11,409*</b>	<b>3</b>	<b>3,200</b>

(1) Fire risk due to the lack of maintenance of vegetation, or abandonment of materia.

\* Data updated in 2014 following the resolution of pending cases (2 cases opened in 2010, 1 case in 2011, 2 cases in 2012 and 6 cases opened in 2013).

## ENVIRONMENTAL EXPENDITURE [G4-EN31]

(Euros)

	2012	2013	2014
<b>Investments</b>	<b>5,154,305</b>	<b>2,752,119</b>	<b>2,651,609</b>
Engineering and construction of facilities <sup>(1)</sup>	5,154,305	2,752,119	2,651,609
<b>Expenditure</b>	<b>16,380,072</b>	<b>20,620,761</b>	<b>19,795,259</b>
<b>Development of methodologies and systems <sup>(2)</sup></b>	<b>25,153</b>	<b>49,980</b>	<b>50,082</b>
<b>Environmental studies and analyses</b>	<b>200,429</b>	<b>167,746</b>	<b>125,502</b>
<b>Environmental actions in facilities in service</b>	<b>14,053,007</b>	<b>18,564,425</b>	<b>17,502,652</b>
Contamination prevention <sup>(3)</sup>	1,890,198	1,547,453	1,376,552
Protection of biodiversity, Landscape <sup>(4)</sup>	11,187,670	16,039,821	14,914,991
Climate change <sup>(5)</sup>	475,360	277,067	494,335
Energy efficiency and savings in resources <sup>(6)</sup>	236,043	206,834	277,153
Waste reduction and management	263,737	493,250	439,622
<b>Research and development</b>	<b>147,799</b>	<b>305,868</b>	<b>363,316</b>
<b>Training and communication</b>	<b>402,004</b>	<b>163,180</b>	<b>256,722</b>
Environmental training and awareness	11,590	26,394	54,310
Communication <sup>(7)</sup>	390,414	136,785	202,412
<b>Environmental taxes and fees</b>	<b>117,392</b>	<b>6,601,617</b>	<b>6,893,725</b>
Municipal and regional government fees	117,392	105,162	280,223
<b>Cost of personnel involved in environmental activities</b>	<b>1,434,287</b>	<b>1,264,401</b>	<b>1,216,762</b>

(1) Environmental impact studies carried out on all projects, application of preventive and corrective measures, environmental supervision at electricity facilities under construction and application of environmental improvement measures.

(2) Certifications, audits, environmental consultancy.

(3) Adaptation of facilities, repair of equipment, analysis, etc.

(4) Fire prevention (inspection of facilities, felling, pruning and clearing of vegetation for the maintenance of the safety distances, projects related to the prevention and fight against fires) line marking with bird-flight diverters, bird-nesting deterrents, management of nests, landscaping adaptation, biodiversity conservation projects, etc.

(5) "The Red Eléctrica's Forest", improvement of SF6 management, replacement of equipment containing R-22.

(6) Installation of meters, energy audits, activities for the improvement of energy efficiency.

(7) Affiliations, congresses, brochures and reports, stands at fairs, publicity in magazines, collaboration and sponsorships agreements.

## NUMBER OF ENVIRONMENTAL GRIEVANCES FILED [G4-EN34]

	2014
Birdlife	0
Electromagnetic fields	1
Consumption/energy efficiency	0
Environmental expenditure	0
Emissions/Climate change	0
Impact on the landscape	1
Facilities	0
General environmental information	0
Waste	2
Noise	0
Environmental management system	0
Flora	11
<b>Total</b>	<b>15</b>

The environmental claims are addressed through the DIGAME service (a unique service for all claims in REE). The claims are classified according to type (includes complaints, enquiries, suggestions, requests for information and acknowledgements) or grievance. In 2014, 39 claims of an environmental nature were addressed, 15 of them were grievances.

All claims filed in 2014 were addressed and resolved in the same period, except for two of them related to the felling and pruning of trees, which are pending closure.

## NON-HAZARDOUS WASTE [G4-EN23]

(kg)

	2012	2013	2014	Management type*
Septic tank sludge	1,118,660	1,311,240	1,380,716	Recycling/Treatment
Scrap metal not contaminated with hazardous substances <sup>(1)</sup>	sd	1,513,762	2,022,441	Recycling
Inert waste	144,580	544,082	329,005	Landfill/Recycling
Paper and cardboard	211,338	241,938	262,328	Recycling
Toner & printer ink <sup>(2)</sup>	32	22	14	Recycling
Wood <sup>(3)</sup>	42,231	69,581	119,834	Recycling
Waste vegetation <sup>(4)</sup>	34,153	8,567	6,820	
Electrical and non-hazardous electronic waste	699	3,443	1,415	Recycling
Plastics	7,535	4,957	12,014	Recycling
Glass	75	176	40	Recycling
Vegetable cooking oils	5,860	4,800	5,640	Recycling/Regeneration
Alkaline batteries/without mercury	0	33	40	Recycling
<b>Total</b>	<b>1,531,010</b>	<b>2,180,272</b>	<b>2,111,046</b>	

(1) In 2013, a computer application for the control and monitoring of scrap metal transfer data was introduced. Although the data collated is included, it will not be added to the waste total until all historical data is available.

(2) The management of toner and ink corresponds to the company that supplies and services the printer. Only units purchased directly by Red Eléctrica are taken into account.

(3) Increased due to improved segregation practices and delivery to a waste management company at the logistics centres.

(4) Not taken into account in the calculation of total non-hazardous waste. This is a non-representative value since most of this waste is incorporated into the land or given to landowners. The table includes only the waste delivered to the waste management company.

\* Default Procedure for the contractors responsible for waste management.

## HAZARDOUS WASTE [G4-EN23]

(kg)

	2012	2013	2014	Management type*
Used oil	433,156	287,967	315,235	Regeneration/Waste recovery
Oil with PCBs <sup>(1)</sup>	426	137	160	Waste recovery/Elimination
Oil/water mix	466,030	929,592	362,868	Waste recovery
Diesel/water mix	0	400	21	Waste recovery
Transformers and equipment with PCBs <sup>(1)</sup>	19,906	10,477	23,175	Waste recovery/Elimination by incineration
Hazardous electrical and electronic waste: equipment containing oil <sup>(2)</sup>	353,745	307,077	1,248,046	Waste recovery
Hazardous electrical and electronic waste: Other	49,070	59,897	132,724	Waste recovery
Nickel/cadmium accumulators	105,866	112,035	73,102	Recycling
Lead batteries	1,703	15,062	2,131	Recycling
Soils impregnated with hydrocarbons	504,032	383,033	195,348	Elimination by disposal
Containers that have contained hazardous substances	7,620	5,077	7,057	Waste recovery
Absorbent matter and other	9,379	47,057	3,964	Waste recovery
Silica gel and other inorganic chemical products	0	848	0	Waste recovery
Non-halogenated solvents	134	47	4	Waste recovery
Halogenated solvents	5	108	0	Waste recovery
Water-based cleaning liquids	85	0	59	Waste recovery
Paint waste	843	372	284	Waste recovery
Insulation material (with or without asbestos)	9,656	1,244	1,154	Waste recovery/ Elimination by disposal
Laboratory chemical products	974	354	344	Waste recovery
Gases in pressurised containers <sup>(3)</sup>	592	8,522	7,690	Regeneration
Antifreeze containing hazardous substances	301	29	80	Waste recovery
Fluorescent lighting tubes	459	974	517	Recycling
Batteries	96	28	15	Eliminación
Fuel oil and diesel	1,065	0	1,041	Waste recovery
Cable with hydrocarbons	87,180	0	0	Waste recovery
<b>Total</b>	<b>2,052,323</b>	<b>2,170,337</b>	<b>2,375,019</b>	

(1) Once the elimination / decontamination plan of transformers with PCBs oil equipment was completed in 2010, the amounts now produced are caused by the removal of old sealed equipment that is contaminated at the end of its useful life.

(2) The increase is linked to renovation and improvement actions regarding substations acquired from another company in the Canary Islands' regional office, the elimination of the damaged transformer and the waste generated in the logistics centres.

(3) These wastes deal with used SF6 gas that is out of specification. The treatment of these wastes, consisting of the regeneration of gas for reuse, takes place outside Spain. [G4-EN25] This means that 0.32% of total hazardous waste has been transported internationally.

\* Default Procedure for the contractors responsible for waste management. The total amount of waste destined for recycling has been estimated at 48.6%



## LEAKS AND SPILLAGES 2014 [G4-EN24]

(kg)

	Incidents <sup>(1)</sup>	Accidents <sup>(2)</sup>				
		1	2	3	4	5
Construction	20	0	0	0	0	0
Maintenance	18	0	0	2 <sup>(3)</sup>	0	0

## LEAKS AND SPILLAGES HISTORICAL DATA [G4-EN24]

	2012	2013	2014	
Construction activities	Incidents	9	39	20
	Accidents	0	1	0
Maintenance activities	Incidents	25	17	18
	Accidents	6	5 <sup>(4)</sup>	2

(1) Accidents of minor importance related to the breakage of hoses of the machinery used for construction, or minor spillages of oil or fuel occurring during decanting and temporary storage.

(2) Classification of accidents depending on the severity on a scale of 1 to 5 (1 slight - 5 severe)

(3) No spillage has been included to date in the financial statements of the organisation. The following spillages have been registered:

- Silicone oil leak due to an internal defect in the end section of a power line. It is estimated that the leak was 120 l. The affected area was cleaned up and no environmental monitoring was required.
- Oil leakage resulting from the malpractice of a supplier in the maintenance of a transformer. Pending the soil characterisation, communication of results to the competent body and performing corresponding actions.

(4) An accident that was not registered at the time of publishing the report corresponding to 2013 has now been incorporated

## TOTAL WATER WITHDRAWAL BY SOURCE [G4-EN8]

	2012	2013	2014
Head Office (m <sup>3</sup> ) <sup>(1)</sup>	10,947	10,983	9,177
Work centres <sup>(2)</sup> (m <sup>3</sup> )	41,586	31,597	28,069

(1) Only the building 'La Moraleja' is taken into account.

(2) Data taken from 45 of a total of 63 work centres. Data for all work centres is not available due to the absence of meters and the breakdown of some devices. The data provided has a coverage of 91%, in terms of personnel.

Note: The water consumed comes from: the municipal mains (64.36%), wells (32.96%), tanks (2.4%) and cisterns for rainwater collection (0.28%). (In the Northern regional office and in some work centres cisterns are available for the collection of rainwater for sanitary use, fire prevention and irrigation. In general the wells do not have mechanisms to measure the water stored, so the actual % utilisation of rainwater is greater than that calculated according to available data). [G4-EN10]

## WATER CONSUMPTION IN THE VALUE CHAIN

(m<sup>3</sup>)

	2012	2013	2014
	13,414,362	11,545,107	10,407,760

Water usage intensity in the value chain: 20 m<sup>3</sup> /million euros in 2012, 24 m<sup>3</sup> /million euros in 2013 and 22 m<sup>3</sup>/million euros in 2014.

The water usage intensity depends on the type and number of purchase orders that have been placed during the year; therefore, a strict comparison cannot be made between different fiscal years. Of all the activities, construction of facilities and the manufacturing of equipment have the most intensive water consumption. Of the study carried out, it can be deduced that 60% of the water consumption in the value chain is associated to 25 suppliers.



# ANNEXES

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## 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](http://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.<sup>(1)</sup>

### 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.)
<b>STRATEGY AND ANALYSIS</b>				
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
<b>ORGANIZATIONAL PROFILE</b>				
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

(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.)
<b>MATERIAL ASPECTS AND BOUNDARIES</b>				
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
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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.)
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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
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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.)
<b>GOVERNANCE</b>				
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) <sup>1</sup> 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) <sup>3</sup> : 0% Percentage increase in annual total remuneration for all employees (2014/2013) <sup>4</sup> : 2.8%.	182-183
<b>ETHICS AND INTEGRITY</b>				
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).

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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.)
<b>CATEGORY: ECONOMIC</b>						
<b>Material aspect: Economic performance</b>						
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.)
<b>Material aspect: Procurement practices</b>						
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
<b>Material aspect of the electric utility sector: Availability and Reliability</b>						
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
<b>Material aspect of the electric utility sector: Demand-Side Management</b>						
G4-DMA*	Disclosures on management approach	62-64				182-183
<b>Material aspect of the electric utility sector: Research and Development</b>						
G4-DMA*	Disclosures on management approach	64-66				182-183
<b>Material aspect of the electric utility sector: Plant Decommissioning</b>						
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.)
<b>Material aspect of the electric utility sector: System Efficiency</b>						
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
<b>CATEGORY: ENVIRONMENTAL</b>						
<b>Material aspect: Energy</b>						
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.)
<b>Material aspect: Water (2)</b>						
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
<b>Material aspect: Biodiversity</b>						
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

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(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
<b>Material aspect: Emissions</b>						
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
<b>Material aspect: Effluents and Waste</b>						
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 <sup>2</sup> 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
<b>Material aspect: Compliance</b>						
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
<b>Material aspect: Overall</b>						
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
<b>Material aspect: Supplier Environmental Assessment</b>						
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
<b>Material aspect: Environmental Grievance Mechanisms</b>						
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
<b>CATEGORY: SOCIAL</b>						
<b>LABOR PRACTICES AND DECENT WORK</b>						
<b>Material aspect: Employment</b>						
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

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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.)
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
<b>Material aspect: Labor/Management Relations</b>						
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
<b>Material aspect: Occupational Health and Safety</b>						
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

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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-LA8	Health and safety topics covered in formal agreements with trade unions	84, 86				182-183
<b>Material aspect: Training and Education</b>						
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
<b>Material aspect: Diversity and Equal Opportunity</b>						
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
<b>Material aspect: Equal Remuneration for Women and Men</b>						
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
<b>Material aspect: Supplier Assessment for Labor Practices</b>						

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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-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
<b>Material aspect: Labor Practices Grievance Mechanisms</b>						
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
<b>HUMAN RIGHTS</b>						
<b>Material aspect: Assessment</b>						
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
<b>Material aspect: Supplier Human Rights Assessment</b>						
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
<b>Material aspect: Human Rights Grievance Mechanisms</b>						

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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-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
<b>SOCIETY</b>						
<b>Material aspect: Local Communities</b>						
G4-DMA*	Disclosures on management approach	104, 123-124				182-183
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	104, 123				182-183
G4-SO2	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
<b>Material aspect of the electric utility sector: Disaster/ Emergency Planning and Response</b>						
G4-DMA*	Disclosures on management approach	56				182-183
<b>Material aspect: Anti-corruption</b>						
G4-DMA	Disclosures on management approach	34-38				182-183
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	38				182-183
G4-SO4	Communication and training on anti-corruption policies and procedures	34, 38				182-183
G4-SO5	Confirmed incidents of corruption and actions taken	38				182-183

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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.)
<b>Material aspect: Compliance</b>						
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

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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.)
<b>Material aspect: Supplier Assessment for Impacts on Society</b>						
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
<b>Material aspect: Grievance Mechanisms for Impacts on Society</b>						
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
<b>PRODUCT RESPONSIBILITY</b>						
<b>Material aspect: Customer Health and Safety</b>						
G4-DMA*	Disclosures on management approach	126				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-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.				

(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.)
<b>Material aspect of the electric utility sector: Access</b>						
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: <a href="#">Quality and security of supply</a> ".	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
<b>Material aspect: Compliance</b>						
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
<b>Material aspect of the electric utility sector: Provision of Information</b>						
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](http://www.pactomundial.org) and on the Global Compact website, [www.unglobalcompact.org](http://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.

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## GLOBAL COMPACT ASPECTS AND PRINCIPLES

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### HUMAN RIGHTS

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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

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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

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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

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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.

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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<sup>a</sup> 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.



*Report by the Internal Audit and Risk Control Department*



Report 25/14 – supplementary report on the Corporate Responsibility Management System

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**

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

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

Report 25/14 – supplementary report on the Corporate Responsibility Management System

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.

Madrid, 22 September, 2014

Beatriz Cordero Márquez

Internal Auditor

Manuel Sánchez Gómez

Head of the Internal Audit and Risk  
Control Department

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