

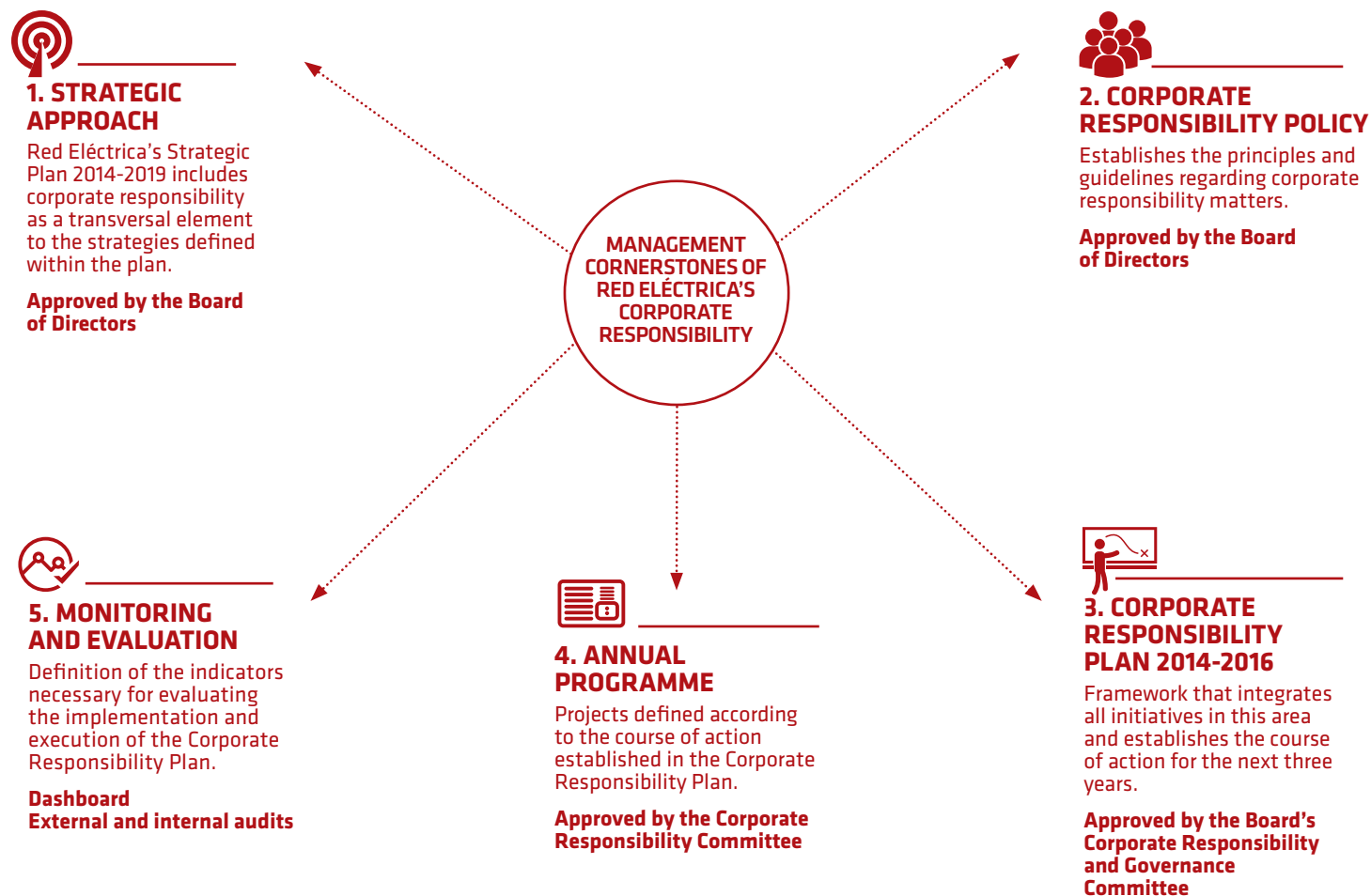


04

MANAGEMENT
APPROACH

CONNECTED TO
EXCELLENCE AND
**CORPORATE
RESPONSIBILITY**

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.

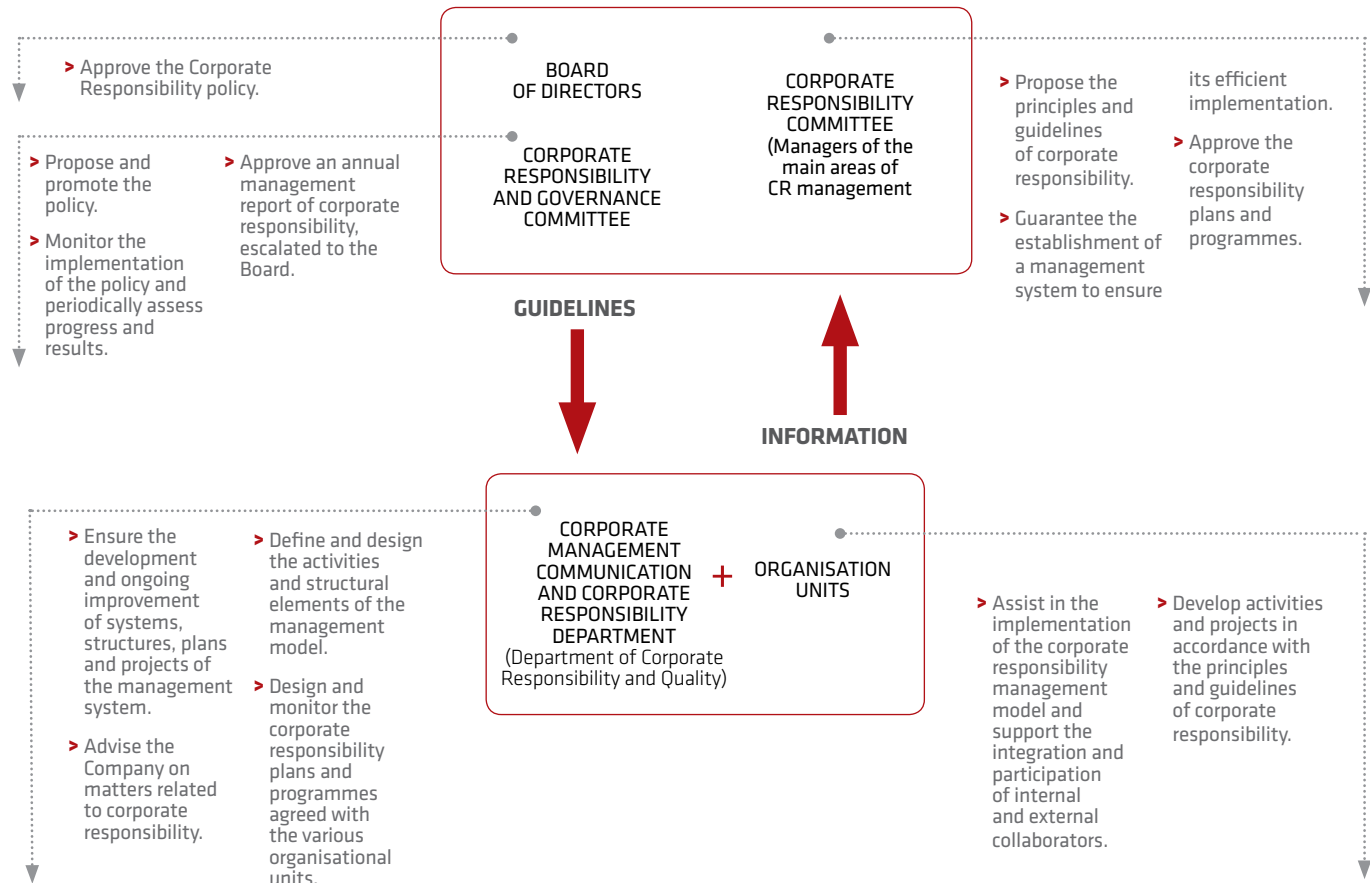
Note that in 2014, Red Eléctrica was selected by the EFQM to participate in the working group that designed the model on which the new recognition EFQM Committed to Sustainability is based.

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 Compat. 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

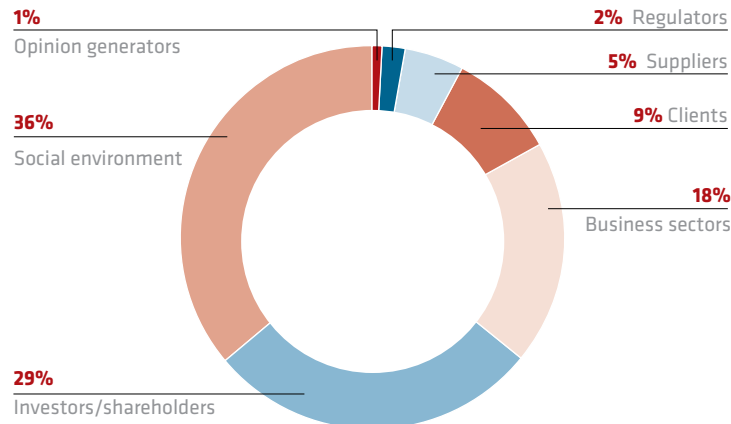
understanding of the needs of affected groups and the design of a more complete improvement action plan.

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