

# 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 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**
  - > 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 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.
- >> **Separation of functions in the processes and transparency in management**
- >> **Ethical management and building relations with suppliers and subcontractors**
- >> **Minimisation of the risk associated with the procurement processes**

\* 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.

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**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