
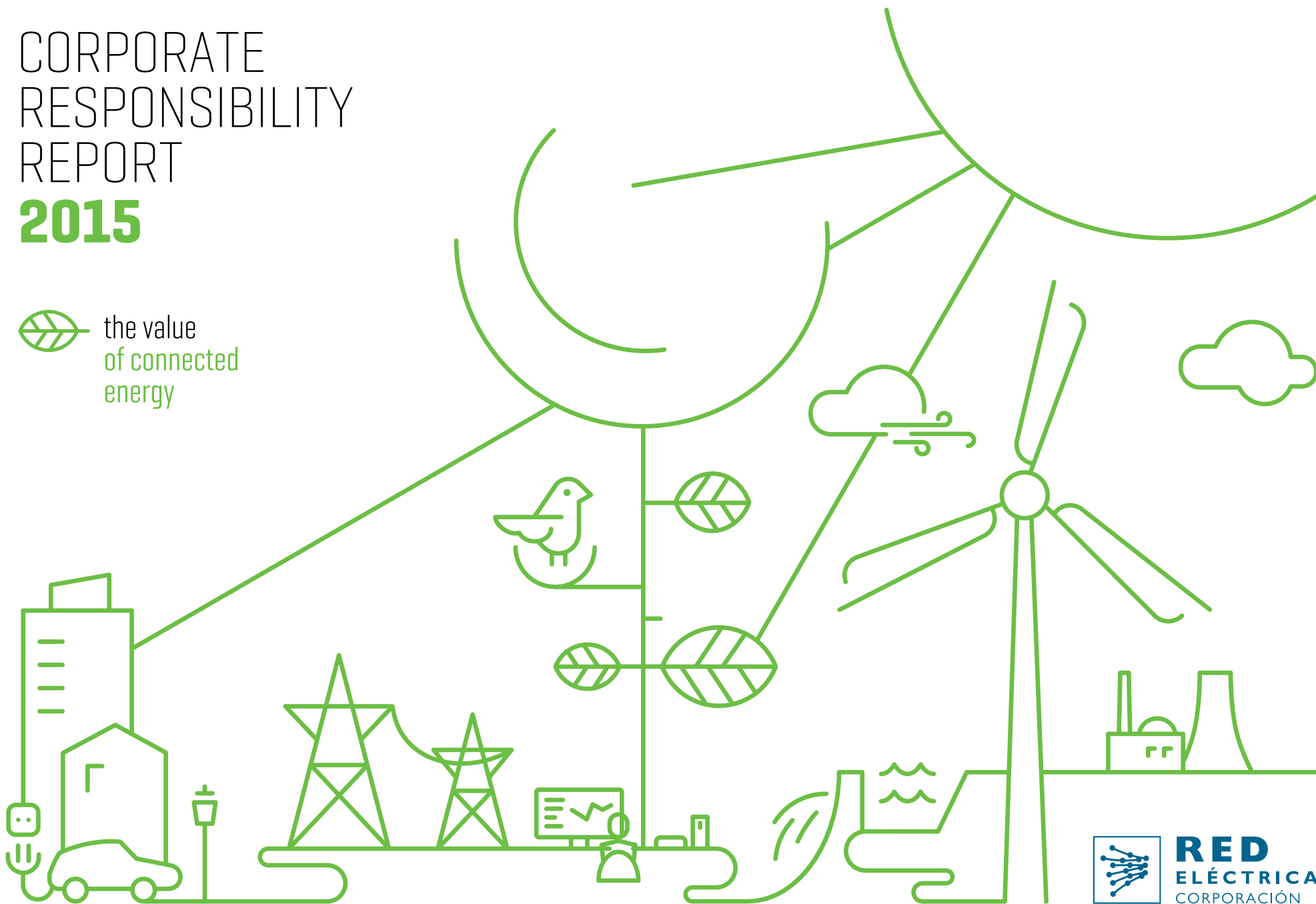


# CORPORATE RESPONSIBILITY REPORT **2015**

 the value  
of connected  
energy



2015





LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICER



KEY PERFORMANCE  
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01. THE COMPANY



02. STRATEGY



03. CORPORATE  
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04. MANAGEMENT  
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05. SUSTAINABLE  
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# Presentation of the report

**This Corporate Responsibility Report**, which Red Eléctrica publishes for the fourteenth consecutive year, provides relevant information regarding strategy, corporate governance, business development, financial results and objectives of its sustainable management in 2015. Its drafting follows the guidelines of the Guide [G4 version] for the drafting of sustainability reports [Comprehensive Option] and of the Electric Utilities Sector Supplement established by the Global Reporting Initiative [GRI]. In addition, this report meets our commitment to report on the fulfilment and progress of the Company in implementing the ten principles of the United Nations Global Compact.

In order to continue moving forward in offering our various stakeholders a more complete information, and integrate into one single document financial and non-financial information, Red Eléctrica includes in this report aspects defined by the International Integrated Reporting Council [IIRC] for the drafting of integrated reports, whose content aims to be improved in the coming years.

Red Eléctrica has submitted this report to the external verification of PricewaterhouseCoopers [PwC] with a limited level of assurance. The Independent Review Report

and complementary information regarding the drafting of this Corporate Responsibility Report are included in the annexes of this report for their consultation.

For a more complete understanding of the actions of Red Eléctrica, the reader can also consult the Corporate Governance Report and the Consolidated Annual Accounts of the Red Eléctrica Group, as well as extensive content on the corporate website [www.ree.es](http://www.ree.es).

We welcome your comments and suggestions for future reports. Please contact our 'Dígame' Attention Centre: [www.ree.es](http://www.ree.es) / Phone: +34 917286215 / Fax: +34 916504542.



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# Letter from the Chairman and the CEO [G4-1]

**2015 was characterised** by a series of important milestones that lead to a bright future for company growth and brings with it major challenges for Red Eléctrica along the way. Firstly, the Transmission Grid Planning 2015-2020 was approved, which provides a period of certainty for the

undertaking of the investment plan for the further development of the transmission grid. Secondly, the regulatory reform was completed with the approval of the unit values concerning investment in transmission facilities, as well as their operation and maintenance, and the establishing of their

regulatory useful life, which is an important milestone for the stability of the remuneration framework. In addition, work has continued on the deployment and implementation of the new Strategic Plan; a plan which emphasises the promotion of new business activities that aim to expand the business base.

From the point of view of the management structure of the organisation, another significant event was the separation of the positions of Executive Chairman and Chief Executive Officer (CEO), which helps maintain the proper balance of powers on the Board of Directors and improves the corporate governance structure of the Company, responding to the commitment made to shareholders, and in line with best international practices in this field.



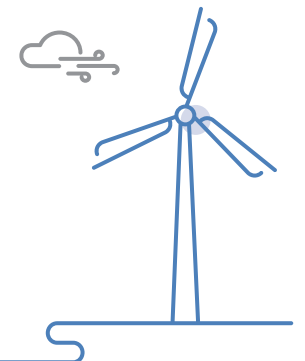
**José Folgado**  
Chairman of  
Red Eléctrica  
Corporación

**Juan Lasala**  
Chief Executive  
Officer



## IN 2015

The laying and installation of the first cable of the Majorca-Ibiza link was carried out. The commissioning of the second cable, scheduled for the first months of 2016, will complete the full integration of the Balearic Islands' electricity system with the peninsular system and that of Europe.



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## Electricity infrastructure planning

In October 2015, the Transmission Grid Planning 2015-2020 was approved; said planning sets out the new electricity infrastructure projects that need to be undertaken nationwide under the principles of transparency, respect for the environment and with minimal cost for the electricity system as a whole, and that has a budget of 4,554 million euros.

An important point of this planning is the relevance taken on by interconnections between systems, specifically the links between island systems and the connections between the Spanish Peninsula and the non-peninsular systems. These projects will not only pose a great challenge for the Company, but will also improve the guarantee and security of supply in isolated systems and increase competitiveness in the electricity markets. In this regard, noteworthy is the completion of the installation of the first interconnection cable between Ibiza and Mallorca in 2015.

It is estimated that the second cable be brought into service in the first months of 2016.

With respect to international interconnections, it should be noted that in 2015 the Spain-France interconnection via the eastern Pyrenees, a high-profile project because of its influence on the safety and quality of supply, was brought into brought into commercial operation. But nevertheless, the need to increase interconnection capacity with the European system remains a priority for the Spanish electricity system, as endorsed in June 2015 with the creation of a high-level group, composed of the European Commission, France, Portugal and Spain, to boost key energy infrastructure projects in southwest Europe.

### Significant progress of the Strategic Plan

The new Strategic Plan, in addition to continuing to develop our role as TSO and strengthening efficiency criteria, attaches great importance to expanding the business base as an alternative way for growth and the creation of value.



### DRIVING INTERNAL PROMOTION

80% of the directors appointed in 2015 in the Group were internal promotions.

In 2015, a number of important steps were taken in this area. Firstly, the new dimension undertaken by the telecommunications business following the purchase of ADIF's dark fibre network has made it necessary to create REINTEL, whereby the Company now positions itself as the first neutral supplier of telecommunications networks in Spain. Secondly, the expansion of international business has allowed our presence in Peru to be consolidated through the awarding of two new projects in the region and has enabled our entry into Chile through the acquisition of 50% of the Chilean company TEN.

Additionally, the subsidiary REINCAN was created to promote energy storage projects in the Canary Islands to be used as system operator tools in order to guarantee supply on the islands and also improve system security and optimise the integration of renewable energies. The construction project for the Chira-Soria pumped-storage hydro power station, a 320 million euro investment, responds to these objectives.



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Focusing on the creation of value, significant progress was made in achieving the objectives of the Strategic Plan. The Company achieved solid results and a significant strengthening of its core solvency ratios. Profit for the year reached 606 million euros, up 8.3% compared to 2014 in like-for-like terms and shareholder remuneration in the form of dividends increased by 7% with respect to 2014.

### Commitment to corporate responsibility

In the area of corporate responsibility, in 2015 the Company has again been included in the Dow Jones Sustainability Indexes (DJSI World and DJSI Europe) and renewed the European Seal of Excellence 500+ according to the EFQM model, achieving a score of over 700 points, which places the Company among the best rated both worldwide and nationally.

Corporate responsibility for Red Eléctrica is part of its corporate culture and a key tool for creating value. Therefore, it has been included within the management objectives and the long-term goals of the management team, in compliance with the corporate responsibility programme.



### SUSTAINABLE COMMITMENT

*Red Eléctrica, fully aware of its responsibility towards sustainability, joins the commitment to the achievement of the UN Sustainable Development Goals, aimed at eradicating poverty, protecting the planet and ensuring the prosperity of all people.*



A key aspect in this area is gender equality and equal opportunities. In 2015, noteworthy is the increase in the number of women in the workforce and in management positions, as well as the establishment of a Women's Leadership Observatory that aims to propose actions to increase the presence of women in management positions. In this regard, women covered 31% of internal promotions to management positions in 2015. Moreover, 42% of the Board of Directors are women, which positions the Company as leader in gender diversity among IBEX 35 companies.

Also, the healthy workplace model implemented by Red Eléctrica represents a strategic commitment to the management, promotion and monitoring of the health and well-being of the workforce. During 2015, several initiatives were carried out in this field related to the promotion of health, the work-life balance and the prevention of work-related risks.

These commitments undertaken by the Company contribute to improving the involvement of workers in the business project, as reflected in the climate survey, with a satisfaction level of employees of 9.4 out of 10.

The activities carried out by the Company for the integration of renewable energy and the improvement of energy efficiency are essential for achieving European sustainability objectives. Therefore, among the actions carried out, noteworthy, once again, was the work of our control centre for renewable energies, which, on average over the past three years, has allowed 40% of the electricity demand to be covered using renewables.

Finally, in line with its strategy to combat climate change, in 2015 Red Eléctrica launched a new Action Plan on climate change which includes the goals to be achieved in this area. Specifically, in the commitment to reduce the carbon footprint, the goal has been set for 2020 to reduce or offset the Company's emissions by 21% compared to the values in 2010.

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# Key performance indicators 2015 (G4-9)

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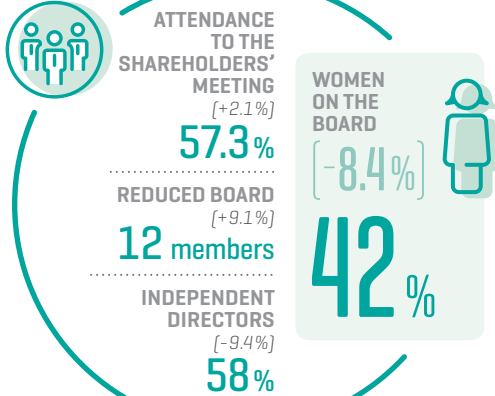
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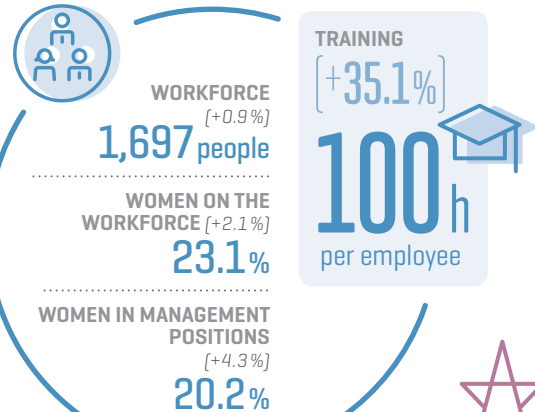
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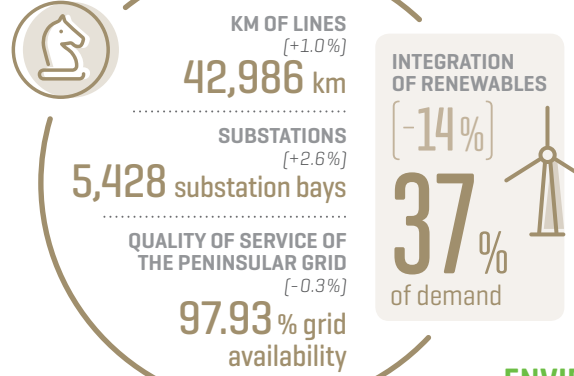
## GOOD GOVERNANCE



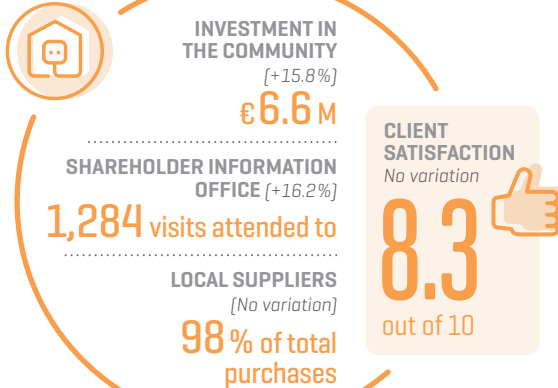
## EMPLOYEES



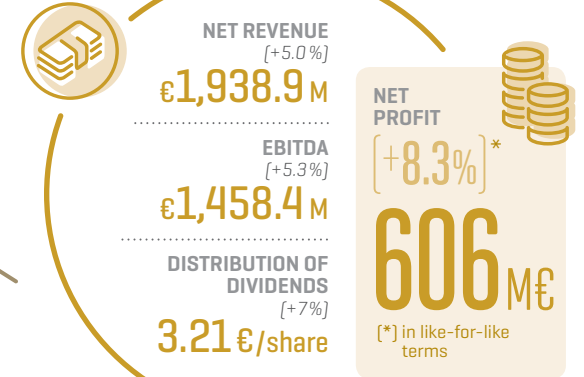
## BUSINESS



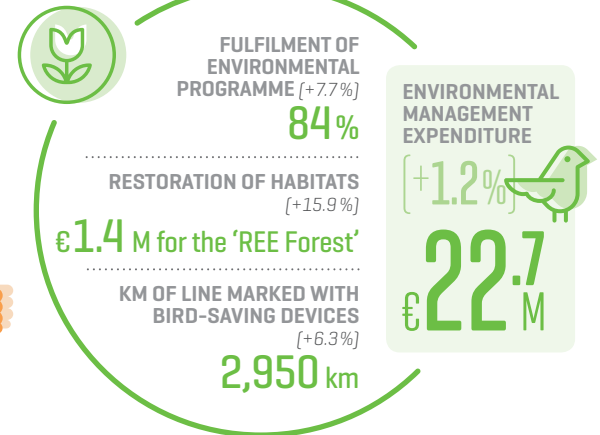
## SOCIAL



## FINANCIAL DATA



## ENVIRONMENTAL



THE FIGURES SHOWN IN PARENTHESES REFLECT THE VARIATION WITH REGARD TO 2014

More information on these indicators is provided throughout this report.





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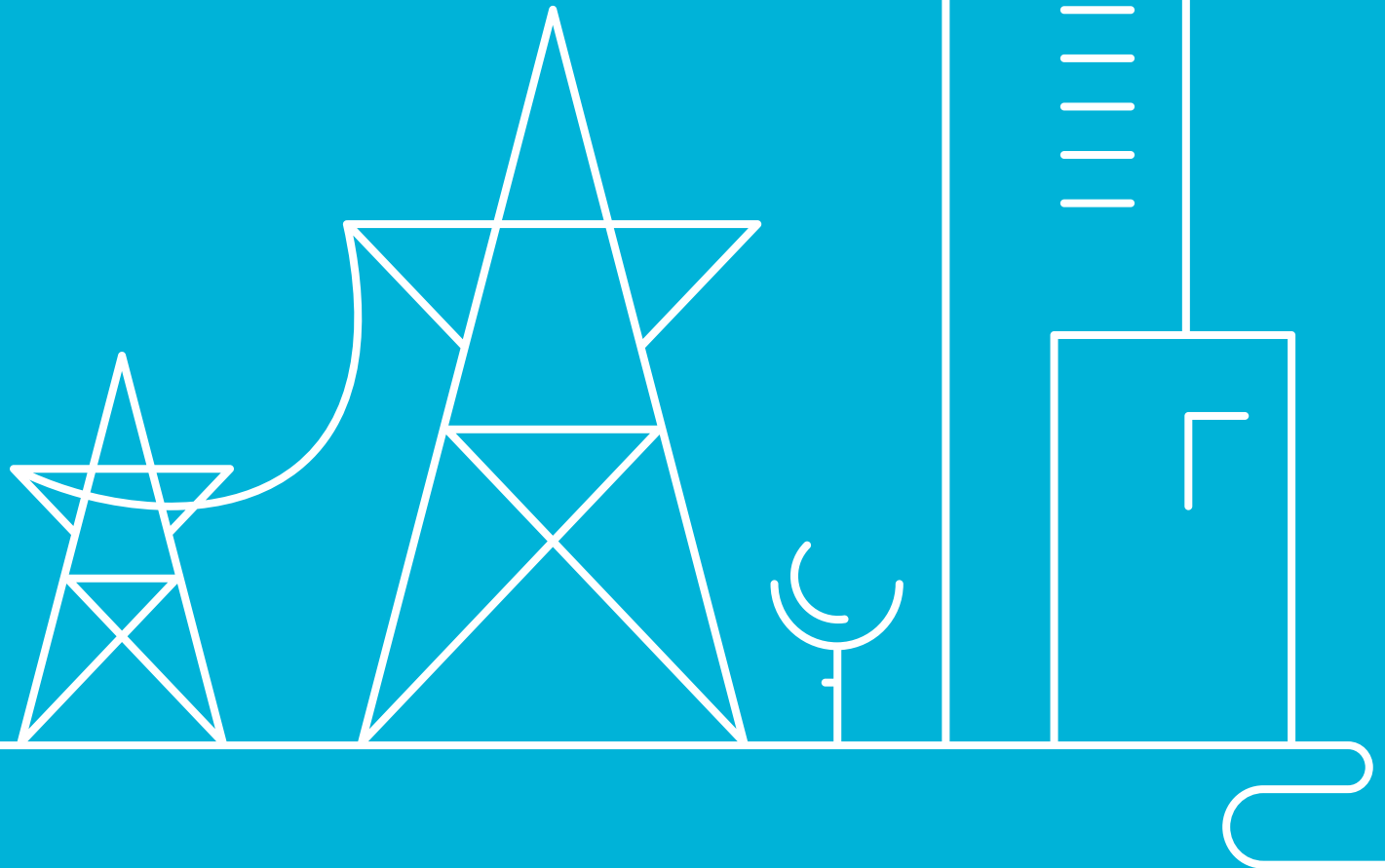
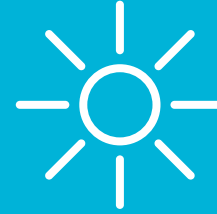
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# THE COMPANY

## 01

Connected to a secure and sustainable energy future





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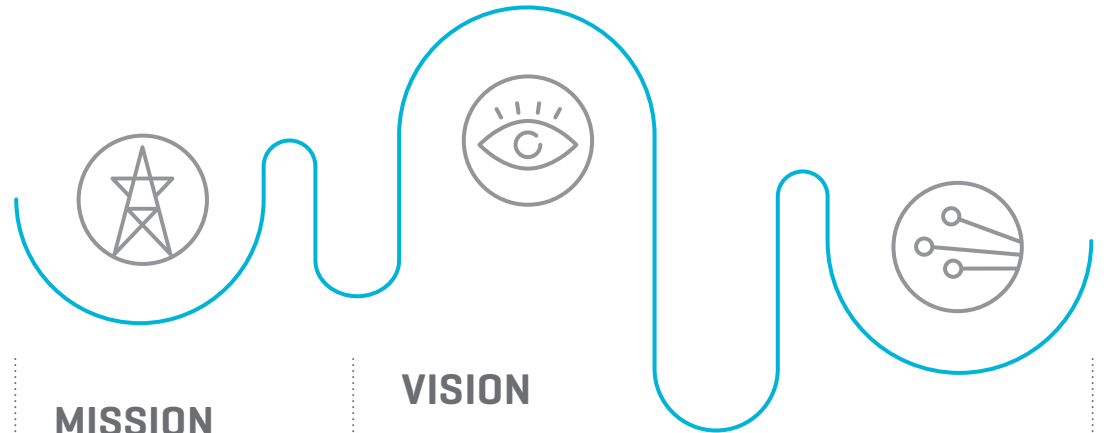
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## Red Eléctrica, a TSO of international reference.

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 the highest quality electricity service for society as a whole.



A complete picture of the Company in the 'About us' section of the corporate website.



### MISSION

Red Eléctrica 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.

### VISION

The goal is to be one of the leading companies in the management of electricity systems, recognised for offering a quality service of the highest standards, implementing ethical management, maintaining a firm commitment towards sustainable development and generating value for all our stakeholders.

### VALUES

- Responsibility
- Respect
- Reliability
- Environmental awareness
- Leadership and creativity



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# Structure of the Red Eléctrica Group

## 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.

## WORKFORCE OF THE GROUP

Nº

AS AT 31.12.15

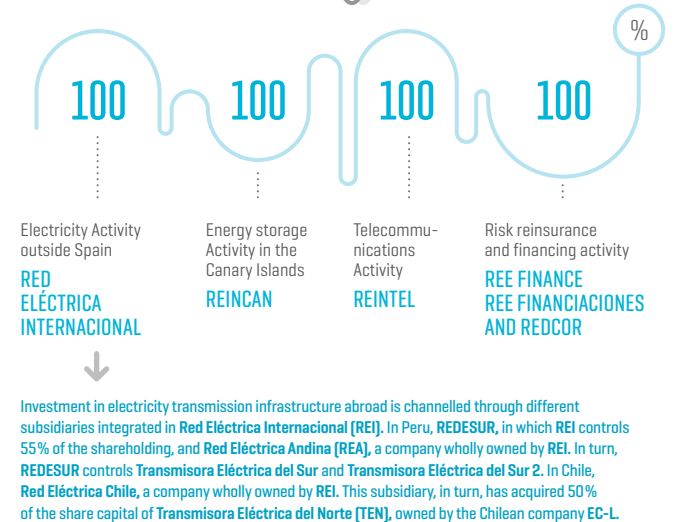
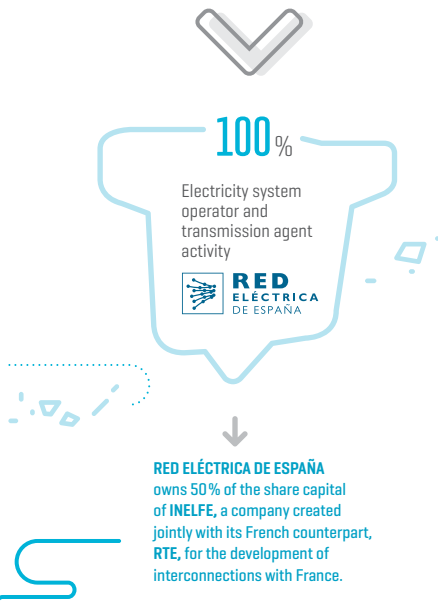
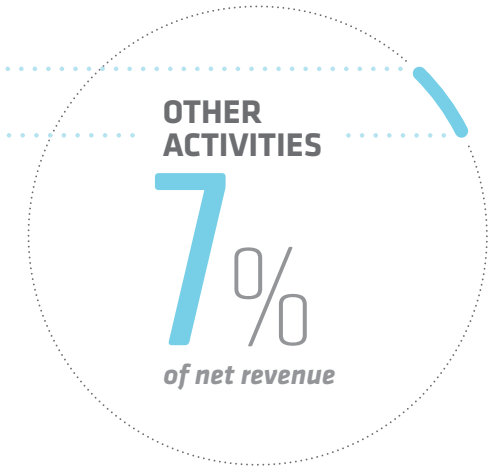
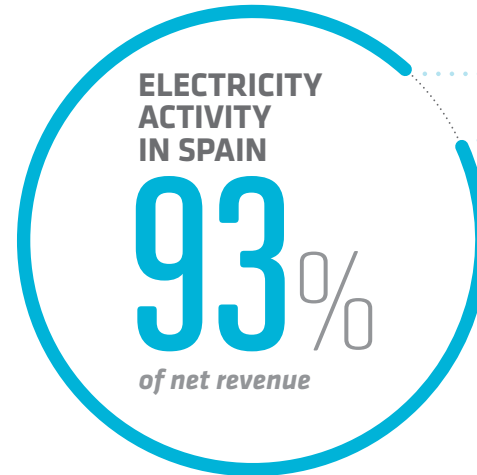
Red Eléctrica Corporación	7
Red Eléctrica de España	1,690
Red Eléctrica Internacional	3
REINTEL	9
REINCAN	4
REDESUR	17
TESUR	2
TESUR2	4
REA	29
REDCOR	1
<b>Total</b>	<b>1,763</b>

Note: The data regarding total workforce does not coincide with the sum of all the companies of the Group due to the fact that two employees belong simultaneously to the staff of more than one company.



In the Consolidated Annual Accounts Report.

# RED ELÉCTRICA CORPORACIÓN





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# Electricity activity in Spain [G4-4, G4-6, G4-8]

**Red Eléctrica de España** carries out the Group's core business as transmission agent and system operator in Spanish territory. In the performance of this activity it undertakes the responsibility to:

- Develop, expand and maintain the transmission grid under uniform and efficient criteria.

- Manage the necessary and constant balance between electricity generation and demand, guaranteeing the continuity and security of supply at all times.

Red Eléctrica owns the entire Spanish high-voltage electricity transmission grid and, through its electricity control centres, it operates both the peninsular

and non-peninsular electricity systems, 24 hours a day, 365 days a year. Furthermore, it is a world reference in the safe integration of renewable energy into the electricity system.

Red Eléctrica **is the owner of the entire Spanish** high-voltage transmission grid and is a world reference in the integration of renewable energies.

CIRCUIT OF LINE



**42,986**  
km  
IN SERVICE  
*In 2015*

INTEGRATION OF RENEWABLES

IN 2015



**92.9**  
TWh  
*37% of demand*



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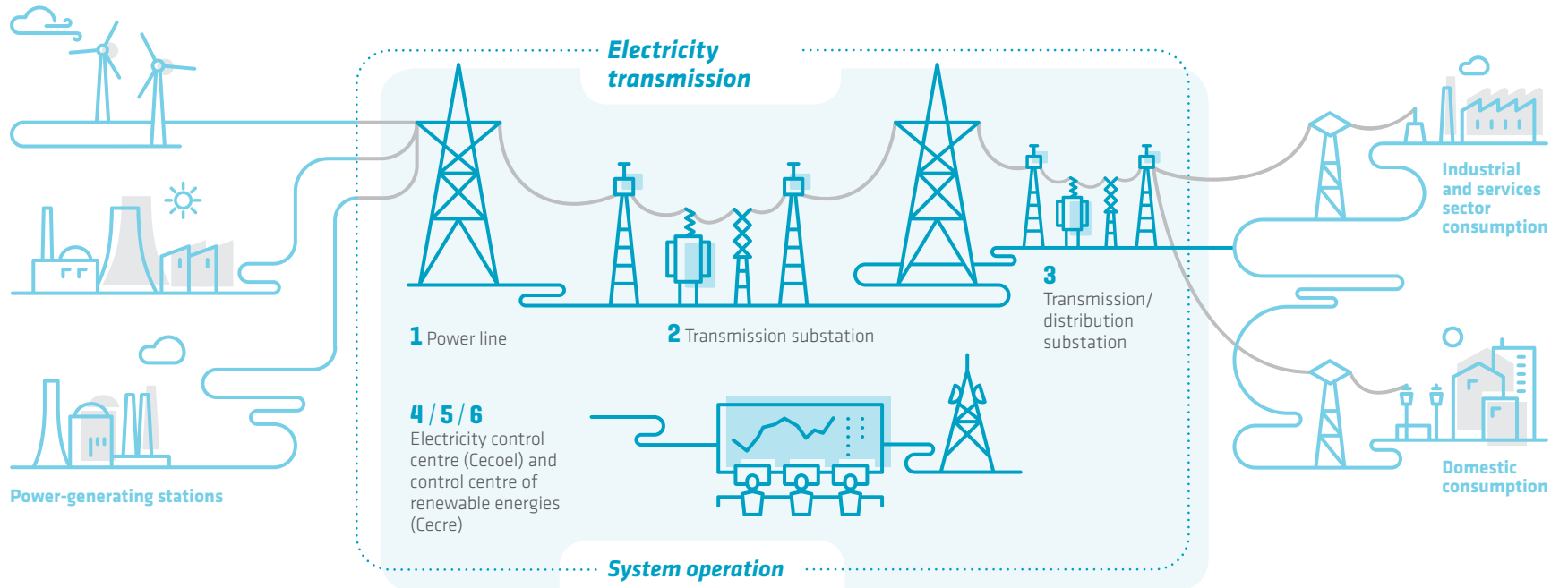
# What we do

## Electricity transmission activity

- 1** Red Eléctrica, through its transmission grid, evacuate the electricity generated by the power-generating stations.
- 2** Next, it transports the electricity, transformed into high-voltage, from the power-generating stations to the distribution networks.
- 3** Subsequently, it delivers the electricity, transformed into lower voltage levels, to the distribution companies who then deliver it to the final consumer.

## 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 electrical energy cannot be stored in large quantities.
- 5** To do this, Red Eléctrica forecasts the electricity consumption that is going to be demanded nationwide throughout the day. Power stations use this forecast to schedule their production.
- 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.



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## Other activities [G4-13]

### INTERNATIONAL ACTIVITY

**For the Company**, the development of International business is a natural growth path which is centred mainly on the construction and operation of transmission grids outside Spain. To boost this business, Red Eléctrica analyses corporate acquisitions and frequently participates in concession tenders. The objective is to invest in low-risk countries with stable regulatory environments, ensuring noteworthy participation in the shareholding structure and an involvement in the management process.

Red Eléctrica Internacional has been present in South America for more than 15 years, where it manages transmission grids while maintaining

excellent rates of availability of the facilities and a seamless collaboration with all stakeholders.

During 2015, the Company consolidated its presence in Peru and has entered the transmission business in Chile, increasing its positioning in the two neighbouring geographical areas of northern Chile and southern Peru.

#### New concession contracts in Peru

- In February 2015, Red Eléctrica Internacional and the Peruvian investment fund manager AC Captales, were awarded the concession contract for the 220 kV Azángaro-Juliaca-Puno line in southern Peru. The project, with a forecasted investment of 70 million dollars, includes the design, financing, construction, operation and maintenance of the line for 30 years.

- In December 2015, Red Eléctrica Internacional was also awarded the concession contract for the

220 kV Montalvo-Los Héroes line for a period of 30 years, representing an investment of 40 million dollars.

#### Acquisition in Chile

- In December 2015, Red Eléctrica Chile, a subsidiary of Red Eléctrica Internacional, and the Chilean Company E-CL, reached an agreement for the acquisition by Red Eléctrica of 50% of the share capital of Transmisora Eléctrica del Norte [TEN], owned by E-CL. With this acquisition both companies are jointly involved in the construction and commercial operation of the Mejillones-Cardones transmission line, which TEN is constructing. With an investment of over 780 million dollars, this line will be the first interconnection between the central and northern electricity subsystems of the country.

### PRESENCE IN SOUTH AMERICA



IN 2015  
**THREE  
NEW  
PROJECTS**

*Two in Peru  
and one in Chile*



In the 'About us' section  
of the corporate website.



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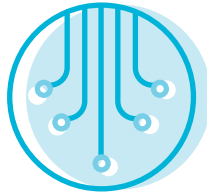
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## TELECOMMUNICATIONS ACTIVITY

The telecommunications activity is based on the commercial operation and management of the surplus capacity of fibre optic networks and associated dark fibre infrastructure of the electricity transmission grid. Additionally, as of November 2014, it also includes the national rail network as a result of the acquisition of the transfer of the rights to operate and manage ADIF's-High Speed rail dark fibre optic network for the next 20 years.

This new dimension of the telecommunications business has required the creation in 2015 of a new subsidiary, Red Eléctrica Infraestructuras de Telecomunicación (REINTEL) and that is wholly owned by Red Eléctrica Corporación. Its main activity is the leasing of dark fibre and technical spaces in electricity substations and railway stations for operators to host their equipment for the provision of telecommunications services to customers.

### REINTEL INFRASTRUCTURE



**33,000**  
km  
DARK OPTICAL FIBRE

*And 800 points of presence and technical spaces*



**REINTEL**  
Manages a backbone network based on two basic infrastructures: the electricity grid and the railway network.

REINTEL, created in 2015, **has become the first neutral provider** of telecommunications infrastructure in Spain.

In this way, REINTEL positions itself as the first neutral provider of telecommunications infrastructure in Spain, through the use and management of a fibre optic network with national coverage, with access to rural and urban areas, and with both international connections and connections to the islands.

### ENERGY STORAGE ACTIVITY IN THE CANARY ISLANDS

In September 2015, Red Eléctrica Infraestructuras en Canarias (REINCAN) was created; a company wholly owned by Red Eléctrica Corporación. The creation of this

subsidiary responds to the need to promote energy storage projects on the Canary Islands. Said projects will act as tools for the system operator in order to guarantee the electricity supply on the islands at all times, as well as to improve system security and optimise the integration of renewable energy. The project, with a budget of 320 million euros, for the construction of the Chira-Soria pumped-storage hydro power station, on the island of Gran Canaria, meets these objectives.



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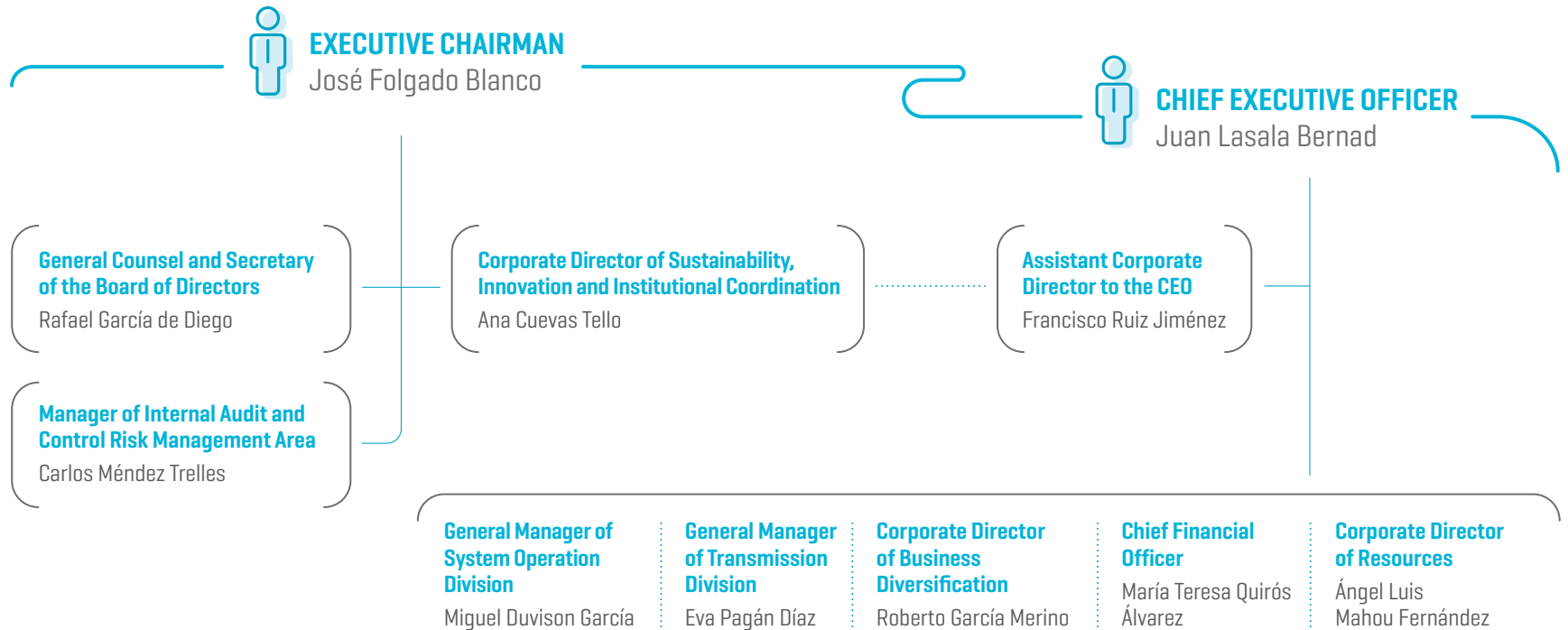
# Management structure [G4-34]

In order to respond to international best practices in corporate governance and to the commitment acquired with shareholders geared towards taking steps for

the separation of the positions of Chairman of the Board and CEO of the Company, the Board of Directors appointed Juan Lasala as CEO of the Red Eléctrica Group.

This new management structure not only contributes to maintaining the proper balance of powers on the Board of Directors, and improves the corporate governance structure of the Company, but also facilitates

the fulfilment of the new challenges and objectives set out in the Strategic Plan of the Red Eléctrica Group.







LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICER



KEY PERFORMANCE  
INDICATORS



01. THE COMPANY

02.  
STRATEGY



# STRATEGY

## 02

Connected  
to TSO  
development,  
maximising  
efficiency and  
expanding  
the business  
base



03. CORPORATE  
GOVERNANCE



04. MANAGEMENT  
APPROACH



05. SUSTAINABLE  
ENERGY



06. CREATION  
OF VALUE



07. EMPLOYEES



08. SOCIETY



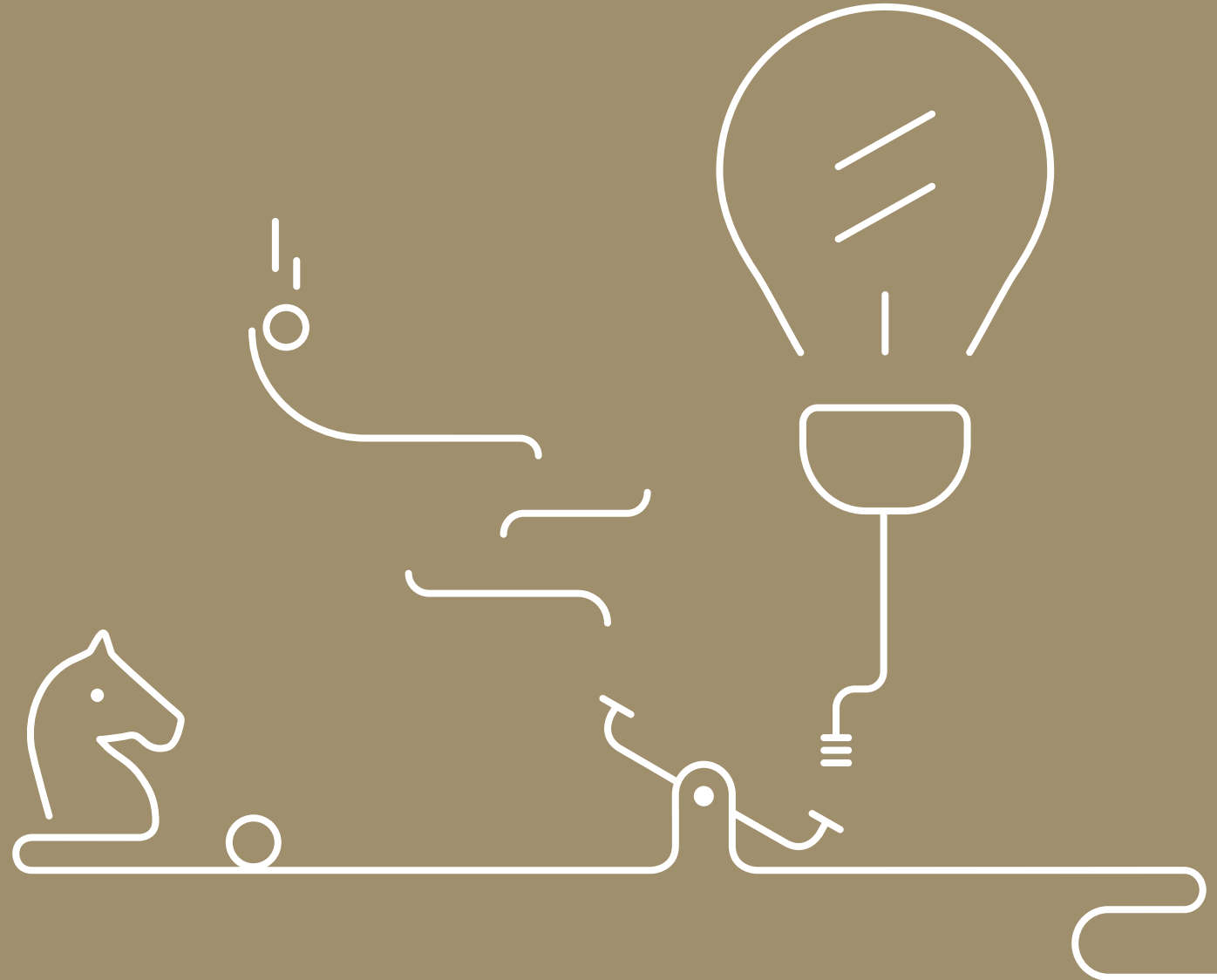
09. DIALOGUE  
WITH  
STAKEHOLDERS



10. THE  
ENVIRONMENT



ANNEXES





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY

02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



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ANNEXES

## The Strategic Plan 2014-2019,

in addition to continuing to develop our role as TSO in Spain, it maximises efficiency criteria to adapt the Company to the new regulatory environment and a more restrictive remuneration policy, the Plan also encompasses a greater scope regarding the expansion of the business base as an alternative way to grow and create value.

**This Plan**, approved by the Board of Directors in February 2015, establishes three key strategic lines, which define the actions to be undertaken and three transversal strategic lines that address the action criteria for its execution.





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



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04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



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09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT



ANNEXES



# Economic, energy and regulatory scenario

In 2015, the international economic situation was marked by the evolution of oil prices, following the progressive and accentuated decline experienced in the final months of 2014, it remained in the vicinity of 60 dollars per barrel during the first half of 2015, to resume the downward trend in the last few months of the year when the average price stood at 40 dollars a barrel, far from the price of 110 dollars a barrel this raw material cost just a year and a half earlier, in June 2014.

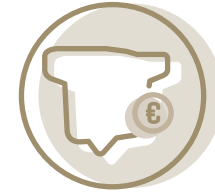
The decisions of oil-producing countries regarding the volume of supply, some of them derived from strategies of a geopolitical nature, as well as the moderate deceleration observed during 2015 in the pace of economic growth in emerging countries, the main consumers of this raw material, are some of the factors that explain the behaviour of oil prices, which has had a positive impact on the economies of countries that must import most of their oil consumption, as is the case of Spain.

Thus, the preliminary report on the latest quarterly Gross Domestic Product data (GDP) published by the National Institute of Statistics estimates that the Spanish economy will grow by 3.2% in 2015, exceeding the forecasts that had been made for this year, and consolidating the recovery trend already noted in 2014.

For yet another year, domestic demand has been the engine of growth, driven not only by the effect of the low cost of oil, but also due to the bringing forward, in July 2015, of tax relief announced by the government for 2016 and, above all, by the progressive improvement of net job creation recorded throughout 2015. This fiscal year has ended with 525,100 more jobs than a year ago, an increase in the employment rate of 3% which has also reduced the unemployment rate by 3 points, to place it in December 2015 at 20.9%, the lowest level since 2011.

## The evolution of the price of oil marked the behaviour of the international economic environment.

SPANISH GDP  
2015



3.2  
%  
INCREASE



DOMESTIC DEMAND

for yet another year, this has been the engine of growth, driven by the effect of the low cost of oil, the bringing forward of tax relief and the improvement in net job creation recorded in 2015.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY

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## In 2015, energy consumption in Spain recovered a positive growth rate and broke the downward trend of the last four years.

In this recovery scenario, energy consumption in Spain in 2015 resumed the positive growth rates not seen since 2010, although more moderate than those of GDP values. Thus, the final energy consumption, with the data available until August 2015, grew by 1.4% over the first eight months of 2014, while the increase in consumption of electricity in 2015, after factoring in seasonal and working patterns, was 1.5%.

This loss of correlation between energy and economic growth that has been observed for some years is the result of, on the one hand, the progressive transformation from a production model predominantly industrial towards a less intensive more technological economy in energy consumption. On the other, is the result of the progress in the implementation of energy efficiency and savings measures consistent with the objectives of the Spanish and European energy policy to achieve a sustainable energy model and to combat climate change.

The firm commitment of the European Union to the energy targets and the fight against climate change, reaffirmed by the European Council in October 2014 with the setting of new specific targets for 2030

### ELECTRICITY CONSUMPTION IN SPAIN



INCREASED BY  
**1.5**  
%

*After having factored in seasonal and working patterns*

[40% reduction in emissions compared to 1990, a 27% share of renewables in the final consumption of energy, 27% energy saving compared to consumption forecasts and 15% of interconnection capacity between member countries], received a new impetus in February 2015 with the publication by the European Commission of the EU's 'Third Energy Package'.

To encourage and facilitate the achievement of these objectives, this new legislative package attaches great importance to increasing interconnection capacity between member countries, including a specific strategy to ensure the full integration of the internal electricity market. This package requires a great and renewed political impetus, at a European level, involving both the authorities of the countries that are connected and the Community authorities.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY

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09. DIALOGUE WITH STAKEHOLDERS

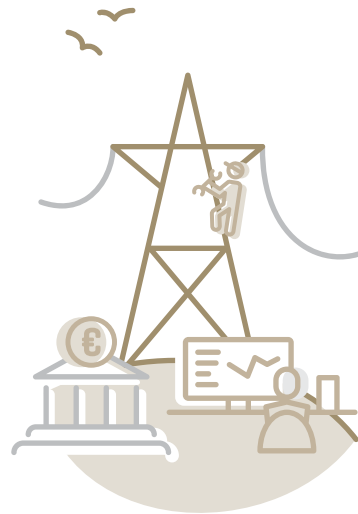


10. THE ENVIRONMENT



ANNEXES

Another relevant milestone of the international energy scenario in 2015 was the global agreement to curb global warming reached in the 21st UN Climate Change Conference held in Paris in December 2015. This agreement, the first of consensus in all summits, incorporates the objective that the average increase in global temperature by the end of the century be less than 2° C above that of the pre-industrial era, by establishing the commitments for the 195 signatory countries, most demanding for developed countries, which should lead the emission reduction efforts.



The European Union 'Third Energy Package' of the European Commission defined a new strategic framework to achieve the communitarian objectives of European energy policy, based on five pillars:

- Reduce dependency and increase energy solidarity.

- Achieve a fully-integrated European energy market.

- Promote energy efficiency as a means of moderating demand.

- Decarbonise the economy.

- Increase research, innovation and competitiveness.



[More on the regulatory aspects in the Consolidated Annual Accounts.](#)

## In 2015, the regulatory reform was concluded with the approval of the unit values of investment and operation and maintenance of transmission facilities.

The Spanish energy regulation, fully identified with the objectives of EU energy policy, was approved during 2015. Among its most important provisions, the first tender for the promotion of new renewable generation with specific remuneration, and the Royal Decree on the auto-consumption of electricity, with which the reform process of the electricity sector regulation undertaken by the Government in 2013 is practically closed.

During the two years of implementation of this new regulatory framework, revenues in the electricity sector have exceeded costs, meaning the deficit problem of structural tariffs, whose elimination was one of the priority objectives of the reform, no longer exists.

Focusing on regulatory aspects directly related to Red Eléctrica during 2015:

- Ministerial Order IET / 2659 of 12/12/2015 was published, approving the unit values of investment and operation and maintenance of transmission facilities and the regulatory useful life of these facilities. The approval of this Ministerial Order represents the coming into force of the new remuneration methodology established in RD 1047/2013.
- In relation to its functions in non-peninsular electricity systems, the transference of the Chira-Soria reversible pumped-storage power station project in Gran Canaria to Red Eléctrica, as system operator, was executed in accordance with Order IET / 728/2014 of 28 April.

LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICERKEY PERFORMANCE  
INDICATORS

01. THE COMPANY

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# Key strategies

## Development of the TSO activity

The main activity of Red Eléctrica is linked to its status as sole transmission agent and operator of the Spanish electricity system. Therefore, the main strategy of the Company is based on the development of an increasingly meshed and robust transmission grid that is better interconnected and in its contribution, as a key element in the functioning of the electricity system, to make the challenge of sustainable development a reality through the integration of renewable energy and promoting projects aimed at energy efficiency and innovation.

Although logically the future of the electricity sector will be defined by the main players in the sector, it is a priority that Red Eléctrica adopt a strategic positioning to strengthen its position as Spanish TSO and to defend its position both nationally and at a European level.

### Execution of the Plan in 2015

- Approval of the Energy Planning 2015-2020 by the Council of Ministers.
- Closing of the regulatory reform following the approval of the remaining aspects for the definition of the new remuneration framework for the electricity transmission activity in Spain.
- The coming into full operation of the interconnection with France through the Eastern Pyrenees, a project that has represented a major technological challenge and that doubles the exchange capacity with the European system.
- Commissioning of the first submarine cable of the Majorca-Ibiza link to strengthen the electricity integration of the Balearic Islands and guarantee the reliability of the supply.

The Strategic Plan continues is based on the continuous development of the **key role as Spanish TSO**, consolidating our position both nationally and at a European level.

## TSO DEVELOPMENT



INFRASTRUCTURE  
PLANNING  
**2015-2020  
APPROVED**

In 2015



### KEY STRATEGY

develop an increasingly meshed and robust transmission grid that is better interconnected to contribute to the efficient functioning of the electricity system.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY

02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



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## Efficiency

The **strategic Plan** seeks to improve current levels of efficiency, which represents promoting management and corporate culture, focused mainly on the optimisation of construction and maintenance activities (the greatest economic and financial impact) and continuous improvement at

an operational and process level. Obtaining greater efficiency helps to mitigate the impact of the declining profitability of new investments, according to the new remuneration model, generating value through improved operating margins.

### Execution of the Plan in 2015

- Optimisation of financing through the repurchase of bonds.
- Refinancing REDESUR through a bond issue in Peru.
- Defining a framework for relations between the Group's companies and the different management areas of Red Eléctrica in order to build the pillars of growth and the diversification of the Group.

## Expansion of the business base

The **current economic** and energy context brings with it a lower growth scenario linked to Company's main activity, which means having to consider expanding the business base both in Spain and internationally, to boost the growth trend over the upcoming years in the following areas:

• **Telecommunications:** after the transfer and commercial exploitation of the dark fibre optic network of ADIF, Red Eléctrica has become the neutral operator of reference in Spain for dark fibre.

• **Energy storage:** an increase in energy storage capacity on the islands, mainly via pumped-storage, as a tool available to the system operator, will enable a better integration of renewables and at the same time provide more security for the electricity system.

• **International:** the internationalisation process is based on our knowledge regarding the management and operation of electricity transmission grids and is conceived with a vocation of long-term presence in low risk countries and stable regulatory environments.

### Execution of the Plan in 2015

- Creation of Red Eléctrica Infraestructuras de Telecomunicaciones (REINTEL), whose activity is focused on the leasing of dark fibre optic networks and points of presence.
- Setting up of Red Eléctrica Infraestructuras en Canarias (REINCAN), that will manage the construction of facilities aimed at energy storage in the Canary Islands, such as the project for the Chira-Soria pumped-storage hydro power station.
- Concession contract awarded to Red Eléctrica Internacional for the 220 kV Azángaro-Juliaca-Puno line and the Montalvo-Los Héroes lines in Peru.
- Acquisition of 50% of the share capital of Transmisora Eléctrica del Norte (TEN), to participate in the construction and operation of the Mejillones-Cardones line in Chile.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY

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# Transversal strategies

## ***Excellence and corporate responsibility***

**At an excellence level,** we must maintain the current benchmark in the execution of our activities, while focussing our efforts on the active management of our reputation and corporate brand and strengthening communication with stakeholders. We seek to do this while maintaining the objective to consolidate ourselves

as a sustainable company, through ethical management and a commitment to society with a focus on excellence and responsibility in the development of our activity.

### Execution of the Plan in 2015

- Incorporation into the Dow Jones Sustainability World and Europe Indexes.
- Implementation of the Sustainable Mobility Plan.
- Approval of the Action Plan for Climate Change 2015-2020.
- Appointment of a new CEO, separation of the roles of Chairman of the Board of Directors and Chief Executive Officer of the Company.
- Renewal of the EFQM European Seal of Excellence 500+, with a score in excess of 700 points, consolidating Red Eléctrica among the leading companies both at a national and European level.

## ***Innovation***

**Innovation** as a transversal strategy implies a cultural change, which is not limited only to the activity of R&D+i. Therefore, innovation is presented with a greater scope, being an integral part of the operational process

and that promotes technological innovation as a lever for growth that will respond to the great challenges of the future.

### Execution of the Plan in 2015

- Undertaking of 76 technologically innovative projects aimed at increasing system efficiency and the integration of renewable energies.
- New Innovation and Technological Development Plan 2016-2019.
- Completion of the ESP-Líder project (redirection of current flows) of the INNFACTO programme and its installation in Torres de Segre available for system operation.





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



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ANNEXES

## People

**People are the cornerstone** on which the whole strategy is built, and are those that enable the proposed objectives to be achieved. Red Eléctrica is committed to establishing a healthy working

environment conducive to the organisation of work and well-being of employees, allowing the optimisation of resources.

### Execution of the Plan in 2015

- Definition of a healthy workplace model that establishes the general principles and guidelines for the promotion of health, safety and the well-being of employees.
- Creation of banks of employee potential and boosting the quality of the associated programmes in collaboration with prestigious business schools.
- Implementation of the LideraT training programme for the management team.

## SIGNIFICANT PROGRESS IN the Strategic Plan 2014-2019



### GOALS 2014-2019

SOLID GROWTH IN CONSOLIDATED ACTIVITIES

€ **3.1** bn

Investment in the Transmission Grid

€ **475** m

Investment in the dark fibre optic network

ADDITIONAL GROWTH IN NEW ACTIVITIES

€ **1** bn



### ACHIEVEMENTS 2014-2015

+100 BPS.

3.6x

6.9%

IMPROVED EBITDA MARGIN in 2019 **≥ 200 BPS.**

NET DEBT RATIO/ EBITDA Average **3.5x**

GROWTH IN EPS [CAGR in the period] **5-6%**



### IN FIVE YEARS

the plan foresees investments for an amount of 4,575 million euros that will allow the Company to achieve solid growth in consolidated activities and further growth in new activities.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY

03. GOVERNANCE



# GOVERNANCE

## 03

Connected to ethics, integrity, transparency and good governance



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



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LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



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ANNEXES

# GOVERNANCE STRUCTURE OF THE COMPANY [G4-34, G4-38]

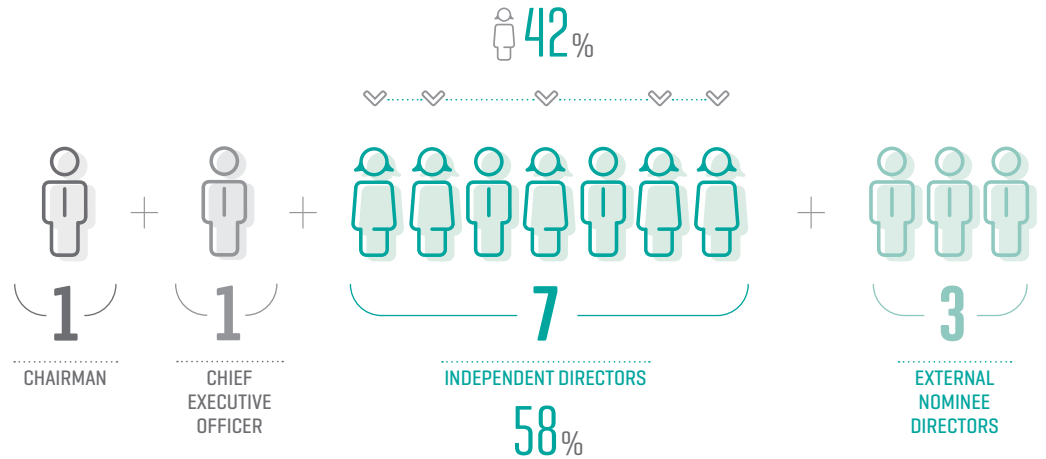


## GENERAL SHAREHOLDERS' MEETING



### Board of Directors

AS AT 31 DECEMBER 2015



### Appointments and Remuneration Committee

**CHAIRWOMAN**  
FEMALE LEAD INDEPENDENT DIRECTOR



### Audit Committee

**CHAIRMAN**  
INDEPENDENT DIRECTOR



LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICERKEY PERFORMANCE  
INDICATORS

01. THE COMPANY



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ANNEXES

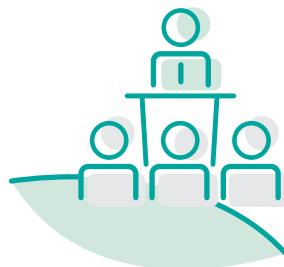
# Good governance

From the outset, Red Eléctrica has maintained a constant and firm commitment to adopting best corporate governance practices.

This is made possible not only by complying with the applicable legal regulations and the most widespread national and international recommendations on the subject, but also by voluntarily implementing a series of measures and initiatives that are targeted at the core of the most important issues regarding good governance of the Company, and which most concern and are demanded by shareholders, investors and the markets.

## Noteworthy actions in 2015

- Separation of the positions of Chairman of the Board and Chief Executive Officer (CEO).
- Approval by the Shareholders' Meeting of the remuneration policy for board members for a period of 3 years.
- Consolidation of the position of leadership of Red Eléctrica in the IBEX 35 in relation to gender diversity on the Board of Directors.
- Reincorporation of Red Eléctrica into the Dow Jones Sustainability Indexes (DJSI) with a high score regarding corporate governance.
- Design and implementation of dissemination and communication actions for stakeholders regarding corporate governance.
- Adaptation of the corporate regulations to the new legislation regarding corporate governance.



### Internal governance regulations 31st December 2015

- 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.

## REMUNERATION POLICY FOR BOARD MEMBERS



APPROVED FOR  
A PERIOD OF  
**THREE  
YEARS**

By the  
*Ordinary General  
Shareholders'  
Meeting 2015*



### DJSI

Reincorporation in 2015 into the Dow Jones Sustainability Index, achieving a high score regarding corporate governance.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



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ANNEXES

## CORPORATE SHAREHOLDING STRUCTURE

As at 31st December 2015, the Company's share 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 two euros, 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 of guaranteeing the independence of the Company vis-a-vis all other electricity sector activities and agents.

In this regard, the following 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 sector, and those individuals or legal entities that directly or indirectly hold more than 5% of its capital, may not exercise more than 1% of the voting rights in the 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.

In 2015, the equity of the Company was comprised of a 20% shareholding owned by SEPI, with the remaining 80% being free float.

NUMBER OF SHARES  
**135,270,000**



SHARE CAPITAL  
**270,540,000**  
EUROS

## RED ELÉCTRICA SHAREHOLDING

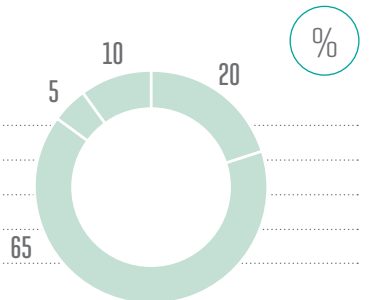


**20%**  
OWNED BY SEPI  
**80%**  
FREE FLOAT

## SHAREHOLDER STRUCTURE [G4-EC4]

20	SEPI
65	Foreign Institutions
5	Spanish Institutions
10	Minority Shareholders

SEPI: State Owned Industrial Holding Company.





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



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ANNEXES

## GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting represents all of the shareholders, and exercises the duties assigned to it as the governance body of the Company. The rules on the organisation and functioning of the General Shareholders' Meeting are set out in the Corporate By-laws (Articles 11 through 18 inclusive) and in the Regulations of the General Shareholders' Meeting.

### 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 the rights of attendance, representation and the right to information 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.

### AVERAGE PERCENTAGE OF VOTES



92.1 %

IN FAVOUR OF THE APPROVAL OF AGREEMENTS

*In the Annual Ordinary General Shareholders' Meeting 2015*



In the 'General Shareholders' Meeting' subsection of the Corporate Governance section of the corporate website.

- External audit of the management processes of the Ordinary General Shareholders' Meeting.
- Vote certification.

### 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 General Shareholders' Meeting, which also facilitates the maximum participation of shareholders. Some of the key mechanisms are:

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

### PERCENTAGE OF ATTENDEES AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING



2015	57.3
2014	56.1
2013	57.6
2012	61.9
2011	66.1

% over share capital.

- 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.





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



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ANNEXES

## BOARD OF DIRECTORS [G4-38]

### 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 organisation and operation contained in **the Corporate By-laws** and **the Regulations of the Board**.

The responsibilities of the Board of Directors can be summarised as follows:

- Approval of the general policies and strategies of the Company and the Group.
- Decisions on the remuneration of board members, financial reporting, strategic investments (except those that correspond to the General Meeting), the creation or participation in special purpose entities or those registered in tax havens and authorisation of related-party transactions.

- Annual assessment of the quality and efficiency of the Board and the performance of its Committees.

### 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 sustainability of the Company.

### Separation of the positions of the Chairman of the Board of Directors and the Chief Executive Officer (CEO) [G4-39]

Responding to the commitment undertaken by the Company at the General Shareholders' Meeting held in April 2012, and its commitment to best international practices in corporate governance, the Board of Directors of Red Eléctrica submitted the separation of the positions of the Chairman of the Board and the CEO of the Company, as well as the appointment of Juan Lasala Bernad as executive



### SEPARATION OF POSITIONS

In 2015, the separation of the positions of the Chairman of the Board and the Chief Executive Officer was concluded.

board member, for approval of the General Shareholders' Meeting at extraordinary session held on 17 July 2015 and convened solely for this purpose. Both proposals received a favourable vote of 99% of shareholders, with an attendance figure of 58%. The Board of Directors at its meeting on 28 July 2015, appointed Juan Lasala Bernad as the new CEO of the Company.

### DIVERSITY ON THE BOARD

#### FEMALE BOARD MEMBERS

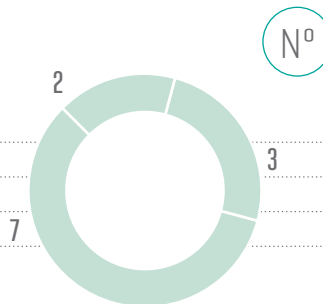
Year	Percentage (%)
2015	41.7
2014	45.5
2013	36.4
IBEX 35 AVERAGE [1]	13.5

[1] Source: CNMV. 2014 data.

### REDUCED AND BALANCED BOARD

#### NUMBER AND TYPE OF DIRECTOR

- 2 Executive
- 3 External nominee directors
- 7 Independent directors



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A transition period has been established that will culminate at the Annual Ordinary General Shareholders' Meeting in 2016, with the full separation of the duties between the Chairman of the Board and the Chief Executive Officer. As of said Meeting, the Chairman of the Board of Directors shall be attributed exclusively the responsibilities inherent to said position.

Until the Annual Ordinary General Shareholders' Meeting 2016, the Chairman shall maintain his current executive powers, focusing his efforts on managing, supporting and fostering the transfer of executive powers to the new CEO in order for said transfer to take place in a rational and organised manner during the transition phase. Therefore, the CEO will take on executive duties as of the date of his appointment.

Moreover, the figure of the **independent lead director** created in 2013 remains unchanged. This figure along with the responsibilities assigned to it, is recognised by shareholders and proxy advisors as an effective corporate governance practice.

BOARD  
OF DIRECTORS

## WOMEN



42

%

LEADERS  
IN THE IBEX 35*In gender  
diversity*

## THE DOCUMENTATION

concerning the outcome of the Extraordinary General Shareholders' Meeting 17 July 2015 can be found in the 'Corporate Governance' section of the corporate website: [www.ree.es](http://www.ree.es).

The process for the **separation of powers vested in the Chairman and CEO** will culminate in the Ordinary General Shareholders' Meeting 2016.

## AUDIT COMMITTEE

The **Audit Committee** is assigned, among other functions, those of providing support to the Board in its role as monitor of the process for the drafting of financial information, internal control of the Company and independence of the external auditor. It also monitors compliance with the legal provisions and internal regulations and those relating to the shareholders of the Company along with those powers which the Board of Directors expressly attributes to said Committee.

During 2015, the Committee held 11 meetings, with no absences or delegation of powers by its members having been registered.

APPOINTMENTS  
AND REMUNERATION  
COMMITTEE

This **Committee** has powers assigned to it regarding the appointment and removal of board members and senior executives, their remuneration, their fulfilment of their duties of administrators and their respect for the principles and rules of corporate governance and the Corporate Responsibility Policy. In addition, on an annual basis, it prepares a specific report on gender diversity that is submitted to the Board for their approval.

During 2015, the Committee held 14 meetings, with no absences or delegation of powers by its members having been registered.



## BOARD OF DIRECTORS

AS AT 31st DECEMBER 2015

### EXECUTIVE CHAIRMAN

José Folgado Blanco



### CHIEF EXECUTIVE OFFICER

Juan Lasala Bernad



### EXTERNAL NOMINEE DIRECTORS (SEPI)



Fernando Fernández Méndez de Andés  
Member of the Audit Committee



Santiago Lanzuela Marina  
Member of the Audit Committee



José Ángel Partearroyo Martín  
Member of the Appointments and Remuneration Committee [1]

### GENERAL COUNSEL AND SECRETARY OF THE BOARD



Rafael García de Diego  
Non-Board Director

### EXTERNAL INDEPENDENT DIRECTORS



Mª Ángeles Amador Millán  
Member of the Appointments and Remuneration Committee



Paloma Sendín de Cáceres  
Member of the Audit Committee



Carmen Gómez de Barreda Tous de Monsalve  
Chairwoman of the Appointments and Remuneration Committee and Independent Lead Director



María José García Beato  
Member of the Appointments and Remuneration Committee



Socorro Fernández Larrea  
Member of the Appointments and Remuneration Committee



José Luis Feito Higuera  
Chairman of the Audit Committee



On the structure and composition of the Board of Directors in the Annual Corporate Governance Report 2015 in the 'Corporate Governance' section of the corporate website.

[1] Appointed as member of the Appointments and Remuneration Committee on 26/01/16.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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## DELEGATION OF ECONOMIC, SOCIAL AND ENVIRONMENTAL MATTERS [G4-34, 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 essential guidelines for action.

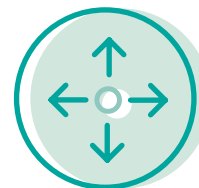
On this basis, the Corporate Economics and Finance Division is conferred overall responsibility for economic matters, while responsibilities regarding social and environmental issues are distributed among the Assistant Corporate Director to the CEO and the areas responsible for Corporate Resources, Corporate Management of Sustainability, Innovation and Institutional Coordination.

The directors of these divisions are part of the Executive Committee, chaired by the Chief Executive Officer, as well as the Management Committee, headed by the Chairman of the Board, which ensure dialogue with the Board of Directors. In addition, they are permanently available to the Board to report on matters within the scope of their responsibilities.

## 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.

## BOARD OF DIRECTORS



## SUPERVISION AND APPROVAL OF ESSENTIAL GUIDELINES

*Delegates the general management to executive bodies and the management team*



## STAKEHOLDERS

Red Eléctrica, as part of the Corporate Governance Policy, encourages dialogue with shareholders, investors and key stakeholders in order to improve relations and foster their commitment and trust.

In application of this principle, Red Eléctrica strives to fulfil the demands of institutional shareholders, given their noteworthy 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 of equal treatment enjoyed by other shareholders.

Similarly, in application of this principle, Red Eléctrica undertakes the commitment to provide 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.



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Besides the direct communication channels indicated in the Transparency and Participation section, on page 28 of this report, and detailed in the **Annual Corporate Governance Report 2015** and in the **Regulations of the Board** (Articles 42-47), the Board of Directors has access to other consultation mechanisms with stakeholders among which the following are noteworthy:

- Consultation and grievance system of the Code of Ethics.
- Social representation/committees.
- Stakeholder satisfaction reports.
- DÍGAME Service.

During 2015, there have not been any relevant issues regarding said channels that would require submission to the Board. [G4-50]

## ANNUAL GENERAL SHAREHOLDERS' MEETING



### APPOINTS, REMOVES AND RATIFIES MEMBERS OF THE BOARD OF DIRECTORS



#### SELECTION OF BOARD MEMBERS

Regulated in the Corporate Bylaws and the Regulations of the Board, and it is the Nomination and Remuneration Committee which adopts the relevant role in the process.

## 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's Corporate Governance Policy 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.

Moreover, there is a general matrix of competencies for the evaluation of candidates participating in the selection process. The procedure takes into account any competences, experience, professionalism, suitability, gender, impartiality, knowledge, qualities, abilities and availability of the members of the Board of Directors at all times, and the Appointments and Remuneration Committee plays a relevant role in the process.

The appointment and removal of directors and the ratification, where appropriate, of the appointments previously carried out by co-optation, corresponds to the General Shareholders' Meeting.

## CONFLICT OF INTERESTS [G4-41]

Regarding the Board members, Article 32 of the Regulations of the Board establishes the possible conflict of interests and procedures to be followed in such conflicts. Furthermore, the Corporate Governance Annual Report 2015 details the mechanisms put in place to detect and resolve possible conflicts of interests between Red Eléctrica and its Board directors, managers and relevant shareholders.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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## 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 Officer 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 Appointments and Remuneration 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 of Red Eléctrica establishes that the Company will have an information 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 appropriate.

Red Eléctrica maintains a **Board remuneration policy based on moderation** and which is incentive in nature, but its total amount does not condition the independence of the board member.

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 Intranet of the Board Directors, 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, among other things.

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

The remuneration of the Board was approved by a majority at the Annual Ordinary General Shareholders' Meeting 2015. Regarding the remuneration of the Board of Directors for the year 2015, the concepts and their amounts have remained the same as in 2014.

## BOARD OF DIRECTORS REMUNERATION



## FIXED REMUNERATION

IS ESTABLISHED COMPARED TO THE VARIABLE REMUNERATION OF EXECUTIVE BOARD MEMBERS

In 2015

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## Principles of the remuneration policy

The Remuneration Policy of Board members, approved by the Annual Ordinary General Shareholders' Meeting held on 15 April 2015, is based on the following general principles:

- Balance and moderation.
- Alignment with practices demanded by shareholders and investors.
- Transparency.
- Voluntary submission of any decision regarding remuneration for approval of the General Shareholders' Meeting.
- Alignment with the remuneration established in comparable companies.

Regarding the remuneration of executive board members in 2015, the following principles have been established:

- Alignment of the remuneration policy for executive board members with company strategy.
- Maintaining a reasonable balance between the various components of fixed and variable remuneration reflecting adequate risk-taking combined with the achievement of defined objectives linked to sustainable value creation.
- Among the objectives linked to variable remuneration qualitative metrics related to corporate responsibility projects [Environmental, Social and Governance - ESG] of the Red Eléctrica Group are included.

Other principles applicable to the remuneration of the members of the Board of Directors are those:

- Related to effective dedication.
- Linked to the responsibility and the development of their duties as board members.
- Regarding the absence of variable remuneration components in the interest of its total independence from the remuneration of executive board members and the management team.
- Incentive in nature, but its total amount does not condition the independence of the board.

Detailed information regarding the remuneration of the Board can be found in the Annual Report on the Remuneration of Board Members, the proposal to amend the remuneration policy for Board members and the proposed resolutions on the annual remuneration of the Board of Directors for 2016. These will be submitted for approval by the Ordinary General Shareholders' Meeting of Red Eléctrica to be held in 2016, as separate items on the agenda. All this information is available in the 'Corporate Governance' section of the corporate website.

## BOARD MEMBERS AND MANAGEMENT REMUNERATION



INCORPORATES  
**ESG**  
CRITERIA

*Environmental,  
social and corporate  
governance*



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# Risk management [G4-14]

The Red Eléctrica Group has a Comprehensive Risk Management System established whose objective is to ensure that the risks, which could affect the strategies and objectives of the Company, are systematically identified, assessed, managed and controlled with uniform criteria and within the established risk limits, so as to facilitate the fulfilment of the Group's strategies and objectives.

## COMPREHENSIVE RISK MANAGEMENT POLICY

This system has a Comprehensive Risk Management Policy and a General Procedure for the comprehensive control and management of risks, approved respectively by the Board of Directors and the Management Committee, which are based on the Comprehensive Framework for Corporate Risk Management COSO II [Committee of Sponsoring Organisations of the Treadway Commission]. In addition, the comprehensive risk management system conforms to the ISO 31000 standard on principles and guidelines on risk management.

The Risk Policy identifies the different risk categories, defines the risk level that the Company considers acceptable and sets out the action guidelines to manage and mitigate said risks. In September 2015, the Policy for the control and management of tax risks was integrated into this policy, incorporating action guidelines for the management and mitigation of these risks.

This policy is fully aligned with the Strategic Plan of the Group and is available on the corporate website in the 'Corporate Governance' section.

## PROCEDURE FOR THE COMPREHENSIVE MANAGEMENT AND CONTROL OF RISKS

This procedure regulates the process of identification, assessment and management of significant risks which the Group faces. This process is undertaken in order to ensure that different

In the Risk Policy **different categories of risk are identified**, their acceptable level is set and guidelines are established for their management.

## COMPREHENSIVE RISK MANAGEMENT SYSTEM



ACCORDING TO THE **ISO 31000** STANDARD

*On principles and guidelines regarding risk management*



### IN 2015

the tax risks control management Policy was incorporated into the comprehensive risk management system in line with the Strategic Plan of the Company.



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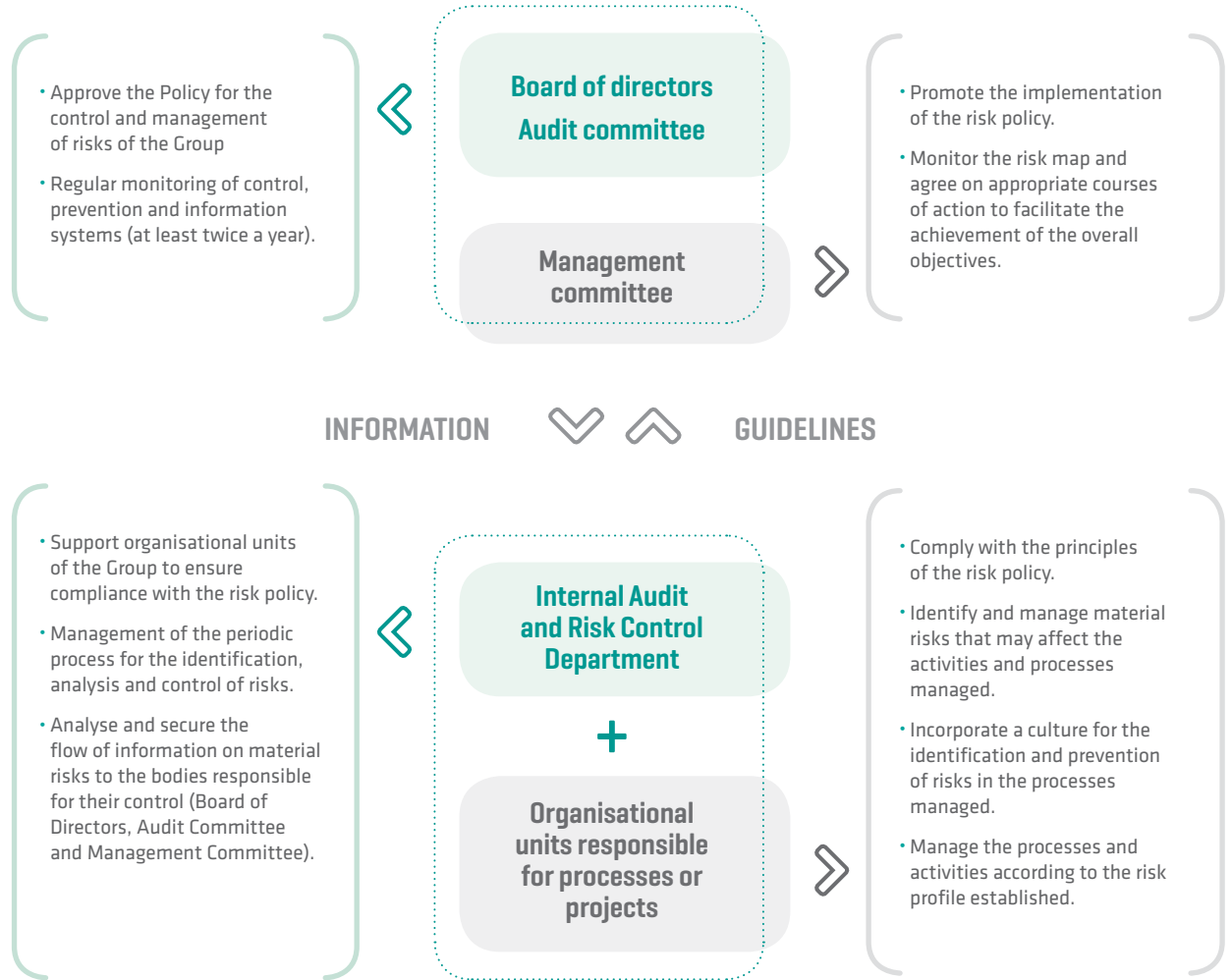
levels of responsibility of the Group understand and appreciate the risks that threaten the activities, processes and projects, and that their management takes them into account, and is carried out within the set risk tolerance limits.

### ORGANISATIONAL STRUCTURE

The Risk Policy and Procedure define the different responsibilities of the governing bodies and those of each of the organisational units, as well as the flow of information and the activities to be undertaken by the various bodies [see organisational chart].

The risk management system is comprehensive, to the extent that all units of the Group and the different governing bodies participate in it, within a systematised management process, in accordance with the guidelines and criteria established in the Procedure and Policy for comprehensive risk management and control.

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





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## MANAGEMENT SYSTEM [G4-2]

The risk management system of the Red Eléctrica Group defines a methodology for determining the level of acceptable risk. This level of acceptable risk [or risk tolerance] is established both at an individual level, for each risk, and globally.

### Acceptable risk at an individual level

Risk assessment is performed based on two parameters: the probability of the risk occurring and the impact on the Company should it materialise.

The probability of occurrence is classified into four levels according to a specific probability distribution by type of risk: low, medium, high and very high.

## RISK LEVEL MEASUREMENT PARAMETERS



### PROBABILITY OF OCCURANCE AND IMPACT

*That determine the level of risk*



### RISK ASSESSMENT

The risks are assessed in terms of impact on the electricity supply, strategies, reputation and the income statement.

As for the impact, risks are assessed in terms of the effect their materialisation can have on four key business elements:

- **The electricity supply.** This is measured by the Energy Not Supplied [ENS] that would result in the possible event taking place.
- **The achievement of the essential strategies.** Degree of impact on the achievement of the essential strategies.
- **Reputation.** Degree of impact on the reputation [geographical scope, duration and reparability].
- **The income statement.** Effect on the income before corporate tax.

For each of these four elements, the Red Eléctrica Group has defined a table with five levels of effect or impact. In the case of the electricity supply and the income statement, quantification is quantitative [MWh and euros], while in the case of the essential strategies and reputation this is qualitative.

The combination of these two parameters (probability and impact) automatically determines the risk level, this may be low, medium or high.

The tolerance level defined by the Red Eléctrica Group only considers admissible those risks whose assessment, according to the above matrix, is considered of low value. According to the risk policy, any risk that exceeds this permissible level, should be the target of actions to achieve said value, in as far as the risk be manageable and the management costs are proportionate to the effect of the risk avoided.

### Acceptable risk at a global level

During 2015, work continued on determining the overall level of acceptable risk that the Group is willing to accept for each of the four types of impacts already mentioned: electricity supply, Group strategies, reputation and the income statement.





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Also, an aggregation methodology is being developed for determining the level of aggregate risk, based on the assessment of the individual risks.

This level of acceptable risk will be submitted to different contrast tests before being presented to Board of Directors for approval.

### RESPONSE AND MONITORING PLANS

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

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

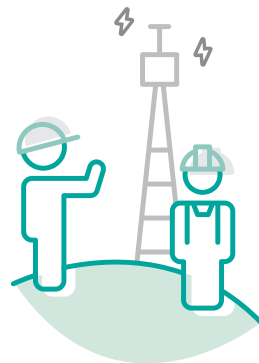
Moreover, the processes of the Group incorporate elements to mitigate or reduce the related risks. These processes have been integrated into management

### RISK MONITORING



MORE THAN  
**500**  
ACTION  
PLANS AND  
**300**  
CONTROL  
INDICATORS

Regarding its evolution



systems structured according to international standards (ISO 9001, ISO 14001 and OHSAS 18001, among others), which are submitted to internal and systematic external audits, adaptation of design and compliance, and that incorporate control aspects corresponding to the objectives to be met.

In addition, Red Eléctrica has several contingency plans that regulate crisis situations that could occur in the case of electrical incidents (to ensure security of supply), or any other incident that may affect the environment, people, the operational aspects

of the Company, the availability of its systems, business results, or any other events that could have an impact on the Company's reputation.

Complementary to that already stated, noteworthy is that in 2007, Red Eléctrica initiated a project for the alignment, review and improvement of its System of Internal Control over Financial Reporting (ICFR), with the basic aim of obtaining improvements in efficiency and the security of processes for the drafting of economic and financial information of the Company, adopting in a voluntary and early manner, international best practices.

The process of **identification, analysis, assessment and control of risks** establishes the actions necessary to reduce the degree of risk to an acceptable level.



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## RISK STRUCTURE [G4-2]

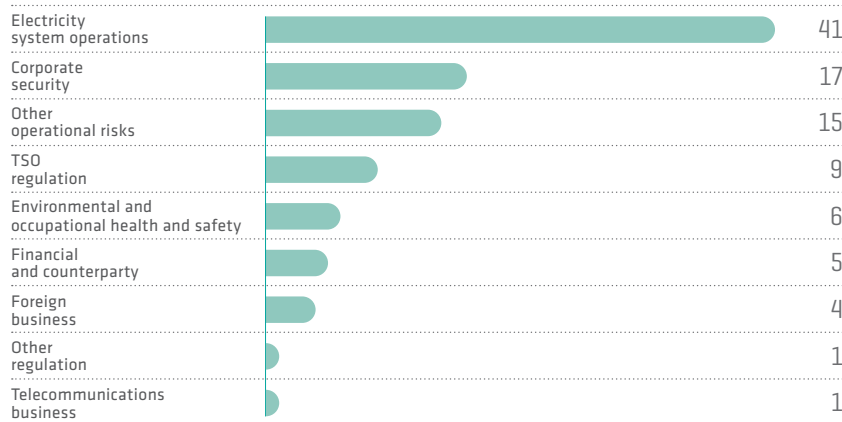
The principal business of the Red Eléctrica Group is the transmission of electricity and operation of the electricity system in Spain, which are regulated activities, in so far as they are critical to the security and continuity of the electricity supply and are carried out on under a regime of exclusivity.

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 due to their importance and relevance: the regulatory and operational risks, as well as others which are common to the undertaking of economic and business activities.



### RISK STRUCTURE



## Risk types of the Red Eléctrica Group

### REGULATORY RISKS

Risks derived from possible changes to the legal framework regulating the activity, which could affect its revenues and/or costs, either directly or through the introduction of new requirements and conditions for the carrying out of this activity.

- **Regulation as Spanish TSO.**
- **Other regulation:** tax risk and environmental regulation.

### OPERATIONAL RISKS

Risks caused by the failure of processes, personnel, equipment or internal systems or due to external events. The criticality of the functions performed by the Red Eléctrica Group make it possible for these risks to have widespread social and economic importance.

- **Operational:** that may affect the proper functioning of the transmission grid and the operation of the electricity system.
- **Corporate security:** security of facilities and cybersecurity.
- **Environment and occupational health and safety of people:** respect for the natural environment and the special importance of security and safety in the activities undertaken.
- **Other operational risks:** that may affect other processes of the Group. In this category criminal risks are considered.

### FINANCIAL AND COUNTERPARTY RISKS

Risks arising from capital management and debt transactions made through companies of the Group. This category also includes market risks and liquidity.

- **Increased cost of equipment and raw materials.**
- **Increased interest rates and changes in exchange rates.**
- **Conditions of access to financial markets.**
- **Coverage of accidents.**

### OTHER RISKS

Risks arising from the relevance acquired by new businesses developed by the Red Eléctrica Group as of 2015.

- **Risks associated with the telecommunications business relating to the management and operation of the dark fibre network.**
- **Risks from foreign business concerning investments in Peru and Chile.**



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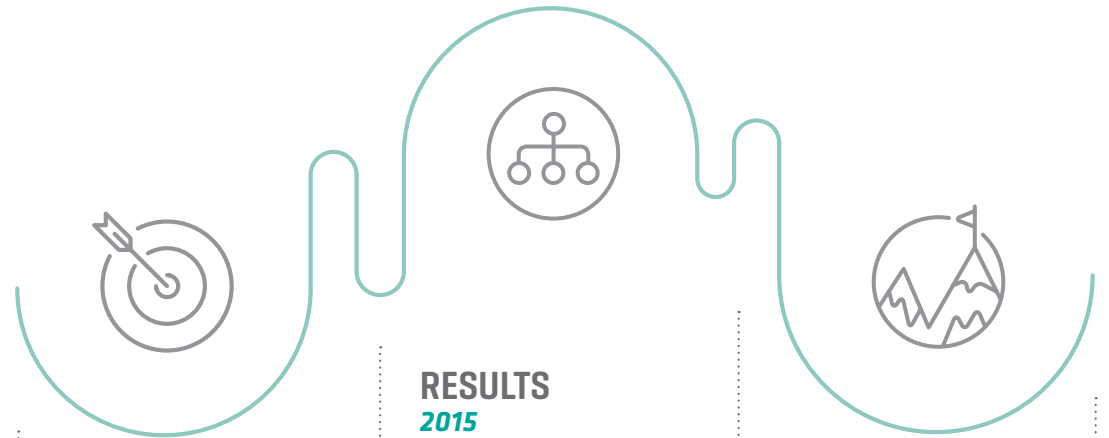
## MATERIALIZED RISKS IN 2015

The facilities of the transmission grid are exposed, permanently, to operational events that might affect the continuity and security of the electricity supply.

During 2015, there were events whose consequences represented power outages of minor importance. In general, these events were caused by third parties and by extreme weather conditions.

Given these events, the control systems worked properly, as evidenced by the peninsular transmission grid availability rate which in 2015 was 97.93% [provisional figure], close to the rate [98.2%] obtained in 2014.

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



### OBJECTIVES 2015

- Improved definition of acceptable risk level globally and development of a new dashboard of risk indicators.
- Updating the analysis of criminal risks of the legal entity.
- Identification, analysis and risk assessment of the construction and management of pumped-storage facilities in the Canary Islands granted by Law to Red Eléctrica.

### RESULTS 2015

- Progress in determining the global level of acceptable risk of the Red Eléctrica Group.
- Updating the analysis and assessment of criminal risks and their inclusion in the risk map of the Group.
- Identification, analysis and assessment of the risks associated with the construction and management of the Chira-Soria pumped-storage hydro power station and its incorporation into the risk map.
- The bottom-up analysis of risks has been complemented with a top-down analysis carried out by the Senior Management of the Group.
- Progress in the development of a methodology to determine the level of aggregate risk.
- Progress in improving the assessment of the degree of effectiveness of the action plans.

### CHALLENGES 2016

- Improvement of communication mechanisms of new risks and relevant events.
- Development of the risk analysis methodology in the management of projects.
- Adaptation of risk management processes to the requirements of the new versions of the ISO 9001 and 14001 standards.



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CHAIRMAN AND THE CHIEF  
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## Main Risks of the Red Eléctrica Group at present [G4-45]

RISK	DESCRIPTION	MAIN MANAGEMENT ASPECTS
<b>REGULATORY RISKS AS TSO</b>		
<b>RISK OF CHANGES TO THE ELECTRICITY SYSTEM REGULATION</b>	<ul style="list-style-type: none"> <li>Risk of regulatory changes occurring that could have a negative impact on the activities related to transmission and system operation.</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue with the Regulator.</li> <li>Presentation of proposals to the Regulator.</li> </ul>
<b>OTHER REGULATORY RISKS</b>		
<b>OTHER REGULATORY RISKS</b>	<ul style="list-style-type: none"> <li>Tax risks.</li> <li>Changes in environmental regulation.</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to the Code of Good Tax Practices.</li> <li>Setting up of the tax strategy of the Red Eléctrica Group.</li> <li>Incorporation of Tax Risk Policy into the Comprehensive Risk Management Policy of the Group.</li> <li>Adaptation to the legislation related to climate change.</li> </ul>
<b>OPERATIONAL RISK OF THE ELECTRICITY SYSTEM</b>		
<b>RISK RELATED TO POWER OUTAGES AND THE EVACUATION OF GENERATION</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Emergency equipment and procedures.</li> <li>Periodic inspections of equipment and systems.</li> <li>Preventive and predictive maintenance programmes.</li> <li>Renovation and improvement plans for facilities.</li> <li>Improvement of grid meshing and increase in the construction of facilities to deal with the Electricity Infrastructures Plan approved by the State.</li> <li>Contracting insurance policies to cover possible damages that can be derived from an incident.</li> <li>Contingency plans.</li> </ul>
<b>RISKS ASSOCIATED WITH THE OPERATION OF THE SYSTEM</b>	<ul style="list-style-type: none"> <li>Human errors in the coordination or configuration of equipment.</li> <li>Malfunction of telecommunications.</li> <li>Failure of computer systems that support the activity.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of the transmission grid in certain areas where the situation is precarious.</li> <li>Power service restoration plans.</li> <li>Renovation and improvement of facilities plan.</li> <li>Improvement of the telecommunication systems.</li> <li>Implementation of security mechanisms in the IT information systems used.</li> <li>Ongoing training of operators.</li> <li>Contingency plans.</li> </ul>
<b>CORPORATE SECURITY RISKS</b>		
<b>RISKS THAT MAY AFFECT THE SECURITY OF FACILITIES</b>	<ul style="list-style-type: none"> <li>Impact on security in facilities (substations, control centres, buildings, etc.) such as vandalism, sabotage, theft, terrorism, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Security systems in facilities.</li> <li>Permanent vigilance services.</li> <li>Contact with the Civil Guard and National Police.</li> <li>Corporate Security Management Model.</li> <li>Consultation and collaboration with the CNPIC (The National Centre for Critical Infrastructure Protection).</li> <li>Operator Security Plan (OSP) and Specific Protection Plans (SPP).</li> </ul>

[Continued on next page]



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KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. GOVERNANCE



04. MANAGEMENT APPROACH



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06. CREATION OF VALUE



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## Main Risks of the Red Eléctrica Group at present (G4-45)

[Continued from previous page]

RISK	DESCRIPTION	MAIN MANAGEMENT ASPECTS
<b>RISK RELATED TO CYBERSECURITY</b>	<ul style="list-style-type: none"> <li>• Non-availability of systems</li> <li>• Unauthorised access to specific IT applications.</li> </ul>	<ul style="list-style-type: none"> <li>• Fire walls and anti-intrusion systems</li> <li>• Antivirus systems</li> <li>• Increase in the security of access requirements</li> <li>• Mechanisms for the detection of incidents</li> <li>• Software updates</li> <li>• Hacking simulations</li> <li>• Training and awareness programmes.</li> <li>• Corporate Security Management Model.</li> <li>• Consultation and collaboration with the CNPIC (The National Centre for Critical Infrastructure Protection).</li> <li>• Development of the Operator Security Plan (OSP) and Specific Protection Plans (SPP).</li> <li>• Action guide in the event of cyber incidents.</li> </ul>

## RISKS ASSOCIATED TO THE ENVIRONMENT AND THE HEALTH AND SAFETY OF STAFF

<b>RISKS OF IMPACT ON THE ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Impact on flora.</li> <li>• Impact on fauna.</li> <li>• Contamination of soil.</li> <li>• Impact on archaeological heritage.</li> <li>• Risk of fires.</li> </ul>	<ul style="list-style-type: none"> <li>• Application of strict environmental criteria in all phases of planning, development and maintenance of facilities.</li> <li>• Environmental supervision of construction works.</li> <li>• Biodiversity strategy and actions.</li> <li>• Development of research projects and fire prevention plans.</li> <li>• Projects for birdlife conservation.</li> <li>• Environmental training courses for field staff.</li> <li>• Environmental awareness of suppliers.</li> <li>• Environmental supervision of construction works.</li> <li>• Implementation of Environmental Work Certification.</li> <li>• Establishment of collaboration agreements in the field of environmental protection with all the Autonomous Communities.</li> <li>• Fire protection plans.</li> <li>• Contingency plans.</li> <li>• Internal environmental audits.</li> </ul>
<b>RISKS DERIVED FROM CLIMATE CHANGE (G4-EC2)</b>	<ul style="list-style-type: none"> <li>• Reduction in rainfall.</li> <li>• Increase in temperatures.</li> <li>• Changes in wind currents.</li> <li>• Impacts on structural elements due to wind, ice, electrical discharges (lightning) etc.</li> <li>• Alteration in the properties of the conductors.</li> <li>• Erosion around the foundations of the towers and the towers themselves.</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change strategy.</li> <li>• Voluntary Agreement for the comprehensive management of SF6 in the electricity industry, among the Ministry of Agriculture, Food and Environment, equipment manufacturers (AFBEL), UNESA, REE and waste management companies.</li> <li>• Internal audits of the SF6 management process.</li> <li>• Development of system operation tools (CECRE).</li> <li>• Construction of new transmission lines for the evacuation of renewable energy.</li> <li>• Strengthening of international interconnections.</li> <li>• 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).</li> <li>• 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.</li> </ul>

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## Main Risks of the Red Eléctrica Group at present [G4-45]

[Continued from previous page]

RISK	DESCRIPTION	MAIN MANAGEMENT ASPECTS
<b>RISKS RELATED TO MANAGEMENT AND EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Lack of motivation and competencies of staff to reach the Company objectives.</li> <li>Fraud and corruption.</li> <li>Workplace accident rate.</li> <li>Adaptation of occupational health and safety risk prevention.</li> </ul>	<ul style="list-style-type: none"> <li>Development programmes for experts and directors.</li> <li>Work-life balance policy and implementation of a management system.</li> <li>Recruitment of young employees with potential.</li> <li>Maintenance and improvement of the structured risk prevention system in accordance with the OHSAS 18001 standard.</li> <li>SA8000, EFR1000 certifications and internal audits.</li> <li>Implementation of the Code of Ethics, the grievance system and audits.</li> <li>Applying the staff appraisal system.</li> <li>Technical Procedures for the organisation of safety.</li> <li>General procedure for accident management and incidents.</li> <li>Operational Group regarding Prevention.</li> </ul>
<b>OTHER OPERATIONAL RISKS</b>	<ul style="list-style-type: none"> <li>Failure of the processes associated with certain activities of the Group such as engineering, construction, procurement, human resources, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Controls implemented in each process.</li> <li>Specific action plans.</li> <li>Contingency plans.</li> </ul>
<b>FINANCIAL AND COUNTERPARTY RISKS</b>		
<b>RISK OF INCREASED COSTS OF EQUIPMENT AND RAW MATERIALS</b>	<ul style="list-style-type: none"> <li>The control of the price of equipment and raw materials is a key part of the management of the construction and maintenance activities.</li> </ul>	<ul style="list-style-type: none"> <li>Promote competition.</li> <li>Increase normalisation and standardisation.</li> <li>Drafting of turnkey contracts.</li> <li>Use of hedging mechanisms.</li> </ul>
<b>RISK OF INCREASE IN THE INTEREST RATES</b>	<ul style="list-style-type: none"> <li>Variations in interest rates that may detract from that contemplated in the Strategic Plans of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Periodic reviews of the interest rates and their impact on the accounts.</li> <li>Maintenance of the fixed/variable percentages of the financial structure.</li> <li>Development of a financial risk policy and mechanisms for its management and control.</li> </ul>
<b>UNFAVOURABLE VARIATIONS IN EXCHANGE RATES</b>	<ul style="list-style-type: none"> <li>Although the part of the business managed in non-euro currencies is not very significant, unfavourable variations in exchange rates may have a negative impact.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing hedging mechanisms for transactions performed in non-euro currencies.</li> <li>Development of a Financial Risk Policy and mechanisms for its management and control.</li> </ul>
<b>RISK OF TIGHTENING OF THE CONDITIONS REGARDING THE ACCESS TO FINANCIAL MARKETS</b>	<ul style="list-style-type: none"> <li>Negative development of different macroeconomic variables, affecting financial markets, status of the euro and sovereign debt rating.</li> </ul>	<ul style="list-style-type: none"> <li>Contracting of long-term financing with public funding institutions.</li> <li>Establishment of new financing mechanisms.</li> <li>Monitoring of possible situations that may imply a reduction in the rating of the Company.</li> </ul>
<b>INADEQUATE COVERAGE WHEN FACED WITH A CLAIM</b>	<ul style="list-style-type: none"> <li>Insufficient coverage when faced with a significant increase in claims made against the Company.</li> <li>Loss of solvency of the reinsurance company.</li> </ul>	<ul style="list-style-type: none"> <li>Provisioning.</li> <li>Ongoing monitoring of the level of claims.</li> <li>Reinsurance risk.</li> </ul>

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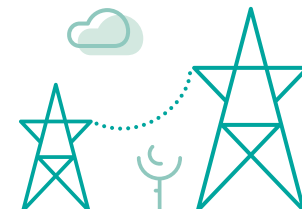


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## Main Risks of the Red Eléctrica Group at present [64-45]

[Continued from previous page]

RISK	DESCRIPTION	MAIN MANAGEMENT ASPECTS
<b>TELECOMMUNICATIONS BUSINESS RISKS</b>		
<b>RISKS THAT CAN AFFECT THE BUSINESS</b>	<ul style="list-style-type: none"> <li>Operational and business risks related to the telecommunications business.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring the quality of service provided.</li> <li>Monitoring the portfolio of clients.</li> </ul>
<b>FOREIGN BUSINESS RISKS</b>		
<b>RISKS TO FOREIGN SUBSIDIARIES</b>	<ul style="list-style-type: none"> <li>Regulatory and operational risks of foreign subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining good relationships with agencies and organisations where the subsidiaries are located.</li> <li>High quality standards in the services offered.</li> <li>Monitoring of regulatory developments and economic evolution.</li> <li>Monitoring of the projects undertaken by subsidiaries.</li> </ul>
<b>RISKS THAT MAY EMERGE IN THE FUTURE</b>		
<b>UNCERTAINTY IN THE DEVELOPMENT OF THE EUROPEAN REGULATORY FRAMEWORK</b>	<ul style="list-style-type: none"> <li>Regulatory changes with an impact on the activities of Red Eléctrica.</li> </ul>	<ul style="list-style-type: none"> <li>Active participation in ENTSO-E.</li> <li>Increased role in international forums.</li> <li>Communication with the European regulator.</li> </ul>
<b>MAJOR ENVIRONMENTAL AND SOCIAL DEMANDS IN PROJECTS</b>	<ul style="list-style-type: none"> <li>Delays or increased costs in the execution of projects.</li> </ul>	<ul style="list-style-type: none"> <li>Communication plan of the environmental and social activity.</li> <li>Maintain relationships with relevant institutions.</li> </ul>





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# Integrity model of the Red Eléctrica Group [G4-DMA, G4-56, G4-57]

Red Eléctrica considers ethics, integrity and transparency as fundamental pillars for the good operation of the business. This involves acting with the utmost integrity in the fulfilment of the obligations and duties entrusted to the Company, as well as in the relationships with and commitments to its stakeholders.

To do this, Red Eléctrica has a number of rules of conduct that establish corporate values and

performance criteria that must be undertaken by all people within the Company in the execution of their professional activities.

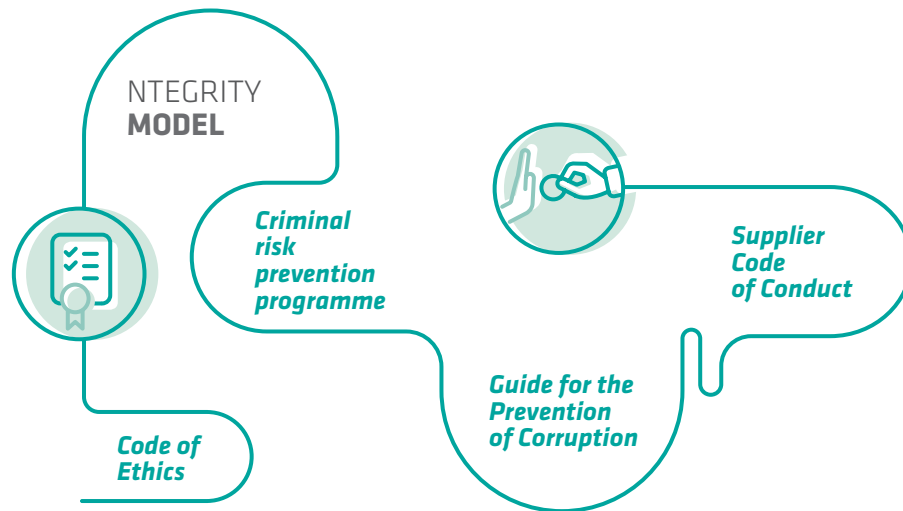
## CODE OF ETHICS

The Code of Ethics of the Red Eléctrica Group aims to provide an ethical guide for managers and employees 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.

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 Organisation, the European Union, the Organisation for Economic Cooperation and Development and international organisations such as Transparency International or the ÉTNOR Foundation, amongst others.

## Plan to encourage awareness

During 2015, work continued on the execution of the plan for raising awareness regarding ethical management; a plan that was launched in 2013 after the approval of the current edition of the Code of Ethics. Within the framework of this plan, a series of brainstorming sessions and discussions were held in all work centres of the Company, aimed at improving knowledge of the ethics management system.



## CODE OF ETHICS RED ELÉCTRICA



THE LATEST EDITION **APPROVED**

*Ethics Guide for managers and employees of the Group*



## RECOGNITION

Maximum score in the Code of Ethics/Compliance/Corruption and Bribery section of the Dow Jones Sustainability Index [DJSI].



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These sessions include the participation of the Ethics Manager and Stakeholder Ombudsman of Red Eléctrica. [G4-S04]

### SUPPLIER CODE OF CONDUCT [G4-DMA, G4-S04]

Red Eléctrica has a specific code for its suppliers in which stresses the compliance with respect for human rights, equality and the integration of people with disabilities and supplier compliance with the requirements regarding the environment and occupational health and safety in the procurement of products or services required by the Company, whether they are carried out directly or through other companies.

The figure of the **Ethics Manager** was created to ensure managers and employees were aware of the Code of Ethics, its implementation and the need to comply with it.

### WHISTLE BLOWING CHANNEL

#### CORPORATE WEBSITE



IN 2015

27

ENQUIRIES MADE  
TO THE ETHICS  
MANAGER

Maximum  
resolution period  
is 10 days

### ETHICS MANAGER

To ensure understanding, implementation and enforcement of the Code of Ethics, Red Eléctrica appointed Rafael Garcia de Diego, General Counsel and Secretary of the Board of Directors, as Ethics Manager and Stakeholder Ombudsman. 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 grievances through the verification and investigation of the conduct of those employees or organisational units reported.
  - Develop action plans to resolve the grievances reported and submit them for approval by the Chairman of Red Eléctrica Group or the Chairperson of the Audit Committee if it affects any member of the Management Committee.
  - Keep an updated record on the process [enquiries, grievances, procedures and communications with interested parties].
- Keep claimant abreast on the status and resolution of enquiries or grievances, 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.

### WHISTLE-BLOWING CHANNEL

[G4-DMA, G4-57, G4-58, G4-HR12, G4-LA16, G4-S011]

To promote the application of the Code of Ethics, Red Eléctrica has a whistle-blowing channel, available on the corporate website, through which enquiries, grievances or suggestions can be conveyed to the Ethics Manager. This channel has been audited and guarantees the confidentiality of those using this channel.

In addition, Red Eléctrica has another channel for reporting non-

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compliance, grievances, enquiries 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 whistle-blowing channel. This service will transfer to the Ethics Manager the requests received, preserving their confidentiality.

In 2015, **27 enquiries were received by the Ethics Manager** through the whistle-blowing 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.
- Adequate handling of confidential information.
- Protection and use of facilities and equipment of the Organisation.
- Limitation on the acceptance of gifts, loans or invitations.
- Respect, integrity, accountability and transparency within the organisation.

In 2015, three grievances were received regarding compliance with the Code of Ethics, two of which were resolved during the year and one was in the processing stage at year-end 2015. A more accurate account of these grievances can be found in the Annual Executive Report on the Management of the Code of Ethics published in the annex to this report. [\[G4-LA16, G4-S05\]](#)

## CRIMINAL RISK PREVENTION

**Red Eléctrica** has a Criminal Risk Prevention Programme that aims to identify the rules, procedures and tools established within the Group to prevent 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 the Spanish Criminal Code.

## CRIMINAL RISK PREVENTION



## PROGRAMME APPROVED IN 2011 AND HAS A CONTROL BODY

*Prevents  
non-compliance  
with legal  
regulations*



### DÍGAME ATTENTION CENTRE

Provides access to ethical questions and suggestions from external stakeholders, and passes them to the Ethics Manager for processing whilst maintaining confidentiality.

This programme, approved by the Board of Directors of the Red Eléctrica Group at its meeting on 24 November 2011, has a control body that monitors its compliance and undertakes specific measures to ensure it is adequately updated and implemented. In addition, it regularly reports to the Audit Committee on the actions taken, proposed improvements, updates implemented, agreed measures as well as any other aspect considered relevant in the performance of their duties.

This body is composed of the following members:

- The Ethics Manager.
- A representative of the Internal Audit and Risk Control Department.
- A representative of the Human Resources Organisation and Planning Department.
- A representative of the Legal Department.

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

Also, the Ethics Manager informs the Control and Monitoring Body about grievances received, that may have a possible criminal law implication. This body guarantees the confidentiality of all information received, in the same way as the Ethics Manager does. In 2015, the Ethics Manager received no grievance about infringements related to criminal risks and none of the companies of the Group has been investigated or convicted of infringements related to the criminal risks of the organisation.

### Actions 2015 [G4-S04]

- Launch of the new Legal Compliance System.
- Dissemination Programme for criminal risk prevention of the Red Eléctrica Group through the corporate website.
- Criminal Risk Prevention Audit.

## PREVENTION OF CORRUPTION



## GUIDE APPROVED BY THE BOARD OF DIRECTORS

In 2015

## PREVENTION OF CORRUPTION [G4-DMA]

The Code of Ethics and the corresponding management system for queries and grievances, in which aspects related to the fight against corruption are included, are an effective mechanism for the detection and handling of possible cases of corruption and fraud. Governance bodies, employees and suppliers of Red Eléctrica accept the Code of Ethics and, where applicable, the Code of Conduct for suppliers of the organisation as a whole.

In addition, in 2015 the Board of Directors approved the **Guide for the Prevention of corruption** that develops corporate values and

behavioural patterns contained in the Code of Ethics related to the main manifestations of corruption. All people of the Red Eléctrica Group are obliged to know and accept the contents of this guide and review their behaviour based on the principles, commitments and controls established. [G4-S04]

As a complement to the aforementioned, with a specific character, the processes considered susceptible to the risk of corruption and fraud are regularly monitored through internal audits using the risk prevention programmes for fraud and criminal risk prevention as a basis, and in which specific controls regarding these risks are incorporated. In 2015, 100% of the divisions/departments of Red Eléctrica de España have been

All members of the Group are **obliged to know and accept the contents of the Guide** for the prevention of corruption and to act on its principles.

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## The Internal Control over Financial Reporting (ICFR) system includes controls associated to risks regarding the inappropriate use of assets.

audited regarding the various risks related to corruption; no risks 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 benchmark 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 the inappropriate

use of assets and intentional errors in the financial statements, whose independent assurance report is included in the annex to this Report.

In 2015, 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

### Actions 2015

- Approval of the Guide for the Prevention of Corruption: zero tolerance.
- Assignment to the unit responsible for the legal compliance of the competencies relating to the application and interpretation of the Guide for the prevention of corruption. Similarly, the appropriate grievances, as a result of possible breaches of the commitments contained within the Guide, may be submitted to the unit in question.

to political parties or political organisations have been provided on behalf of the Group.

### HUMAN RIGHTS [G4-DMA]

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 (International Labour Organisation). In this manner, the Corporate Social Responsibility Policy contains an explicit commitment to Human Rights.

### INTERNAL AUDITS 2015



CONDUCTED ON

100

%

OF THE  
DEPARTMENTS  
OF REE

No risk was  
detected related  
to corruption



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Similarly, the Code of Ethics, which determines the guidelines for behaviour to be followed by all employees, establishes respect for human rights as a binding 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 continues to work on developing an action plan.

### SPANISH NETWORK OF THE UN GLOBAL COMPACT



## RED ELÉCTRICA FOUNDING MEMBER

Since 2002



### IN 2015

Red Eléctrica participated in the Human Rights Working Group of the Spanish Network of the UN Global Compact. The goal is to design a practical tool to implement the Guiding principles into the Spanish business fabric.

As an example, in 2015 a project was undertaken aimed at identifying risks from the perspective of corporate responsibility (including aspects related to human rights) associated with supplies, in order to establish the requirements to be fulfilled by the suppliers of Red Eléctrica. In addition, social audits on suppliers have continued to be conducted, through which the degree of compliance with the requirements covered by the Code of Conduct for suppliers is evaluated, among which includes the commitment to fundamental human rights.

In addition, the Company has participated in the Human Rights Working Group and Companies of the Spanish Network of the UN Global Compact, aimed at designing

a practical tool to facilitate the implementation of the Guiding Principles into the Spanish business fabric.

Similarly, the level of performance of Red Eléctrica is audited according to standards that govern aspects related to respect for human rights in business, such as SA8000, e SR10, the EFR (certificates renewed in 2015) and the healthy workplace model, certified for the first time this year.

In order to meet the requirements of the standards, all work centres have to be visited in each certification cycle of three years. Thus, in 2015 the head offices and the building in Palma de Mallorca was audited by AENOR, which means that two of the four workplaces with business activity have been visited (50%), and in two of the eight regional offices (the Balearic Islands zone and the Northern zone), representing 25% of the total. [G4-HR9]



LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICER



KEY PERFORMANCE  
INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE  
GOVERNANCE

04.  
MANAGEMENT  
APPROACH



05. SUSTAINABLE  
ENERGY



06. CREATION  
OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE  
WITH  
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10. THE  
ENVIRONMENT



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# MANAGEMENT APPROACH

## 04

Connected to  
excellence and  
sustainability





## 1. STRATEGIC APPROACH

The Strategic Plan of the Red Eléctrica Group includes corporate responsibility as a key action.

**Approved by the Board of Directors**



## 5. MONITORING AND EVALUATION

Definition of the tools necessary for evaluating the implementation and execution of the Corporate Responsibility Plan.

**Dashboard and internal and external audits**



## CORPORATE RESPONSIBILITY PROGRAMME

*Fulfilment linked to a management objective*



## 4. ANNUAL PROGRAMME

Projects defined according to the course of action established in the Corporate Responsibility Plan.

**Approved by the Corporate Responsibility Committee**

**93% fulfilment of annual programme**



## 2. CORPORATE RESPONSIBILITY POLICY

Establishes the principles and guidelines regarding corporate responsibility.

**Approved by the Board of Directors**



## 3. CORPORATE RESPONSIBILITY PLAN

Action framework that integrates all initiatives in this area and establishes the course of action for the next three years.

**Approved by the Appointments and Remunerations Committee of the Board of Directors**



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# Commitment to sustainability

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 operator and sole transmission agent of the Spanish electricity system.

The Strategic Plan 2014-2019 of the Red Eléctrica Group, approved by the Board of Directors, establishes

a management approach based on best practices in corporate responsibility as a cornerstone. In the execution of this strategy, Red Eléctrica acts as a sustainable and ethical company, committed to society.

## THE QUEST FOR EXCELLENCE

The commitment of Red Eléctrica to excellence in management is evidenced through its Excellence and Quality Policy, and its inclusion as

one of the transversal strategies of the Strategic Plan of the Company.

In 1999, Red Eléctrica implemented the EFQM (European Foundation for Quality Management) excellence management model. In 2015, Red Eléctrica renewed the EFQM European Seal of Excellence 500+, with a score in excess of 700 points, consolidating the Company among the leading national and European companies.

Red Eléctrica's Strategic Plan **includes excellence as a transversal strategy** through a business management model that is sustainable, ethical and committed to society.

## EXCELLENCE MANAGEMENT MODEL



SINCE 1999  
**EFQM**

*European Foundation for Quality Management*



**RED ELÉCTRICA RENEWS THE EFQM EUROPEAN SEAL OF EXCELLENCE 500+**

with a score in excess of 700 points, placing Red Eléctrica among the leading companies both nationally and at a European level.





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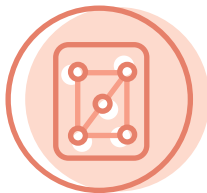


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The excellence management system is established on a process-based management approach. In 2015, an alignment matrix between the key actions of the Strategic Plan 2014-2019 and the Company's key processes was drafted. Furthermore, as an important part of the monitoring of the management, in 2015, the sixth edition of the Internal Customer Satisfaction Survey (ESCI), which has been conducted every three years since 2001, measures the degree of satisfaction in relation to processes.

In 1994, Red Eléctrica began to implement quality management systems for its processes based on international standards, which led to the first certifications of the key activities of the organisation in 1996. Since 2000, the Company has had a certified system that encompasses all processes of the organisation. In 2015, it conducted the fourth comprehensive audit of all certified corporate management systems.

CORPORATE RESPONSIBILITY PLAN



2014-2016

Structured on five scopes of management



In the 'Responsible management model' subsection of the 'Sustainability' section of the corporate website.

THE MANAGEMENT OF CORPORATE RESPONSIBILITY

Red Eléctrica's commitment to sustainable development is set out in its **Corporate Responsibility Policy**.

In 2015, the Board of Directors approved the review of said policy, which incorporates the Company's updated commitments related

to the challenge of contributing to a sustainable energy future.

The development of this commitment is instrumented through a multi-year plan which establishes the medium-term framework for action in the field of corporate responsibility. The Corporate Responsibility Plan 2014-2016 was approved in 2014.

AREAS OF ACTION OF Corporate Responsibility





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

An overall objective has been defined for each of the areas of corporate responsibility. The fulfilment of each objective is deployed through specific courses of action, in which all areas of the Company are involved.

Based on these courses of action, a **corporate responsibility programme** is defined each year that includes the most significant projects that contribute substantially to achieving the objectives set out in the Plan. In 2015, for the first time, the fulfilment of this programme was incorporated as a management objective, with impact on the remuneration of the workforce. This programme had an overall fulfilment of 93%.

The set of actions carried out under the Corporate Responsibility Plan in 2015 are reflected throughout this report.

The management system is evaluated systematically with various tools to assess the progress of the commitments, objectives and projects established.

Internally, the Company has a corporate responsibility dashboard, in which the main management performance indicators are established.

In addition, the management system is periodically submitted to internal audits. The executive report included in the annex to this report contains the results of the latest audit, conducted in 2015. Externally, Red Eléctrica is certified under the international standard IQNet SR10 [Social Responsibility Management System] and SA8000. Alignment with these standards is evaluated annually through external audits. In 2015, the Company met the requirements established for retaining both certifications.

## CORPORATE RESPONSIBILITY PROGRAMME



OVERALL FULFILMENT OF

93%

In 2015



### IN 2015

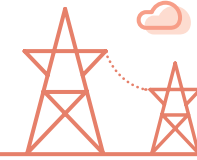
Red Eléctrica renewed the SA8000 and SR10 certificates following the comprehensive external audit of the management systems.

## ORGANISATIONAL STRUCTURE

The **organisational** structure for the management and supervision of corporate responsibility commitments in Red Eléctrica has the involvement of the highest levels of decision making in the Company and the involvement of all management areas of the Company. In 2015, within the framework of organisational changes, the structure was strengthened with the creation of the Corporate Sustainability, Innovation and Institutional Coordination Department.

On the next page is an organisational diagram outlining the governance and management bodies and their main functions.

## ORGANISATIONAL DIAGRAM of the management of Corporate Responsibility



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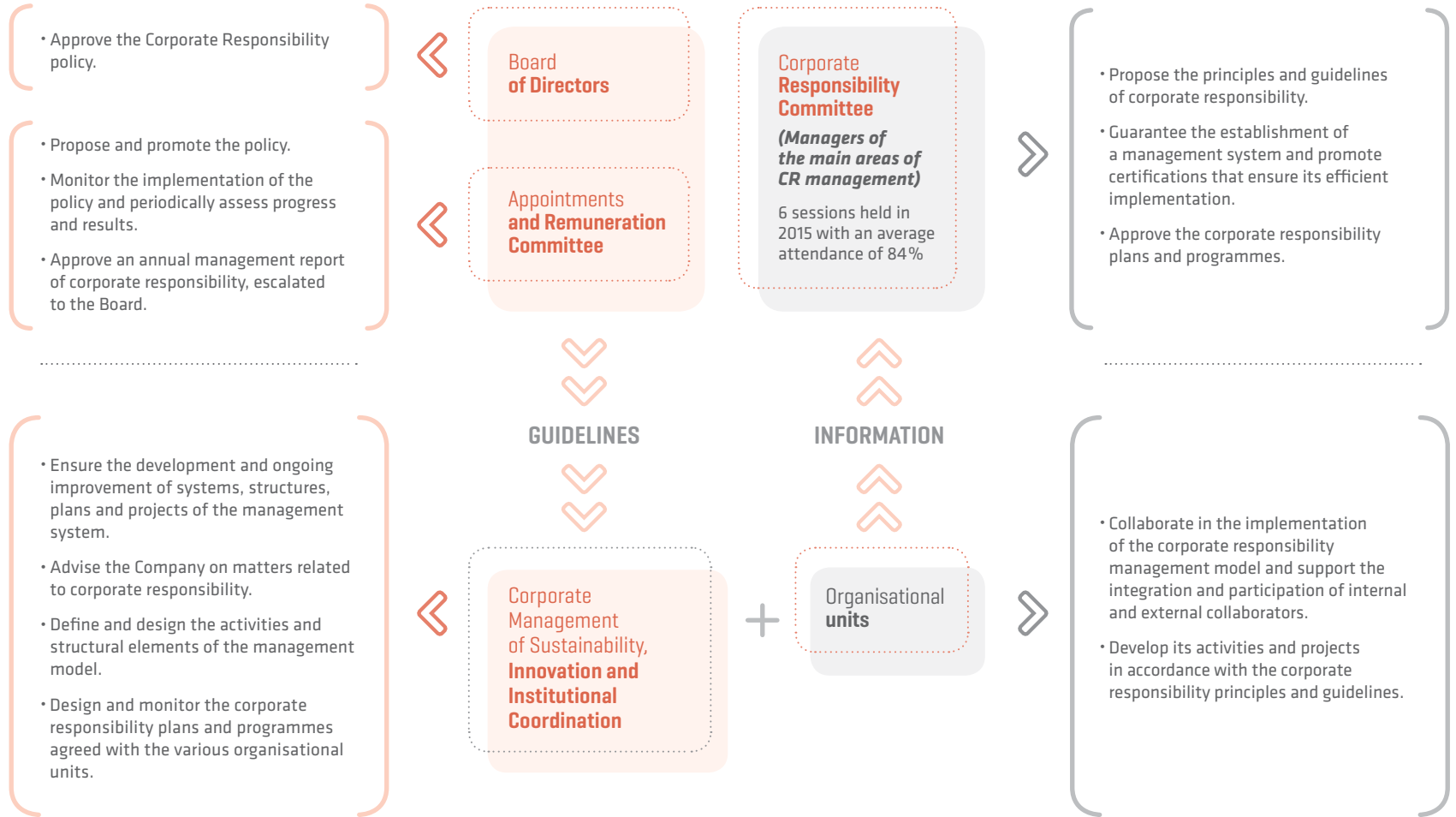
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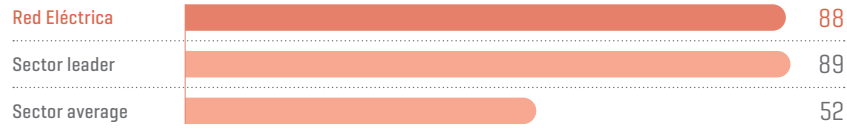
## SUSTAINABILITY INDEXES

During 2015 Red Eléctrica's presence in the main sustainability indexes was confirmed. Among them, noteworthy is the inclusion in the Dow Jones Sustainability World and Dow Jones Sustainability Europe indices with a score of 88 out of 100, which places the Company only one point behind the sector leader.

As a result of this excellent result, in January 2016 Red Eléctrica received the RobecoSAM 'Gold Class' distinction of the Sustainability Yearbook 2016.

Red Eléctrica has been ranked just one point from the industry leader in the Dow Jones Sustainability Index and in January 2016 it received the RobecoSAM 'Gold Class' distinction of the 'Sustainability Yearbook 2016'.

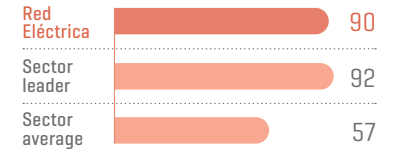
### RED ELÉCTRICA OVERALL SCORE IN THE DJSI 2015



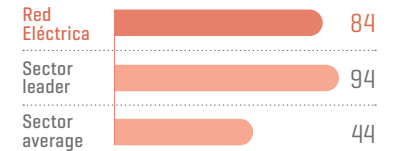
### SCORE BY DIMENSIONS

#### IN THE DJSI 2015

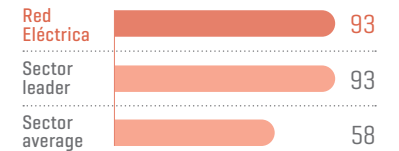
##### ECONOMIC DIMENSION



##### ENVIRONMENTAL DIMENSION



##### SOCIAL DIMENSION



## Red Eléctrica's main recognitions regarding sustainability



2015 Constituent MSCI Global Sustainability Indexes



In the 'Sustainability indexes' subsection of the 'Sustainability' section of the corporate website.



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# Red Eléctrica is a founding member of the Spanish Global Compact Network and as of 2002 is adhered to the UN Global Compact.

## 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:

### • UN Global Compact

Red Eléctrica has adopted the Global Compact since 2002 and 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.

### • Carbon Disclosure Project (CDP)

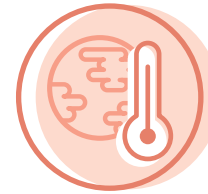
Since 2008, Red Eléctrica has participated in this initiative to fight against climate change and for the protection of natural resources, annually providing information on its strategy, practices, performance and objectives in the fight against climate change

### • Caring for Climate

In 2007, Red Eléctrica signed up to this initiative promoted by the United Nations for business leadership on climate change. Its aim is to help prevent climate

FIGHT AGAINST CLIMATE CHANGE

CDP



AN INITIATIVE IN WHICH RED ELÉCTRICA HAS PARTICIPATED SINCE 2008

Reporting annually

change crisis by mobilising a critical mass of business leaders to apply and recommend solutions and policies.

### • Spanish Business and Biodiversity Initiative (Iniciativa Española Empresa y Biodiversidad [IEEB])

In 2013, Red Eléctrica signed up to this initiative, promoted by the Spanish Ministry of Agriculture, Food and Environment, aimed at the inclusion of biodiversity conservation and management in the business strategies of companies.

### • Voluntare

In 2014, Red Eléctrica joined the corporate volunteering global network, an organisation that connects businesses with third sector organisations.



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• **Renewables Grid Initiative**

Red Eléctrica signed up to this initiative, launched in 2009, which seeks to integrate 100% of energy generation from renewable sources into the electricity system. TSO companies and NGOs have come together to promote the existence of an infrastructure system in Europe that allows the introduction of renewable energy generated both decentralised and on a large scale.

• **Spanish Green Growth Group**

Since 2004, Red Eléctrica has undertaken the commitment to the development of an economically, socially and environmentally sustainable model with the signing of the Barcelona Declaration. Said initiative is supported by the 30 companies that make up the Spanish Green Growth Group (GECV), and promoted by the Ministry of Agriculture, Food and Environment that promotes

RENEWABLES GRID INITIATIVE



INTEGRATION INTO THE ELECTRICITY SYSTEM OF

100%

*Of electricity coming from renewable sources*

economic growth that is compatible with the efficient use of natural resources.

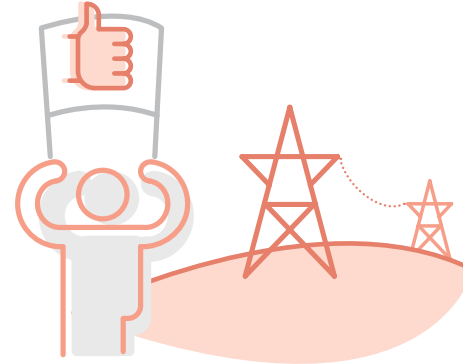
• **Code of Good Tax Practices**

Red Eléctrica adopted this Code in October 2015 through the formalisation of an agreement of the Board of Directors and which was communicated to the Spanish

Tax Authority. This undertaking entails the obligation to reflect its effective fulfilment in the annual Corporate Governance Report.

• **Business Network for a Society Free of Gender-based Violence**

Red Eléctrica signed up to this initiative in 2012, promoted by the Ministry of Health, Social Services and Equality, whose main objective is to move towards a society free of gender-based violence.



Compliance with the **Code of Good Tax Practices**, which Red Eléctrica undertook in 2015, is reflected in the annual Corporate Governance Report.



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# Stakeholders [G4-25]

**Red Eléctrica's** corporate responsibility policy clearly sets out the commitment to improve relations and dialogue with its stakeholders, promoting the relationship channels that allow the Company to respond to their requirements and expectations, as well as to create shared value. In order to ensure compliance with this commitment, in 2004 Red Eléctrica designed and implemented its corporate stakeholder

management system that includes their identification, segmentation and prioritisation, as well as the definition of the relationship framework with each stakeholder group. This system is constantly reviewed and improved.

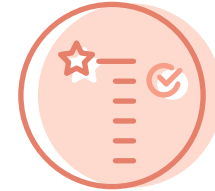
The identification and segmentation of stakeholder groups is carried out based on the analysis of the processes and activities, as well as of the interaction with the socio-economic environment in which the Company carries out its activities.

The prioritisation is plotted in accordance with the stakeholders' capability to influence the achievement of the strategic objectives of the Company, and the importance or effect of the impacts of the organisation on stakeholder groups.

Finally, the relationship framework defines the types of relations with each stakeholder. In order to consolidate and strengthen these, the methods used are based on transparency and active dialogue.

Improving **dialogue and relations with stakeholders**, and promoting the creation of shared value is part of Red Eléctrica's Corporate Responsibility Policy.

DJSI  
INDEX



99  
POINTS  
OUT OF 100

*Evaluation of the commitment to stakeholders in 2015*



More on the Stakeholder Management Model in the subsection 'Stakeholders' of the 'Sustainability' section of the corporate website.



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# The requirements contained in satisfaction surveys result in an action plan for improving and monitoring their fulfilment.

Thus, for each category of relationship, and based on the nature or reason why it is established, the Company defines the most appropriate channels.

Of these channels, two are noteworthy due to their transversal nature across all stakeholder groups:

- **Satisfaction surveys** that allow a quantitative and qualitative analysis of stakeholders' requirements and expectations to be performed. These surveys are conducted periodically, usually biennially, by an external consultant to ensure the confidentiality and validity of the process. [\[G4-26, G4-27\]](#)

- **The Digame service** guarantees, since 2008, the professional management of all queries and requests from external stakeholders, by making available various communication channels (phone, email and online web form). This service is staffed by personnel from the Juan XXIII Roncalli Foundation, an organisation that works with people with some type of disability. [\[G4-DMA\]](#)

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.

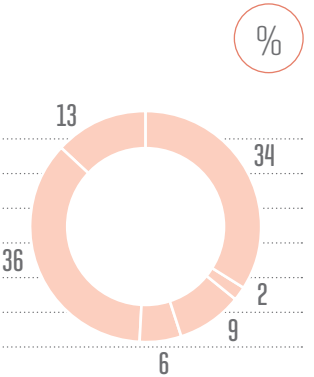
In 2015, as a new development and as a consequence of the need identified, a new action was included in the monitoring plan whereby the reception of the results is

## 'DÍGAME'

### SERVICE

(3,325 requests in 2015)

34	Investors and shareholders
2	Public administration and regulators
9	Clients
6	Suppliers and technology providers
36	Social environment
0	Opinion generators
13	Business sectors and associations



## GRIEVANCES MANAGED

### THROUGH THE 'DÍGAME' SERVICE IN 2015

[\[G4-S011\]](#)

By type	No. of applicable grievances
Impact of facilities	35
Quality and continuity	4
Projects and permitting processes	3
Other	2
<b>Total</b>	<b>44</b>

#### By stakeholder complainant

Social environment	35
Business sector/Professional associations	4
Other	5
<b>Total</b>	<b>44</b>

Note: An applicable grievance is understood as that which corresponds to the duties and responsibilities of Red Eléctrica. Grievances accepted by Red Eléctrica, as a result of considering the arguments presented as valid and reasonable for their acceptance, complete or partial, are considered estimated grievances. These include environmental grievances [see indicator GRI [G4-EN34](#)]. 93% of grievances are closed, whereas the other 7% is currently in process. In 2015, eight grievances submitted in 2014 were closed.





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## In 2015, the working climate survey was conducted, and for the first time satisfaction of ESG analysts was evaluated.

confirmed with stakeholders, and the improvement actions derived from the survey are agreed upon. [G4-45]

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 a process level] of the stakeholder groups involved, and for the optimisation of the established relationship channels.

### SURVEY RESULTS 2015 [G4-26]

In 2015, satisfaction surveys were conducted on the following external stakeholder groups: financial analysts, ESG [Environmental, Social and Governance] analysts, institutional investors, financial capital providers and providers of goods and services.

The overall satisfaction result of all these stakeholders was 8.4 out of 10.

Internally, a working climate survey was conducted. Studies were carried out that have allowed employee satisfaction in relation to corporate information systems to be assessed, and a survey was performed geared towards obtaining data regarding the carbon footprint associated

with employee commutes to and from their regular work centres.

In 2015, in recognition of the actions conducted by Red Eléctrica in this field, the Dow Jones Sustainability Index awarded the Company 99 points out of 100 on the criteria that evaluates the commitment to stakeholders.

### OVERALL SATISFACTION SURVEYS 2015



EXTERNAL STAKEHOLDERS

8.4 POINTS





Out of 10

### OVERALL INDICATORS STAKEHOLDER PERCEPTION SURVEYS

	2011	2012	2013	2014	2015
Overall satisfaction	8.1	8.2	8.2	8.2	8.4
Satisfaction of the quality of services	7.9	7.9	7.9	7.7	7.9
Reputation	8.2	8.5	8.5	8.4	8.6
Ethical behaviour	7.9	8.1	8.1	8.1	8.3
Management of Corporate Responsibility	7.5	7.6	7.6	7.7	7.6
Dialogue with stakeholders	7.9	7.9	7.8	7.9	8.0

Note: value range [0-10].

## Our commitments to stakeholder groups (G4-24, G4-25, G4-27)

STAKEHOLDER GROUPS	MAIN COMMITMENTS	MAIN COMMUNICATION CHANNELS
 <b>INVESTORS AND SHAREHOLDERS</b>	<ul style="list-style-type: none"> <li>• Creating value.</li> <li>• Good governance and risk control.</li> <li>• Fluid and transparent dialogue.</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders' office.</li> <li>• E-mail for shareholders / investors.</li> <li>• Shareholders' Electronic Forum / Web Page.</li> <li>• Road Shows and meetings.</li> <li>• Satisfaction surveys.</li> <li>• Corporate reports.</li> </ul>
 <b>REGULATORY BODIES</b>	<ul style="list-style-type: none"> <li>• Security, quality and continuity of service.</li> <li>• Independence and transparency.</li> <li>• Effective solutions to challenges.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic work meetings.</li> <li>• Institutional meetings.</li> <li>• Periodic information.</li> <li>• Handling of requests for information.</li> </ul>
 <b>CLIENTS</b>	<ul style="list-style-type: none"> <li>• Fulfilment of the Transmission Grid planning.</li> <li>• Leadership and innovation.</li> <li>• Efficient management.</li> <li>• Dialogue, impartiality and transparency.</li> </ul>	<ul style="list-style-type: none"> <li>• Public Web and Market agents Web.</li> <li>• Periodic technical publications.</li> <li>• Customer service lines.</li> <li>• Specific e-mail addresses.</li> <li>• 'Digame' Service.</li> <li>• Satisfaction surveys.</li> <li>• Committees and Technical working groups.</li> <li>• Communication forums.</li> </ul>
 <b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>• Stable employment and equal opportunity.</li> <li>• The work-life balance.</li> <li>• Professional development and recognition.</li> <li>• Ensuring occupational health and safety.</li> <li>• Freedom of association and dialogue with management.</li> <li>• Ethical and responsible conduct.</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics code consultations and whistle-blowing channel.</li> <li>• Corporate portal miRED 2.0.</li> <li>• Employee auto service site.</li> <li>• Employee care phone line.</li> <li>• Working climate survey and services satisfaction survey.</li> <li>• Communication plan and induction and integration programme.</li> <li>• Work, social and leisure communities.</li> <li>• Bulletin boards and information screens</li> <li>• Social representation committees/panels.</li> <li>• Assessment interview.</li> </ul>

[Continued on the next page]



More on stakeholder dialogue and commitment in the 'Stakeholders' subsection of the 'Sustainability' section of the corporate website.

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## Our commitments to stakeholder groups (G4-24, G4-25, G4-27)

[Continued from previous page]

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

LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

KEY PERFORMANCE INDICATORS

01. THE COMPANY

02. STRATEGY

03. CORPORATE GOVERNANCE

04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY

06. CREATION OF VALUE

07. EMPLOYEES

08. SOCIETY

09. DIALOGUE WITH STAKEHOLDERS

10. THE ENVIRONMENT

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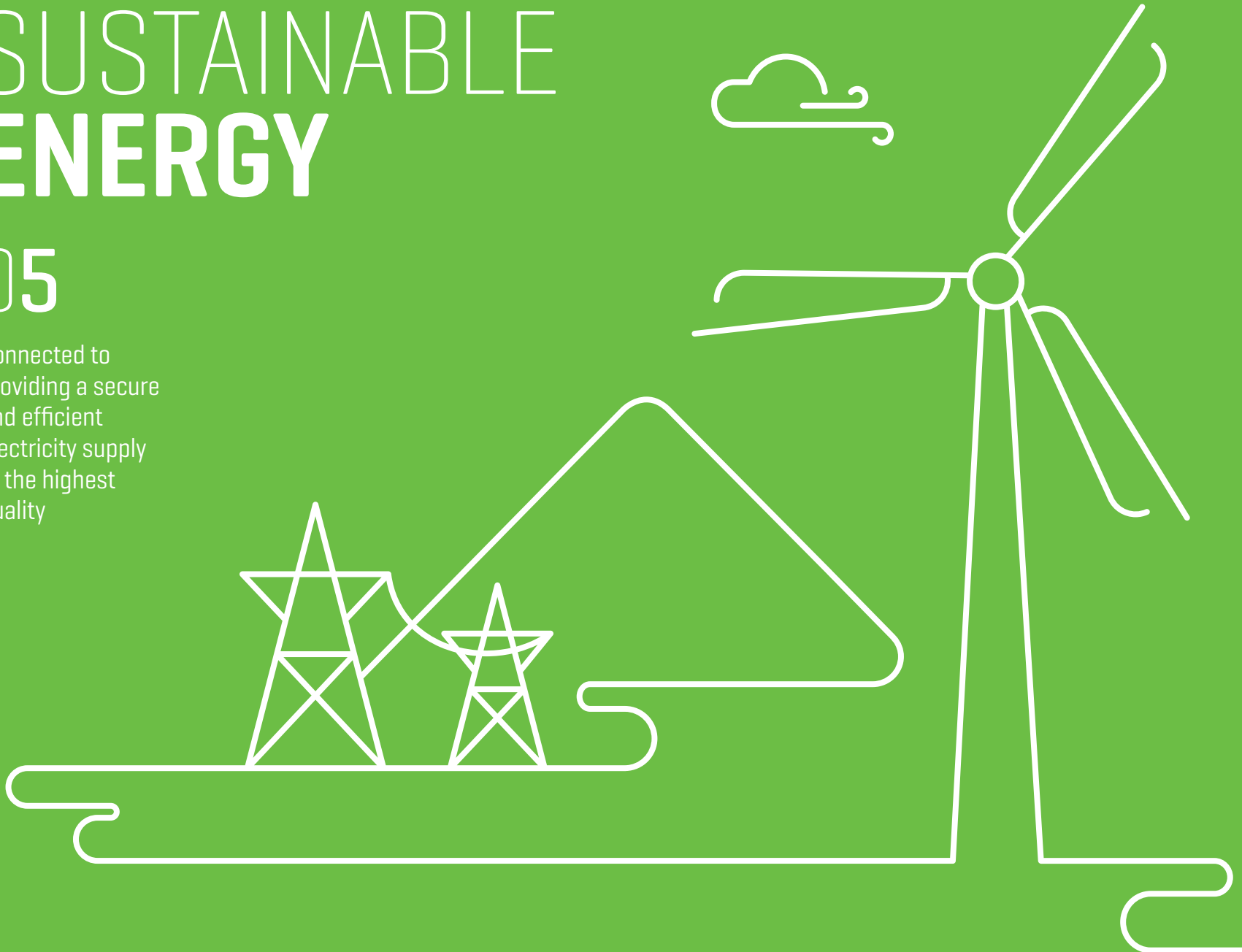


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# SUSTAINABLE ENERGY

## 05

Connected to  
providing a secure  
and efficient  
electricity supply  
of the highest  
quality





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## CORNERSTONES FOR ACHIEVING SUSTAINABLE ENERGY

*The value of a secure, efficient and sustainable energy supply*



### INTERCONNECTIONS BETWEEN SYSTEMS

Strengthening of interconnections to improve the guarantee and security of supply and achieve a greater integration of renewables.

**Entry into operation of the Spain-France interconnection**

**Installation of the 1<sup>st</sup> cable of the Majorca-Ibiza link**



### INTEGRATION OF RENEWABLES

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

**37% of the electricity demand covered with renewable energies**



### APPROVAL OF THE INFRASTRUCTURE PLANNING 2015-2020



### ENERGY EFFICIENCY

Development of initiatives aimed at achieving a more efficient management of the electricity system in the fields of energy storage, smart grids or the involvement of consumers as an active player in the electricity system.

**Projects: PRICE, PERFILEA and ALMACENA**



### SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

Construction of new facilities in order to increase transmission capacity, improve grid meshing and facilitate connections between electricity systems.

**414 km of new lines**

**136 new substation bays**



### TECHNOLOGICAL INNOVATION

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

**76 technologically innovative projects**

**€9.6m in investment**



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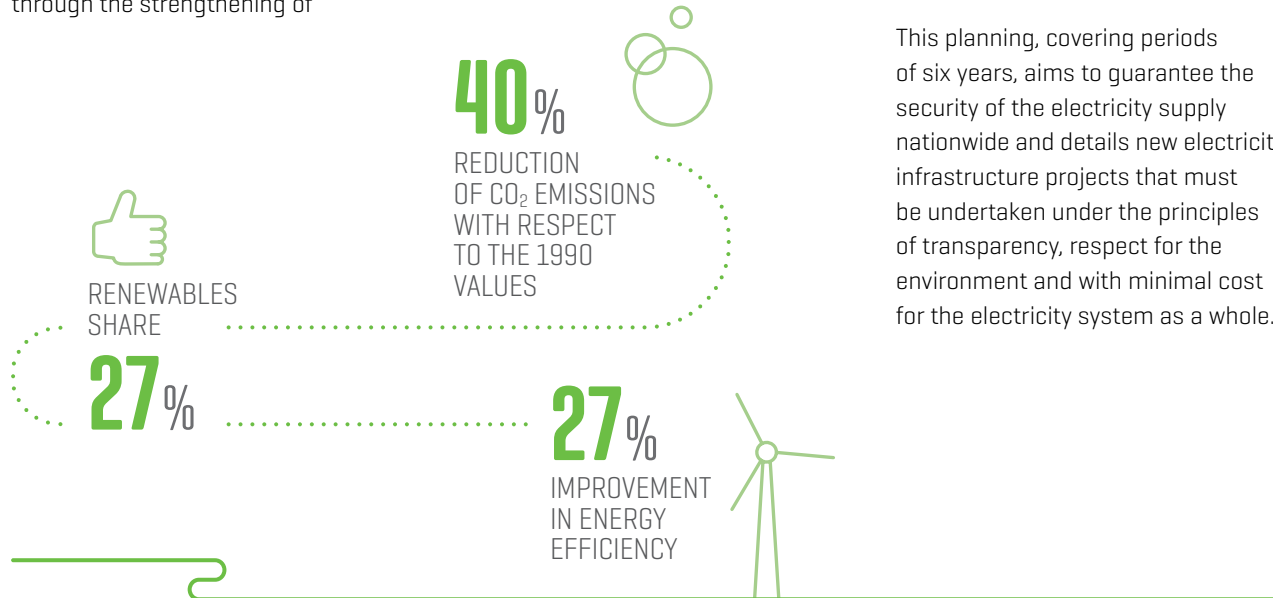
ANNEXES

# Quality and security of supply [G4-DMA]

**Red Eléctrica**, as transmission agent and operator of the Spanish electricity system, is responsible for helping to make the objectives of the energy policy viable in regard to providing a secure, efficient and sustainable electricity supply.

Therefore, we are working on developing a transmission grid that is increasingly more meshed and robust and better interconnected through the strengthening of

international interconnections, and also those between the islands. We are also focusing on the safe integration of renewables, the development of initiatives aimed at energy efficiency and on incorporating innovative technologies to improve system efficiency. All this is geared towards achieving the new energy targets set by the European Council for 2030:



## SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

### Electricity infrastructure planning [EU10]

In October 2015, the electricity transmission grid planning for 2015-2020 was approved by the Council of Ministers, after being submitted to the Congress of Deputies.

This planning, covering periods of six years, aims to guarantee the security of the electricity supply nationwide and details new electricity infrastructure projects that must be undertaken under the principles of transparency, respect for the environment and with minimal cost for the electricity system as a whole.

## PLANNING 2015-2020



ESTIMATED INVESTMENT

€  
**4,554**  
m



In the 'Activities' section of the corporate website.



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### A participatory process

The Ministry of Industry, Energy and Tourism, upon request from Red Eléctrica de España, as system operator, drafts the electricity planning, in conjunction with the autonomous communities and the Autonomous Cities of Ceuta and Melilla, as required under the National Commission of Markets and Competition report and after

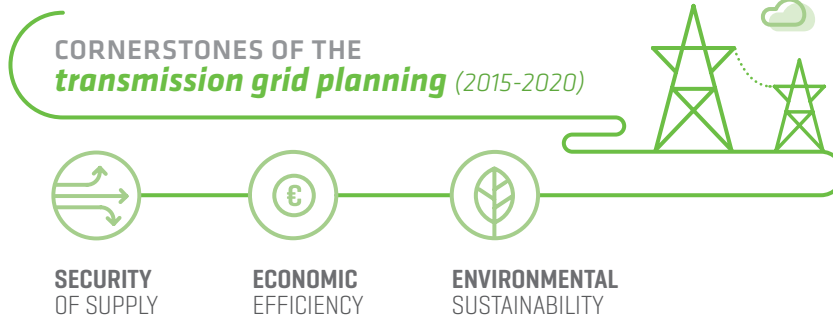
undergoing the due hearing process. In addition, the electricity planning undergoes a strategic environmental assessment process that culminates with the Environmental Report jointly endorsed by the Ministry of Industry, Energy and Tourism and the Ministry of Agriculture, Food and Environment.

Based on this planning, binding in nature, Red Eléctrica de España, in its capacity as transmission agent and operator of the system, has the responsibility to develop a safe, efficient and sustainable electricity transmission grid.

### Interconnections between electricity systems

A fundamental aspect in this planning is the development of interconnections between electricity systems such as international interconnections, interconnections between island systems and the link between the Spanish Peninsula and non-peninsular systems.

Among these, noteworthy is the development of the **Spain-France interconnection**, due to its great influence on the quality and security of the electricity system and the integration of renewable energy plans. For the European Commission, the need to increase the capacity of this interconnection is one of the priorities regarding electricity when faced with achieving the energy objectives that allow access to a sustainable, competitive and secure energy.



### General objectives of the planned infrastructures

#### STRUCTURAL ACTIONS

- Resolving technical constraints.
- Security of supply.
- Reliability.
- International interconnections.
- Connections between the Spanish Peninsula and non-peninsular systems.
- Interconnections between island systems.

#### OTHER ACTIONS

- Grid development associated with the high-speed train network.
- Support for distribution and new demand for large consumers, mainly industrial.
- Evacuation of generation.
- Connection of energy storage facilities.

### GRID PLANNING



### THE LINKS BETWEEN ELECTRICITY SYSTEMS

are the most relevant projects



### GRID PLANNING

As a new development, the planning 2015-2020 includes an annex, non-binding, for those facilities deemed necessary with a horizon for post 2020, so that it can begin its administrative permitting process.

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## The new planned infrastructures guarantee the quality and security of supply nationwide.

In this regard, in 2013 the Infrastructure Package was approved, whose regulation sets the requirements and procedures for the identification of those projects known as European Projects of Common Interest (PCI). The categorisation as PCI is relevant because only projects that are identified in this way include measures which are applicable under the Infrastructure Package. These measures represent the Community contribution to the development of these projects and cover various areas, including notably the obligation for Member States to grant PCI projects the status of top priority at national level and to grant them the available economic and community financial support.

In the case of Spain, the need for investment in the strengthening of interconnections is very relevant, because we have a limited level of interconnection with Europe, which is well below the 10% of the installed capacity target set at the European summit in Barcelona in 2002. In October 2014, the European Council set a new target, increasing the interconnection capacity up to 15% by 2030.

Therefore, to improve the **interconnection between Spain and France** in the horizon 2015-2020, a phase-shifting transformer is included in the Arkale-Argia 220 kV line (PCI Project) for 2017. However, due to their large scale, the entire set of actions allow a significant increase in exchange capacity are included for the horizon beyond 2020:

### GRID CONSTRUCTION



414  
km  
OF NEW LINE

136  
new substation  
bays

- A direct current submarine interconnection in the Bay of Biscay (PCI Project).
- Two more interconnections through Navarra and Aragón (PCI Projects).

Regarding the **interconnection with Portugal**, a new project is included in the area of Galicia, between Fontefría and Vilafria (PCI project) for 2017.

The Madrid Declaration of March 2015 gave impetus to these new interconnections with France to reach 8 GW of exchange capacity, specifically naming the aforementioned northern Spain-Portugal interconnection, as well as the project through the Bay of Biscay and two new interconnections via the central area of the Pyrenees. Therefore, national and European political support for these projects is evident, which must also represent an economic and financial support and that includes the creation of a high-level group as a facilitator of the same.





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As for the **interconnections from the Spanish Peninsula with non-peninsular systems**, planning includes a link to Ceuta planned for 2020 and a second Spanish Peninsula-Majorca link for some time after 2020. Both facilities will reduce generation costs and significantly improve the guarantee and security of supply in the systems of Ceuta and the Balearic Islands.

Finally, with regard to the **interconnections between island systems**, ten new links between islands are included for connecting isolated systems or strengthening existing connections, which represents, as in the previous case, the increased security of supply and the reduction of generation costs. Of the links indicated, eight correspond to the period 2015-2020 (five in the Balearic Islands and three in the Canary Islands).

TRANSMISSION GRID



OVERALL INVESTMENT 2015

€  
**410.7**  
m



INTERCONNECTIONS BETWEEN INSULAR SYSTEMS

The Planning includes ten new links between islands, of which eight are for the period 2015-2020 (five in the Balearic Islands and three in the Canary Islands).

Construction of the transmission grid [EU4]

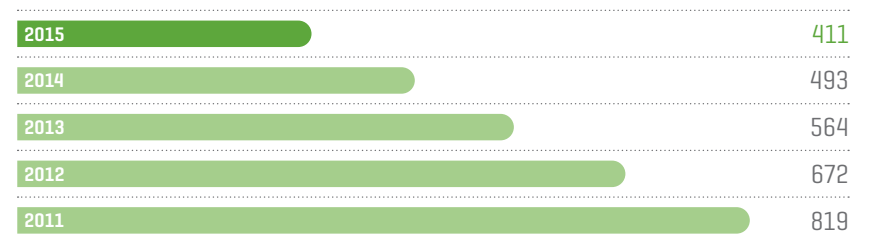
In 2015, investments in the transmission grid have basically responded to the need to increase capacity and grid meshing to support distribution in various parts of the country, and the implementation of unique international interconnection projects and submarine interconnections between islands. In this fiscal year, 414 km of new line and 136 new substation bays have been brought into service, and also transformer capacity has been increased by 605 MVA, with a joint investment in the transmission grid of 410.7 million euros.

During 2015, the most significant actions undertaken regarding the development of the transmission grid were, by large axes, the following:

- **Asturias-Galicia axis:** in the northern region the construction of Asturias-Galicia axis continues, whose purpose is to guarantee the quality and security of supply throughout the northern axis, creating a 400 kV transmission infrastructure. The main objective is to connect northern Galicia and western Asturias in order to meet the foreseen consumption in this area, and facilitate the evacuation of new generation in the upcoming years. This axis will complete the Cantabrian axis, so that areas of surplus, such as Galicia and Asturias, can evacuate their energy into regions with a deficit. Much

INVESTMENT IN THE TRANSMISSION GRID

ME



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of this axis was put into service before 2011 and in 2015, progress was made on the construction of the Boimente-Pesoz line after the completion of its permitting process.

- **Aragón-Levante axis:** This axis aims to strengthen the meshing of the transmission grid to allow the evacuation of wind energy from Aragón into Castellón. Specifically, the axis links the Aragón Fuendetodos, Muniesa, Mesquita, Morella and Mudéjar substations by means of a grid of 414 km of line. In 2015, the Mudéjar substation and the Morella-Mudéjar line were brought into service and the hanging of the Mezquita-Morella line began.

- **Torrent axis:** The purpose of this axis in the future is to increase the voltage in the transmission grid from 66 kV to 132 kV on the island of Ibiza. In 2015, the Torrent substation was brought into service, which is the connection point of the submarine link between Majorca and Ibiza. In addition, this axis includes the construction of the 132 kV Ibiza-Torrent 1-2 line, the 132 kV Ibiza-Torrent 3 line and the enlargement of the 132 kV Ibiza substation.

- **Bajo Llobregat axis:** This axis is to strengthen the meshing of the 220 kV network in the area of Bajo Llobregat in the province of Barcelona whereby the electricity supply to Barcelona will be improved and it will also help

feed the high-speed train in the Barcelona-French Border section. In 2015, the Nudo Viario-Zal line was brought into service.

- **Majorca-Ibiza interconnection:** The purpose of this link is to end the current electrical isolation of Ibiza, in addition to saving costs for the system and promoting competition in energy generation on the islands. In addition, this new link strengthens the process of electrical integration of the Balearic Islands with the Spanish Peninsula, and is essential for guaranteeing the reliability of supply throughout the archipelago.

Investment in the transmission grid is geared mainly towards strengthening grid meshing and the development of international interconnections and those between islands.

## GRID DEVELOPMENT 2015



INCREASE IN  
TRANSFORMER  
CAPACITY

605  
MVA



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The electricity connection consists of a high-voltage alternating current dual link of 100 MVA per circuit and 132 kV, with a total length of 126 km. The route of the cable consists of a land section on each island that runs underground (3 km in Majorca and 5 km in Ibiza) and a submarine stretch of 118 km, with a maximum depth of 800 m. In 2015, the installation of the first cable for the link took place, with the commissioning of the second cable scheduled to be brought in service in the first few months of 2016.

### Other relevant projects in 2015:

Among those facilities brought into service in 2015, in addition to the infrastructure reflected in the principal axes, also included are the following: the Santa Águeda substation (Canary Islands) with 15 new substation bays, the Santa Águeda I/O (input/output) line for the Barranco-Jinámar 2 line 52.3 km in length, the Plasencia I/O line of 26.3 km, the Plasencia-Almaraz line of 43.7 km, the Penagos-Güeñes line of 21.9 km, the 132 kV switchyard of the Santa Ponsa substation, the Berja substation with 5 bays and the Berja I/O line of 31 km.

### INTERCONNECTION

#### MAJORCA IBIZA



**118**  
KM  
OF SUBMARINE  
CABLE



#### IN 2015

The Spain-France interconnection via the eastern Pyrenees came into operation. With this facility the electricity exchange capacity between the two countries has doubled reaching 2,800 MW.

The Majorca-Ibiza link will reduce system costs and will favour **competition in electricity generation** on the islands.

### TRANSMISSION GRID PENINSULAR AND NON-PENINSULAR

(EU4)	2011	2012	2013	2014	2015
km of 400 kV line	19,671	20,109	20,639	21,094	21,179
km of 220 kV line	18,410	18,779	19,053	19,192	19,387
km of 150-132-110 kV line	272	272	272	272	398
km of <110 kV line	2,011	2,014	2,014	2,014	2,022
<b>Total km of line</b>	<b>40,364</b>	<b>41,174</b>	<b>41,978</b>	<b>42,572</b>	<b>42,986</b>
400 kV Substation bays	1,253	1,319	1,374	1,394	1,441
220 kV Substation bays	2,813	2,936	3,026	3,077	3,124
150-132-110 kV Substation bays	52	52	52	52	84
<110 kV Substation bays	743	743	745	769	779
<b>Total substation bays</b>	<b>4,861</b>	<b>5,050</b>	<b>5,197</b>	<b>5,292</b>	<b>5,428</b>
<b>Transformer capacity (MVA)</b>	<b>72,869</b>	<b>78,629</b>	<b>81,289</b>	<b>83,939</b>	<b>84,544</b>

### TRANSMISSION GRID KM OF LINE

	Peninsula	Balearic Islands	Canary Islands	Total
Overhead lines [km]	39,245	1,061	1,075	41,381
Submarine cable [km]	265	423	30	718
Underground cable [km]	483	162	242	887
<b>Total</b>	<b>39,994</b>	<b>1,646</b>	<b>1,347</b>	<b>42,986</b>

Cumulative data as at 31 December 2015.



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## TRANSMISSION 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 addition to maintenance, renovation and improvement actions are undertaken which have become a key activity for the integration of our assets. These works are geared towards guaranteeing supply by improving transmission grid operating systems and are carried out, like maintenance, according to the current long-term plan.

During 2015, the following actions were noteworthy:

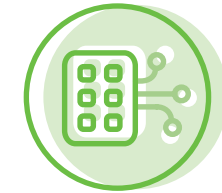
- **Establishment** of new tools to improve cybersecurity to improve secure access to electronic equipment of the transmission grid.

- **R&D+I projects**, which ensure the continual improvement of our activity.

In this area, noteworthy is the project for the monitoring of parameters regarding preventive maintenance and the control of the ageing of the elements of transmission lines, as well as the implementation of maintenance techniques for intelligent substations. The goal of both is to optimise processes. Also noteworthy is the project for the installation of remote control devices to detect fires near electricity lines and as an ultrasonic nesting deterrent.

Maintenance work tasks seek to **ensure the optimum availability and reliability** conditions of facilities.

## TRANSMISSION GRID MAINTENANCE



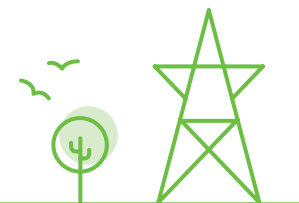
## ANNUAL PROGRAMME

*for the proper functioning of the network*



### R&D+i PROJECTS

During 2015, the project for the monitoring of parameters regarding preventive maintenance and the control of the ageing of grid elements was carried out.





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Finally, tools have been designed to optimise the treatment of vegetation and the use of drones for the inspection of overhead lines.

• **Commitment to excellence.**

In order to ensure the excellence of activities, the Company promotes the exchange of experiences with other national and international companies through participation in different working groups and benchmarking studies. In addition, steps have been taken to improve efficiency in maintenance activities through the implementation of intelligent maintenance techniques.

• **Responsible stakeholder management.**

To do so, a 24/7 shift has been implemented in order to provide a permanent service for external clients related to the telecommunications business.

ELECTRICITY TOWERS REPLACED



249

+60%

Compared to 2014



ENSURING EXCELLENCE

Red Eléctrica promotes actions such as the exchange of experience with national and international companies and the implementation of intelligent maintenance techniques to ensure the excellence of its activities.

• **Committed to society and sustainable activity.** In relation to this, a project was launched to analyse the resilience of the transmission facilities in order to design a plan to respond to unpredictable events which seriously affect the capacity of supply and the recovery of the facilities.

Similarly, there have been thermographic inspections of all facilities and monthly visual inspections in order to ensure the good condition of the substations, as well as the annual inspection of 100% of underground lines, to ensure that there are no negative impacts on the environment.

In addition to scheduled maintenance, a significant investment has been made to apply environmentally responsible coatings to 59 substation bays, recondition various transformer units and update the firmware for improvement in the processes related to telecontrol and protection equipment. A total of 249 towers have been replaced by more modern ones [60% more than the previous year], with the aim of increasing the reliability and quality of our facilities.

**MAR PROJECT (Improvement of Grid Assets)**

Within the maintenance activity, Red Eléctrica undertakes 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. At year-end 2015, 73% of the acquired substation bays had been integrated. The objectives of the MAR project are:

- Adapt grid facilities/infrastructure in the insular systems to the quality standards of Red Eléctrica.
- Address the weaknesses of the existing transmission grid.
- Integrate acquired assets into Red Eléctrica's control systems.
- Adopt a specific maintenance plan for improving the transmission grid.
- Deployment and improvement of the telecommunications network on the islands.



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### Service quality (EU28-EU29)

The service quality indicators highlight for yet another year the high 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. 2015 indicators show a significant decrease in the values of ENS and TIM compared to the previous year.

### QUALITY OF SERVICE INDICATORS

Peninsular grid	2011	2012	2013	2014	2015 (1)
Grid availability [%]	97.72	97.78	98.20	98.20	97.93
Energy Not Supplied (ENS) [MWh]	259	113	1,126	204	52
Average Interruption Time (AIT) (minutes)	0.535	0.238	2.403	0.441	0.111

Balearic Islands' grid	2011	2012	2013	2014	2015 (1)
Grid availability [%]	98.21	98.07	97.96	98.00	96.87
Energy Not Supplied (ENS) [MWh]	35	7	80	13	7
Average Interruption Time (AIT) (minutes)	3.194	0.678	7.366	1.205	0.642

Canary Islands' grid	2011	2012	2013	2014	2015 (1)
Grid availability [%]	98.95	98.91	98.30	98.37	96.76
Energy Not Supplied (ENS) [MWh]	17	10	3	64	29
Average Interruption Time (AIT) (minutes)	1.023	0.613	0.177	3.938	1.763

(1) The 2014 values are pending external audit.

The total availability rate of the transmission grid does not include the non-availability due to causes of force majeure or third party actions.

The continuity of supply indicators presented do not include the potential impact of incidents that are pending classification due to currently being subject to administrative proceedings.

### QUALITY OF SERVICE



SIGNIFICANT DECLINE IN THE VALUES OF ENS & AIT

With respect to 2014

### CONTINGENCY MANAGEMENT (G4-DMA)

Planning and response when faced with emergencies and disasters

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 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 for the electricity system.

The Company 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. It also develops safety



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH

05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS



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awareness campaigns for general dissemination and drafts specific training courses on safety for certain employees.

On 30 June 2014, at the request of the Secretary of State for Security, Red Eléctrica was designated Critical Operator according to the procedure 1/2014, instructed by the National Centre for Critical Infrastructure Protection (CNPIC). As a result, and to comply with Law 8/2011 on Critical Infrastructure Protection and its regulations to be implemented, the Company undertook the creation of the plans required by said Law:

- **Operator Security Plan (OSP)**, which sets the guidelines to be followed by the Company in the protection of these facilities.
- **Specific Protection Plan (SPP)**, developed by the Company for each of the facilities designated by the Secretary of State for Security.

The drafting of the Specific Protection Plans for each of the critical facilities is made without prejudice to the mandatory compliance of that set out in the Technical Construction Code, approved by Royal Decree 314/2006, of 17 March, Royal Decree 393/2007 of 23 March, which approves the Basic regulation for Automatic Protection of the centres, facilities and premises dedicated to activities that can be a cause of emergency situations, or any other specific regulation applicable to the sector. For this reason, and as an additional measure, the Corporate Security and Occupational Health and Safety department drafts other documents that complement the coverage of operational contingencies, and encompass the entire spectrum of possible contingencies such as those that affect people and / or the environment.

These other regulations contemplate actions when faced with situations caused by pandemics, the evacuation of buildings and facilities of the Company, as well as Automatic Protection plans for Company buildings, facilities and substations.

OPERATION SCHOOL



TRAINING CENTRE FOR CONTROL CENTRE OPERATORS

Conducts system restoration and service recovery simulations

[1] 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.

TRANSMISSION GRID LOSSES [G4-DMA, 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 [1] 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).



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Red Eléctrica works to improve aspects that depend on their management and that can have an influence in reducing these losses. Among them noteworthy are the following actions:

- **Development and meshing** of the transmission grid.
- **Increase** in the number of conductors per circuit.
- **Use of technologies** and systems with the best performance [conductors with lower resistance, efficient equipment ...].

• **Maintenance** of facilities in the best conditions to ensure their proper operation.

The first two measures seek to create parallel paths to circulate the same intensity, which reduces resistance and thereby the losses.

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

Losses mainly increase with increasing distances between points of generation and consumption. 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 should be performed according to specific and mandatory operating procedures. According to these procedures, it is not possible to operate the electricity system based on the criteria for reducing losses, so the Company has little capacity to act in relation to the reduction of said losses.

Moreover, it is important to note that in the case of the Spanish electricity system, the increase in losses is closely related to the share of renewable energies in the generation mix. Typically, increases in hydro and wind generation are related to an increase in transmission distances [this type of generation is located far from consumption points].

TRANSMISSION GRID  
**ENERGY LOSSES**



IN 2015  
**1.22**  
%

*With respect to the demand in 2015*

PERCENTAGE OF TRANSMISSION GRID LOSSES  
**WITH RESPECT TO ANNUAL DEMAND**



2015	1.22
2014	1.32
2013	1.26
2012	1.17
2011	1.13





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## ELECTRICITY SYSTEM OPERATION

The fundamental objective of the operation of the electricity system is to ensure the safety and quality of the electricity supply, while maximising the integration of renewable energies.

The most significant aspect of the Spanish electricity system balance report in 2015 was the growth in demand of 1.9% over the previous

year, after four consecutive years of decline. Regarding generation, most noteworthy was the fall in renewables, due mainly to lower hydroelectric generation. Meanwhile, the balance of electricity exchanges continued to be as an exporter, although a significant drop was recorded due to the substantial increase in imports from France.

Renewable energies continue to maintain a prominent role in the overall electricity generation mix, despite a fall of around 5 points compared to 2014, due mainly to the variability of hydro and wind power generation, which in 2015

fell 28.2% and 5.3% respectively. Despite this decline, it should be noted that wind power was the technology that most contributed to total energy production in the Spanish Peninsula in the months of February and May.

The safe integration of **the maximum amount of renewable generation** is one of the objectives of system operation.



## PENINSULAR DEMAND 2015



248 TWh

+1.8%  
Compared to 2014



## ELECTRICITY CONSUMPTION IN SPAIN

recovered a positive growth rate in 2015, not seen since 2010.



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Energy production from renewable sources represented 37% of the total generated in the **Spanish Peninsula electricity system**.

For yet another year, noteworthy is the important role of wind power generation, whose contribution to the annual energy production reached 19%, which ranks this technology in third place in terms of participation of the different types of energy for demand coverage, just behind nuclear and coal.

In addition, in 2015 the maximum values of wind production registered in recent years were exceeded: yearly maximums for instantaneous wind power production [17,553 MW], hourly energy [17,436 MWh] and daily energy [357,741 MWh]. On 21 November at 4:50am a new all-time high was also registered in the contribution of wind power to demand coverage reaching a figure of 70.4%.

To enable the operation of an electricity system with such a high penetration of renewable energy under safe conditions, the role of CECRE (Control Centre of Renewable Energies) is essential.

RENEWABLE ENERGY

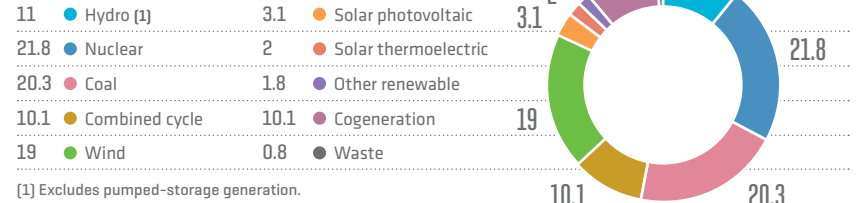


92.9 TWh

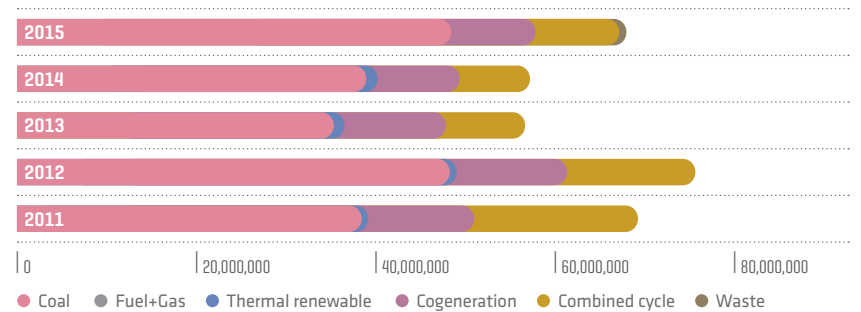
INTEGRATED IN 2015

[37%]  
Of peninsular demand

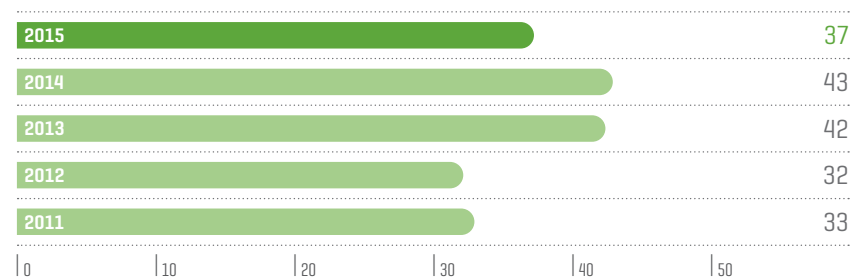
COVERAGE OF PENINSULAR DEMAND



CO<sub>2</sub> EMISSIONS ASSOCIATED TO GENERATION OF ELECTRICITY ON THE PENINSULA



PARTICIPATION OF RENEWABLE ENERGY IN THE COVERAGE OF THE PENINSULAR DEMAND





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## CECRE is a control centre of worldwide reference regarding the integration of renewable energies.

In order to further advance the supervision and control of renewable energy, without the security and quality of the electricity supply being affected, the CECRE has begun to monitor the wind production in Portugal throughout this year and renewable generation from this country was incorporated into the calculations of the maximum permissible renewable generation that can be integrated into the peninsular electricity system without jeopardizing the interconnection with France. These actions keep CECRE at the forefront as a control centre of worldwide reference regarding the monitoring and control of renewable energies

Moreover, in 2015 the Spain-France direct current interconnection was brought into service which is capable of carrying 2,000 MW. This milestone represents a significant strengthening of the interconnection capacity between the two countries, resulting in an increased margin of renewable energy integration into the system, and an increased support with which to deal with any incidents in the Spanish electricity system in a safe manner.

As for the **Balearic Islands electricity system**, in 2015, work continued on the consolidation of the positive impacts of the operation of the interconnection linking the island of Majorca with the Spanish Peninsula electricity system. This link brings with it an improvement in terms of quality and security of electricity supply on the islands of Majorca and Menorca, avoiding

PENINSULA  
BALEARIC  
ISLANDS

LINK



14

%

SAVINGS  
IN THE  
COVERAGE  
COSTS

*Of the  
Balearic Islands'  
system*

frequency deviations outside of safety limits and power disruptions caused by generation losses. The energy transferred from the Peninsula covered 23% of the demand on the Balearic Islands, reaching peaks of 38% of the hourly consumption. This represented an overall saving of 14% on the coverage costs of the Balearic Islands system and has prevented the emission into the atmosphere of approximately 350,000 tonnes of CO<sub>2</sub> in the territory of the Balearic Islands. It should also be noted that in the first quarter of 2016 the new link between Majorca and Ibiza will be brought into service, which will allow the consolidation of the electrical integration process of the entire archipelago with the Peninsula.

In the electricity **system of the Canary Islands**, renewable generation - wind and photovoltaic - represented 8% of the total generation in 2015, reaching values of 33% in Tenerife and 32% in La Palma throughout 2015, values that are especially challenging in small isolated electricity systems.



In the 'Activities' section of the corporate website.



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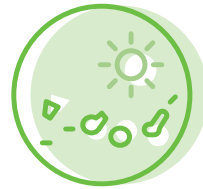
Similarly, since mid-2015, the hydro-wind power station Gorona del Viento has been increasing its production, thereby increasing the integration of renewable energy into the electricity system of El Hierro. Thus, 19% of the total annual generation of this system came from renewable energy sources and for the very first time on 9 August 2015, 100% of the demand was met through the integration of renewable energy.

### Energy storage on the Canary Islands

In 2015, the creation of the subsidiary REINCAN responds to the need to promote energy storage projects on the Canary Islands, as tools for the system operator to guarantee supply, improve system security and optimise the integration of renewable energies in the archipelago.

To this end, the Company is carrying out the project for the Chira-Soria pumped-storage hydro power station on Gran Canaria, representing an investment of

### ENERGY STORAGE IN THE CANARY ISLANDS



€  
**320**  
m  
INVESTMENT

*In the Chira-Soria pumped-storage hydro power station*



#### REINCAN

Created in 2015 to boost energy storage projects on the Canary Islands, as tools for the system operator.

around 320 million euros. The project, which is in the permitting stage, includes the construction of a 200 MW pumped-storage power station to be used as a tool of the system operator to ensure stability and security of the electricity supply, and at the same time, shall constitute an essential infrastructure for the integration of renewables on the island. It will be one of the major projects of Red Eléctrica over the coming years, as it will represent an essential infrastructure for the integration of renewables in the island system and will contribute to a gradual change in the energy model on the Canary Islands making it more secure, efficient and sustainable.

Additionally, Red Eléctrica is undertaking a major investment plan to improve the efficiency and security of the insular electricity systems on the Canary Islands, in response to the following objectives:

#### 1. Promote change in the energy model of the Canary Islands:

- Guarantee a more sustainable and efficient electricity supply.

- Improve the stability of the isolated systems.

- Facilitate the evacuation and integration of renewables.

#### 2. Move towards more secure and robust electricity systems:

- Improve grid meshing.

- Resolve structural weaknesses in the network.

- Increase the quality of the existing infrastructure.

- Develop interconnections between islands.



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# Energy efficiency [G4-DMA]

Red Eléctrica continues to work actively on the promotion, development and dissemination of demand-side management measures as necessary tools for the current and future electricity system. Among these, noteworthy on one hand are those measures aimed at achieving a more balanced

consumption profile and on the other, those aimed at providing greater flexibility to the operation of the system.

### Main actions

Demand-side management initiatives undertaken by Red Eléctrica seek to address demand

in its entirety, carrying out specific actions for the residential sector and the industrial sector. Furthermore, other initiatives that have a global impact on all consumers in our country are also carried out.

## Residential demand: 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 the system operation is increasingly essential, and that is why Red Eléctrica promotes demand-side management initiatives geared towards making information available to the citizen about the status of the system, or disseminate recommendations on best practices for efficient consumption.

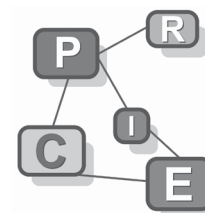
In this regard, Red Eléctrica has collaborated with the publisher 'Planeta' on the publishing of a book from the 'Dummies' collection which explains, in simple language, the concepts of electricity bills and advice on how to make savings.

The progressive electrification of our society, resulting from the ever-increasing importance of electricity in our lives, requires these kinds of initiatives that enable citizens to easily understand the functioning of the electricity system, helping them to change their consumption habits leading to a more efficient and responsible use of energy.

In field of residential demand, especially noteworthy is the 'PRICE' deployment project (Joint Smart Grid Project in the Corredor del Henares area of the Community of Madrid) in which Red Eléctrica has participated together with another 20 partners since its inception in 2011. Said project has funding from the Spanish Ministry of Economy and Competitiveness through the INNPACTO Programme, and has received the European Electricity Grid Initiative Core Label that

recognises the alignment of the project with the criteria and objectives defined in the European Electricity Grid Initiative.

This project, completed in 2015, has allowed Red Eléctrica to develop knowledge and technology regarding the implementation of mechanisms for demand-side management and new mechanisms based on providing information to citizens about the state of the system.



PRICE  
PROJECT  
2011-2015

IMPLEMENTATION  
OF  
**SMART  
GRIDS**

*In the 'Corredor del Henares'*



### IN THE RESIDENTIAL SECTOR

Red Eléctrica encourages consumer involvement as a key player in the new energy model.



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### Industrial demand: interruptibility service

The industrial interruptibility service is a demand-side management tool provided by large consumers that aims to quickly and efficiently



respond to the needs of the electricity system in situations of imbalance between generation and demand. This service is activated in response to an order issued by Red Eléctrica to reduce power.

In this sense, industrial consumers that meet the requirements of the regulations and have signed a contract with the system operator, will reduce their consumption down to certain predetermined values at the operator's request.

Order IET/2013/2013, of 31 October 2013 introduced, into the management of the demand-side interruptibility service, the challenge of providing a new interruptible resource allocation mechanism based on an auction procedure. This mechanism, first implemented in 2014, allowed an interruptible resource of 3,020 MW in 2015.

### Profiling service

Currently, most households in our country do not have smart meters and, therefore, do not have hourly metering. However, due to the fact that in the electricity market all energy is settled on an hourly basis, it is necessary to make an estimation based on how those consumers without hourly metering have behaved on an hourly basis. Said forecast is carried out through what are known as 'settlement profiles' that Red Eléctrica prepares and are assigned to each consumer based on a type of demand behaviour depending on their contracted power and voltage levels (access fees).

The goal is to improve the current profiling service and obtain a better understanding of the hourly consumption of households,

and an important part of small businesses and service providers. Since 2013, Red Eléctrica has spearheaded the PERFILA project, with the participation of the most important electricity distribution companies. This project is based on the analysis of the hourly information coming from a panel of 20,000 consumers who already have smart meters installed.



### Almacena Project

The Almacena Project consists of the field installation, and subsequent operation, of an electrochemical energy storage system, specifically a lithium-ion prismatic battery with a power of 1 MW and a capacity of at least 3 MWh. During 2015, testing has been conducted on the future applications of this new technology in the field of renewable integration and for the improvement of operation services (modulation of the load curve and frequency-power regulation).

### PERFILA PROJECT



ANALYSES OF HOURLY INFORMATION REGARDING **20,000** consumers with smart meters



### IN THE INDUSTRIAL SECTOR

the demand-side management service of interruptible resource allocation via competitive mechanisms was consolidated.



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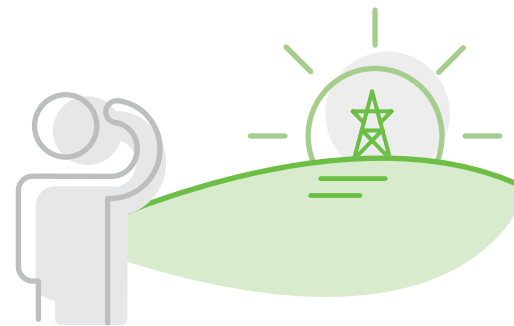
For 2016, Red Eléctrica, in its role as auction administrator, has managed the auctions conducted in 2015, placing special emphasis on communication, with the stakeholders involved, through informative sessions and a plenary session, held at Red Eléctrica facilities in late May, that brought together all candidates interested in providing the interruptibility service. In addition, as of 2015, the new e-sios website has a specific space for demand-side management where all information related to the interruptibility service is available.

### Future outlook

**Red Eléctrica** will continue to promote actions in the field of the 'active citizen' enabling the consumer to assume a more important and active role in the electricity sector. Moreover, self-consumption is already a reality in our country following the adoption in 2015 of the legislation that regulates it. Therefore, Red Eléctrica prepares for this new reality by conducting forecasts and analysis studies in order to adjust system operation and to anticipate the impact of this new type of generation.

Another challenge to be addressed in the near future is the incorporation of new flexibility measures in the services sector via demand aggregation, developing specific mechanisms to take into account the specific nature of this type of demand.

The next challenge is the incorporation of **new flexibility measures** in the services sector through aggregation of demand.



### ON THE WEB

**e-sios**



NEW SECTION ON **DEMAND SIDE MANAGEMENT**

*of the interruptibility service in the industrial sector*



On the e-sios website.



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# Technological innovation [G4-DMA]

In 2015, the Company approved the new Technological Development Plan 2016-2019, which, in line with the new Strategic Plan, has identified the objectives and technological priorities of the Company in the medium and long term. It should be noted that this Technological Development Plan will be one of the pillars of the global innovation strategy of Red Eléctrica to be presented in 2016.

For its part, Red Eléctrica has continued to make an active contribution to the drafting of different documents regarding R&D+i in the international arena:

- 'R&D Application Report 2014' of the ENTSO-E R&D+i Committee, a document that analyses the application by the TSOs of the results of the European R&D+i projects concluded in recent years.

- 'R&D Monitoring Report 2015', a report that evaluates compliance with the ENTSO-E R&D+i Plan.
- 'R&D+i Plan 2017-2022' document prepared in collaboration with the European GRID+Storage project.

Throughout 2015, work continued on **developing a total of 76 technologically innovative projects** geared towards achieving greater system efficiency and facilitating the integration of renewables.

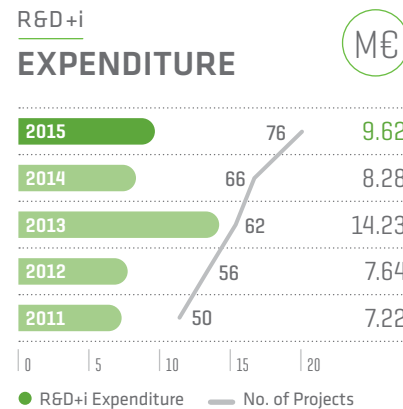
## R&D+i PROJECTS



DURING 2015

€  
**9.6**  
m  
WERE INVESTED

**[+16%]**  
Compared to 2014







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• **'Implementation Plan 2016-2018'**; reflects the technological measures to be undertaken in the next three years within the framework of the ENTSO-E R&D+i plan.

During 2015, a total of 9.6 million euros was dedicated to R&D+i, representing an increase of 16% over the previous year. A total of 362 employees collaborated on 76 R&D+i projects active during 2015 (21.4% of the workforce of Red Eléctrica de España), of which 13.8% [50] were women, investing a total of 46,308 hours, equivalent to 274 full-time personnel.



In the 'Red 21' section of the corporate website.

## R&D+i projects undertaken in 2015

### NATIONAL PROJECTS

#### ESP-LÍDER

Device for the redirection of current flows installed in Torres de Segre. *Completed in 2015.*

#### PRICE

Set of smart grids in the 'Corredor del Henares' area of Madrid for the promotion of demand-side management in the residential sector. *Completed in 2015.*

#### SIMA

Intelligent Asset Maintenance System. *Completed in 2015.*

#### FIRE MONITORING

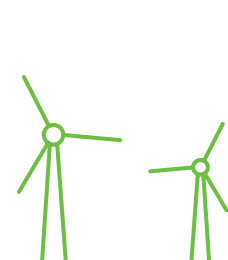
Automatic forest fires monitoring system for overhead electricity lines. *Completed in 2015.*

#### SUBSTATION 61850

Digitalisation of facilities: development of an advanced model of a substation to undertake, with guarantees, its field deployment. *Completed in 2015.*

#### AMCOS-STABILITY FACTS

A pilot device which controls the main parameters that provide stability to an isolated system (frequency control, continuous voltage control and damping of power oscillations).



### EUROPEAN PROJECTS

#### e-HIGHWAY 2050

New methodology for the planning of the Pan-European transmission system that includes the new model of the electricity system with a 2050 horizon. *Completed in 2015.*

#### MIGRATE

Improved understanding of the behaviour of the electricity system with a high penetration of power-electronics based devices.

#### BEST PATHS

Analysis to overcome various technical barriers that the current Pan-European electricity network could encounter in order to integrate safely, efficiently and reliably, massive amounts of energy from renewable sources such as solar and offshore wind.

### ENVIRONMENTAL PROJECTS

#### VISIBILITY OF ELECTRICITY LINES

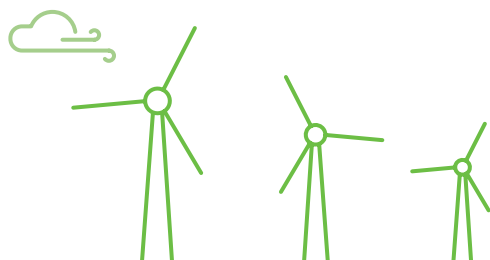
Tool for the analysis of the visibility of high voltage electricity lines using a Digital Elevation Model (DEM) that takes into account all the elements that produce visual shields, such as vegetation, buildings and infrastructure.

#### ENERGY EFFICIENCY

Incorporation of Peltier cells for cooling substation racks and the development of a prototype power transformer that is more sustainable, safe and intelligent.

#### POSIDONIA OCEANICA

Development of a technique for the recovery of 'Posidonia oceanica' sea meadows through the use of seeds germinated under laboratory-controlled conditions and fragments obtained via natural fragmentation.





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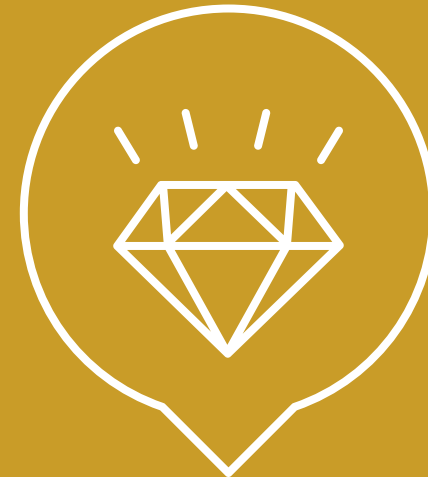


ANNEXES

# CREATION OF VALUE

## 06

Connected to solid growth and a clear orientation towards efficiency and financial soundness





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## FINANCIAL STRATEGY

A financial policy adapted to the new remuneration model, maintaining a diversified financial debt and a comfortable position of liquidity to cover upcoming maturities.

**€4,905.9m** of net financial debt,  
**9.3%** less than 2014



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT



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## CORNERSTONES FOR ATTAINING THE CREATION OF VALUE

**Financial soundness, solvency and solid growth**

### FINANCIAL RESULTS



€  
**606**  
m  
IN NET PROFIT

**8.3% higher than 2014 in recurring terms**



## SHAREHOLDER RETURN

Maximising returns for shareholders and investors, offering an attractive dividend yield, and contributing to the increase in the share price through efficient business management.

**5.3%** increase in the share price  
**7%** increase in the dividend

LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICERKEY PERFORMANCE  
INDICATORS

01. THE COMPANY



02. STRATEGY

03. CORPORATE  
GOVERNANCE04. MANAGEMENT  
APPROACH05. SUSTAINABLE  
ENERGY06. CREATION  
OF VALUE

07. EMPLOYEES



08. SOCIETY

09. DIALOGUE  
WITH  
STAKEHOLDERS10. THE  
ENVIRONMENT

ANNEXES

# Evolution of results [G4-DMA, G4-9]

During 2015, has 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.

**Net revenue** in 2015 amounted to 1,938.9 million euros, an increase of 5% year-on-year. This increase reflects the growth in the revenue associated with new transmission facilities commissioned in 2014, and that associated with the provision of telecommunications services. For this concept 83.5 million euros were registered as they include revenue during 2015 associated with the rights to use and manage the dark fibre optic network of ADIF while revenues for 2014 included only a month and a half as the acquisition of said agreement was formalised in November 2014.

**Gross operating result (EBITDA)** totalled 1,458.4 million euros,

representing growth of 5.3% year-on-year. More than half of the growth in EBITDA is due to the telecommunications business, the rest comes from the traditional activities of Red Eléctrica.

For its part, **net profit** totalled 606 million euros, 15.6% below that of the previous year. If we strip out

non-recurring items included in 2014, such as compensation for TDE and the impact of the implementation of the tax reform, set out in Law 27/2014 on corporation tax for a total of 106.1 million euros, the profits for the year would have increased by 8.3%.

## KEY FINANCIAL INDICATORS

€m

	2015	2014	Δ%
Net Revenue	1,938.9	1,846.7	5.0
Gross operating result (EBITDA)	1,458.4	1,385.4	5.3
Profit before tax	829.7	853.5	(2.8)
Profit for the period	606.0	717.8	(15.6)
Recurring profit for the period <sup>(1)</sup>	606.0	559.5	8.3
Non-current assets	9,156.5	9,138.2	0.2
Net equity	2,760.6	2,552.5	8.2
Net financial debt	4,905.8	5,408.5	(9.3)
Operating Cash flow after tax	1,134.9	1,009.1	12.5
Investments <sup>(2)</sup>	447.8	957.6	(53.2)

<sup>(1)</sup> Earnings for 2014 include non-recurring gains from the compensation for TDE (€52 million) and from application of Corporate Income Tax Law 27/2014 (€106 million). Stripping out these items would have increased profits by 8.3% year-on-year. <sup>(2)</sup> Investment in 2014 included the acquisition of the rights to use ADIF's dark fibre optic network for €434 million.

EBITDA  
2015

€  
**1,458.4**  
m

**+5.3%**

Compared  
to 2014



In the Consolidated Annual Accounts Report.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY

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**Operating cash flow after tax** was 1,134.9 million euros, an increase of 12.5% compared to that generated in the same period last year. The strong cash generation and positive behaviour of working capital has allowed investments and dividends to be paid, and to reduce the **net financial debt** of the Red Eléctrica Group, which

at the close of the fiscal year was 4,905.9 million euros.

**Investments** made by the Group during 2015 reached 447.8 million euros, of which 410.7 million euros were earmarked for the development of the national transmission grid, and 12 million euros to energy storage in the Canary Islands. Investments

in 2015 were 53.2% lower than during the preceding year, given that in 2014 the acquisition of rights of use and management of ADIF's dark fibre optic network were also incorporated, a transaction that amounted to 433.7 million euros.

At the close of 2015, 89% of the Group's **Financial debt** is long term. Regarding the interest rate, 85% of it is fixed rate, while the remaining 15% is variable. In 2015, the average cost of financial debt of the Group was 3.20%, compared to 3.49% the previous year. The average balance of gross debt stood at 5,418.9 million euros, compared to 5,047 million euros in 2014.

Finally, **Net Equity** of the Red Eléctrica Group reached 2,760.6 million euros, 8.2% higher than at the end of 2014. This growth is mainly due to the results of the corresponding period reduced by the distribution of dividends.

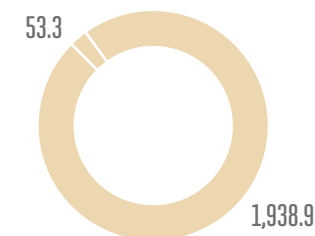
## ECONOMIC VALUE GENERATED AND DISTRIBUTED (GROUP)

[G4-EC1]

	2013	2014	2015
<b>Economic value generated [EVG]</b>	<b>1,805.8</b>	<b>1,884.1</b>	<b>1,992.2</b>
Net revenue	1,758.3	1,846.7	1,938.9
Other net profits and losses [1]	47.5	37.4	53.3
<b>Economic value distributed to stakeholders [EVD]</b>	<b>(1,208.0)</b>	<b>(1,122.3)</b>	<b>(1,330.2)</b>
Employees: personnel costs	(127.3)	(133.0)	(139.6)
Company: Corporate Income Tax [2]	(203.2)	(134.4)	(223.0)
Investment in the community [3]	(4.0)	(5.7)	(6.6)
Suppliers: other operating expenses [4]	(363.4)	(347.7)	(367.5)
Shareholders: dividends [5]	(343.9)	(405.8)	(434.2)
Other Capital providers: net financial costs	(166.1)	(95.7)	(159.3)
<b>Economic value retained [EVR]</b>	<b>597.8</b>	<b>761.9</b>	<b>662.1</b>
Reserves	181.2	312.0	172.5
Amortisation and depreciation [6]	416.6	449.8	489.5

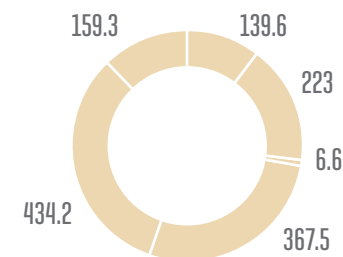
Note: Data obtained from Consolidated Annual Accounts. [1] Includes: other operating income/net results obtained via equity method/results from divestment of non-current assets (divestitures)/capital subsidies/other deferred incomes transferred to the fiscal year's results/works performed by the Company on its assets. During 2010, the Company was awarded a grant by the European Commission for the Spain-France electricity interconnection. The grant was awarded for a maximum total of 112.5 million euros, of which 59.3 million euros were received in 2015. With the aforementioned amount in 2015, the totality of the grant has now been received. More information in note 11 of the Consolidated Annual Accounts. [G4-EC4]  
 [2] Costs due to Corporate Income Tax. [3] Investments in the community: data obtained by applying the LBG methodology and subsequently subjected to external verification. [4] Procurements and other operating costs [excluding investments in the community]. [5] Includes the interim dividend and complementary dividend. [6] Includes: Amortisation / Depreciations [includes mainly provisions for deterioration in asset value].

## €m CREATION OF VALUE ECONOMIC VALUE GENERATED [G4-EC1]



53.3 Other net incomes and losses  
1,938.9 Net revenue

## ECONOMIC VALUE DISTRIBUTED



159.3 Employees: personnel costs  
223 Company: Corporate Income Tax  
6.6 Society: investments in the community  
367.5 Suppliers: other operating expenses  
434.2 Shareholders: dividends  
159.3 Other Capital providers: net financial costs



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY

06. CREATION OF VALUE



07. EMPLOYEES



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# Financial strategy

The financial strategy traditionally followed by Red Eléctrica is geared towards reflecting the nature of the business it undertakes, whilst adhering to the legislation in force at each moment.

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 rates.

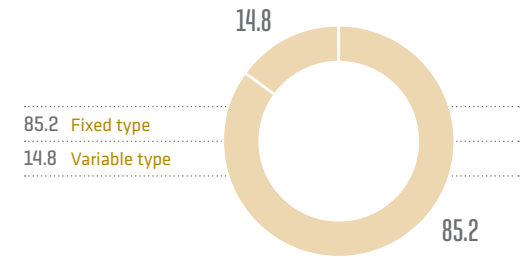
## Credit rating

Red Eléctrica has been given a long-term credit rating of 'A-' by Standard & Poor's with a stable outlook and a short-term rating of 'A-2'. Meanwhile, Fitch has given Red Eléctrica a long-term rating of 'A-' with a positive outlook, and 'F2' in the short term.

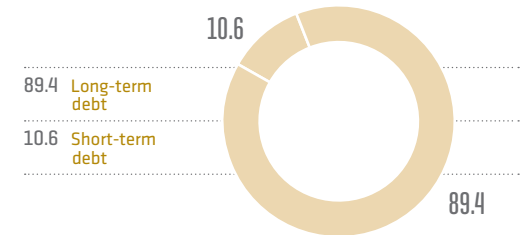
Both rating agencies indicated the predictability and recurrent earnings and strong balance sheet as strengths of the Company.

The financial debt of the Company is **mainly contracted long-term** and referenced at fixed-rates.

## FINANCIAL DEBT STRUCTURE FIXED vs. VARIABLE

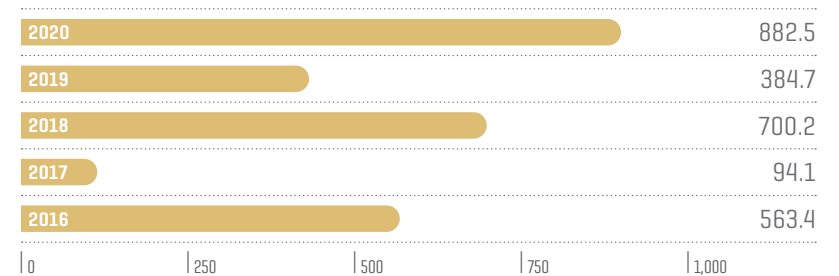


## FINANCIAL DEBT STRUCTURE SHORT-TERM vs. LONG-TERM



Information on financial strategy in the 'Shareholders and Investors' section of the corporate website.

## FINANCIAL DEBT MATURITY





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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# Shareholder return

## STOCK MARKET PERFORMANCE

**Gains** have been seen in the most important variable income markets, reflecting a more favourable economic situation for the stock markets in developed countries than in previous years. The main European markets have registered gains of between 5 and 10% in the

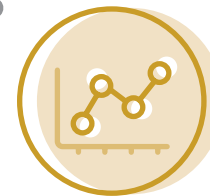
year, a behaviour similar to that registered by the Japanese Nikkei. Wall Street, meanwhile, fell behind after 6 consecutive years a clear predominance in gains, both the S&P 500 and the Dow Jones closed the year with slight losses, while the Nasdaq was positive again at the close of the year. The IBEX 35 and FTSE were the main exceptions. The significant weight of mining

companies and basic resources in the latter, caused a drop close to 5% in the British index. The fall in our index, of over 7%, is possibly due to political uncertainty associated with our country at the end of the year.

The favourable reception of the **Strategic Plan 2014-2019** and the visibility of the dividend policy has allowed Red Eléctrica to maintain **a positive evolution in 2015.**



2015  
**POSITIVE EVOLUTION**  
in the stock market



**RED ELÉCTRICA**  
Exceeds the **IBEX 35** in 2015

IBEX 35  
2015



DROP OF  
OVER  
**7%**

*Compared to the gains of the major European markets of between 5 and 10%*



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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However, 2015 has been especially turbulent from a stock market point of view. Greece's problems to meet the demands of its creditors represented the first serious obstacle of the year, although confined to European markets. The decision in May by the Federal Reserve to postpone the rate hike, which had already been announced in the previous year, spread doubts among investors, because the situation the world economy was facing was not as buoyant as initially thought.

China made this evident, as in late August it was forced to devalue its currency, causing sharp falls on stock exchanges around the world that lasted for much of the autumn. The collapse of oil prices and raw materials, the slowdown of the Chinese economy and the clear recession in other emerging countries, or equivocal action by central banks, prompted a bearish reaction in the markets during the final month of the year.

GROSS  
DIVIDEND  
2015

€  
**3.21**

PER SHARE

**+7%**  
Compared to 2014

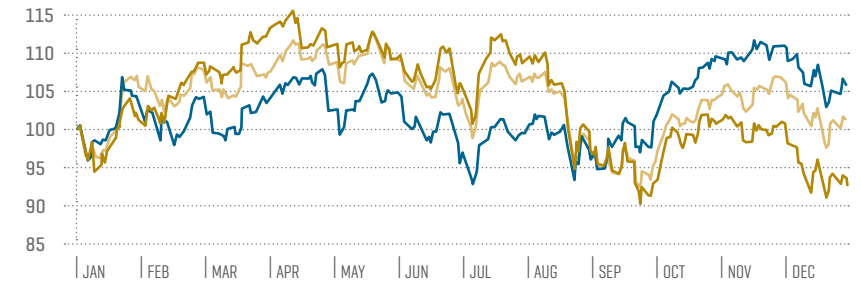


**RED ELECTRICA'S SHARE**

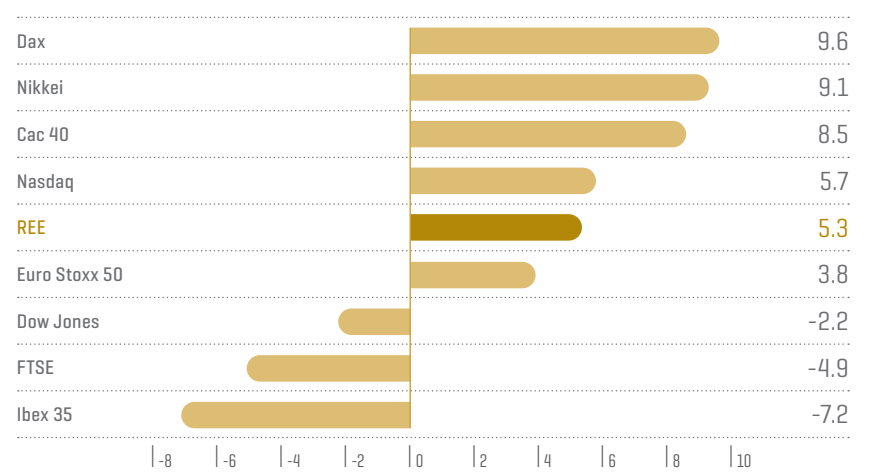
has appreciated in value more than 58% in the last two years.

VALUE  
COMPARISON

Red Eléctrica Energy sector IBEX 35



EVOLUTION OF RED ELÉCTRICA AND THE MAIN STOCK MARKET INDEXES 2015







LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



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## RED ELÉCTRICA SHARES

**Red Eléctrica** again surpassed the IBEX 35 in 2015 and in addition to the extraordinary rise registered in 2014, over 50%, we have to add an increase in the share price of more than 5% over the last year, and a return of over 9% if we include the dividends paid out by the Company. The favourable reception of the Strategic Plan 2014-2019, and the visibility of the dividend policy has allowed our Company to avoid negative values in 2015.

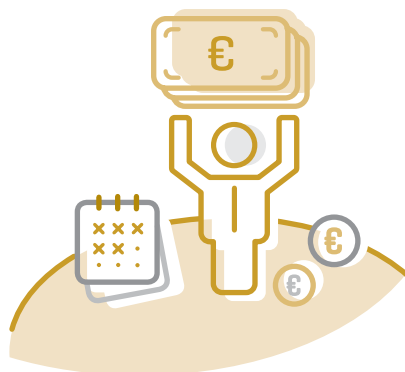
In 2015 as a whole, 248.2 million shares were traded, representing 1.84 times the capital of the Company. Purchases made in cash totalled 18.537 million euros, up 22% on the previous year which totalled 15.184 million euros. Meanwhile, the number of shares traded in 2014 was 241.5 million.

## 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 7% over the previous year. The gross dividend proposed at the General Shareholder's Meeting with a charge to 2015 profit, is 3.21 euros per share. On 4 January 2016, a gross interim dividend payout of 0.8906 euros per share was made, with 2.3194 euros per share pending distribution, as part of a gross complementary dividend.



In the 'Shareholders and Investors' section of the corporate website.

In 2015, Red Eléctrica's share price rose by 5.3% and shareholder returns exceeded 9% if we include dividends paid out by the Company.

## MAIN STOCK MARKET INDICATORS

€

	2011	2012	2013	2014	2015
Total number of shares (thousands)	135,270	135,270	135,270	135,270	135,270
N° of shares in circulation (thousands)	108,216	108,216	108,216	108,216	108,216
Face value of the share (in €)	2	2	2	2	2
Share price (in €)					
Maximum	43.89	39.75	48.50	74.95	81.77
Minimum	30.24	29.00	36.99	47.40	67.95
Year end	33.06	37.30	48.50	73.21	77.11
Market capitalisation at close of fiscal year (in €m)	4,472.0	5,045.6	6,560.6	9,903.1	10,430.7
Earnings per share (EPS) (in €)	3.42	3.66	3.92	5.31	4.49
Share price/EPS (N° of times)	9.66	10.19	12.37	13.78	17.17
Dividend per share (in €)	2.2124	2.3651	2.5422	3.0	3.21



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



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09. DIALOGUE WITH STAKEHOLDERS



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# EMPLOYEES

## 07

Connected to equality, talent, the security and well-being of employees





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



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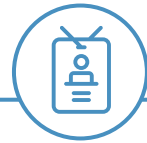
10. THE ENVIRONMENT



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## CORNERSTONES OF OUR COMMITMENT TO EMPLOYEES



*Constant backing for a qualified, motivated and committed team*



### STABLE AND QUALITY EMPLOYMENT

Our commitment: internal employability of people during their time as an employee through the integration, development and mobility programmes.

**99.9% permanent contracts**

**80% of new directors via internal promotion**



### HEALTHY WORKPLACE

Our objective is the continued and progressive improvement in the levels of occupational health and safety which is understood as physical, psychological and social well-being.

**AENOR Healthy Workplace Certification**

**5,850 hours of occupational health and safety training**

### WORKING CLIMATE SURVEY



### EMPLOYEE SATISFACTION

**9.4**  
OUT OF 10  
91% TOOK PART



### TALENT MANAGEMENT

The training and development of Red Eléctrica staff is integrated under a global talent management model.

**170,436 hours of training [G4-LA9]**

**More than 97,000 hours of training to improve employability [G4-LA10]**



### DIVERSITY AND INCLUSION

Increase of women on the workforce and in management positions, and the establishment of a model and an action plan for the inclusion of people with disabilities.

**20.2% of women in management positions. +4.3% compared to 2014**

**2.54% of people with a disability [includes workforce and LGD agreements]**



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



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ANNEXES

# Stability and quality of employment (G4-DMA)

The Human Resources Director Plan linked to the Strategic Plan of the Company and the Corporate Responsibility Plan, facilitates the achievement of business goals within an environment of commitment and good social climate.

Within the framework of the Human Resources Director Plan initiated in 2014, during this fiscal year the training model was launched along with plans for leadership and individual development, renewal of all human resources processes,

the model and guidebook regarding the knowledge management model and the model and disability management action plan and a management model that allows the impact of an ageing workforce in different areas of the Company to be assessed.

Also in 2015, Red Eléctrica continued to strengthen its commitment to leadership in occupational health and safety and in November obtained the AENOR Healthy Workplace Certification.

In order to respond to a changing and complex environment and based on the Strategic Plan of the Company, in 2015, a thorough review of the organisation of the Red Eléctrica Group was conducted.

The alignment of human resource policies in the different companies of the Group in 2015, will allow work to take place under a common model while performance indicators are gauged, assessed and defined, and products and service levels agreed on.

## PRINCIPLES OF THE HUMAN RESOURCES DIRECTOR PLAN



Efficiency

Equal opportunities

Work-life balance

Respect for diversity

Fair and personalised treatment for all professionals

## FIXED CONTRACTS



WITHIN THE WORKFORCE

99.9

%

Out of a total of 1,697 employees



## RECOGNITIONS

Red Eléctrica obtained the maximum score [100 out of 100] for the 'Attracting and Retaining Talent' criteria of the Dow Jones Sustainability Index 2015, and occupies 21st position in the mercoTALENTO 2015 and 29th position in the Universum ranking.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



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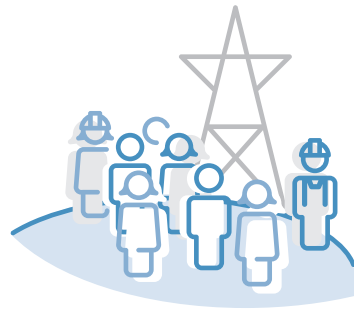
## A STABLE, COMMITTED AND HIGHLY QUALIFIED WORKFORCE [G4-LA1]

Red Eléctrica by the end of 2015, had a team of 1,697 professionals, an increase of 0.9% compared to 2014. At a Group level, the workforce, as at 31 December, stood at 1,763.

Our commitment towards creating stable employment is reflected in the percentage of workers on permanent contracts, which stands at 99.9%, as well as through the boosting of internal promotion.

Of the 20 appointments that took place during 2015 in the management team of the Group, 80% were internal promotions.

External turnover stood at 2.1%, which is above the target of 1% set for 2015.



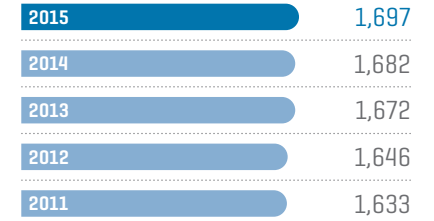
## KEY EMPLOYMENT INDICATORS [1]

[G4-LA1, G4-LA12]

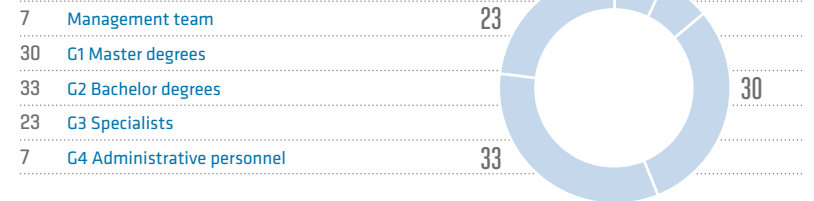
	2013	2014	2015
Total workforce	1,672	1,682	1,697
Women [%]	23.1	22.8	23.1
Men [%]	76.9	77.2	76.9
Women in management positions [%]	19.7	19.3	20.2
People with some type of disability [%]	0.7	0.7	0.8
Creation of net employment [N° of job positions]	26	10	15
Average age	43	43	44
Average length of service [years]	13	14	15
Undesired external turnover [%]	0.4	0.9	1.6
Total turnover [%]	1.0	1.2	2.1
Permanent contracts [%]	99.8	99.4	99.9

[1] Data regarding Red Eléctrica de España + Red Eléctrica Corporación

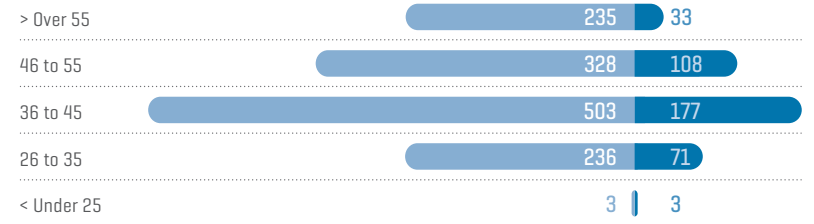
## WORKFORCE EVOLUTION



## WORKFORCE STRUCTURE BY PROFESSIONAL GROUP



## WORKFORCE DISTRIBUTION BY AGE AND GENDER



Data REE + REC.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



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10. THE ENVIRONMENT



ANNEXES

## COMPENSATION AND REMUNERATION

Red Eléctrica works with a comprehensive remuneration and reward model that responds to the fulfilment of the following principles:

- **Equality** and non-discrimination.
- Attract and **motivate** people.
- Internally **fair and equitable**.
- Externally **competitive**.
- Recognition and respect for **diversity**.
- Foster **career development** and the spirit of excellence.

On this basis, the remuneration model of Red Eléctrica for employees included in the collective bargaining agreement is composed of monetary elements: fixed remuneration, within broad salary bands, and a special bonus scheme that recognises outstanding contributions.



## REMUNERATION MODEL



## 10th COLLECTIVE BARGAINING AGREEMENT MONETARY AND NON-MONETARY ELEMENTS

*Increases no longer linked to CPI and linked to objectives*

Additionally, it provides benefits in kind (non-monetary), adapted to the personal circumstances and preferences of employees: health insurance, pension plans, life insurance, public transportation card, luncheon vouchers and childcare vouchers. Salary increases, in addition to updates agreed in the Collective bargaining agreement, are linked to results.

In this regard, Red Eléctrica's 10th Collective bargaining agreement guarantees the development of the remuneration model to unlink salary increases from the Consumer Price Index (CPI), linking it instead to internal productivity based on the fulfilment of management objectives and productivity.

For the management personnel a new model has been implemented incorporating the special characteristics of Red Eléctrica and the principles of internal equity and competitiveness. The annual variable remuneration values the contribution to the achievement of individual

objectives related to economic, efficiency, quality variables, and those of management, such as safety and corporate responsibility. Within this model a deferred variable remuneration for senior management has been incorporated.

In addition, the compensation package is complemented by non-monetary items such as health insurance, a pension plan, life insurance and, in 2015, the option of an electric vehicle was incorporated in alignment with the sustainability policy of the Company.

The financial remuneration of new hires is established depending on the training and experience provided within the previous scheme. These criteria are applied equally to both men and women.



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KEY PERFORMANCE INDICATORS



01. THE COMPANY



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09. DIALOGUE WITH STAKEHOLDERS



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# Diversity and inclusion (G4-DMA)

**Diversity favours** the creation of an inclusive company based on equality, adaptation to change, innovation and talent management. The commitment to diversity and inclusion are part of the culture of Red Eléctrica, being integrated into the Code of Ethics and internal policies of the Company. The objective is to create business strategies for individuals and their social, professional and personal development, addressing cultural barriers and stereotypes that

respond to factors such as age, gender or disability.

In 2015, noteworthy was the approval by the Management Committee of the ageing workforce management model and an associated action plan to perform a comprehensive management of ageing in the workforce that is sustainable, transversal and integrated into the Company strategy.

## Cornerstones for action on diversity and inclusion

- Equal Opportunities in employment.
- Promotion of women into positions of responsibility.
- Protection against gender-based violence.
- Protection against moral, sexual and gender-based harassment.
- Coexistence between generations and adapting to change.
- Inclusion of professionals with disabilities.
- Integration of people at risk of social exclusion.

The commitment to diversity and inclusion are part of Red Eléctrica's corporate culture.



## WOMEN ON THE WORKFORCE



23.1 %

+2.1%  
Compared to 2014



### MANAGEMENT OF AN AGEING WORKFORCE

in 2015, the Management Committee of the Company approved the model and an associated action plan for the comprehensive management of ageing in the workforce.



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## GENDER EQUALITY AND EQUAL OPPORTUNITIES [G4-DMA]

Red Eléctrica has had an Equality Plan 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, as well as activities geared towards raising awareness across the workforce.

During 2015, noteworthy is the increase in the number of women on the workforce and in managerial positions, as well as the setting up of

### EVOLUTION OF WOMEN ON THE WORKFORCE

Nº

2015	392
2014	384
2013	386
2012	373
2011	370

## WOMAN IN MANAGEMENT POSITIONS



20.2 %

+4.3% Compared to 2014



### WOMEN'S LEADERSHIP OBSERVATORY

Set up in 2015 with the aim of proposing actions to increase the presence of women in management positions.

# REE renews the 'Equality in the company' Seal awarded by the Ministry of Health, Social Services and Equality.

a Women's Leadership Observatory that aims to propose actions to increase the presence of women in management positions.

As a result of the actions carried out and Red Eléctrica's commitment for the promotion of women to positions traditionally filled by men, 31% of internal promotions to management positions that have been filled in 2015 were filled by women. Also, in this fiscal year the first two female specialist technicians in substation maintenance joined the workforce.

The indicator that measures equal opportunities for promotions (men/women) stood at 1.2 exceeding the target of 1.3 set for 2015.

Red Eléctrica also supports initiatives that promote the role of women in positions of responsibility such as the 'Promociona' Project which involved three female directors of the Company, two of them were promoted to positions of greater responsibility. The project, promoted by the Ministry of Health, Social Services and Equality has

### EVOLUTION OF WOMEN IN MANAGEMENT POSITIONS

%

2015	20.2
2014	19.3
2013	19.7
2012	19.4
2011	17.6





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the support of the CEOE, it is EU-funded and has been developed at the ESADE Business School.

The equality dashboard, designed in 2014, is enabling us to carry out an analysis and make decisions so as to advance in the field of equality.

### Adherence to initiatives and agreements with the Ministry of Health, Social Services and Equality

- Agreement to promote balanced participation of women and men on boards of directors.
- Agreement to increase the presence of women in management and in management committee positions.
- Collaboration agreement 'Company Networks for a society free of gender-based violence'.
- Participation in the 'Promociona' Project which promotes training and professional development as a strategy for women's access into leadership positions.

## Red Eléctrica has approved a model and an action plan acción for the inclusion of people with disabilities.

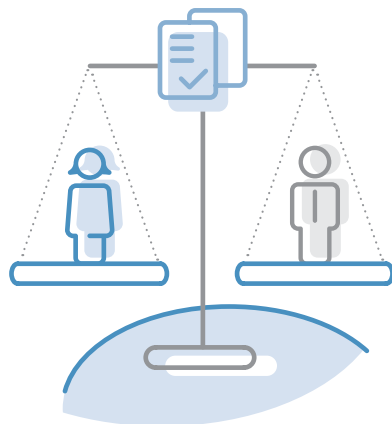
### INCLUSION OF PEOPLE WITH DISABILITIES

Red Eléctrica has given a new boost to its strategy of inclusion of professionals with disabilities with the approval of a management model and the associated action plan for its deployment. This model, approved by the Management Committee in

early 2015, was developed jointly with the Adecco Foundation and the involvement of nine strategic areas of the Company.

The action plan is divided into six operating areas of action:

1. **Strategy** and identity.
2. **Compliance** with the Disability Act.
3. Cultural **Change**.
4. **Standardisation** of disability.
5. Inclusive **selection process**.
6. **Social Action** (inclusion of people with disabilities at risk of social exclusion).



### PEOPLE WITH DISABILITIES



2.5 %

Includes people on the workforce and via LGD agreements



6,230

Jobs were generated for people with disabilities through the project 'Empleo Para Todos' ('Jobs For All') of the Adecco Foundation, which was supported by Red Eléctrica.



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## Main actions 2015

### THE GENERATION OF EMPLOYMENT

The procurement of goods and services offered by Special Employment Centres for an amount of 400,000 euros, equivalent to hiring 21 people, and support for the 2020 Plan: 'Empleo Para Todos' ('Jobs For All') of the Adecco Foundation, through which 6,230 jobs have been generated for people with disabilities, or at risk of exclusion.

### PLAN FAMILIA

Eight employees of Red Eléctrica are benefiting from this initiative through which family members with disabilities receive care and professional assistance from the earliest ages to support their social and labour integration.

### PLAN AFLORA

Support for employees likely to obtain the disability certificate providing information on the benefits and social and corporate benefits involved plus assisting in the application processing to obtain it.

### UNIDOS PROJECT

Collaboration on this Adecco Foundation project in which universities and companies join together knowledge, resources and experience to accompany, guide and prepare college students with disabilities during their academic stage and for their access to the labour market. In 2015, 26 companies and 9 universities participated in this project and 42 university students with disabilities benefited from it.

### AWARENESS TRAINING SESSIONS

Geared towards the management team and all staff in order to formalise the Company's commitment; to inform and transfer the responsibility to all managers and to involve all employees of the Company in the project.

### COMMUNICATION CAMPAIGNS

Support for the calendar '3,285 days to be happy', developed by the Adecco Foundation, and the #Reacciona awareness campaign launched to celebrate the International Day of People with Disability and oriented to challenge overprotection, prejudice and discrimination which people with disabilities have to face in companies.

## Key objectives 2016

### COMMITMENT AND LEADERSHIP

Communication plan and corporate dialogue regarding disability.

- Define, position and transfer vertically Red Eléctrica's commitment to disability throughout the entire organisation.
- Train, raise awareness and transfer the joint responsibility to the leaders of Red Eléctrica regarding the values and mission of the Company on disability.

### DISABILITY CULTURE

Disability training for strategic areas of the Company with the aim of:

- Instilling the principles of diversity and inclusion through a strategy of communication and dialogue with Red Eléctrica's stakeholders.
- Standardise disabilities through training, awareness and adaptation of business processes that favour the corporate identification and elimination of barriers.
- Reinforce the identity and values of the Company by sharing, involving and making all people employed by Red Eléctrica jointly responsible.

### SUPPORT FOR EMPLOYEES

Care programme for employees or family members with disabilities.

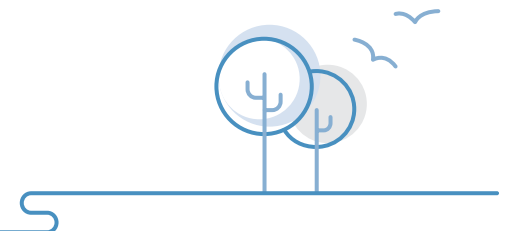
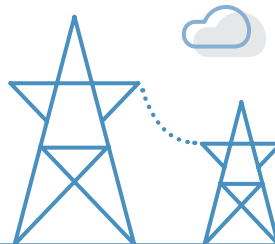
- Selection and integration. Training on disability for those responsible of the process for the selection and incorporation of new employees. Integration into the Company's selection plan of recruitment sources specialized in the inclusion of professionals with disabilities.

### IMPROVING EMPLOYABILITY OF PEOPLE WITH DISABILITIES

Awareness, education and guidance for this group at different stages of their development. Unidos Project. 'RedesParaElEmpleo' Project.

### GENERATION OF EMPLOYMENT

Support Plan 2020: 'Empleo Para Todos' ('Jobs For All') of the Adecco Foundation in the communities in which Red Eléctrica's facilities are present.





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# Talent management (G4-DMA, G4-LA10)

**Training** and development of people in Red Eléctrica are integrated under a global talent management model. Thus, the attraction, training and development of people, knowledge management, the identification and development of talent, are part of the same process, resulting in greater efficiency and quality in response to the Strategic Plan of the Company.

This model, approved by the Management Committee in 2014 and which has been made known to

all staff through various channels, facilitates the construction of various itineraries on which to base the development of people.

## KNOWLEDGE MANAGEMENT AND LEADERSHIP MODEL

The **knowledge management** model and the leadership model, are key elements in managing talent because they facilitate the transfer of key knowledge regarding the Company and promote the involvement of the leader to support learning, encourage knowledge

sharing of its collaborators and acquire the commitment to the development of their teams.

Under the leadership model two programmes have been developed: Bank of Potential and LideraT that pursue the development of managerial skills required to achieve a style of leadership that is flexible and agile geared to the creation of collaborative and participative environments.

Almost 3,000 hours of training for managers to develop skills, values and leadership styles.

## THE BANK OF POTENTIAL



HAS COVERED

75

%

OF DIRECTOR POSITIONS IN 2015



## KNOWLEDGE MANAGEMENT MODEL

Is accompanied with a guide that provides methodological and practical support and an action plan that begins in 2016.



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In 2015, 33% of head of department positions and 75% of director positions have been filled with people included in the Bank of Potential programmes of the Company.

Additionally, Red Eléctrica's knowledge management model was developed, accompanied by a guide that provides methodological and practical support which includes: definition of the objectives, methodology and description of twenty associated knowledge management tools. The model has been completed with the design and approval of a plan of action that begins in 2016.

### LEARNING STRATEGY

A key element in the new talent management model is a learning strategy that acts as a reference in the construction of training and development programmes.

### DATA REGARDING TRAINING



AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE

100 HOURS

[170,436] Total hours



INVESTMENT

3,984 EUROS per employee

The various programmes are grouped into four areas: technical training, skills development, corporate education and training aimed at specific groups.

The methodology used in all training activities is based on the 70-20-10 model and incorporates significant technological advances and also has a virtual classroom, Aul@REE, for online training.

### MODEL 70-20-10

ON THE JOB TRAINING 70%



OTHER TYPES OF TRAINING 20%



FORMAL TRAINING 10%

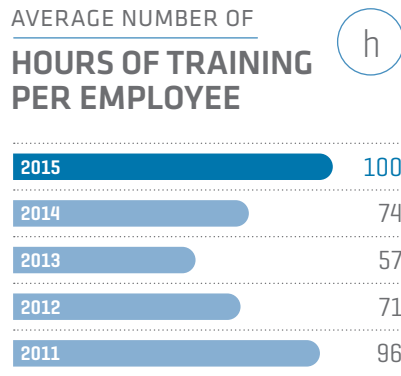
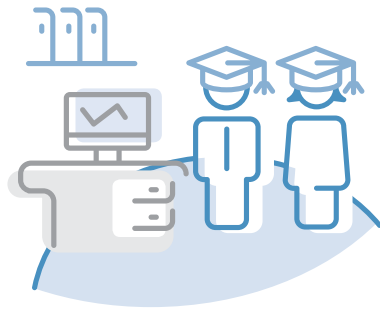
### ECRE, Red Eléctrica's Corporate School

The Red Eléctrica Corporate School (ECRE), facilitates the global framework for the development of training that is tailored to the needs of the Company and its employees. The school backs the use of new technologies with a strong investment in equipment designed for practical learning for advanced-level training and knowledge transfer through internal teachers and experts. In 2015, an extensive renovation process began to give greater support to the global

talent management model, including, in addition to technical training, training in values, knowledge management, innovation and leadership.

Without neglecting presence training, the practical learning was promoted. Knowledge transfer is the key to this ongoing process where internal experts are essential.

# Red Eléctrica has a training evaluation system that will reveal the impact of the training actions and calculate the return on investment (ROI) in training.

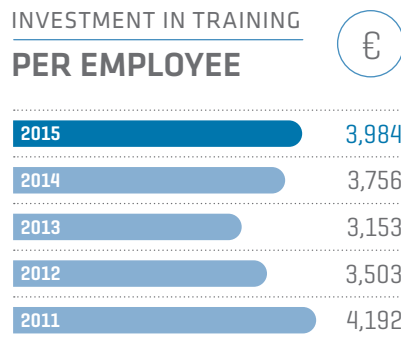


In 2015, more than 170,436 hours of training were given, which meant an average of 100 hours per employee and an investment of 3,984 euros per employee. 23% of training hours were given using in-house resources. [G4-LA9]

The learning strategy has a training evaluation system, improved during 2015, which will help reveal the impact of the training actions, which will result in the improvement of the quality of said actions. The evaluation

system includes different levels: satisfaction with training, applying the knowledge acquired, and the impact of training.

The development of this system will culminate in the calculation of the return on investment (ROI) for training.



## PROGRAMS THAT PROMOTE TALENT IN REE



### TECHNICAL TRAINING

Programmes: CapaciTA, THabla, AseguraT, NaTura. Theoretical and practical aspects that you need to know to work in each business unit, as well as training in processes and procedures, languages, safety and the environment.

### SKILLS DEVELOPMENT

Skills required to perform the role of each employee in the Company and that are enhanced in performance evaluations.

### CORPORATE TRAINING

Actions and training programmes that are transversal to the Company: corporate responsibility, work-life balance, criminal risks, equality and quality.

### TRAINING FOR THE DEVELOPMENT OF SPECIFIC TARGET GROUPS

Programmes: InTegra, Enlace, Mobility, RED Experts, Bank of Potential, LideraT, Practica. Newly incorporated people, experts/staff with high-potential, management team.



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## PERFORMANCE APPRAISAL AND MANAGEMENT [G4-LA11]

In Red Eléctrica all employees are evaluated annually based on competence, commitment and contribution. The evaluation model is geared towards facilitating development and the professional career of employees and to manage efficiently their performance. Since 2012, the opinion of those who evaluate and those evaluated is collated for the analysis and review of the model.

During 2015, this has included the evaluation of digital skills for all employees in order to support the digital transformation in the Company. The multi-source assessment of the management team has also been expanded, including the collateral appraisal by process.

## IMPROVEMENT OF EMPLOYABILITY



300 COURSES

And more than 97,000 hours



### MOBILITY PLAN FUNCTIONAL

In 2015, this plan has developed 36 transversal mobility projects and 6 international mobility projects with European companies in the sector.

# The evaluation of digital skills, included since 2015 in the annual assessment of employees' competencies and commitment, will support the digital transformation in the company.

In Red Eléctrica there are three possible levels of career progression for each person according to their maturity, knowledge and work experience. The system provides real options for development and evolution from a professional and economic standpoint. In parallel, the organisation also enables the technical professional career as an alternative to management progression. The Functional Mobility Plan facilitates this transversal development.

Thus, in 2015, 36 mobility projects of a transversal nature were developed with the aim of enhancing versatility and employability, as

well as 6 international mobility projects for developing people and exchanging knowledge with European companies in the sector.

Also in 2015, the induction process of new personnel was reviewed, making a special effort to promote and strengthen the role of the mentor, as well as to raise the awareness of those people responsible for the units regarding the importance of this phase in the life cycle of personnel.



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## COOPERATION WITH THE EDUCATION SECTOR [G4-LA10]

Red Eléctrica maintains its commitment to the practical training of young people through the fourth edition of 'Practica +' scholarship program that benefited 112 new graduates in 2015.

Also during this year, 8 students from universities and 5 students of vocational training centres carried out their external academic practices in Red Eléctrica.

To boost cooperation with this sector, a comprehensive program has been designed that allows

access to practical training both for students and for new graduates from universities or from vocational training, whereby expanding the cooperative scope and facilitating the promotion of various projects.

## Main actions 2015

### LEADERSHIP MODEL

- A development programme has been designed and implemented to deploy the Red Eléctrica leadership model from four training spaces that can be accessed by 100% of managers to develop skills, values and leadership styles. In 2015, almost 3,000 hours of training in leadership were given.
- A process was designed for the integration and transition of management to ensure the continuity and consolidation of the leadership model throughout 2016.

### TRAINING AND DEVELOPMENT

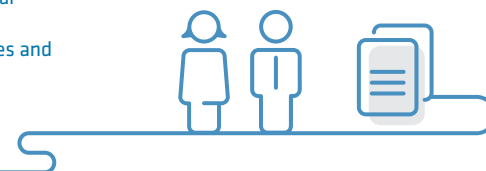
- Completion of the mass certification of SF6 gas recovery units in accordance with RD 795/2010.
- Training of new telecommunications operators in Red Eléctrica for the dark fibre acquired from ADIF.
- Practical advanced training on protection systems.
- Implementation of six training itineraries for skills that deal with improved results in the appraisal of employees. In these first editions 170 people have been trained,

with a Blended Learning methodology (physical and virtual).

- Development of the first part of 'Experts in RED' programme, with 1,200 hours of training, aimed at all professional experts encompassed within the higher progression level, so they can share their knowledge, teaching them digital techniques, mentoring techniques and enabling them to be internal instructors.
- 300 courses and more than 97,000 hours of training to favour the employability of workers in technical areas, languages and competencies and skills not directly related to the functions and duties of the job position. [G4-LA9]
- 300 hours of training in corporate responsibility, which includes aspects of human rights, in which experts, management team and new incorporations to the Company took part. [G4-LA9]

## Main objectives 2016

- Support changes in the organisational structure within the leadership model, carrying out the actions associated with the process of integration and transition of managers in Red Eléctrica.
- Carry out the actions included in the Plan for the deployment of the knowledge management model.
- Implement the new the new induction and integration Plan, encouraging innovation and new technological resources.
- Promote ECRE as a conduit of the strategy of the Company, taking advantage of the possibilities of the new facilities.
- Encourage the use of technological innovation for training: the design of simulators, new virtual courses, videoing sequences of operational techniques for consultation.
- Analyse different ways of hands-on working with students from vocational schools, promoting a system of cooperation with government agencies and educational areas.
- Train maintenance staff from the Company to perform the local operation activity of substations.
- Implement the training evaluation system and ROI calculation.
- Understand the motivations and professional interests of employees of Red Eléctrica to facilitate their employability and promote mobility.
- Continue to promote the mobility model, proposing functional rotation criteria and annual rotation ratios to be achieved.
- Implement the relational framework established for the companies of the Group in the field of talent management with the subsidiaries in Latin America.





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# Dialogue and transparency

**Internal communication** is an essential tool for achieving the goals of Red Eléctrica, and actively contributes to achieving the changes that the Company proposes, with the involvement of its professionals.

In order to facilitate and stimulate dialogue, the new miRED intranet, the newest development regarding internal communication channels, supports the commitment for a shared communication between all organisational units and provides collaborative spaces that allow

people to connect and facilitates dialogue.

In parallel, the analysis and diagnosis to manage the employee voice was carried out, as a bidirectional channel of the human resources area with the rest of the organisation, geared towards ensuring continuous improvement and excellence in management.

Similarly, face-to-face communication actions have continued to be conducted for the

dissemination of strategies, policies and objectives that have had the commitment of the management team. In this regard, noteworthy in 2015 was the fact that their role as communicators of leadership goals has been linked to variable remuneration.

Convinced that the opinion of employees is essential in the shared business project, in the first quarter of 2015 Red Eléctrica launched a new edition of the climate survey, which highlighted the high participation of 91%, demonstrating the great employee interest in this consultation.

The results were communicated to employees by the management team and work is being carried out on action plans derived from the results. Individualised plans have been defined for the units concerned and corporate action plans to enhance those results that did not reach the expected level.

## RESULTS OF THE climate survey 2015 (Rating between 0 and 10)



### mi RED NEW INTRANET



## INTERNAL COMMUNICATION CHANNEL

Collaborative space



### THE EMPLOYEE VOICE

Bidirectional channel area of human resources with all units of the Group, aimed at ongoing improvement and excellence in management.





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## Main actions 2015

### DIRECT COMMUNICATION ACTIONS

Code of Ethics, Healthy Workplace Model, Corporate Responsibility, IT Security, CARS Project (Safe Responsible and Agile Driving) and results of the climate survey.

### SOCIAL PLAN

Taking advantage of the 30th anniversary of Red Eléctrica, numerous actions were carried out within the Social Plan, such as the 14th edition of the painting competition for employees' children, the 24th edition of the photography contest, the 1st competition of short stories and the launch of the 'Corriente Positiva' cultural programme.

### EMPLOYEE CHANNEL

Almost 9,000 requests for information were managed through a service managed by the *Fundación Juan XXII*, a foundation that works with people with disabilities.

## SOCIAL PLAN



## FIRST COMPETITION OF SHORT STORIES

One of the many actions undertaken in 2015



9,000

requests for information were managed in 2015 through an employee channel managed by the *Fundación Juan XXII*, a foundation that works with people with disabilities.

Internal communication is an essential tool that actively contributes to achieving the changes proposed by the Company, with the involvement of its professionals.

## Main objectives 2016

- Support and monitoring of action plans resulting from the 2015 climate survey to work on aspects for the improvement and consolidation of the strengths identified.
- Development of transversal communication and personalised plans that promote knowledge of all areas and expand the business vision.
- Implementation of the second phase of the miRED intranet with collaborative tools that enable multidirectional communication, encourage participation and facilitate knowledge management and information agility.
- Implementation of the 'employee voice' as a bidirectional channel for human resources with all units of the Red Eléctrica Group.
- Expansion of cultural activities of the Social Plan aimed at the participation and integration of employees, and raise awareness on issues of sectoral, social and environmental interest.
- Implementation of an internal communication model that facilitates the planning and the effective implementation of communication actions within the Company.



LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICERKEY PERFORMANCE  
INDICATORS

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## Social dialogue [G4-DMA, G4-LA4, EU15]

**Red Eléctrica de España** guarantees its employees the right to union affiliation, association and collective bargaining within the framework of existing labour laws and the collective bargaining agreement.

The 10th Collective Bargaining Agreement of the Company came into force on 1 May 2014 and shall remain in force until 31 December 2017. This agreement was approved by the entire union representation [SIE, CCOO and UGT] and was endorsed by 82.74% of the workforce.

During 2015, the 10th Collective Bargaining Agreement was implemented taking into account its inspiring principles: efficiency and productivity, flexibility and sustainability. In 2015, noteworthy were the following aspects:

**Measures linked to flexibility:** the adaptation of timetables to the needs of the service and seeking working times that are more effective and efficient. Worth noting in this regard was the new working timetable for office staff:

- Based on 7 hours per day from Monday to Friday.
- Programming of 35 afternoons, in two-hour blocks, available to the management team based on the needs of the department.
- Number of remaining hours -in order to complete the annual schedule of 1,690 effective hours- to be managed by the employee in blocks of 30 minutes as a minimum or a maximum of 2 hours.
- Flexibility in starting times is available (up to an hour and a half) and leaving times, to facilitate the management of working time.

- Reduction of 10 hours in the annual effective schedule which is now currently fixed at 1,690 hours.

Following the implementation of these measures, the number of employees with reduced working hours for childcare has been reduced by almost 50%.

**Measures linked to efficiency and productivity:** updating salaries linked to the fulfilment of management objectives and productivity of the country [GDP]. The updating of salary concepts, according to Article 36 of the 10th Collective Bargaining Agreement of Red Eléctrica, was reflected in the April 2015 payroll on a retroactive basis from 1 January 2014. In the update, an increase of 2.29% was applied.

### WORKING FLEXIBILITY



### ANNUAL WORK SCHEDULE

# 1,690 HOURS

*After being reduced by 10 hours in 2014, through the signing of the 10th Collective Bargaining Agreement*



### THE 10TH COLLECTIVE BARGAINING AGREEMENT

Came into force in 2014 and was endorsed by 82.74% of the workforce. In 2015, this was implemented following the principles of efficiency, productivity, flexibility and sustainability.

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**Measures linked to the sustainability and flexibility:** the 10th Collective Bargaining Agreement incorporates new work-life balance measures such as 15 hours paid leave to accompany family members of first degree of consanguinity or affinity on medical appointments.

The Agreement covers virtually all of the workforce (98.79%). Excluded from the scope are the management team and employees who voluntarily and reversibly accept the proposal from the Company for exclusion from the Agreement. However, social agreements are of universal application.

The 10th Agreement provides different channels of communication

## COLLECTIVE BARGAINING AGREEMENT



98.97

%

COVERED BY  
THE AGREEMENT

The 10th Collective Bargaining Agreement foresees **different communication channels** between the Company and employees, which has resulted in 14 meetings in 2015.

with social representation. 14 meetings were held in 2015 through these channels.

## COMPANY-EMPLOYEE COMMUNICATION CHANNELS

- **Job classification** commission.
- **Training** commission.
- **Occupational Health and Safety** Committee. [G4-LA8]
- **Inter-work centre** committee.
- Joint commission on **social affairs**.
- Joint commission on **monitoring and interpretation**.
- Joint commission for **staff of transmission** grid facilities.
- Joint commission on **equality**.
- **Geographical mobility** commission.

Notification of organisational changes is carried out pursuant to current legislation [Royal Decree 2/2015, Articles 39, 40 and 41].

The organisational changes involving geographical mobility of workers are made with thirty days' notice, for both the worker and the social representation. In all cases, a consultation process is carried out.

As for substantial modifications to the employment contract, in the case of changes to an employee's contract, these will be notified fifteen days in advance to both the affected worker and representatives. If it concerns collective changes, a consultation period will be opened with legal representatives which may be replaced by a mediation or arbitration procedure.

## Main objectives 2016

In 2016, work will continue on implementing the measures already underway, seeking the full achievement of the objectives for which they were drawn up and adopted:

- **Take into consideration the needs and expectations of employees.**
- **Efficient management.**
- **Fostering responsibility.**
- **Promoting a culture of collaboration.**
- **Quest for excellence.**
- **Link to the values of the organisation.**



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# A healthy workplace [G4-DMA]

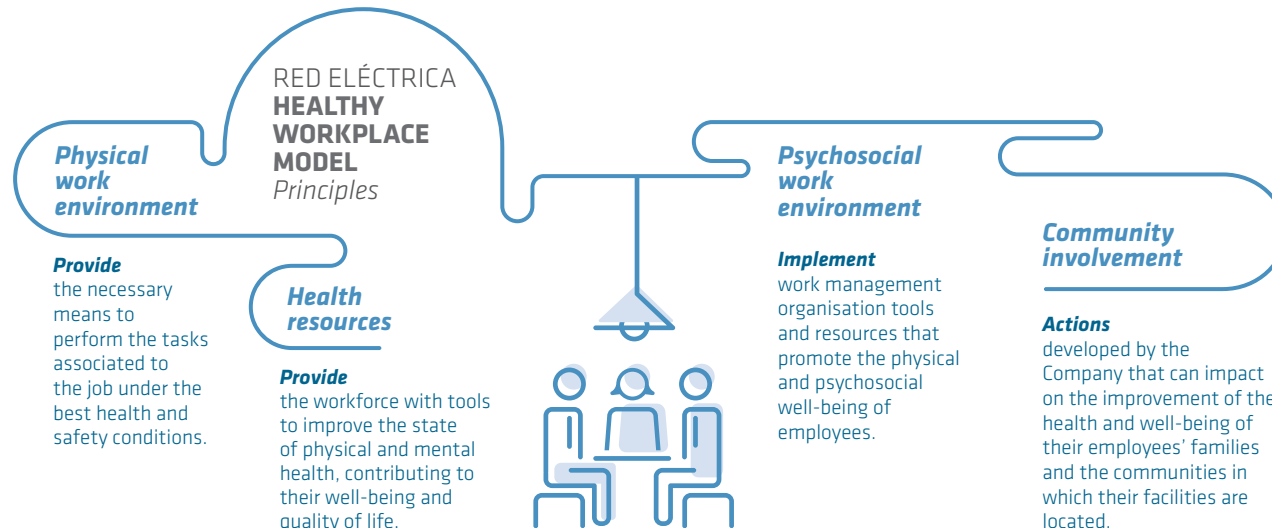
**The healthy workplace model,** approved by management in 2014, sets out the principles and guidelines for the management, promotion and monitoring of the health of people that make up Red Eléctrica. It is a strategic commitment as set out in the Code of Ethics, the Corporate Responsibility Policy, the Human Resources Policy and the adherence to the Luxembourg Declaration.

It is also a commitment to leadership, as health and safety is part of the management team's management objectives.

In the first half of 2015, the model was implemented and the Healthy Workplace Manual was approved, a policy document that outlines the management system, establishes the principles, the general guidelines and responsibilities as well as the

associated regulations to carry out the management of well-being in the workplace. Moreover, a communication plan regarding the model has been developed for the entire workforce.

The healthy workplace model has received the approval of employees with a rating of 8.7 out of 10 in the latest climate survey.



## HEALTHY WORKPLACE MODEL



## MANAGEMENT, PROMOTION AND MONITORING OF HEALTH

*Of Red Eléctrica employees*



### RECOGNITIONS

Healthy Workplace Certification awarded by AENOR [Spanish Association for Standardisation and Certification]. OHSAS 18001 Audit .



In the 'People' subsection of the 'Sustainability' section of the corporate website.



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## HEALTH PROMOTION

Among the many actions carried out in the field of health promotion, noteworthy is the Cardiovascular Health Plan, participation in the PECS programme (Healthy Heart Programme for Companies) and the Plan for musculoskeletal injury prevention with workshops in various work centres.

Similarly, projects were carried out to promote physical activity, such as holding Sports Days or the awareness project for the management team through their participation in a physical activity and health study in collaboration with the University of Castilla La Mancha, which also promotes other corporate values.

## MANAGEMENT OF AN AGEING WORKFORCE

In order to respond to the commitment of the Company with generational diversity, in 2015 the management model for an ageing workforce and an associated action plan were approved.

## HEALTHY WORKPLACE



8.7

EMPLOYEE EVALUATION

In the climate survey



### MODEL FOR THE MANAGEMENT OF AN AGEING WORKFORCE

Assesses the impact of ageing in different areas of the Company to achieve a comprehensive, global, sustainable and transversal management model of the workforce.

In the first phase a demographic study was conducted of the workforce and its future projection, as well as an analysis of risks associated with age, in order to assess the impact of an ageing workforce in different areas of the Company. This study constitutes the basis for establishing a comprehensive, global, sustainable and transversal management model, which incorporated into the Company strategy and with the strong support of senior management, seeks the ongoing improvement in the management of the ageing workforce by undertaking a transversal approach from all areas of human resources, with the consultation and participation of the business units.

Within the framework of a healthy workplace, this model will contribute to reaching old age in better health, get people working in jobs according to their abilities, while maintaining the best motivation to continue their professional development and pass on knowledge to younger people.

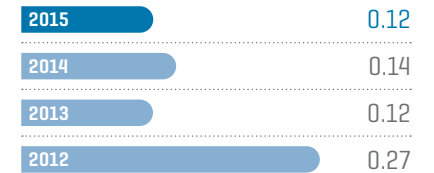
## PHYSICAL WORK ENVIRONMENT

For Red Eléctrica the reduction of labour-related accidents is a priority as well as the continuous and progressive improvement in the health and safety levels of its employees and the employees of suppliers who collaborate or work on the Company's premises.

### SEVERITY RATE

#### EMPLOYEES [G4-LA6]

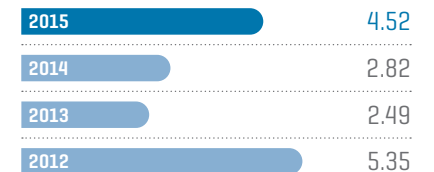
> OBJECTIVE 2015: 0.9



### FREQUENCY RATE

#### EMPLOYEES [G4-LA6]

> OBJECTIVE 2015: 4





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In terms of risk prevention, continuous monitoring of the work and activities of higher risk through inspection programmes is key to achieving the high levels of health and safety required by Red Eléctrica. In this regard, in 2015 there have been: 14,319 occupational health and safety inspections in facilities [13.2% more than in 2014], which have led to 2,451 corrective actions, of which 95% have been resolved.

Unfortunately, despite having improved levels of inspection and control of activities, in 2015 there were two fatal accidents of subcontracted personnel during works in Red Eléctrica facilities. To carry out an analysis and diagnosis of these accidents, a group of specific and multidisciplinary

working group was set up which has identified several lines of action on which work is already being undertaken in order to avoid similar situations occurring in the future. [G4-LA6]

Thanks to the preventive measures applied and within the social context of Spain, there is not currently any incidence or risk of certain diseases related to professional activity, or to date none have been identified. In addition, the results of the health checks performed confirm this statement. [G4-LA7]

More than **2,000 work managers and more than 400 subcontracted work supervisors** have been authorised by the Risk Prevention Service.

## HEALTH & SAFETY IN THE SUPPLY CHAIN

All **contractors** who work in facilities and work centres of Red Eléctrica are certified and qualified in occupational health and safety, and in the case of performing activities that carry risk, such activities shall be dealt with by the contractor's work managers that have been previously approved/ certified by the Risk Prevention Service of Red Eléctrica. In this regard, Red Eléctrica has authorised more than 2,000 work managers and more than 400 subcontracted work supervisors. [EU18]

## CONSULTATION AND PARTICIPATION OF EMPLOYEES [G4-LA5, G4-LA8]

Red Eléctrica de España has an Occupational Health and Safety Committee whose composition and functions are set out in Chapter 7 of the 10th Collective Bargaining Agreement.

## RISK PREVENTION



**14,319**  
INSPECTIONS  
CONDUCTED

**+13.2%**  
Compared  
to 2014



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# The Occupational Health and Safety Committee **deals with the regular consultation of actions** on the prevention of occupational risks.

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. In addition, the Company's Risk Prevention Service experts take part in the meetings of this Committee.

Meetings are held on a quarterly basis [in accordance with Law 31/95 on the prevention of occupational risks], but also may be held as and when requested by any of the parties concerned.

In 2015, four meetings were held meeting the foreseen objectives. During these meetings monitoring is performed of all preventive and health activity, the review of processes and internal regulations and the analysis and monitoring of the occupational health and safety programmes and results. The minutes of these meetings are available to all employees in a specific section of the corporate intranet. Also, this Committee is made aware of the results of internal and external audits carried out and the improvement actions implemented.

## OCCUPATIONAL RISK PREVENTION



SAFETY TRAINING  
**5,850**  
HOURS

**410 h**  
given specifically regarding electricity risks

## TRAINING AND AWARENESS

Red Eléctrica considers education and awareness in the prevention of occupational risks an essential line of work to prevent or reduce health risks arising from work.

5,850 hours of training were given regarding health and safety to 1,165 participants during 2015. Of the total training hours, 410 were allocated to specific training in electricity risk. [\[G4-LA9\]](#)

Regarding the contractors and subcontractors, Red Eléctrica randomly asks its suppliers for evidence of its training on the health and safety of its employees, but no quantitative data concerning this is available. [\[EU18\]](#)



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It also requests evidence of training in occupational health and safety during the incorporation of employees into the database of the provider in PRER. It also carries

out certifications of suppliers that perform critical functions, namely work managers and works supervisors. In the authorisation process of both, evidence of training

is requested and the completion of a questionnaire to validate their knowledge. [EU-18]

## Main actions 2015

### HEALTH PROMOTION

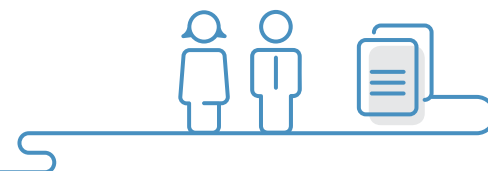
- Preparation of a psychosocial risk assessment to be held in 2016.
- 963 medical and nursing consultations, and 1,112 medical examinations. Annual flu vaccination campaign; 220 vaccinations were administered.
- New health campaigns aimed at promoting healthy eating and physical exercise.
- Eye care campaign with 40% of the personnel in the work centres of Madrid taking part.
- Individualised treatment and monitoring, in collaboration with Carlos III Hospital, to give up smoking.
- Prevention of colon cancer for those over 50 and detecting prostate cancer markers in males older than 50 years of age.
- Dissemination of healthy eating, hydration and physical exercise tips. Implementation of healthy menus in the dining room in the Head Office.
- Promoting physical activity as a healthy lifestyle habit through financial support which has benefited 39% of the workforce across 38 sporting groups.

### OCCUPATIONAL HEALTH AND SAFETY

- 5,850 hours of occupational health and safety training with 1,165 participants.
- Organisation of workplace safety in confined spaces. A joint goal has been set with the management of the Maintenance department for the identification and marking of confined spaces in Red Eléctrica. At the end of 2015 more than 1,300 confined spaces had been identified and marked, representing 80% of those that exist in the Company. All information regarding these spaces is in the PRER corporate application which is available to users.
- Implementation of access control system (Kerberos) in 65 substations.
- Four meetings regarding occupational health and safety have been held, fulfilling the foreseen objectives.

## Main objectives 2016

- Conduct a health and safety action plan that favours the development of best practices in the field.
- Improve training and competence needs required for those agents involved in the execution of works and activities in facilities.
- Establish actions aimed at improving the control and monitoring of the activity as a key element of health and safety rules.
- Develop communication strategies that promote the knowledge and awareness of workplace health and safety of all stakeholders.
- Develop a system of virtual access control (Kerberos) to expand the information available to the Company related to personnel performing work on overhead lines.
- Drafting and dissemination of an informative manual on healthy lifestyle habits.
- Evaluation Study of the index of work-related training within professional groups with risks associated to an ageing workforce.
- Planning and carrying out of the 3rd psychosocial risk assessment.
- Development of personalised plans of physical and health activity.







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## THE WORK-LIFE BALANCE

To further progress in creating more flexible work environments tailored to the needs of people, is one of the great challenges that Red Eléctrica contemplates within the Work-life Balance Plan integrated into the healthy workplace model. Through a wide range of measures, actions and initiatives, which are applicable to the entire workforce, it aims to improve the well-being and quality of life of people, fostering their commitment and pride of belonging.

In this regard, the actions that are being undertaken every year, such as the days without school, urban summer camps or the role of work-life balance interlocutors, allow individual situations to be responded to.

The 10th Collective Bargaining Agreement, that came into force in 2014, has also been a clear step forward in terms of the work-life balance as it includes new measures or extending existing ones on the following matters:

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

These measures, which apply to the entire workforce regardless of the type of contract, have been highly valued by employees in the 2015 climate survey, whose score was up five points on 2012. [G4-LA2]

### Main actions 2015

- Development programme for the management team: training and awareness for the management of people through the work-life balance.
- Development of new work-life balance measures related to health and well-being: health workshops held during working time and on Company premises, sports days and aid for physical activity.
- Activities and family support services: takeaway food service (dishes included on the menu of the canteen), days without school (activities with the children of employees during working time), urban summer camps.
- New drive for local work-life balance partners to study the needs of other work centres and collectives.
- Consolidation of the figure of the work-life balance interlocutor supporting the interpretation of measures and facilitating solutions to personal circumstances. In 2015, 50% of consultations were resolved with solutions tailored to specific needs, beyond the provisions of the Collective Bargaining Agreement

### Main objectives 2016

- Analysis of the implementation of certain measures to all work centres through local work-life balance partners, giving greater visibility to these figures.
- Development of actions within a school programme for parents.
- Inform all staff about the philosophy regarding the work-life balance, the management model and the concept of the EFR (Family Responsible Company) model via a training video.

### CLIMATE SURVEY EVALUATION



6.9

FOR THE WORK-LIFE BALANCE

[+5pp]

Compared to 2012



### RECOGNITIONS

Renewal of the EFR (Family Responsible Company) certification as a Socially Responsible Company.

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# Indicators

## BREAKDOWN OF WORKFORCE BY TYPE OF EMPLOYMENT, CONTRACT, REGION AND GENDER Spain<sup>[1]</sup>

Nº

(G4-10)

	2013			2014			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Workforce	1,286	386	1,672	1,298	384	1,682	1,305	392	1,697
Employees with permanent contract	1,285	383	1,669	1,289	383	1,672	1,304	392	1,696
Employees with temporary contract	1	3	3	9	1	10	1	0	1
Permanent contracts [%]	99.9	99.2	99.8	99.3	99.7	99.4	99.9	100.0	99.9
Part-time contracts [%]	0	0	0	0	0	0	0	0	0
Workers from temporary employment agencies	7	6	13	6	4	10	13	15	28
Interns	55	16	71	20	35	55	30	28	58

[1] Data for Red Eléctrica de España + REC. Total workforce of the Red Eléctrica Group is 1,763 people.

**Note:** Red Eléctrica has no self-employed workers that are legally recognised.

## EMPLOYEES COVERED BY THE COLLECTIVE BARGAINING AGREEMENT Spain<sup>[1]</sup>

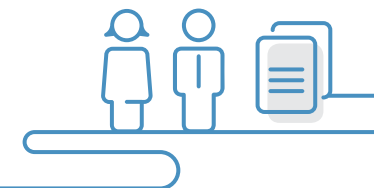
%

(G4-11)

	2013	2014	2015
Employees included in the collective bargaining agreement	98.84	98.99	98.79
Employees excluded from the collective bargaining agreement <sup>[2]</sup>	1.16	1.01	1.21

[1] Data for Red Eléctrica de España + REC.

[2] People voluntarily excluded from the collective bargaining agreement that are not part of the management team.



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## TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY AGE GROUP, GENDER AND REGION Spain<sup>[1]</sup>

Nº

[G4-LA1]

	2013			2014			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 25	5	2	7	8	1	9	3	3	6
26 to 35	361	119	480	311	101	412	236	71	307
36 to 45	398	147	545	439	152	591	503	177	680
46 to 55	349	98	447	339	107	446	328	108	436
Over 55	173	20	193	201	23	224	235	33	268
<b>Total</b>	<b>1,286</b>	<b>386</b>	<b>1,672</b>	<b>1,298</b>	<b>384</b>	<b>1,682</b>	<b>1,305</b>	<b>392</b>	<b>1,697</b>

[1] Data for Red Eléctrica de España + REC.

## NEW RECRUITMENT BY AGE AND GENDER Spain<sup>[1]</sup>

[G4-LA1]

	2013						2014						2015					
	Nº of new employee hires			Recruitment rate [%]			Nº of new employee hires			Recruitment rate [%]			Nº of new employee hires			Recruitment rate [%]		
	M	W	Total	M	W		M	W	Total	M	W		M	W	Total	M	W	
Under 25	1	2	3	20	100		5	0	5	62.5	0.0		0	3	3	0	100	
26 to 35	16	9	25	4.4	7.6		12	3	15	3.9	3.0		21	6	27	8.9	8.5	
36 to 45	6	8	14	1.5	5.4		5	4	9	1.1	2.6		11	7	18	2.2	4.0	
Over 45	0	0	0	0.0	0.0		0	1	1	0.0	0.8		1	1	2	0.2	0.7	
<b>Total recruitment</b>	<b>23</b>	<b>19</b>	<b>42</b>	<b>1.8</b>	<b>4.9</b>		<b>22</b>	<b>8</b>	<b>30</b>	<b>1.7</b>	<b>2.1</b>		<b>33</b>	<b>17</b>	<b>50</b>	<b>2.5</b>	<b>4.3</b>	

[1] Data for Red Eléctrica de España + REC.

M = Men W = Women



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## TURNOVER INDICATORS BY AGE AND GENDER Spain<sup>[1]</sup>

[G4-LA1]

	2013				2014				2015			
	Number of people leaving		Turnover rate [%]		Number of people leaving		Turnover rate [%]		Number of people leaving		Turnover rate [%]	
	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	3	2	0.8	1.7	0	3	0.0	3.0	1	4	0.0	5.6
36 to 45	1	2	0.3	1.4	1	5	0.2	3.3	8	2	1.6	1.1
46 to 55	2	1	0.6	1.0	2	0	0.6	0.0	4	2	1.2	1.9
Over 55	5	0	2.9	0.0	7	2	3.5	8.7	13	1	5.5	3.0
<b>Total turnover</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>	<b>26</b>	<b>9</b>	<b>2.0</b>	<b>2.3</b>

[1] Data regarding Red Eléctrica de España + REC.

**Note:** Average length of service of those leaving: 17.12 years.

## MATERNITY/PATERNITY LEAVE RATES (M/P) Spain<sup>[1]</sup>

[G4-LA3]

	2013		2014		2015	
	Men	Women	Men	Women	Men	Women
Employees with the right to M/P leave [n°]	79	35	76	38	80	40
Employees who have taken M/P leave [n°]	79	35	76	38	80	40
Reincorporations at the end of M/P leave [n°] [2]	79	31	76	33	80	36
Employees with M/P leave who remain on the workforce [%] [3]	100	99	100	95	100	90

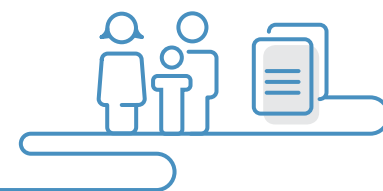
[1] Data for Red Eléctrica de España + REC.

[2] The difference between the number of reincorporations of women compared to those who have enjoyed leave is due to 4 authorised leaves 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].

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## OCCUPATIONAL HEALTH AND SAFETY INDICATORS Spain (1)

Nº

[G4-LA6]

	2013			2014			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average workforce	1,267	386	1,653	1,291	385	1,676	1,313	391	1,704
Hours worked (thousands)	2,154	656	2,811	2,182	651	2,832	2,214	659	2,873
Accidents with sick leave (serious/minor)	0/7	0/0	0/7	0/7	0/1	0/8	0/8	0/5	0/13
Fatal accidents	0	0	0	0	0	0	0	0	0
Days lost due to accidents (2) (3)	332	0	332	348	35	393	202	146	348
Accident frequency rate	3.24	0.00	2.49	3.21	1.54	2.82	3.61	7.58	4.52
Accident severity rate	0.15	0.00	0.12	0.16	0.05	0.14	0.09	0.22	0.12
Incidence rate	5.52	0.00	4.23	5.42	2.60	4.77	6.09	12.79	7.63
Absenteeism rate due to common illness (4) (a)	1.18	0.98	2.13	1.61	2.64	1.84	1.80	3.19	2.10
Absenteeism rate due to occupational diseases (b)	-	-	-	-	-	-	1.89	3.30	2.20

[1] Data for Red Eléctrica de España + REC + REI + REINTEL + REINCAN.

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

[3] In 2015, sick days are those associated to an accident that occurred during the period of the report.

[4] The calculation formula was amended as of 2014. Therefore, the data for that year is not comparable with previous years.

**Serious accident.** Those classified as serious by each doctor that issued the sick leave certificate.**Frequency rate.** The number of work-related accidents with leave of absence per million hours worked.**Accident severity rate.** The number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked.**Incidence rate.** The number of accidents with sick leave x 1,000 / average workforce.

**Absenteeism rate:** (a) From 2014 the calculation formula is: days absent due to common TI (temporary incapacity) > 3 days + days absent TI <3 days / average headcount x 365 x 100 and (b) From 2015 it also incorporates the total absence due to health and safety: days absent due to common TI > 3 days + days absence TI <3 days + days absence for WA (Work accident) + EP (Permanent illness) / average headcount x 365 x 100. Absenteeism rates (both a and b), and accounted calendar days from the day that the contingency occurs. Also, lost days are counted during the reporting period (even though they may be associated with pre-2015 contingencies) and commuting accidents are taken into account.

**Note 1.** Days off work due to accident TA (excluding commuting) men: 202 / women: 146 / Total 348.**Note 2.** The accident severity rate data for the years 2013 and 2014 corresponding to men differ from those published in the Corporate Responsibility Report 2014, due to an error in the values published.**Note 3.** The register and reporting of accidents is done based on Spanish law and as set out in the Red Eléctrica management system, certified according to OHSAS 18001.

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## TRAINING AND EDUCATION INDICATORS Spain (1)

Nº

[G4-LA9]

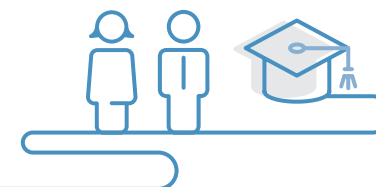
	2013	2014	2015
Training hours	100,997	133,118	170,436
Employee training hours	94,333	124,158	169,666
Training hours for interns (operation internship grant programme)	6,664	8,960	770
Hours per employee (2)	57	74	100
Employees in training (%) (3)	96	102	101
Hours given with own resources (internal and virtual)	24,682	35,668	40,464
Number of courses managed	696	758	934
Investment in training/total personnel costs (%)	4.3	4.9	5.0
Investment per employee (€) (4)	3,153	3,756	3,984
Training during working hours (%)	77	68	44
Hours dedicated to the management to reinforce leadership	1,838	924	2,936

(1) Data for Red Eléctrica de España + REC + REI + REINTEL + REINCAN.

(2) Over the average workforce.

(3) Employees who have attended a course/average workforce. A person who leaves the company and had attended a course throughout the year counts in the numerator, but not in the denominator.

(4) External training cost + travel + hourly student cost + hourly teacher cost + management cost / Average workforce.



## AVERAGE HOURS OF TRAINING BY PROFESSIONAL GROUP AND GENDER Spain (1)

Nº

[G4-LA9]

	2013			2014			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Management team	50	90	54	64	77	66	112	163	123
G1 Master degrees	46	48	44	86	93	88	148	146	149
G2 Bachelor degrees	65	74	62	47	74	51	86	111	91
G2 Control centre operators	121	54	106	101	77	98	105	93	105
G3 Specialists	47	22	43	38	13	38	59	44	59
G4 Administrative personnel	6	32	24	13	23	20	30	54	48
<b>Total</b>	<b>64</b>	<b>54</b>	<b>57</b>	<b>76</b>	<b>73</b>	<b>74</b>	<b>86</b>	<b>114</b>	<b>100</b>

(1) Data for Red Eléctrica de España + REC + REI + REINTEL + REINCAN.



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## PERCENTAGE OF EMPLOYEES WHOSE PERFORMANCE AND PROFESSIONAL DEVELOPMENT IS APPRAISED PERIODICALLY Spain <sup>(1)</sup> %

[G4-LA11]

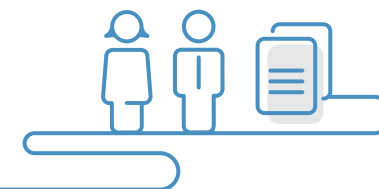
	2013		2014		2015	
	Men	Women	Men	Women	Men	Women
Employees with a performance appraisal	100	100	100	100	100	100

[1] Data for Red Eléctrica de España + REC.

## COMPOSITION OF THE CORPORATE GOVERNANCE BODIES BY AGE %

[G4-LA12]

	2015		
	Under 30	30-50	Over 50
Board of Directors	0	41.7	58.3
Audit Committee	0	0	100
Appointments and Remuneration Committee	0	75	25



## COMPOSITION OF THE CORPORATE GOVERNANCE BODIES Nº

[G4-LA12]

	2013				2014				2015			
	M	W	Total	% W	M	W	Total	% W	M	W	Total	% W
Board of Directors	7	4	11	36.4	6	5	11	45.5	7	5	12	41.7
Audit Committee	1	2	3	66.7	2	2	4	50.0	4	1	5	20.0
Appointments and Remuneration Committee <sup>(1)</sup>	2	1	3	33.3	1	3	4	75.0	0	4	4	100.0

[1] This committee had 4 members until 24 November 2015, and on that date it was increased to 5 members. However Mr. Francisco Ruiz Jiménez (nominee director) resigned from his position on that same day as well, which meant that at the end of 2015 there was a vacancy on this committee.

M = men W = women



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## DISTRIBUTION OF WORKFORCE BY GENDER AND PROFESSIONAL GROUP Spain (1)

Nº

[G4-LA12]

	2013			2014			2015		
	Men	Women	% Women	Men	Women	% Women	men	Women	% Women
Management team	94	23	19.7	96	23	19.3	95	24	20.2
G1 Master degrees	326	170	34.3	326	170	34.3	333	180	35.2
G2 Bachelor degrees	467	90	16.2	471	89	15.9	475	86	15.3
G3 Specialists	369	9	2.4	374	10	2.6	371	12	3.1
G4 Administrative personnel	30	94	75.8	31	92	74.8	31	90	74.4
<b>Total</b>	<b>1,286</b>	<b>386</b>	<b>23.1</b>	<b>1,298</b>	<b>384</b>	<b>22.8</b>	<b>1,305</b>	<b>392</b>	<b>22.8</b>

[1] Data for Red Eléctrica de España + REC.

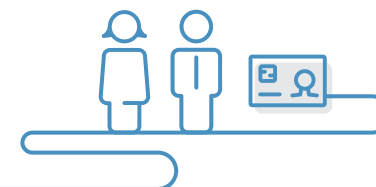
## BREAKDOWN OF THE WORKFORCE BY AGE AND PROFESSIONAL GROUP Spain (1)

%

[G4-LA12]

	2014			2015		
	< 30 yrs	30-50 yrs	> 50 yrs	< 30 yrs	30-50 yrs	> 50 yrs
Management team	0.0	51.3	48.7	0.0	50.4	49.6
G1 Master degrees	3.0	75.6	21.4	2.7	74.7	22.6
G2 Bachelor degrees	4.8	76.8	18.4	5.0	74.7	20.3
G3 Specialists	3.9	66.1	29.9	3.1	66.3	30.5
G4 Administrative personnel	0.8	55.3	43.9	0.0	50.4	49.6

[1] Data for Red Eléctrica de España + REC.





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## RATIO OF BASE SALARIES OF WOMEN TO MEN Spain (1)

%

[G4-LA13]

	2013	2014	2015
Management team	1.03	1.02	1.01
G1 Master degrees	1.11	1.10	1.11
G2 Bachelor degrees	1.06	1.05	1.06
G3 Specialists	0.97	0.98	1.03
G4 Administrative personnel	1.00	0.98	1.01
<b>Total</b>	<b>1.03</b>	<b>1.02</b>	<b>1.02</b>

[1] Data for Red Eléctrica de España + REC.

M = Men W = women

## EMPLOYEES WITH THE POSSIBILITY OF RETIREMENT IN THE NEXT 5 YEARS Spain (1)

%

[EU15]

	In the next 5 years 2016-2020	In the following 5 years 2021-2025
Management team	1.5	1.4
G1 Master degrees	1.4	2.6
G2 Bachelor degrees	1.0	1.7
G3 Specialists	2.3	2.6
G4 Administrative personnel	0.2	1.9
<b>Total</b>	<b>6.5</b>	<b>10.2</b>

[1] Data for Red Eléctrica de España + REC.

**Note 1.** Considering retirement age as a sole requirement and estimating this as 65 years of age.**Note 2.** In the first period (2016-2020), employees considered are those whose age is equal to or greater than 65.

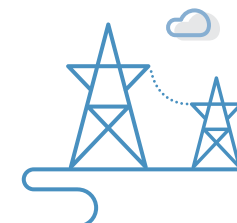
## OCCUPATIONAL HEALTH AND SAFETY INDICATORS REE Contractors (1)

[EU17, G4-10, G4-LA6]

	2013	2014	2015
Average workforce (1)	3,527	3,336	2,950
Hours worked (thousands)	6,059	5,637	4,986
Accidents with sick leave (serious/minor)	4/105	4/88	11/51
Fatal accidents	0	0	2
Days lost due to accidents (2)	5,368	3,437	15,347
Accident frequency rate	17.99	15.61	12.84
Accident severity rate	0.89	0.61	3.08
Incidence rate	30.9	27.57	21.69

[1] Based on hours worked, considering 1,690 hours per worker.

[2] Calculation based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

**Serious accident.** Those classified as serious by each doctor that issued the sick leave certificate.**Frequency rate.** The number of work-related accidents with leave of absence per million hours worked.**Accident severity rate.** The number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked.**Incidence rate.** The number of accidents with sick leave x 1,000 / average workforce.**Note:** regarding G4-10, no data is available broken down by type of work contract and regulatory regime.



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KEY PERFORMANCE INDICATORS



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# SOCIETY

## 08

Connected to the progress and well-being of the communities in which our facilities are located





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## CORNERSTONES OF OUR RELATIONSHIP WITH SOCIETY



*Dialogue, collaboration and social commitment*



### COMMUNITY TIES

Building and maintaining relationships based on trust and ongoing dialogue to facilitate the implementation of projects in the territory.

**94% of agreements reached with landowners are amicable.**



### SOCIAL COMMITMENT

Undertaking projects and initiatives of a social, cultural, environmental, educational and corporate volunteering nature.

**Over 200 projects geared towards social development**

### COLLABORATION WITH LOCAL/REGIONAL ADMINISTRATIONS



**57**

COLLABORATION AGREEMENTS

*With Autonomous Communities and Local Councils*



### INVESTMENT IN THE COMMUNITY

Social contribution aimed at improving the well-being and progress of the communities in which the Company's facilities are located.

**€6.6 million contributed to society**



### TAX CONTRIBUTION

Tax information transparency and contribution through the payment of taxes in the different countries in which the Red Eléctrica Group operates.

**€638 million Total Tax Contribution**



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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# Our commitment to society

**Red Eléctrica**, as a key player in the Spanish electricity system, contributes to ensuring all citizens and companies have guaranteed access to an essential commodity, such as electricity. Guaranteeing the security of supply is our first and foremost social contribution.

Additionally, the work that Red Eléctrica carries out, through its Control Centre of Renewable Energies (CECRE), allows the integration of renewable energies to be maximised. This in turn, makes it possible for the energy model to respond to society's ongoing demand for it to be increasingly sustainable.

To achieve these objectives, the Company manages the transmission grid under the principles of neutrality and efficiency. It also manages grid access requests from the different agents that are involved in the electricity system under the same criteria, something that Red Eléctrica conceives as a process for the creation of shared value with society, which goes beyond the mere provision of a service.

Respect for society, both environmental and social, is a basic principle of action for the Company and is present throughout the development process for new infrastructure. On the one hand, seeking solutions that generate the least environmental impact and, on the other, promoting the participation of society in the process through dialogue and ongoing collaboration.

In this manner, the needs of society are resolved through dialogue and, at the same time, the facilities respond to the needs of the electricity system.

Finally, Red Eléctrica accompanies its projects in the territory with collaboration programmes that reflect the Company's social commitment and pursue the goal of contributing to the social development of the communities in which its facilities are located.

## RED ELÉCTRICA SOCIAL CONTRIBUTION



### GUARANTEEING THE POWER SUPPLY

*Our first and foremost social contribution*



#### RECOGNITION

The Dow Jones Sustainability Index (DJSI) awarded the Company a high score in the corporate citizenship and philanthropy criteria (96 out of 100).



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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## TIES WITH THE COMMUNITY [G4-DMA, G4-S01]

Red Eléctrica carries out a program of actions that promotes institutional and social relations, seeking collaboration agreements in a transparent manner, disseminating information on the functioning of the electricity system and driving participation in projects and initiatives that promote social well-being and progress in the territory.

The Company 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 entire life cycle of the facilities.



Therefore, it has an organisational structure distributed nationwide in order to maintain institutional communication and collaboration with government administrations and also 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.

## DEVELOPMENT PROJECTS



57

COLLABORATION AGREEMENTS SIGNED

With Autonomous Communities and local councils

- **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 investment projects.

As a result of this strategy, in 2015 noteworthy was the signing of 57 agreements with Autonomous Communities and local councils for projects aimed mainly at socio-economic, environmental, educational and cultural development. Among these projects, noteworthy is the agreement signed with 20 local councils for a specific social responsibility plan associated to the Mezquita-Morella and Mudéjar-Morella lines.

## Social Responsibility Plan associated to the Mezquita-Morella and the Mudéjar-Morella lines

In 2015, a Social Responsibility Plan was defined aimed at 20 local councils in the municipalities of Teruel and Castellón which will be crossed by the Mezquita-Morella and Mudéjar-Morella electricity lines. This programme encompasses a number of social, cultural and environmental initiatives aimed at creating value in each of the towns involved in the project through the implementation of specific plans. The agreement on the actions that

make up the Plan was achieved through a process of joint assessment of proposals with each of the town councils, based on criteria for the creation of value for society, the environment and local heritage. The overall financial contribution amounted to 300,000 euros.



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## INVESTMENT IN THE COMMUNITY

In the framework of the strategy of business development, Red Eléctrica provides and promotes social action as an essential element of its corporate



09. DIALOGUE WITH STAKEHOLDERS



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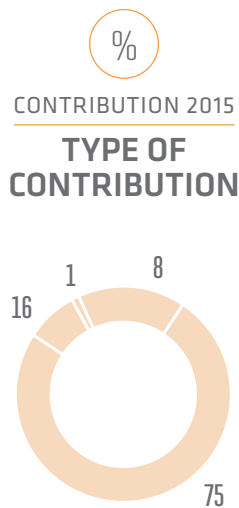
In the case of local councils, and in relation to the construction of new infrastructure, the Company fosters close-knit ties with communities to report on the need for facilities and their role within the transmission grid, and to promote dialogue that facilitates the development of projects in a sustainable manner and with social acceptance.

Thanks to this ongoing dialogue and the collaboration on projects for local development, the Company has managed to sign collaboration agreements with 56% of the local councils affected by the facilities brought into service in 2015. Furthermore, noteworthy is the fact that amicable agreements were reached with 94% of the landowners affected by projects whose permitting process was completed in 2015.

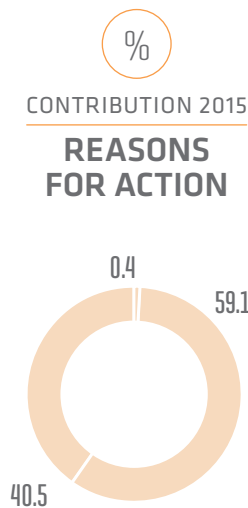
responsibility policy, which is carried out through defined actions in collaboration with different institutions and public and private entities to respond to the demands for collaboration put forth by stakeholders.

In 2015, 6.6 million euros [1.21% of the net profit of REE] was contributed to the development or promotion

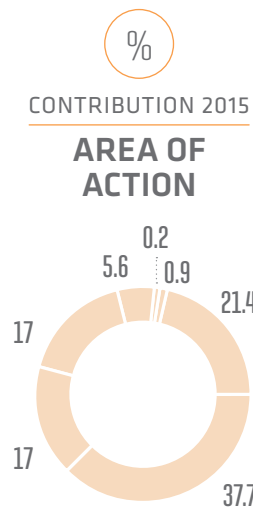
of social initiatives. In 2014, the Company started to apply the LBG methodology to measure these outcomes and submits them to a data verification process, ensuring the correct application of the model.



75	Monetary
16	Time
1	In-kind
8	Management costs



0.4	One-off contribution
59.1	Social investment
40.5	Initiative aligned with the business



21.4	Education
37.7	Socio-economic development
17	Environment
17	Art and culture
5.6	Social well-being
0.2	Humanitarian aid
0.9	Other

## NEW INFRASTRUCTURE CONSTRUCTION



94%  
AMICABLE AGREEMENTS  
*With landowners*



**IN 2015**  
6.6 million euros were invested in the development and promotion of social initiatives.



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## SOCIAL COMMITMENT

Red Eléctrica's social programme includes actions mainly aimed at the socio-economic development of the territory; conservation, protection and enhancement of the natural heritage of the municipalities; and disseminating knowledge of the electricity system.

In the field of **socio-economic development of the territory**, in 2015, Red Eléctrica promoted and collaborated on over 200 initiatives, among which noteworthy are the projects for sustainable lighting, construction or improvement of municipal infrastructure, collaboration on projects of social relevance with an impact on tourism, enhancement of the cultural wealth of the territories and projects for the restoration of emblematic buildings, among others.



In the 'Sustainability' section of the corporate website.

A very important milestone of Red Eléctrica in 2015, was the commissioning of the electricity interconnection between Spain and France, a project that enabled the interconnection capacity to be doubled and promotes progress in

the territories on both sides of the border. The project is a reference in technological development, which strengthens ties with France and represents a move towards the internal energy market.

## 2015, International Year of Light

On occasion of the celebration of Red Eléctrica's 30th anniversary and the proclamation by the UN of 2015 as the International Year of Light, the Company carried out a programme of activities with the objective of raising public awareness about the importance of light and its associated technologies for the development of life and the progress of society.

In 2015, and in collaboration with public and private institutions in the fields of education, science, culture and economy, Red Eléctrica organised, in different locations of Spain, 34 activities that responded to the Company's ongoing commitment to society to disseminate information about the functioning of the electricity system, its needs and challenges in order to develop a sustainable energy model.

Among the initiatives, noteworthy are the conferences that representatives of Red Eléctrica gave at congresses and seminars in universities, engineering schools and institutions related to the electricity sector, such as the European University of Madrid, the Menendez Pelayo University, the Polytechnic University of Valencia and the Spanish Association for Energy Economics. Informative seminars led by experts related to the sector were organised, such as the

one held at the University of Santiago de Compostela on light-based technologies, or the Intelligent Energy Forum of the Chamber of Commerce of Seville.

Within the scope of education, the Company organised courses in order to train students of different levels on electricity infrastructure as well as showing the key concepts for a sustainable energy model. The Electric Power Campus for students of Castilla y Leon and workshops on light at the Science Museum of Castilla-La Mancha were highly successful according to the participants.

Similarly, in order to publicise the role of electricity in the future of the society, Red Eléctrica developed a programme of various exhibitions and workshops nationwide, such as Il.lumina't in Palma de Mallorca. It also collaborated on the Movilab initiative, a scientific laboratory on wheels, and participated in the project to improve facilities of the Electricity Theatre (Teatro de la Electricidad) at the Science Museum of Valencia.

As for the activities related to art and heritage, Red Eléctrica undertook several projects to improve lighting and the sustainable use of energy in buildings of high cultural and social value in some municipalities.

The renewal of the lighting of the Santa Teresa Museum in Avila, and the church of Montemolín, Badajoz, plus efficient lighting projects in two schools in Madrid and one in Ezkio-Itsaso (Guipúzcoa) are some examples.

767,899 euros were invested in carrying out this project; a project on which Red Eléctrica collaborated with the Spanish Committee of the International Year of Light.





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In the field of **knowledge dissemination**, Red Eléctrica, as the sole transmission agent and operator of the Spanish electricity system, plays an active role in publicising how the Spanish electricity system works as a whole, as we are aware that a more informed society is better able to develop and maintain a sustainable energy model that effectively meets the energy needs of citizens.

To disseminate this knowledge, the Company has the exhibition **'A highway behind the wall socket'** which aims to explain the electricity supply process, from generation to

consumption, placing value on the activities of the company as TSO and key player of the electricity system, and raise public awareness about the need for an efficient and responsible energy consumption. And at the same time, the exhibition serves as a communication vehicle to enhance the understanding, by the public, of the need to develop electricity infrastructure, thereby facilitating its implementation in the territory.

In this regard, in 2014 the exhibition was chosen by the Directorate General for Energy of the European Commission as one of the five best practices of the European TSOs to facilitate social acceptance of projects.

Red Eléctrica's social programme **promotes the conservation of natural heritage** and the socio-economic development of the territory, as well as dissemination of knowledge regarding the electricity system.



**'A HIGHWAY BEHIND THE WALL SOCKET' EXHIBITION**

During 2015, the exhibition was on show at the Science and Technology Museum of Tarrasa, where it received 42,000 visits. This exhibition, which started its journey in 2010, has visited six other Spanish cities receiving more than 320,000 visitors.



More on the exhibition in the 'ExpoREE' section of the corporate website.

**Movilab, a scientific laboratory on wheels**

In 2015, Red Eléctrica collaborated with the Spanish Foundation for Science and Technology (FECYT), the Higher Council for Scientific Research (CSIC) and the Padrosa Foundation on the Movilab project, a mobile laboratory installed in the trailer of a truck which toured 13 Spanish cities to bring science and innovation closer to its citizens. The journey of this mobile laboratory began on 22 September in La Coruña and ended on 27 December at the National Museum of Natural Sciences in Madrid.

The objective of this laboratory was to present scientific concepts in an entertaining and rigorous manner, trying to arouse the curiosity of society for research. The workshops consisted of activities related to both light and its physical principles, as well as the transmission of electricity.

During those three months, 9,756 people visited the Movilab truck. More than 7,200 visitors were students of primary, middle, high school and vocational training, who came with their groups to review the basic concepts of light and electricity. In addition, other groups participated such as first year engineering university students, parent associations, teachers and professors, associations, foundations and other organisations.

Nearly 10,000 people visited the Movilab, of which over 7,200 were students. In total, the mobile laboratory hosted more than 500 workshops aimed at audiences of all ages.





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KEY PERFORMANCE INDICATORS



01. THE COMPANY



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03. CORPORATE GOVERNANCE



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05. SUSTAINABLE ENERGY



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Red Eléctrica also pays special attention to higher education and training in the area of energy and the environment. During 2015, of note was the support for the training of 1,045 students in masters or specialisation courses of more than 35 schools and colleges through 53 visits to Company facilities. Also noteworthy are the 22 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.

Additionally, during 2015, 97 institutional visits were organised to the CECOEL and CECRE electricity control centres, and 55 visits were arranged to different transmission grid facilities nationwide, bringing the total number of visitors to Company facilities and control centres to 1,751.

Red Eléctrica continues to contribute to the training of National Security Forces regarding matters of safety and security in electricity facilities and fire

### VISITS TO INSTALLATIONS 2015



# 1,751

## VISITS TO FACILITIES AND CONTROL CENTRES



### THE 'RED ELÉCTRICA FOREST'

A project launched in 2009 that contributes to the fight against climate change through the planting of trees. In 2015, two new agreements were signed for the restoration of two degraded public highlands in Zamora and La Coruña.

## Between 2012 and 2015 the Company has trained more than 2,200 members of the National Security Forces on safety and security issues regarding electricity facilities and fire prevention.

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 as well as for Fire Brigades. During 2015, training sessions were organised in 7 provinces of six Autonomous Communities with the participation of 657 attendees. In total more than 2,200 people have been trained as part of this programme since it was launched in 2012.

In relation to **environmental actions**, noteworthy is the 'Red Eléctrica Forest' project, an initiative launched in 2009 which contributes to the fight against climate change through the planting of trees. In 2015, two new agreements were signed for the restoration of two degraded public highlands-forests in Zamora and La Coruña. In addition, the Company also collaborates with the Life+ Activa Natura project, supported by the European Commission, which seeks to improve knowledge and awareness in Spain regarding Red Natura (Nature Network), and it also cooperates in various birdlife recovery projects such as the reintroduction of the black vulture in Catalonia or recovery of the Lesser Grey Shrike in the region of Lleida.



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## CORPORATE 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. Volunteers participating in the initiatives promoted by EnREDando have a common interest to improve the current situation and act by joining forces in increasingly ambitious projects.

During 2015, the main projects carried out by the corporate volunteering group were the following:

- **Operation Kilo-Litre Campaign**  
A total of 7,510 kilos and litres of foodstuffs were collected in the campaign and delivered to 28 food banks and various *Cáritas* offices (Religious charity) located throughout Spain. This project for the 'non-monetary collection' was launched in 2012 and since

then over 16 tonnes of foodstuffs have been delivered.

- **Solidarity concert in favour of Syrian refugees**  
Charity concert to raise funds to help Syrians who are in refugee camps in Jordan. The funds collected amounted to 11,057 euros and were delivered to Jordan Messengers of Peace, given that for two years Red Eléctrica has maintained a twinning programme with NEPCO, the Jordanian TSO. The concert was made possible thanks to the participation of employees, some of who performed with their music bands.
- **Participation in the 9th edition of the 'Companies' Solidarity Day' (DSE)**  
DSE is a day of corporate volunteering that connects businesses and their employees with different NGOs. Red Eléctrica volunteers helped by working in an ecological garden of the Juan XXIII Foundation, along with volunteers from other companies.
- **Solidarity auction in favour of the Apsuria Foundation**  
Auction of gift items contributed by managers and employees of the Company and also of corporate

## SOCIAL ACTION 2015



7,510  
kg-L  
DELIVERED  
To food banks



### ENREDANDO

Corporate volunteering group created in 2005 with the aim of responding to social and environmental needs, problems and interests through the collaboration of employees in solidarity actions.

gifts of the Company. In 2015, 3,402 euros were raised and donated to support hydrotherapy treatments for people with intellectual disabilities in the Apsuria Foundation.

- **6th edition of the "Race for Hope" – FEDER**  
Participation in this race organised by the Spanish Federation of Rare Diseases (FEDER) to mark World Rare Disease Day.
- **10th Fair Trade Campaign**  
Organisation of a fair trade market, with the collaboration of SETEM Madrid in order to contribute to the eradication of poverty in developing countries. A total of 3,240 euros in sales were raised, which translates into 450 hours of fair wages.
- **Reencounter with Maiti Nepal**  
Extraordinary donation of 6,000 euros to this NGO following the earthquakes that shook the country. Maiti Nepal has taken in and given shelter to over 200 children in its orphanage in 2015, owing to the worsening of the problem of human trafficking after the earthquakes.



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# Participation in organisations and associations (G4-16)

**Red Eléctrica** is part of various organisations and entities both at an international and national level where it exchanges knowledge and experience regarding the

challenges of the electricity system, corporate responsibility, social investment, innovation and technological development, and economic-financial management

among other things. Included below are some of the most relevant.

## INTERNATIONAL ORGANISATIONS

### ENTSO-E (European Network Of Transmission System Operators for Electricity)

The association of European TSOs continued during 2015 with the drafting of Network Codes/Guidelines, within this scope noteworthy is the coming into force of the 'Capacity Allocation and Congestion Management' guideline. The three network codes related to grid connections and what is known as 'Forward Capacity Allocation' have exceeded the comitology process and have passed the final stage of scrutiny by the European Parliament and Council. An important step as far as transparency is concerned as it represents the operationalisation of the ENTSO-E Transparency Platform; a platform with a wealth of information on European electricity markets.

Within the plan for trans-European energy infrastructure set out in the Ten Year Network Development Plan 2016 (TYNDP 2016), ENTSO-E published six regional network development plans, the description

of development of future scenarios and the list of projects that the European interconnected system will need in 2030.

One of the basic strategies of ENTSO-E in regard to the coordination between TSOs within the Regional Security Coordination Initiatives (RSCIs) was consolidated with the signing of a Multi-Lateral Agreement (MLA) between the TSO members, whereby ensuring that RSCIs will develop in a harmonised and interoperable way. Moreover, ENTSO-E, at its annual conference, presented the outlook documents aligned with the Energy Union regarding markets, system security, regions, and regulation as well as the publication of the foundations for the collaboration with electricity distributors.

### 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, and is also a member in the following research committees: High Voltage Equipment, Overhead Power Lines, HVDC and Power Electronics, Development and Economics of Power Systems, System Operation and Control, and Information Systems and Telecommunications.

### GO 15. Reliable And Sustainable Power Grids

An international initiative which groups together the world's 18 largest Power Grid Operators, representing together more than 70% of the world's electricity demand. In 2015, California ISO became a member and a new committee dedicated to communication was created.

### Med-TSO (Association of the TSOs 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 development plans as well as the operation of electricity grids in the countries of the Mediterranean basin. The European

Commission, on behalf of the Union, has granted a significant role to Med-TSO in its strategy aimed at the development of a Euro-Mediterranean Platform for the establishment of a regional electricity market, endorsed within the framework of the Union for the Mediterranean.

### RGI (Renewable Grid Initiative)

Association between European TSOs and NGOs that promotes a network of efficient, sustainable, clean and socially acceptable European electricity infrastructure capable of integrating generation from decentralised renewable resources and on a large-scale.

### EASE (European association for the storage of energy)

European association that promotes the deployment of energy storage as an essential tool to improve flexibility and provide services for the energy system with full respect to EU's climate and energy policies.



In the 'Associations' section of the corporate website.



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## NATIONAL ENTITIES

### Real Instituto Elcano

Red Eléctrica is part of the Board of Trustees and Executive Committee of this entity whose main task is to conduct international and strategic studies looking at the world from a Spanish, European and global perspective.

### Casa de América

Red Eléctrica collaborates with this entity on the execution of a variety of activities that contribute to closing the ties between Spain and the continent of America, especially with Latin America.

### Fundación Seres

Red Eléctrica is part of the Board of Trustees of this foundation whose mission is to promote the commitment of companies to the development of society.

### 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.

Red Eléctrica collaborates with various organisations and entities nationwide, with the aim of **promoting corporate social action.**

## PARTICIPATION IN INTERNATIONAL ORGANISATIONS



## OBJECTIVE

DEVELOP PROPOSALS ON

*sustainability, legislation, regulation and operational criteria of grids and electricity systems in the European arena*



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# Tax transparency

The tax strategy of Red Eléctrica Group, approved by the Board of Directors on June 30, 2015, is based on three core values: transparency, good governance and accountability.

## The vision of the tax strategy:

Manage the tax affairs in a manner that is proactive, responsible with all stakeholders and which is transparent, in order to comply with tax laws and minimise reputational risk, making it compatible with protecting the share price.

Continuing with the good practice started in 2014, within the context of development of good practices in corporate social responsibility, and with the aim to voluntarily offer tax information to the different stakeholders, 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 2015



€638 m  
TOTAL TAX CONTRIBUTION



MORE THAN  
€1,865 m  
TAX PAYMENTS IN THE 2013-2015 PERIOD

43%  
OF VALUE GENERATED EARMARKED FOR TAX PAYMENTS



99%  
OF THE TOTAL TAX CONTRIBUTION MADE IN SPAIN



33%  
TAX CONTRIBUTION COMPARED TO REVENUE

Tax strategy of the Red Eléctrica Group approved by the Board of Directors.





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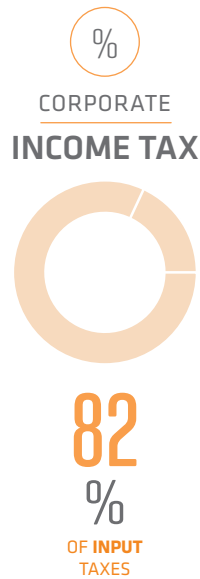
## TOTAL TAX CONTRIBUTION

To calculate its **Total Tax Contribution**, 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 collected (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.

### INPUT TAXES

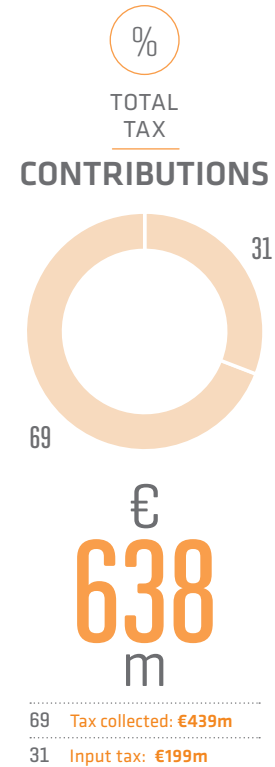
Tax on profits, **Corporate Income Tax** [1] represents 82% of total input taxes that have been paid to the various tax authorities, mostly to the Spanish tax authority.



[1] The Consolidated Annual Accounts provide detailed and specific information regarding the effective tax rate of 26.87%, accounting deductions, etc.

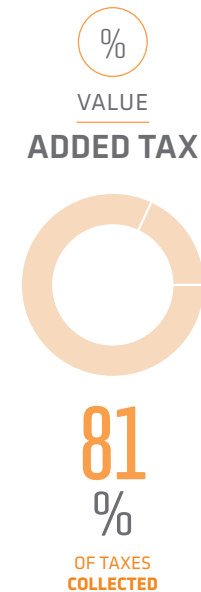
### TOTAL TAX CONTRIBUTION 2015

Red Eléctrica's **Total Tax Contribution** during 2015 amounted to **638 million euros**, **199 million euros** corresponding to input tax and **439 million euros** to taxes collected.



### TAXES COLLECTED

Of the total of **taxes collected** during 2015, the taxes on products and services stand out, fundamentally the **Value Added Tax** [2] which accounts for 81% of the total.



[2] Understood as those indirect taxes equivalent to Spanish IVA (VAT), which taxes consumption.



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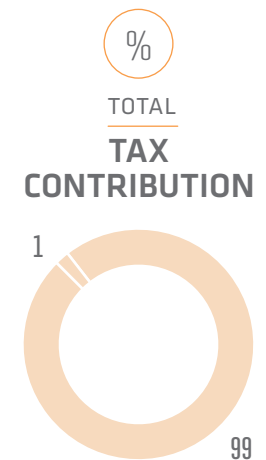
## GEOGRAPHIC *distribution*

### TOTAL TAX CONTRIBUTIONS 2015

€m

	Spain	Latin America	Other (EU)	Total
Input tax	196	3	-	199
Tax collected	433	3	3	439
<b>Tax contribution</b>	<b>629</b>	<b>6</b>	<b>3</b>	<b>638</b>

The total tax contribution of the Red Eléctrica Group to the relevant tax authorities in all countries in which it operates amounted to 638 million euros, Spain being the jurisdiction with the greatest tax contribution (99%).



The revenue of the Red Eléctrica Group is principally in Spain [98%].



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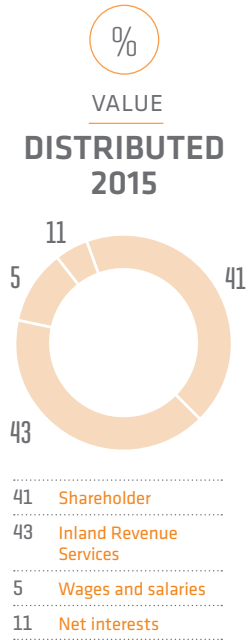


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## WEIGHT OF TAXES ON VALUE DISTRIBUTED

Applying the Total Tax Contribution (TTC) methodology, the value distributed by the Red Eléctrica Group in 2015 would total **1,473** million euros, a figure which is composed of sum of the following elements:

- After-tax profit or shareholder value (607 million euros).
- Wages and salaries after taxes collected (70 million euros).
- Net interest (158 million euros).
- Taxes (638 million euros): input (199 million euros) and collected (439 million euros).



Of every 100 euros in value generated by the Red Eléctrica Group in 2015, 43 euros went to tax payments.

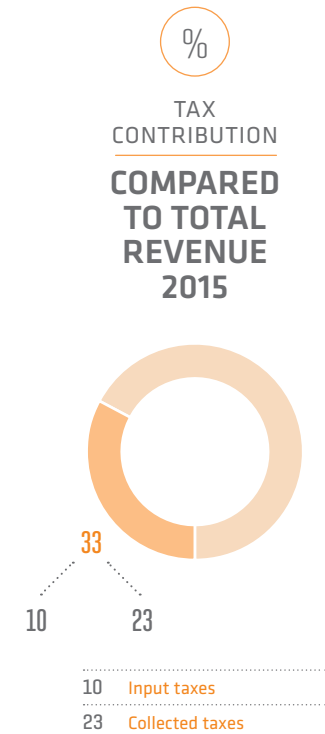
## The Total Tax Contribution compared to the revenue of the Red Eléctrica Group represented 33%.

### 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 33%, of which:

- 10% are input taxes.
- 23% are collected taxes.







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## 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 and tax strategy sets out the commitment not to create companies to evade taxes in territories considered tax havens.
- Red Eléctrica has a Comprehensive Risk Management System that includes any relevant tax risks for the Company. In 2015, the Board of Directors approved <sup>[1]</sup> the aspects regarding the **Control and Management Policy of Tax Risks** of the Red Eléctrica Group and their integration into the Comprehensive Risk Management

Policy, establishing the specific guidelines for action for the management of said risks.

- The Company 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.
- The Board of Directors has approved <sup>[1]</sup> the commitment of the Red Eléctrica Group to undertake the **Code of Good Tax Practices** adopted by the State

Tax Administration Authority under the Large Business Forum. Said undertaking took place in October 2015, and is aligned with the principles and guidelines for action on tax matters established in the tax strategy of the Group.

## Control of Tax Risks.

In 2015, the Board approved the aspects of the Control and Management Policy of Tax Risks of the Red Eléctrica Group and their integration into the Comprehensive Risk Management Policy.

[1] Board of Directors session held on 29 September 2015.

## CODE OF GOOD TAX PRACTICES



## 2015 ADOPTION BY RED ELÉCTRICA

*Of the Code approved by the State Tax Administration Authority*



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# DIALOGUE WITH STAKEHOLDERS

## 09

Connected to our stakeholders through transparent, fluid and close-knit dialogue





CORNERSTONES FOR ACHIEVING DIALOGUE WITH STAKEHOLDERS

*Transparent, fluid and close-knit relationship*



**SHAREHOLDERS AND INVESTORS**

Transparent and fluid communication, facilitating relevant corporate information to meet the information needs demanded by these groups.

**542 meetings** with analysts and investors



**CLIENTS AND MARKET AGENTS**

Compliance with requirements regarding communication and publication of information, while guaranteeing transparency, integrity and disclosure timelines.

**Client satisfaction 8.3 out of 10**

CORPORATE **WEBSITE**



**MORE THAN 2.4 MILLION VISITS**



**SUPPLIERS**

Sustainable supply chain management model: transparency in management, integration of corporate responsibility criteria in the procurement strategy, and its transference to suppliers.

**98% of purchases** from local suppliers



**THE MEDIA**

Dissemination of activities, projects and initiatives undertaken by the Company, with particular emphasis on its commitment to sustainability.

**79 press releases** issued



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# Shareholders and investors

**Red Eléctrica** maintains a solid commitment to dialogue with its stakeholders, facilitating them with the relevant corporate data to meet the information needs of shareholders and investors at each moment. This communication is transparent and fluid, which is key to achieving a trust relationship with them.

In 2015, 542 meetings were held with investors: 510 for variable income, 11 for fixed income and 21 for corporate governance. For yet another year, the Company has turned to major financial forums in the domestic markets of Europe, the United States and Australia, thus

responding to our policy regarding communication and transparency.

In our effort to improve communication with shareholders and investors noteworthy is the role of the corporate website, which presents the information that most interests the investor world. The website includes socially responsible investor section, a specific section which aims to provide all the relevant information about the Company that allows the investor to gain an understanding of the ethical, social and environmental elements necessary when making investment decisions, said information is provided as a

complement to traditional economic and financial criteria.

Within the scope of the Shareholders' Meeting, in line with previous years, and with the goal of increasing the chances of participation of shareholders at the Meeting, the Company broadcasted live, for yet another year, not only the Ordinary Shareholders' Meeting but also the Extraordinary Shareholders' Meeting held on the occasion of the process for the separation of the positions of the Chairman of the Board and the Chief Executive Officer (CEO) of the Company.

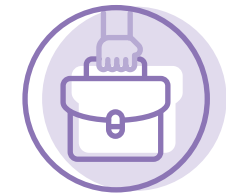
Furthermore, the Company has also continued to expand the functionalities of the system for voting on proposed resolutions by electronic means, as well as those of the electronic shareholder forum. Noteworthy in 2015 was the great effort made in communication in both events, and the high participation of shareholders in both Meetings.

## MAIN INDICATORS

Nº

	2011	2012	2013	2014	2015
Shareholders' office (visits managed)	1,495	1,259	1,078	1,105	1,284
Shareholder electronic forum - via phone and email (consultations managed)	1,067	1,031	1,003	1,008	1,118
Meetings with analysts and institutional investors	346	581	712	555	542

## MEETINGS WITH INVESTORS 2015



542

510 - VARIABLE INCOME

11 - Fixed income

21 - CORPORATE GOVERNANCE



In the 'Shareholders and Investors' section of the corporate website.

LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICERKEY PERFORMANCE  
INDICATORS

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# 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 departments 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.
- **Participating agents** in the wholesale electricity market. This group is composed of all market

subjects (622 in December 2015), which are the entities that participate in the organised markets, or execute bilateral contracts with the physical delivery of energy. [\[EU3\]](#)

- **Operators of the interconnected electricity systems**, electricity distribution companies, the market operator OMI-POLO ESPAÑOL, S.A. (OMIE), providers of system adjustment services and companies providing demand-side interruptibility management services.
- **Other groups**, requesters of local operation and maintenance services and those requesting adaptations of or changes to the routes of high-voltage electricity lines.

Red Eléctrica's success is based on the principles of neutrality, independence and economic efficiency that it applies to all its activities and functions.

## MARKET AGENTS



# 622

REGISTERED IN  
THE ELECTRICITY  
SYSTEM

As at December  
2015



On the e-sios website.

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CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICERKEY PERFORMANCE  
INDICATORS

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03. CORPORATE  
GOVERNANCE04. MANAGEMENT  
APPROACH05. SUSTAINABLE  
ENERGY06. CREATION  
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## TRANSPARENCY, NEUTRALITY AND INDEPENDENCE AS 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 in all its processes and activities, especially in the service it provides to its clients and market agents. To this end, the Company has an Operation Code of Conduct to ensure transparency, confidentiality, ethics and objectivity in its role as operator of the electricity system.

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', sets out the criteria for the aggregation and publishing of this information and the timeframes within which it should be made available to market agents and society in general. On request by the system operator, this operating procedure has been

## UPDATE OF THE e-SIOS website



## PLATFORM FOR COMMUNICATION and publication of information for MARKET SUBJECTS



### OPERATING PROCEDURE N° 9

Sets out the criteria for the publishing of information regarding the electricity markets or system operation processes and the timeframes within which it should be made available to market agents and society in general.

# In 2015 a new version of the public e-sios website was launched to expand its content, improve the presentation of the information provided and provide access to society in general.

recently adapted to conform to the Transparency Regulation [EU] 543/2013 and Regulation [EU] 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT) as well as to Royal Decree 413/2014 of 6 June regulating the activity of electricity production from renewable energy sources, cogeneration and waste approved by the Ministry of Energy's Resolution of 18 December 2015.

Red Eléctrica, as System Operator has a website available to market agents <http://sujetos.esios.ree.es> accessible through digital

certificate, and another for society in general <https://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. Noteworthy is that in June 2015 a new version of the public e-sios website was launched to expand its content, improve the presentation of the information provided and facilitate access to society in general, by presenting the information in a clearer, simpler and more educational manner. In this way, the Company strengthens its leadership in and its commitment to transparency regarding the full implementation of the internal energy market, coinciding with the coming into operation of the ENTSO-E Transparency Platform.



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Red Eléctrica also manages the regional information platform of the IESOE region, [www.iesoe.eu](http://www.iesoe.eu), in which the operators of the French, Portuguese, Moroccan and Spanish electricity systems centrally publish data on the capacity and use of electricity interconnections that connect the Spanish peninsular electricity system with the electricity systems of these countries.

Also, as of January 2015 Red Eléctrica is sending to the ENTSO-E transparency platform, [www.transparency.entsoe.eu](http://www.transparency.entsoe.eu) 100% of the data required by Regulation [EU] 543/2013 of the EC for the presentation and publication of data on electricity markets [Transparency Regulation]. In line with Article 5 of this Regulation, the procedure manual for the exchange of information via this platform is expected to be reviewed in 2016.

In addition, the Company continues to participate, through ENTSO-E working groups, on the development and application of Commission Implementing Regulation [EU] 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 of the European Parliament on Wholesale Energy Market Integrity and Transparency [REMIT]. Reporting obligations foreseen for System Operators [disaggregated data regarding explicit auctions and allocations of interconnections] shall apply as of 7 April 2016.

As of 2014, Red Eléctrica includes among its publications the information related to the Voluntary Price for the Small

REGIONAL INFORMATION PLATFORM



IESOE.EU PARTICIPATED IN

*By the electricity operators of Spain, France, Portugal and Morocco*



**SINCE 2014** the e-sios website publishes the information on the hourly prices of energy relative to the Voluntary Price for the Small Consumer [PVPC].

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 endeavour 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.



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## Red Eléctrica publishes on the e-sios website periodic reports on incidents, management of grievances received and resolutions taken.

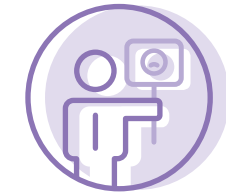
Red Eléctrica also has, since 2008, a system for the analysis and revision of processes and results associated to the operation activity under the standard known as SSAE-16 (Standards for Attestation Engagements). This system is regularly submitted to rigorous external evaluation. In 2015, the evaluation corresponding to 2013 was conducted.

### MANAGEMENT OF INCIDENTS AND GRIEVANCES

Red Eléctrica manages grievances 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 'Grievances' section, which allows

online processing of grievances regarding the system adjustment services market and the international energy exchange schedule managed by the system operator. The website allows market agents to consult the status of their grievances and obtain historical information about them. Red Eléctrica also publishes, on this website, periodic reports on incidents identified, the handling of the grievances received and the resolutions taken.

### MANAGEMENT OF GRIEVANCES



100

%

RESOLUTION OF GRIEVANCES

2010-2015

### MAIN INDICATORS

Nº

	2010	2011	2012	2013	2014	2015
Number of estimated grievances related to the system adjustment services market and the international energy exchange schedule	70	6(*)	6	3	2	3
Grievances per 1,000 GWh of energy managed in the system adjustment services markets	2.52	0.26	0.31	0.15	0.09	0.17
Percentage of grievances resolved [%]	100	100	100	100	100	100

(\*) The number of estimated grievances 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 reallocation, in real-time, of secondary control reserve [as contemplated in the existing operating procedure 7.2]



#### THE SECTION

'Grievances' of the e-sios website allows market agents to report complaints directly, monitor the status of their grievances and have access to the history of the same.





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## SATISFACTION SURVEY

**Red Eléctrica** carries out satisfaction surveys every two years, directed to its clients and market agents. The most recent one was done in 2014. The overall average evaluation obtained was 8.3 out of 10. Based on these results and the analysis of the requirements and expectations collected, the 2015-2016 Improvement Plan was drawn up containing different actions aimed at improving communication, transparency and the processes and services offered. The Improvement Plan and the final results are notified to clients and market agents that take part in the survey.

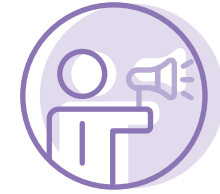
As a new development, in the last survey the monitoring of this notification was monitored in order

Biennially, the Company conducts a client satisfaction survey. The 2014 survey reflected an overall average rating of 8.3 out of 10.



to confirm it has been received, as well as the understanding and appropriateness of the actions included in the Improvement Plan.

## IMPROVEMENT PLAN 2015-2016



## ACTIONS GEARED TOWARDS PROMOTING

*Communication, transparency and the processes and services offered*

## SATISFACTION INDICATORS CLIENTS AND MARKET AGENTS (0-10)

	2006	2008	2010	2012	2014
Overall satisfaction level	7.8	7.6	8.0	8.3	8.3
Level of satisfaction of quality factors	7.4	7.4	7.6	7.9	8.0
Level of satisfaction of services provided	7.0	7.2	7.8	7.9	7.7
Customer attention	7.8	7.4	7.5	7.8	7.7
Evaluation of improvement actions undertaken as a result of the previous evaluation study	6.5	6.8	6.1	7.2	6.6



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# Suppliers [G4-DMA, 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 2015 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 labour conditions and ethical behaviour. In 2015 a total of 553.3 million euros in purchases of goods and services were managed through 1,012 suppliers. 98% of this amount was awarded to suppliers with head offices in Spain.

Of the 553.3 million euros invested in the procurement of goods and services in 2015, 98% was awarded to suppliers with head offices in Spain.

## DESCRIPTION OF THE SUPPLY CHAIN [G4-12]

The supply chain 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 (Procurement Support and Helpdesk).



ASA  
**CHANNEL**  
*Procurement Support and Helpdesk*

SPECIFIC COMMUNICATION CHANNEL FOR THE **SUPPLIER**



### SUPPLIER MANAGEMENT

Red Eléctrica seeks to minimise risks related to business, technical, environmental and health and safety aspects in the supply chain.



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## SUPPLY CHAIN MANAGEMENT MODEL

### FRAME- WORK 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 functions

- 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 (Procurement Support and Helpdesk), *DIGAME* and the Ethics Manager .

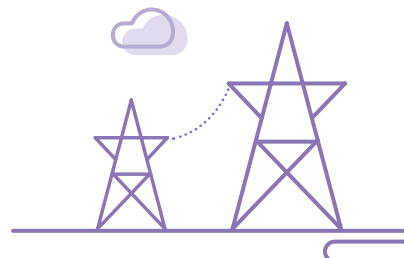
##### Building relationships with suppliers and subcontractors

- Transference of 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-term 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.





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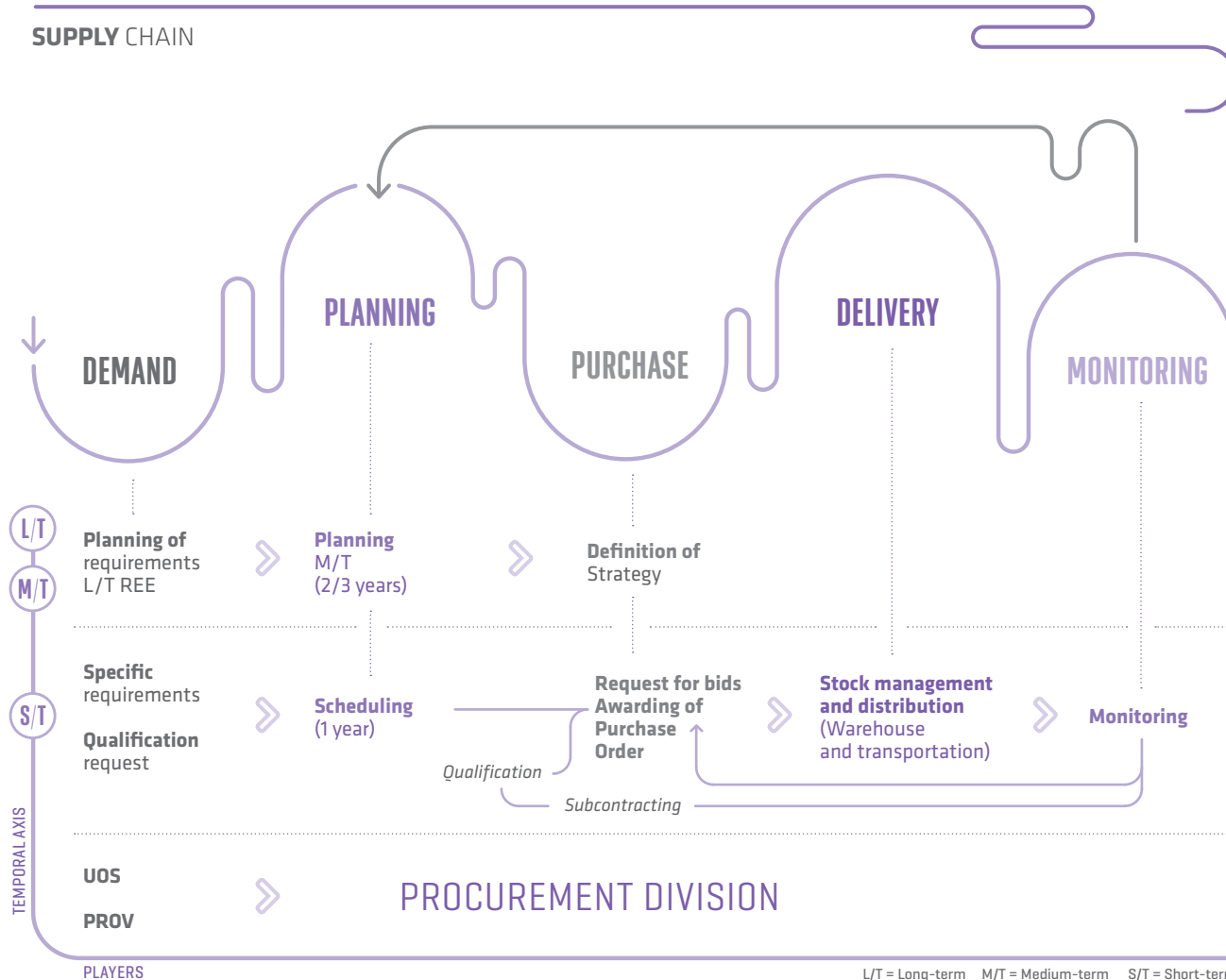
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In 2015, of the 553.3 million euros in purchases managed, 79% were related to services and works, while the remaining 21% corresponded to material/equipment. The Company

formalised orders with 1,012 suppliers. To this figure should be added another 1,141 [subcontractors] that have performed work for the Company, bringing the total number

of companies that have worked within the framework of contracts managed by the Company in 2015 to 2,153.

**SUPPLY CHAIN**



L/T = Long-term M/T = Medium-term S/T = Short-term

**CONTRACTS MANAGED**



**2,153**

SUPPLIERS HAVE WORKED

*Within the framework of contracts managed by the Company in 2015*

Of note is the fact that the average time required for the managing of subcontracting requests was 2.1 days, in line with previous years.

As for the geographical location of purchases, 96% of suppliers with purchases in 2015 have their head offices in Spain and 99% belong to countries of the European Union. In line with previous years, it continues to show a concentration of purchases to a reduced number of suppliers, whereby the 20 suppliers with a greater volume of purchases represented 51% of total purchases in 2015.

All the suppliers must accredit their business solvency and comply with the specific requirements associated to the provision of services, equipment or supplies – in addition to those associated to labour conditions, and ethical behaviour. Additionally, those suppliers of ‘critical’ equipment/material, from the point of view of their impact on the business of the Company, must meet even more stringent requirements on environmental and occupational health and safety aspects. In 2015, the volume of purchases of these ‘critical’ supplies represented 74% of the total purchase and is concentrated on 349 suppliers.

CRITICAL  
SUPPLIES  
2015



74  
%  
OF TOTAL  
PURCHASES

Were  
concentrated  
on 349  
suppliers

In 2015 a new impact matrix has been obtained regarding Company supplies and their impact on corporate responsibility.

Vendor/supplier requirements, regardless of the purchase order to be fulfilled, are initially verified (in the supplier qualification process) and then continuously monitored as part of the relationship between Red Eléctrica and the Supplier.

In 2015, noteworthy is the work carried out to drill-down into the impacts that supply/services contracted by the Company may

have on matters regarding the environment, labour conditions, and ethical behaviour. As a result of this analysis a new corporate responsibility impact matrix has been obtained which has given way to an evolution in the list of requirements that can be demanded from our suppliers in aspects related to these impacts so as to try to minimise them.

Categories of impacts identified in the matrix [G4-EN33, G4-LA15, G4-HR11, G4-SO10]

ETHICS AND LABOUR  
CONDITIONS IMPACTS

- Corruption and bribery.
- Appropriation and misuse of information.
- Discrimination/inequality.
- Violation of the fundamental rights of workers.
- Lack of ethics in remuneration.
- Impact on the well-being of the community.

- Legislative/regulatory non-compliance related to social and labour matters.

OCCUPATIONAL HEALTH  
AND SAFETY IMPACTS

- Accidents in the workplace.
- Occupational diseases.
- Inadequate training/experience/ information.
- Legislative/regulatory non-compliance related to occupational health and safety.

ENVIRONMENTAL IMPACTS

- Impact on biodiversity.
- Effect on the soil and water.
- Climate change and air quality.
- Generation of non-hazardous waste.
- Generation of hazardous waste.
- Legislative/regulatory non-compliance related to environmental matters.



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These requirements will begin to be implemented gradually, after a testing phase among our suppliers.

Noteworthy among the initiatives arising from the levers to improve our management model are the following:

- Optimising the supplier qualification process, providing it of greater transparency to the provider, and providing it from the start of the process, all requirements to be fulfilled throughout the same.

- Identification of improvements in the process of subcontracting, to be implemented in 2016; Business monitoring of subcontractors to minimise financial risks associated with the capacity to execute the contracted work; increased transparency in decision making.

**QUALIFICATION OF SUPPLIERS**  
[G4-DMA, G4-LA14, G4-EN32, G4-S09, G4-HR10]

In the qualification process the pairing of provider-supply is evaluated, i.e., the supplier is qualified in relation to supplies offered to the Company, valuing all the economic and financial,

technical and quality conditions and all aspects related to the field of corporate responsibility.

In 2015, the Company processed 711 requests for qualification of supplies that have a significant impact upon the Company. These requests correspond to 385 suppliers (who opt to more than one supply per supplier).

These requests affected supplies that require different verifications depending on the corporate responsibility risk identified

The rating process assesses the supplier based on the supplies it offers the Company, valuing the economic, technical, quality and corporate responsibility aspects.

**QUALIFICATION OF SUPPLIES**



**711**  
REQUESTS  
MANAGED

Corresponding to 385 suppliers



**WEB**

The qualification process is available in the 'Suppliers' section of the corporate website.



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[environmental, occupational health and safety prevention, labour conditions and ethical behaviour].

- 29% [corresponding to 134 suppliers] of purchase orders required specific verifications regarding occupational health and safety prevention.
- 63% [corresponding to 255 suppliers] of purchase orders required specific verifications regarding the environment.
- 100% of purchase orders were verified according to labour practices and Human Rights criteria.

**EVALUATION AND SOCIAL AUDITS**  
[G4-LA15, G4-EN33, G4-SO10, G4-HR11]

During 2015, within the annual social audit programme of suppliers that provide goods with impact on corporate responsibility, 28 audits

**REQUESTS FOR QUALIFICATION**



**100**  
%

**VERIFIED ACCORDING TO LABOUR CONDITIONS CRITERIA**

*And regarding human rights matters*



**IN 100%** of orders, the supplier accepts the general conditions of contract and compliance with the Code of Conduct for Suppliers.

**In 2015, there were 54 social audits of suppliers conducted in aspects of corporate responsibility.**

have been conducted focused primarily on the verification of labour conditions and ethical behaviour, and raising awareness and ownership among our suppliers of the corporate responsibility aspects valued and promoted by the Company.

These audits were complemented by another 26, conducted by Achilles on Red Eléctrica suppliers,

in which, among other things, a documental verification was made of factors related to corporate social responsibility.

In the audits in which aspects were uncovered that could be improved, actions were agreed with the supplier to correct or improve the aspects identified. In parallel, 100% of the orders are issued to the supplier together with the General Conditions of Contract and the supplier agrees to comply with the Supplier Code of Conduct; both documents are attached to the purchase order.





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# The Media

**2015 has been** characterised by maintaining an information transparency model that seeks to disclose the activities of the Company both nationally and locally, with particular emphasis on the relationship with the media in the territory concerned. This year has also been characterised by the new challenges arising from the implementation of the Strategic Plan 2015-2020.

Activities linked to the expansion of the business base were the new protagonists of the information shared and published by Red Eléctrica. In addition, 2015 was a key year for boosting international interconnections as the new interconnection with France via the eastern Pyrenees was inaugurated in February. The interest in this area is the prelude to a scenario in which the

development of interconnections will be a priority objective, along with the internationalisation, energy storage or the telecommunications business.

During 2015 Red Eléctrica remained committed to disseminating the activities carried out within the scope of sustainability. Of the 79 press releases issued this year, 38% focused on highlighting some

of the sustainability projects carried out by the Company. The information disseminated on environmental, R&D+i as well as other initiatives related to human resources, corporate social responsibility and good governance has increased compared to previous years

## New 'Entrelíneas' blog

In July 2015, Red Eléctrica launched its *Entrelíneas* blog, a new information space created to be a useful tool to convey, in an educational and entertaining way, Red Eléctrica's activity, paying particular attention to issues related to social commitment and innovation.

Among its contents the following sections are noteworthy:

- **'Latest news'**, in which the latest developments and events of the Company are reviewed. 36 articles have been published in this section since the blog was launched.
- **'Tribune'**, where the management team share their views on relevant topics. 2 articles were published in 2015.

- **'Observatories'**, which presents and analyses information on the reality of the current energy scenario as well as other areas: human resources, corporate responsibility, financial and environmental. 9 articles were published in this section in 2015.
- **'Learn more'**, which includes information, explained in a simple way, on various concepts related to the activity of the Company. 12 articles were published in 2015.
- **'Videos'**, in which 5 audio-visuals were published about some of Red Eléctrica's projects.

 In the 'Entrelíneas' blog.

PRESS RELEASES 2015



79 PRESS RELEASES ISSUED IN 2015

38%

Of these were focused on sustainability projects





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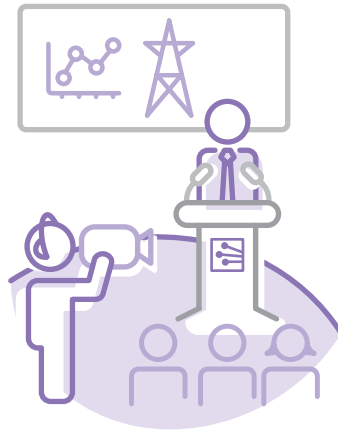


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The information transparency model applied by the company seeks to publicize its activities both nationally and locally, paying special attention to the relationship with the media in the territory.

Among the events which occurred in 2015, the following had a greater informative impact:

- The process for the separation of the positions of the Chairman and the Chief Executive Officer. The transparency with which the development of this important change in the organisational structure of the Company was disclosed, generated a great impact in the media..



## MAIN INDICATORS

	2011	2012	2013	2014	2015
Press Releases	56	68	86	86	79
Press conferences and meetings	30	21	13	14	23
Interviews and statements	147	67	58	63	69

## THE MEDIA



**366**  
CONSULTATIONS  
DEALT WITH  
BY THE PRESS  
OFFICE

During  
2015

- The celebration of the 30th anniversary of the Company and the commemoration of the International Year of Light. These events, which had a great informative presence, were accompanied by the organisation of various events and communication activities, as well as the publishing of press releases and other information.

- The approval of the Electricity Infrastructure Planning 2015-2020, the disclosure of which acquired special relevance among regional media.

In 2015, Red Eléctrica's Press Office dealt with a total of 366 consultations coming from the media.



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# 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, enhance knowledge and awareness of its activities and facilitates direct contact with its stakeholders. The website was recognised in 2015, for the second year running, as the sixth best website of companies in the IBEX 35, according to the International Webranking of Comprend consulting. Noteworthy in 2015 is the commitment of the Company to publish statistical information regarding the Spanish electricity system.

In addition to publishing a new daily balance report of net production with a different generation mix structure, a section has been set up where monthly, national and by Autonomous Community statistics data are published and which are available for download in different formats.

Another firm backing for informative content were the audio-visual products (videos, interactive apps, infographics, etc.) developed to communicate, among other things, the importance of international interconnections. In order to enhance this content a specific section

'Videos' was created, as well as a new section 'ExpoREE' to disseminate the informative content.

In addition, the website has been revised to bring together all the requirements of the National Securities Commission (CNMV) regarding information for shareholders and investors and corporate governance. In 2015, the number of downloads of different documentation published on the website totalled nearly, 2,700,000. The corporate website had 2,428,000 visits and 127 million page views.

For the second year running, **Red Eléctrica's corporate website has been recognised** as the sixth best website of companies in the IBEX 35, according to Webranking.

## CORPORATE WEBSITE



DURING 2015 THE WEBSITE HAD

**2.4**  
MILLION VISITS

**[127]**

Million page views



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS

01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS

10. THE ENVIRONMENT

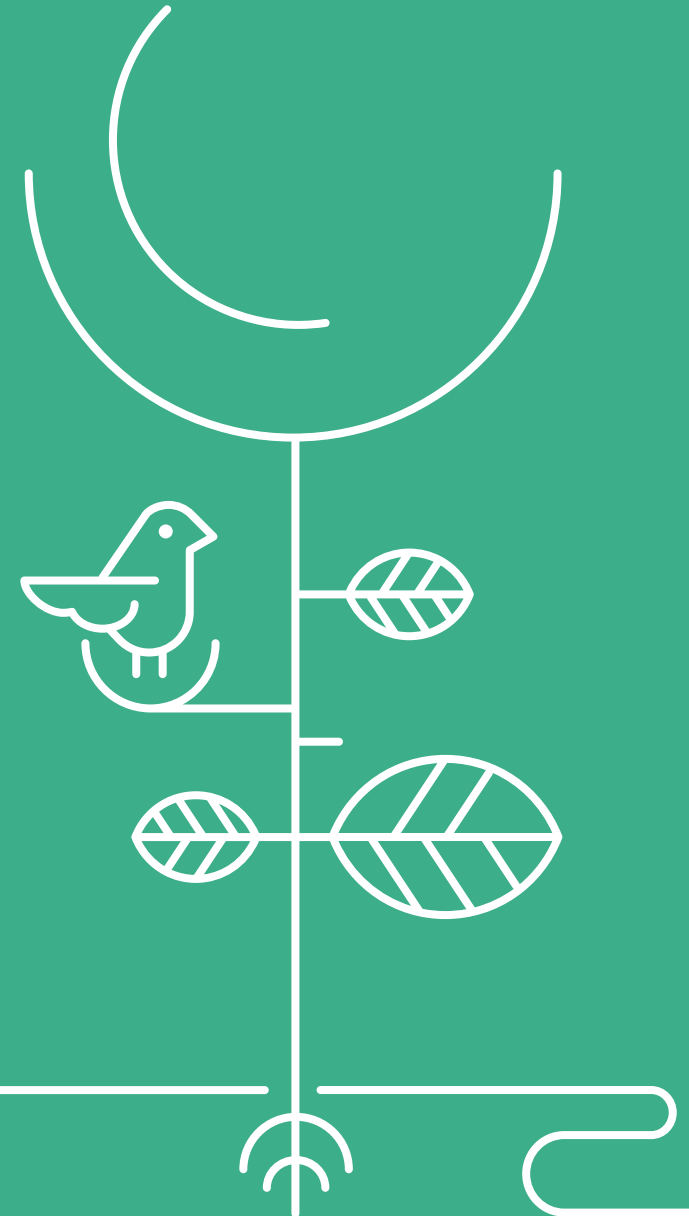


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# ENVIRONMENT

## 10

Connected to the natural environment, biodiversity and the fight against climate change





CORNERSTONES OF OUR ENVIRONMENTAL COMMITMENT

**Maximum respect and protection of the natural environment**



**INTEGRATION INTO THE ENVIRONMENT**

We make our facilities compatible with the environment, through dialogue with stakeholders and the implementation of preventive and corrective measures to minimise potential impacts on the environment.

**Environmental assessment of all projects**



**ENVIRONMENTAL MANAGEMENT**

Red Eléctrica undertakes all its activities following strict environmental criteria in accordance with the principles adopted in its environmental policy.

**ISO 14001 Certification and EMAS Register**

**ENVIRONMENTAL EXPENDITURE 2015**



**23**  
MILLION  
EUROS



**CLIMATE CHANGE**

Red Eléctrica contributes to the fight against climate change by providing solutions in the execution of its business activities, and through its commitment to the efficient use of energy.

**40% of demand covered using renewable energy [average over the last three years]**



**BIODIVERSITY**

Biodiversity conservation has always been an essential principle in our environmental policy and business strategy.

**'Mapping of bird flight paths', EFQM's best practices award-winning project**





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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# Our environmental commitment (G4-DMA)

**Red Eléctrica** undertakes all its activities taking into account environmental protection, in accordance with the principles set out in its environmental policy, among which are included the commitment to the prevention of pollution and the principle of caution. [\[G4-14\]](#)

The main environmental impacts of Red Eléctrica are those derived from the presence of facilities in the territory, therefore the Company works hard to make them compatible with the environment, considering their entire life cycle and paying particular attention to biodiversity conservation.

In addition, Red Eléctrica is committed to a sustainable energy

model, thus acquiring a specific commitment to climate change and energy efficiency.

## MANAGEMENT SYSTEM

**In order to** continuously improve its environmental performance and processes, Red Eléctrica has an environmental management system certified in accordance with **ISO 14001** and which has been registered, since October 2001, under the Community Eco-management and Audit Scheme **[EMAS]**. An environmental programme is defined annually

## FULFILMENT OF THE ENVIRONMENTAL PROGRAMME



that sets out the various objectives derived from the strategies of the Company and that establishes the specific actions required for its fulfilment.

## ORGANISATIONAL STRUCTURE

**Red Eléctrica's** commitment to the environment, stems from senior management, who establish the environmental policy and implement the measures for compliance with environmental requirements, with the Chairman being the persons who assumes the maximum environmental responsibility.

The involvement of all organisational units and the commitment of the entire workforce are fundamental in environmental management. To provide technical support, there is a specific environment department which has 35 experts located at the head offices and in the territories where the facilities are located.

## ENVIRONMENTAL MANAGEMENT SYSTEM



**REGISTERED**  
SINCE 2001

*In the Community Eco-management and Audit Scheme (EMAS)*



## ALL ACTIVITIES

of Red Eléctrica are carried out following strict environmental criteria in accordance with the principles undertaken in its environmental policy.





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## ENVIRONMENTAL EXPENDITURE

Red Eléctrica allocates important financial resources for environmental protection. In 2015, a total of 22.7 million euros was earmarked for environmental management. Of this, 3.9 million corresponded to activities associated with the implementation of new projects [investment]: environmental impact studies, preventive and corrective measures, works supervision and environmental improvement measures. The remaining 18.8 million was allocated to environmental improvements associated with facilities in service, biodiversity protection and conservation projects, activities related to climate change and energy efficiency, communication, training, R&D+i projects and other expenses.

### ENVIRONMENTAL EXPENDITURE



## SUPPLY CHAIN [G4-DMA, G4-EN33]

The environmental requirements regarding training and specifications for the execution of work, form part of the contractual documentation for those services where it has been identified as necessary. In the case of the activities with the greatest potential impact, such as construction, renovation of facilities and some maintenance activities, a part of the cost of the work is dependent on the result of the environmental certification of the work, which involves extensive monitoring of the established environmental requirements.

In addition, Red Eléctrica demands having an environmental management system documented or certified by a third party for those suppliers with greater environmental impact [service providers that can generate direct impacts on the environment and equipment suppliers whose production is intensive in the use of resources].

During 2015, work continued on improving the identification of environmental impacts associated with each of the contracted services and the definition of specific

## ENVIRONMENTAL PROTECTION



23  
MILLION  
EUROS  
EXPENDITURE  
In 2015

requirements that providers will be required to comply with depending on the type and relevance of said impacts [potential and real]. During 2016, these requirements will be included in the supplier qualification process.

In addition, the Company has begun to assess the environmental performance of suppliers and whose result is taken into account in its overall assessment, but which may also be grounds for their disqualification.

Moreover, since 2011 Red Eléctrica has worked on calculating the water and carbon footprint of all its suppliers.

During 2015, the **identification of the environmental impacts of contracted services** was improved, establishing the specific requirements that suppliers will be required to fulfil according to said impacts.

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## Integration of facilities into the environment [G4-DMA]

**Red eléctrica** conducts a detailed study of the territory, and works in coordination with the public administration and key stakeholders in the definition of the siting (location) of substations and the routes the electricity lines will follow, as their adequate siting is crucial to reduce and even avoid undesired impacts on the environment and on the local communities.

In addition, Red Eléctrica establishes appropriate preventive and corrective measures before undertaking the various tasks (whether it be the construction of new facilities or the modification of existing facilities) to minimise, to the highest degree possible, the potential impacts that its activities may have on the territory.

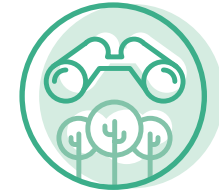
The best tool to carry out this process is the Environmental Impact Assessment procedure, which by law the majority of Red Eléctrica's

projects are submitted to. However, when the law does not require a regulated procedure, the Company conducts an assessment of an environmental nature and establishes a voluntary communication with the competent authorities. In addition, environmental monitoring programmes ensure the implementation of measures agreed, the evaluation of their effectiveness and the definition of new measures if necessary.

The presence of  
**electricity infrastructure**  
in no case represent a  
significant alteration in  
the way of life of the  
communities affected.



### ENVIRONMENTAL MONITORING PROGRAMME



### PREVENTIVE AND CORRECTIVE MEASURES

*Assessment  
of their  
effectiveness*



#### IN 2015

a project was launched for the **environmental risk assessment and identification of environmental liabilities regarding substation facilities**, with the aim of drafting a facilities risk map that enables the implementation of preventive resources to be prioritised.

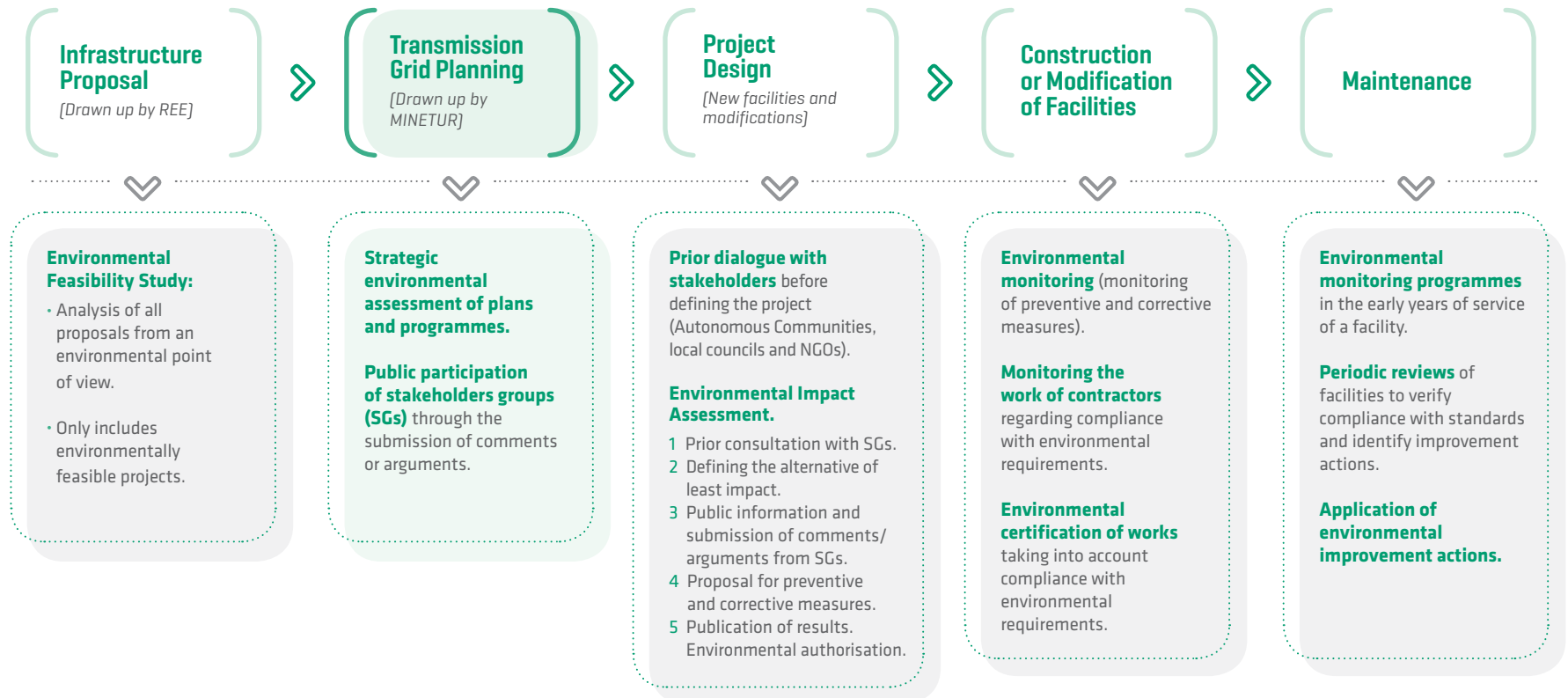
As a complement to this, Red Eléctrica conducts periodic reviews of its in-service facilities, to verify compliance with environmental standards and identify possible improvement actions. In this regard,

in 2015, a specific project was launched called the **Environmental Risk Assessment and identification of environmental liabilities regarding substation facilities** project, which aims to develop a homogeneous map of risks of the facilities that allows

the implementation of preventive resources to be prioritised. Among the aspects valued, in addition to the potential risk of having an impact on the soil and water associated with the various elements of substations, is the taking into account of

the risks linked to traditional activities in the area and which are adjacent to the facilities, as well as the environmental value of the environment and its vulnerability.

### DEVELOPMENT AND IMPLEMENTATION PHASES OF TRANSMISSION GRID INFRASTRUCTURE [G4-S01]





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## FACILITIES AND BIODIVERSITY

One of the relevant aspects regarding the integration of facilities into the environment is related to biodiversity. Hence Red Eléctrica, in addition to minimising the impacts derived from its actions, has undertaken a special commitment to biodiversity 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 IMPACTS ON THE SOCIO-ECONOMIC ENVIRONMENT [G4-S02]

The presence of electricity infrastructure in no case represents a significant alteration in the way of life of the communities affected. In the case of electricity substations, these produce a total and irreversible occupation of land as it is not possible to make their presence compatible with other land uses, and the construction of a line, the land use is limited to the feet of the towers and the newly created accesses to the infrastructure. The land surface with overhead electricity

### ELECTRICAL LINES



COMPATIBLE  
WITH  
FARMING  
ACTIVITIES  
CROPS  
AGRICULTURE  
MOVEMENT OF  
MACHINERY



### RED ELÉCTRICA

implements preventive and corrective measures to minimise the effects on the lands where facilities are located. These measures include the definition of the design of the towers and techniques that minimise the impact on crops or land restoration.

Red Eléctrica has defined, in accordance with the criteria of the European Landscape Convention, 13 designs of buildings depending on the environment in which the facility is located.

lines is subject to a right of way easement during the useful life of the infrastructure. Farming and agricultural 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.

The social aspects are integrated into the environmental impact study carried out in the design phase of the facilities and the main conditioning factors to consider are:

- Use of land not compatible with the facilities.
- Tourist, cultural and landscape resources.
- Areas of high agricultural yields and agroforestry.

In addition to carefully defining the locations, preventive and corrective measures that 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.

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Among the preventive and improvement measures undertaken in 2015, noteworthy is the completion of the hoisting and hanging work by helicopter of the 400 kV Boimente-Pesoz line, the stoppage of work on the Majorca-Ibiza interconnection between April and October to avoid impacts on the fishing and tourism industries, the recovery of 24 km of forest trails between the towns of Gueñes and Galdames and the opening of a new forest trail to join two valleys in the municipality of Alcorisa.

In regard to substations worth noting was the work carried out by Red Eléctrica to reduce noise levels produced by different elements that may cause inconvenience to neighbouring properties. In this line of work and to improve understanding of the nature of the noise generated, the **ACURED R&D+i project** was launched. Increased knowledge will allow the assessment of different technical solutions to reduce noise and promote its application in existing and future facilities.

## LANDSCAPE INTEGRATION OF THE INFRASTRUCTURES

One of the main challenges of integrating electricity transmission facilities into the environment is its landscape integration. Red Eléctrica works to improve assessment tools regarding the visual impact of facilities and thus define the best options for the route to be taken, the distribution and height of the towers. In this regard, the Company develops various projects that aim to advance regarding the knowledge and visual impact assessment that will enable improvements to be made in the decision making process:

- **Landscape assessment system for Red Eléctrica facilities.** Using georeferenced information of the various elements related to the landscape as a starting point (points of interest, observation points, viewsheds etc.), its goal is to identify sensitive sections in the transmission grid. In 2015, a pilot project was carried out for the province of Leon and its application to the entire transmission grid is foreseen (100% of the facilities) by the end of 2018.

## LANDSCAPE SYSTEM EVALUATION



## IDENTIFICATION OF THE SENSITIVE SECTIONS IN THE TRANSMISSION GRID

*Will be applied  
to 100%  
of facilities*

*2015-2018*

- **Analysis methodology of electricity line visibility.** This is a cutting-edge analysis model, that takes into account aspects that had not been considered so far in the drafting of visibility maps: the shielding of vegetation, height of the observer, part of the tower seen and distances at which the tower is seen. The analysis can be performed automatically through the use of geographic information tools (GEORED corporate system).

## Main landscape integration measures

- Restoration of areas affected by construction or maintenance work: addition of topsoil, adaptation of slopes and work sites and the undertaking of sowing and planting activities.
- Creation of plant barriers and gardens in substations. In 2015, these actions were carried out in four substations.
- Landscape integration of substation buildings. According to the criteria of the European Landscape Convention, Red Eléctrica has defined, thirteen different designs of substation building depending on the environment in which the facility is located.



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## PROTECTION OF ARCHAEOLOGICAL AND ETHNOLOGICAL HERITAGE

The protection of archaeological and ethnological heritage is an important factor in the design and construction of facilities. In 2014, work began on the 'Arqueored project', which aims to provide digital mapping of catalogued heritage for its consultation prior to the planning of works. In this way, potential impacts can be avoided and the necessary measures, where appropriate, can be provided in advance. Red Eléctrica has information from eight autonomous communities, having completed 50% of the work, and whose cataloguing is foreseen



**ARQUEORED PROJECT**  
Digital mapping of archaeological heritage



Currently with data from  
**8** AUTONOMOUS COMMUNITIES

to be completed in 2016. The project is progressing successfully through close cooperation with the competent authorities. Additionally, through this collaboration, other areas of joint work on the protection of cultural heritage are being identified.

Moreover, before carrying out any earthworks, an archaeological survey is conducted whose intensity and scope are based on the likelihood of material of interest being present in the area. According to the results, the need for the continued presence of an archaeologist during the works is determined. In 2015, archaeological supervision was carried out on the construction of 22 lines and 4 substations with the permanent

## Projects for the conservation of cultural heritage 2015

**Excavation of the archaeological site of Peña Helada 1.** Excavation of an area of 100 m<sup>2</sup>. The element concerned is a mountain forge with a copper age metallurgy workshop for the production of iron using pre-hydraulic methods, located in the mountains of the municipality of Galdames (Vizcaya). This item is catalogued in the General Inventory of Heritage of the Basque Government and seemed to be in good condition. The works were performed under the direction of a team of archaeologists from the Mining museum in the Basque Country and with the knowledge of the Provincial Council of Biscay, owner of the property.

**Archaeological assessment of the Eskatzabel I megalithic monument.** Assessment of the monument excavated in 1963, which falls between the fifth and fourth millennium BC. After the assessment of its conservation status, the excavation trench was reintegrated, and protection and enhancement measures were applied.

**Restoration of the fountains of El Escobal, Los Llanos and El Suto in the neighbourhood of Riaño, Solórzano.** The fountains, historically used by the residents of the area, were covered with vegetation. Work began on their cleaning, improving elements of the works, adapting roads, fencing and the placement of informative signage. Prior to the works, toad and salamander tadpoles were collected for their later release.

## HERITAGE CONSERVATION



**PEÑA HELADA 1**  
ARCHAEOLOGICAL SITE

Excavation of an area of 100 m<sup>2</sup>



### ARCHAEOLOGICAL SURVEY

Conducted before starting any construction work for facilities. In 2015, this was applied in the case of 22 lines and 4 substations, with the permanent presence of an archaeologist in 64% of the lines and in all of the substations.



In the 'Map of projects' subsection of the 'Sustainability' section of the corporate website.



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presence of an archaeologist in 64% of lines and substations. In addition, to preventing impacts on the heritage associated with their works, Red Eléctrica actively collaborates with the public administration on the conservation of cultural heritage.

### ELECTRIC AND MAGNETIC FIELDS [G4-DMA, G4-PR1]

**Thanks to the criteria** 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: exposure limit values for the general public in sites where they may remain for a period of 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.

### EMF LEVELS 2015



ARE KEPT BELOW EUROPEAN RECOMMENDATIONS

*Compliance is verified through the use of a specific measurement tool*



**EMFS**  
Red Eléctrica remains abreast of all the new developments in this area, participates in various working groups and actively supports scientific research projects on this topic.

## Red Eléctrica is developing a plan for the measurement of electric and magnetic fields, which will end in 2016, specific to facilities in island systems.

- Increasing the height of towers, thus increasing the safety distances.
- Establishing the minimum distance of electricity lines from population centres and isolated houses.

In order to verify compliance with the recommendation, Red Eléctrica has a tool that, as of certain parameters of the lines, accurately calculates maximum EMF levels that said facilities can generate. This action is carried out when requested by interested parties. In 2015, this has been applied to 4 lines. In the event of not having these parameters, in situ measurements are necessary.

This is the case of some facilities acquired by the Company in 2010 in the island systems, for which an **action plan** was established that started in 2015 and will end in 2016.

The main parameters influencing the field values that an electricity line can generate are the intensity [magnetic field] and the voltage [electric field] in addition to the distance that the receiver is from





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the same and other factors that have an influence, although which are not as decisive.

In the definition of the plan, measurements were deemed appropriate for each type of line configuration (defined by their voltage characteristics, geometry and number of circuits) in places with nearby buildings. In this way, this has resulted in a total of 19 measuring points in the Balearic Islands and 25 in the Canary Islands, with 30% having already been completed, all values are consistent with the recommendation.

Therefore, at this time it can be considered that Red Eléctrica has evaluated and validated compliance

During 2015, there were **no incidents recorded resulting from non-compliance with the regulation** regarding electric and magnetic fields in Red Eléctrica facilities.

with the regulation for 97% of its facilities. [\[G4-PR1\]](#)

Red Eléctrica, on an exceptional basis, performs some measurements at the request of interested parties. In 2015, measurements were taken in four lines, with results being below those values recommended by the European Union in all cases. During 2015, there was no incident resulting from non-compliance with the regulation in this area [\[G4-PR2\]](#)

Moreover, Red Eléctrica considers it of utmost importance to remain abreast of all news generated

## COMPLIANCE WITH LEGISLATION



97%

OF THE FACILITIES VALIDATED

Regarding EMF levels

on the topic, as well as to participate in various working groups and actively support research projects in this matter. Therefore, the Company has signed up to an international information service (ELF Gateway, which reports almost daily via email to its customers all the news appearing in the world) and maintains contact with different organisations and associations.

In order to reflect the advances in the scientific community and the recent declarations of international organisations, Red Eléctrica has worked with UNESA in updating the publication 'Electric and magnetic fields of 50 HZ. Analysis of the current state of knowledge'.



In the 'Environment' subsection of the 'Sustainability' section of the corporate website.

# Biodiversity (G4-DMA)

**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 that covers all the Company's activities.

Red Eléctrica is part of the Spanish Business and Biodiversity Initiative (IEBB) promoted by the Ministry of Agriculture, Food and Environment.

## CORNERSONES OF THE BIODIVERSITY STRATEGY



**Integrate conservation** and the sustainable use of biodiversity in the development of the transmission grid.

**Establish mechanisms** to ensure the protection and conservation of environmental values in the activities carried out by the Company, especially in sensitive natural environments.

**Contribute and promote the development** of applied research projects aimed at blending the transmission grid into the environment.

**Promote a communication and collaboration framework** with stakeholders, increasing the visibility of the Company's commitment to biodiversity conservation.

## RECOGNISED PROJECTS



### Good Practice Competition (EFQM).

The 'Mapping of bird flight paths' project has been recognised as a highly distinguished project in the good practices competition of the EFQM (European Foundation for Quality Management).

### Good Practice of the Year Award

(Renewables Grid Initiative). The 'Mapping of bird flight paths' project recognised by the jury among the best cases in 2015 in the category of environmental protection.



In the 'Environment' subsection of the 'Sustainability' section of the corporate website.



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## Biodiversity challenges

### MAKE FACILITIES COMPATIBLE WITH BIRDLIFE

• **Project 'Mapping of bird flight paths':** identify areas of sensitivity, obtain risk maps, design a plan for the marking of electricity lines with bird-saving devices.

*Progress:* identification of areas of sensitivity in 15 autonomous communities (ACs); risk maps for 7 ACs and marking plans for 2 ACs.

*Objective 2020:* risk map and marking plan for all ACs.

• **Monitoring the interaction between lines and birds:** analysis of accident rates and assessing the effectiveness of different models of bird-saving devices.

### IMPROVE KNOWLEDGE OF PROTECTED NATURAL AREAS AND SPECIES OF INTERESTS

• **HÁBITAT Project (2015-2017).**

*Progress:* obtaining of mapping for 5 ACs.

*Objective 2017:* mapping of all ACs.

### COLLABORATE WITH AUTONOMOUS COMMUNITIES AND OTHER INTERESTED PARTIES ON MATTERS REGARDING BIODIVERSITY

• **Biodiversity protection framework agreements** and specific agreements and projects associated with specific activities.

*Progress:* 10 agreements with ACs.

*Objective 2020:* agreements with all ACs.

• **Signing of agreements for the prevention of forest fires.**

*Progress:* 11 new agreements signed.

*Objective 2020:* signed agreements for the whole of the national territory.

• **Agreements for the reforestation of degraded areas (REE Forest).**

*Progress (2009-2015):* 11 agreements signed.

*Objective 2020:* one forest a year.

### PROMOTE COMMUNICATION FROM RED ELÉCTRICA REGARDING ITS STANCE ON BIODIVERSITY

• **Participation in forums, development of informative material and the involvement of suppliers.**

The 'REE Forest' is a reforestation project for degraded areas with 11 agreements signed until 2015 and the target of one forest a year until 2020.



## HÁBITAT PROJECT



*Improve knowledge regarding the interaction of the*

FACILITIES IN NATURAL HABITATS OF

COMMUNITY INTEREST

2015-2017



### RECOGNITION

Granting of the maximum score in the Dow Jones Sustainability Index (DJSI) under the biodiversity criteria.



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## ELECTRICITY INFRASTRUCTURE AND BIODIVERSITY

Red Eléctrica's facilities are distributed nationwide, as the aim of the electricity transmission grid is to connect the points of energy generation with those of consumption. Avoiding areas rich in biodiversity is a priority criteria taken into account in the grid planning phase as well as in the definition of each project. However, considering that 25% of the area of Spain has some form of environmental protection, it is inevitable that in some cases infrastructures cross, or are located in protected areas or areas with species of interest.

On these occasions, Red Eléctrica implements all preventive and

corrective measures required to minimise the possible impacts on habitats and species (impacts associated with construction work and the modification of facilities, impacts on birdlife as a result of collisions and fire hazards) complementing this with environmental improvement actions to enhance biodiversity in those areas where its facilities are located.

### PROTECTION OF HABITATS AND SPECIES DURING WORKS

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

### Hábitat Project (2015-2017)

This project seeks to discover in detail the natural values in the area of influence of the facilities of Red Eléctrica and its conservation status. The ultimate goal is to monitor the interaction of electricity transmission lines and natural habitats of Community interest, information that can be used for the decision-making process regarding operation and maintenance.

To achieve the objective a digital coverage map with all the information is being developed, that is obtained working in collaboration with the different autonomous communities and experts in the field.

In 2015, mapping was obtained of priority habitats located in the area of influence of the facilities for five autonomous communities.

### RED ELÉCTRICA'S CURRENT FACILITIES



OCCUPY JUST  
**0.08**  
%  
OF RED NATURA SPAIN



**OF ALL** infrastructure existing in 2015, only 15% of the lines and 6% of substations are located in protected areas (Red Natura).

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. [\[G4-EN12\]](#)

Among the preventive and corrective measures applied, noteworthy are the following:

- Detailed field studies on specific issues, such as impact reports for Red Natura and surveys to identify the presence of protected flora and fauna.
- Introduction of some modifications in the design of facilities to minimise their effect on flora: compacting or increasing the height of towers, the relocation of towers, modification to access roads etc.
- Construction of decanting pools and filters to prevent contamination of waterways.





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KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



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06. CREATION OF VALUE



07. EMPLOYEES



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- Signage and protection of habitats and species of ecological value to avoid them being damaged in the course of the work.

- Use of specific techniques that minimise the need to open access roads, towers and material storage: hoisting with a boom crane or hanging of line by hand, carrying out work with a helicopter or drone.

- Transfer of species affected by the work to other areas.

- Biological stoppages in 100% of the works during breeding or nesting periods to reduce impacts on the fauna concerned.

- Recovery of affected areas: restoration of slopes, sowing of seed and the planting of trees.

- Accompanying measures and the development of specific projects to improve biodiversity in affected areas.

In addition, Red Eléctrica continues to work with CESIC-IMEDEA on the **R&D+i project 'experimental technique for recovering Posidonia oceanica sea meadows'**, which aims

to develop a technique that allows the planting of seeds or fragments of Posidonia and therefore restore areas affected by submarine electricity cables.

In 2015, great strides were made on the project, with the collection of seeds and the planting of fragments and seeds in Ibiza and Majorca.

### Specific measures for the protection of habitats and species 2015

- Use of helicopter for the concreting works of 6 towers, the hoisting of 5 towers and the hanging of the 400 kV Boimente-Pesoz line.

- Use of a drone for the hanging of two spans of the 220 kV Solórzano-Cicero line.

- Biological stoppages on 12 lines of varying lengths (periods between 16 and 30 weeks) to avoid impacts on different species, among which are: Egyptian vulture, Golden eagle, Bonelli's eagle, Dupont's lark, black stork, Houbara bustard, Western capercaillie and European mink.

- Transplanting of several specimens of oaks, Holm oaks, wild olive and common dogwood and carob, which were in areas affected by the works.

- Construction of a special building for Kestrels to nest safely in the municipality of Ayora, and the planting of trees.

- Collection of seeds and the planting of fragments and seeds in Ibiza and Majorca under the project 'Experimental technique or the recovery of Posidonia oceanica meadows'.

### MARKING OF LINES



189 km

LINE MARKED WITH BIRD-SAVING SPIRALS

During 2015



### RECOVERY OF POSIDONIA OCEANICA:

Red Eléctrica works on this project jointly with CESIC-IMEDEA with the aim of developing a technique for the planting of posidonia seeds in areas affected by submarine electricity cables.

## Example of preventive and corrective measures associated with the Majorca-Ibiza interconnection project

### SPECIFIC MEASURES DURING THE LAYING OF THE SUBMARINE CABLE TO AVOID THE IMPACTS ON POSIDONIA SEAGRASS MEADOWS (PRIORITY HABITAT 1120)

- Directional drilling of more than 700 metres to avoid the opening up of trenches in the area close to the shore.
- Suctioning and storage of excess material into biodegradable containers at the opening of the trench to prevent water turbidity. Use of the suctioned material for stabilising the trench which is carried out manually by a diver.

### IMPLEMENTATION OF MEASURES TO AVOID IMPACTS ON THE BEACH

- Definition and marking out of access and work areas.
- Removing of sand and its protection to prevent loss.
- Protection of work area by the laying geotextile material which will be removed along with the work material.
- Replacement of the sand.

### MEASURES TO PREVENT OF IMPACTS ON FAUNA

- Definition of a protocol to follow in the case a whale is sighted. Boat crew training.
- Prior work inspection to ensure that there is no presence of Spur-thighed tortoise (*Testudo graeca*) and European green toad (*Bufo viridis Balearic*). The Species Protection Service of the Regional Ministry of the Environment will be advised in this case.
- Fenced off work area to prevent the entry of the Spur-thighed tortoise.
- Protection of natural ponds so as to not affect the European green toad.

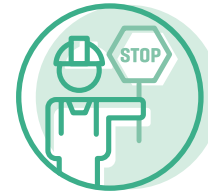
### MEASURES TO PROTECT FLORA

- Transplantation of carob affected by the work, using all measures necessary to ensure their survival, including irrigation measures for 12 months.
- Conducting an inventory of *Limonium magallufianum* sea lavender located in silt-marga land. If this species is found at some point, the Species Protection Service of the Regional Ministry of the Environment is advised.

### WORK STOPPAGES FROM 15 MARCH TO 15 OCTOBER

To minimise impacts on fauna, the fishing and tourism industries.

## MAJORCA-IBIZA INTERCONNECTION



15 MARCH-  
15 OCTOBER  
**STOPPAGE  
OF  
WORKS**

*To minimise  
impacts on fauna,  
the fishing and  
tourism industries*



### RISK MAPS

of birdlife collisions with the grounding cables. Risk maps have been drafted in 7 regions and marking plans have been defined for the Balearic Islands and the Canary Islands.

## MINIMISING THE RISK OF BIRD COLLISIONS

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. [G4-EN12]

The main measure to reduce that risk is marking the grounding cables with devices that increase their visibility. In 2015, 189 km of line was marked [174 km on the Spanish Peninsula and 15 km on the islands] and work has continued on the development of specific marking plans nationwide. To do this, the project 'Identification, characterisation and mapping of flight paths of birds that interact with high voltage transmission lines' was developed, for which the Company has received several awards since its launch in 2010.

Thanks to this project a tool has been launched based on the use of geographic information systems (GIS) that integrate data regarding bird flight paths.



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In a first phase, considering the information on the species most sensitive to collision, sensitivity maps have been drafted for the entire national territory. By introducing other environmental and territorial factors in the model, collision risk maps are also obtained, from which it is possible to prioritise corrective actions on existing lines and establish marking plans. Currently, risk maps have been completed for seven autonomous communities and the marking plan for the Balearic Islands and the Canary Islands has been designed and approved.

Other relevant projects relating to the protection of birds against collisions are:

- **Methodology and protocol** for the collection and analysis of data from bird collision accident rates with electricity transmission lines. In 2015, specific training

was given to contractors that monitor birdlife and this has been implemented in the monitoring of 13 lines, both during construction and maintenance. The analysis of the results obtained will assess the effectiveness of the measures employed to reduce birdlife collisions.

- **Analysis of the effectiveness** of blade-type rotating buoy bird-flight diverters in different bird communities (Steppe and aquatic).
- **Study of the quantification** of the impact of electricity lines on the eastern Canary Islands in collaboration with the Museum of Natural Sciences (CSIC) and GREFA (2015-2016).
- **Collaboration with SEO Birdlife** on developing the 3<sup>rd</sup> Atlas of birds in breeding season in Spain (2014-2017). The information obtained will allow the data relevant to the identification, characterisation and mapping of routes and flight paths to be updated.

## BIRDLIFE ACCIDENTS WITH

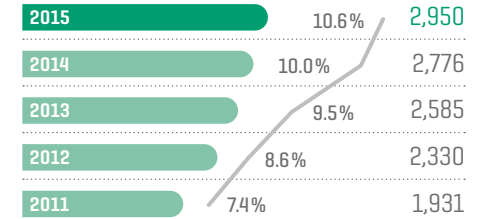


PROTOCOL AND ANALYSIS OF DATA IN

# 13 LINES

*Evaluation and implementation of measures to reduce birdlife collisions*

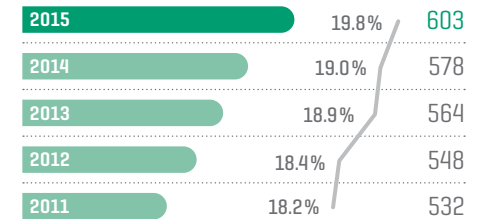
## MARKING OF LINES WITH BIRD-SAVING DEVICES <sup>(1)</sup>



● km — % over total lines

(1) Sum of all peninsular information at the end of the year.

## MARKING OF LINES IN SPAs WITH BIRD-SAVING DEVICES <sup>(1)</sup>



● km — % over total lines in SPAs

(1) Sum of all peninsular information at the end of the year.

Note: currently it is calculated identifying SPAs as risk areas although they do not always coincide (there are SPAs that protect species not susceptible to collision, and there are areas that are not classified as SPAs where there are susceptible species).

## FIRE PREVENTION

In order to minimise the risk of fire associated with the presence of transmission lines strict compliance with the safety distances between flora and facilities is critical. Red Eléctrica ensures this compliance through the proper design of the safety corridors and the actions of predictive and preventive maintenance, such as the annual inspection of all facilities and conducting periodic forestry work.

The Company applies best practices in the design and maintenance of safety corridors, respecting shrubs and small size/slow growing tree species, minimising the actions on protected species, revegetating degraded areas and not using chemical treatment methods.



### FIGHT AGAINST FOREST FIRES

Currently, 11 agreements have been signed with various regional public administrations; with an associated budget, every 5 years, of 1.1 million euros.

# In 2015, Red Eléctrica collaborated on projects related to biodiversity and the conservation of flora and fauna in ten autonomous communities.

In 2016, Red Eléctrica will work on the **Vegeta Project**, which aims to optimise the treatment cycles of vegetation so that maintenance work on the safety corridors is more efficient, always ensuring automatic compliance with all environmental conditions.

Also, noteworthy is the active and continuous cooperation of Red Eléctrica with public administrations involved in forestry management.

## Collaboration agreements for the prevention and fighting of forest fires

Red Eléctrica aims to sign agreements with different competent administrations in forestry management. In these, issues are reflected related to the management of safety corridors where electricity lines run through and additionally it sets out other commitments related to firefighting.

Currently there are 11 agreements in force, with a budget of 1,100,000 euros associated every five years.

Within the framework of these agreements various actions were carried out in 2015:

- Creating firebreaks (Balearic Islands).
- Construction of a mobile management logistics station (Tenerife).
- Material for forestry pruning and felling works (Extremadura).
- Tests of new solutions for the prevention and fighting of forest fires, such as a biomass control system through controlled grazing (Valencia).
- Training and awareness programmes, such as working on forest fires in Andalusia, technical seminars on firefighting safety in Castilla La Mancha, firefighting training programmes in Navarra, awareness and dissemination campaigns (Tenerife and La Palma), travelling exhibition on fire prevention (Valencia) and the printing of the manual for safety standards in the execution of work on forest land (Valencia).



In the 'Environment' subsection of the 'Sustainability' section of the corporate website.





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KEY PERFORMANCE INDICATORS



01. THE COMPANY



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## 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. The Company aims to carry out conservation projects in all autonomous communities. In 2015, it collaborated on projects related to biodiversity in ten autonomous communities. Most of these projects are linked to birdlife conservation, although work is also being carried out on other flora and fauna.

In 2015, the **project for the reintroduction of the Black vulture** in Catalonia was completed, a project that has been underway since 2008.

Also relevant are the actions aimed at restoring degraded habitats among which noteworthy is: the 'REE Forest'.

### Conservation projects in connection with endangered species [G4-EN14]

- Monitoring and analysis of the factors driving the expansion of Egyptian vulture (*Neophron percnopterus*) in Catalonia. [1] [3]
- Programme for the reintroduction of the Black vulture (*Aegypius monachus*) in Catalonia. [2] [3]
- Platforms for the Osprey (*Pandion haliaetus*) in Andalusia. [3]
- Reintroduction of the Bonelli's eagle (*Hieraetus fasciatus*) in Majorca. [3]
- The actual impact of supplementary feeding on the spatial and reproductive ecology of the Bonelli's eagle in Valencia (*Hieraetus fasciatus*). [3]
- Conservation of the Lesser Shrike (*Lanius minor*) in Spain. [4]
- Monitoring, conservation and recovery of the population of the Spanish Imperial eagle (*Aquila adalberti*) in Doñana. [4] [5]

[1] Endangered species according to the IUCN Red List.  
 [2] Near threatened species according to the IUCN Red List.  
 [3] Vulnerable species according to the national catalogue of endangered species.  
 [4] Species in danger of extinction according to the national catalogue of endangered species.  
 [5] Vulnerable species according to the IUCN Red List.



## REE FOREST



1,442,489  
EUROS  
INVESTED

655  
ha  
OF SURFACE  
AREA RECOVERED



In the 'Map of projects' subsection of the 'Sustainability' section of the corporate website.



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## RED ELÉCTRICA FOREST

**Started in 2009** and of an ongoing nature, this project is twofold: to offset emissions from Red Eléctrica by planting trees and the recovery of degraded natural areas of public commonland, 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 raise awareness and involve the local population and Company employees.

### Relevant milestones in 2015

#### MAJORCA FOREST

Development of a training and awareness programme the 'REE Forest. Growing together' in which 683 students of first and second year of secondary school of the region of Llevant participated, and the celebrating of an awareness day for employees and their families to which 35 people attended.

#### ZAMORA FOREST (PUEBLA DE SANABRIA)

Completion of the restoration of 51 hectares in the Sierra de la Culebra (Site of Community Importance), with the planting of 102,128 pine trees (*Pinus sylvestris*). The 'I plant my land' programme was conducted which involved 153 primary school students of the region of Sanabria. Training workshops in schools and a forest plantation tour were held.

#### HELLÍN FOREST

Extraordinary replanting of grapevines (28,328 plants), additional to that included in the agreement.

#### TERUEL FOREST

Recovery 10 hectares of forest burned in Ejulve with the planting of 9,000 pine trees (*Pinus sylvestris*) and 1,000 Holm oaks (*Quercus ilex*).

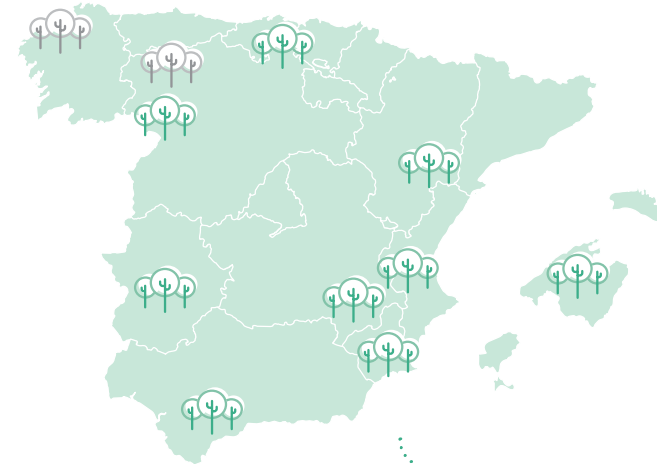
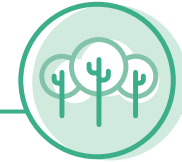
#### LA CARBALLEDA FOREST (ZAMORA)

New agreement with the regional government of Castilla y León for the recovery of 55 hectares of forest with pines and hardwoods.

#### TREMUZO FOREST (GALICIA)

New agreement with the Galician Government for the restoration of 40.9 hectares of forest with broadleaved species.

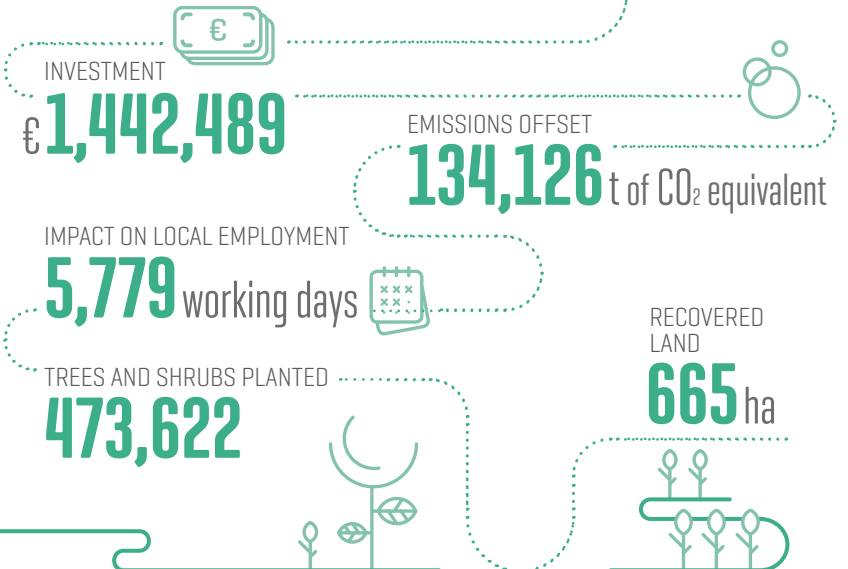
### THE RED ELÉCTRICA FOREST in figures (2009-2015)



Current REE Forests



Scheduled for 2016





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# Climate change [G4-DMA]

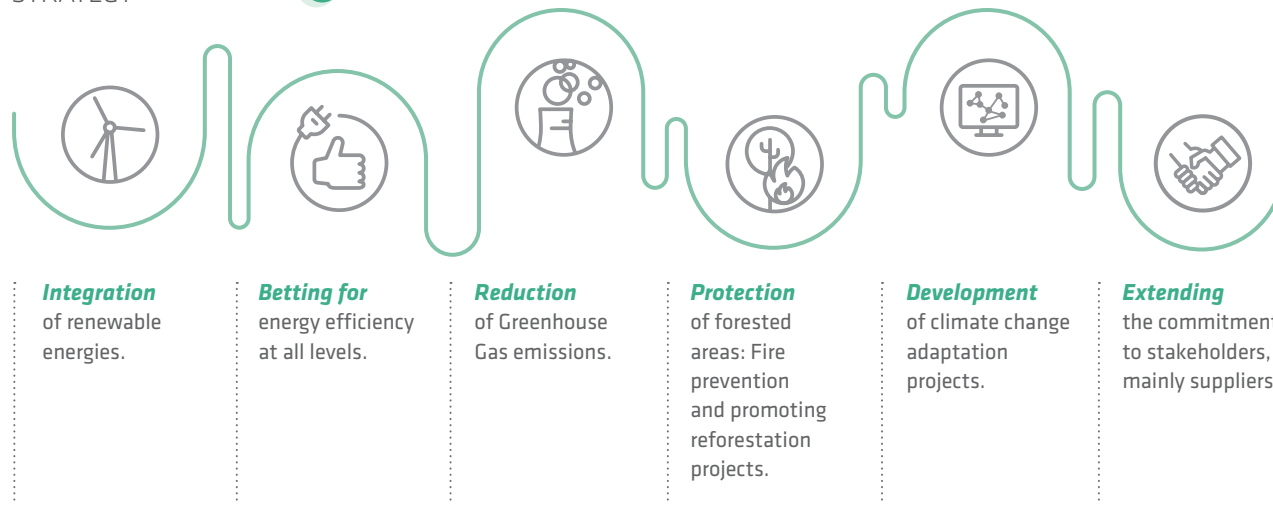
**Red Eléctrica**, as transmission agent and operator of the electricity system is a key player in the progress towards a more sustainable energy model: the development of transmission infrastructure and the implementation of solutions for system operation aimed at

integrating renewable energy represent major opportunities in sustainability and at the same time, are essential to the achievement of the European climate targets.

Therefore, although Red Eléctrica is not subject to regulations requiring reporting and the reduction (or possibly offsetting) of emissions

associated with their activities, 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.

## CORNERSTONES OF THE CLIMATE CHANGE STRATEGY



**Integration** of renewable energies.

**Betting for** energy efficiency at all levels.

**Reduction** of Greenhouse Gas emissions.

**Protection** of forested areas: Fire prevention and promoting reforestation projects.

**Development** of climate change adaptation projects.

**Extending** the commitment to stakeholders, mainly suppliers.

## BARCELONA DECLARATION



**Red Eléctrica**, as a member of the Spanish Green Growth Group, in May 2015 signed the Barcelona Declaration, which includes 10 recommendations to promote a strategy for the development of the green economy and establishes economic policies that make this possible.



### ACHIEVEMENT

obtained the maximum score of the Dow Jones Sustainability Index (DJSI) under the climate strategy criteria.



In the 'Energy and climate change' subsection of the 'Sustainability' section of the corporate website.



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## CLIMATE CHANGE ACTION PLAN

In May 2015, Red Eléctrica launched a new **Action Plan on climate change** which included the targets to achieve in this area and the measures to be undertaken to reach these targets are established. The plan is divided into four main lines of work:

### Contribution to a sustainable energy model

Includes actions related to the activity of Red Eléctrica as operator and transmission agent of the electricity grid, and is necessary for the achievement of the European 20-20-20 targets for the year 2020. In this regard, the **construction of facilities** is contemplated that contributes to reducing emissions from the electricity system as a whole, such as electricity interconnections and the transmission facilities necessary for the evacuation of renewable energy and the rail transport network.

Also included are all the projects to promote the maximum **integration of renewable energy**, such as optimising CECRE, improved tools for predicting renewable generation, the development of mechanisms for participation in system adjustment services and the integration of energy storage systems [Almacena Project].

Finally, referred to in this regard are all efforts to contribute to the efficiency of the electricity system, as are the different **demand-side management** measures and the development of research projects relating to **smart grids and electric mobility**.

Detailed information on these actions is described in the Sustainable Energy chapter of this report.

## INTEGRATION OF RENEWABLES



40%

OF THE ELECTRICITY DEMAND WAS COVERED BY RENEWABLES

on average over the last three years



In the 'Energy and climate change' subsection of the 'Sustainability' section of the corporate website.

## Reducing the carbon footprint

The Action Plan sets the **reduction or compensation of 21% of the company emissions** compared to 2010 as a general target for 2020, in addition to other partial objectives. The activities are grouped into four broad areas: improved calculation and knowledge of the carbon footprint, reduction of SF6 gas, greater efficiency in electricity consumption and reducing fuel consumption of fleet vehicles and the reduction of business trips. In this chapter we describe these aspects in more detail.

### Stakeholder involvement

Incorporates a set of initiatives aimed at involving stakeholders in the Company's commitment in the fight against climate change. A variety of communication actions have been developed and planned addressed towards the various stakeholders to promote energy efficiency. In addition, different ways of collaboration with the administration in this area and establishing a work programme aimed at extending the commitment to providers has been defined to combat climate change.





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## Adapting to climate change

Besides working on mitigation actions, Red Eléctrica is aware of the need to work in the field of adaptation to climate change. For this reason, it has identified and evaluated both the risks and opportunities arising from climate change and has begun to develop some actions derived from this analysis.

### Risks and opportunities of climate change (G4-EC2)

The risks of climate change of Red Eléctrica are integrated into the corporate risk map. On page 43 of this report an outline is provided regarding these risks and the main actions carried out by Red Eléctrica to manage them.

## Acknowledgements

In 2015, Red Eléctrica was included in the Climate Disclosure Leadership Index, after a score of 100 B, for its transparency in disclosing information related to climate change.



## PRICE PROJECT



DEPLOYMENT OF DEMAND-SIDE MANAGEMENT MEASURES IN **1,000 HOMES**

*In the Corredor del Henares*



### RED ELÉCTRICA EFICIENTE

Internal efficiency seal, created by Red Eléctrica, which identifies projects that promote the efficient use of natural resources.

As for opportunities, the fight to stop climate change implies a change in the energy model and the transmission model. Policies set at European level are clearly aimed at these purposes. The need to increase the share of renewable energy in the electricity system (connection of new facilities and the optimisation of their management), the improvements to be undertaken in order to increase the efficiency of the system, changes in mobility policies (boost to rail transport and development

of electric vehicles) represent a clear need for new investment in the transmission grid (new lines, interconnections) and therefore, a clear business opportunity for the Company.

## Red Eléctrica eficiente

As a key player in the electricity sector, Red Eléctrica considers efforts geared towards energy efficiency and savings as essential due to the enormous benefits in economic, social and environmental terms.

The Company works in this field both from the perspective of operator of the electricity system, promoting various measures to improve the efficiency of the system, as well as from the perspective of improving its own processes, with the aim of reducing its carbon footprint.

To make this interest visible among its employees and shareholders, the Company has created a seal of internal efficiency (**Red Eléctrica eficiente**), which identifies those projects that promote the efficient use of natural resources. Each year some of them are distinguished due to their contribution to the achievement of the various objectives on efficiency.

In the 3rd Edition of the Red Eléctrica eficiente Awards, three awards were given: Communication campaign 'Every gesture counts' for contractors working on the premises of Red Eléctrica, 'VILI Project', aimed at reducing the use of paper for the dissemination of information, and the 'PRICE project', which through the deployment of demand-side management measures in 1,000 households in the Corredor del Henares area of Madrid, develops the active participation of citizens in the management of the electricity system.



**RED ELÉCTRICA**  
eficiente



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## In 2015, a methodology for calculating emissions associated with the life cycle of overhead lines was developed that will identify the most carbon-intensive activities.

### EMISSIONS INVENTORY [G4-DMA]

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 processes. Since 2013, the inventory has been submitted to independent review in accordance with ISAE 3410.

One of the objectives of the Company is to know the **carbon footprint of its facilities throughout their life cycle**. In this regard, in 2015 a methodology was developed for calculating

emissions associated with an overhead line in which different aspects are taken into account, such as emissions associated with the use of raw materials and related to the construction, maintenance and decommissioning phases of the facility.

The application of this methodology will help identify those activities which are most carbon-intensive and prioritise areas in which we must work to reduce their impact on climate change.

### 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 nontoxic gas that allows a huge reduction in the distances to be maintained between the various elements of facilities which makes 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. To reduce these emissions, Red Eléctrica performs the following actions:

- Improvement of the procedures for the control and identification of leaks, an inventory and management of SF<sub>6</sub> gas. In this regard, Red Eléctrica has developed a procedure for controlling the decanting of gas which has improved the calculation of annual leakage of SF<sub>6</sub>, and provides results much lower than estimated based on rates of leakage values above theoretical results.

### EMISSIONS

#### 2020 TARGET



#### REDUCTION OF

# 21

%

*Of the emissions of the Company*



More information on the emissions inventory in the 'Energy and Climate Change' subsection of the 'Sustainability' section of the corporate website.



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In 2015, this new methodology obtained a leakage value of 1,388 kg of SF<sub>6</sub>, 0.37% of the total gas installed.

- Provision of the most efficient equipment for the detection of leaks, the handling and measurement of SF<sub>6</sub>.
- Training of those involved in the handling of the gas. Red Eléctrica has legally recognised two training centres with a classroom for lectures and a workshop for experiments in which 412 employees have been trained since 2013.

- Replacement of old equipment with equipment with lower leakage rates.
- R&D+i projects related to the improvement in the management of gas. Collaboration with EPRI (2015-2020) and the development of a leak repair methodology for SF<sub>6</sub> in GIS facilities starting in 2016.

Additionally, Red Eléctrica works in collaboration with the government and other entities in the search for solutions aimed at controlling and reducing these emissions.

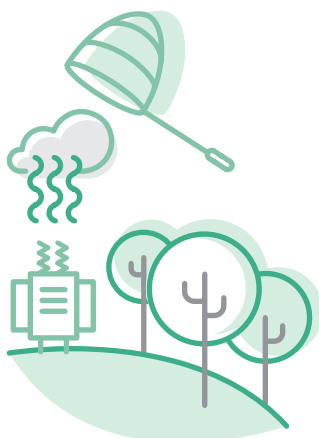
In **May 2015**, a new **voluntary agreement** was signed between the Ministry of Agriculture, Food and Environment, manufacturers and suppliers of electrical equipment using SF<sub>6</sub>, transportation companies and electricity distribution companies and waste managers for this gas and the equipment containing it, **for a comprehensive management of the use of SF<sub>6</sub> in the electricity industry which is more respectful to the environment.**

EVOLUTION OF SF<sub>6</sub> GAS INSTALLED IN **RED ELÉCTRICA**



2015	373,806
2014	324,696
2013	297,694

The growth in installed gas is due to the commissioning of new facilities and the replacement of old equipment with equipment insulated with SF<sub>6</sub>.



**Replacing old equipment with equipment with lower leakage rates**

- The theoretical average emission rate of equipment in 2015 was 1%, so it has met the target set for this year. In the last six years this rate has been reduced by 20.6%. Red Eléctrica has set a new target for 2020: reach an average theoretical leakage rate of 0.8%.
- The climate change Action Plan also includes the objective of avoiding 1,500 tons of CO<sub>2</sub> eq thanks to the replacement

of old equipment by equipment with a lower leakage rate. In 2015, an estimated total of 277.18 tonnes of CO<sub>2</sub> eq has managed to be avoided.

[\*] The calculation of the average emission rate of the equipment is done by assigning different emission rates to equipment installed depending on their age. It is a theoretical rate of leakage. The estimate of avoided emissions is accomplished by applying the same method.

**VOLUNTARY AGREEMENT 2015**



SIGNED WITH THE MINISTRY OF AGRICULTURE, FOOD AND ENVIRONMENT

**SF<sub>6</sub> MANAGEMENT**

*Respectful with the environment*



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



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The **sustainable mobility Plan**, aims to incorporate a new culture of mobility into the Company based on energy efficiency.

**EFFICIENCY**  
*in electricity consumption*

**MAIN ENERGY EFFICIENCY ACTIONS**



• **Improved energy management of existing buildings and application of efficiency criteria in the construction of new buildings.**

• **Energy Management System certified under the ISO 50001 standard for the buildings of the head office with a consumption reduction target for these facilities of 15% in the period 2010-2020.**



• **Reduction of electricity consumption associated with the use of IT equipment.**  
Renewal of equipment and systems and the application of efficient use policies, with a target of reducing electricity consumption associated with this equipment of 60% in the period 2012-2020.



• **Reduction of energy consumption associated to the Electricity Control Centres.**  
Target of a 15% reduction in its consumption for the period 2014-2020.



• **Reduction of electricity consumption in substations.**  
Selection of more efficient equipment and components and establishing efficient guidelines for use, with a special focus on ancillary services.



• **Awareness of employees and collaborators working in the facilities of the Company.**

**ELECTRICITY CONSUMPTION**

**SAVINGS**



**106,487**  
kWh

ESTIMATED ANNUAL SAVING

*Due to efficient lighting systems and the insulation of buildings*



**76,871 kWh**

Estimated annual savings by renewing IT equipment including equipment in control centres.

**SUSTAINABLE MOBILITY**

**Red Eléctrica** maintains a clear commitment to efficiency in mobility. In this regard, in 2014 it approved the **Sustainable Mobility Plan** with the aim of incorporating a new culture of mobility into the Company. Its implementation has been carried out mainly at the head offices, affecting a total of 850 employees and the measures adopted include the following:

- **Progressive incorporation of efficient vehicles** (mostly hybrids) in the catalogue of shared leasing vehicles available.
- **Reducing emissions associated with business travel:** implementation of a corporate fleet of electric vehicles to travel during the workday, prioritise the use of efficient taxis and improved communication tools (video conferencing platforms and remote accessibility).

- **Rationalisation in the use of private vehicles** in work commutes: improved Company bus service and shuttles to communicate offices with different points, inclusion of travel passes in the benefits-in-kind payments for employees and promoting the use of car sharing.

- **Promoting the use of efficient vehicles among employees:** implementation of a fleet of electric and hybrid vehicles for management, incentives to purchase efficient vehicles, addition of extra charging points for privately owned electric vehicles, preferred parking spaces etc.

The implementation of the Plan has been considered as a management objective of the Company for 2015. The measures planned for this period, with a budget of 1,258,874 euros, have been completed in full, representing a 100% fulfilment of the objective.

In addition, Red Eléctrica has been working for a few years on optimising the journeys made in

maintenance activities through two complementary actions. On the one hand, improving the energy rating of the vehicles used and on the other, optimising their management and use.

Proof of this is the '**Green Fleet Accreditation**' in its '**Master**' mode (the most demanding) received from **AEGFA** (Association of Fleet Managers) and **IDAE** (Institute for Energy Diversification and Saving) in 2015. This certification shows that the fleet of Red Eléctrica meets strict standards of environmental respect and sustainability, while taking into account other aspects such as fleet management, training of drivers, offsetting of emissions, optimising routes, maintenance of vehicles or corporate commitment.

In this regard, also noteworthy is the development of the **CARS project** (Safe Responsible and Agile Driving),

which has facilitated a reduction in fuel consumption through the use of efficient routes and responsible driving. This project has received **recognition from the Association of Fleet Managers (AEGFA) in the category of efficient fleet management.**

### 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: **Red Eléctrica Forest** described in the biodiversity section of this report.

### Mobility objectives 2020

- 30% reduction of emissions associated with the use of fleet vehicles (2010-2020).
- 200 t of CO<sub>2</sub> equivalent avoided annually in the transfer of employees to work centres as of 2020.
- 300 t of CO<sub>2</sub> equivalent avoided each year on business trips as of 2020.

### ENERGY RATINGS OF VEHICLES



**70.7% of fleet vehicles** (including shared leasing vehicles) have an energy rating of A or B, noteworthy being the increase of vehicles with an A rating, which has gone from 48% in 2013 to 57% in 2015.

**91.5% of management vehicles** are rated A, B or are electric.

### EVOLUTION OF EMISSIONS

#### FLEET VEHICLES



2015	989
2014	1,094
2013	1,275



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In 2015, works for the Puebla de Sanabria Forest (Zamora) was concluded, which completes the offsetting of emissions corresponding to 2014. It is estimated that the species planted under this project will offset 30,638 tonnes of CO<sub>2</sub> throughout their life, which added to the Majorca Forest, completed last year, represent an offsetting of 41% of the direct emissions of 2014.

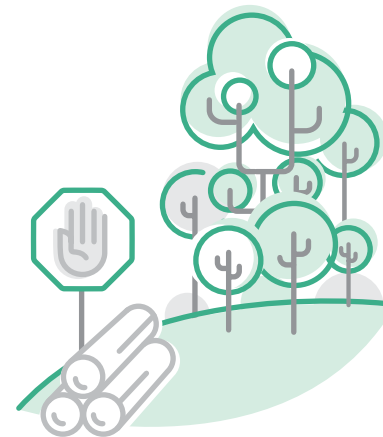
Also, the planting of pine and oak trees took place in Ejulve (Teruel) that would be equivalent to 3,000 tons of CO<sub>2</sub> being offset. Work has also started on the restoration of

50 hectares of forest with pine and hardwoods in the municipality of Espadañedo (Zamora), which will be completed in the first half of 2016 and will help meet the objective of offsetting emissions corresponding to 2015.

Moreover, for the third consecutive year the Company has offset a part of the emissions corresponding to employee commutes to their respective work centres, having purchased a total of **2,212 VCUs (Verified Carbon Unit)** under the standard VCS (Verified Carbon Standard), which correspond to the emissions generated by all those workers who answered the mobility survey 2015 (65.7% of

the workforce). This purchase has been offset by supporting a project against a deforestation project in the Amazon rainforest - Peru: **'Madre de Dios Amazon REDD Project'**, which contributes to the conservation of biodiversity in the area and the development of indigenous communities.

The 'Madre de Dios Amazon REDD Project', supported by Red Eléctrica in Peru, helps **prevent deforestation of the Amazon rainforest.**



OFFSETTING OF EMISSIONS



ANNUAL OBJECTIVE:

**20%**  
OF ITS EMISSIONS

*Main offsetting measure: the 'REE Forest'*



**CALASPARRA FOREST 2012,**

included within the framework of the 'Red Eléctrica Forest' project, in 2015 received a prize from the Region of Murcia for sustainable development: **Award for initiatives on Climate Change** in the 'effort for the generation and maintenance of carbon sinks'.



More about the Red Eléctrica Forest in the 'Map of projects' subsection of the 'Sustainability' section of the corporate website.



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# Effluents and Waste [G4-DMA]

The waste that Red Eléctrica generates is produced as a result of the following activities:

- Preventive or corrective maintenance tasks: inspections, 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 large amount of associated waste.

- Improvement of facilities: renewal of obsolete switchgear, improvement in accident prevention systems, among others.

Red Eléctrica has established processes that help minimise the quantity and hazardous nature of waste generated, such as the in-situ regeneration of power transformer oil for its reuse. This process has identified an opportunity to reduce

'water-oil mixture' waste and has launched an **R&D+i project** to develop a process which, by using a mobile treatment plant, allows the in-situ separation of water oils and greases, so that the amount of hazardous waste that is necessary to be transported and managed is minimised.

## Reverse logistics project 'Sustainable Stock'

In 2015, this pilot project was developed that involves the application of a reverse logistics model to manage inactive equipment or materials, obsolete or over-stocked, so that a full or partial recovery of its components can take place.

This project closely follows the principle of the 3Rs: Reduce, Reuse and Recycle.

The application of this methodology has been a clear improvement in the management of stored material that required it be categorised as redundant stock, with 89% of the material to be removed having been auctioned off as useful.

The development of the project in 2015 has led to an economic benefit of 55,623 euros, which when dealing with the management of materials as waste, has represented a net improvement for Red Eléctrica of 80.32%.

### SUSTAINABLE STOCK PROJECT



€  
**55,623**

OF ECONOMIC BENEFIT

**[80.32%]**

Of net REE's overall improvement



### HAZARDOUS WASTE REDUCTION

Red Eléctrica has launched an R&D+i project for the in-situ separation via a mobile treatment plant, for water, oils and greases, reducing the hazardous nature of the waste.



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However, and given the nature of the waste generating activities, it is very difficult to predict the evolution of the quantities generated and set quantitative reduction targets. Therefore, most of the efforts are aimed at finding better solutions for final management, promoting good practice through training and awareness and seeking the best options among our suppliers.

The waste generated in construction activities is managed by contractors. For all works there is a waste management plan which sets out the management to be carried out in each case, with the criteria of minimisation and reuse established as a priority (which is especially important for surplus excavation material). In addition, Red Eléctrica includes specific waste management requirements in the contractual documentation of works and reviews compliance through monitoring visits to works and via documentation control.

## PREVENTION OF THE CONTAMINATION



### OF SOIL AND GROUNDWATER EQUIPMENT MAINTENANCE

*Containment systems and response protocols*



### WASTE MANAGEMENT PLAN

Carried out in all works and establishes the management of waste depending on each case, with the principles of minimisation and reuse being a priority.

# Red Eléctrica promotes good practices in the management of its waste and works to find its best final destination.

## PROTECTION AGAINST LEAKS AND SPILLAGES

**Red Eléctrica** includes among its environmental risks the risk of contamination of soil or groundwater from leaks or spillages of oils, fuels and hazardous substances. For this reason, it has established numerous preventive and corrective measures to minimise these risks. On the one hand, proper maintenance of equipment is carried out and strict working procedures that reduce the number of incidents are established. On the other hand, it has adequate containment systems

(especially relevant in the case of power transformers containing large amounts of oil) and response protocols when faced with possible events that result in a reduction of the severity of the consequences should accidents occur.





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# Indicators

## FUEL CONSUMPTION

L

[G4-EN3]

	2013	2014	2015
Diesel	475,792	408,277	400,096
Petrol	27	-	44
Biodiesel	-	-	121
Autogas (LPG)			33
Diesel generator sets (1)	2,377	4,100	5,061

[1] Corresponds to diesel refilled in the fuel tanks in the year.

**Note:** The fuel consumption indicated refers to the consumption in fleet vehicles, cherry pickers and executive vehicles until 2013. The 2014 and 2015 data does not include executive vehicles as they are shared leasing vehicles.

## SUMMARY OF ENERGY CONSUMPTION<sup>[1]</sup>

J

[G4-EN3]

	2013	2014	2015
Fuel consumption	1.77·10 <sup>13</sup>	1.52·10 <sup>13</sup>	1.48·10 <sup>13</sup>
Consumption of electricity	5.46·10 <sup>13</sup>	5.82·10 <sup>13</sup>	5.72·10 <sup>13</sup>

1 kWh = 36·10<sup>6</sup> joules; 1 litre diesel = 37·10<sup>6</sup> joules; 1 L of gasoline = 34·10<sup>6</sup>,  
1 L of gas oil = 37·10<sup>6</sup> joules; 1 L of biodiesel = 32.79·10<sup>6</sup> joules;  
1 L of LPG = 25.7·10<sup>6</sup> joules.

[1] Total consumption data in joules, according to the criteria defined by GRI G4.

## ELECTRICITY CONSUMPTION

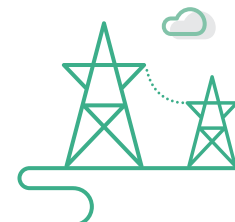
kWh

[G4-EN3]

	2013	2014	2015
Head Offices (Moraleja+Albatros) (1)	8,566,662	8,399,121	8,558,868
Tres Cantos (1)	1,674,293	1,652,529	1,690,439
Non-peninsular systems (1)	689,674	1,304,592	1,319,628
Regional head offices	2,353,001	2,176,256	2,049,798
Work centres: main regional offices (2)	1,887,422	2,648,473	2,281,308
<b>Total</b>	<b>15,171,052</b>	<b>16,180,971</b>	<b>15,900,041</b>

[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 2013 only the regional head offices (7 offices) were included. In 2014, the consumption of 38 additional work centres was included. In 2015 data regarding 14 new buildings is included.





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## INDIRECT ENERGY CONSUMPTION. ELECTRICITY

[G4-EN3]

	2013	2014	2015
Transmission grid losses [GWh] <sup>[1]</sup>	3,115	3,187	3,023
Transmission grid losses [Joules]	1.12·10 <sup>16</sup>	1.15·10 <sup>16</sup>	1.08·10 <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. During 2015, the value of losses in the transmission grid decreased over the previous year mainly due to the different distribution of generation in the Spanish peninsular system.

## ENERGY INTENSITY

[G4-EN5]

	2013	2014	2015
Electricity consumption per employee in head offices [kWh/employee] <sup>[1]</sup>	7,642	6,725	7,126
Transmission grid losses [MWh/MWh transported] [%] <sup>[2]</sup>	1.265	1.320	1.219
Average consumption of vehicles for logistical use [external] [L/100 km]	26.36	25.75	26.56

[1] The calculation takes into account all staff working at Head Office and Moraleja work centres (employees of the Group, interns, employees from temporary staffing agencies et al).

[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.

**Note.** It is not considered relevant. The calculation of a global energy efficiency indicator is not deemed relevant as it is considered that the internal energy consumption is very low.

## EXTERNAL ENERGY CONSUMPTION. LOGISTICS

[G4-EN4]

	2013	2014	2015
Fuel consumption [litres]	251,654	239,120	238,240
Fuel consumption [Joules]	9.31·10 <sup>12</sup>	8.85·10 <sup>12</sup>	8.82·10 <sup>12</sup>

1 litre of gas oil = 37·10<sup>6</sup> joules.

## REDUCTIONS IN ELECTRICITY CONSUMPTION

[G4-EN6]

	kWh/annually	Joules/annually
Reduction in the Head Office via the implementation of energy efficiency measures (insulation of piping and renovation of the external elements of the façade of the buildings) <sup>[1]</sup>	70,604	2.54·10 <sup>11</sup>
Improvements to insulation and lighting systems at 3 work centres <sup>[1]</sup>	35,883	1.29·10 <sup>11</sup>
Renewal of display screens and PCs <sup>[1]</sup>	22,822	8.22·10 <sup>10</sup>
Renovation of display screens and hardware in the control centres <sup>[1]</sup>	54,049	1.94·10 <sup>11</sup>

[1] Estimated annual reductions resulting from the measures carried out in 2015 (estimations obtained from equipment specifications and information coming from energy audits).

## REDUCTIONS IN FUEL CONSUMPTION

(G4-EN6)

	Litres	Joules
Saving of diesel due to efficiency measures in fleet vehicles, CARS project (1)	8,181	3.02·10 <sup>11</sup>

(1) Actual reductions achieved in 2015 compared to 2014, thanks to efficiency measures implemented.  
1 litre of diesel = 37·10<sup>9</sup> joules.

## TOTAL WATER WITHDRAWAL BY SOURCE

(G4-EN8)

	2013	2014	2015
Head Office (m <sup>3</sup> ) (1)	10,983	9,177	9,018
Other work centres (m <sup>3</sup> )	20,614	18,892	18,232
<b>Total of all work centres (m<sup>3</sup>) (2)</b>	<b>31,597</b>	<b>28,069</b>	<b>27,250</b>

(1) Only the Head Office building in 'La Moraleja' is taken into account.

(2) The data provided has a coverage of 96%, in terms of personnel (taking into account all personnel that work in the different work centres: employees of the Group, interns, employees from temporary staffing agencies et al). Data for all work centres is not available due to the absence of meters and the breakdown of some devices.

**Note:** The water consumed comes from: the municipal mains (59.52%), wells (35.44%), cisterns (5.04%). 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 % of utilisation of rainwater cannot be calculated. (G4-EN10)

## PRESENCE OF FACILITIES IN RED NATURA SPACES

(G4-EN11)

	2013	2014	2015
<b>Peninsular system</b>			
Km of line in Red Natura / total km of line (%)	15.6	15.5	15.5
Number of substations in Red Natura / Number of substations (%)	7.2	6.8	6.6
Surface area of facilities in Red Natura / Total surface in Red Natura on the Spanish Peninsula (%) (1)	0.12	0.10	0.09
<b>Insular systems</b>			
Km of line in Red Natura / total km of line (%)	10.0	9.3	9.3
Number of substations in Red Natura / Number of substations (%)	2.8	2.80	2.8
Surface area of line in Red Natura / Total surface in Red Natura on the islands (%) (1)	0.08	0.03	0.02
<b>Total Spain</b>			
Km of line in Red Natura / total km of line (%)	15.2	15.1	15.0
Number of substations in Red Natura / Number of substations (%)	6.4	6.2	6.0
Surface area of facilities in Red Natura / Total surface in Red Natura (%) (1)	0.12	0.09	0.08

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 2013 ratios, the database of Red Natura 2000 published in 2012 was used. For the calculation of the 2014 ratios, the database published in July 2014 was used. For the calculation of the 2014 ratios, the database published by MAGRAMA in February 2016. The mapped area of Red Natura on the islands 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 in the number of facilities may result.





## MOST SIGNIFICANT VEGETATION IMPACTS

[G4-EN12]

Felling of 10 Sweet Tabaiba [*Euphorbia balsamifera*] associated with the construction of a new power line.

Felling of native vegetation (122 Birches, 120 Oaks, 308 Chestnuts and 12 Willows) due to the opening of the security corridor for the construction of a new power line.

864.92 m<sup>2</sup> of *Posidonia Oceanica* (Priority Habitat 1120) seagrass meadows affected due to the laying of the submarine cable for the Mallorca-Ibiza 132 kV interconnection line.

2.9 ha of vegetation (Gorse, Kermes Oak and Holm Oak) affected due to a fire in SCI (fertile plains, slopes and wastelands southeast of Madrid) and SPA (Jarama and Manzanares River).

## DETECTED COLLISIONS OF SPECIES OF INTEREST 2015

[G4-EN12]

### Species affected

Species affected	N° of birds affected
Great Bustard [ <i>Otis tarda</i> ] (1)	25
Little Bustard [ <i>Tetrax tetrax</i> ] (2) (3)	9
Black vulture [ <i>Aegypius monachus</i> ] (2) (3)	1
Canarian Egyptian Vulture [ <i>Neophron percnopterus majorensis</i> ] (4) (5)	1
Houbara Bustard [ <i>Chlamydotis undulata</i> ] (1) (4)	10
Bonelli's Eagle [ <i>Hieraetus fasciatus</i> ] (3)	1
Stone Curlew [ <i>Burhinus oedichnemus</i> ] (3)	9

(1) Vulnerable species according to IUCN Red List. [G4-EN14]

(2) Near threatened species according to IUCN Red List. [G4-EN14]

(3) Vulnerable species according to the National Catalogue of Endangered Species. [G4-EN14]

(4) Near extinction species according to the National Catalogue of Endangered Species. [G4-EN14]

(5) Endangered species according to IUCN Red List. [G4-EN14]

Collisions are mainly detected during monitoring plans or specific studies.

In 2015 the number of studies conducted increased significantly, mainly in existing facilities.

## 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]

Scientific name	Common name	Classification according to MARM (2011) (National Catalogue)	Classification according to the IUCN red list (IUCN)
<i>Aquila adalberti</i>	Imperial Eagle	In danger of extinction	Vulnerable [VU]
<i>Hieraetus 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 oediconemus</i> dspp.	Stone-curlew	Vulnerable	Least concern [LC]
<i>Neophron percnopterus</i>	Griffon Vulture	Vulnerable	Endangered -E-
<i>Neophron percnopterus majorensis</i>	Canarian Egyptian Vulture	In danger of extinction	Endangered -E- Species native to the Canary Islands
<i>Chersophilus duponti</i>	Dupont's Lark	Vulnerable	Near threatened [NT]
<i>Botaurus stellaris</i>	Euroasian Bittern	In danger of extinction	Least concern [LC]
<i>Otis tarda</i>	Great Bustard	-	Vulnerable [VU]
<i>Chlamydotis undulata</i>	Houbara Bustard	In danger of extinction	Vulnerable [VU]
<i>Aegypius monachus</i>	Black Vulture	Vulnerable	Near threatened [NT]
<i>Marmaronetta angustirostris</i>	Marbled Duck	In danger of extinction	Vulnerable [VU]
<i>Ciconia nigra</i>	Black Stork	Vulnerable	Least concern [LC]
<i>Corvus corax canariensis</i>	Common Raven	-	Species native to the Canary Islands
<i>Fulica cristata</i>	Crested Coot	In danger of extinction	Least concern [LC]
<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]
<i>Geronticus eremita</i>	Northern Bald Ibis	-	Critically endangered [CE]
<i>Oxyura leucocephala</i>	White-headed Duck	In danger of extinction	Endangered -E-
<i>Milvus migrans</i>	Black Kite	In danger of extinction	Least concern [LC]
<i>Columba junoniae</i>	White-tailed Laurel Pigeon	Vulnerable	Near threatened [NT]
<i>Dendrocopos leucotos</i>	White-backed Woodpecker	In danger of extinction	Least concern [LC]
<i>Fringilla teydea subspp</i>	Blue Chaffinch	In danger of extinction (Tenerife) /Vulnerable [Gran Canaria]	Near threatened [NT]
<i>Aythya nyroca</i>	Ferruginous Duck	In danger of extinction	Near threatened [NT]
<i>Gypaetus barbatus</i>	The Bearded-Vulture	In danger of extinction	Near threatened [NT]
<i>Tetrax tetrax</i>	Little Bustard	Vulnerable	Near threatened
<i>Tetrao urogallus cantabricus</i>	Cantabrian Capercaillie	In danger of extinction	Least concern [LC]
<i>Tetrao urogallus aquitanicus</i>	Aquitanian Capercaillie	Vulnerable	Least concern [LC]

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.

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## DIRECT GREENHOUSE GAS EMISSIONS <sup>(1)</sup>



(G4-EN15)

Direct (SCOPE 1)	2013	2014	2015
SF <sub>6</sub> <sup>(2)</sup>	72,210	81,018	31,651
Air conditioning	545	809	840
Fleet vehicles	1,275	1,094	989
Diesel Generator sets	950	204	182
<b>Total direct emissions</b>	<b>74,980</b>	<b>83,125</b>	<b>33,662</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 inventory was submitted to independent review in accordance with ISAE 3410.

[2] Taking GWP to 100 years: 22,800 (Source IPCC, Intergovernmental Panel on Climate Change: 4th assessment report). The decrease in SF6 emissions is linked to the change in the methodology used for its calculation. In 2013 and 2104 the data was calculated based on the application of theoretical emission factors of the installed gas. In 2015 the calculation is based on actual data regarding leakage.

## OTHER INDIRECT GREENHOUSE GAS EMISSIONS



(G4-EN17)

Indirect (SCOPE 3)	2013	2014	2015
Business travel <sup>(1)</sup>	1,046	1,485	2,517
Logistics	674	641	589
Employees commuting <sup>(2)</sup>	1,579	3,468	3,345
Supply chain <sup>(3)</sup>	176,528	175,389	234,807

[1] Corresponds to trips made by train, plane, privately owned or rental vehicles. In 2015, emissions from the use of vehicles on shared leasing (including management vehicles) and from the use of taxi were included.

[2] Since 2014, the calculation is performed taking into account all of Red Eléctrica employees.

[3] 2013: 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. 2015: information on 100% of the volume of orders. Carbon intensity in the value chain: 424 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.  
 - From the latest study of the value chain of Red Eléctrica, for the year 2015, it can be deduced that 37% of emissions in the value chain are associated to only one supplier, another 55% to the next top 10 suppliers, and 77% to the next 50 main suppliers.

## INDIRECT GREENHOUSE GAS EMISSIONS FROM THE GENERATION OF ENERGY <sup>(1)</sup>



(G4-EN16)

Indirect (SCOPE 2)	2013	2014	2015
Electricity Consumption <sup>(2) (4)</sup>	3,565	3,867	4,229
Transmission grid losses <sup>(3)</sup>	732,025	767,907	804,118
<b>Total indirect emissions</b>	<b>735,590</b>	<b>771,774</b>	<b>808,347</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 Red Eléctrica that takes into account the energy mix of each year and that associates an emission factor 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 as 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 the emission factor associated to losses in transmission, the emission factor calculated by Red Eléctrica, which is based on the total annual peninsular electricity data, is used. During 2015, emissions have increased, although the losses have been reduced by 6% over the previous year. This is due to the increase in the emission factor [0.266 in 2015] associated with the decline in renewable energy generation [coverage of demand with renewable goes from 42.8% in 2014 to 36.9% in 2015] and the significant increase of coal generation [registered an increase of 24% compared to 2014].

[4] The increase in emissions associated with electricity consumption is also related to the increase in the emission factor value.



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## GREENHOUSE GAS EMISSIONS INTENSITY

[G4-EN18]

	2013	2014	2015
Emissions of SF <sub>6</sub> /SF <sub>6</sub> installed [%] [1]	-	-	0.37
Emissions from fleet vehicles [kg CO <sub>2</sub> / km] [2]	-	-	0.27
Emissions [1 y 2] /revenues [t CO <sub>2</sub> /million euros] [3]	476	479	462
Emissions/revenues [t CO <sub>2</sub> /million euros] [4]	46.16	48.76	20.78
Emissions/energy transported [t CO <sub>2</sub> /GWh] [5]	3.29	3.51	3.39

[1] The emission rate is calculated based on emissions data calculated according to actual data regarding leakage. No data from previous years are included as they are not comparable.

[2] All types of vehicles are included. The indicator litre/100 km is replaced by this new indicator as it is considered more appropriate to reflect all types of fleet vehicles (biodiesel and liquefied natural gas vehicles are included).

[3] Emissions Scope 1 and 2 (includes transmission grid losses).

[4] 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). The reduction in the rate is due to the decrease of Scope 1 emissions associated with the change in methodology in calculating SF<sub>6</sub> emissions.

[5] 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

[G4-EN19]

Net savings	tCO <sub>2</sub> e
Saving of diesel due to efficiency measures in fleet vehicles, CARS project [1]	20
Annual savings [2]	tCO <sub>2</sub> e/year
Reduction in the Head Office via the implementation of energy efficiency measures (insulation of piping and renovation of the external elements of the façade of the buildings)	19
Improvements to insulation and lighting systems at 3 work centres	10
Renewal of display screens and PCs	6
Renovation of display screens and hardware in the control centres	14
Reduction in SF <sub>6</sub> emissions through the substitution of old equipment for that with a lower leakage rate	277

[1] Net savings achieved compared to 2014.

[2] Reductions associated to the measures implemented in 2015.

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## NON-HAZARDOUS WASTE

kg

[G4-EN23]

	2013	2014	2015	Waste management <sup>(2)</sup>
Septic tank sludge	1,311,240	1,380,716	1,087,310	Composting
Scrap metal not contaminated with hazardous substances	1,513,762	2,022,441	1,476,903	Recycling
Inert waste	544,082	329,005	537,505	Recycling/Elimination landfill
Paper and cardboard	241,938	262,328	95,106	Recycling
Toner & printer ink <sup>(1)</sup>	22	14	8	Recycling
Wood	69,581	119,834	119,939	Recycling
Non-hazardous electrical and electronic waste	3,443	1,415	291	Recycling
Plastics	4,957	12,014	15,483	Recycling/Elimination landfill
Glass	176	40	10	Recycling
Vegetable cooking oils	4,800	5,640	1,160	Regeneration
Alkaline batteries/without mercury	33	40	51	Recycling
<b>Total</b>	<b>3,694,034</b>	<b>4,133,487</b>	<b>3,333,766</b>	

[1] The management of toner and ink corresponds to the company that supplies and services the printers. Only units purchased directly by Red Eléctrica are taken into account.

[2] Default Procedure for the contractors responsible for waste management.

**Note:** The data shown does not reflect data regarding waste vegetation. The greater part of this waste is incorporated into the land or given to landowners, owing to the fact that it is the most adequate type of waste management. Only waste which cannot be managed as indicated previously and that is actually delivered to the waste management company is included. This information is not included as it is not considered relevant and could lead to error.

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## HAZARDOUS WASTE

kg

[G4-EN23]

	2013	2014	2015	Waste management <sup>[3]</sup>
Used oil	287,967	315,235	172,389	Regeneration
Oil with PCBs <sup>[1]</sup>	137	160	0	Elimination
Oil/water mix	929,592	362,868	418,535	Regeneration / Elimination
Diesel/water mix	400	21	0	Valuation/ Elimination
Transformers and equipment with PCBs <sup>[1]</sup>	10,477	23,175	3,942	Valuation/ Elimination
Hazardous electrical and electronic waste: equipment containing oil	307,077	1,248,046	275,542	Valuation
Hazardous electrical and electronic waste: other	59,897	132,724	119,476	Valuation
Nickel/cadmium accumulators	112,035	73,102	33,352	Recycling
Lead batteries	15,062	2,131	661	Recycling
Soils impregnated with hydrocarbons	383,033	195,348	144,864	Elimination landfill
Containers that have contained hazardous substances	5,077	7,057	5,600	Recycling
Absorbent matter and other	47,057	3,964	2,770	Valuation/ Elimination landfill
Silica gel and other inorganic chemical products	848	0	673	Elimination
Non-halogenated solvents	47	4	0	Regeneration / Elimination
Halogenated solvents	108	0	0	Regeneration / Elimination
Water-based cleaning liquids	0	59	0	Valuation
Paint waste	372	284	1,749	Valuation/ Elimination
Insulation material (with or without asbestos)	1,244	1,154	291	Elimination landfill
Laboratory chemical products	354	344	951	Elimination
Gases in pressurised containers <sup>[2]</sup>	8,522	7,690	3,191	Regeneration
Antifreeze containing hazardous substances	29	80	43	Regeneration / Elimination
Fluorescent lighting tubes	974	517	548	Recycling
Batteries	28	15	92	Valuation
Fuel oil and diesel	0	1,041	0	Valuation
<b>Total</b>	<b>2,170,337</b>	<b>2,375,019</b>	<b>1,184,669</b>	

[1] Once the elimination/decontamination plan of transformers, equipment and oil with PCBs was completed in 2010, the amounts now generated are caused by the removal of old sealed equipment that is contaminated at the end of its useful life.

[2] These wastes deal with used SF<sub>6</sub> gas that is out of specification. The treatment of this waste, consisting of the regeneration of gas for reuse, takes place outside Spain. [G4-EN25] This means that 0.27% of total hazardous waste has been transported internationally.

[3] Default Procedure for the contractors responsible for waste management.



## TYPE OF WASTE MANAGEMENT

%

[G4-EN23]

	Non-hazardous	Hazardous
Composting/Regeneration/Recycling	93.5	50.0
Valuation	0.0	33.8
Elimination (any other method)	6.5	16.2

## NUMBER OF ENVIRONMENTAL GRIEVANCES FILED

%

[G4-EN34]

	2014	2015
Birdlife	0	0
Electromagnetic fields	1	1
Consumption/Energy efficiency	0	0
Environmental expenditure	0	0
Emissions/Climate change	0	0
Impact on the landscape	1	0
Facilities	0	0
General environmental information	0	0
Waste	2	0
Noise	0	1
Environmental management system	0	0
Vegetation	11	19
<b>Total</b>	<b>15</b>	<b>21</b>

**Note.** Environmental claims are handled through the DIGAME service. Claims are classified according to type of attention (includes complaints, enquiries, suggestions, requests for information and acknowledgements) or grievance. In 2015, 85 claims of an environmental nature were handled, 21 of them were grievances (only grievances deemed applicable according to the criteria established in the internal procedure are recorded). All grievances submitted in 2015 have been addressed and resolved in 2015. Additionally, two pending grievances filed in 2014 were closed, whereby all grievances filed until December 2015 were dealt with and closed.

## LEAKS AND SPILLAGES

[G4-EN24]

Historical data regarding leaks  
and spillages of chemical substances,  
oils and fuels [1]

	2013	2014	2015
Construction activities	1	0	0
Maintenance activities	5	2	6

Leaks and spillages in 2015  
of chemical substances,  
oils and fuels [1] [2]

	1	2	3	4	5
Construction	0	0	0	0	0
Maintenance [3]	0	4 [3]	2 [4]	0	0

[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].

No spillage has been included to date in the financial statements of the organisation. The following accidents were registered:

[3] Minor accidents: an accident caused due to a malfunction/breakdown of equipment, two as a result of bad practices in maintenance work carried out by contractors and a leakage of 6,000 litres of oil from a power transformer that flowed into the collection pit.

[4] Significant accidents: two cases caused by the breakage of the end section of an overhead line at its feed point to an underground line.

- Spillage of 120 litres of silicone oil. The land around the base of the tower and a private plot (concrete paved area, garden, roof, vehicles and water tank) were affected. Actions were taken to clean-up the oil and affected area, including excavation and management of oil-contaminated soil (56 tonnes managed). Water tank was emptied, cleaned and refilled with water.

- Explosion that sprayed oil and which affected some 3,000 m<sup>2</sup>, affecting a corn plantation, a vegetable garden and the safety corridor of the power line. Absorbent material was used to clean-up the oil and affected area, all material and contaminated soil was removed, generating about 2,300 kg of waste.



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## SANCTIONS AND FINES

[G4-EN29]

€

Type of infringement	2011		2012		2013		2014		2015	
	Nº of cases	Amount	Nº of cases	Amount	Nº of cases	Amount	Nº of cases	Amount	Nº of cases	Amount
Fire risk [1]	7	2,314	4	1,082	6	6,522	1	100	2	811
Unauthorised felling and pruning	3	22,477	1	300	4*	1,597*	2*	2,175*	1	100
Felling, pruning and shrub-clearing without preventive measures	-	-	-	-	-	-	-	-	-	-
Fire due to line discharge	1	3,848	1	3,948	-	-	-	-	-	-
Obstruction of waterway / Unauthorised works in certain areas	2	3,100	-	-	1	1,200	2*	3,600*	-	-
Activities with high probability of soil contamination	-	-	-	-	-	-	-	-	-	-
Accumulation of biomass waste	-	-	-	-	1	100	-	-	-	-
Fauna/wildlife in captivity without authorisation	-	-	-	-	1	100	-	-	-	-
Works in protected areas without authorisation	-	-	-	-	-	-	-	-	-	-
Works without authorisation	-	-	2	62,153	1	2,000	-	-	-	-
Opening up of a forest trail without authorisation	-	-	-	-	-	-	1*	1,001*	1	2,000
Use of a helicopter in a critical birdlife area without authorisation	-	-	-	-	-	-	-	-	1	1,000
<b>Total</b>	<b>13</b>	<b>31,138</b>	<b>8</b>	<b>67,483</b>	<b>14*</b>	<b>11,519*</b>	<b>6*</b>	<b>6,876*</b>	<b>5</b>	<b>3,911</b>

[1] Fire risk due to the lack of maintenance of vegetation, or abandonment of material.

\* Data updated in 2015 following the resolution of pending cases (one case opened in 2013 and three cases opened in 2014). Additionally in 2015 a case was closed related to conducting works without authorisation what had been opened in 2010. The amount of the fine totalled 6,010 euros.

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## ENVIRONMENTAL EXPENDITURE

€

[G4-EN31]

	2013	2014	2015
<b>Investments</b>	<b>2,752,119</b>	<b>2,651,609</b>	<b>3,856,802</b>
Engineering and construction of facilities [1]	2,752,119	2,651,609	3,856,802
<b>Expenditure</b>	<b>20,620,761</b>	<b>19,795,259</b>	<b>18,848,972</b>
Development of methodologies and systems [2]	49,980	50,082	47,145
Environmental studies and analyses	167,746	125,502	201,743
Environmental actions in facilities in service	18,564,425	17,502,652	16,722,722
Contamination prevention [3]	1,547,453	1,376,552	1,268,565
Protection of biodiversity. Landscape [4]	16,039,821	14,914,991	14,593,765
Climate change [5]	277,067	494,335	408,725
Energy efficiency and savings in resources [6]	206,834	277,153	226,418
Waste reduction and management	493,250	439,622	225,250
Research and development	305,868	363,316	339,554
Training and communication	163,180	256,722	176,595
Environmental training and awareness	26,394	54,310	41,067
Communication [7]	136,785	202,412	135,528
Environmental taxes and fees [8]	105,162	280,223	92,906
Cost of personnel involved in environmental activities	1,264,401	1,216,762	1,268,307
<b>Total</b>	<b>23,372,880</b>	<b>22,446,868</b>	<b>22,705,774</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] "Red Eléctrica Forest", improvement of SF<sub>6</sub> management.

[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.

[8] Data reported differ from those included in the 2014 Report, since there has been a change of criteria in the consideration of certain environmental taxes, and have now been excluded from the three years.



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# About this Report

## SUSTAINABILITY CONTEXT

This corporate responsibility report aims to provide transparent, reliable and balanced information on the economic, social and environmental matters identified as the most relevant for Red Eléctrica. Similarly, this report also describes the annual progress made by the Company regarding corporate governance, human rights, ethics and the fight against corruption. [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 drafting of sustainability reports. [G4-29, G4-30]

For the drafting of this report, the principles and contents defined in the latest version of the GRI G4 guide have been followed for the second consecutive year. The report also includes additional applicable information that is required in the Electric Utilities Sector Supplement. This version requires the company to conduct a materiality analysis that allows it to focus on those issues of a social, environmental and economic nature that are relevant to the company's business and which influence the decisions of its stakeholders.

## SCOPE [G4-22, G4-23]

Consequently, 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 in the following pages. Noteworthy is that the list of relevant issues obtained from the above analysis includes some additional aspects specific to the activity of Red Eléctrica, which although not covered by the GRI, are relevant to the sustainable management of the Company. In order to assess the evolution of Red Eléctrica's performance over time, data from previous years is provided.

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.
- Environmental Report.
- 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 93% of the Group's consolidated revenue. It was not considered relevant to provide

detailed information by business segment, or geographically of the remaining activities that together represent just 7% of consolidated revenue.

However, all companies that make up the Red Eléctrica Group are subject to and comply with the policies, comprehensive risk management, information on corporate governance, the integrity model, the consolidated economic and financial 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 9 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 2015 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.

Red Electrica drafts its **Corporate Responsibility Report** in accordance with the latest version of the Guide for the preparation of sustainability reports Global Reporting Initiative, GRI G4 in its comprehensive option.





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KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



08. SOCIETY

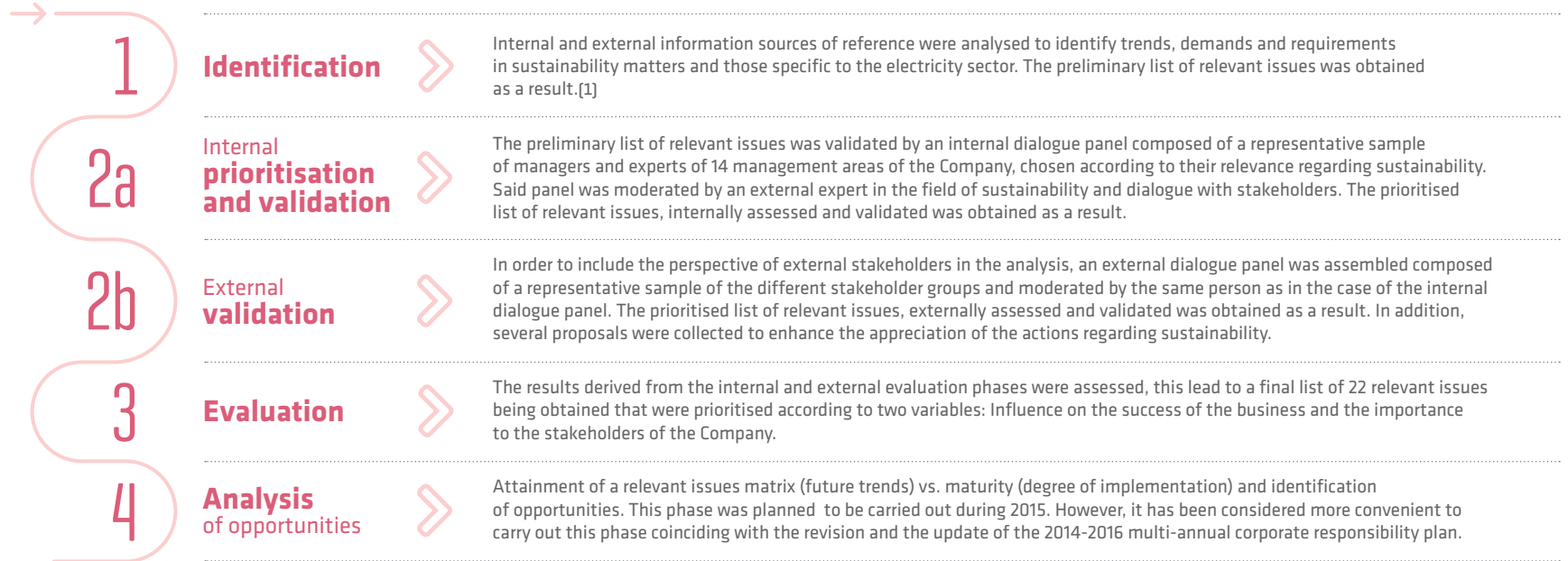


09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT

## MATERIALITY IDENTIFICATION PROCES [G4-18]



### [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.

#### INTERNAL

- Concerns raised in public debates: National CSR Plan, Global Compact.
- Topics considered by peer companies.
- Analysis of the media.
- Concerns raised by stakeholders.
- 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.







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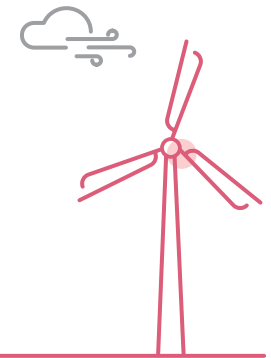


10. THE ENVIRONMENT

## MATERIALITY MATRIX [G4-19]

● Governance and Ethics ● Business ● Employees ● Society ● The Environment

Importance to Stakeholders			<ul style="list-style-type: none"> <li>● Ethics and transparency</li> <li>● Commitment to society</li> <li>● Governance practices</li> </ul>
	<ul style="list-style-type: none"> <li>● Climate change</li> <li>● Equal opportunities and diversity</li> <li>● Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>● Financial strength and soundness</li> <li>● Dialogue with stakeholders</li> <li>● Integration of facilities into the landscape</li> <li>● Risk control</li> <li>● Well-being, security and health &amp; safety</li> <li>● Talent management</li> </ul>	<ul style="list-style-type: none"> <li>● Technological innovation</li> <li>● Quality and stable employment</li> </ul>
	<ul style="list-style-type: none"> <li>● Efficient management of resources</li> <li>● Integration of renewable energies</li> <li>● Respect for human rights</li> <li>● Waste and discharges</li> </ul>	<ul style="list-style-type: none"> <li>● Quality and transparency in the management of system operation</li> <li>● Grid planning, development and maintenance</li> <li>● Energy efficiency and demand-side management</li> <li>● Responsible management of the supply chain</li> <li>● Regulatory framework</li> </ul>	
	Influence on the success of the business		



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## RELEVANT MATERIAL ASPECTS

[G4-19, G4-20, G4-21]

	GRI		Impact	
	Aspects	Standard Disclosures	INT	EXT
<b>Corporate governance practices</b>	Governance	G4-34 to G4-44 / G4-49 to G4-55	✓	✓
	Diversity and Equal Opportunity	G4-LA12	✓	✓
<b>Ethics and transparency</b>	Ethics and Integrity	G4-56 to G4-58	✓	✓
	Anti-corruption	G4-S03 / G4-S04 / G4-S05	✓	✓
	Compliance	G4-S08	✓	✓
<b>Risk control</b>	Governance	G4-45 to G4-47	✓	✓
	Strategy and Analysis	G4-2	✓	✓
	Organizational Profile	G4-14	✓	✓
	Economic Performance	G4-EC2	✓	✓
<b>Respect for human rights</b>	Assessment Human Rights	G4-HR9	✓	✓
	Human Rights Grievance Mechanisms	G4-HR12	✓	✓
<b>Financial strength and soundness</b>	Economic Performance	G4-EC1 / G4-EC3 / G4-EC4	✓	✓
<b>Regulatory framework</b>		Aspect specific to Red Eléctrica. No GRI indicators.		✓
<b>Technological innovation</b>		Sectorial management approach.	✓	✓
<b>Responsible management of the supply chain</b>	Procurement Practices	G4-EC9		✓
	Description of the organization's supply chain	G4-12		✓
	Supplier Assessment for Labor Practices	G4-LA14 / G4-LA15		✓
	Supplier Environmental Assessment	G4-EN32 / G4-EN33		✓
	Supplier Assessment for Impacts on Society	G4-S09 / G4-S010		✓
	Supplier Human Rights Assessment	G4-HR10 / G4-HR11		✓
	Supplier Environmental Assessment	G4-EN32 / G4-EN33		✓
<b>Quality and transparency in the management of system operation</b>	Ethics and Integrity	G4-56		✓
<b>Grid planning, development and maintenance</b>	Availability and Reliability	EU10		✓
	System Efficiency	EU12		✓
	Access to electricity	EU28 / EU29		✓

[Continued on next page]





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## MATERIAL ASPECTS / Continuation

	GRI		Impact	
	Aspects	Standard Disclosures	INT	EXT
<b>Integration of renewable energies</b>		Aspect specific to Red Eléctrica. No GRI indicators.		✓
<b>Energy efficiency and demand-side management</b>		Sectorial management approach.		✓
<b>Efficient management of resources</b>		Aspect specific to Red Eléctrica. No GRI indicators.	✓	✓
<b>Quality and stable employment</b>	Employment	G4-LA1 / G4-LA2 / G4-LA3 / EU15	✓	
	Labor/Management Relations	G4-LA4	✓	
	Labor Practices Grievance Mechanisms	G4-LA16	✓	
<b>Equal opportunities and diversity</b>	Diversity and Equal Opportunity	G4-LA12	✓	
	Equal Remuneration for Women and Men	G4-LA13	✓	
<b>Well-being, security and health &amp; safety</b>	Employment	EU17 / EU18	✓	
	Occupational Health and Safety	G4-LA5 / G4-LA6 / G4-LA7 / G4-LA8		
<b>Talent management</b>	Training and Education	G4-LA9 / G4-LA10 / G4-LA11	✓	
<b>Commitment to society</b>	Local Communities	G4-S01		✓
<b>Dialogue with stakeholders</b>	Stakeholder Engagement	G4-24 to G4-27		✓
	Grievance Mechanisms for Impacts on Society	G4-S011		✓
<b>Integration of facilities into the landscape</b>	Local Communities	G4-S01 / G4-S02		✓
	Compliance	G4-EN29 / G4-EN31		✓
	Supplier Environmental Assessment	G4-EN33		✓
	Environmental Grievance Mechanisms	G4-EN34		✓
	Customer Health and Safety	G4-PR1		✓
<b>Climate change</b>	Energy	G4-EN3 to G4-EN7		✓
	Emissions	G4-EN15 to G4-EN21		✓
<b>Biodiversity</b>	Biodiversity	G4-EN11 to G4-EN14		✓
<b>Waste and discharges</b>	Effluents and Waste	G4-EN22 to G4-EN-26		✓





## GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE <sup>[1]</sup>

### PART 1. GENERAL STANDARD DISCLOSURES

[G4-32]

General Standard Disclosures	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>STRATEGY AND ANALYSIS</b>				
G4-1	3	-	231	Statement from the Chairman.
G4-2	38, 40	-	231	Key impacts, risks and opportunities.
<b>ORGANIZATIONAL PROFILE</b>				
G4-3	9	-	231	Name of the organization.
G4-4	10	-	231	Primary brands, products and services.
G4-5	Red Eléctrica- Paseo Conde de los Gaitanes, 177 Alcobendas [Madrid]- Spain.	-	231	Location of the organization's headquarters.
G4-6	10	-	231	Countries of operation.
G4-7	9	-	231	Nature of ownership and legal form.
G4-8	10	-	231	Markets served.
G4-9	6, 90	-	231	Scale of the organization.
G4-10*	120, 127	-	231	Number of employees.
G4-11*	120 Percentage of contractors covered by collective bargaining agreements is not available.	-	231	Employees covered by collective bargaining agreements.
G4-12	152	-	231	Organization's supply chain.
G4-13	12	-	231	Significant changes to the organization's size, structure, ownership, or its supply chain.
G4-14	36, 163	-	231	Precautionary approach.
G4-15	59	-	231	Economic, environmental and social charters, principles, or other initiatives.
G4-16	137	-	231	Memberships of associations and national or international advocacy organizations.

[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.



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KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



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## GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE <sup>[1]</sup>

### PART 1. GENERAL STANDARD DISCLOSURES / Continuation

General Standard Disclosures	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>ORGANIZATIONAL PROFILE / Continuation</b>				
EU1*	-	<b>Not applicable.</b> 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.	231	Installed capacity, broken down by primary energy source and by regulatory regime.
EU2*	-	<b>Not applicable.</b> 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.	231	Net energy output broken down by primary energy source and by regulatory regime.
EU3*	147	-	231	Number of residential, industrial, institutional and commercial customer accounts.
EU4*	71, 73	-	231	Length of above and underground transmission and distribution lines by regulatory regime.
EU5*	-	<b>Not applicable.</b> The rights regarding CO <sub>2</sub> Equivalent Emission Allowances do not apply to power transmission activities.	231	Allocation of CO <sub>2</sub> emissions allowances or equivalent, broken down by carbon trading framework.
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>				
G4-17	9, 205	-	231	Entities included in the organization's consolidated financial statements or equivalent documents.
G4-18	206	-	231	Process for defining the report content and the Aspect Boundaries.
G4-19	207, 208	-	231	Material Aspects identified in the process for defining report content.
G4-20	208	-	231	Aspect Boundary within the organization.
G4-21	208	-	231	Aspect Boundary outside the organization.
G4-22	204, 205	-	231	Restatements of information.
G4-23	204	-	231	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.

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## GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE <sup>[1]</sup> PART 1. GENERAL STANDARD DISCLOSURES / Continuation

General Standard Disclosures	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>STAKEHOLDER ENGAGEMENT</b>				
G4-24	64	-	231	Stakeholder groups engaged by the organization.
G4-25	61, 64	-	231	Basis for identification and selection of stakeholders with whom to engage.
G4-26	62, 63	-	231	Approach to stakeholder engagement.
G4-27	62, 64, 65	-	231	Key topics and concerns raised through stakeholder engagement.
<b>REPORT PROFILE</b>				
G4-28	204	-	231	Reporting period.
G4-29	204	-	231	Date of most recent previous report.
G4-30	204	-	231	Reporting cycle.
G4-31	Dígame Service www-ree-es digame@ree-es Telephone: +34 91 728 62 15 Fax: +34 91 650 45 42	-	231	Contact point for questions regarding the report or its contents.
G4-32	210	-	231	Index with respect to the 'in accordance' option chosen.
G4-33	231	-	231	External assurance for the report.
<b>GOVERNANCE</b>				
G4-34	14, 25, 32	-	231	Governance structure of the organization.
G4-35	32	-	231	Delegating authority from the highest governance body to senior executives and other employees.
G4-36	32	-	231	Executive-level positions with responsibility for economic, social and environmental topics.

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## GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE <sup>[1]</sup>

### PART 1. GENERAL STANDARD DISCLOSURES / Continuation

General Standard Disclosures	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>GOVERNANCE / Continuation</b>				
G4-37	32	-	231	Processes for consultation between stakeholders and the Board of Directors.
G4-38	25, 29	-	231	Composition of the highest governance body and its committees.
G4-39	29	-	231	State whether the chair of the highest governance body is also an executive officer and the reasons for this arrangement.
G4-40	33	-	231	Selection and nomination of the members of the highest governance body.
G4-41	33	-	231	Processes for the highest governance body to ensure conflicts are avoided.
G4-42	32	-	231	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.
G4-43	34	-	231	Highest governance body's knowledge of economic, environmental and social topics.
G4-44	34	-	231	Highest governance body's performance.
G4-45	37, 42, 63	-	231	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.
G4-46	37	-	231	Highest governance body's role in reviewing the effectiveness of the management of economic, environmental and social risks and opportunities.

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### PART 1. GENERAL STANDARD DISCLOSURES / Continuation

General Standard Disclosures	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>GOVERNANCE / Continuation</b>				
G4-47	37	-	231	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.
G4-48	The Corporate Responsibility Report is submitted for approval to the Appointments and Remuneration Committee, which is the competent authority regarding corporate responsibility matters.	-	231	Highest body that reviews and approves the report.
G4-49	32	-	231	Process for communicating critical concerns to the highest governance body.
G4-50	32, 33	-	231	Critical concerns communicated to the highest governance body.
G4-51	34	-	231	Remuneration policies for the highest governance body and senior executives, as well as the relationship to economic, environmental and social performance.
G4-52	34	-	231	Process for determining remuneration of the highest governance body and senior executives, stating whether independent consultants are involved.
G4-53	34	-	231	Report how stakeholders' views are sought and taken into account regarding remuneration.

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GRI CONTENT INDEX FOR 'IN ACCORDANCE'- COMPREHENSIVE <sup>[1]</sup>  
**PART 1. GENERAL STANDARD DISCLOSURES / Continuation**

General Standard Disclosures	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>GOVERNANCE / Continuation</b>				
G4-54	The ratio between the highest paid person in the organization (Chairman) <sup>[2]</sup> and the median total remuneration for all employees <sup>[3]</sup> (excluding the Chairman) was 10.7 times.	-	231	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.
G4-55	Percentage increase in the remuneration of the Chairman (2015/2014) <sup>[4]</sup> : [-5,2%] / Percentage increase in annual total remuneration for all employees (2015/2014) <sup>[5]</sup> [4,5%].	-	231	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.
<b>ETHICS AND INTEGRITY</b>				
G4-56	46	-	231	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.
G4-57	46, 47	-	231	Internal and external mechanisms for seeking advice on ethical and lawful behavior.
G4-58	47	-	231	Internal and external mechanisms for whistleblowing.

[1] This index includes aspects and indicators from the Electric Utility Supplement in accordance with the publication 'G4 Sector disclosures' (Electric Utilities). The symbol (\*) indicates those indicators where sector-specific information is included.  
 [2] Total remuneration accrued by the Chairman: 707,000 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 22 of the 'Red Electrica Corporacion SA and Subsidiaries' Consolidated Annual Accounts Report and in the Annual Corporate Governance Report.  
 [3] Average total remuneration of staff: 65,893 euros (personnel costs excluding social security expenses). Information available in note 20-c of the 'Red Electrica Corporacion SA and Subsidiaries' Consolidated Annual Accounts Report.  
 [4] Total remuneration accrued by the Chairman: 707,000 euros (2015) and 746,000 (2014). Details in note 22 of the 'Red Electrica Corporacion SA and Subsidiaries' Consolidated Annual Accounts Report.  
 [5] Average total remuneration of staff: 65,893 euros (2015) and 63,056 euros (2014). Details in note 20-c of the 'Red Electrica Corporacion SA and Subsidiaries' Consolidated Annual Accounts Report.



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### PART 2. SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>CATEGORY: ECONOMIC</b>				
<b>Material aspect: Economic performance</b>				
G4-DMA	90	-	231	Disclosures on management approach.
G4-EC1	91	-	231	Direct economic value generated and distributed.
G4-EC2	43, 183	-	231	Financial implications and other risks and opportunities for the organization's activities due to climate change.
G4-EC3	Consolidated Annual Accounts Report 2015 Page 34, Note 4-L	-	231	Coverage of the organization's defined benefit plan obligations.
G4-EC4	27, 91	-	231	Financial assistance received from government.
<b>Material aspect: Procurement Practices</b>				
G4-DMA	152	-	231	Disclosures on management approach.
G4-EC9	152	-	231	Proportion of spending on local suppliers at significant locations of operation.
<b>Material aspect of the electric utility sector: Availability and Reliability</b>				
G4-DMA*	68	-	231	Disclosures on management approach.
EU10*	68	-	231	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.
<b>Material aspect of the electric utility sector: Demand-Side Management</b>				
G4-DMA*	83	-	231	Disclosures on management approach.

[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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### PART 2. SPECIFIC STANDARD DISCLOSURES / Continuation

DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect of the electric utility sector: Research and Development</b>				
G4-DMA*	86	-	231	Disclosures on management approach.
<b>Material aspect of the electric utility sector: Plant Decommissioning</b>				
G4-DMA*	-	<b>Not applicable.</b> 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.	231	Disclosures on management approach.
<b>Material aspect of the electric utility sector: System Efficiency</b>				
G4-DMA	77	-	231	Disclosures on management approach.
EU11*	-	<b>Not applicable.</b> 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.	231	Average generation efficiency of thermal plants by energy source and regulatory regime.
EU12*	77	-	231	Transmission and distribution losses as a percentage of total energy.

## CATEGORY: ENVIRONMENTAL

### Material aspect: Energy

G4-DMA	181	-	231	Disclosures on management approach.
G4-EN3	191, 192	-	231	Energy consumption within the organization.
G4-EN4	192	-	231	Energy consumption outside of the organization.
G4-EN5	192	-	231	Energy intensity.
G4-EN6	192, 193	-	231	Reduction of energy consumption.
G4-EN7	-	<b>Not applicable.</b> Red Eléctrica, as system operator, performs various initiatives on demand management to improve 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.	231	Reductions in energy requirements of products and services.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Water</b> <sup>[2]</sup>				
G4-DMA	Note 2	-	231	Disclosures on management approach.
G4-EN8*	-	<b>Not applicable</b> to the sectorial aspect. Red Eléctrica does not have electricity generation.	231	Total water withdrawal by source.
G4-EN9	-	<b>Not applicable.</b> The water consumed is obtained from authorised water withdrawal points (municipal mains and wells) or from cisterns. Therefore, no direct effect exists on ecosystems.	231	Water sources significantly affected by withdrawal of water.
G4-EN10	193	-	231	Percentage and total volume of water recycled and reused.
<b>Material aspect: Biodiversity</b>				
G4-DMA*	172	-	231	Disclosures on management approach.
G4-EN11	193	-	231	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
G4-EN12*	174, 176, 194	-	231	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
G4-EN13	179	-	231	Habitats protected or restored.
G4-EN14	179, 194, 195	-	231	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

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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.



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<b>Material aspect: Biodiversity / Continuation</b>				
EU13*	-	<b>The comparison of the offset habitat with the affected area is not applicable</b> , as the effects on the original habitat are minimal. "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."	231	Biodiversity of offset habitats compared to the biodiversity of the affected areas.
<b>Material aspect: Emissions</b>				
G4-DMA	184	-	231	Disclosures on management approach.
G4-EN15*	196	-	231	Direct greenhouse gas (GHG) emissions (Scope 1).
G4-EN16*	196	-	231	Energy indirect greenhouse gas (GHG) emissions (Scope 2).
G4-EN17	196	-	231	Other indirect greenhouse gas (GHG) emissions (Scope 3).
G4-EN18	197	-	231	Greenhouse gas (GHG) emissions intensity.
G4-EN19	197	-	231	Reduction of greenhouse gas (GHG) emissions.
G4-EN20	-	<b>Not applicable.</b> These can be considered to be irrelevant, with the exception of those associated with the use of air conditioning systems containing R22. Losses are minimal owing to the fact that they undergo adequate maintenance. Equipment with R22 has been replaced. There's only 168.1 kg of gas R22 left in operating equipment, however this will be progressively replaced. Additionally, 230.1 kg of gas remain in machines that are no longer in service.	231	Emissions of ozone-depleting substances (ODS).
G4-EN21*	-	<b>Not applicable.</b> The activities of the Company do not give rise to these emissions as they do not involve the burning of fossil fuels - REE does not generate electricity - except for fuel used in vehicles and diesel generator sets and whose emissions are not considered relevant under this aspect.	231	NOX, SOX, and other significant air emissions.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Effluents and Waste</b>				
G4-DMA*	189	-	231	Disclosures on management approach.
G4-EN22*	-	<b>Not applicable.</b> The activities of the Company do not give rise to these discharges. Rainwater discharges only occur in substations.	231	Total water discharge by quality and destination.
G4-EN23*	198, 199, 200	-	231	Total weight of waste by type and disposal method.
G4-EN24	200	-	231	Total number and volume of significant spills.
G4-EN25	199	-	231	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.
G4-EN26	-	<b>Not applicable.</b> Rainwater 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.	231	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.
<b>Material aspect: Compliance</b>				
G4-DMA	163	-	231	Disclosures on management approach.
G4-EN29	201	-	231	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
<b>Material aspect: Overall</b>				
G4-DMA	163	-	231	Disclosures on management approach.
G4-EN31	202	-	231	Total environmental protection expenditures and investments by type.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Supplier Environmental Assessment</b>				
G4-DMA	156, 164	-	231	Disclosures on management approach.
G4-EN32	156	-	231	Percentage of new suppliers that were screened using environmental criteria.
G4-EN33	155, 157, 164	-	231	Significant actual and potential negative environmental impacts in the supply chain and actions taken.
<b>Material aspect: Environmental Grievance Mechanisms</b>				
G4-DMA	62	-	231	Disclosures on management approach.
G4-EN34	62, 200	-	231	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanism.

### CATEGORY: SOCIAL

#### LABOR PRACTICES AND DECENT WORK

<b>Material aspect: Employment</b>				
G4-DMA*	98	-	231	Disclosures on management approach.
G4-LA1*	99, 121, 122	-	231	Total number and rates of new employee hires and employee turnover by age group, gender, and region.
G4-LA2	119	-	231	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.
G4-LA3	122	-	231	Return to work and retention rates after parental leave, by gender.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Employment / Continuation</b>				
EU15*	112, 127	-	231	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.
EU17*	127	-	231	Days worked by contractor and subcontractor employees that participate in construction, operation and maintenance activities.
EU18*	116, 117	-	231	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.
<b>Material aspect: Labor/Management Relations</b>				
G4-DMA	112	-	231	Disclosures on management approach.
G4-LA4	112	-	231	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.
<b>Material aspect: Occupational Health and Safety</b>				
G4-DMA	114	-	231	Disclosures on management approach.
G4-LA5	116	-	231	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.
G4-LA6*	115, 116, 123, 127	-	231	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.
G4-LA7	116	-	231	Workers with high incidence or high risk of diseases related to their occupation.
G4-LA8	113, 116	-	231	Health and safety topics covered in formal agreements with trade unions.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Training and Education</b>				
G4-DMA	105	-	231	Disclosures on management approach.
G4-LA9	97, 107, 109, 117, 124	-	231	Average hours of training per year per employee by gender, and by employee category.
G4-LA10	97, 105, 109	-	231	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
G4-LA11	108, 125	-	231	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.
<b>Material aspect: Diversity and Equal Opportunity</b>				
G4-DMA	101	-	231	Disclosures on management approach.
G4-LA12	99, 125, 126	-	231	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.
<b>Material aspect: Equal Remuneration for Women and Men</b>				
G4-DMA	102	-	231	Disclosures on management approach.
G4-LA13	127	-	231	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.
<b>Material aspect: Supplier Assessment for Labor Practices</b>				
G4-DMA	156	-	231	Disclosures on management approach.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Supplier Assessment for Labor Practices / Continuation</b>				
G4-LA14	156	-	231	Percentage of new suppliers that were screened using labor practices criteria.
G4-LA15	155, 157	-	231	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.
<b>Material aspect: Labor Practices Grievance Mechanisms</b>				
G4-DMA	47, 112	-	231	Disclosures on management approach.
G4-LA16	47 In 2015, 2 grievances, currently pending resolution, were submitted and addressed. During 2015, 16 grievances outstanding from previous years, were resolved.	-	231	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.
<b>HUMAN RIGHTS</b>				
<b>Material aspect: Assessment</b>				
G4-DMA	50	-	231	Disclosures on management approach.
G4-HR9	51	-	231	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.
<b>Material aspect: Supplier Human Rights Assessment</b>				
G4-DMA	47, 152	-	231	Disclosures on management approach.
G4-HR10	156	-	231	Percentage of new suppliers that were screened using human rights criteria.
G4-HR11	155, 157	-	231	Significant actual and potential negative human rights impacts in the supply chain and actions taken.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Human Rights Grievance Mechanisms</b>				
G4-DMA	47	-	231	Disclosures on management approach.
G4-HR12	No human rights grievances were submitted through formal mechanisms, nor addressed or revolved on this period. [quitar 'human rights grievances mechanisms'] human rights grievance mechanisms.	-	231	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.
<b>SOCIETY</b>				
<b>Material aspect: Local Communities</b>				
G4-DMA*	131, 165	-	231	Disclosures on management approach.
G4-S01	131, 166	-	231	Percentage of operations with implemented local community engagement, impact assessments, and development programs.
G4-S02	167	-	231	Operations with significant actual or potential negative impacts on local communities.
EU22*	-	<b>Not applicable.</b> Red Eléctrica facilities do not produce any form of displacement.	231	Number of people physically or economically displaced and compensation, broken down by type of project.
<b>Material aspect of the electric utility sector: Disaster/ Emergency Planning and Response</b>				
G4-DMA	76	-	231	Disclosures on management approach.
<b>Material aspect: Anti-corruption</b>				
G4-DMA	49	-	231	Disclosures on management approach.
G4-S03	50	-	231	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Anti-corruption / Continuation</b>				
G4-S04	47, 49	-	231	Communication and training on anti-corruption policies and procedures.
G4-S05	48, 50	-	231	Confirmed incidents of corruption and actions taken.
<b>Material aspect: Compliance</b>				
G4-DMA	46	-	231	Disclosures on management approach.
G4-S08	On 8 October, 2015 a sanctioning resolution was issued by the National Markets and Competition Commission which resolved to impose a fine of €300,000 on Red Eléctrica de España for an alleged infringement of Article 61.a.9 of Law 54/1997, of 27 November, of the Spanish Electricity Sector, as a result of the construction of a power substation in the municipality of Torrejón de Velasco (Madrid) without administrative authorisation.  Red Eléctrica de España considers that no such infringement has been committed, and as such, has filed an administrative appeal with the Administrative Appeals Chamber of the National High Court against said administrative action; said appeal is currently being processed <sup>1</sup> .	-	231	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
<b>Material aspect: Supplier Assessment for Impacts on Society</b>				
G4-DMA	156	-	231	Disclosures on management approach.
G4-S09	156	-	231	Percentage of new suppliers that were screened using criteria for impacts on society.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect: Supplier Assessment for Impacts on Society / Continuation</b>				
G4-S010	155, 157	-	231	Significant actual and potential negative impacts on society in the supply chain and actions taken.
<b>Material aspect: Grievance Mechanisms for Impacts on Society</b>				
G4-DMA	62	-	231	Disclosures on management approach.
G4-S011	47, 62	-	231	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.
<b>PRODUCT RESPONSIBILITY</b>				
<b>Material aspect: Customer Health and Safety</b>				
G4-DMA	170	-	231	Disclosures on management approach.
G4-PR1	170, 171	-	231	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.
G4-PR2	171	-	231	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.
EU25*	No fatal injuries nor casualties involving Company assets have occurred among citizens.	-	231	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements, and pending legal cases of diseases.

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DMA and Indicators	Page Number Link Direct answer	Omissions	External Assurance (page)	Description
<b>Material aspect of the electric utility sector: Access</b>				
G4-DMA*	68	-	231	Disclosures on management approach.
EU26*	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.	231	Percentage of population unserved in licensed distribution or service areas.
EU27*	-	<b>Not applicable.</b> "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.	231	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.
EU28*	76	-	231	Power outage frequency.
EU29*	76	-	231	Average power outage duration.
EU30*	-	<b>Not applicable.</b> 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.	231	Average plant availability factor by energy source and by regulatory regime.
<b>Material aspect: Compliance</b>				
G4-DMA	46	-	231	Disclosures on management approach.
G4-PR9	No significant fines were imposed on the Company due to non-compliance of the rules that regulate the provision of the power supply and the use of products and services.	-	231	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.
<b>Material aspect of the electric utility sector: Provision of Information</b>				
G4-DMA*	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.	231	Disclosures on management approach.

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# Commitment to the United Nations initiatives on sustainability

## OBJECTIVES OF SUSTAINABLE DEVELOPMENT

The **2030 Agenda** of the United Nations, approved in September 2015, establishes at a global level the lines of sustainable development over the next fifteen years and, as a new initiative, involves businesses and the private sector in order to make this ambitious international agreement a success.

The United Nations has defined 17 objectives, broken down into 169 goals, to transform the world from now until 2030. It also invites the business sector, through local Global Compact networks, to commit to and be a protagonist of this transformation, developing corporate sustainability strategies which

promote inclusive economic growth, progress and equal opportunities and environmental protection.

Red Eléctrica, as the operator and sole transmission agent of the Spanish electricity system, is aware of its key position in the energy sector and, as a company committed to sustainability, actively collaborates in the development of a sustainable energy future. The Company structures its commitments in this area through its Corporate Responsibility Plan.

Many of the commitments made by Red Eléctrica in this plan contribute to the achievement of the Sustainable Development Goals. Thus, the Company actively works in the fields of energy and the modernisation of infrastructure and technology, impacting on objectives 7, 9 and 13. In addition, it is openly committed to actions, such as

transparency and good governance, biodiversity protection, or equal opportunities and the work-life balance, among others, which are aligned to a greater or lesser extent with other Sustainable Development Goals.

## GLOBAL COMPACT

**Red Eléctrica** complies with the United Nations Global Compact, supporting through its activities the consolidation of this international project, considering it a great value proposition for the defence of fundamental human rights, environmental protection, support for social development, respect for labour regulations and the fight against corruption.

Red Eléctrica de España, founding member of the Spanish Network of the UN Global Compact, annually presents a Progress Report, where the main activities undertaken in relation to the Ten Principles are set out. This information is available on the website of the Spanish Network of the UN Global Compact [www.pactomundial.org](http://www.pactomundial.org) and on the website of the Global Compact [www.unglobalcompact.org](http://www.unglobalcompact.org).



In 2011, the Global Compact introduced the Differentiation Programme, aimed at categorising the Progress Reports of the participating companies according to the degree of implementation of the Ten Principles, on the one hand and, on the other, the level of transparency. The Report of Red Eléctrica de España has, from the outset of the programme, qualified for the 'Global Compact

Advanced Level', which is granted to companies that have implemented and communicated best practices related to the integration of the Ten Principles into their management practices.

Red Eléctrica de España actively collaborated with the Spanish Network of the UN Global Compact in 2015 through its participation in the Working Group

on Human Rights and Business, aimed at designing a practical tool to facilitate the implementation of the Guiding Principles into the Spanish business fabric. In addition, a good practice of the Company [social audits of suppliers] was selected as teaching materials for the course on Responsible supply chain management given by the Spanish Network.

## GLOBAL COMPACT ASPECTS AND PRINCIPLES

### Human Rights

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

### Labour Rights

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

### Environment

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

### Anti-corruption

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





## REPORT ON INDEPENDENT REVIEW [G4-33]



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

### REPORT ON INDEPENDENT LIMITED ASSURANCE OF CORPORATE RESPONSIBILITY INDICATORS

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

We have carried out a limited assurance engagement on the Corporate Responsibility indicators (hereinafter referred to as the "CR indicators") contained in "G4 GRI Index" Appendix of the 2015 Corporate Responsibility Report of Red Eléctrica Corporación, S.A. (hereinafter "REC") for the financial year ending 31<sup>st</sup> December 2015, prepared in accordance with the general basic content proposed in the "Guidelines for the Preparation of Sustainability Reports" of the Global Reporting Initiative (GRI) version 4 (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 Comprehensive option of the G4 GRI Guidelines and the Electric Utilities Sector Supplement. Management's responsibility includes establishing, implementing and maintaining the internal controls required to ensure that the CR indicators are free from any material misstatement due to fraud or error.

REC's Management is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CR indicators, is obtained.

#### Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "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).

The scope of a limited assurance engagement is substantially less extensive than that of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with REC's personnel from various departments who have been involved in the preparation of the 2015 Corporate Responsibility Report.
- Analysis of the procedures used for obtaining and validating the data presented in the CR indicators.
- Analysis of REC's CR indicators adaptation to the requirements established by the G4 GRI Guidelines for the preparation of reports and to the Electric Utilities Sector Supplement.
- Verification, through random sampling tests revisions, internal control tests and substantive tests on the information used to determine REC's CR indicators. We have also verified whether they have been appropriately compiled from the data provided by REC's sources of information.

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª  
Inscrita en el R.O.A.C. con el número 50242 - CIF: B-79 031290



#### Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

#### Limited Assurance Conclusions

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that REC's CR indicators, for the financial year ending 31<sup>st</sup> December 2015, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the G4 GRI Guidelines and the Electric Utilities Sector Supplement.

#### Use and Distribution

Our report is only issued to the Management of Red Eléctrica Corporación, S.A. in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than REC's Management.

PricewaterhouseCoopers Auditores, S.L.

M<sup>a</sup> Luz Castilla  
12th April 2016

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## REPORT ON INDEPENDENT REVIEW OF GREENHOUSE GAS EMISSIONS INVENTORY



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

### REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2015

To the Management of Red Eléctrica de España, S.A.U.:

#### Scope of the work

We have carried out a limited assurance engagement on the Greenhouse Gas Emissions Inventory (hereinafter referred to as the GHG Inventory) of Red Eléctrica de España, S.A.U. (hereinafter referred to as REE) for the financial year ending 31<sup>st</sup> December 2015, included in the Appendix of this Report.

#### Responsibility of REE for the GHG Inventory

REE's management is responsible for the preparation and update of the 2015 GHG Inventory in accordance with their internal procedure, "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, SAU", available on the following website link <http://www.ree.es/es/sostenibilidad/energia-sostenible/energia-y-cambio-climatico/nuestra-huella-de-carbono>. Management is also responsible for establishing, implementing and maintaining any relevant internal control systems required to ensure that the GHG Inventory does not contain any material inaccuracies due to fraud or error.

The calculation of GHG Emissions is subject to inherent uncertainties given their nature and the methods and factors used to determine, calculate and estimate emissions.

#### Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410), "Assurance Engagements on Greenhouse Gas Statements" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and develop our engagement to obtain a limited security that REE's 2015 GHG Inventory does not contain any significant errors or that it has not been prepared in accordance with the internal procedure "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, S.A.U.". This work has been carried out by a team of sustainability and climate change specialists highly experienced in these areas.

The scope of a limited assurance engagement is substantially less extensive than a reasonable assurance engagement, and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with personnel of REE's various departments who have been involved in the preparation of the GHG Inventory.
- Analysis of the procedures used for obtaining and validating the data on REE's GHG Inventory.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290



- Evaluation of the systems employed for obtaining and monitoring data for the preparation of REE's 2015 GHG Inventory.
- Assessment of whether the estimations used are appropriate and have been consistently applied. Our work has not included a review of the calculations on which the emission factors are based, nor a review of the reliability of the information provided by third parties.
- Verification, through random sampling tests, internal control tests and the development of substantive tests of the information (activity data, calculations and information generated) used to determine REE's 2015 GHG Inventory with the internal procedure "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, S.A.U.". We have also verified the correct compilation of information based on the data provided by REE's sources of information.

#### Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

#### Limited Assurance Conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that REE's GHG Inventory for the financial year ending 31<sup>st</sup> December 2015 contains any significant errors or has not been prepared, in all its significant matters, in accordance with the "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, S.A.U.".

#### Use and distribution

Our report is only issued to the Management of Red Eléctrica de España, S.A.U. in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than REE's Management.

PricewaterhouseCoopers Auditores, S.L.

Mª Luz Castilla  
12th April 2016





LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT



**Appendix**

**GREENHOUSE GAS (GHG) INVENTORY OF RED ELÉCTRICA DE ESPAÑA, SAU.**

GHG Inventory	tCO <sub>2</sub> -eq
<b>Scope 1</b>	<b>33,662</b>
1.1 Diesel generating sets	182
1.2 Fleet vehicles	989
1.3 SF6	31,651
1.4 Air conditioning	840
<b>Scope 2</b>	<b>808,347</b>
2.1 Electricity consumption	4,229
2.2 Transmission grid losses	804,118
<b>Scope 3</b>	<b>241,258</b>
3.1 Supply chain	234,807
3.2 Business travel	2,517
3.3 Logistics	589
3.4 Employees commuting	3,345

(December 31, 2015)

**Organisational boundaries**

The calculation of Red Eléctrica de España SAU's emissions is performed under operational control criteria. The inventory only applies to the activities that take place in Spain.

**Operational scope**

Emissions associated to Red Eléctrica de España SAU's activities and facilities are quantified, taking into consideration the following scopes:



Scope 1: Direct GHG emissions (Greenhouse gases)

Emissions resulting from the Company's controlled or owned sources:

- Stationary combustion: derived from the combustion of fuels used in diesel generating sets. (No other stationary combustion source exists in the Company).
- Mobile Combustion: emissions derived from fuel consumption of the fleet.
- Fugitive Emissions: SF<sub>6</sub> gas leaks in electricity substations and refrigerant gases leaks from air conditioning systems.

Scope 2: GHG indirect emissions from electricity consumption

- Electricity consumption.
- Electricity losses in the transmission grid.

Scope 3: Other indirect GHG emissions

- Emissions associated with purchased goods and services (supply chain)
- Emissions associated with business travel by plane, train and car.
- Emissions derived from downstream transportation and distribution (logistics, subcontracted to an external company)
- Emissions from employees commuting to the workplace.



# Annual Executive Report on the Management of the Code of Ethics 2015

## INTRODUCTION

The Annual Report on the Management of the Code of Ethics sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group within the fiscal year: the operation of the whistle-blowing channel for enquiries and grievances, awareness campaigns, recognition received and measures to be promoted.

The Code of Ethics of the Company seeks to provide an ethical guide for the people of the companies of the Red Eléctrica Group, establishing the values and commitments that should govern their activity within the Company.

Many of these values and commitments have been ingrained in Red Eléctrica since 1987 when it published its first set of shared values, entitled 'Core principles in the performance of duties'. In 2007, the ethical commitment of Red Eléctrica was strengthened with the approval of the document entitled "Code of Ethics and corporate values," the implementation of a whistle-blowing channel for queries and grievances, and the creation of the figure of the Ethics Manager.

The current edition of the Code of Ethics of the Red Eléctrica Group was approved by the Board of Directors of its parent company on 28 May 2013, undertaking the requirements demanded by stakeholders and the recommendations of organisations of repute with influence in this area.

The Code of Ethics is incumbent on all persons in the Group, understood as its Board of Directors, its directors and the

remaining employees, in the performance of their duties and responsibilities. It is a regulatory instrument, in the general sense of establishing patterns of behaviour and guidelines with regard to the values enshrined within the Code of Ethics, in the different fields within the professional sphere in which the people of the Red Eléctrica Group carry out their activity. Its purpose is to serve as a general guideline when making decisions aligned with the aforementioned values in certain situations where professionals of the Red Eléctrica Group may find themselves.

It is applied in the companies of the Group, i.e. in those which are majority owned, regardless of their geographical location and in those countries where they are temporarily performing activities, providing professional services or any other activity related to the Group.

## WHISTLE-BLOWING CHANNEL

Red Eléctrica has appointed an Ethics Manager to manage the ethical questions that may be posed and to collate, analyse and resolve the possible non-compliances received regarding the commitments set out in the Code of Ethics. The person appointed is Rafael García de Diego Barber, General Counsel and Secretary of the Board of Directors of Red Eléctrica Corporación. This figure, with a direct channel 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 undertake the designated responsibilities.



LETTER FROM THE  
CHAIRMAN AND THE CHIEF  
EXECUTIVE OFFICER



KEY PERFORMANCE  
INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE  
GOVERNANCE



04. MANAGEMENT  
APPROACH



05. SUSTAINABLE  
ENERGY



06. CREATION  
OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE  
WITH  
STAKEHOLDERS



10. THE  
ENVIRONMENT



## In 2015, the information on the corporate website regarding the ethical management of the Company was improved through the publication of indicators related to the application of the Code of Ethics.

In 2015, in accordance with international best practices, the information on the corporate website was improved regarding the ethical management of the Company, which includes the publication of a list of indicators related to the application of the Code of Ethics. The aim is to provide relevant information to enable socially responsible investors to be aware of those ethical elements which are necessary when making investment decisions, in a complementary form to the traditional economic and financial criteria. On the Group's website a channel was set up which is both visible and easily accessible, through which enquiries and grievances

could be sent to the Ethics Manager in a confidential manner.

With regard to the system for the detection and handling of possible non-compliances, grievances, enquiries and suggestions regarding ethical matters, in 2015, twenty-seven enquiries were received by the Ethics Manager, with a maximum resolution period of 10 days. Enquiries received have referred to the following areas of conduct: the responsible monitoring of the management of suppliers; dealing adequately with confidential information; the 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.

During said period, three grievances were received regarding the compliance with the Code of Ethics. The first concerned the corporate value "environmental awareness" having dismissed the grievance, with the agreement of the complainant, as the Red Eléctrica Group had not had any intervention whatsoever with regard to the stated facts, either directly or through any of its contractors. The second grievance referred mainly to corporate value "respect", a case that was resolved prior to its definitive resolution due to the fact that the person from the Company lodging the grievance left the Company voluntarily before the conclusion of the case. The third grievance referred to the corporate value "respect", and was still being processed at the close of 2015.

Among the functions undertaken by the Ethics Manager is the obligation to communicate the grievances 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 grievances and, where appropriate, initiate an investigation into the event until it is resolved. In 2015, the Ethics Manager received no complaint about non-compliances related to criminal risk, and none of the companies of the Red Eléctrica Group have been investigated, or convicted by any law court for infringements related to criminal risks of the organisation.

### INTEGRITY AND TRANSPARENCY

As a result of the commitment undertaken by Red Eléctrica to prohibit all practices related to corruption, bribery or facilitation payments, the Board of Directors of the parent company approved on 22 December 2015 the 'Guide for the Prevention of Corruption: zero tolerance' as a fundamental element of the integrity model of the Red Eléctrica Group. The initiative



was included in the Corporate Responsibility Programme 2015 of the Company. It aims to provide a guide regarding the prevention of corruption for all professionals in the companies of the Red Eléctrica Group, setting out the commitments and action criteria, thereto, that should govern their professional activities within the same. Its purpose is to provide members of the Red Eléctrica Group an analysis of the circumstances and the risks they face regarding corruption, and advance the dissemination of the criteria and the instruments available to the Company for the eradication said risks.

During 2015, after completion of the diagnosis and design phases of the proposal, the new Regulatory Compliance System started to be implemented along with the creation of the Regulatory Compliance Unit, developing the commitment, set out as a behavioural guideline for the Code of Ethics, to have a suitable legal compliance control

system, aligned with the values of trustworthiness and responsibility set out therein.

### AWARENESS ACTIONS

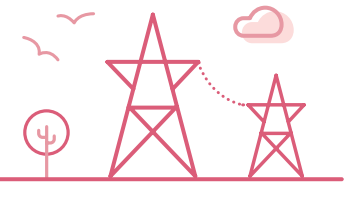
**Regarding the Awareness Plan** on ethical management, approved by the Corporate Responsibility Committee of the Company, in 2014 and continuing in 2015, a number of forums were started in all work centres of the Group's companies, with the aim of improving knowledge regarding the ethics management system, reflecting the values and commitments made by the organisation, and strengthening the figure and functions of the Ethics Manager. These sessions include the participation of the Ethics Manager and the Red Eléctrica Stakeholder Ombudsman.

### EXTERNAL RECOGNITION

**In the field** of external recognition, noteworthy was the awarding of the maximum score (100 out of 100 points) to Red Eléctrica in the Code of Ethics/Compliance/Corruption and Bribery section of the Dow Jones Sustainability Index 2015. The inclusion in the Euronext-Vigeo

Red Eléctrica was **awarded the maximum score** (100 out of 100 points) in the Code of Ethics/Compliance/Corruption and Bribery section of the Dow Jones Sustainability Index.

Sustainability Indexes (Eurozone 120, Europe 120, Global 120) which selects the companies that stand out for their excellent performance in areas such as environmental protection, ethics or contribution to economic and social development of the communities in which they operate. Also worth highlighting is the fact that for years Red Eléctrica has formed part of prestigious indexes regarding business ethics such as the Ethibel Sustainability Index (ESI) Excellence Europe and also Ethibel Excellence.



## INDEPENDENT AUDITOR REPORT ON THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING



**KPMG Auditores S.L.**  
Edificio Torre Europa  
Paseo de la Castellana, 95  
28046 Madrid

### Independent Auditor's Report on the System of Internal Control over Financial Reporting

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

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

Further to your request, and in accordance with our engagement letter dated 26 October 2015, we have examined the information concerning the System of Internal Control over Financial Reporting (*Sistema de Control Interno sobre la Información Financiera*, hereinafter "SCIIF") of Red Eléctrica Corporación, S.A. (the Parent) and subsidiaries (the REE consolidated Group or the Group) described in note F of the accompanying Annual Corporate Governance Report at 31 December 2015. This system is based on the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The Board of Directors of the Company and Senior Management of the Group are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control over financial reporting, evaluating its effectiveness and developing improvements to that system, and defining the content of and preparing the accompanying information concerning SCIIF. Our responsibility is to express an opinion on the effectiveness of the Group's System of Internal Control over Financial Reporting based on our examination.

An entity's internal control over financial reporting is designed to provide reasonable assurance that its annual financial reporting complies with the applicable financial reporting framework. It includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Group's consolidated annual accounts in accordance with the applicable financial reporting framework; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the consolidated annual accounts. In this respect it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

We conducted our examination in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000: 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) for the issue of reasonable assurance reports. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group maintains, in all material respects, effective internal control over financial reporting. Our work included obtaining an understanding of the Group's System of Internal Control over Financial Reporting, testing and evaluating the design and operating effectiveness of that system, and performing such other procedures as were considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M. 188.007, Inscríp. 9 N.I.F. B-79510153

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The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Due to the limitations inherent in any internal control system, there is always a possibility that SCIIF may not prevent or detect misstatements or irregularities that may arise as a result of errors of judgement, human error, fraud or misconduct. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting at 31 December 2015, in accordance with the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Furthermore, the disclosures contained in the information concerning SCIIF included in note F of the Group's Annual Corporate Governance Report at 31 December 2015 have been prepared, in all material respects, in accordance with the requirements set forth in article 540 of the Revised Spanish Companies Act and in Spanish National Securities Market Commission (CNMV) Circular 7/2015 of 22 December 2015, with respect to the description of the System of Internal Control over Financial Reporting in Annual Corporate Governance Reports.

Our examination did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain. As such, in this report we do not express an audit opinion on the accounts under the terms provided in the above-mentioned legislation. However, on 24 February 2016 we issued our unqualified audit report on the consolidated annual accounts of the Group for 2015, in accordance with the legislation regulating the audit of accounts in Spain.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Ana Fernández Poderós

24 February 2016



## EXECUTIVE SUMMARY OF THE INTERNAL AUDIT



### EXECUTIVE SUMMARY OF THE INTERNAL AUDIT OF THE CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM (SECOND HALF OF 2014 and FIRST HALF OF 2015)

#### Objective and scope

For the period of the second half of 2014 and first half of 2015, verify the implementation 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 Employees' and the 'Committed to Society' vectors have been verified (report 22/15).

Additionally, a report was drafted (report 31/15) to complete the verifications conducted in the aforementioned internal audit. 21 individual interviews were held with employees of the Northeast Transmission Regional Office, the North Transmission Regional Office and the Electricity Control Centre (CECOEL). Additionally, questionnaires were completed by 16 employees of the Canary Islands' Electricity System office (Las Palmas and Tenerife) and the Northwest Regional Office.

#### 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 categorised as anomalies.

#### The following were included as noteworthy strengths:

- The approval, in November 2014, of the first Corporate Governance Policy.
- The establishment of the Coordinating Group and the Task Force on Disability, in relation to the deployment and implementation of the Disability Management Model.
- Progress made in the monitoring of suppliers, noteworthy being the conducting of social audits.
- The implementation of the LBG reporting methodology, obtaining in May 2015 the Assurance Statement regarding Fiscal Data 2014.

#### Observations

##### Report 22/15 on the Corporate Responsibility Management System in the Head Office

- An anomaly was detected in the internal audit conducted on the Corporate Responsibility Management System in 2013 regarding the evaluation of legal compliance, and its resolution is pending.
- The Strategic Plan 2014-2019 of the Company was approved in February 2015 (subsequent to the issuance of the last revision of the Corporate Responsibility Manual) and includes several key actions on corporate responsibility, which could be collated in said section of the Manual.
- Although the representation of workers through various representation channels existing in the organisation has been established in a documented form, there is no evidence of the participation of said representation in the Revision of the Management System.
- The issuance and approval of the updated Functions Manual is currently pending.
- Although numerous actions aimed at managing stakeholders were undertaken, the assessment of the actual and potential impact of REE activities on stakeholders has not yet been carried out.

##### Report 31/15 – Complementary report on the Corporate Responsibility Management System

- The knowledge regarding the Harassment Protocol and the Equality Plan can be improved.
- In some cases, the vertical communication is not very fluid and could be improved.
- On the whole, employees have stated that it is difficult to change role and department within the Company.

#### Aspects for improvement

##### Report 22/15 on the Corporate Responsibility Management System in the Head Office

- Continue to make progress in the Corporate Responsibility Management System of certain aspects not fully deployed to date (the Disability Management Model Action Plan and Functional Mobility Action Plan), although already included in the CR Projects Programme 2015.
- Advance in the adaptation of the Corporate Responsibility Management System to the new editions of the IQNet SR10 and SA8000 standards.
- Within the Disability Management Model, the strengthening of establishing indicators not associated with legal compliance or the RC Projects Programme could be analysed, which would provide more information on the progress of the Company in this matter.

##### Report 31/15 – Complementary report on the Corporate Responsibility Management System

- 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 to guide future actions in this area.
- It would be interesting to undertake more corporate responsibility projects in the regional offices.
- Encourage internal mobility of workers.
- Analyse the conducting of a 360º assessment.
- Encourage further action to raise the profile of the social action of REE.

Madrid, 10 July 2015

Beatriz Cordero Márquez  
Internal Auditor

Manuel Sánchez Gómez  
Head of the Internal Audit and Risk  
Control Department







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