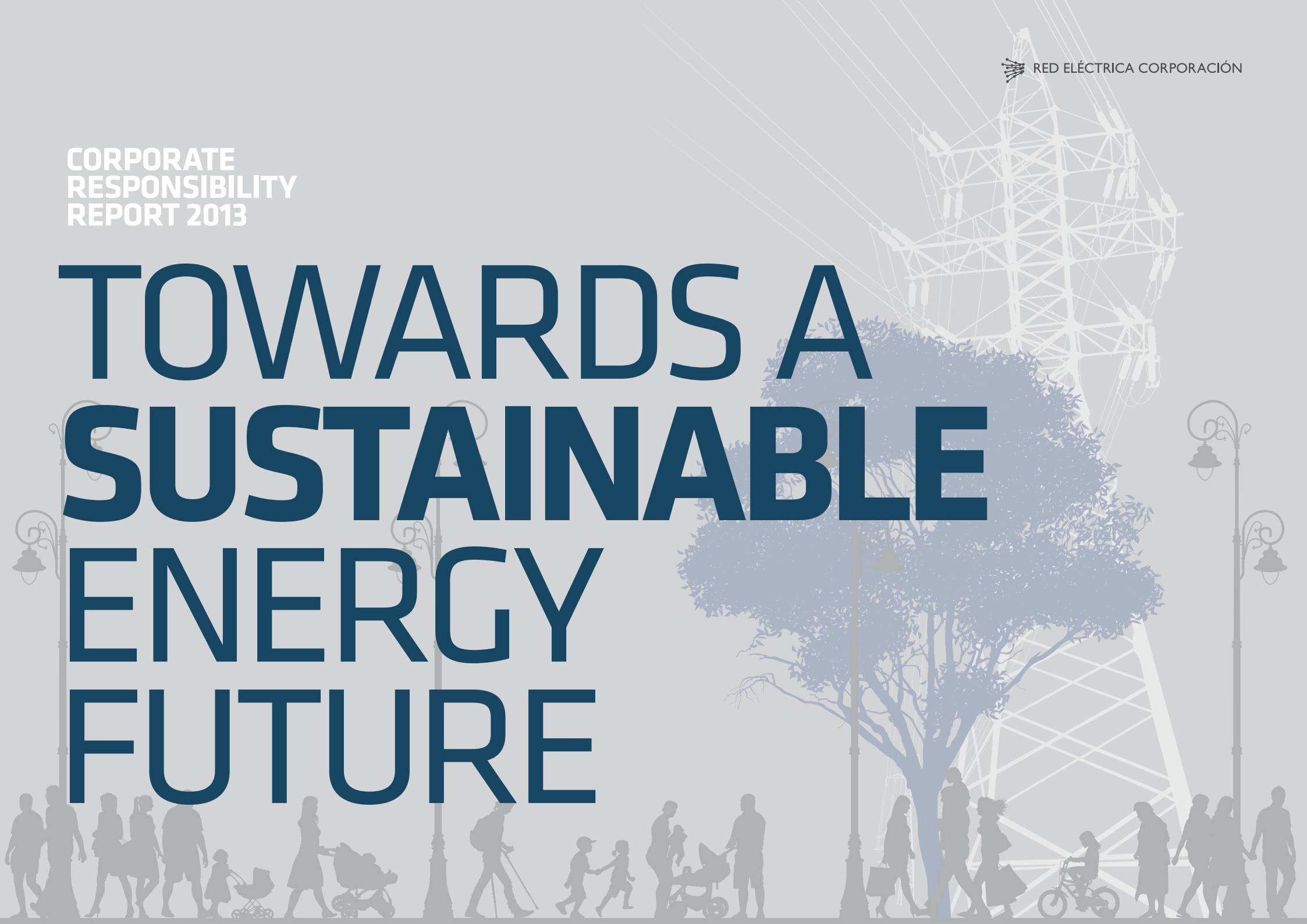
RED ELÉCTRICA CORPORACIÓN

CORPORATE RESPONSIBILITY REPORT 2013

TOWARDS A **SUSTAINABLE** ENERGY FUTURE



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Click on the *mouse* or *video* symbol and access the relevant Company information that may be of your interest.

More information
Video: the Chairman of Red Eléctrica evaluates fiscal year 2013.

Chairman of Red Eléctrica Corporación

JOSÉ FOLGADO

"IN A DIFFICULT CONTEXT, RED ELÉCTRICA HAS MANAGED TO SHOW ITS FINANCIAL SOUNDNESS WITH A 7.5% GROWTH IN NET PROFIT"

How would you sum up the current economic situation in Spain? Do you believe the road to recovery has begun and therefore we are coming out of the crisis?
There are indicators that point in this direction, such as the positive signs that GDP is starting to register; the significant improvement in the risk premium; the increasing competitiveness of companies, which have resulted in an increase in exports, and the progressive reduction of public deficit. If reforms continue, solid economic growth will be secured, and this is the basis for the significant reduction in unemployment rates.

How would you describe the current situation of the electricity sector in Spain?
EThe main problem has been the tariff deficit that the Government is trying to reduce, with a series of regulatory measures, to ensure the economic sustainability of the energy model, such as the new Electricity Sector Law and the new price setting mechanism for electricity. It has been a reform that has affected all industry players, but I am sure it will bring regulatory stability and a better allocation of the resources necessary to ensure the viability, quality and efficiency of the energy system as a whole.

How do these regulatory measures affect Red Eléctrica and how are they being addressed?
Since this process of regulatory reform began in 2012, the Company has contributed to the objective of sector stability, having undergone major financial adjustments that totalled over 500 million euros in 2012 and 2013.
In 2013, Royal Decree 1047/2013 was passed which sets forth the new method for calculating the remuneration of electricity transmission activities. This decree marks a new stage that we believe can clearly be positive for the development of Red Eléctrica's activity in the coming years by establishing a single system for remunerating these activities, introducing tools that promote efficiency both in the construction of facilities and in grid operation and maintenance. In short, it is a framework of regulatory stability for upcoming years, which seems to have gone down well with both investors and the markets.

What stage is the process of electricity infrastructure planning at?
The passing of Royal Decree 13/2012 led to the suspension of the granting of new administrative authorisations for the facilities contemplated in the Plan for 2008 to 2016 and, as such, it was necessary to draft a new transmission grid plan, taking as a base the most likely macroeconomic scenario and the evolution of the forecasted demand. Subsequently, the Ministerial Order of January 2013 approved a list of facilities considered critical for the electricity system and, therefore, authorising Red Eléctrica to proceed with them.
In December 2012, a new planning process began with a 2014-2020 horizon, for which Red Eléctrica has drafted the initial *Proposal for the development of the Transmission Grid. 2014-2020 Horizon.* This was submitted in September 2013 to the Ministry of Industry, Energy and Tourism, and re-submitted in December 2013 with the modifications required by the Ministry.

From a business management standpoint, which milestones in 2013 would you highlight?
Even in a difficult economic and regulatory context, Red Eléctrica managed to show its soundness by presenting solid results with a 7.5% growth in net profit.
Also worth highlighting is the significant investment plan, which has meant an investment

"IN 2014, WE EXPECT TO INVEST AROUND 550 MILLION EUROS, WITH A YEAR-ON-YEAR GROWTH IN PROFITS OF BETWEEN 4% AND 5%"

of 564 million euros for the strengthening of the transmission grid. In 2013, we put into service 776 km of line amongst which are the various noteworthy sections of the Almaraz-Guillena axis, a project that will allow the quality of supply in the regions of Andalusia and Extremadura to be guaranteed. In the north of the Spanish peninsula, it is worth noting the putting into service of the Gra//do-Salas axis, which forms part of a larger project to link up the Cantabrian coastal axis and which will enable the evacuation of wind power energy from Galicia and Asturias to those areas of high consumption, such as the Basque Country and Cantabria. In addition, we continued with projects regarding the strengthening of international interconnections.

¿What contribution does Red Eléctrica make towards achieving a sustainable energy model?

Our contribution as an energy company is based on two essential lines of action: first of all, through system operator efficiency responding to a changing environment, especially as it relates to the challenge of integrating a high volume of non-manageable renewable energy. Secondly, the development of a transmission grid that is meshed, robust and sufficient for the evacuation of renewable energy and also the strengthening of internal interconnections. These are infrastructures that are critical in the long term to reduce the situation of energy isolation in which we find ourselves and also to help compensate for this situation in the short term. They will also help to increase the ability to take better advantage of renewable energy and achieve an integrated energy market that is competitive.

"WE HAVE CONTINUED ALONG THE ROAD TOWARDS STABLE AND QUALITY EMPLOYMENT AND HAVE MET OUR COMMITMENT TO EQUAL OPPORTUNITIES"

"WITH REGARD TO CORPORATE GOVERNANCE, WE HAVE CREATED THE FIGURE OF LEAD INDEPENDENT DIRECTOR TO RESPOND TO INTERNATIONAL BEST PRACTICES ON THE SUBJECT"

From a global perspective, what other aspects would you highlight regarding the Company's performance in the field of sustainability?

In corporate governance, we have taken yet another step forward by creating the figure of Independent Lead Director to respond to international best practices on the subject.

In addition, this year we almost doubled our efforts regarding innovation with the creation of new technological developments such as the Almacena project, which in the future will result in a new mechanism of flexibility for the operation of the electricity system. In total, we worked on more than 60 R&D+i projects in 2013.

In reference to employment, we have continued along the road towards sustained growth regarding stable and quality employment and we have fulfilled our commitment to equality, increasing for yet another year the number of women on the workforce as well as in positions of responsibility.

But I would also like to highlight the continued effort we make regarding biodiversity, not only with the specific measures related to our business, but also helping to improve the environment through other actions.

For example, by the end of 2013, Red Eléctrica Forest, our forest, amounted to a total of 350,000 trees planted in various territories nation-

wide. More than 50 corporate responsibility projects were conducted in 2013, proof of our commitment towards the environment, sustainability and our stakeholder groups.
In recognition of these actions, Red Eléctrica continues to be included in the most prestigious international indexes such as the Dow Jones Sustainability Indexes (since 2006) and FTSE4Good.
Also noteworthy in terms of excellence, is the fact that the Company has renewed the EFQM European Excellence 500+ seal, being awarded the highest score of any company in Spain and one of the highest ratings of any European utility company.

In terms of growth opportunities, where do you see more possibilities?
In 2014, the resolution of the aspects still to be determined within the new remuneration framework, and the approval of the new infrastructures plan, will enable us to define our next strategic plan, linked to the forecasted changes regarding demand evolution and the progress in innovation and efficiency.
The strategic plan will define objectives where the Company will maximise returns for its shareholders, contribute to the development of its employees and provide a quality service, as a responsible and sustainable company.
The expected evolution of the Company is based on three basic lines: firstly, operational excellence focused on the achievement of operational efficiencies which are highly important in the current economic climate; secondly, the integration of markets and sustainability of the electricity system that justifies a significant level of investment in the transmission grid over the coming years, both on the Spanish peninsula, including international interconnections, as well as on the islands; and, thirdly, the strengthening of the balance sheet through a focus on prudent financial policies that entail the maintenance of a diversified financial debt and a comfortable position of liquidity.

How will this evolution be reflected in shareholder returns?
We will continue to focus our efforts on creating shareholder value. To this end, we will maintain a dividend growth in line with profit, with a pay-out of 65%, revisable in the next few years. At the same time, we will continue to maintain a strong capital structure, improving our financial solvency and working towards ensuring security of supply with quality and efficiency. In 2014, we expect to invest around 550 million euros, with a year-on-year growth in profits of between 4% and 5%.

"MORE THAN 50 CORPORATE RESPONSIBILITY PROJECTS CONDUCTED IN 2013 DEMONSTRATE OUR COMMITMENT TOWARDS THE ENVIRONMENT, SUSTAINABILITY AND OUR STAKEHOLDER"

KEY INDICATORS 2013

GOVERNANCE

REDUCED BOARD
(NO VARIATION)
11 members

INDEPENDENT DIRECTORS
(NO VARIATION)
63.6%

WOMEN ON THE BOARD
(NO VARIATION)
36.4%

BOARD REMUNERATION
(- 1.4%)
2,366 thousand euros

BUSINESS

KM OF LINES
(+18.8%)
42,008 km

SUBSTATIONS
(+3.2%)
5,216 substation bays

QUALITY OF SERVICE OF THE GRID
(+0.4%)
98.1% grid availability

INTEGRATION OF RENEWABLES
(+32.5%)
42.4% of demand

FINANCIAL DATA

NET REVENUE*
(+0.2%)
1,758.3 M€

EBITDA*
(+0.2%)
1,301.9 M€

NET PROFIT*
(+7.5%)
529.1 M€

NET FINANCIAL DEBT
(-6.8%)
4,541.2 M€

EMPLOYMENT

WORKFORCE
(+1.6%)
1,672 people

WOMEN ON THE WORKFORCE
(+1.8%)
23.1%

EMPLOYEE TRAINING
(+5.5%)
96% of the workforce

SEVERITY OF ACCIDENTS
(-55.5%)
0.12 rate

SOCIAL

INVESTMENT IN SOCIETY
(NO VARIATION)
0.8% of net profit

SOCIAL COMMITMENT
(+28%)
449 actions

LOCAL SUPPLIERS
(-2%)
95% of purchases

DIALOGUE WITH INVESTORS
(+22.5%)
712 meetings

ENVIRONMENTAL

ENVIRONMENTAL EXPENDITURE
(+8.8%)
23.4 M€

KM OF LINE MARKED WITH BIRD-SAVING DEVICES
(+10.9%)
2,585 km

SF_6 EMISSIONS
(-1.7%)
0.976 average rate

DIRECT CO_2 EMISSIONS
(+2.9%)
79,610 tonnes

* Having factored in the one-off events that have had an impact on the results in 2012 and 2013, these magnitudes in like-for-like terms are as follows: Net Revenue 1,822.6 M € (+4.4%); EBITDA 1,369.0 M € (+5.9%) Net Profit 558.0 M € (+8.8%). The percentage of variation in the indicators is compared to the 2012 results.

More information in the 'Key indicators' section on the corporate website.

FUTURE CHALLENGES

The electricity sector is going through a **transitional phase** towards a new energy model characterised by a **greater complexity** in its management due to the high level of **renewable energies** and the need to guarantee an electricity supply with the appropriate levels of **quality and safety** at the lowest possible cost, in order to ensure the **sustainability** of the system.
In this regard, balancing the low manageability of renewable generation, **strengthening interconnections**, promoting technological innovation and fostering **continual improvement** of its activities as **TSO**, under the criteria of **efficiency and quality**, represent some of the **challenges** Red Eléctrica is responding to with a view to contribute to an **efficient and sustainable management of the energy model**.

1 GREATER GUARANTEE AND SECURITY OF SUPPLY

Amongst the most relevant facilities that Red Eléctrica is developing for the structural strengthening of the transmission grid, noteworthy are the works regarding the new interconnections with France and Portugal, the Almaraz-Guillena axis between Extremadura and Andalusia, and the Majorca-Ibiza link.
Red Eléctrica will exceed 1 billion euros in investments in 2013-2014 for the improvement of the transmission grid. These investments are essential both to strengthen the security and quality of the electricity supply and to help integrate renewable energies and provide a more efficient functioning of the electricity system.

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

2 STRENGTHENING INTERCONNECTIONS

The European Union recommended in 2002 that all Members States should reach a minimum 10% ratio of interconnection with respect to its installed capacity, in order to eliminate isolated systems and promote the single electricity market. Taking into account the current interconnection with France, Portugal and Morocco, Spain's interconnection rate is 4.3%. In addition, if one considers that the real support to the Iberian Peninsula can only come via the border with France, the interconnection rate stands at 1.2%, which means Spain can practically be considered as an electrical island.

With the planned interconnections with Portugal (via Galicia and Andalusia) and the new interconnection with France via the Eastern Pyrenees, this rate will rise to 6-7% which is still insufficient. Therefore, consideration is being given for a new submarine interconnection via the Bay of Biscay in the medium/long term. The optimal development of the interconnections between electricity systems enables the creation of large electricity highways (supergrid), enabling greater integration of existing renewable resources into these systems.

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

3 SAFE INTEGRATION OF RENEWABLE ENERGIES

The safe integration of renewable energies remains one of the great challenges to the security of the electricity supply. This integration is more complex in the Spanish electricity system, due to the limited interconnection capacity with Europe. In this context, year after year, the important work of Red Eléctrica's Control Centre of Renewable Energies (CECRE) is made more apparent due to the fact that the activity it performs is enabling the production of renewable energies to have an increasingly more important role in demand coverage (42% in 2013). This fact favours not only the reduction of emissions derived from electricity generation, but also reduces the high dependence on foreign energy that Spain has.

More information in the video 'Control Centre of Renewable Energies (CECRE)'.

4 ENERGY EFFICIENCY AND SMART GRIDS

In the future the applications of the so-called smart grids will play an important role in achieving a more sustainable and efficient management of the electricity system, and with greater levels of quality and security of supply. Smart grids will provide greater flexibility to the electricity supply process as it will allow the efficient integration of the behavioural patterns and actions of all users connected to it.
For some years now, Red Eléctrica has had 'intelligence' associated to its devices and elements which are part of the high-voltage transmission grid that it manages and operates. This fact has not deterred the company from continuing to make progress in order to achieve greater automation, integration and adaptation of the equipment and systems that operate the grid. The objective is the security, quality and efficiency of the electricity supply. To achieve this, Red Eléctrica carries out numerous initiatives in the areas of real-time energy control systems, system security and reliability, coverage and prediction systems, demand-side management and the development of unique facilities.

5 TECHNOLOGICAL **INNOVATION**

Making progress in the creation of a culture of innovation and technological development as a driver for growth and efficiency is one of the Red Eléctrica's challenges. Efforts in this field focus on the search for resources, tools and technical solutions oriented towards a more efficient operation of the electricity system.
The development of a transmission grid integrated in the Europe arena, the incorporation of more efficient technologies into the transmission grid, the promotion of new operating resources, such as energy storage and the electric vehicle which make the system more sustainable are some of the axes through which technological innovation in the Company is channelled.

6 **GREATER** OPERATIONAL EFFICIENCY

Red Eléctrica maintains an ongoing focus regarding the continual improvement of key operating processes through which it carries out its functions as TSO, following criteria of efficiency, quality, innovation and environmental protection. In this regard, one of its most important commitments is to develop the grid and manage the system in the most efficient and sustainable way possible, in order to contribute to the sustainability of the entire electricity system. This continual improvement is reflected in the excellent levels of service quality provided, as well as the positive trend in performance that, year after year, is shown in their key financial figures and in the confidence its shareholders, investors and other stakeholder groups have in the Company.

1_THE COMPANY

WE WORK TOWARDS ACHIEVING A SUSTAINABLE ENERGY FUTURE, THROUGH **TRANSPARENT AND INDEPENDENT MANAGEMENT**

GRI Indicators reported on within this chapter: 2.1, 2.2, 2.3, 2.6, 4.8, EC4.

WE ARE KEY TO A SECURE AND SUSTAINABLE ENERGY FUTURE

Red Eléctrica is the sole transmission agent and operator (TSO) of the Spanish electricity system.
The Company carries out its mission with transparency and independence, with the aim of providing a secure, efficient electricity service of maximum quality for society as a whole.

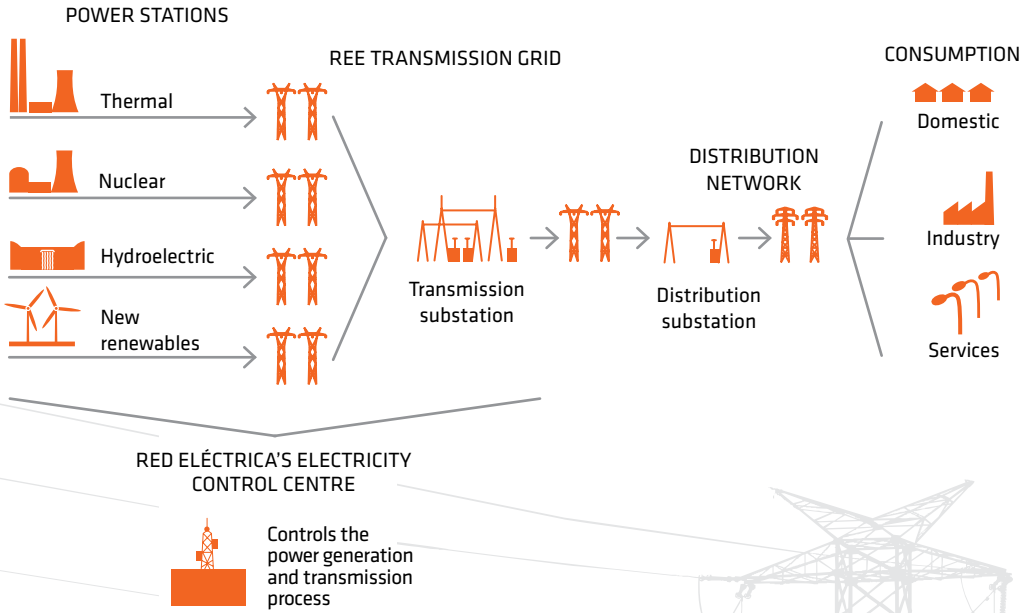
MISSION AND VISION [-4.8-]

RED ELÉCTRICA, as the TSO of the Spanish electricity system, has the mission to ensure the continuity and security of the electricity supply and the correct coordination of the power generation and transmission system. Additionally, it transports electricity and builds, maintains and operates the transmission facilities. These functions are carried out under the principles of transparency, objectivity, independence and economic efficiency.

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

HOW THE ELECTRICITY SYSTEM WORKS

RED ELÉCTRICA OPERATES THE SPANISH ELECTRICITY SYSTEM IN REAL-TIME AND IS RESPONSIBLE FOR THE HIGH-VOLTAGE TRANSMISSION OF ELECTRICITY



OUR VALUES

>> Dependability
>> Responsibility
>> Respect
>> Leadership and creativity
>> Environmental awareness

A GROUP WITH A 'HOLDING' STRUCTURE

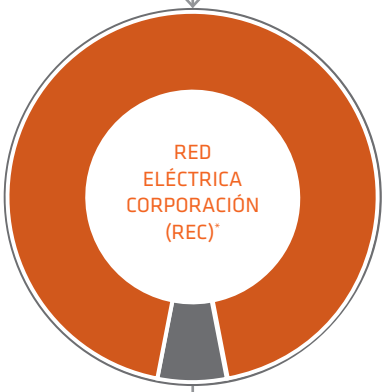
The core activities of the Red Eléctrica Group are the transmission of electricity, the operation of the system and the management of the transmission grid, which makes it the TSO of the Spanish electricity system. With the objective of reinforcing the separation and transparency of the regulated activities in Spain – transmission and system operation – from the rest of the activities, the organisational structure of the Company was transformed into a holding structure in 2008.

ORGANISATIONAL STRUCTURE OF THE RED ELÉCTRICA GROUP

31.12.13 **[-2.1, 2.6-]**

RED ELÉCTRICA DE ESPAÑA (REE)

96% ELECTRICITY ACTIVITIES IN SPAIN (Consolidated revenue)



4% OTHER ACTIVITIES (Consolidated revenue)

Red Eléctrica Internacional (REI)
Electricity activities outside of the Spanish electricity system: in Peru through REDESUR, REA and TESUR.

RBV and REF
Financing activities.

REDCOR
Reinsurance activities of the different companies of the Group.

* Red Eléctrica Corporación is listed on the Spanish Continuous Market and is part of the selective IBEX 35 Index and its weighting in this index was 1.52% in 2013.

REGULATORY FRAMEWORK

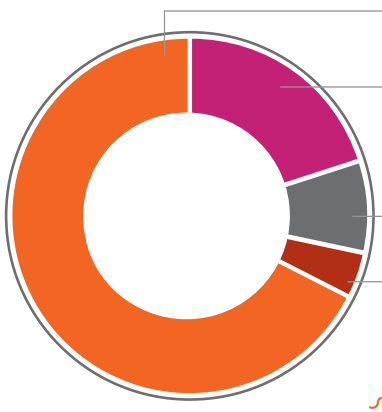
THE BUSINESS ACTIVITIES of Red Eléctrica are regulated by European and Spanish legislation. In the European sphere the following apply: Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13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

In Spain, the electricity sector is regulated by Law 54/1997, of 27 November (Electricity Power Act), amended by Law 17/2007 of 4 July, that assigns Red Eléctrica the role of sole transmission agent. This Law was amended by the entry into force of Law 24/2013, of 26 December, on the Electricity Sector that establishes the regulation that regulates the activities of Red Eléctrica. In addition, on 27 December 2013 Royal Decree 1047/2013 was approved by the Council of Ministers establishing a new model for calculating the remuneration of the electricity transmission activity.
This new remuneration framework, expected to come into force as of 2015, establishes a clear, stable and transparent methodology; and serves to reinforce and clarify the principles and criteria for determining the remuneration for regulated activities in line with comparable European companies.

More information in the 'Consolidated Annual Accounts 2013' report and in the 'Regulatory Framework' section of the corporate website.

SHAREHOLDER STRUCTURE

31.12.13



67.2% Foreign Institutions

20% SEPI (State Owned Industrial Holding Company) [-EC4-]

8.4% Minority Shareholders

4.3% Spanish Institutions

More information in the 'Consolidated Annual Accounts 2013' report.

ELECTRICITY ACTIVITY IN SPAIN [-2.2, 2.5, 2.7-]

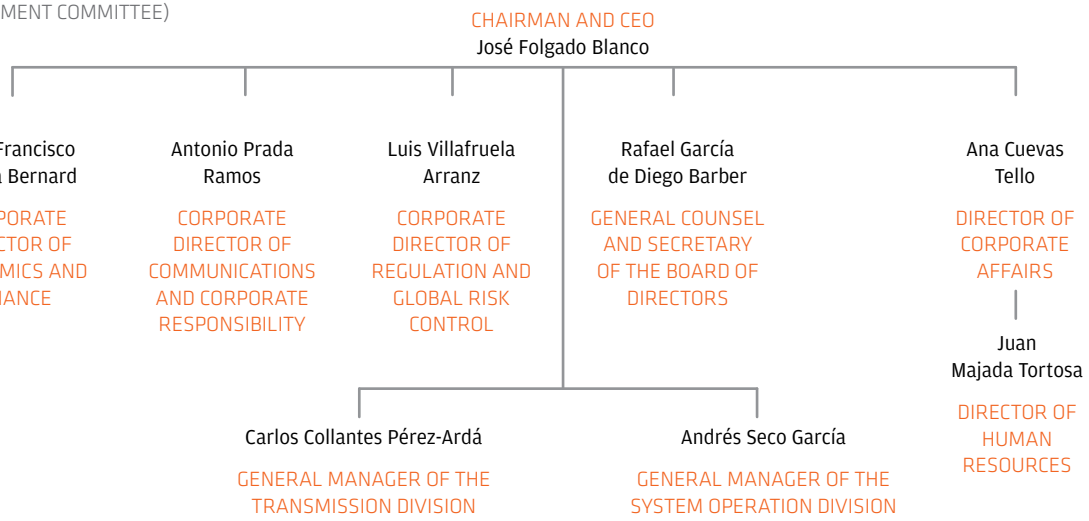
AS OPERATOR OF THE ELECTRICITY SYSTEM, Red Eléctrica establishes the forecasts of electricity demand and manages the electricity generation and transmission facilities in real-time, ensuring at all times that scheduled generation in power stations matches consumer demand.

AS MANAGER OF THE GRID and sole transmission agent, Red Eléctrica is responsible for the transmission of electricity from the generating power stations to the centres for distribution to consumers, carrying out this function under a regime of exclusivity. In addition, the Company has the responsibility for developing, expanding and maintaining the transmission grid under homogenous and coherent criteria. It is also responsible for managing the flow of energy between external systems and guaranteeing third party access to the grid under equal conditions.

RED ELÉCTRICA is the owner of the entire Spanish high-voltage electricity grid: an extensive meshed grid with more than 42,000 km of lines.

MANAGEMENT STRUCTURE [-2.3-]

(MANAGEMENT COMMITTEE)



OTHER ACTIVITIES [-2.2, 2.5, 2.7-]

International activity is channelled through Red Eléctrica Internacional (REI) with investments in Peru (REDESUR, REA and TESUR) and through REC via its investments in REDCOR and RBV.

REDESUR. REI holds a 55% stake of the company, which was awarded the concession for the design, construction and strengthening of the electricity transmission systems in the south of Peru and is also responsible for their operation.

TESUR. REI holds a 55% stake of the company, which was awarded the concession for the design, construction and operation of the Tintaya-Socabay transmission line and its associated substations.

REA. Wholly owned by REI, it is a company specialised in providing services in high-voltage electrical maintenance.

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

STRATEGY

The definition, during 2014, of the outstanding issues in the new remuneration framework and the approval of the new infrastructure planning, will allow the Red Eléctrica Group to define its next strategic plan, outlining the progression of the Company for the coming years. However, until the strategic plan is approved the foreseeable evolution of the Company is based primarily on the following lines of action:

>> **Operational excellence** focused on achieving efficiencies that position Red Eléctrica as an international reference.

>> **Market integration** and sustainability of the electricity system, which justifies a significant level of investment.

>> **Strengthening the financial soundness** of the Company, through a focus on prudent financial policies.

MAIN STRATEGIC LINES

OPERATIONAL EXCELLENCE

A TSO of international reference.	Since its founding, the Company has focused its activities on offering society a secure and efficient electricity supply with the highest level of service quality. This commitment is reflected in the Company's quality indicators that position it as a TSO of international reference, as well as through the noteworthy projects of global reference it carries out.
Progress in improving the quality indicators of the insular grid assets acquired.	Following the acquisition of the insular assets in 2010, one of the top priorities has been to integrate, improve and renew these assets to increase their level of quality and bring them up to Company standards. Although quality indicators have increased dramatically, the Company will continue to work to continue offering optimal levels of security of supply in the insular systems.
Continual improvement in operational efficiency.	Red Eléctrica continues to focus on the continual improvement of operational efficiency, which is of major importance in the current economic climate. This improvement will be reflected in the increase of the EBITDA margin in the coming years.

INTEGRATION OF MARKETS AND SUSTAINABILITY

Optimal level of electrification.	Achieve an optimal level of electrification in Spain, helping to take greater advantage of in-country energy sources and reduce external dependency, and progress in energy saving and efficiency.
High level of investment in the improvement of the grid on the Islands.	High level of investment in the transmission grid, peninsular and insular, to improve the structural reinforcement and meshing of the grid. >> Investment of 125-150 million euros per year in the Islands. >> Investment of 425-450 million euros on the Spanish peninsula, including the investment in international interconnections.
Development of international interconnections.	Strengthening international electricity interconnections with other neighbouring systems is the most important investment to be made in the coming years, setting a long-term goal to achieve a level of interconnection with the rest of Europe of at least 10% of our installed generation capacity.

FINANCIAL SOUNDNESS

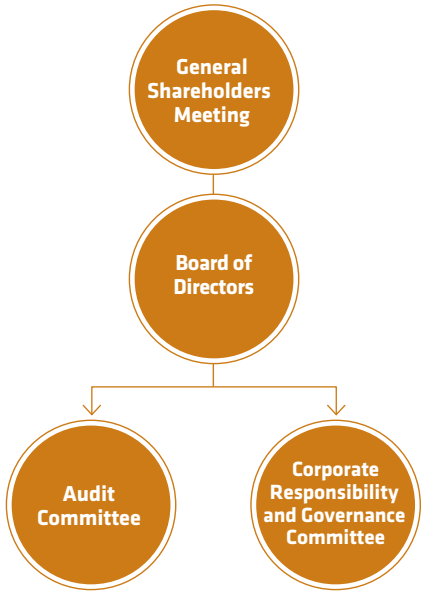
Prudent and efficient financing policies.	Conservative financial policy and strong liquidity position as a sound starting point for carrying out the Company`s objectives.
Anticipation of the coverage of financial needs.	Diversified financial debt and an ample position of liquidity to cover the upcoming maturity dates.
Improvement of solvency ratios.	Maintain a solid capital structure and improvement of the financial solvency ratios.

2_CORPORATE GOVERNANCE

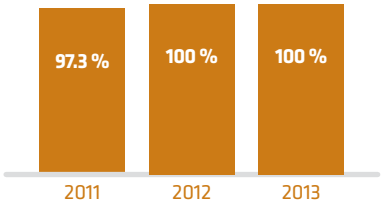
WE ADOPT BEST PRACTICES ON **GOOD CORPORATE GOVERNANCE MATTERS**

GRI indicators reported on within this chapter:
1.2, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, EC2, SO2, SO4.

THE COMPANY'S GOVERNANCE STRUCTURE



COMPLIANCE WITH THE RECOMMENDATIONS OF THE UNIFIED CODE OF GOOD GOVERNANCE



BEST PRACTICES OF GOOD GOVERNANCE IN SOCIETY

REDUCED, BALANCED AND EFFICIENT BOARD

>> Board of Directors composed of eleven members.

>> Majority of independent board members, 64%.

>> Gender diversity, 36% women on the Board.

>> Committees are composed of a majority of independent members.

>> Committees chaired by independent Board members.

>> Lead independent director.

>> Annual external evaluation of the Board of Directors.

ATTENDANCE, REPRESENTATION AND RIGHT TO INFORMATION

>> Right to attend the Meeting without conditions.

>> Representation on the Board by any person.

>> Fully-detailed items included in the Agenda of the Meeting.

>> Separate voting on each one of the matters submitted for approval at the Meeting.

>> External audit of the management processes of the Meeting.

TRANSPARENCY AND PROMOTING PARTICIPATION OF SHAREHOLDERS

>> Implementation of the electronic voting system at the Shareholders' Meeting.

>> Section on the corporate website with complete information regarding the Meeting.

>> Live broadcast of the Meeting via Internet, with simultaneous translation in English.

>> Shareholders' Electronic Forum.

>> Dissemination via social networks.

TRANSPARENT AND BALANCED REMUNERATION POLICY

>> Transparency of the individual remuneration received by each Board member.

>> A maximum statutory limit exists for the remuneration of the Board members.

>> The remuneration of the Board of Directors is submitted for approval by the General Shareholders' Meeting.

>> The overall amount of the remuneration of the Board of Directors has remained unchanged since 2007.

>> Remuneration aligned with the long-term interests of the Company and the shareholders.

COMPOSITION OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS [-4.1, 4.3-] 31.12.2013

CHAIRMAN AND CEO

José Folgado Blanco

LEAD INDEPENDENT DIRECTOR

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

EXTERNAL NOMINEE DIRECTORS PROPOSED BY SEPI

Francisco Ruiz Jiménez

Fernando Fernández Méndez de Andés
Member of the Audit Committee.

Alfredo Parra García-Moliner*
Member of the Corporate Responsibility and Governance Committee.

* At its meeting held on 28 January 2014, the Board of Directors of Red Eléctrica Corporación, S.A. accepted the resignation tendered by Mr. Alfredo Parra García-Moliner, from his position as External Nominee Director of Red Eléctrica Corporación, S.A., in representation of the Sociedad Estatal de Participaciones Industriales (SEPI - State Owned Industrial Holding Company).

EXTERNAL INDEPENDENT DIRECTORS

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

Miguel Boyer Salvador

Rui Manuel Janes Cartaxo

Paloma Sendín de Cáceres
Chairwoman of the Audit Committee.

Juan E. Iranzo Martín
Chairman of the Corporate Responsibility and Governance Committee.

María José García Beato

SECRETARY OF THE BOARD

Rafael García de Diego Barber
Non-director.

MOST NOTEWORTHY IN 2013

RED ELÉCTRICA has a reduced, diverse, active and efficient Board of Directors, composed of eleven members, all of recognised professional distinction and with extensive expertise.

In 2013, the most notable regarding the composition of the Board was in the creation of the role of **Lead Independent Director,** following the recommendations of the Unified Code of Good Governance and international best practices in corporate governance. The role was approved by the General Shareholders' Meeting and the independent director Carmen Gómez de Barreda Tous de Monsalve was appointed to the position.

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

More information in the 'Corporate Governance' section of the corporate website and in the 'Corporate Governance Report 2013'.

AUDIT COMMITTEE [-4.1-]

Director	Position	Type
Paloma Sendín de Cáceres	Chairwoman	External independent
Mª Ángeles Amador Millán	Member	External independent
Fernando Fernández Méndez de Andés	Member	External nominee (SEPI)

CORPORATE RESPONSIBILITY AND GOVERNANCE COMMITTEE [-4.1-]

Director	Position	Type
Juan Iranzo Martín	Chairman	External independent
Carmen Gómez de Barreda Tous de Monsalve	Member	External independent
Alfredo Parra García-Moliner *	Member	External nominee (SEPI)

* At its meeting held on 28 January 2014, the Board of Directors accepted the resignation tendered by Mr. Alfredo Parra García-Moliner, from his position as External Nominee Director in representation of the Sociedad Estatal de Participaciones Industriales (SEPI - State Owned Industrial Holding Company). His position on the Corporate Responsibility and Governance Committee has been occupied by External Nominee Director, Francisco Ruiz Jiménez in representation of SEPI, according to the agreement adopted by the Company's Board of Directors at its meeting held on 25 February 2014.

RULES OF GOVERNANCE [-4.4, 4.6. 4.7. 4.8. 4.9-]

THE IMPLEMENTATION of the best principles and practices of corporate governance constitutes a strategic element of the highest level and an inescapable requirement to ensure good governance of the Company. Therefore, the rules of corporate governance are subject to ongoing amendment in order to incorporate best practices and achieve greater informative transparency.

NEW FOR 2013

APPROVAL OF A NEW EDITION OF THE CODE OF ETHICS, which incorporates the improvements demanded by stakeholder groups and the recommendations of the most renowned international organisations in this field.

The Code has a communication channel for consultations and claims that can be used by any employee or person of any other stakeholder group. In addition, an Ethics Manager has been appointed to resolve questions and handle claims that may arise.

AMMENDMENT OF THE CORPORATE BYLAWS TO:

>> allow the separation of the positions of Chairman of the Board and Chief Executive;
>> regulate the role of the Lead Independent Director;
>> adapt the regulation of the Committees of the Board to the main international practice on good governance;
>> adapt them to the latest legislative reforms.

REVIEW AND APPROVAL OF THE REGULATION OF THE BOARD OF DIRECTORS to adapt it to the latest legislative reforms regarding public limited companies and to international best practices on corporate governance.

More information on Governance rules can be found in the 'Corporate Governance' section of the corporate website and in the 'Corporate Governance Report 2013'.

GENERAL SHAREHOLDERS' MEETING [-4.4, 4.10-]

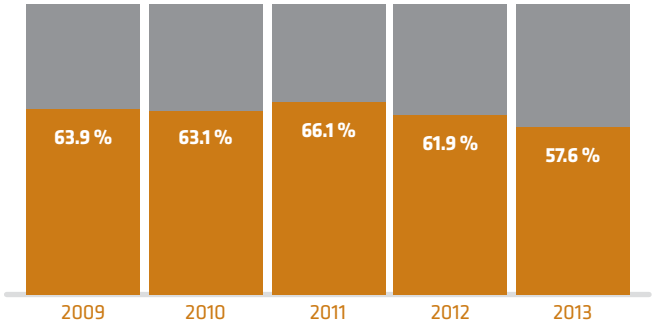
THE GENERAL Meeting represents all shareholders. The rules of the organisation and operation are set out in the Bylaws and in the General Shareholders' Meeting Regulations.

As part of our commitment to transparency and the right to information, in 2013 we continued performing various information and communication actions designed to facilitate the shareholders' right to information. Also, to promote their participation in the General Meeting, in addition to the traditional means, in recent years new technologies have been incorporated amongst which noteworthy are the Shareholder's Electronic Forum, the live broadcast of the Meeting via internet with simultaneous translation in English, the use of social networks (Facebook and Twitter), and the electronic voting system, by means of which 320 shareholders (8% of the shareholders who participated in the Meeting) - holders of 99,971 shares - exercised their voting rights or delegated them electronically in the Meeting held in 2013.

AUDIT OF THE SHAREHOLDERS' MEETING

TO VERIFY that the procedures associated with the Shareholders' Meeting were carried out correctly; in 2013 an external audit of the Meeting was requested. The audit report concluded that the essential aspects regarding the operating procedures established by Red Eléctrica concerning the calling of this Meeting, its preparation, its voting and proxy voting processes had been fulfilled.

PERCENTAGE OF ATTENDEES AT THE ANNUAL GENERAL MEETING (% OVER SHARE CAPITAL)



BOARD OF DIRECTORS [-4.2-]

THE BOARD of Directors of Red Eléctrica Corporación, with the support of its committees, carries out its activity according to the rules of organisation and operation contained in the Bylaws and the Regulation of the Board of Directors.

The Chairman of the Board is also the Chief Executive of the Company and is responsible for senior management, the administration and the full representation of the Company. Notwithstanding the foregoing, the Board of Directors introduced specific provisions in the Regulations of the Board that allow the express reservation to the Board of Directors of certain powers and faculties it considers strategic.

IN 2013 the role of Lead Independent Director was created and was granted extensive powers which act as a counterbalance of the powers conferred to the Chairman of the Board.

Regarding the remuneration of the Board, in 2013 a **new remuneration structure** was approved, in view of the trends expressed by international investors and their advisors to reduce the excessive weight of the variable remuneration on the total remuneration of the Board.

THE PRINCIPLE OF MODERATION of the Boards remuneration and the structure and content of the Annual Remuneration Report and Remuneration Policy of the Board is reinforced and is adapted to the best international business standards regarding corporate governance.

More information on the faculties, organisation and functioning of the Board, as well as the corresponding annual reports regarding activities and the individual remuneration of directors can be found in the 'Corporate Governance' section of the corporate website and in the 'Corporate Governance Report 2013'.

REMUNERATION POLICY [-4.5-]

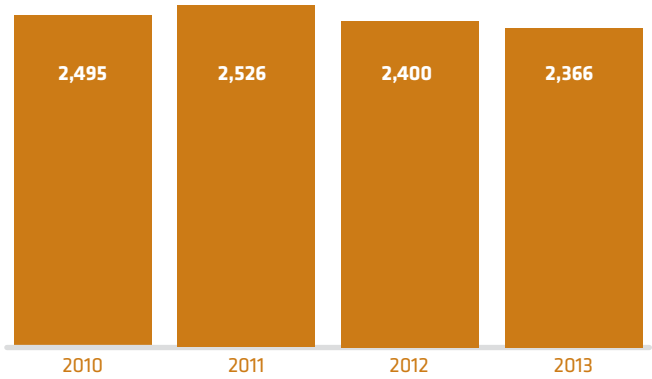
THE REMUNERATION POLICY of the Board is based on the following principles:

>> Maximum transparency and openness in the breakdown of each Director's individual remuneration.
>> The remuneration structure takes into account the trends most demanded by investors, and the aim is to continue advancing in the aim of achieving maximum transparency.
>> A maximum limit exists for the overall and annual remuneration of the Board.
>> Linked to the performance of the Company and with the continuous reduction of its weighting in relation to the results.
>> Consolidation of the principle of moderation regarding remuneration.
>> Relationship with his/her effective dedication.
>> Remuneration aligned with the long term interests of the Company and shareholders, aiming to continue progressively incorporating the criteria and parameters required under International standards.
>> Of an incentive nature, but without restricting his/her independence (especially for independent directors).
>> Alignment with habitual practices of listed companies.
>> Submitted for approval by the Annual General Meeting.
>> The remuneration of the Board members shall be set aiming to take into consideration criteria and parameters related to the administration and management of the risks of the Company and the Group, and aspects on environmental, social and corporate governance.

More information in the 'Annual Report on Board of Directors Compensation and Compensation Policy' and in the 'Corporate Governance' section of the website.

REMUNERATION OF BOARD MEMBERS

(THOUSANDS OF EUROS)



EVALUATION OF THE BOARD [-4.10-]

EVERY YEAR the process of evaluation of the Board of Directors, its Committees and its Chairman is carried out. The evaluation process carried out over recent fiscal years has had the support of expert external advisors on the subject, which provides said processes with a more objective and independent external vision.

OTHER ASPECTS OF INTEREST REGARDING GOOD GOVERNANCE MATTERS IN 2013

>> Change of the External Auditor firm of the Company and the Group (KPMG replaces PricewaterhouseCoopers) in keeping with the principle of temporary rotation.
>> Adaptation of the corporate website to the best international standards on Corporate Governance.
>> Expansion of the programme of visits and meetings abroad with the most significant proxy advisors, and foreign institutional shareholders.
>> Consolidation of the Company's Criminal Risk Prevention Model, approved by the Board of Directors.
>> Creation of the Corporate Governance Department, reporting to the General Counsel and Secretary of the Board.
>> Joining the worldwide Corporate Governance organisation, International Corporate Governance Network (ICGN).
>> Inclusion of a chapter in the Corporate Governance report on the outlook regarding advancements in good governance matters.

RECOGNITIONS

>> Rating of 87 out of 100, in the Code of Ethics/ Compliance/Corruption and Bribery section of the Dow Jones Sustainability Index 2013.
>> Rating of 80 out of 100 points, in the Corporate Governance section of the Dow Jones Sustainability Index 2013.

RISK MANAGEMENT [-1.2, 4.11-]

MANAGEMENT APPROACH

THE RED ELÉCTRICA GROUP has a risk policy that sets out the directives and guidelines for ensuring that material risks, which could affect the objectives and activities of the Group, are systematically identified, assessed and controlled with uniform criteria and within the established risk limits.

To do this, it has a risk management system covering both the risks of internal processes and those of the environment in which the activities of the Company are carried out.

MATERIAL RISKS of the Group are considered those related to:

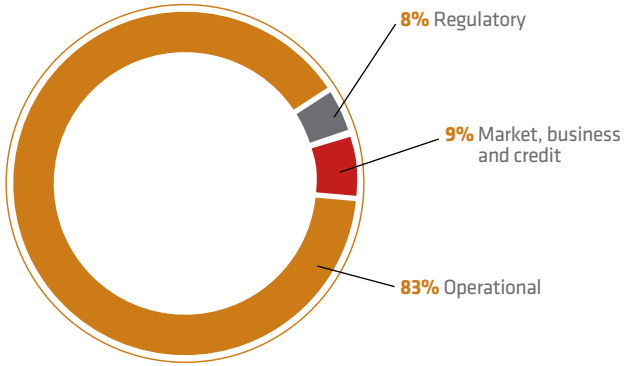
>> The sustained creation of value over time.
>>The continuity and quality of the energy supply in the electricity systems.
>> The construction of the electricity transmission grid infrastructures necessary to deal with future needs.
>> The compatibility of the aforementioned objectives within the social and environmental fabric.

More information in the chapter regarding Risks in the 'Corporate Governance Report 2013' and in the 'Corporate Governance' section of the corporate website.

RISK MANAGEMENT PROCESS

RISK STRUCTURE

MOST IMPORTANT RISKS TO WHICH THE RED ELÉCTRICA GROUP IS EXPOSED AND THAT ARE INTEGRATED INTO THE CONTROL SYSTEM



RISK MANAGEMENT AND CONTROL BODIES

>> Board of Directors
>> Audit Committee
>> Management Committee
>> Corporate Regulation and Global Risk Control Division (area responsible for comprehensive management)
>> All organisational units

RISK OF FRAUD AND CORRUPTION [-SO2-SO4-]

THE CODE OF ETHICS and the corresponding management system for consultations and formal claims established by the Company constitutes an effective mechanism for the detection and addressing of the possible cases of fraud and corruption. During this fiscal year, no formal complaints concerning corruption were reported through this channel regarding this matter.

The processes of Red Eléctrica are integrated in structured systems in compliance with the international reference standards (ISO 9001, ISO 14001 and OHSAS 18001) and their design includes controls to mitigate or reduce the main risks associated thereto.

IN ADDITION to these processes, two specific systems are in place: one for internal control over financial reporting (ICFR), based on the North American Sarbanes-Oxley standard, and another for internal control on operation (based on the SSAE 16 standard). These processes and systems are constantly subjected to systematic internal and external audits.

In 2013, the ICFR has been supplemented by including controls over the risks regarding inappropriate use of assets and intentional errors in the financial statements. Those processes considered susceptible to risk of fraud and corruption are controlled periodically by means of an internal audit, which incorporates specific verification tests regarding this risk.

In 2013, the risks related to corruption were analysed in 63.6% of the business units.

ACTIONS DURING 2013

>> Analysis of the impact of the main risks of the Group in the strategic plan.
>> Analysis of risks in newly created areas of the Company.

CHALLENGES 2014-2015

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

PERFORMANCE INDICATORS

	2009	2010	2011	2012	2013
Degree of coverage of risk management (%) (1)	92.1	96.2	97.6	99.0	99.3
Improvement of the average weighted value related to risks in comparison to previous year (2)	0.75	0.95	0.94	0.95	0.92
External evaluation (DJSI) (0-100)	87	62	70	76	87

(1) (Risks addressed/risks detected) x 100.
(2) Average weighted value year n/value average weighted year n-1.
DJSI: Dow Jones Sustainability Indexes.

MAIN RISKS OF THE RED ELÉCTRICA GROUP [-1.2, EC2-]

THE FOLLOWING TABLE PROVIDES A BREAKDOWN OF THE MAIN RISKS OF THE GROUP AS WELL AS THE IMPACTS ANALYSED AND THE MANAGEMENT CARRIED OUT TO REDUCE OR MITIGATE THEM

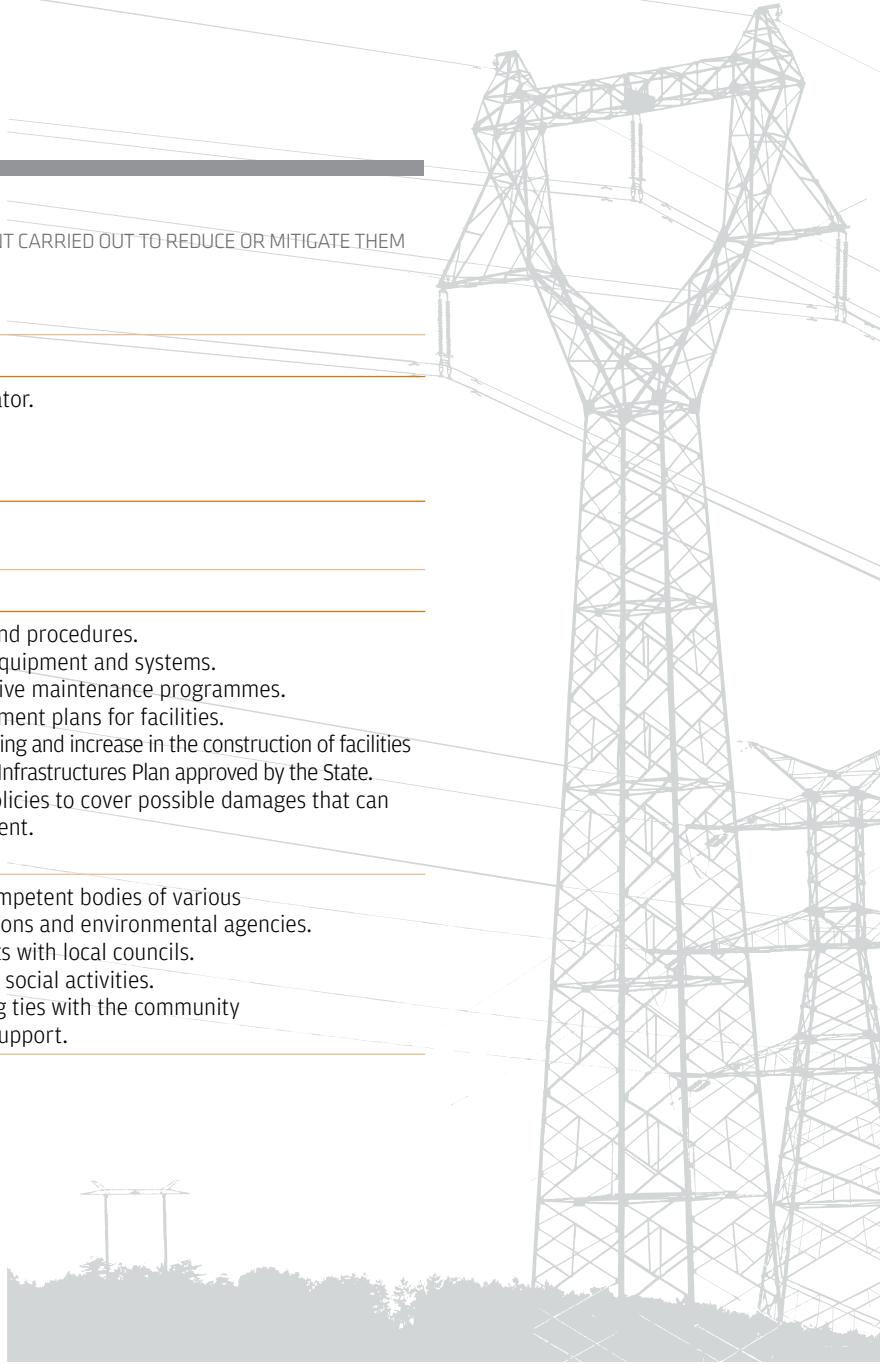
REGULATORY RISKS

Risk	Relevance	Description and impact	How it is managed
Risk of changes in the regulation	▲	> Risk of regulatory changes occurring that could negatively impact the remuneration of transmission facilities and/or the remuneration of the system operation activity.	> Dialogue with the Regulator.

OPERATIONAL RISKS

Risk	Relevance	Description and impact	How it is managed
Risk of power outages and of evacuation of generation	▲	> Risk of a breakdown/fault occurring in the facilities that may significantly impact on the electricity system, causing power outages on the Spanish peninsula or the Islands.	> Emergency equipment and procedures. > Periodic inspections of equipment and systems. > Preventative and predictive maintenance programmes. > Renovation and improvement plans for facilities. > Improvement of grid meshing and increase in the construction of facilities to deal with the Electricity Infrastructures Plan approved by the State. > Contracting insurance policies to cover possible damages that can be derived from an incident. > Contingency plan.
Risk of delays in the construction of electricity infrastructures	▲	> Risk of delays in the start of construction of electricity infrastructures, significantly affecting the security of the electricity supply.	> Contact with relevant competent bodies of various government administrations and environmental agencies. > Collaboration agreements with local councils. > Development of external social activities. > Actions for strengthening ties with the community and rural development support.

Risk importance: ▲ High ■ Medium ▼ Low



Risk	Relevance	Description and impact	How it is managed
Environmental risks	▲	> Impact on sensitive species and spaces (soil, flora and fauna). > Impact on society due to light and noise pollution. > Risk of fires	> Application of strict environmental criteria in all phases of planning, development and maintenance of facilities. > Environmental supervision of works. > Strategy and actions for biodiversity. > Development of research projects and fire prevention plans. > Projects for bird life conservation. > Environmental training courses for field staff. > Establishment of collaboration agreements in the field of environmental protection with the autonomous communities. > Fire protection plans. > Contingency plans.
Risks derived from climate change [-EC2-]*	▲	> Reduction in rainfall (less control capacity of hydroelectric production). > Increase in temperatures (increase in the summer peak demand and decrease in the winter peak; increase in the production of solar energy and reduction in the transmission capacity of the lines). > Changes in wind currents (variations in the wind power generation profiles and interruptions of supply).	> Climate change strategy. > Development of system operation tools (CECRE). > Construction of new transmission lines for the evacuation of renewable energy. > Strengthening of international interconnections. > 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). > Development of research and innovation projects: new technologies and technical solutions for efficient system management, new tools for emergency situations, smart demand management, energy storage ... > Voluntary agreement with the Agriculture, Food and Environmental Ministry and entities of the electricity sector for the reduction of SF6 emissions..

Risk importance: ▲ High ■ Medium ▼ Low

* In the risk analysis the financial consequences in the short and medium term for the Company resulting from climate change were not identified.

Risk	Relevance	Description and impact	How it is managed
Risks associated with the operation of the system	▲	> Risks associated with system operation caused by: - Human errors, coordination, or equipment configuration. - Malfunction of telecommunications. - Failure of computer systems that support the activity.	> Strengthening of the transmission grid in certain areas where the situation is precarious. > Power service restoration plans. > Renovation and improvement of facilities plan. > Improvement of the telecommunication systems. > Implementation of security mechanisms in the IT information systems used. > Continuous training of operators. > Contingency plans.
Risks related to management and employees	▲	> Lack of motivation of staff to reach the Company objectives. > Fraud and corruption. > Accident rate > Adaptation of occupational health and safety risk prevention.	> Development programmes for staff and directors. > Work-life balance policy and implementation of a management system. > Hiring of young employees with potential. > Maintenance and improvement of the structured risk prevention system in accordance with the OHSAS 18001 standard. > SA8000, EFR1000 certifications and internal audits. > Implementation of the Code of Ethics, the whistle-blowing reporting system and the auditing system. > Applying the staff performance appraisal system.

MARKET RISKS

Risk	Relevance	Description and impact	How it is managed
Risk of increased costs of equipment and raw materials	▲	> The control of the price of equipment and raw materials is a key part of the management of the important construction and maintenance activities that are carried out by the Company.	> Promote competition. > Increase normalisation and standardisation. > Development of turnkey contracts. > Using hedging mechanisms.
Risk of increase in the interest rates	▲	> Risk of occurrence of shifts in interest rates that could vary from those contemplated in the Strategic Plans of the Company.	> Periodic reviews of the interest rates and their impact on the accounts. > Maintenance of the fixed/variable percentages of the financial structure. > Development of a financial risk policy and tools for its management and control.

Risk importance: ▲ High ■ Medium ▼ Low

Unfavourable change in exchange rates	▼	> Although the part of the business managed in non-euro currencies is not very significant, unfavourable variations in exchange rates may cause a negative impact.	> Establishing hedging mechanisms for transactions performed in non-euro currencies. > Development of a financial risk policy and instruments for its management and control.
Risk of tightening of the conditions regarding the access to financial markets	▲	> Negative development of different macroeconomic variables, affecting financial markets, status of the euro and sovereign debt rating.	> Procurement of long-term financing with public funding institutions. > Establishment of new financing mechanisms. > Monitoring of possible situations that may imply a reduction in the rating of the Company.

BUSINESS RISK

Risk	Relevance	Description and impact	How it is managed
Risks to foreign subsidiaries	▲	> The various political and economic situations that the subsidiaries are exposed to, make it necessary that possible losses of the subsidiaries be considered as a risk.	> Maintaining good relationships with agencies and organisations where the subsidiaries are located. > High quality standards in the services offered. > Monitoring of regulatory developments and economic evolution.

Risk importance: ▲ High ■ Medium ▼ Low

3_MANAGEMENT APPROACH

OUR MANAGEMENT MODEL IS BASED ON **EXCELLENCE AND ON CORPORATE RESPONSIBILITY**

GRI indicators reported on within this chapter:
2.10, 3.5, 4.9, 4.12, 4.14, 4.15, 4.16, 4.17, SO5

MOST RELEVANT ACTIONS IN 2013

E500+ A SUSTAINABLE MANAGEMENT MODEL

>> Renewal of the European Seal of Excellence 500+ according to the EFQM 2013 model being awarded 678 points, the highest score amongst the Spanish companies.

>> The carrying out of 50 corporate responsibility projects with a fulfilment level of 81.3%.

AN INNOVATIVE AND COMMITTED ORGANISATION

>> A committee of the Board of Directors with supervisory functions regarding corporate responsibility (twelve meetings in 2013).

>> An executive-level committee driving plans and programmes on this subject (six meetings in 2013).

>> A specific area for corporate responsibility management.

A STAKEHOLDERS' MANAGEMENT SYSTEM

>> 8.2 out of 10 overall score achieved in satisfaction surveys in 2013.

>> 100 points awarded for stakeholder management by the Dow Jones Sustainability World Index in the 2013 evaluation.

RECOGNITION IN THE KEY SUSTAINABILITY INDEXES

>> Dow Jones Sustainability World Index. Sustainability Yearbook Member

>> FTSE4Good Index and FTSE4Good Ibex.

>> Ethibel EXCELLENCE and Ethibel PIONEER.

>> STOXX ESG Leaders Indices.

>> Kempen European Small Cap Sustainable Universe.

>> ECPI EMU Ethical Equity and ECPI Global ESG Best in Class Equity.

RED ELÉCTRICA'S COMMITMENT TOWARDS SUSTAINABILITY

FOR RED ELÉCTRICA, corporate responsibility is part of their business culture, and provides the framework for all activities undertaken to carry out its mission as the operator and sole transmission agent of the Spanish electricity system. In this regard, the Red Eléctrica's goal is to establish itself as a sustainable company that is ethical and committed to society, and whose management is carried out with a focus on excellence and responsibility in the performance of its functions.

This orientation towards sustainable development is reflected at a strategic level, with the quest for excellence and responsibility in the development of the activities as one of the basic strategies, and is deployed transversely at an operational level through its business management.

THE QUEST FOR EXCELLENCE

RED ELÉCTRICA, in 1999, adopted the excellence management model of EFQM (European Foundation for Quality Management) to achieve continuous improvement in the management and results of the Company.

In 2013, Red Eléctrica renewed the European Seal of Excellence 500+ in accordance with the EFQM 2013 model being awarded 678 points (650 in 2011). This increase places Red Eléctrica nationally as the company with the best score as part of the seals issued by the Club de Excelencia en Gestión.

IT IS WORTH NOTING that in 2011 Red Eléctrica obtained the 'Taking responsibility for a sustainable future' Award as part of the EFQM awards given to the best companies in the adoption of management systems and practices and the most advanced business practices.

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

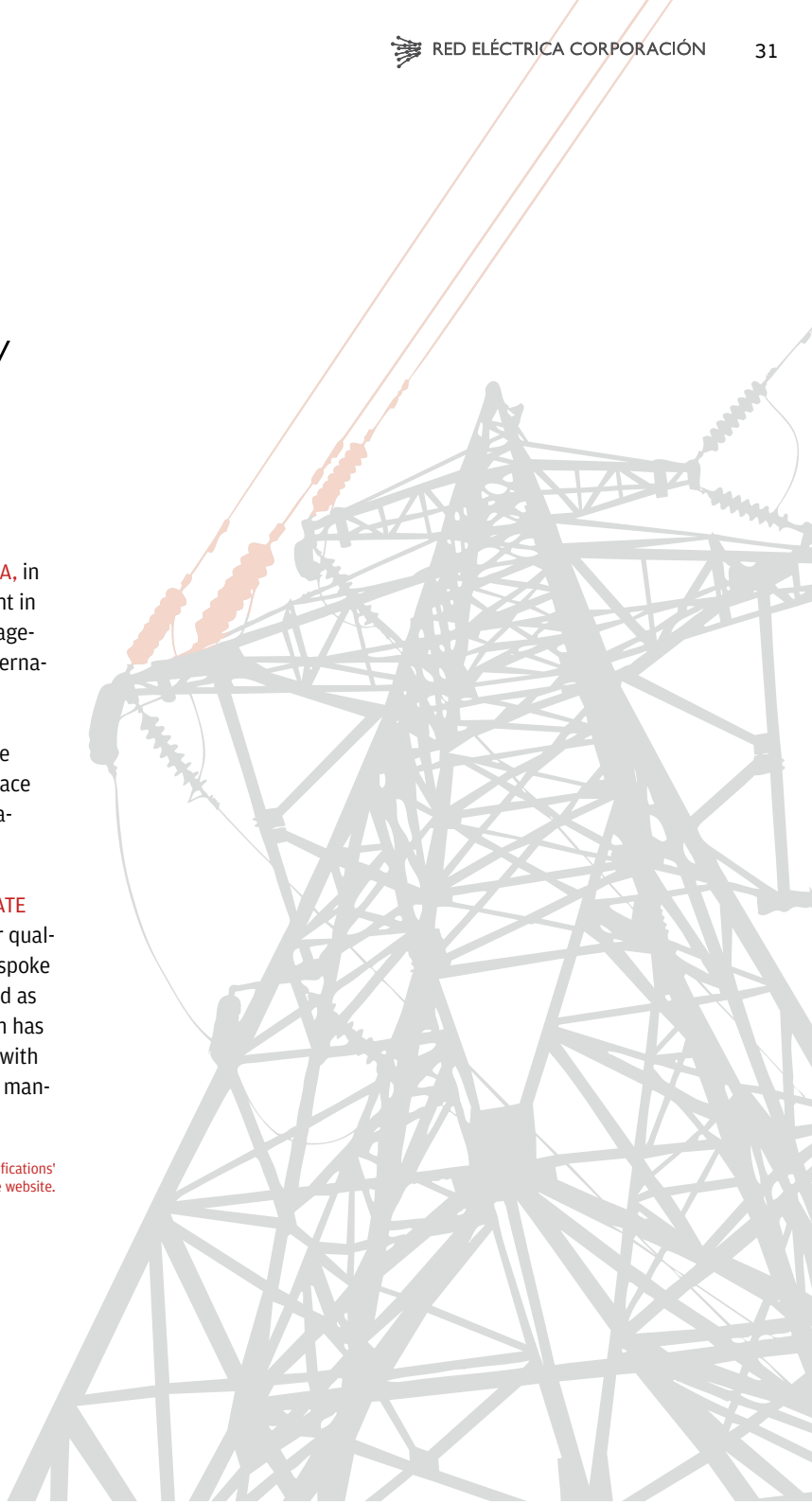
THE QUALITY MANAGEMENT SYSTEM

RED ELÉCTRICA DE ESPAÑA, in 1994, started to implement in its processes quality management system based on international standards.

In 2000, it had a corporate management system in place encompassing all organisational processes.

REGARDING THE CORPORATE MANAGEMENT SYSTEM for quality, Red Eléctrica has a bespoke methodology available and as 2012, its audit certification has been integrated together with all the certified corporate management systems.

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



CORPORATE RESPONSIBILITY MANAGEMENT

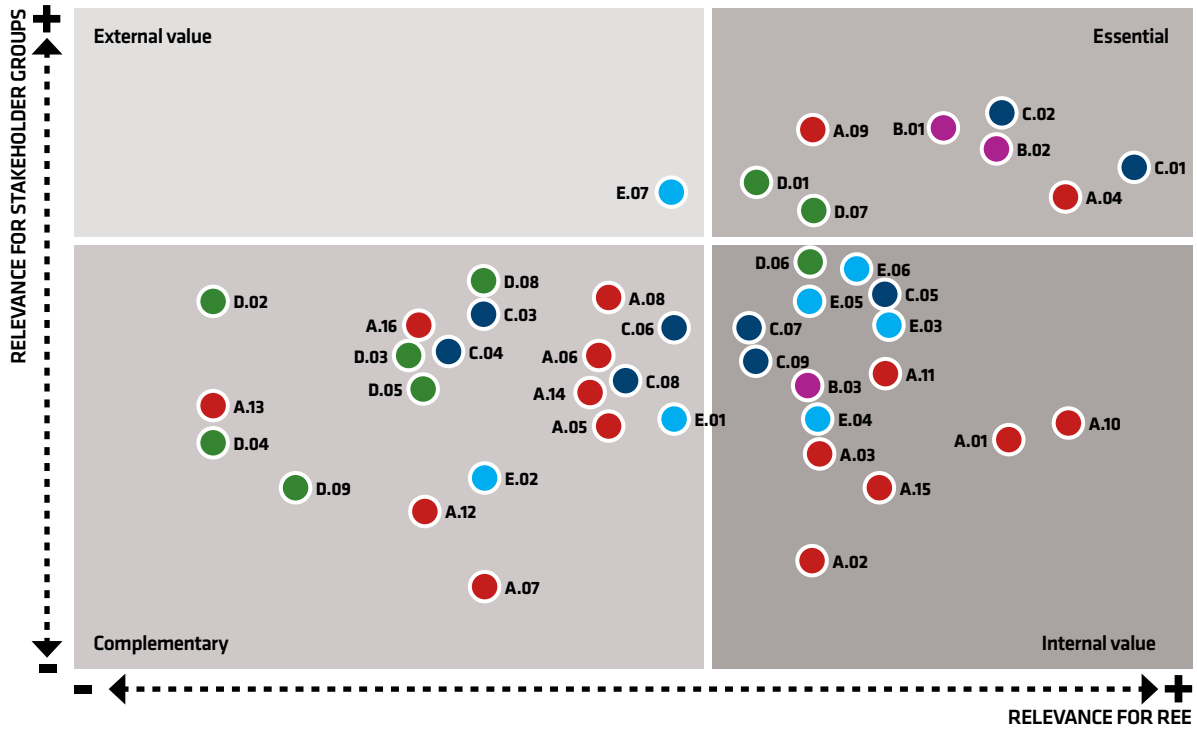
COMMITMENT towards sustainable development is strategic for Red Eléctrica, and as such is included in the corporate responsibility policies of the Company and is deployed through its business management model.

The corporate responsibility management system is transversal across the organisation and is structured on five general areas of action: ethics and good governance, the creation of value for all stakeholders, minimising the impact of activities in the territory where they are carried out: fostering dialogue, integration and social development, and commitment towards the people who make up the Company.

A MATERIALITY analysis was carried out in 2011 to identify issues relevant to Red Eléctrica. This analysis was carried out through participatory dialogue with stakeholders, in order, firstly, to contribute to the objective of ensuring the creation of shared value, and, secondly, to guide the activities and projects towards the most significant areas of action. **[-3.5-4.17-]**

More information about the corporate responsibility policy in the 'Sustainability' section of the corporate website.

RELEVANT ISSUES MATRIX [-4.9, 4.17-]



- Business management
- Ethics and good governance
- Human Resources
- Conservation and improvement of the natural environment
- Actions for the development and respect for society

Essential topics

- **A.04** Availability and quality of service
- **A.09** Transparency and rigor in the management of the electricity system
- **B.01** Ensuring compliance with legislation
- **B.02** Ethical behaviour and the prevention of corruption
- **C.01** Respect for human rights
- **C.02** Occupational health and safety
- **D.01** Energy efficiency
- **D.07** Environmental supervision and fire prevention

PLANNING

PLANNING is carried out based on a multi-year plan, which includes strategic medium-term objectives defined to facilitate integration and systematisation of corporate responsibility practices and the contribution of the Company to sustainable development.

In 2013, work on the design of the plan 2014-2016 took place through a highly participatory internal process. The objective is to consolidate the advances made in recent years and lay the groundwork for future management, which is oriented towards the material aspects (whose revision was also launched in 2013) and the decentralisation of the corporate responsibility management i.e. towards the progressive internalisation of these practices in the daily management of all business activities.

ANNUAL PROGRAMME

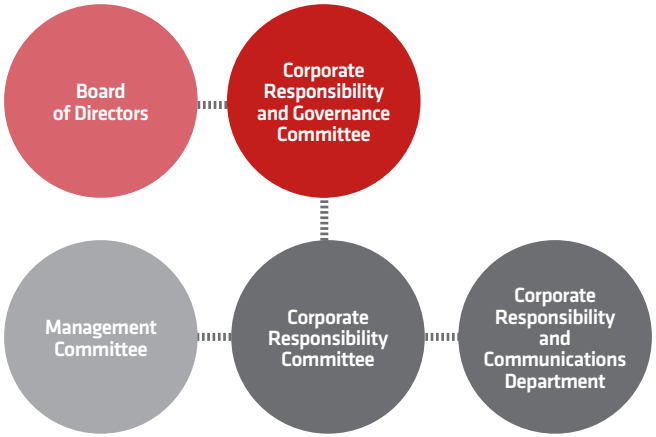
IDENTIFICATION of the projects developed under the multi-year plan for corporate responsibility is performed in order to contribute to achieving the objectives defined for each of the major areas of management.

The annual programme of 2013 had a fulfilment of 81.3%. This value is calculated considering the criticality of each project that is determined by its relevance and its strategic importance. Three levels of criticality have been defined, from highest to lowest they are: critical, desirable and complementary.

ORGANISATIONAL STRUCTURE

RED ELÉCTRICA HAS an organisational structure that ensures the development of the corporate responsibility strategy, the involvement of the highest levels of decision making and the involvement of all management areas of the company. In 2013, the Corporate Responsibility and Governance Committee met twelve times and the Corporate Responsibility Committee on six occasions.

More information about the composition and functions of each area can be found in the ' Governance structure' section of the corporate website.



MONITORING, EVALUATION AND IMPROVEMENT [-4.9-]

EVALUATION of the corporate responsibility management system aims to ensure the coherence of the results with the commitments, policies, strategies and objectives established and that they become a source of learning and for continuous improvement.

INTERNALLY, Red Eléctrica has three evaluation and control tools: the dashboard, internal audit and the income statement.

The dashboard includes the key corporate responsibility management indicators. The internal audit has been carried out annually since 2010 (the Executive Summary included in the appendix of this report contains the results of the 2013 audit) and the income statement provides a monetary balance of the activities carried out by Red Eléctrica.

EXTERNALLY, Red Eléctrica is certified by the following entities: IQNet SR10 and SA8000 that are submitted to an annual audit.

More information in the 'Management Model' of the corporate website.

RECOGNITIONS 2013 [-2.10-]

Dow Jones Sustainability Indices — Dow Jones Sustainability World Index Sustainability Yearbook Member

FTSE4Good Europe Index y FTSE4Good Ibex

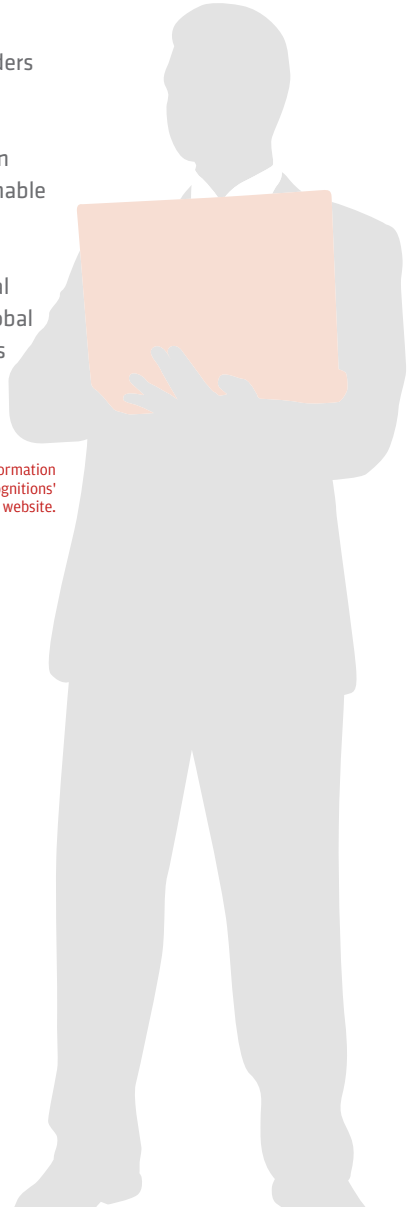
Ethibel EXCELLENCE y Ethibel PIONEER

STOXX ESG Leaders Indices

Kempen European Small Cap Sustainable Universe

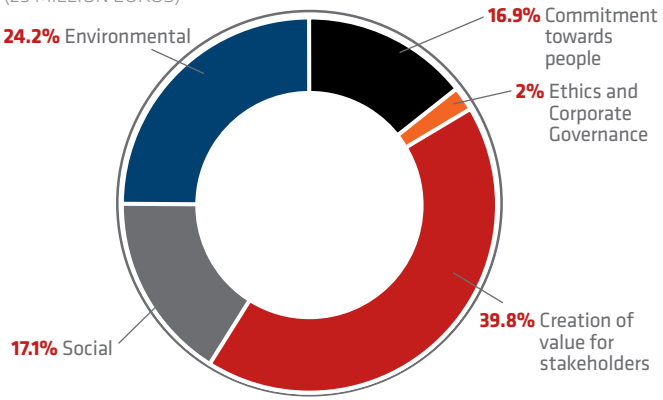
ECPI EMU Ethical Equity y ECPI Global ESG Best in Class Equity

More information in the 'Awards and Recognitions' section of the corporate website.



MONETARY BALANCE STRUCTURE OF CR ACTIVITIES IN 2013

(23 MILLION EUROS)

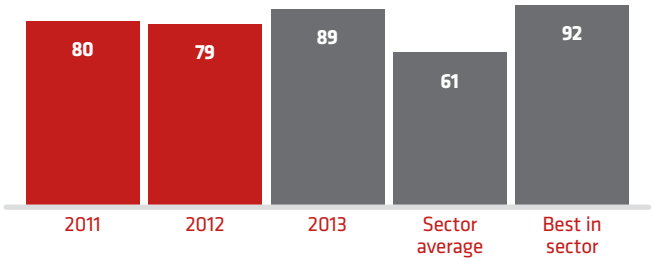


COMMITMENTS TO EXTERNAL INITIATIVES [4.12]

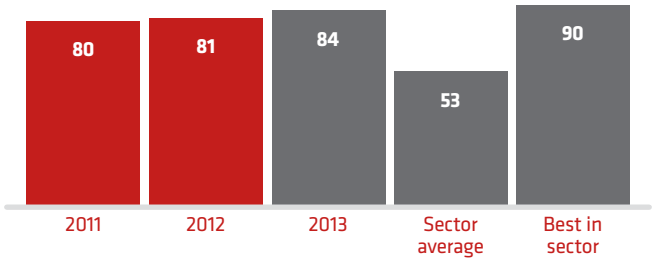
	Date of adherence
Global Compact	2002
Caring for Climate	2007
Carbon Disclosure Project (CDP)	2008

EVALUATION OF RED ELÉCTRICA IN THE DOW JONES SUSTAINABILITY WORLD INDEX (DJSI)

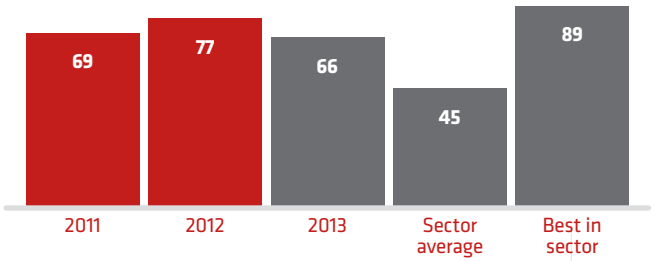
ECONOMIC DIMENSION



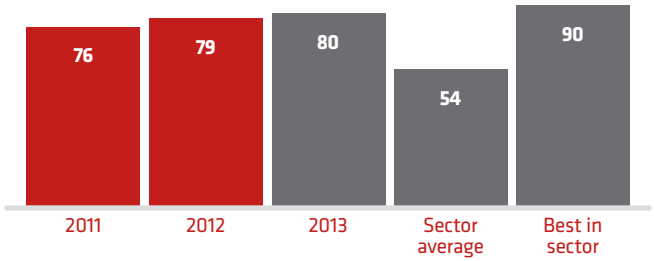
SOCIAL DIMENSION



ENVIRONMENTAL DIMENSION



OVERALL SCORE



Participation in organisations and associations [4.13, SO5]

Red Eléctrica is present in numerous national and international organisations and actively collaborates in its governing bodies, study committees, standardisation and working groups. The main objective is to contribute to the drafting of proposals on sustainability, legislation, regulation, standards and operational criteria of electricity grids and systems, particularly in the area of the European Union.

More information in the 'Professional associations' section of the corporate website.

STAKEHOLDER MANAGEMENT [-4.15, 4.16-]

RED ELÉCTRICA, in 2004, designed and implemented a management system to identify the requirements and expectations of its stakeholders. The identification of stakeholder groups was based on the analysis of the interrelationships between processes and activities of the Company with its environment.

The prioritisation of these requirements and expectations are plotted in accordance with the stakeholders' criteria and their ability to influence the achievement of the strategic objectives of the Company and the importance of the impacts of the organisation on them.

The management system includes the development of the framework of relationships that the Company maintains with each stakeholder group on the basis of active dialogue and transparency. Said framework includes multiple specific relationship channels and two transversal channels which include the Dígame Attention Centre service and satisfaction surveys that include not only quantitative analysis surveys, but also interviews which are qualitative analysis surveys.

These studies are conducted by an external consultant to ensure the confidentiality and validity of the process.

SUMMARY 2013

In 2013, satisfaction surveys were conducted on the following external stakeholder groups: minority shareholders, investors, financial capital suppliers, goods and services providers, research and technological development centres, business sectors and professional associations, financial analysts, local councils NGOs and foundations, environmental groups and educational centres.

Internally, there were three studies to assess the travel service of the Company, the corporate IT service, and the sustainable mobility of head office employees.

The overall level of satisfaction resulting from these studies was 8.2 out of 10.

The improvement actions arising from the satisfaction surveys and the monitoring of compliance with these actions are reflected in the Comprehensive Improvement Plan and incorporated into the Stakeholder Manual.

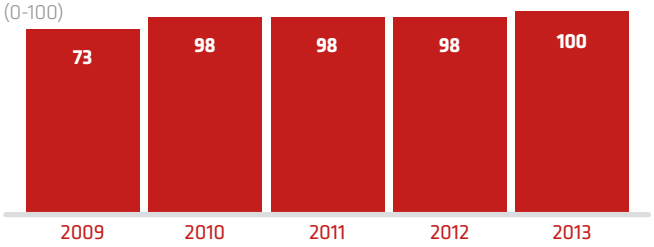
The Dígame service, which guarantees the professional management of all requests from external stakeholders, in coordination with other existing specific channels in the Company, dealt with 3,259 requests in 2013, with the stakeholder group concerned with the social environment being the major user of this service (34%).

RECOGNITIONS

Maximum score (100 points) awarded for stakeholder management by the Dow Jones Sustainability World Index in the 2013 evaluation.

DJSI EVALUATION REGARDING STAKEHOLDER MANAGEMENT

(0-100)



STAKEHOLDER GROUP AND PRIORITY [-4.14-]	
Regulatory bodies and Public Administrations	Critical
Investors and shareholders, customers, employees, opinion generators	High
Technological suppliers and providers, social environment, business sectors and business associations	Medium

GLOBAL INDICATORS OF STAKEHOLDER PERCEPTION STUDIES [-4.16-]

(VALORATION 0-10)

	2009	2010	2011	2012	2013
Overall satisfaction level	7.6	7.7	8.1	8.2	8.2
Service quality satisfaction level	7.5	7.6	7.9	7.9	7.8
Image and reputation	8.1	8.2	8.2	8.5	8.4
Responsible and Ethical member	8.1	8.0	7.9	8.1	8.1
Development of Corporate Responsibility	8.0	7.8	7.5	7.6	7.5
Periodic dissemination of information	7.6	7.8	7.9	7.9	7.8

Note: The breakdown of this data by stakeholder groups is shown in the 'Committed towards society' chapter of this report.

More information in the 'Stakeholder groups' section of the corporate website.

CORPORATE RESPONSIBILITY PROGRAMME 2013

CORPORATE GOVERNANCE AND STRUCTURAL VECTOR	Criticality	Fulfilment
Revision and updating of the corporate responsibility multi-year plan.	▲	80%
Revision and updating of the corporate responsibility management system.	●	15%
Carrying out a corporate risk diagnostic regarding human rights.	●	100%
Update of the Code of Ethics and improvements in its implementation.	▲	100%
Programme of knowledge updating for Board members regarding the Company.	▲	100%
Updating of control mechanisms to detect and manage the relevant legal documentation and information.	■	100%
Implementation of the Audit procedure for the General Shareholders' Meeting.	■	100%
Amendment of the Board Regulation to adapt it to legislative changes in corporate matters, and incorporating the best practices on good governance.	▲	100%
Adaptation of the annual remuneration report of the Board members to the best practices on good governance.	■	100%
Anti-corruption Action Guide*.	▲	0

* This project has not been carried out yet as it has been estimated that its scope will be covered by the legal compliance system or compliance that the Company will draft and implement in 2014.

TECHNICAL - ECONOMIC VECTOR	Criticality	Fulfilment
TWENTIES: Integration of renewable energies (R&D).	●	100%
Improvement of the prediction model regarding wind and solar energy that is produced (R&D).	●	50%
CARS Project *(Conducción Ágil Responsable y Segura)*. Safe, Responsible and Agile Driving	■	100%
Participation in projects for the drafting of European Grid Codes.	■	83%
Improvement in the information supplied to sustainability agencies and SRI (Socially Responsible Investment) funds.	▲	100%
Implementation of a billing portal for suppliers.	▲	100%
Development and implementation of an anti-fraud system of financial reporting within the Internal Control over Financial Reporting.	▲	90%
Drafting of a corporate model for supplier monitoring.	▲	25%
Study and definition of the concept of 'local procurement' for Red Eléctrica.	▲	70%
Analysis and improvement of the corporate process for claims management.	■	100%
Implementation of the Client Improvement Action Plan 2013-2014.	■	89%

Criticality: ▲ Critical ■ Desirable ● Complementary

ENVIRONMENTAL VECTOR	Criticality	Fulfilment
Verification of the methodology for calculating emissions and the inventory of REE emissions.	▲	25%
The Red Eléctrica Forest	■	80%
Energy control systems in the workplace (phase II).	▲	75%
Energy audits in the workplace (phase II).	■	30%
Raising energy efficiency awareness based on the demand curve.	●	0
Projects for the conservation of bird life.	●	94%
Biodiversity corridors (Bio-transporte Project).**	–	–
Restoring the dune system of the Ses Salines beach.	▲	90%
Actions in the Albufera Natural Park (Balearic Islands).	■	60%
Life + (Connect to Red Natura Project).	●	100%
Calculating the ecological footprint of the value chain. Review procedure for critical suppliers.	■	100%
Environmental cost-benefit of the Spanish peninsula-Majorca interconnection project.	■	0
Implementation of a mobility plan in the Head Office.	■	70%

INTERNAL – SOCIAL VECTOR	Criticality	Fulfilment
Corporate responsibility training programme for employees.	■	45%
Initiatives to raise awareness of the importance of the security and integrity of the people in the use of online tools.	●	100%
Promotion of sports activities to promote the integration of employees outside the work environment.	●	100%
Dissemination and awareness campaign regarding the new elements of ethical management.	▲	100%
Action to promote the employment of people with disabilities.	●	100%
Actions for health promotion and prevention.	▲	100%
Advancement with measures for the work-life balance.	■	95%
Improvement projects in the area of occupational health and safety.	▲	100%
Design and implementation of new equality indicators.	■	75%

** Project associated with the construction of the **Rocío-Aljarafe line**, annulled by the parties involved and pending its replacement by a new project, currently under analysis.

Criticality: ▲ Critical ■ Desirable ● Complementary

EXTERNAL – SOCIAL VECTOR	Criticality	Fulfilment
Protocol relating to the municipalities.	▲	100%
Support to local and regional communities through collaborative projects with municipalities that reflect the Company's commitment to social and environmental problems.	▲	100%
Design of a strategic communications plan regarding sustainability.	▲	100%
Re-design and development of a new external website (2012-2013).	▲	100%
Educational Project 'A highway behind the wall socket'. Seville.	■	100%
Satisfaction surveys of stakeholders.	▲	90%
Implementation of an improvement plan for the Dígame service.	●	95%
Corporate volunteering projects.	■	100%

Criticality: ▲ Critical ■ Desirable ● Complementary

CORPORATE RESPONSIBILITY PROGRAMME 2014

OUR BUSINESS: A SUSTAINABLE ENERGY FUTURE
Cost / environmental benefit of the Spanish peninsula-Majorca interconnection.
Development of agreements for managing disconnections in facilities shared with other electricity companies.
Implementation of the CARS Project: Safe, Responsible and Agile Driving.
Research on social networks regarding the attitudes of citizens towards their energy consumption.
Promoting a programme to raise awareness and bring citizens closer to the electricity system through the use of new technologies.
Fostering collaboration with associations of small consumers.
Contribution towards sustainability, security of supply and the competitiveness of the internal energy market.
Study for the improvement of energy efficiency in substations.
Development of the e.sios 3.0 web
Improvement in the facilities maintenance process through the development and implementation of the MOVIRED project (phase I).
Implementation of the corporate monitoring model of suppliers.
Investor Day.
Evaluation regarding the impact of the R&D+i projects from a corporate responsibility perspective.

CORPORATE GOVERNANCE AND ETHICS: TRANSPARENCY AND TRUST IN BUSINESS MANAGEMENT
Implementation of an internal system for regulatory compliance.
Drafting of a corporate governance policy.
Awareness plan regarding the Criminal Risk Prevention Programme.
Awareness plan for the Code of Ethics.

COMMITMENT TOWARDS EMPLOYEES: COMMITMENT AND GOOD SOCIAL CLIMATE
Design and implementation of the new intranet (miRED).
Design and implementation of new equality indicators (phase II).
Implementation of the functional mobility action plan.
Defining a model for a healthy company management system.
Development of actions to promote the culture of corporate responsibility.

COMMITMENT TOWARDS SOCIETY: CREATING SHARED VALUE
Protocol for relations with municipalities.
Map of Red Eléctrica's contribution to society.
Development of the new section regarding the challenges of the electricity system (Red21) in the exhibition 'A highway behind the wall socket' (phase I).
Drafting of corporate volunteering projects.

COMMITMENT TOWARDS THE ENVIRONMENT: PROTECTION OF THE NATURAL ENVIRONMENT
Prioritisation of the marking activities of Red Eléctrica lines.
Using seeds and fragments of oceanic Posidonia for the recovery of areas affected by the activity of Red Eléctrica.
Inventory of Red Eléctrica emissions.
Calculating the carbon footprint associated with Red Eléctrica's projects.
Implementation of a programme of retraining staff on environmental aspects in the regional offices.
The Red Eléctrica Forest: the carrying out of new projects.

4 _SUSTAINABLE ENERGY

COMMITTED TO SECURITY OF SUPPLY, EFFICIENT **MANAGEMENT AND INNOVATION**

GRI indicators reported on within this chapter:
EU4, EU6, EU7, EU8, EU10, EU23, EU28, EU29, EC9, SO5.

MOST RELEVANT ACTIONS IN 2013

QUALITY AND SECURITY OF THE ELECTRICITY SUPPLY

>> 564 million euros invested in grid strengthening and meshing.

>> 776 new km of line and 162 new substation bays.

>> 98.13% grid availability rate.

>> MAR Project: improvement of the quality of insular assets.

INTERNATIONAL INTERCONNECTIONS AND INTER-ISLAND LINKS

>> Important advancements in the interconnection with France scheduled for 2015.

>> Puebla de Guzmán – Portuguese border axis in the construction phase.

>> Northern interconnection (Galicia -Porto) in the administrative permitting process.

>> The new interconnection with France via the Bay of Biscay in the study phase.

INTEGRATION OF RENEWABLES

>> 42% of the electricity demand covered by renewable energies.

>> For the first time wind power energy is the technology that contributes most to demand coverage.

>> New records for wind power production are reached.

>> A 23% reduction in CO_2 emissions derived from electricity generation.

ENERGY EFFICIENCY

>> Promoting consumer involvement as a key part of the electricity system.

>> Commencement of the PRICE deployment project (intelligent demand-side management).

>> Commencement of the ALMACENA project (electrochemical energy storage).

>> Design of the consumer panel in the PERFILA project (profiling service improvement).

TECHNOLOGICAL INNOVATION

>> 14.23 million euros in investment with an increase of 86% compared to 2012.

>> 62 projects in the R&D portfolio.

>> Participation of 251 REE specialists (15% of the workforce).

>> More than 41,000 working hours, equivalent to 24 full-time personnel.

QUALITY AND SECURITY OF THE ELECTRICITY SUPPLY [-EU6-]

RED ELÉCTRICA, as transmission agent and system operator, is responsible for contributing to making the energy policy objectives viable with regard to a secure, efficient and sustainable electricity supply. Therefore, we are working on developing a transmission grid that is ever more meshed, robust and better interconnected with our neighbouring countries, so that it can provide greater transmission capacity and the highest level of quality of service to all consumers.

TRANSMISSION GRID PLANNING [-EU10,EU23-]

THE CURRENT ENERGY planing is reflected in the document 'Planning for the energy and gas sectors, 2008-2016. Development of the transmission grids', approved by the Council of Ministers in May, 2008; and in the annual programmes of November, 2010 (ITC Order 2906/2010) and of January 2013 (the resolution of 27 December 2012). In this context, the Royal Decree Law 13/2012 led to the suspension of the granting of new administrative authorisations of the facilities contemplated within the 'Planning 2008-2016' which made it necessary for a new transmission grid planning to be drafted, taking as a basis the likely macroeconomic scenario and the evolution of the forecasted demand. Subsequently, the IET/18/2013 Order, January 2013, approved a list of facilities considered critical to the electricity system and therefore Red Eléctrica can move forward with them.

In December 2012, a new planning process began for the 2014-2020 horizon for which Red Eléctrica has drafted the 'Initial proposal for the development of the transmission grid for the 2014-2020 horizon', which was sent to the Ministry of Industry in September 2013, and re-submitted in December 2013 with the modifications required by the Ministry. Moreover, Red Eléctrica has developed a new Annual Programme proposal which was sent to the Ministry in June 2013 and incorporates actions that aim to mesh the extra-peninsular systems with the Spanish Peninsula (both the Balearic Islands and Ceuta) and facilitates the integration of Canary Island wind power into the system. [-SO5-]

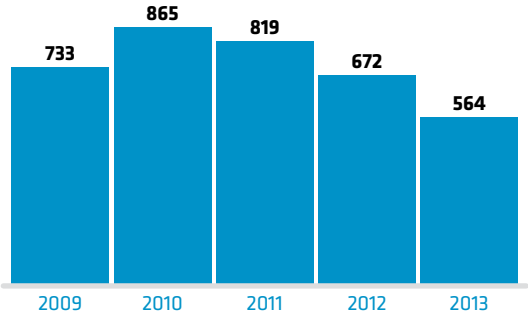
GRID DEVELOPMENT [-EU4-]

IN 2013, INVESTMENT in the transmission grid basically responded to the need to increase the capacity and meshing of the grid to support distribution in various parts of the country as well as the implementation of international interconnection projects.

In this fiscal year, 776 km of new lines and 162 new bays in substations (16 of which replace existing bays), have been put into operation and the transformer capacity has increased by 2,525 MVA, which represents a joint investment in the transmission grid of 564 million euros.

INVESTMENT IN THE TRANSMISSION GRID

(MILLIONS OF EUROS)



FOCUS OF THE KEY ACTIONS REGARDING GRID DEVELOPMENT

>> Improved transmission grid meshing.
>> Development of inter-island links.
>> Strengthen international interconnections.
>> Favour the evacuation of new installed generation.
>> Facilitate the powering of the High Speed Train routes.

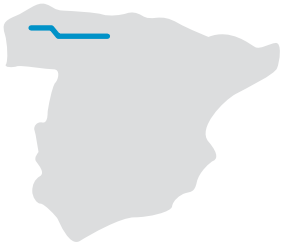
MAIN TRANSMISSION GRID DEVELOPMENTS IN 2013 (LARGE AXES)

ASTURIAS-GALICIA LINK

Status: under construction
Total investment: 218 million euros
Investment to date: 14.7 million euros
Construction: 2008-2017

General objective: guaranteeing the security and quality of supply throughout the whole northern axis, creating a 400 kV transmission infrastructure, through the incorporation of 361 km of line, 46 substation bays and 3 transformers. A large part of the axis was commissioned before 2011. The Boimente-Pesoz line and Gozón substation are currently being constructed.
Specific objectives: to connect northern Galicia with the west of Asturias to meet the consumption forecasts for this area and facilitate the evacuation of planned new generation. The aim is to close the Cantabrian axis linking up with the Soto-Penagos line, so that high demand areas such as Galicia and Asturias can evacuate its energy to regions with a lack of supply. It is also aimed at strengthening the 400/220 kV transformer capacity in Asturias and in the future to enable the powering of the Cantabrian High Speed Train.
Key socio-environmental measures

>> Performing specific environmental studies for the design of accesses. Restoration of the aforementioned accesses at the end of works via the introduction of topsoil, seeding and planting of trees native to the area.
>> Performing a comprehensive inventory of the pruning and felling of flora and continuous monitoring to avoid any unnecessary effects being caused.
>> Hanging lines by helicopter to avoid affecting the land and flora (more than 20% of line hung using this method).
>> Hoisting via the use of a boom crane in steep areas and those with native flora.
>> Over elevation of towers to reduce the opening up of safety corridors.
>> Intensive archaeological monitoring. Protection and cataloguing items found including: Celtic hillfort remains, Roman mining channels, lime kilns and civil war trenches.
>> Amicable agreements with landowners used in 96% of the cases.



Summary 2013

>> Commissioning of the Grado substation and two lines associated with this substation: Grado-Salas line and the Grado substation.

Forecast for 2014

>> Construction of the Boimente-Pesoz line.

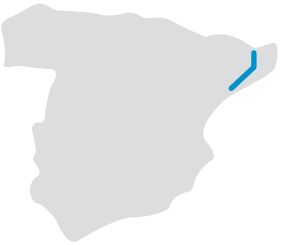
BESCANÓ-RAMIS-SANTA LLOGAIA AXIS

Status: under construction
Total investment: 91 million euros
Investment to date: 33 million euros
Construction: 2013-2016

General objective: to give continuity to the interconnection with France and improve the electricity supply to Gerona.
Specific objectives: to strengthen the meshing of the 400 kV grid in Catalonia and to support the Barcelona-French border section of the High Speed Train. The axis consists of 164 km of line, 24 bays in substation and two transformer units.

Key socio-environmental measures

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



Summary 2013

>> Commencement of civil works of the section of the Santa Llogaia line and the substation.

Forecast for 2014

>> Commissioning of the Santa LLogaia substation and line.

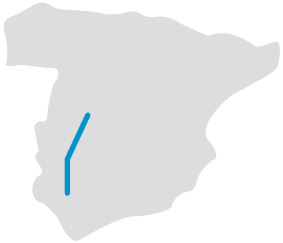
MAIN TRANSMISSION GRID DEVELOPMENTS IN 2013 (LARGE AXES)

ALMARAZ-GUILLENA AXIS

Status: under construction
Total investment: 189 million euros
Investment to date: 36.4 million euros
Construction: 2012-2014
General objective: to ensure the quality of supply for the forecasted demand in the autonomous communities of Extremadura and Andalusia via the connection of the central and southern areas of the Spanish peninsula through an axis of 400 kV, consisting of 705 km of line, 37 bays and two transformers.
Specific objectives: the axis will link up the Almaraz, San Serván, Brovales and Guillena substations, joining an area with a generation deficit from north to south, and will serve as support for the expansion of the interconnection with Portugal, as well as the distribution of the area allowing the evacuation of new renewable generation.

Key socio-environmental measures
Given the characteristics of the area of action, the principal challenge was the design of the route and the location of the towers so as to have the minimal effect on the protected natural areas, pasture lands and other areas rich in biodiversity, especially bird life, for which the following actions were carried out:

>> Drafting of specific reports regarding the effects on Red Natura and the establishment of specific measures for the protection of priority habitats.
>> Over-elevation of towers to avoid the need for opening up of safety corridors.
>> Assembly and hoisting with boom cranes in all sensitive areas.
>> Installation of bird-flight diverter devices (spirals and blades) in SPAs and breeding areas of the major water courses (more than 85% of the axis).
>> Biological stoppages of works in 78 towers during various periods from 1 January to 23 August.



>> Establishment of numerous accompanying measures of various characteristics aimed at improving habitats.
>> Amicable agreements with landowners used in 90% of the cases.

Summary 2013

>> Commissioning of the following lines: Almaraz-San Serván, San Serván-Brovales y Brovales-Balboa, as well as the Brovales, San Serván, Guillena and Almaraz substations.

Forecast for 2014

>> Commissioning of the Brovales-Guillena and Mérida-San Serván lines, so that the axis will be fully operational.

GUILLENA-PUEBLA DE GUZMÁN AXIS

Status: under construction
Total investment: 19.2 million euros
Investment to date: 0.7 million euros
Construction: 2012-2014

General objective: To complete the connection with the Puebla de Guzmán-Portuguese border line and facilitate the evacuation of new renewable generation in the area, especially wind power.

Specific objectives: the axis, consisting of 11 substation bays and 4.2 km of line and a transformer will allow the existing 220 kV line to be used in the future as a 400 kV line.

>> Installation of bird-flight diverter devices on the incoming lines to the substations.
>> Dismantling of the old 220 kV towers.
>> Amicable agreements with landowners used in 99% of the cases.

Summary 2013

Commencement of the assembly and hoisting of line towers, and the commissioning of the Guillena and Puebla de Guzmán substations.

Forecast for 2014

Commissioning of the Guillena-Puebla de Guzmán line, leaving the axis fully operational.

MAIN TRANSMISSION GRID DEVELOPMENTS IN 2013 (LARGE AXES)

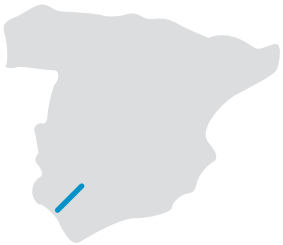
ALJARAFE-ROCÍO LINE

Status: in service
Investment: 23.4 million euros
Construction: 2009-2013

General objective: strengthening of the transmission grid meshing to provide greater reliability and security for the electricity system and improve the quality of supply, especially in the area of Almonte, whose capacity to meet present and future demands is insufficient.
Specific objectives: the axis consists of 118 km of line and two substation bays that strengthen the distribution network in the Almonte area as it provides a second 220 kV supply to the Rocío substation, and simultaneously, will allow an increased evacuation of renewable energy in the area.

Key socio-environmental measures

>> Design of the route meeting socio-environmental criteria, the result of the development of a comprehensive environmental inventory which has allowed the most sensitive areas to be avoided and reduce the risks associated with the new installation (passing through the Doñana National Park has been avoided and it only crosses a SCI for a 1,900 m stretch which contains eucalyptus).
>> As an accompanying measure the signing of a collaboration agreement is expected with the Government of Andalusia to promote the development of the Iberian Imperial Eagle in the Doñana Natural Area and other measures aimed at promoting biodiversity within the project.
>> Amicable agreements with landowners used in 98% of the cases.



Summary 2013

>> Commissioning of the Aljarafe-Rocío line.

OTHER IMPORTANT GRID DEVELOPMENTS IN 2013

>> As part of the facilities commissioned in 2013, in addition to the Almaraz-San Serván (285 km), San Serván-Brovales (132 km) and the Aljarafe-Rocío (116 km) lines, reflected in the key axes, also noteworthy are the Vilanova-Valldigna-Gandía (50 km) and the Costa de la Luz-Onuba (40 km) lines, amongst others, as well as various 400 and 220 kV substations.

>> Moreover, additionally noteworthy are the actions carried out in several facilities under construction such as the Tordesillas-San Sebastián de los Reyes axis, the axis to power the Lleida –Barcelona High Speed Train and the 'Plan Madrid Sur' axis.

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; this is accomplished through the establishment of an annual programme that sets out all the activities and resources necessary to ensure the continuity of the electricity supply.

During 2013 the following actions were noteworthy:

>> Replacement of a total of 154 towers, spread across the Peninsula (65), Balearic Islands (43) and Canary Islands (46), replacing them with more modern ones, in order to increase the reliability and quality of the installations.
>> Annual inspection of 100% of the underground lines, to ensure that there are no negative impacts on the environment.
>> Due to the specific and differentiated behaviour of the insulation, a long term plan of installation / replacement of composite insulation of the overhead lines was drafted for the period 2014-2030.
>> Maintenance of a total of 616 switches, so as to ensure the availability of the facilities.
>> Thermographic inspections at all facilities as well as monthly visual inspections to ensure the good condition of the substations.
>> In addition to scheduled maintenance, there has been significant investment to provide anti-corrosion coating for 94 substation bays, the reconditioning of various transformer units and actions to improve the tele-control equipment and protection systems.

Similarly, various innovative projects have been carried out that ensure the continual improvement of the maintenance activity, amongst which noteworthy are:

>> Installation of remote devices for the control of fires near to the electricity lines and a device to dissuade birds from nesting via the use of ultrasound.
>> Monitoring of the parameters for the preventive maintenance and control of the aging of the various elements of the transmission lines.

PENINSULAR AND EXTRA-PENINSULAR TRANSMISSION GRIDS [-2.8, EU4-]

	2008	2009	2010	2011	2012	2013
Km of 400 kV circuit	17,727	18,019	18,792	19,671	20,109	20,641
Km of 220 kV circuit	16,600	16,732	17,565	18,412	18,834	19,078
Km of 150-132-110 kV circuit	52	52	257	272	272	272
Km of <110 kV circuit	23	23	2,014	2,014	2,017	2,017
Total km of circuit	**34,402**	**34,825**	**38,629**	**40,369**	**41,232**	**42,008**
Substation bays of 400 kV	1,057	1,118	1,189	1,253	1,319	1,374
Substation bays of 220 kV	2,113	2,280	2,662	2,819	2,942	3,047
Substation bays of 150-132-110 kV	4	4	47	52	52	52
Substation bays of <110 kV	0	0	723	741	741	743
Total substation bays	**3,174**	**3,402**	**4,621**	**4,865**	**5,054**	**5,216**
Transformer capacity (MVA)	**62,772**	**65,547**	**71,170**	**73,220**	**78,170**	**80,695**

2013	Peninsula	Balearic Island	Canary Island	Total
Overhead lines (km)	38,566	1,061	1,023	40,649
Submarine cable (km)	265	306	30	601
Underground cable (km)	369	149	240	758
Total	**39,200**	**1,515**	**1,293**	**42,008**

SERVICE QUALITY

THE SERVICE QUALITY INDICATORS highlight for yet another year the highest level of security and quality of supply provided by Red Eléctrica's facilities, being well within the benchmark established in the current legislation, which is 15 minutes / year average interruption time.

In 2013, there was an increase in the Energy Not Supplied (ENS) and Average Interruption Time (AIT) compared to previous years, which is due mainly to three incidents that resulted in supply disruptions to consumers directly connected to the transmission grid in the areas of Andalusia, Galicia and Cantabria. These incidents represent 96% of the total ENS recorded in the peninsular system, all of them in insufficiently meshed nodes, whose particular topological situation involves maintaining one supply circuits related to a single line.

SERVICE QUALITY INDICATORS [-EU28, EU29-]

	2009	2010	2011	2012	2013
Grid availability (%)	98.04	97.93	97.72	97.78	98.13
Energy Not Supplied (ENS) (MWh)	437	1,552	259	113	1,126
Average Interruption Time (AIT) (minutes)	0.910	3.135	0.535	0.238	2.404

MAR PROJECT (Grid Asset Improvement)

Within the maintenance activity, Red Eléctrica is carrying out a significant programme of integration of the assets acquired from the electricity companies, especially in insular systems, raising them to the quality standards established by the Company. The programme, being carried out in the period 2011-2015, is contributing to a significant improvement in the levels of service quality in the two archipelagos. In 2013, the grid availability rate stood at 97.96% in the Balearic Islands and 98.32% in the Canary Islands, similar to values obtained on the Peninsula.

TRANSMISSION GRID ACCESS

DURING 2013, Red Eléctrica continued to manage the procedures for access and connection to the transmission grid (and to assess the acceptability of access to the distribution grid), with transparency and equality for the agents that plan to incorporate their facilities into the electricity system, not only for generators but also for distributors or consumers.

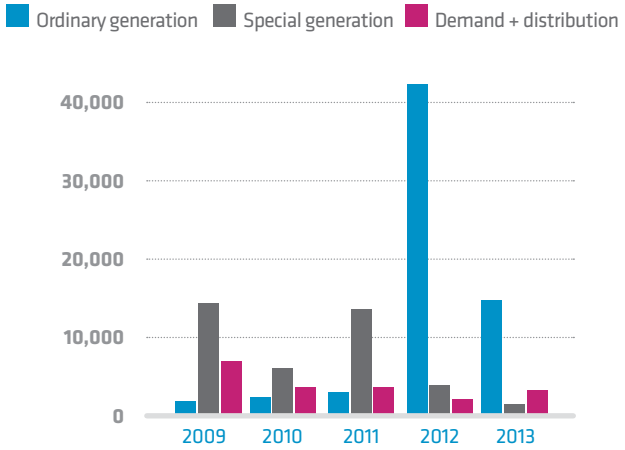
Throughout 2013, the volume of overall management decreased, particularly that of new requests, while the management associated to the updating of processes due to the modification of project conditions has remained at similar levels.

IN THE FIELD of ordinary regime, a large number of requests has again be registered, primarily associated with new projects of large photovoltaic plants, although less than the exceptionally high quota of 2012.

The following graph shows the evolution of access requests received, that are expected to connect to the transmission grid over the next few years.

REQUESTS RECEIVED FOR TRANSMISSION GRID ACCESS

(MW/MVA)



INTERNATIONAL INTERCONECTIONS AND INTER-ISLAND LINKS

FOR AN EFFECTIVE operation of the electricity system, it is essential to strengthen international interconnections. To have an increased electricity exchange capacity with neighbouring countries provides greater security of supply and a better use of renewable energies.

In the case of Spain, the need for investment in strengthening interconnections is highly relevant because we have an extremely limited level of interconnection with Europe. In this regard, strengthening interconnections, specifically the new interconnection line with France, is the number one priority in the development of the transmission grid.

Moreover, Red Eléctrica has set out a major investment plan to improve the security and reliability of the electricity systems on the Balearic Islands and the Canary Islands. In this regard, one of the most outstanding projects from the point of view of security of supply and the structuring of the territory is the submarine interconnection between Majorca and Ibiza, which will connect the two currently existing electricity subsystems in the Balearic Islands: Majorca-Menorca and Ibiza-Formentera.

INTERCONNECTION CAPACITY

(MW)

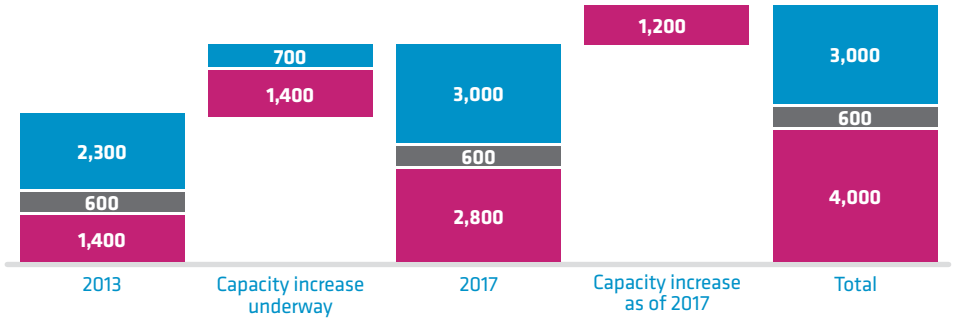
Portugal
Morocco
France

France

>> Eastern interconnection through the Pyrenees (Sta. Llogaia-Baixas) - 2015
>> Western interconnection (Basque Country-Aquitania) - 2020

Portugal

>> Southern interconnection (Andalusia-Algarve)-2013/2014
>> Interconexión Norte (Galicia-Oporto)-2015/2016



INTERCONNECTION WITH FRANCE

THE NEW INTERCONNECTION AXIS with France consists of a 400 kV direct current line of 65 km in length, which will be completely underground. Moreover, at each end of the line two converter substations are being built: Santa Llogaia (Spain) and Baixas (France), through which the transformation from alternating current to direct current and vice versa will take place. A tunnel (8.5 km long and 3.5 metres in diameter) will house the cables in the stretch that crosses the Pyrenees.

This new line, whose commissioning is scheduled for 2015, represents a total investment of 700 million euros, co-financed with the neighbouring country through the company INELFE (50% owned by Red Eléctrica and 50% by RTE). During 2013, work on the tunnel was almost completed and progress was made on digging the trenches where the line goes underground, in addition the manufacturing of the cable has been completed. As for the converter stations, civil works and the installation of transformers were completed. The work in progress on the axis totals 255 million euros.

THIS INFRASTRUCTURE will double the current electricity exchange capacity between Spain and France to 2,800 MW, but is still insufficient to meet the minimum level of 10% interconnection capacity recommended by the European Union. Therefore, the study of a new interconnection is underway, for the 2020 horizon, via the Bay of Biscay.

INTERCONNECTION WITH PORTUGAL

THE OBJECTIVE of the Puebla de Guzmán-Portuguese border interconnection is to increase the interconnection capacity between Spain and Portugal and provide it with greater operational security, for which the 400 kV grid of the Spanish and Portuguese systems will be meshed between the substations of Puebla de Guzmán (Spain) and Tavira (Portugal).

This infrastructure has an investment of 9.1 million euros, which includes the enlargement of three bays in the Puebla de Guzmán substation that was commissioned in 2013, and the construction of the Puebla de Guzmán-Portuguese border line, 25 km in length, whose commissioning is scheduled for 2014. The current work in progress totals 8.2 million euros. Moreover, the administrative permitting process of the new northern interconnection (Galicia -Porto) will continue. With these interconnections the objective of reaching a commercial exchange capacity of 3,000 MW with Portugal shall be maintained.

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

MAJORCA-IBIZA INTERCONNECTION

THIS NEW LINK will strengthen the electricity integration process of the Balearic Islands and the Spanish peninsula and is essential to ensure the reliability of supply in the archipelago. The main objective of the Majorca-Ibiza interconnection, with an investment of 210 million euros, 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.

INTEGRATION OF RENEWABLES

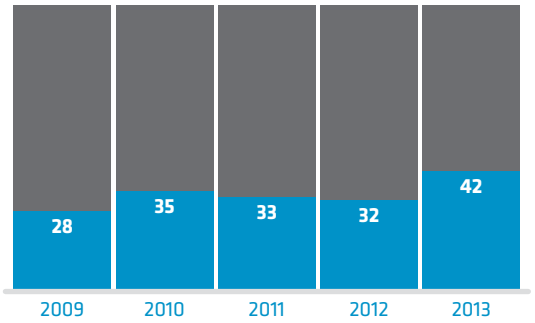
PENINSULAR DEMAND for electricity in 2013 reached 246,166 GWh, 2.2% less than in 2012. After having factored in the seasonal and working patterns the decrease was 2.1%. Regarding demand coverage, noteworthy was that 42% was covered by renewable energy sources. For yet another year, the important role played by wind power production stood out, whose contribution to the annual energy production reached 21%, ranking it for the first time as the technology that contributed most to demand coverage, a similar level to that of nuclear generation.

WIND POWER PRODUCTION in 2013 exceeded the previous records set. Thus, 25 December, 2013 at 2:56 am, its contribution represented 68.5% of the demand coverage, and on 6 February at 3:49 pm, the instantaneous wind production reached 17,056 MW. In this regard, to enable the operation of an electricity system with such a high penetration of renewable energy, without compromising security, the control and monitoring work carried out from CECRE (Control Centre of Renewable Energies) is key. Therefore, CECRE remains a pioneering control centre and is of reference worldwide.

MOREOVER, we must emphasise the special operational circumstances within the peninsular electricity system that occurred during Easter 2013, in which values of extremely low demand, high production of hydroelectricity with dumping in some basins, and a high producible wind power were recorded. Given this scenario, to ensure system security it was necessary to give orders to reduce production to a level not seen to date. These reductions affected, amongst others, nuclear production an exceptional fact and unprecedented since 1997.

RENEWABLE ENERGY IN DEMAND COVERAGE (%)

THE GREATER WEIGHT OF RENEWABLE ENERGY IN DEMAND COVERAGE, WITH RESPECT TO THE PREVIOUS YEAR, HAS REDUCED CO2 EMISSIONS OF THE PENINSULAR ELECTRICITY SYSTEM TO 61.4 MILLION TONNES, 23.1% LOWER THAN IN 2012.



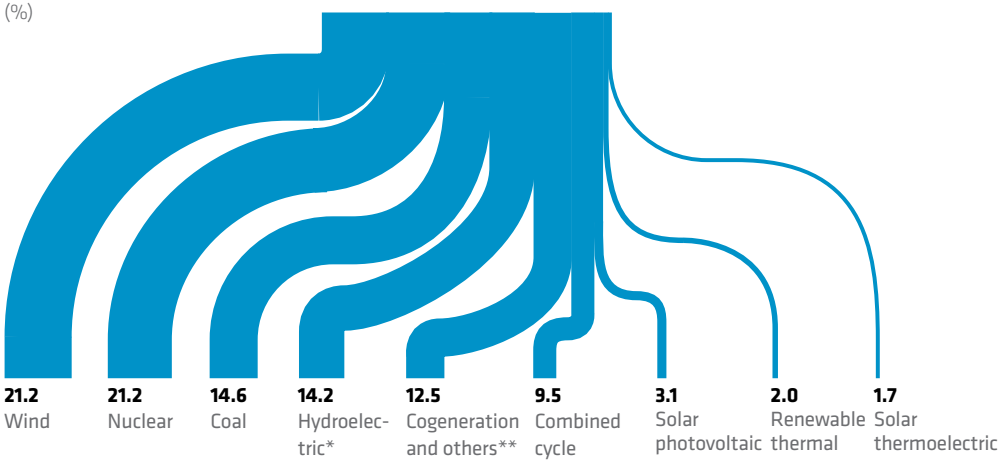
IN THE BALEARIC ISLANDS in 2013, the positive effects of the Spanish peninsula-Balearic Islands' link being operational have become apparent. This facility has led to a substantial improvement in regard to the quality and security of the electricity supply on the islands of Majorca and Menorca, given that their rapid response has avoided both frequency deviations outside of specific limits and power outages caused by generating losses.

In addition, the energy transferred from the Peninsula has covered 22% of the demand on the Balearic Islands, reaching peaks of 35% of the hourly consumption. This has resulted in a saving of 18% on the cost of coverage of the Balearic Islands' electricity system and avoided the emission of approximately 250,000 tonnes of CO_2 into the atmosphere.

IN THE CANARY ISLANDS, generation from renewable sources (wind and photovoltaic) represented 7% of the total generation in 2013, registering on occasions 30% in Tenerife and 32% in La Palma de Gran Canaria throughout the year, particularly challenging values in small isolated electricity systems.

PENINSULAR ELECTRICITY DEMAND COVERAGE IN 2013

(%)



* Includes hydroelectric from ordinary and special regime. Excludes pumped storage generation.
** Includes fuel/gas and non-renewable thermal.

ENERGY EFFICIENCY [-EU7-]

RED ELÉCTRICA continues to actively work on the promotion of demand-side management initiatives that seek to contribute to maintaining the guarantee and security of supply and achieve a greater efficiency for the electricity system as a whole.

Amongst these initiatives, noteworthy on one hand are those measures aimed at achieving a more balanced consumption profile, and on the other those that are aimed at providing system operation with a greater flexibility.

INTERRUPTIBILITY SERVICE

During 2013, Red Eléctrica continued its commitment to continual improvement of the management of and the relationship with the industrial consumers who are interruptibility service providers. These, fulfilling the requirements of the regulations, have in place a contract agreed with the system operator, so that, when requested to do so, they reduce their consumption to certain default values for system needs.

In this context, in October 2013 the Order IET/2013 was approved that introduces the challenge of a new mechanism for assigning this interruptibility demand-side management service based on an auction procedure.

To do this, Red Eléctrica is preparing the implementation of this new competitive mechanism with which the resource allocation is managed.

ACTIVE CONSUMER

THE ELECTRICITY SYSTEM is in a transition phase towards a new more dynamic energy model in which the role of the citizen, as a key part of system operation, is becoming increasingly noteworthy. For this reason, Red Eléctrica promotes the implication of consumers by providing information on the status of the system, or by disseminating recommendations on best practices regarding efficient consumption.

THE PROCESS of the progressive electrification of our society, due to the increasing weight of electricity in our lives, requires these types of initiatives that enable citizens to understand the operation of the electricity system easily, helping them to change their consumption habits and make a more efficient and responsible use of energy.

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

INITIATIVES FOR AN EFFICIENT MANAGEMENT OF THE SYSTEM

In 2013, Red Eléctrica continued to develop various initiatives geared towards achieving a more efficient management of the electricity system in the areas of smart grids, energy storage, or the incorporation of the electric vehicle. Amongst these actions noteworthy are:

DEPLOYMENT PROJECT

THE 'PRICE' DEPLOYMENT PROJECT (Smart Grid Project in the Corredor del Henares area of the Community of Madrid) is the first in which the technological challenges associated with demand-side management mechanisms are tackled in a deployment scope and not through conceptual testing.

Thanks to the implementation of smart meters within the sphere of residential demand, the demonstration phase of the project will develop the knowledge and technology necessary for an intelligent demand-side management, and will incorporate new mechanisms to keep citizens informed about the state of the electricity system.

PROFILING SERVICE

THE 'PERFILA' PROJECT seeks to improve the current profiling service and have more knowledge available about both household hourly consumption and that of an important part of small businesses and services.

The initiative, with the involvement of the major distribution companies, is based on the analysis of the hourly information coming from a panel of consumers who already have smart meters. During 2013, the panel was defined and the 20,000 members or so have been identified. As of January 2014, the first sets of data are beginning to be collected from the panel.

In the first edition of the Enertic Awards 2013, the PERFILA project was awarded for its innovative research and character.

Proyecto almacena

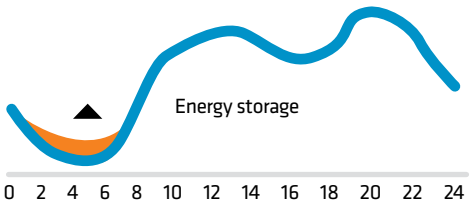
More information in the video of the 'Almacena' project.

ENERGY STORAGE

'ALMACENA' IS A TECHNOLOGICAL PROJECT to analyse and assess the challenges and capabilities associated with an energy storage battery connected to the transmission grid. Specifically, a prismatic lithium-ion battery, with a power of about 1 MW and a capacity of at least 3 MWh, which has been installed in the Carmona substation (Seville).

The development of energy storage systems will help improve the sustainability of the system by allowing a greater integration of renewable energy and improve the flexibility and efficiency of the electricity system, flattening the demand curve whilst maintaining security of supply.

FILLING VALLEY HOURS IN THE DEMAND CURVE



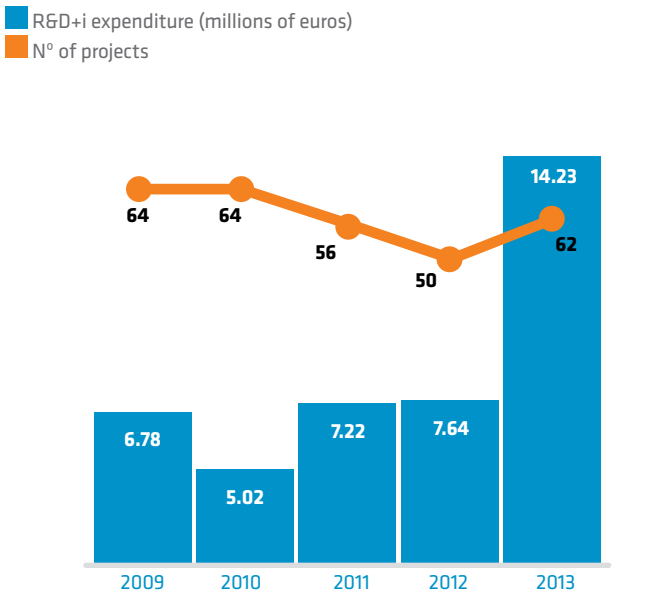
TECHNOLOGICAL INNOVATION [-EU8,EC9-]

RED ELÉCTRICA invested 14.23 million euros in a portfolio of 62 R&D+i projects during 2013. This investment represents an increase of 86% compared to 2012 and is encompassed by the Technological Innovation and Development Plan designed by the Company for the 2012-2016 horizon. Of this total, Red Eléctrica recovers about 24% through subsidies from various national and European programmes to promote R&D+i projects and tax breaks associated with innovation.

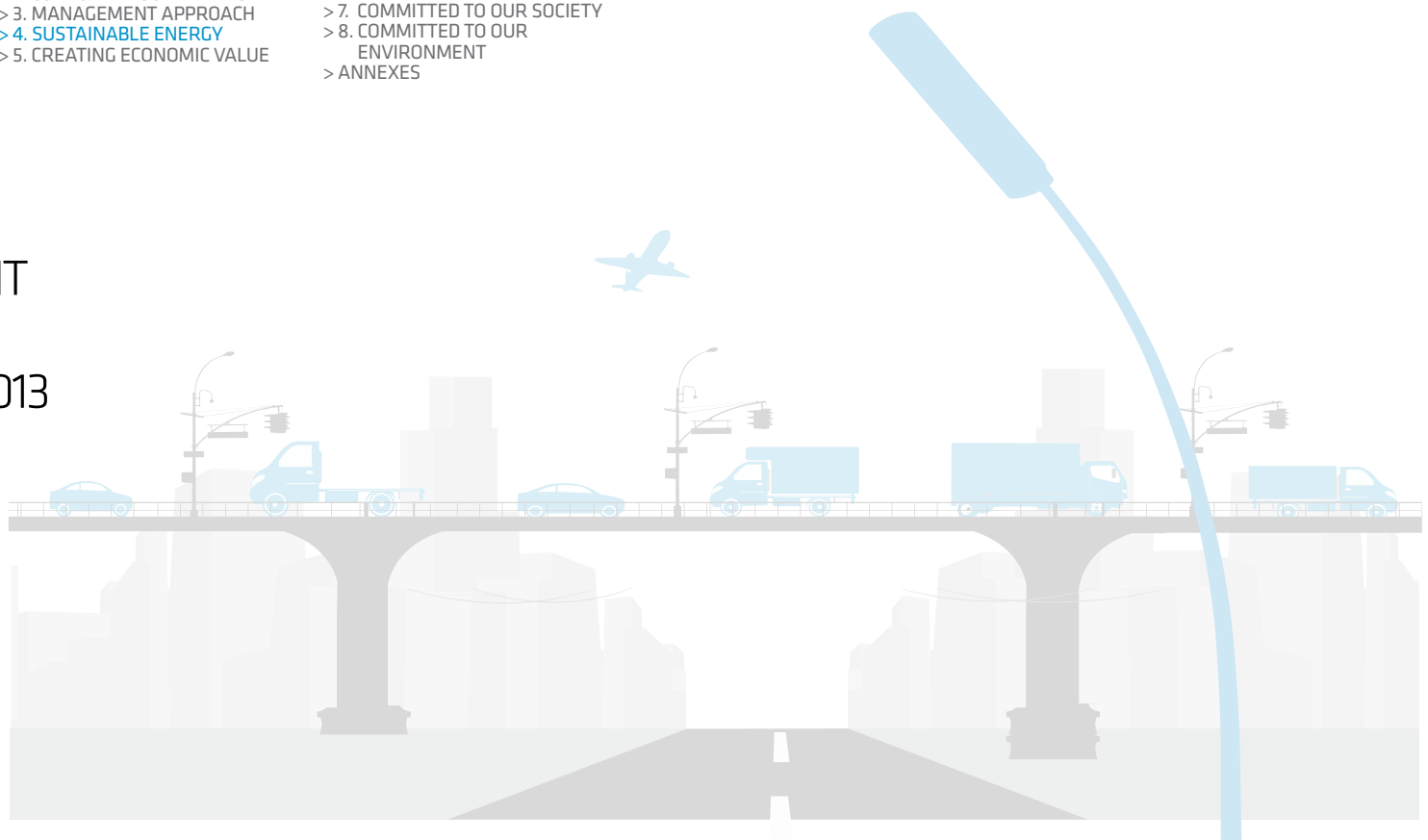
Throughout 2013, several projects were carried out both nationally and in Europe geared towards the incorporation of more efficient technologies into the transmission grid and the promotion of new operating resources, to make the system more sustainable. All projects reflect the Company's commitment to innovation as a driver for growth and efficiency, and as a key element to improve the competitiveness of the industrial fabric.

DURING 2013 a total of 251 specialists worked on 62 R&D+i projects, 15% of the workforce. Of these, 39 were women (15.5%). 41,210 hours were dedicated by our own personnel, the equivalent of 24.2 full-time people.

R&D+I EXPENDITURE



MOST IMPORTANT R&D+I PROJECTS COMPLETED IN 2013



TWENTIES
Transmitting Wind

ETHIS EUROPE-WIDE PROJECT is aimed at advancing the development of new technologies that will enable the massive incorporation of wind power into the European electricity system and thereby contribute to the achievement of the objectives of the Union European regarding energy matters for 2020.

CENIT VERDE

THIS NATION-WIDE PROJECT is focused on the design and implementation of a prototype electric car and the management and control systems necessary for its efficient integration into the electricity system. It is supported by the Ministry of Economy and Competitiveness and has the collaboration of 16 companies and 14 government agencies.

AGREGA

THE OBJECTIVE of this project was to analyse the provision of the demand-side management service through the aggregation of consumption in the small and medium-sized businesses in the area of the Basque Country.

TRAFO MÓVIL

THIS PROJECT consisted of the design and construction of a mobile transformer that can be moved to Red Eléctrica substations in emergency situations with minimal permits, or a generic permit reducing the administrative process, in order to quickly replace units that may have suffered sudden breakdowns.

BIRD COLLISION DETECTOR

THE DESIGNING OF A DEVICE to detect bird collisions with grounding wires of the towers of the overhead electricity lines has been the main objective of this project.

MOST IMPORTANT R&D+I PROJECTS CURRENTLY UNDERWAY

NATIONAL

ALMACENA (electrochemical energy storage connected to the transmission grid).

FLYWHEEL (energy storage system using a rotating mass).

REDIRECTION OF POWER FLOWS (high voltage equipment to control the flow of electrical current through an electricity line).

PERFILA (improvement of the energy profiling system for consumers who do not have hourly measuring).

TEMPERATURE MONITORING (measuring the temperature of a buried power cable via fibre optic technology, allowing the transmission capacity to be optimised).

POSIDONIA OCEÁNICA (study of the use of seeds for the recovery of the meadows of this underwater plant).

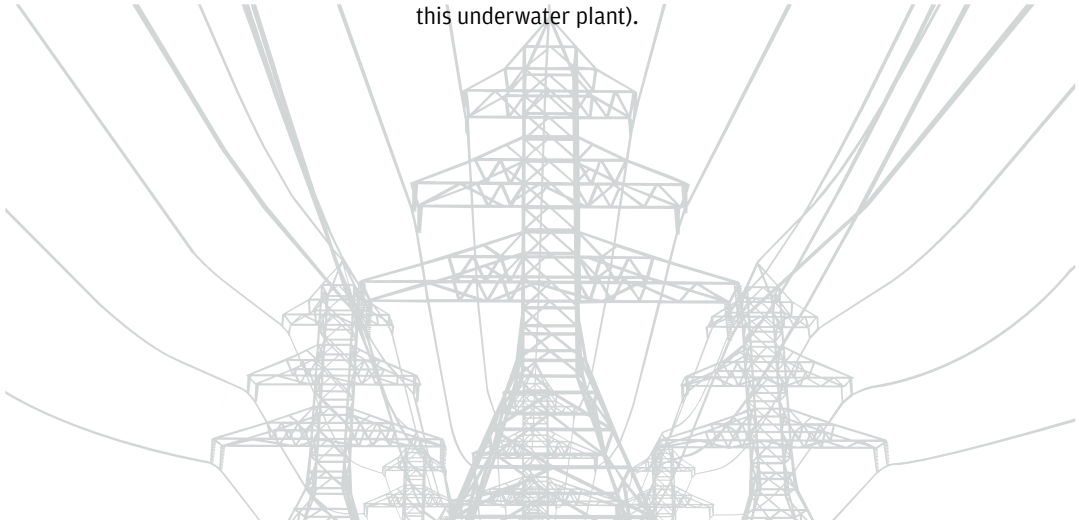
EUROPEAN

e-HIGHWAY 2050 (long-term optimal planning of the pan-European transmission system - 2050).

GRID+ (coordinated design of a roadmap for joint R&D+i projects between TSOs and DSOs).

BEST PATHS (BEyond the State-of-the-art Technologies for re-Powering Ac corridors & multi-Terminal Hvdc Systems).

More information in the 'Red21/R&D+i' section of the corporate website.



CARS PROJECT (SAFE, RESPONSIBLE AND AGILE DRIVING)

The proper maintenance of the transmission grid involves a large number of trips throughout Spain, both for scheduled work and to respond to emergency situations. The CARS Project (Conducción Ágil, Responsible y Segura), one of those noteworthy in the field of corporate responsibility, is the development of a specific navigation system and real-time monitoring for the Red Eléctrica fleet of vehicles, with the aim of improving driving conditions based on three aspects:

>> **Agile driving:** reduce travel times to the transmission grid facilities, efficiently selecting the best route from the starting point.

>> **Responsible driving:** to minimise the impact on the environment by reducing fuel consumption and CO_2 emissions. This is achieved by choosing the best route and monitoring the actual fuel consumption and driving style to improve energy efficiency, in addition to creating responsible driving habits.

>> **Safe driving:** improve safety of the displaced technicians/specialists, monitoring real-time enforcement of speed limits and correcting behaviours that involve risks and unnecessary costs.

The prototype has been tested in 12 Red Eléctrica vehicles, which has made it possible to check how it works and quantify the savings in time, fuel and CO_2 emissions, compared to standard practice.

The results have been entirely satisfactory and it has been proposed to implement the system throughout the whole fleet.

5_CREATING ECONOMIC VALUE

WE MAINTAIN STABLE GROWTH BASED ON **INVESTMENT AND IMPROVED EFFICIENCY**

GRI indicators reported on within this chapter:
EC1, EC4, EC6.

MOST RELEVANT ACTIONS IN 2013

FINANCIALLY SOUND RESULTS*

>> 1,822.6 million euros of net revenue, up 4.4%.

>> 1,369 million euros of EBITDA, up 5.9%.

>> 967.6 million euros of EBIT, up 7.5%.

>> 588 million euros of net profit, up 8.8%.

*Data shown on a like-for-like basis after having factored in the corresponding year the one-off events in that have marked the 2012 and 2013 results.

SHAREHOLDER PROFITABILITY

>> 30% revaluation of the share.

>> 2.5422 euros of gross dividend per share.

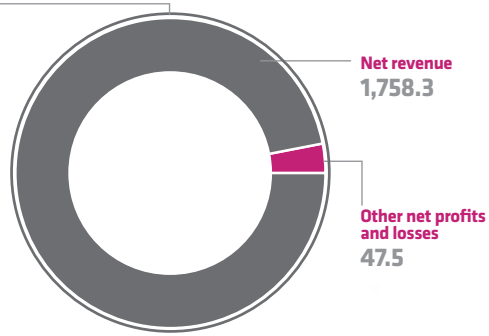
>> 7.5% increase in the dividend.

>> 65% distribution of dividends (pay-out).

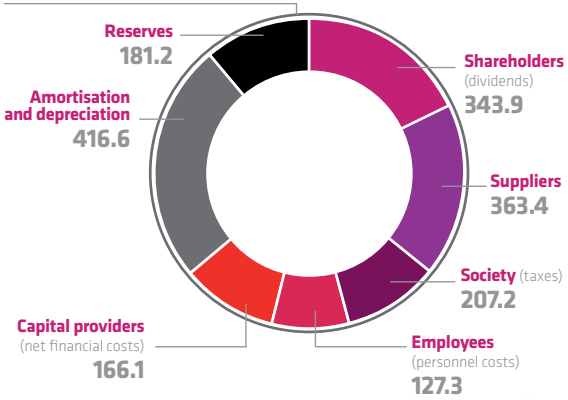
CREATING VALUE

(MILLIONS OF EUROS)

ECONOMIC VALUE GENERATED



ECONOMIC VALUE DISTRIBUTED



STABLE GROWTH AND SOLID RESULTS

In 2013, Red Eléctrica has managed to show stable growth. The Company achieved solid results and a significant strengthening of its key solvency ratios, maintaining a clear focus on efficiency and the permanent creation of value.

ECONOMIC VALUE

FOR A REAL understanding of the evolution of the Company's results, it is necessary to take into account the effects of one-off events that took place in 2012 and 2013:

Application of Royal Decree-Law 9/2013 and the draft order establishing the remuneration for the transmission and distribution of electricity in Spain for the second period of 2013, which reduced transmission revenue by €72.3 million in 2013.

APPLICATION OF Law 16/2012 which allowed for restatement of Spanish companies' balance sheets, reducing the income tax expense for 2013 by €33.9 million as consideration for a receivable arising from the future deductibility of the amortisation/depreciation of revalued assets.

CHANGES IN the consolidated Group in these two years as a result of the expropriation of the Bolivian company Transportadora de Electricidad, S.A. (TDE) in 2012 and the increase in the shareholding in REDESUR in 2013, as well as the changes to the tax treatment of losses on investments in foreign subsidiaries by the Spanish taxation authorities in 2013.

IMPAIRMENT OF assets due to the regulatory changes made in the first half of 2012, in an amount of €46.4 million.

IN ORDER TO SHOW the evolution of the Company in the most transparent way possible, the income statement is shown on a like-for-like basis (pro forma), after having factored in the aforementioned one-off events in each of the corresponding years.

More information in the 'Management Report' section of the Annual Consolidated Accounts 2013.

INCOME STATEMENT [-2.8-]
MILLIONS OF EUROS

				Pro forma		
	2012	2013	Var (%)	2012	2013	Var (%)
Net revenue	1,755.3	1,758.3	0.2	1,745.0	1,822.6	4.4
Gross operating result (EBITDA)	1,299.1	1,301.9	0.2	1,292.2	1,369.0	5.9
Net operating result (EBIT)	859.9	898.7	4.5	900.0	967.6	7.5
Profit for the year	492.3	529.1	7.5	513.1	558.0	8.8

ECONOMIC VALUE GENERATED AND DISTRIBUTED [-EC1-]

THIS INDICATOR, calculated following GRI methodology (Global Reporting Initiative), collates the generation of economic value of the Red Eléctrica Group and its distribution amongst the various stakeholders.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (GROUP)
(MILLIONS OF EUROS)

	2009	2010	2011	2012	2013
Economic value generated	**1,239.2**	**1,441.9**	**1,677.6**	**1,802.0**	**1,805.8**
Net revenue	1,200.1	1,397.3	1,637.3	1,755.3	1,758.3
Other net incomes and losses [1]	39.1	44.6	40.3	46.7	47.5
Economic value distributed to stakeholders	**(798.6)**	**(981.6)**	**(1,133.9)**	**(1,177.6)**	**(1,208.0)**
Employees: Personnel costs	(104.2)	(112.7)	(128.8)	(129.1)	(127.3)
Company: Tax on earnings	(130.7)	(170.3)	(223.4)	(188.4)	(203.2)
Investment in the community	(2.1)	(7.5)	(8.4)	(4.1)	(4.0)
Suppliers: Other operating expenses [2]	(277.3)	(308.4)	(312.9)	(355.4)	(363.4)
Shareholders: Dividends [3]	(199.8)	(253.6)	(299.3)	(319.9)	(343.9)
Capital providers: Net financial costs	(84.5)	(129.1)	(161.1)	(180.7)	(166.1)
Economic value retained	**440.6**	**460.3**	**543.7**	**624.4**	**597.8**
Reserves	130.6	136.6	161.0	172.4	181.2
Amortisation and depreciation [4]	310.0	323.7	382.7	452.0	416.6

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.

[2] Procurements and other operating costs (excluding investments in the community).

[3] Includes the interim dividend and complementary dividend.

[4] Includes: Amortisation / Depreciations (Includes mainly provisions for deterioration in asset value).

More information in the 'Key indicators' section of the corporate website.

INDIRECT ECONOMIC IMPACTS (MILLIONS OF EUROS)	**2009**	**2010**	**2011**	**2012**	**2013**
Shareholders					
Dividend per share (euros)	1.4781	1.8751	2.2124	2.3651	2.5422
Dividend over net profit (pay-out) (%)	60.5	65.0	65.0	65.0	65.0
Clients (Group)					
Net revenue	1,200.1	1,397.3	1,637.3	1,755.3	1,758.3
Investments	845.6	2,308.8	844.3	705.8	596.0
Suppliers (purchases) [1] [-EC6-]					
REE (Spain)	687	781	1,371	670	610
Employees (Group)					
Total salary expenses [2]	104.2	112.7	128.8	129.1	127.3
Capital providers (Group)					
Financial costs	91.2	104.3	155.3	172.8	183.6
Reserves	1,168.6	1,352.3	1,541.3	1,716.6	1,936.0
Company (Group)					
Tax on earnings	130.7	170.3	223.4	188.4	203.2
Subsidies [3] [-EC4-]	13.7	18.4	11.4	12.6	13.2
Investment in the community [4]	2.1	7.5	8.4	4.1	4.0

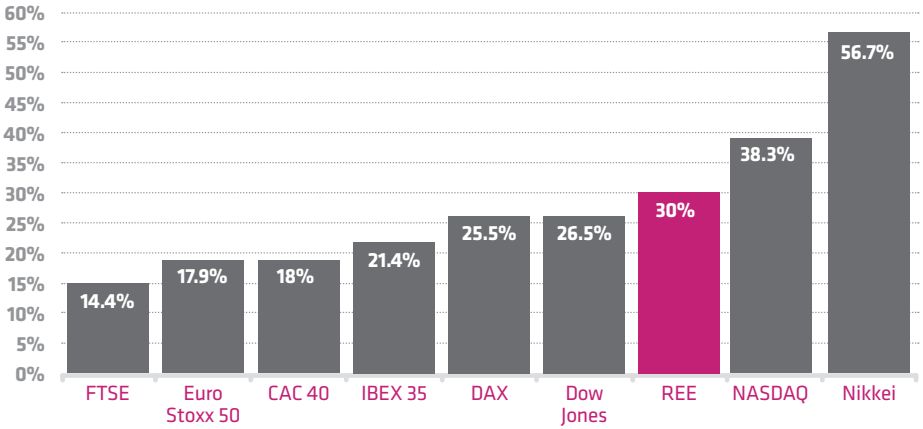
[1] Purchase orders executed.

[2] Includes wages and salaries, social security, pension fund contributions and other concepts. Final figures refer to the consolidated Group and include International Financial Reporting Standards (IFRS) adjustments.

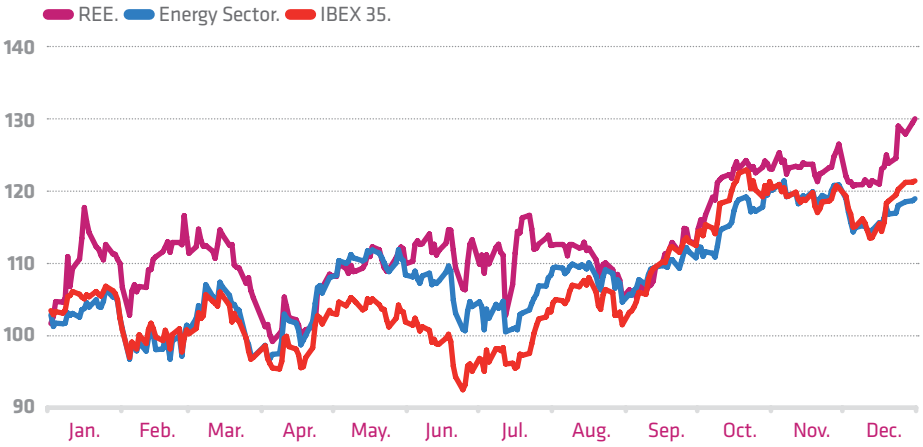
[3] Capital subsidies and other deferred income transferred to the results.

[4] Strengthening of ties with the community and social commitment actions in Spain.

MAIN STOCK MARKET INDEXES 2013



COMPARISON OF RED ELÉCTRICA STOCK IN 2013 (%)



STOCK MARKET PERFORMANCE

2013 WAS a good year for the stock market. The leading world indexes made double-digit gains and only some markets located in developing countries did stumble on occasion after several years of strong gains. The increases have been supported by solid economic growth in the USA, and due to the increased confidence in the Eurozone and especially in the peripheral countries.

The major U.S. indexes, the Dow Jones and Standard & Poor's, were at all-time highs after experiencing a revaluation of close to 30%. Meanwhile, the NASDAQ gained 38% in the year. A similar situation was experienced by the German DAX, also registering record numbers after increasing 25.5% in 2013 to be amongst the benchmark indexes, the best performance of the Old Continent. Finally, noteworthy is the 56.7% rise experienced by the Japanese Nikkei, the result of the combination of very aggressive monetary and fiscal policies.

Among other European exchanges noteworthy is the Spanish one, which increased 21% during the year, ending a run of three consecutive years of losses. Greater confidence in our economy, manifested in the evolution of risk premium, which began the year at levels close to 400 basis points and finished with a spread of about 220 points, or the first signs of economic growth have triggered the investors' appetite for our country.

RED ELÉCTRICA SHARES

The value of Red Eléctrica has again broken records for the fourth consecutive year in the IBEX 35, with a 30% increase in its price.

The 2013 fiscal year was marked by regulatory changes that were brought in throughout the year to ensure economic

and financial sustainability of the Spanish electricity system. Within this context, the price registered minimum annual values in April and returned to similar levels again in mid-July. However, the price rallied in the fourth quarter and stood at record highs following the publication on 30 December of Royal Decree 1047/2013, which establishes a new system of stable, transparent and predictable remuneration of the electricity transmission activity.

PROFITABILITY for shareholders grew. Red Eléctrica maintains its commitment to maximising value for its shareholders by providing on the one hand, an attractive dividend yield and, on the other, contributing to the rise in the share price through efficient management.

In 2013, the direct return for the shareholder in the form of dividends grew by 7.5% over the previous year. The gross dividend proposed at the General Shareholders' Meeting for the 2013 fiscal year was 2.5422 euros per share. On January 2, 2014 a gross interim dividend of 0.7237 euros per share was paid, pending payment of 1.8185 euros per share, as a complementary gross dividend for the year 2013.

MAIN STOCK MARKET INDICATORS	**2009**	**2010**	**2011**	**2012**	**2013**
Total number of shares	135,270,000	135,270,000	135,270,000	135,270,000	135,270,000
Number of shares in circulation (free float)	108,216,000	108,216,000	108,216,000	108,216,000	108,216,000
Face value of the share (euros)	2	2	2	2	2
Daily trading volume (shares)					
Maximum	5,604,900	5,796,441	9,925,190	21,690,186	5,096,386
Minimum	191,510	186,526	288,027	81,925	69,150
Share price (euros)					
Maximum	39.80	40.755	43.89	39.75	48.50
Minimum	26.85	27.930	30.24	29.00	36.99
Average	32.68	34.730	37.13	34.55	41.36
Close	38.82	35.200	33.06	37.30	48.50
Market capitalisation at close of fiscal year (euros)	5,251,181,400	4,761,504,000	4,472,026,200	5,045,571,000	6,560,595,000
Earnings per share (EPS) (euros)	2.45	2.90	3.42	3.66	3.92
Share price/EPS (number of times)	15.84	12.14	9.66	10.19	12.37
Dividend per share (in euros)	1.4781	1.8751	2.2124	2.3651	2.5422

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

6_COMMITTED TO OUR EMPLOYEES

WE PROMOTE TALENT, EQUALITY, SAFETY AND **BOTH STABLE & QUALITY EMPLOYMENT**

GRI indicators reported on within this chapter:
LA1, LA2, LA3, LA4, LA6, LA7, LA8, LA10, LA11, LA12, LA13, LA14, LA15, EU15, EU16, EU17, EU18.

Red Eléctrica has a 'Human Resources Director Plan' which facilitates the achievement of business objectives within an environment of commitment and good social climate. All the actions and projects contemplated in said plan are based on the principles of efficiency and quality, equal opportunities, promoting opportunities and alternatives of the work-life balance, health and safety, as well as the respect for diversity and the fair and individualised treatment for all professionals who make up the Company.

MOST RELEVANT ACTIONS IN 2013

STABLE EMPLOYMENT

>> Sustained growth of the workforce, average 2.4% per year (2009-2013).

>> 99.8% permanent contracts.

>> 50% reduction in the voluntary turnover index (0.4%).

>> Randstad Award as the most attractive company to work for in the energy sector.

TALENT MANAGEMENT

>> 696 training and development actions in 2013.

>> More than 100,000 hours of training, 57 hours per employee.

>> 96% of workforce in training programmes in 2013.

>> Investment in training represents 4.3% of the personnel costs.

EQUALITY AND DIVERSITY

>> 43.5% increase in women in management positions (2009-2013).

>> 8.4% increase in women in the workforce (2009-2013).

>> 1.03 ratio of base salaries of women to men.

>> 11 workers with disabilities in the workforce.

DIALOGUE AND TRANSPARENCY

>> Score of 9.3 out of 10 satisfaction rating in the latest climate survey.

>>1,115 publications on the intranet.

>> Participation of 650 people in 18 sporting groups.

>> 9,971 requests related to Human Resources via the RH2000 channel.

A HEALTHY COMPANY

>> Over 50% reduction in the severity and frequency of accidents indexes compared to the previous year.

>> 1,226 medical and first-aid consultations through its own in-house medical service and 1,138 medical check-ups.

>> Score of 94 out of 100 granted in the occupational health and safety assessment of the DJSI 2013.

>> Over 40 work-life balance measures implemented. EFR Certificate.

STABLE AND QUALITY EMPLOYMENT

HAVING A TEAM OF PEOPLE that is skilled/qualified, motivated and committed is essential to performing the responsibilities assigned to Red Eléctrica and to meet the energy challenges of the coming years.

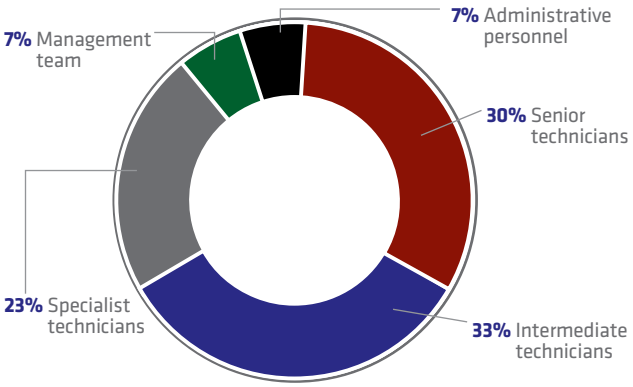
SUSTAINED GROWTH OF THE WORKFORCE

1,672 HIGHLY QUALIFIED PEOPLE made up the Red Eléctrica de España workforce at the end of 2013, representing a slight increase of 1.6% compared to 2012.

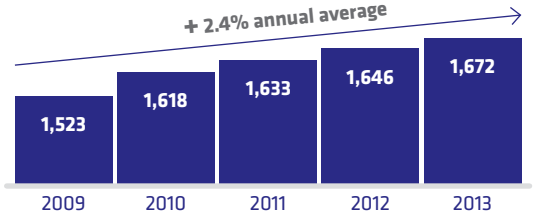
In the Group, the workforce increased by 4.4% as of May 2013 when Red Eléctrica Group increased its stake in Redesur to 55%. This operation consolidated the Group in Peru, where the Company also owns 55 % of Tesur (Transmisora Eléctrica del Sur) and 100% of REA (Red Eléctrica Andina), and thus allows the creation of a holding company resulting in operational synergies.

OUR COMMITMENT towards the creation of stable employment is reflected in the percentage of permanent contracts that reached almost 100%. This stability of employment positively affects the pride of belonging of the professionals of Red Eléctrica and reinforces their commitment to the business project. A reflection of this reality is the reduction of undesired external turnover, which stands at 0.4%, which is 50% lower than the previous year.

STRUCTURE OF THE WORKFORCE BY PROFESSIONAL GROUP

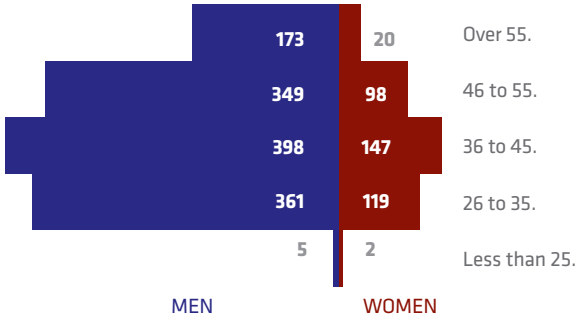


EVOLUTION OF THE WORKFORCE* [-2.8-]



*Workforce in Spain. The Group's workforce in 2013 totalled 1,745 people according to the scope of consolidation of the companies of the Group.

DISTRIBUTION OF THE WORKFORCE BY AGE GROUP



VOLUNTARY TURNOVER INDEX

(%)

RECRUITMENT MODEL

RED ELÉCTRICA IDENTIFIES selects and integrates the most suitable people in a transparent and objective process that guarantees recruitment based on the qualifications and competencies of the candidates, equal opportunities, stability and compliance with current employment legislation.

To promote internal rotation, Red Eléctrica offers professionals the opportunity to apply for vacancies that arise. During 2013, 26% of those employed who applied for an internal vacancy occupied a new position in the Company.

It is worth noting that the overall rate of internal rotation was 10% in 2013.

2013 CULMINATED THE project for the revision of the organisational structure, carried out under the criteria of efficiency, operational excellence, organisational flexibility and adaptability, to ensure the fulfilment of the Company's mission and its business strategy. As a consequence of this reorganisation, 86% of the management team positions were covered via internal promotion.

More information in the 'Committed to our people' and 'Work with us' sections of the corporate website.

KEY EMPLOYMENT INDICATORS
(Spain)

	2011	2012	2013
Total workforce	1,633	1,646	1,672
Women (%)	22.7	22.7	23.1
Men (%)	77.3	77.3	76.9
Women in management positions (%)	17.6	19.4	19.7
People with some type of disability (%)	0.5	0.7	0.7
Creation of net employment (number of positions)	15	13	26
Average age	41	42	43
Average length of service (years)	12	13	13
Undesired external turnover (%)	0.9	0.8	0.4
Total turnover (%)	2.5	1.5	1.0
Permanent contracts (%)	99.7	100	99.8

OBJECTIVES 2014

>> Maintaining stability and quality of employment.
>> Sustainability and efficiency in the growth of the workforce.
>> Alignment of HR policies in the different companies of the Group.
>> Revision of the HR processes as part of the process of continuous improvement.

RECOGNITIONS AND AWARDS 2013

Randstad Award as the most attractive company to work for in the energy sector.

Ranked 33 in the internationally renowned index Merco Personas, which selects the 100 best companies to work for in the country, assessing job quality, internal reputation and employer brand.

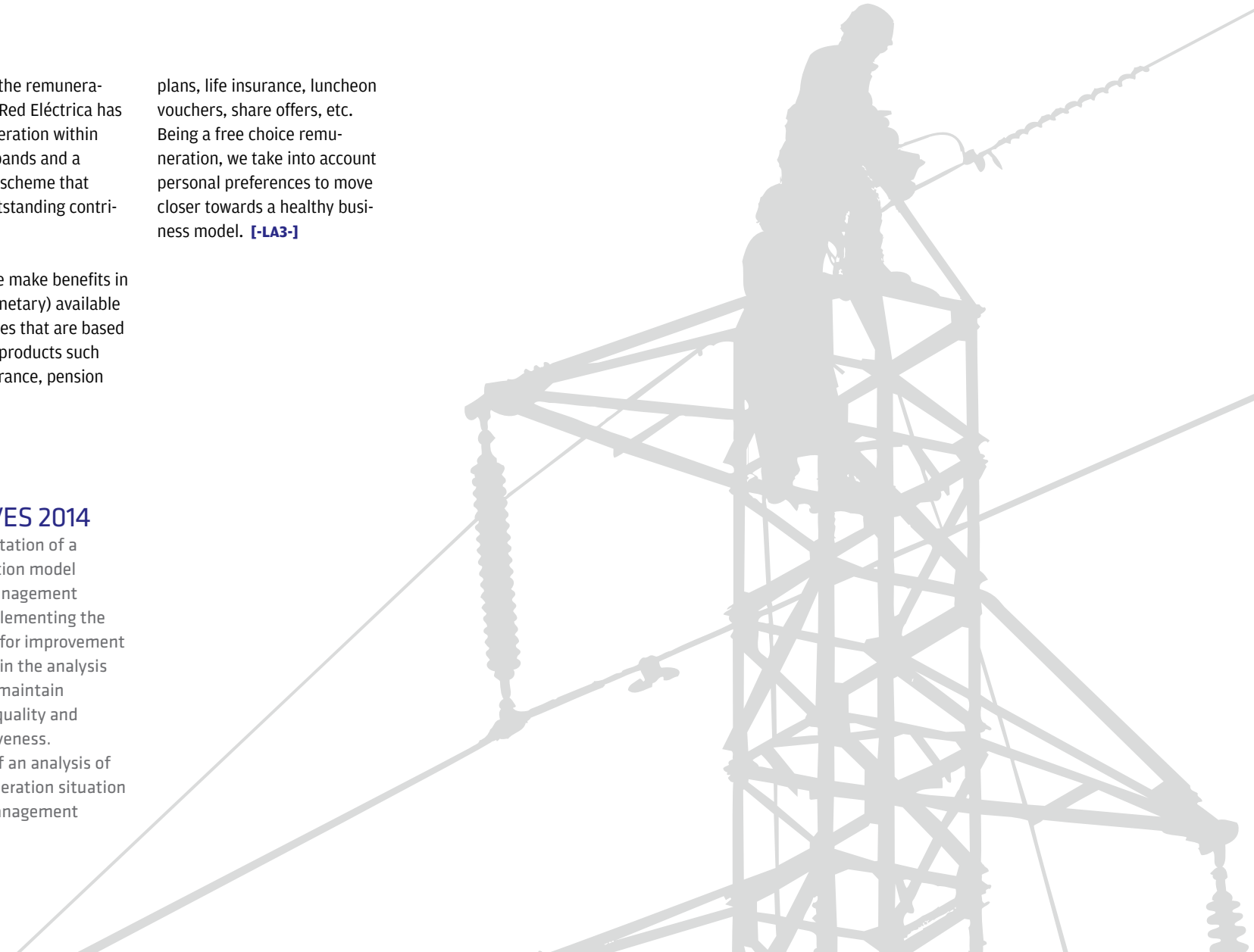
REMUNERATION MODEL

WE ARE MOVING TOWARDS A model of complete, fair and competitive remuneration in order to attract, retain and motivate people.

OUR REMUNERATION POLICY is based on principles of fairness, equality, competitiveness, transparency, with performance recognition and the development of staff as a differentiator.

On this basis, the remuneration model of Red Eléctrica has a fixed remuneration within broad salary bands and a special bonus scheme that recognises outstanding contributions.

In addition, we make benefits in kind (non -monetary) available to all employees that are based on a series of products such as health insurance, pension plans, life insurance, luncheon vouchers, share offers, etc. Being a free choice remuneration, we take into account personal preferences to move closer towards a healthy business model. **[-LA3-]**



SUMMARY 2013

>> Regarding the REE+ Project, an analysis of the remuneration of the management team was drafted, from the analysis carried out in 2012 and based on market research and best business practices, without losing sight of the idiosyncrasies of our company. Resulting from this analysis was a proposal to revise the management remuneration model.

OBJECTIVES 2014

>> Implementation of a remuneration model for the management team, implementing the proposals for improvement identified in the analysis phase, to maintain internal equality and competitiveness.

>> Drafting of an analysis of the remuneration situation of non-management personnel.

EQUAL OPPORTUNITIES AND DIVERSITY

RED ELÉCTRICA commits to the principles of equality and non-discrimination through its Code of Ethics, in its internal policies and through the different collective bargaining agreements which govern labour relations.

In 2013, the Comprehensive Equality Plan was approved which brings together and defines specific actions in the different areas related to equality and are reflected in the Summary section.

IN 2009, the Equality Plan was approved together with the social representation, which includes a series of actions geared towards promoting real and effective equality between men and women of the Company in the areas of employment (recruitment, promotion and contracting), training and remuneration and it also provides internal communication actions. The body in charge of the monitoring of this plan is the Joint Commission on Equality (foreseen under the IX Collective Bargaining Agreement).

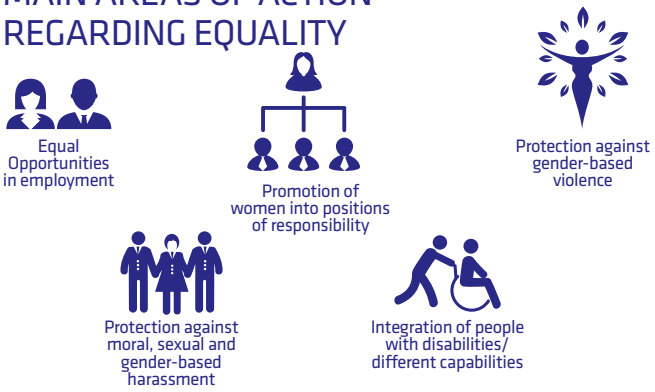
SUMMARY 2013

>> Progressive increase in the number of women on the workforce (386 in 2013 compared to 356 in 2008).
>> Increase in the percentage of women in managerial positions (19.7% in 2013 compared to 15.7% in 2008).
>> Participation in conferences, forums and seminars regarding the promotion of equality, which in some cases has had the noteworthy participation of the Company's Chairman.
>> Signing up to the Business Network initiative for a Society Free from Gender-based Violence.
>> Design of specific internal communication campaigns in order to raise awareness of the subject amongst the workforce.
>> Informative news on the miRED intranet for the continuous dissemination of internal regulations governing the subject.
>> Development of communication actions for the prevention of moral, sexual and gender-based harassment, which sets guidelines for prevention and action.
>> Participation in the project "Promociona. Tod@s en la Alta Dirección, Tod@s en la Corresponsabilidad", endorsed by the Ministry of Health, Social Services and Equality and the CEOE, which promotes the training and access of females to managerial positions.

OBJECTIVES 2014

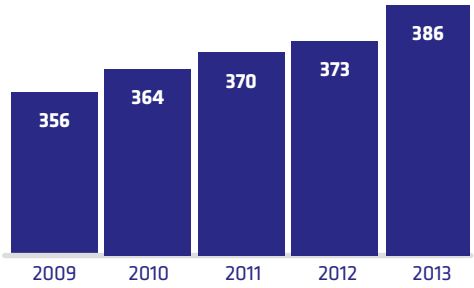
>> Continue with the activities of the promotion of equality in all areas of action defined by the Company.
>> Raise awareness and promote the concept of joint responsibility.
>> Participation in the different forums related to equal opportunities and diversity.

MAIN AREAS OF ACTION REGARDING EQUALITY



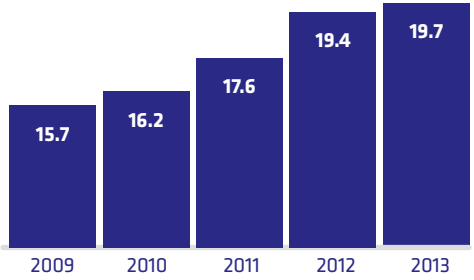
EVOLUTION OF WOMEN ON THE WORKFORCE

(Nº)



EVOLUTION OF WOMEN IN MANAGEMENT POSITIONS

(%)



RECOGNITIONS AND AWARDS

Equality Seal for the Company granted by the Ministry of Health, Social Services and Equality.

More information in the 'Commited to our People' section of the corporate website.

DISABILITY MANAGEMENT

RED ELÉCTRICA every year increases its efforts towards the workplace integration of people with disabilities. For this reason, it focuses its actions on three key aspects: firstly, to incorporate people with disabilities into the workforce. Secondly, exceed the alternative measures that are applied with respect to the obtaining the certificate of exceptionality that is granted by the competent authority to those companies that cannot reach the quota within the workforce established by Spanish legislation. Thirdly, promote various initiatives and projects amongst which the following are noteworthy: workforce awareness, improving accessibility and collaboration with organisations whose purpose is the integration of people with disabilities.

MORE THAN A GARDEN, AN ECOLOGICAL AND SOLIDARITY EXPERIENCE

The ecological garden alongside the River Jarama in the Rivas Vaciamadrid area of Madrid where people from the Fundación Juan XXIII work, is another example of how Red Eléctrica backs the employment and social integration of people with disabilities and at the same time, tries to bring this reality to the employees of the Company, breaking the social barriers that usually exist for these groups.

The horticulturists who work there are responsible for preparing baskets of fruit and vegetables that are delivered, freshly picked, to a large number of customers. Amongst these customers are the workers of Red Eléctrica de España, who no longer receive flowers from the Company when they have a baby, but a basket full of ecological food products.

Red Eléctrica plans to organise a Day without school in the garden for the children of employees so they have the opportunity to learn how to cultivate the land, what ecological farming is, which fruits and vegetables are seasonal and, above all, to share experiences with the youngsters from of the Foundation, to learn new values and enjoy the outdoors in a safe, sustainable and in an environment of integration.

SUMMARY 2013

>> Eleven employees and two interns with disabilities in 2013.
>> Plan Familia (measures designed to support families of our employees with disabilities to improve their social and professional integration): eight beneficiaries.
>> Procurement of goods and services from special employment centres: document management, gardening, catering, RH2000 and Dígame service.
>> The identification of disabilities in people with pathologies that currently are not recognised as a disability.
>> Improved accessibility: route markers to guide people with disabilities around the facilities, and also content on the web: *Entrelíneas* magazine
>> Donations to the Randstad Foundation and the Adecco Foundation. In 2013, the latter managed to help 2,434 people with some form of disability to find employment, an achievement to which Red Eléctrica has contributed through lending its support.
>> Signing of the collaboration project 'Proyecto Unidos' with the Polytechnic University of Madrid and the Adecco Foundation.
>> Communication and awareness actions to promote within Red Eléctrica the culture of integration, such as disability awareness day on 10 October with the participation of Xavi Torres.
>> Inauguration of the Red Eléctrica training office in the Fundación Juan XXIII.
>> Participation in the Madrid disability and job fair.

OBJECTIVES 2014

>> Continue incorporating, as far as possible, people with disabilities into the workforce and apply alternative measures regarding exceptionality going beyond that established by Law.
>> Encouraging procurement from Special Employment Centres.
>> Continue activities related to Plan Familia and Proyecto Unidos.
>> Open door day regarding disability sensitisation and awareness.
>> Implementation of a management model for the continuous improvement of the integration of people with disabilities. Analysis of the current model, diagnosis and suggestions for improvement and development of an Action Plan.

TALENT MANAGEMENT [-EU14-]

EN RED ELÉCTRICA we understand that managing the talent of the people who make up the Company is key to contributing towards the achievement of the business objectives of the Company.

The Red Eléctrica Corporate School (ECRE) facilitates the global framework for the development of training that is ever more specific and tailored to the needs of the Company and its employees.

AT ECRE, we train employees to carry out the operation and transmission functions of the electricity system. This is done through in-house training and via the active participation of not only the internal trainers from the school itself, but also experts from different areas of the Company.

ECRE also manages the training and development of skills and abilities for different groups. All the development actions fall within the bespoke people management model created by Red Eléctrica to address both their present and future needs.

A REVIEW HAS BEGUN of the global system of talent management developing a new model of leadership and the process by which it will be assessed. Also, a new mobility model has been designed: a plan that will start to be implemented in 2014.

More information in the 'Commitment to our People' section of the corporate website.

SUMMARY 2013

Training and development

Implementation of a new training and development methodology through a state-of-the-art virtual platform that facilitates the management of knowledge and will allow to:

>> Give coverage not only to general needs, but also to specific needs per employee, job, group or area.
>> Train and educate in real time and not delayed in time.
>> Encourage student proactiveness regarding their own learning process.
>> Have tools and processes available that allow flexibility and adaptation to the different changes of the business and the market.

Remodelling the ECRE simulator room, replicating as closely as possible the synoptic panels (equipping it with a video wall) and the rooms of the electricity control centres (CECOEL and CECORE).

Fulfilment of the Professional and Development Training Plan integrated by language programmes, quality, risk prevention, environment, corporate IT, induction and integration of new employees and management skills and competencies.

Amongst the development programmes noteworthy is the creation of a Bank of potential specialists and heads of department. This Bank contains people of Red Eléctrica who have been identified as showing potential, and are worked with to enhance their professional development. In addition, an integration programme for induction of new managers has been developed.

Performance Appraisal

Within the framework of the new people management model, Red Eléctrica has carried out an adaptation of the process to appraise the performance of the management team that seeks to:

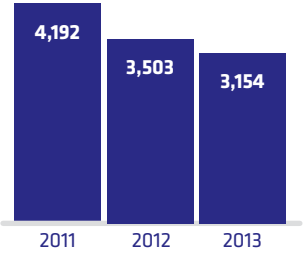
>> Respond to the new model of leadership implemented in the Company.
>> Consider for the first time the multisource assessment (self-assessment, collateral assessment and upward assessment), as well as the commitment and the annual contribution of each director.

Cooperation with the education sector

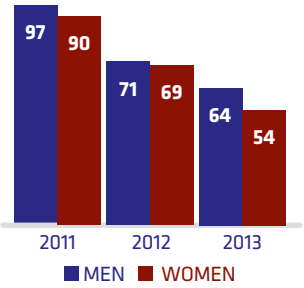
>> *PRACTICA+ 2013* Grant Programme, which offers in-company practice to 71 recently graduated students.
>> *Operation Grant* that has trained 14 technical engineers in the operation of electricity systems.
>> *Operation Grant* for Cuban operators.

INVESTMENT IN TRAINING PER EMPLOYEE

(EUROS)



AVERAGE HOURS OF TRAINING



OBJECTIVES 2014

>> Consolidate the Red Eléctrica Corporate School (ECRE) as an in-house training centre that manages the necessary training to meet the new talent management model of the people in the Group.

>> Continue the advanced practical technical training for electricity system operation and transmission with the use of the state-of-the-art simulators.

>> Develop the programmes of the Bank of potential for specialists and directors of the Company.

>> Carry out the Development and Training Plan for the Management Team according to Red Eléctrica's leadership model.

>> Continue with the induction programmes for the integration of new employees into the culture of the Company.

>> Implement a new language training programme with new methodologies that enhances the employability of the workforce.

>> Continue cooperating with the education sector through an intern programme that provides in-company practice to students or students who recently obtained their degrees.

>> Development of the new mobility model.

RECOGNITIONS 2013

>> Accreditation of ECRE for imparting training on the handling of SF_6 gas in accordance with RD 795/7/2010 of 16 June.

>> We have become a centre for the accreditation of unsupervised local operation technicians and the works managers for the construction and maintenance of substations.

MAIN TRAINING PROGRAMMES [-LA11-]

Development of knowledge, skills and competencies.
Induction and integration programme for new employees.
Development programmes regarding management skills.
Specific training programmes regarding equality and the work-life balance.
Specialised technical training.
Occupational health and safety programmes.
Language programmes.
Training on new technologies and IT tools.
Environmental information programmes.

DIALOGUE AND TRANSPARENCY

INTERNAL COMMUNICATION is a key element for the involvement of employees in fulfilling the mission and business objectives to improve the working climate, promote the integration of people and increase their pride of belonging.

More information in the 'Commitment to our People' section of the corporate website.

SUMMARY 2013

Development of communication plans for corporate projects that seek the global dissemination of strategies, policies and objectives of the Company. In 2013, work was primarily on:

>> Dissemination of the new Code of Ethics and corporate values.
>> Energy efficiency and mobility.
>> Occupational health and safety, equality, work-life balance and diversity.

Improvement in communication tools, noteworthy of which are:

>> Installation of digital screens that allow instant communication.
>> Renewal project of the miRED intranet: working groups and analysis with the groups involved to meet needs and respond to all areas.

Continuation of the annual activities in the social plan. Noteworthy in 2013 are:

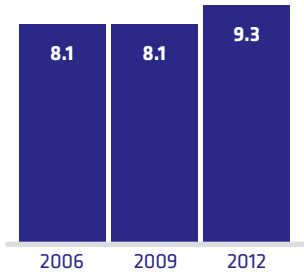
>> 12th edition of the painting competition for children of employees.
>> 22nd edition of the photography competition.
>> Reforestation day with the families of employees.
>> Subsidising of collective sporting activities, with the participation of 650 people in 18 sporting groups in 2013.
>> Employee attention centre (RH2000): This service, managed by Fundación Juan XXIII that works with people with disabilities, in 2013 dealt with 9,971 requests related to Human Resources.

OBJECTIVES 2014

>> Support for the organisational units with transversal and tailored plans that promote knowledge of all areas and expands the business vision.
>> The putting into service of the new miRED intranet with a more collaborative philosophy and tools that allow multidirectional communication; promotes participation and facilitates knowledge management and easy access to and dissemination of information.
>> Continuation of the activities developed within the framework of the social plan that seek the participation and integration of employees and raise awareness on issues of environmental, social or sector-related interest.

WORKING CLIMATE SURVEY*

(GENERAL SATISFACTION RATINGS 0-10)



* The lastest study was carried out in 2012.

SOCIAL DIALOGUE

THE MAIN REGULATORY FRAMEWORK of the working relationship between Red Eléctrica de España and its employees is the current labour legislation in force and the corresponding Collective Bargaining Agreement (legal framework between the Company and the workers). The IX Collective Bargaining Agreement, of limited effectiveness, was in effect until 31 December, 2012.

The workers' representation has a presence in most work centres of Red Eléctrica de España and has an Inter-work centre Committee and participates in different committees (all contemplated within the Collective Bargaining Agreement).

Moreover, it also has prevention representatives on the Occupational Health and Safety Committee. Additionally, there are other mechanisms for dialogue such as the Work-life balance Round Table or Psychosocial Risks Observatory.

SUMMARY 2013

>> During 2013 negotiations were carried out to establish a new collective agreement. By 31 December, 2013 a new agreement had not been reached.
>> Other applicable agreements, outside the collective bargaining agreement, between social representation and the Company, such as that signed regarding gender-based violence.

A HEALTHY COMPANY

OCCUPATIONAL HEALTH AND SAFETY

RED ELÉCTRICA pursues two general objectives in the area of occupational health and safety. On the one hand, to consistently reduce work-related accidents until ZERO accident rate is achieved, and on the other, to continually and progressively improve the level of the occupational health and safety of its employees and those of providers who collaborate with them, or that work on Company premises. **[-EU16-]**

To achieve these objectives, Red Eléctrica has a strategy of risk prevention that is based on the leadership of the management team, the allocation of prevention functions to organisational units, the participation of all persons involved, training, communication and the improvement in measuring performance.

OUR CHALLENGE is to move towards a Healthy Company Model, with a broader vision of promoting occupational health and safety with regard to the raditional risk prevention model, by integrating physical, psychological and social aspects into the management.

Regarding the activities carried out by works and services providers, all those that work in Red Eléctrica's facilities and work centres must be certified and trained in occupational health and safety, and in the case of activities with risks, such activities must be managed by Works Managers that have been previously approved by the Prevention Service of Red Eléctrica. In all cases, the occupational risk prevention service carries out comprehensive monitoring of their activity in the execution of the work. **[-EU18-]**

More information in the 'Occupational Health and Safety in Red Eléctrica' section of the corporate website.

SUMMARY 2013 [-LA8-]

Amongst the numerous activities and results that summarise the year, noteworthy are the following:

>> Renewal of the OHSAS 18001 certification.
>> Significant improvement in the Company's own occupational health and safety indicators, with a reduction of over 50% in the severity and frequency rates compared to the previous year.
>> 12,391 inspections have resulted in 840 corrective actions with a resolution rate of 98%. This monitoring will lead to improved risk control of the works performed, and a progressive decrease in accident rates.
>> Over 3,000 hours of training given to 387 participants.
>> Development of the occupational health and safety corporate application PRER, with the inclusion of 61 improvement requirements, aimed at facilitating access to information for external and internal users, to improve process traceability and agility, to expand the possibilities of existing search engines and to exploit the potential of information reporting with a new indicator dashboard.
>> Advances in the Healthy Company Model with the development of campaigns promoting health (cardiovascular and musculoskeletal) encouraging employee participation by promoting good practices and extending them to the family environment.
>> Integration of ergonomics and industrial hygiene into the occupational health and safety management system and the drafting of an action plan.
>> Study on the topic of shift work regarding electricity control centre operators, and the drafting of an informative leaflet: Healthy Practices for operators that work shifts.
>> Four meetings of the Occupational Health and Safety Committee which represents 100% of the employees. **[-LA6-]**

OBJECTIVES 2014

>> Define a healthy company model that establishes general principles and general guidelines for managing the promotion and protection of the occupational health and safety and well-being of persons employed, including the sustainability of the work environment. Through the integration of health management in all processes and activities we seek to achieve the highest level of health and well-being, improving the quality of life, and the family and community environment.

>> Consolidate the model of supplier qualification taking into account occupational health and safety criteria. The objective is to make the best use of the data obtained in the measurement system regarding suppliers' performance in occupational health and safety for use in future tenders.

>> Development of an Action Plan for improving Ergonomics and Industrial Hygiene resulting from the assessment in 2013. The main lines of action considered in said plan are: communication actions to raise staff awareness and improve the ergonomics of work stations, improvements in the design of spaces, posture workshops and preventing musculoskeletal pathology.

RECOGNITIONS

>> Increased score (94 out of 100) obtained in the Dow Jones Sustainability World Index 2013, in occupational health and safety criteria.

HEALTH PREVENTION CAMPAIGNS 2013 [-LA8-]

>> **Annual flu vaccination campaign.**

>> **Stop Smoking Campaign.**

>> **Prevention of psychosocial risks.**

>> **Study of the shift work system in the Electricity Control Centre.**

>> **Colon cancer prevention campaign for people over 50.**

>> **Cardiovascular pathology prevention campaign.**

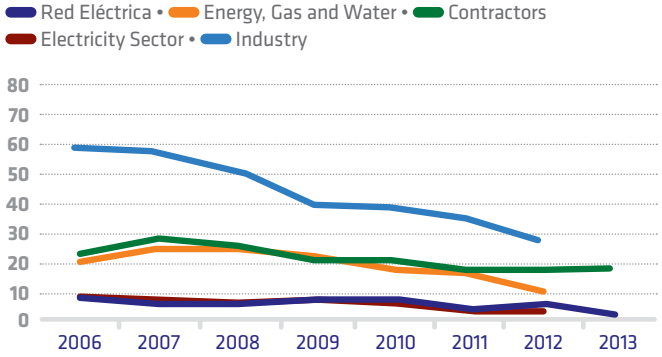
>> **Ophthalmic pathologies prevention campaign.**

>> **Musculoskeletal pathology prevention campaign.**

>> **Analysis of the ergonomics and industrial hygiene management system.**

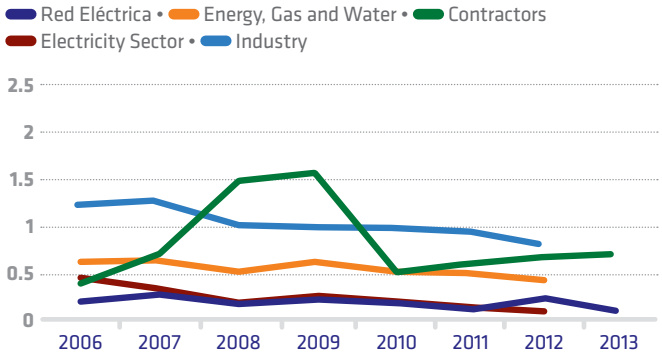
>> **Carrying out of the ergonomic study of work stations.**

ACCIDENT FREQUENCY RATE



Note: No data for 2013 is available for other sectors.

ACCIDENT SEVERITY INDEX



WORK-LIFE BALANCE

THE COMMITMENT of Red Eléctrica towards its employees is an undertaking that has been evident for years and is carried out through the systematic identification, the ongoing study and the evaluation of employee needs both at work and at a personal level.

Since 2004, when the first steps were taken and the first measures arose, the actions that have been carried out and implemented are many and varied so as to achieve the establishment of a work system based on a specific management model.

CURRENTLY a powerful people management tool is available that seeks to establish a balance between work and personal life, to obtain a two-way commitment between the Company and the individual.

Although it was not until 2012 when the first objective results of the system implemented three years earlier began to be seen, 2013 saw the complete consolidation of the model, transferring some of the actions to other outlying centres, and improving others that were in the process of being developed.

More information in the 'Commitment towards People' section of the corporate website.

SUMMARY 2013

>> Fulfilment of the objectives set out in the Work-life Balance Comprehensive Plan (2009-2013) and drafting of a new plan for the period (2014-2017).
>> Drafting of a feasibility study to reach agreements with primary schools near to the Head office.
>> Consolidation of the work-life balance collaborators with the development of actions to raise awareness of the Company in other work centres for employee's families.
>> 10% increase in the enquiries made to work-life balance interlocutors regarding special personal situations.
>> Training and communication actions related to the management of the work-life balance in the training programme for the management team.
>> Monitoring of the measures undertaken in the field of family services and events: take-away food service (dishes included in the menu of the canteen), days without school (activities with children of employees carried out on work days), urban summer camps and Open Door Day for the families of employees.

KEY INDICATORS

>> Over 40 measures currently implemented.

>> Consolidation of summer camps and *Days without school,* providing coverage to more than 50 families.

>> Inclusion of a work-life balance management module in the training programme of the new in corporations to the management team.

OBJECTIVES 2014

>> Carrying out of actions contemplated under the Work-life Balance Comprehensive Plan 2014.
>> Carrying out of a survey regarding the knowledge, use and satisfaction of the measures implemented and of the management model.
>> Development of a focus group in outlying work centres to identify the more specific needs of workers.
>> Training and awareness of the workforce and the management team regarding the effective management of the work-life balance.
>> Carrying out of actions focused on the concept of joint-responsibility.
>> Integration of the management of the work-life balance within the broad concept of a Healthy Company.

RECOGNITIONS AND AWARDS

>> Renewal of the certification according to the EFR model. The results of the last audit positioned us as a Proactive company (2012).

>> Alares National Award. First prize regarding the work-life balance (2012).

>> Randstad Awards. Second Prize regarding the work-life balance (2012).

>> *Premio de la Federación de Mujeres Progresistas* (Federation of Progressive Women Prize) (2012).

INDICATORS

BREAKDOWN OF THE WORKFORCE BY EMPLOYMENT TYPE, CONTRACT TYPE AND GENDER [-LA1-]
Spain

	2011			2012			2013		
	MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**
Workforce (nº of people)	1,263	370	**1,633**	1,273	373	**1,646**	1,286	386	**1,672**
Employees with permanent contract (nº)	1,259	369	**1,628**	1,271	373	**1,644**	1,285	383	**1,669**
Employees with temporary contract (nº)	4	1	**5**	2	0	**2**	1	3	**3**
Permanent contracting (%)	99.7	99.7	**99.7**	99.8	100	**99.8**	99.9	99.2	**99.8**
Part-time contracting (%)	0	0	**0**	0	0	**0**	0	0	**0**
Workers from temporary employment agencies (nº)	5	7	**12**	14	14	**28**	7	6	**13**
Interns (nº)	8	11	**19**	63	36	**99**	55	16	**71**

BREAKDOWN OF EMPLOYEES BY AGE AND GENDER [-LA2, LA13-]
Spain

	2011			2012			2013		
	MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**
Less than 25	12	3	**15**	6	0	**6**	5	2	**7**
26 to 35	465	147	**612**	409	134	**543**	361	119	**480**
36 to 45	310	127	**437**	359	132	**491**	398	147	**545**
46 to 55	349	77	**426**	343	92	**435**	349	98	**447**
Over 55	127	16	**143**	156	15	**171**	173	20	**193**
Total	**1,263**	**370**	**1,633**	**1,273**	**373**	**1,646**	**1,286**	**386**	**1,672**

TURNOVER INDICATORS BY AGE AND GENDER [-LA2-]
Spain

	2011				2012				2013			
	NUMBER OF PEOPLE LEAVING		TURNOVER (%)		NUMBER OF PEOPLE LEAVING		TURNOVER (%)		NUMBER OF PEOPLE LEAVING		TURNOVER (%)	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Less than 25	0	0	0	0	0	0	0	0	0	0	0	0
26 to 35	8	3	1.7	2	6	1	1.5	0.7	3	2	0.8	1.7
36 to 45	10	2	3.2	1.6	2	2	0.6	1.5	1	2	0.3	1.4
46 to 55	17	0	4,9	0	7	0	2	0	2	1	0.6	1
Over 55	1	0	0.8	0	5	2	3.2	13.3	5	0	2.9	0
Total turnover	**36**	**5**	**2.9**	**1.4**	**20**	**5**	**1.6**	**1.3**	**11**	**5**	**0.9**	**1.3**

NEW RECRUITMENT BY AGE AND GENDER [-LA2, LA13-]
Spain

	2011			2012			2013		
	MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**
Less than 25	5	1	**6**	2	0	**2**	1	2	**3**
26 to 35	30	9	**39**	13	4	**17**	16	9	**25**
36 to 45	8	1	**9**	8	2	**10**	6	8	**14**
Over 45	2	0	**2**	7	2	**9**	0	0	**0**
Total recruitment	**45**	**11**	**56**	**30**	**8**	**38**	**23**	**19**	**42**

PERCENTAGE OF EMPLOYEES COVERED BY THE COLLECTIVE BARGAINING AGREEMENT [-LA4-]
Spain

	2011	2012	2013
Included in the collective bargaining agreement (%)	98.7	98.8	98.8
Excluded from the collective bargaining agreement (%) [1]	1.3	1.2	1.2

[1] People voluntarily excluded from the collective bargaining agreement, not forming part of the management team.

OCCUPATIONAL HEALTH AND SAFETY [-LA8-]
Spain

	2009	2010	2011	2012	2013
Medical check-ups	1,097	1,010	1,143	1,157	1,138
Doctors' consultations and first aid	1,167	1,170	1,002	1,012	980
Vaccinations	352	312	240	210	246
Temporary incapacity consultations (TI)	139	145	193	197	211
Other medical activities*				310	250

*Other health related actions not included in consultations or vaccinations.

OCCUPATIONAL HEALTH AND SAFETY INDICATORS [-LA7-]
Spain [1]

	2011	2012			2013 [*] [**]		
		MEN	WOMEN	**TOTAL**	MEN	WOMEN	**TOTAL**
Average workforce	1,666	1,269	373	**1,652**	1,267	386	**1,653**
Hours worked	2,777,528	2,173,403	636,826	**2,810,229**	2,154,252	656,307	**2,810,559**
Accidents with sick leave (serious/minor)	0/10	3/10	0/2	**3/12**	0/7	0/0	**0/7**
Fatal accidents	1	0	0	**0**	0	0	**0**
Days lost due to accidents [1]	6,128	738	62	**770**	332	0	**332**
Accident frequency index	3.96	5.98	3.14	**5.34**	3,24	0	**2.49**
Accident severity index	2.21	0.34	0.09	**0.27**	0,02	0.15	**0.12**
Incidence rate	9.14	10.24	5.36	**9.07**	5,52	0	**4.23**
Absenteeism index	2.3	1.13	1.04	**2.17**	1.18	0.98	**2.16**

[1] REE+REC+REI

Frequency index = number of work-related accidents with leave of absence per million hours worked.
Accident severity index = number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked.
Absenteeism index = hours absent due to common TI (temporary incapacity) > 3 days, TI hours < 3 days and non-regulated leave / average workforce collective bargaining agreement personnel/collective bargaining agreement theoretical hours x 100.
Incidence rate = number of accidents with sick leave x 1,000 / average workforce.
Serious accident = those classified as serious by each doctor that issued the sick leave certificate.

[1] 6,000 working days recorded per each fatal accident and 4,500 working days per each permanent total incapacity.

[*] Provisional data at year end.

[**] Red Eléctrica does not have any professional work-related illness declared.

OCCUPATIONAL HEALTH AND SAFETY INDICATORS. REE CONTRACTORS [-EU17-]

REE Contractors	2011	2012	2013*
Average workforce (2)	3,371	3,510	3,527
Hours worked	5,731,042	5,968,524	5,996,269
Accidents with sick leave (serious/minor)	9/91	7/102	4/105
Fatal accidents	1	0	0
Days lost due to accidents (1)	8,496	3,826	4,070
Accident frequency index	17.62	18.26	18.18
Accident severity index	1.59	0.64	0.68
Incidence rate	36.88	31.04	30.90

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

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

Absenteeism index = hours absent due to common TI (temporary incapacity) > 3 days, TI hours < 3 days and non-regulated leave / average workforce collective bargaining agreement personnel/ collective bargaining agreement theoretical hours x 100.

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

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

(1) 6,000 working days recorded per each fatal accident and 4,500 working days per each permanent total incapacity.

(2) Based on hours worked.

(*) Provisional data at year end.

TRAINING AND EDUCATION INDICATORS [-LA10-]

Spain (1)

	2009	2010	2011	2012	2013
Training hours	144,497	162,290	154,715	115,969	100,997
Employee training hours	124,293	151,669	154,715	115,969	94,333
Training hours for interns (operation internship grant programme)	20,204	10,621	0	0	6,664
Hours per employee*	84	99	96	71	57
Employees in training (%)	100	97	95	91	96
Hours given with own resources (internal and virtual)	29,008	72,826	28,482	26,820	24,682
Number of courses managed	954	861	928	711	696
Investment in training/total personnel costs (%)	7.6	7.1	7.0	5.2	4.3
Investment per employee (euros)**	4,969	4,760	4,192	3,503	3,275
Training during working hours (%)	85	64	79	61	77

* Over the average workforce.

** (External training cost + travel + cost hr. / students + cost hr. / teacher + management cost) / average workforce.

Note: The continued decline in training is a natural evolution that is conditioned by the employee profile. In recent years, REE experienced an increase in the workforce and its rejuvenation that led to the implementation of specific technical training plans for the adaptation of employees in the shortest possible time and with maximum guarantees. At present, the workforce has stabilised and training requirements have been reduced from a quantitative point of view and have varied in nature, requiring less training but more advanced due to the accumulated experience.

AVERAGE HOURS OF TRAINING BY PROFESSIOANL GROUP AND GENDER [-LA10-]
Spain [1]

	2011			2012			2013		
	MEN	WOMEN	**TOTAL***	MEN	WOMEN	**TOTAL***	MEN	WOMEN	**TOTAL***
Management team	91	135	**120**	62	97	**69**	50	90	**54**
Senior technicians	123	107	**121**	75	86	**79**	46	48	**44**
Intermediate technicians	149	111	**140**	91	88	**91**	65	74	**62**
Control centre operators	85	141	**93**	88	80	**87**	121	54	**106**
Specialist technicians	43	27	**38**	53	61	**53**	47	22	**43**
Auxiliary technicians	10	34	**23**	9	25	**21**	6	32	**24**
Total	**97**	**90**	**99**	**71**	**69**	**71**	**64**	**54**	**57**

[1] REE+REC
* Weighted average.

AVERAGE TRAINING HOURS BY AGE GROUP [-LA10-]
Spain [1]

	2009	2010	2011	2012	2013
Less than 30	131	162	194	168	188
30 to 40	102	117	114	79	66
41 to 50	56	74	64	43	48
Over 50	38	40	42	44	31

[1] REE+REC

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE APPRAISALS AND PROFESSIONAL DEVELOPMENT, BROKEN DOWN BY GENDER [-LA12-]
Spain

	2011		2012		2013	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Employees with a performance appraisal (%)	100	100	100	100	100	100

COMPOSITION OF THE CORPORATE GOVERNANCE BODIES [-LA13-]

Spain

	2009			2010			2011			2012			2013		
	M	W	% W	M	W	% W	M	W	% W	M	W	% W	M	W	% W
Board of Directors	11	3	**27.3**	11	3	**27.3**	11	3	**27.3**	11	3	**27.3**	11	4	**36.4**
Audit Committee	1	2	**66.7**	1	2	**66.7**	1	2	**66.7**	1	2	**66.7**	1	2	**66.7**
Corporate Responsibility and Governance Committee	3	1	**25.0**	3	1	**25.0**	3	1	**25.0**	2	1	**33.3**	2	1	**33.3**

DISTRIBUTION OF WORKFORCE BY GENDER AND PROFESSIONAL GROUP [-LA13-]

Spain[1]

	2009			2010			2011			2012			2013		
	M	W	% W	M	W	% W	M	W	% W	M	W	% W	M	W	% W
Management team	86	16	**15.7**	88	17	**16.2**	89	19	**17.6**	87	21	**19.4**	94	23	**19.7**
Senior technicians	287	146	**33.7**	328	157	**32.4**	328	158	**32.5**	327	160	**32.9**	326	170	**34.3**
Intermediate technicians	452	92	**16.9**	470	88	**15.8**	466	88	**15.9**	468	87	**15.7**	467	90	**16.2**
Specialist technicians	296	5	**1.7**	336	9	**2.6**	349	9	**2.5**	360	9	**2.4**	369	9	**2,4**
Administrative personnel	46	97	**67.8**	32	93	**74.4**	31	96	**75.6**	31	96	**75.6**	30	94	**75.8**
Total	**1,167**	**356**	**23.4**	**1,254**	**364**	**22.5**	**1,263**	**370**	**22.7**	**1,273**	**373**	**22.7**	**1,286**	**386**	**23.1**

[1] REE+REC

M - Men W - Women

RATIO OF BASE SALARIES OF WOMEN TO MEN [-LA14-]
Spain [1]

	2009	2010	2011	2012	2013
Management team	1.01	0.99	0.99	1.10	1.03
Senior technicians	1.11	1.10	1.09	1.11	1.11
Intermediate technicians	1.10	1.08	1.08	1.07	1.06
Specialist technicians	1.05	1.02	0.98	0.99	0.97
Administrative personnel	1.07	1.03	1.04	1.03	1.00
Total	1.11	1.06	1.05	1.05	1.03

[1] REE+REC

MATERNITY/PATERNITY LEAVE (M/P) [-LA15-]
Spain

	2011		2012		2013	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Employees with the right to M/P leave (nº)	62	38	74	37	79	35
Employees who have taken M/P leave (nº)	62	38	74	37	79	35
Reincorporations at the end of M/P leave (nº) [1]	62	36	74	36	79	31
Employees with M/P leave who remain on the workforce (%) [2]	100	100	100	100	100	99

[1] The difference between the number of reincorporations of women compared to those who have enjoyed leave due to child care.
[2] 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. Spanish legislation guarantees reincorporation into the workplace after a period of maternity and / or paternity leave.

EU15. EMPLOYEES WITH THE POSSIBILITY OF RETIREMENT [-EU15-] (%)
Spain [1]

	In the next 5 years (2014-2018)	In the subsequent 5 year period (2019-2023)
Management team	1.6	1.1
Senior technicians	1.3	2.0
Intermediate technicians	0.7	1.5
Specialist technicians	1.7	2.8
Administrative personnel	0.2	1.0
Total	**5.5**	**8.4**

[1] REE+REC
Note. Taking into account as a sole requirement the retirement age and estimating it at 65 years old.

7 _COMMITTED TO OUR SOCIETY

WE MAINTAIN A TRANSPARENT, FLUID AND **CLOSE-KNIT DIALOGUE WITH OUR STAKEHOLDERS**

GRI indicators reported on within this chapter:
EC6, EC8, PR3, PR5, SO1.

MOST RELEVANT ACTIONS IN 2013

SHAREHOLDERS AND INVESTORS

>> 712 meetings with international investors.

>> 1,003 shareholder consultations were dealt with.

>> 241,471 visits to the Shareholders & Investors section on the corporate website.

>> Creation of the Socially Responsible Investment section on the corporate website.

>> Promotion of shareholder participation in the General Shareholders' Meeting via electronic means.

CLIENTS AND MARKET AGENTS

>> Maximum transparency in information regarding markets and operation processes.

>> Real-time information system in for communication of anomalies and incidents with market subjects.

>> 100% of claims and incidents resolved.

>> 8.3 overall client satisfaction level (on a scale of 0-10).

>> Client management: 97 points in the Dow Jones Sustainability Indexes (0-100).

SUPPLIERS

>> Purchasing volume of 610 million euros.

>> 1,200 suppliers awarded contracts.

>> 95% of purchases from local suppliers.

>> 1,222 supplier qualification requests managed.

>> 1,798 supplier consultations were dealt with.

>> Fostering alliances with strategic suppliers.

COMMUNICATION CHANNELS

>> 86 press releases, 58 interviews and 13 press conferences and statements.

>> Greater dissemination of the Company's commitment towards sustainability (38 press releases).

>> Greater presence in digital communication media and social networks.

>> 372,503 visits registered on the On-line Press Room.

>> Double A seal of accessibility level for the corporate magazine, Entrelíneas.

SOCIAL ENVIRONMENT

>> 4.05 million euros contributed to the community, 0.8% of the net profit.

>> Educational support for 767 students in Masters' courses at 25 schools and universities through visits to Company facilities.

>> 40 days of training on security in facilities and fire prevention.

>> New corporate website as a key instrument of communication with society.

>> Dissemination of energy matters via the exhibition 'A highway behind the wall socket'.

SHAREHOLDERS AND INVESTORS

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

RED ELÉCTRICA maintains a firm commitment to an open dialogue with its shareholders and investors through the Stakeholder Attention Centre and the Investor Relations Department, facilitating relevant corporate data to satisfy the information requirement of these groups. This communication is transparent and fluid: key to achieving a trust relationship with them.

In 2013, the Company's management team continued to hold numerous meetings and presentations in major domestic, European, American and Australian financial markets. In this regard, 712 meetings were held (659 for variable income, 43 for fixed income and 10 for corporate governance).

THIS YEAR, the corporate webpage devoted to shareholders and investors has been revised to incorporate the suggestions and information requests received. Additionally, another step forward has been taken with regard to socially responsible investments with the creation of a specific web section with the objective of offering socially responsible investors the most relevant management indicators in terms of the environmental, social and corporate management aspects of the Company.

Regarding the General Shareholders' Meeting, the line of improvement concerning communication with shareholders started in previous years has been maintained. In this regard, the promotion of the shareholder participation in the General Meeting by electronic means has been continued with the live broadcast of the Meeting on the Internet (in Spanish and in English) and through mobile devices and through the electronic shareholder forum. Similarly, and since 2005, the electronic voting system continues to be made available and was utilised in 2013 by 320 shareholders to cast their votes electronically.

FURTHERMORE, IT IS NOTEWORTHY that Red Eléctrica continues to be listed in the most reputable indexes of sustainability, such as the Dow Jones Sustainability Indexes and the FTSE4Good. Its presence in these indexes demonstrates the confidence shown by those institutional investors and shareholders who understand the importance of corporate responsibility as an indicator of quality management and governance of the company.

More information in the 'Socially responsible investment' section of the corporate website.

KEY INDICATORS

	2009	2010	2011	2012	2013
Shareholders and Investors' section on the website (nº of visits)	175,646	207,873	207,689	263,475	241,471
Shareholders' Office (visits received)	932	966	1,495	1,259	1,078
Shareholders' attention centre and email (queries handled)	958	1,273	1,067	1,031	1,003
Meetings with analysts and institutional investors (nº)	300	314	346	581	712
Attendance at the General Shareholders' Meeting (%)	63.9	63.1	66.1	61.9	57.4

CLIENTS, MARKET AGENTS AND REGULATORY BODIES

THE 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 and operator of the Spanish electricity system. They can be grouped into the following broad categories:

>> Regulatory bodies (mainly the Ministry of Industry, Energy and Tourism, National Commission of Markets and Competition and the various 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.

>> Market subjects (generators, traders and consumers connected to the transmission grid) and other participants in the electricity system, such as agents (generators, distributors or consumers) requesting access to the grid, managers of the distribution network, the Iberian Spot Market Operator (OMI, Polo Español S.A. (OMIE)), neighbouring electricity system operators as well as suppliers of the interruptibility demand-side management service.

>> Other groups, requesting that Red Eléctrica (local operation and maintenance) manage their transmission facilities or adaptations of or changes to the route taken by high-voltage electricity lines.

Transparency and independence as operator of the electricity system [-PR3-]

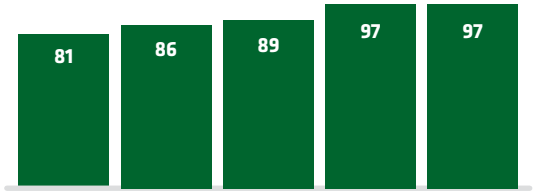
RED ELÉCTRICA bases its success as the Spanish electricity system manager on the principles of transparency and independence, which it applies to all of its processes and activities, especially in the service it provides to its clients and market agents. In this sense, the Company has a Code of Conduct for System Operation, which is periodically audited, and serves as a guarantee of its independence, transparency, confidentiality, ethics and objectivity in its role as electricity system operator.

Regarding the information that must be published about the results of the markets or processes concerning system operation, Red Eléctrica guarantees the confidentiality of the data provided by market subjects. Operating procedure nº 9 (P.O.9), *Exchange of Information with the System Operator,* defines the criteria for collating this information and the timeframes within which it may be made available to market subjects and the public in general.

The System Operator also has a website available that can only be accessed by certified market subjects (http://sujetos.esios.ree.es) as well as the public website for e-sios (http://www.esios.ree.es). Both channels, which undergo continuous improvement, are key tools to ensure compliance with legal reporting requirements.

CLIENT MANAGEMENT

(EXTERNAL EVALUATIONS)



Dow Jones Sustainability Indexes (0-100).

IN 2013, RED ELÉCTRICA expanded the publication of information through e-sios, implementing a standard information messaging system that provides real-time communication to market subjects of any anomalies or incidents in the scheduling process of generation and the management of the system adjustment services and the programming of the international exchanges.

Additionally, the Company, through the working groups of ENTSO-E, participates and closely monitors the implementation of EU Regulation 1227/2011 of the European Parliament on the Wholesale Energy Markets Integrity and Transparency (REMIT) and EU Regulation 543/2013 on Submission and publication of data in electricity markets.

IN ADDITION, RED ELÉCTRICA continues to participate in working groups aiming to increase communication and transparency, such as the Incident Analysis Group, GRAI, which analyses the most relevant incidents, their causes and corrective measures to ensure that these incidents do not happen again.

Furthermore, in January of 2014, the Company implemented the Arabic version of the IESOE Regional Platform for Information regarding the Region (www.iesoe.eu), in which the Spanish, French, Portuguese and Moroccan electricity system operators publish data regarding the electricity interconnection use and capacity that connects the Spanish peninsular electricity system with the electricity systems of these countries. This improvement to the platform represents a step forward towards achieving greater dissemination of information relative to the capacity of the interconnections between the different electricity systems, which means increased transparency in the region.

COMPLEMENTARY to these measures, Red Eléctrica has had implemented since 2008 a system of analysis and review of processes and outcomes associated with the activity of system operation under the currently named standard SSAE-16 (Standards for Attestation Engagements).

SATISFACTION SURVEYS [-PR5-]

EVERY TWO YEARS, Red Eléctrica has carried out satisfaction surveys of its clients and market agents. Based on the analysis of the results obtained in the latest satisfaction study in 2012, the Improvement Plan 2013-2014 was designed. Of the 24 actions included in the plan, at the close of 2013 fourteen were completed, and the degree of fulfilment is of 89%. The majority of these actions (10) focused on improving communication and the management of information, 9 are directed at improving processes and services, and the rest (5) focused on improving transparency. In addition, at the end of 2012, the satisfaction survey of clients and agents of the insular electricity systems (Balearic Islands and Canary Islands) was carried out. An analysis of the findings led to establishing 9 improvement actions in the Balearic Islands and 8 in the Canary Islands, aimed at improving processes and transparency.

OVERALL INDICATORS REGARDING SATISFACTION OF CLIENTS AND MARKET AGENTS*
(0-10)

	2004	2006	2008	2010	2012
Overall level of satisfaction	7.8	7.8	7.6	8.0	8.3
Satisfaction level of the quality elements	7.3	7.4	7.4	7.6	7.9
Satisfaction level of the services provided	7.0	7.0	7.2	7.8	7.9
Customer service	7.5	7.8	7.4	7.5	7.8
Evaluation of the improvement actions undertaken as a result of the previous evaluation study	6.4	6.5	6.8	6.1	7.2

*Satisfaction studies are done every two years, the latest one in 2012.

MANAGEMENT OF INCIDENCES AND CLAIMS

RED ELÉCTRICA manages the claims related to the services it offers and to the impact of its activities on the environment, using criteria that are clearly defined, in order to assure they are appropriately handled. The e-sios website for market agents contains the "*Management of Anomalies and Claims*" IT application, in which claims related to the adjustment services market can be processed directly, along with the scheduling of international exchanges, managed by the system operator. Market agents can also consult the status of their claims and obtain complete information regarding the same.

THE COMPANY also publishes on this website periodic reports about the identified incidents, the management of claims received and the resolutions adopted.

KEY INDICATORS

	2009	2010	2011	2012	2013
The number of claims regarding operational activities	44	70	6*	8	4
Claims per each 1,000 GWh of energy managed in the system adjustment services markets	1.84	2.52	0.26	0.42	0.19
Resolution of claims (%)	100	100	100	100	100

*The number of estimated claims fell significantly in 2011, as a result of the implementation in the e-sios system on 5/10/2010 of the automation of the mechanism for re-assignment, in real-time, of secondary control reserve (as contemplated in the existing operating procedure, 7.2).

SUPPLIERS

IN 2013, the volume of purchase orders reached 610 million euros, which were awarded to 1,200 suppliers, 95% of these with head offices in Spain. **[-EC6-]**

Red Eléctrica's management of suppliers seeks to minimise throughout the supply chain, the risks of a business, technical, environmental, occupational health and safety nature, as well as those related to labour conditions and ethical behaviour. Our processes for qualification, subcontracting and monitoring allow us to verify that our suppliers and subcontractors are complying with our stringent requirements throughout the supply process.

THE SYSTEM for qualifying suppliers has as a mandatory requirement the acceptance and compliance of the Supplier Code of Conduct, approved in 2012, which is part of the general conditions of contract with the Company. In this regard, the 2,950 subcontracting requests processed in 2013 assure Red Eléctrica's commitment to ensuring that subcontractors are subject to and comply with the requirements stipulated in the contract and the Code of Conduct. On the other hand, as it is a public model of qualification of suppliers, the Company deals with all requests received, 1,140 in 2013. This year, 1,222 records have been responded to.

The Company remains committed to encouraging the development of partnerships with suppliers. Therefore, in 2013, work was carried out in the definition of a Procurement Plan that allows a greater pooling of requirements, and therefore, of contracts awarded with a longer time horizon that provides our strategic suppliers with a stable economic framework.

TO OPTIMISE processes and address improvement initiatives demanded by our suppliers, the Company has two communication channels: ASA, a specific channel for queries from suppliers associated with procurement processes and Dígame, a general consultation channel that answers queries of any stakeholder group. One such initiative has been the change in the performance bank guarantee policy of the Company, making it easier for suppliers to obtain said performance bank guarantees, in addition to drastically reducing the number required.

More information on 'Supplier Code of Conduct' and conditions of contract in the 'Suppliers' section of the corporate website.

FOSTERING CORPORATE RESPONSIBILITY

DURING 2013, the Company continued to improve the model for monitoring suppliers, reinforcing the distinction of those who integrate socially responsible practices in their activities. Additionally, the Company will continue strengthening the performance of social audits that complement the performance evaluation of suppliers, with the goal of moving from 20 audits in 2013 to over 50 in 2014. **[-HR2-]**

Moreover, a highlight of the campaigns for the transfer of corporate responsibility to our suppliers is the 2nd edition of the CSR-SME (RSC-PYME) initiative in which Red Eléctrica was a collaborating sponsor with the objective of boosting the incorporation of responsible principles into the strategy of their SME suppliers, through the development of sustainability reporting and personalised guidance.

KEY INDICATORS

	2012	2013
Suppliers with purchases during the fiscal year (nº)	1,296	1,200
Volume of awards 'Not the least expensive bid' (%)	36%	21%
Purchases from suppliers with their head office in Spain (%)	97%	95%
Claims for non-compliance with Code of Conduct	0	0
Volume of purchases from suppliers that promote CR (%)	41%	34%
Consultations dealt with by ASA & Dígame (nº)	2,556	1,798
DJSI rating - Supply Chain category	47	75

CHANNELS OF COMMUNICATION

GREATER DISSEMINATION OF THE COMMITMENT TOWARDS SUSTAINABILITY

IN ACCORDANCE with its policy on management and transparency of information with regard to its stakeholders, Red Eléctrica is moving forward in its relationship with the media, not only through the dissemination of its activities as the sole transmission agent and operator of the electricity system, but also offering complete information about projects and initiatives developed by the Company in terms of sustainability in response to its strategic commitment.

This year, they have issued 38 press releases regarding projects on environmental, R&D+i and energy efficiency carried out by the Company, and other initiatives related to corporate responsibility.

NOTEWORTHY is that as a continuation of the specific communication programme that is focused on the interconnection project between Spain and France, during 2013, five visits were organised with journalists from the media to the tunnel works and the rest of the infrastructure associated with the electricity interconnection in order to find out how the project is progressing.

More information in the 'Press oficce' section of the corporate website.

STRONGER PRESENCE IN DIGITAL MEDIA

AWARE of the importance of the Internet and the growing presence of digital media in society, Red Eléctrica has opted for the implementation and use of these new channels of information and also monitors information about the Company published via these means.

Along this line, in 2013, the information on Red Eléctrica aimed at the media in social networks, primarily Facebook and Twitter, increased as part of the Company´s communication strategy. This, along with a better understanding of the topics of interest to the media and the opinion of society in general, has contributed to an increased media presence of the Company.

THE DIGITAL VERSION of the corporate magazine *Entrelíneas* has achieved a greater visibility for the Company, expanding the scope of both dissemination and readership. Currently, the magazine is read not only in Spain, but also in Latin-American countries, as well as in the United States, the United Kingdom, Germany, France and Belgium, amongst others, reaching 24,091 visits in 2013. Having earned the Level Double-A conformance icon for accessibility from the ONCE Foundation last July, the digital magazine ensures that any user can navigate through the Entrelíneas section with the same level of accessibility as is the case with the majority of the Company's website content.

KEY INDICATORS
(INFORMATION PUBLISHED)

	2009	2010	2011	2012	2013
Press releases	46	51	56	68	86
Press conferences and meetings	32	39	30	21	13
Interviews and statements	138	178	147	67	58
On-line Press Room (nº of visits)	235,572	288,274	291,950	390,745	372,503

SOCIAL ENVIRONMENT

RED ELÉCTRICA integrates different groups into this category, working with them in various ways while maintaining the principles of mutual collaboration and transparency. In 2013, the Company continued to improve the tools for the communication and promotion of relationships, amongst which it is worth highlighting this year the remodelling of contents and functionalities of the corporate website, serving as a space that strengthens its ties with its stakeholders and, especially, with society.

NEW CORPORATE WEBSITE

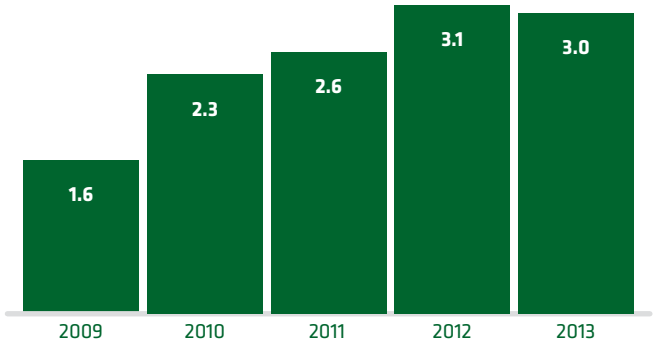
IT IS A MORE visual, interactive, and informative space which contributes to reinforcing the Company's brand and increasing knowledge of its activities and also facilitating direct contact with its stakeholders. The new website contains the latest trends in internet tools, such as social networks and the new 2.0 technologies, incorporating a cutting-edge technological platform and which is optimised for mobile devices.

The evolution of the Internet in recent years coupled with the development of the Company and of the electricity system itself has motivated Red Eléctrica to design a new interactive communication space that brings its business management closer to society. A highlight in major developments, in terms of content, is Red21, a new area that presents scenarios regarding the future of the sector, in order to obtain a more sustainable energy model. On the other hand, the Corporate Governance section, in an exercise of transparency, reflects the Company's commitment to ethical management and the adoption of international best practices in this field.

TODAY THE CORPORATE WEBSITE of Red Eléctrica is part of a new concept of interactive communication that seeks to inform with transparency and accuracy; to disseminate knowledge with a focus on information that includes a high audio-visual content, and to promote an energy culture amongst the public as a whole, involving the user in topics such as energy efficiency and responsible consumption of energy.

ANNUAL EVOLUTION OF THE CORPORATE WEBSITE

(MILLIONS OF VISITS)



CONTRIBUTION TO SOCIETY

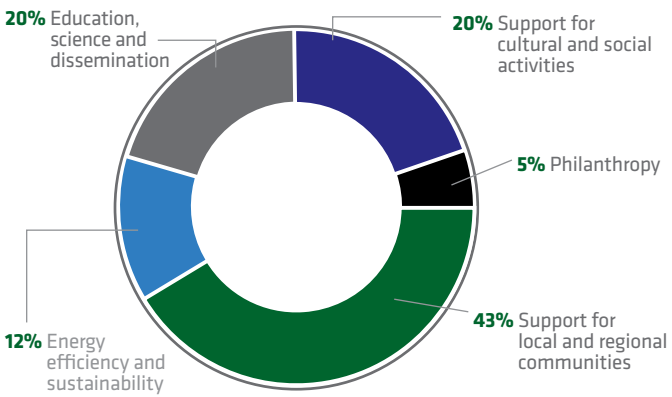
AS THE CORNERSTONE of the electricity system Red Eléctrica, through its activities, contributes to ensuring that all citizens and businesses can enjoy a basic commodity such as electricity. Moreover, in its capacity as operator of the electricity system, it is also contributing to the achievement of a more sustainable energy model.

Red Eléctrica undertakes, as an objective of its business management, to contribute to the sustainable development of society, whereby it carries out different activities that foster institutional and social relations, openly seeking collaboration agreements, disseminating information on the functioning of the electricity system and encouraging participation in projects and activities that foster well-being and progress in the communities in which it carries out its activities.

IN 2013, RED ELÉCTRICA carried out 449 actions, to which it allocated 4.05 million euros (0.8% of its net profit). 54% of this amount was earmarked for activities to strengthen community ties and 46% was designated to projects of a social nature.

More information on projects of a social nature in the 'Sustainability' section of the corporate website.

SOCIAL INVESTMENT STRUCTURE 2013



STRENGTHENING TIES WITH THE COMMUNITY [EC8, SO1]

RED ELÉCTRICA CARRIES OUT an open and participative strategy regarding information and contact with its social and institutional stakeholders with the aim of establishing relations of trust and collaboration that enable it to:

>> Integrate the presence of the Company in the social, environmental and institutional fabric of the territories where the projects are implemented.
>> Explain and disseminate the need for the projects and provide adequate response to the demand for information from society.
>> Maintain informative transparency and facilitate the maximum information to society.
>> Balance the general interests of the territorial scope with the needs of the project.
>> Promote the maximum institutional and social consensus in the implementation of the projects.

During 2013, 304 institutional activities were carried out, notable amongst them the signing of agreements with autonomous communities and municipal governments, through which Red Eléctrica makes good its commitment to maximum cooperation with the regional and local authorities with which it has relations due its activity.

IN THE CASE OF municipalities, and in relation to the construction of new infrastructure, Red Eléctrica fosters close-knit ties with communities to report on the need for facilities and promote a dialogue that facilitates the development of projects in a sustainable manner. In fact, the new infrastructure is developed with 90% of amicable agreements with landowners and municipal collaboration through the signing of the relevant agreements.

On the occasion of the launch in 2013 of new infrastructures that strengthen the operation of the electricity system, the Company has held events of the presentation facilities to its stakeholders, highlighting those held in the Trujillo (Caceres), Peñarrubia (Murcia), Santa Engracia (La Rioja), El Fargue (Granada) substation, the Ribadavia Maintenance Centre (Ourense), the converter station in Santa Ponsa (Majorca) and at the works for the Spain-France interconnection project.

RED ELÉCTRICA ALSO promotes and encourages education on the electricity system by hosting visits to its facilities. In 2013, 99 institutional visits were organised to the CECOEL and CECRE electricity control centres and visits were arranged to 16 different transmission grid facilities, bringing the total number of visitors to around 600.

Noteworthy are the 40 days of technical training held on matters of security at electricity facilities for members of the Civil Guard, National Police, Emergency Military Unit, Civil Protection and local Police, along with the training held for firefighters on fire prevention around high-voltage electricity infrastructures. More than 1,300 participants took part in these training sessions.

Red Eléctrica has continued making a great effort to produce various publications, as a key element of transparency and communication with its stakeholders, and to contribute to increasing knowledge and awareness regarding the electricity system.

SOCIAL COMMITMENT

RED ELÉCTRICA'S COMMITMENT to society is an essential part of its corporate responsibility policy and is carried out by means of a social action programme in which actions are defined in collaboration with the different public and private institutions and entities. Said programme analyses and responds to the collaboration requests from social entities and seeks and promotes the actions that will allow the Company to contribute to the well-being of society.

The programme for 2013 included 145 activities, primarily in those areas which the company establishes as a priority in its social programme, such as: promoting sustainability and energy efficiency, support for local and regional communities and contributing to cultural and educational projects.

In 2013, Red Eléctrica signed 67 collaboration and sponsorship agreements with different social organisations and entities for the development of environmental, cultural and local development activities. Worth highlighting are the agreements signed with local governments for the improvement of municipal facilities used for social purposes and the collaboration in the edition of the Romanesque Encyclopaedia by the Santa Maria la Real Foundation in the provinces of A Coruña and Barcelona, amongst other projects.

In the realm of education, Red Eléctrica has collaborated on 70 events, most notably training support for 767 students in Masters' or specialisation courses from over 25 schools and universities, having provided 42 visits to Company facilities. In addition, agreements have been signed with universities and educational institutions through which the Company demonstrates its support for higher education and specialised training, primarily in the area of energy and the environment.

ADDITIONALLY NOTEWORTHY is Red Eléctrica's collaboration for yet another year with science museums in order to promote knowledge in the field of energy, particularly amongst students. This collaboration is undertaken through the travelling exhibition *A highway behind the wall socket* which, in an interactive form, the visitor is invited to participate, experiment and discover electricity and the electricity supply process, in addition to providing ideas to raise awareness amongst society on how energy can be consumed in a more efficient and responsible manner. From February 2013 to January 2014, this exhibition was at the Casa de la Ciencia in Seville, where it received more than 49,000 visitors.

CORPORATIVE VOLUNTEERING

ENREDANDO, THE CORPORATE VOLUNTEERING GROUP of Red Eléctrica, was set up in 2005 with the aim of extending the social action of the Company through the promotion and strengthening of the collaboration of employees in solidarity activities that respond to social and environmental needs, problems and interests.

The volunteers that participate in the initiatives driven by EnREDando share a common interest in improving the current situation and in joining efforts to carry out increasingly ambitious projects.

During 2013, 11 projects were developed, most notably:

>> Operation kilo-litre campaign for the collection of food, with a total of 4,994 kilos-litres of food products.
>> Participation in the VII edition of Companies' Solidarity Day.
>> Money collection campaign to aid victims of the tragedy in the Philippines.
>> IV edition of the Race for Hope – Spanish Federation of Rare Diseases (FEDER)

More information on corporate volunteering projects. in the 'Sustainability' section of the corporate website .

8_COMMITTED TO OUR ENVIRONMENT

WE FIGHT AGAINST CLIMATE CHANGE AND WE PROTECT **BIODIVERSITY AND THE NATURAL ENVIRONMENT**

GRI indicators reported on within this chapter:
EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN22, EN23, EN24, EN28, EN30, EU19, EU22, PR1, SO9, SO10.

MOST RELEVANT ACTIONS IN 2013

ENVIRONMENTAL MANAGEMENT

>> ISO 14001 Certification.

>> Registered in EMAS (EU Eco-Management and Audit Scheme).

>> 84.5% level of fulfilment of the annual environmental programme.

>> 23.4 million euros allocated to environmental management.

>> 95 points out of 100 granted in the Environmental Management category by the DJSI in the 2013 assessment.

BIODIVERSITY

>> 2,585 km of lines marked with bird-flight diverters.

>> Over 300,000 trees planted through the Red Eléctrica Forest project (2009-2013 period).

>> 980,000 euros earmarked for collaboration agreements aimed at firefighting and fire prevention.

>> 99 points out of 100 granted in the Biodiversity category by the DJSI in the 2013 assessment.

CLIMATE CHANGE AND ENERGY EFFICIENCY

>> Decrease in the SF_6 emission rate through the installation of equipment with a lower leakage rate.

>> Reduction of 21.6% of electricity consumption for lighting at the Head Office of the Group over the last three years.

>> Offsetting of 97,031 tonnes of CO_2 emissions through the Red Eléctrica Forest project.

>> 65 points out of 100 granted in the Climate Strategy category by the DJSI in the 2013 assessment.

ENVIRONMENTAL MANAGEMENT

RED ELÉCTRICA carries out all its activities under strict environmental criteria in accordance with the principles undertaken in its environmental policy.

MANAGEMENT SYSTEM

RED ELÉCTRICA HAS an environmental management system certified according to the ISO 14001 standard and has been registered since October 2001 in the EU Eco-Management and Audit Scheme (EMAS).

In order to carry out continuous improvement of environmental performance and processes, Red Eléctrica annually defines an environmental programme in which the various objectives derived from the different strategies of the Company are established and specific work actions are defined.

ORGANISATIONAL STRUCTURE

THE COMMITMENT of Red Eléctrica towards the environment begins with senior management, who establish the Environmental Policy and implement the measures to ensure that the environmental requirements are fulfilled. The Chairman, who has the ultimate responsibility in environmental matters, has designated the General Manager of Transmission as the specific representative of the environmental management system.

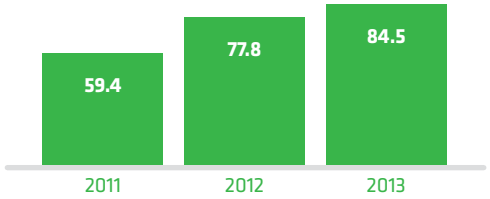
The participation of all organisational units and the commitment of each of the people working in the Company are essential for the adoption and development of this system. To provide technical support, there is a specific environmental department with 35 specialists, located in the Head Office and in the territories where the Company's facilities are located.

ENVIROMENTAL EXPENDITURE

RED ELÉCTRICA dedicates significant economic resources to the environment. In 2013, it earmarked more than 23.4 million euros to environmental management, of which 2.7 million corresponded to activities associated to the implementation of new projects: environmental impact studies, preventive and corrective measures, construction supervision, and environmental improvement measures (investment). The remainder corresponds to environmental costs associated to maintenance of facilities, biodiversity protection and conservation projects, activities related to climate change and energy efficiency, communication, training and other costs.

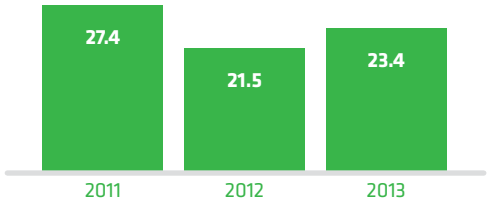
FULFILMENT OF THE ENVIRONMENTAL PROGRAMME

(%)



ENVIRONMENTAL EXPENDITURE

(MILLIONS OF EUROS)



SUMMARY 2013

The main environmental impacts of our activities are linked to the presence of the grid infrastructure necessary for the transmission of electricity from one point to another nation-wide.

To this end, Red Eléctrica makes a tremendous effort in the study of alternatives and in the coordination with key interested parties in order to define and agree on the locations of substations and the route to be taken by lines, so that any possible effects on the environment can be minimised. **[-EU19-]**

Once the projects and preventive and corrective measures are defined, intensive environmental monitoring is carried out to verify the compliance and effectiveness of these measures at all stages of the activity (design, construction and maintenance). The most significant data for 2013 is:

>> **Project:** environmental permitting processes initiated for 14 projects and completed (with environmental authorisation) for 33 projects.

>> **Construction:** environmental monitoring of 97.5% of the work in substations and 100% of the work on lines. Monitoring is intensive in those works which require it owing to their complexity: 71% of the total.

>> **Maintenance:** 26 environmental monitoring programmes (1,121 km of line and 7 substations) and environmental monitoring of 106 substations.

Under the project framework for the revision and improvement of the process for environmental monitoring of works, in 2013, a personal certification system of external environmental works supervisors was implemented. This was done to make them aware of our environmental criteria and ensure they fulfil certain requirements. In 2013, the first 40 supervisors were certified after receiving specific training from Red Eléctrica, passing a written test and successfully completing a trial period.

RECOGNITIONS

Red Eléctrica has been included in the Natural Capital Leaders Index, developed by the GreenBiz Group and Trucost Plc. This index is designed to distinguish companies that demonstrate leadership in terms of protection of natural resources and that are pioneers in decoupling economic growth from the impact on natural capital.

Red Eléctrica was selected as *Natural Capital Efficiency Leader* in the Utilities sector and it is the sole Spanish company listed in this index in its 2013 Edition.

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

BIODIVERSITY [-EN14-]

THE CONSERVATION OF BIODIVERSITY has always been a basic principle within Red Eléctrica's environmental policy and corporate business strategy.

During 2013, this commitment was strengthened by the signing of the Biodiversity Compact by the Chairman of the Company. By means of this engagement, Red Eléctrica adheres to the Spanish Business and Biodiversity Initiative (Iniciativa Española Empresa y Biodiversidad (IEEB)) promoted by the Ministry of Agriculture, Food and Environment, which aims to include the conservation and management of biodiversity in the business strategies of companies.

ELECTRICITY GRIDS AND BIODIVERSITY

THE GOAL OF THE ELECTRICITY TRANSIMISSION GRID is to join the energy generation points with the areas of consumption. For this reason the facilities of Red Eléctrica are distributed nation-wide.

One of the main criteria when defining the location of new facilities is to avoid the areas rich in biodiversity, although, in some cases, it is inevitable that they cross or be located in protected spaces or in areas with species of interest. Approximately 25% of the Spanish territory is Red Natura (Natura 2000 Network) and currently only 0.12% of the total surface area of Red Natura is occupied by Red Eléctrica facilities.

IN THESE CASES, RED ELÉCTRICA puts into motion all necessary preventive and corrective measures to minimise the possible effects on flora and fauna, and provides additional environmental improvement actions to enhance the biodiversity of those areas in which their facilities are located.

In 2013, only 6% of electricity lines put into service were located in Red Natura areas (21 km) and of the total infrastructure existing at year end, only 15.2% of lines and 6.4% of substations were located in protected areas (Red Natura).

KEY AXES OF THE BIODIVERSITY STRATEGY

>> Integrate the conservation and sustainable use of biological diversity in the strategic plan of the Company.
>> Establish mechanisms that ensure the protection and conservation of environmental values in the activities carried out by the Company, especially in sensitive natural environments.
>> Promote a framework of communication and collaboration with stakeholders, increasing the visibility of the Company's commitment towards biodiversity conservation.
>> Reinforce the recognition on the part of the institutions and of the national and international sustainability indexes.
>> Contribute to and encourage the participation in research, educational and awareness projects regarding biological diversity conservation.

PROTECTION OF HABITATS AND SPECIES [-EN13, EN14-]

THE CONSTRUCTION OF ELECTRICITY LINES is an activity that is susceptible to producing effects on biodiversity, primarily on vegetation due to the opening of access roads and safety corridors to avoid fires during the period when lines are in service.

SUMMARY 2013

Among the many measures applied in construction works in 2013, the following, as a reference, are worth noting:

>> Use of a helicopter to carry out works to avoid having to open access roads and minimise earthworks and effects on vegetation: hoisting of 8 km of line and the transport of materials for a tower in the lines of the Asturias-Galicia link.

>> Hanging of cable by hand of the entirety of the Puebla de Guzmán-Portuguese Border line (25.2 km), avoiding damage that vehicles could produce on the land and vegetation (preservation of oaks, cork oaks and pines).

>> Biological stoppages involving the cessation of all work in specific periods in order to avoid effects on fauna (see details in the performance indicator tables at the end of this chapter).

>> Restoration of the Ses Salines coastal sand dunes. Recovery and expansion of the protected area of the beach in Formentera. In addition to recovering the area affected by work for the replacement of the Formentera San Jorge 2 line, the most relevant aspect of this project was the additional measures that Red Eléctrica promoted for the regeneration of the beach-dune system of the Levante area (Formentera) which was severely affected due to various man-made causes. Within these measures, noteworthy is the installation of coconut matting on the beach-facing side of the dunes, the repositioning of the fence to increase the protected area, the removal of man-made elements, elimination of invasive plants and planting of 60,000 specimens of protected species native to the area.

>> R&D+i Project: use of seeds and fragments of Posidonia Oceanica to recover areas affected by the activity of Red Eléctrica. The objective of the project is to define and develop a technique to reduce the impact caused by the laying of submarine electricity cables in Posidonia seagrass meadows. This is done through the reintroduction of this species using seeds germinated in the laboratory and fragments of this species obtained as a result of natural fragmentation. For its implementation, an agreement with the Spanish National Research Council (Consejo Superior de Investigaciones Científicas - CSIC) was signed and the results of the project may be used to restore areas of Posidonia resulting from other actions on the seabed not associated to Red Eléctrica's activities.

RECOGNITIONS

Red Eléctrica has been distinguished with the award for entrepreneurial commitment in the first edition of the Biodiversity Conservation Awards of the Government of Valencia in recognition of their involvement and continued commitment in funding and support for biodiversity conservation projects in the region of Valencia.

CONSTRUCTION OF THE ALMARAZ-GUILLENA AXIS [-EN 14-]

Given the rich biodiversity of the areas through which the lines included in the axis are to cross, the measures taken for the protection of habitats and species during the work have been highly relevant:

>> In-depth survey of areas where work is to be performed and that have the presence of catalogued flora. Additionally, continuous monitoring of works is performed to avoid impacts on vegetation.

>> Revision of the design of access roads and modification of the same.

>> Increasing the height of towers to prevent the cutting back of wooded areas.

>> Signage and marking off of access paths and work sites in the vicinity of populations of endangered or catalogued flora (mainly Oaks, populations of orchids of the Serapias genus and populations of endemic genus not catalogued as Rumex induratus).

>> Hoisting with boom crane for 62% of the towers (a technique that minimises the opening of accesses and the need for work sites).

>> Hanging of pilot cable (142 km) by hand to avoid damage arising from the use of vehicles.

>> Carrying out of census of birds in reproductive, pre-reproductive and winter periods. Exhaustive monitoring of birds in migratory, pre-migratory and wintering periods.

>> Biological stoppages involving the cessation of work on 78 towers during different periods between 1 January and 23 August.

>> Recovery and restoration of all areas affected by works.

In addition, the project includes numerous accompanying measures aimed at protecting habitats.

To learn more about Red Eléctrica's commitment towards biodiversity conservation, see 'Map of Projects' on the corporate website.

PROTECTION OF BIRDLIFE [-EN12, EN14-]

THE MAIN EFFECTS that the facilities of Red Eléctrica have on fauna is the risk of birds colliding with the grounding cables that protect the lines against electrical discharges during storms. To reduce this risk, Red Eléctrica marks grounding cables with devices to increase their visibility.

Nonetheless, it is worth clarifying that it is virtually impossible for electrocution accidents to occur, because the distances between voltage points and the metallic structures of the towers are greater than the wingspan of any bird species existing in Spain.

SUMMARY 2013

In 2013, 362,2 km of lines were marked. Of these, noteworthy are the 7 km that have been marked in maintenance facilities of the insular systems and the 16 km included in the Plan for marking of lines in conservation areas for the Great Bustard in the Community of Madrid.

To properly establish the line marking plans, it is essential to know the areas of greatest risk of collision. Therefore, one of the main lines of work of Red Eléctrica is the identification and mapping of these points. In that sense, we continued working on the project: *Identification, characterisation and mapping of flight paths of birds that interact with high-voltage electricity transmission lines.*

On the other hand, a new methodology and protocol has been developed for the collection and analysis of accident data due to bird collision with electricity transmission lines that will help to improve the analysis, the impact of electricity lines on birds and the effectiveness bird-flight diverters.

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

IDENTIFICATION, CHARACTERISATION AND MAPPING OF FLIGHT PATHS OF BIRDS THAT INTERACT WITH HIGH-VOLTAGE ELECTRICITY TRANSMISSION LINES

Period: 2010-2014
Scope: National
Objective: design of a tool to be used as a source of information during the planning and project phases of installations and for defining line marking programmes for the existing transmission grid.

>> Collection and standardisation of existing information regarding a total of 44 species selected according to the degree of threat posed by electricity lines and the species sensitivity to them. Data on areas of presence and flight paths are integrated.

>> Drafting of sensitivity maps and their integration into a nation-wide geographic information system.

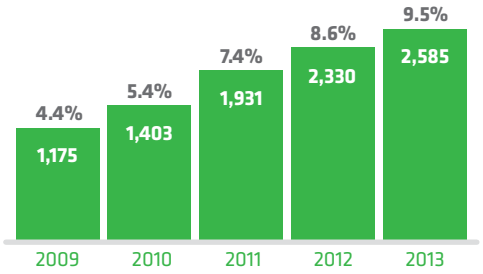
>> As at the end of December 2013, this project is completed for seven autonomous communities and the target for 2014 is to complete it for the remaining communities.

Collaborating entities: Doñana Biological Station (CSIC), the competent authorities responsible for fauna management and conservation associations. Project included in the Catalogue of good business practices in management of biodiversity of the Club de Excelencia en Sostenibilidad (Sustainability Excellence Club), publicly presented by the Minister of Agriculture, Food and Environment.

MARKING OF LINES WITH BIRD-FLIGHT DIVERTERS [-EN14-]

(KM)

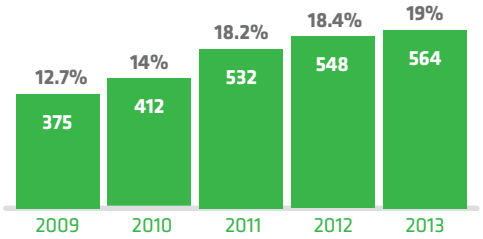
Percentage over the total lines. Peninsular data.



MARKING OF LINES WITH BIRD-FLIGHT DIVERTERS IN SPAS [-EN14-]

(KM)

Percentage over the total lines in SPAs. Peninsular data.



Note. Currently it is calculated identifying SPAs as risk areas, although they may not always coincide (there are SPAs that protect species that are not susceptible to collision, and there are areas that are not catalogued as SPAs where there are species that are sensitive to collision).

FIRE PREVENTION [-EN14-]

RED ELÉCTRICA has a series of action principles regarding forestry management matters that establish the lines of action and objectives to be reached in the prevention and the fight against forest fires.

In line with these principles, the main activities are focused on the proper design and maintenance of safety corridors of electricity lines and in the collaboration with the authorities involved in forestry management.

SUMMARY 2013

In 2013, the research project *System for monitoring of forest fires in lines (2013-2014)* was begun, and whose goal is the development of an autonomous system for the detection of forest fires in the vicinity of overhead electricity lines.

On the other hand, actions have continued in order to conduct training and awareness days regarding electricity lines between Red Eléctrica's specialists and the Environmental specialists from the provincial services (work was carried out in the three provinces of the autonomous community of Aragon). During these training days, various issues were addressed related to the understanding and knowledge of the facilities, fire prevention work and security measures.

As regards to the maintenance of safety corridors, Red Eléctrica annually reviews all installations to minimise the risk of fire to the highest possible degree. In 2013, there was just one fire which proved insignificant and was without consequence and also another fire caused by sparks resulting from the use of a hand-held angle grinder that burned 13 acres of dry grass without affecting the existing trees in the area.

More information in the 'Fire prevention' section of the corporate website.

FIRE PREVENTION AND THE FIGHT AGAINST FOREST FIRES

Since 2007, Red Eléctrica has signed several cooperation agreements with the various public administrations responsible for forestry management. In 2013, seven new agreements were signed, which are added to the three already in place.

In the agreements reached, in addition to setting the terms and conditions for cooperation and coordination regarding tasks related to the prevention of forest fires, the following actions were also launched:

>> **Awareness-raising activities:** development of educational materials, merchandising and posters.

>> **Supplying of material related to fire prevention:** pilot project for the placing of cameras for the detection of fires and the geographic location of firefighting resources.

>> **Vegetation Management:** creation of a protection strip in the forests and carrying out maintenance of accesses needed for fire prevention and firefighting.

The total budget associated with the existing collaboration agreements is 980,000 euros.

Red Eléctrica's objective is to sign cooperation agreements on fire prevention and the fight against forest fires with the competent authorities nation-wide.

CONTRIBUTION TO BIODIVERSITY CONSERVATION

RED ELÉCTRICA'S commitment to the conservation of Spain's biodiversity goes beyond the mere reduction of effects caused by their activities. For this reason, it leads or participates in various projects and it conducts dissemination and training actions in collaboration with the various public administrations and prestigious organisations regarding environmental matters.

SUMMARY 2013

During 2013, we have signed three new collaboration agreements, with a total of 48 agreements currently in place. Since 2011 we have worked with 14 autonomous communities/regions.

Within the framework of these agreements, different projects are carried out although they are mainly focused on issues related to the conservation of bird life, particularly the conservation of endangered species (see details in the appendix to this chapter).

More information in the 'Commitment towards biodiversity' section of the corporate website.

More information in the video on 'The Red Eléctrica Forest'.

THE RED ELÉCTRICA FOREST [-EN13-]

Began in 2009 and of an ongoing nature, this project has a double objective: offset part of Red Eléctrica's CO_2 emissions through the planting of trees and, at the same time, contribute to the conservation of a biodiversity-rich area or to recover a deteriorated natural area.

The project is carried out in publicly owned land in different geographical areas of Spain. This initiative also seeks to contribute to the development of the local economies as the reforestation works are contracted out to local companies and organisations, and also involve the local population through environmental education activities and reforestation with volunteers. In 2013 the following works were carried out:

>> **Natural Park of Sierra de Calderona (Valencia):** completion of the plantations started in 2012 and that were postponed due to weather issues/conditions. Recovery of 26 ha through the planting of 18,711 plants: Aleppo pine (Pinus halepensis), Sabina juniper (Juniperus phoenicea), Carob (Ceratonia siliqua), Juniper (Juniperus oxycedrus), Palm (Chamaerops humilis) and Wild olive (Olea europaea). Part of the work was carried out by students of forestry schools in the area, although some employees of Red Eléctrica in Valencia and their families also participated in the planting.

>> **Robledal de Remendón in the Natural Park of Armañón (Vizcaya):** restoration of 22.5 ha by planting 35,000 trees: Oak (Quercus robur), Birch (Betula alba) and accompanying species.

>> **Alcaraz and Segura mountain range and the canyons of the Segura and of the Mundo in Hellín (Albacete):** restoration of 110 ha through the planting of 88,000 plants: Aleppo pine (Pinus halepensis), Kermes oak (Quercus coccifera), Wild olive (Olea europaea sylvestris var.), Mastic (Pistacia lentiscus) and other accompanying species. The REE Forest week in Hellín was conducted as part of the framework of the project; 293 students from elementary, secondary and special education centres and 22 volunteers from the region participated in said event (4 ha reforested).

THE FIGURES FOR THE 'RED ELÉCTRICA FOREST' PROJECT (2009-2013)

Trees and shrubs planted: 349,974 specimens.
Surface area recovered: 567.58 hectares.
Emissions offset: 97,031 tonnes of CO_2 equivalent.
Investment: 1,125,107 euros.
Impact on local employment: an estimated 4,914 working days.

SOCIOECONOMIC ASPECT AND THE LANDSCAPE [-SO9, SO10, EU22-]

THE PRESENCE OF electricity infrastructure may have some effects of a social nature, but in no case is a significant alternation in the way of life of the affected communities.

LAND OCCUPATION

OF ALL THE infrastructures constructed and managed by Red Eléctrica, only the substations represent a total and irreversible occupation of land, since it is not possible to make its presence compatible with other uses.

Regarding the occupation of land resulting from the construction of a line, this is limited to the placement of the feet of the towers and access paths necessary for new stretches of line. In relation to the land surface over which the conductors transport electricity, this surface is subject to a right of way easement during the useful life of the installation. Nonetheless, farming and livestock activities are compatible with the lines, allowing all kinds of agricultural crops to be grown under them and the free movement of the machinery necessary for its management.

ALTHOUGH current legislation allows Red Eléctrica to expropriate both the surface to be acquired as well as that in which it needs to establish easements, our policy is to obtain the maximum number of amicable agreements with the owners by agreeing on indemnifications that cover the economic losses that the installation of a transmission line and its corresponding right of way easement represent. At present, the percentage of amicable agreements is 90%.

MINIMISATION OF IMPACTS ON THE SOCIOECONOMIC ENVIRONMENT

THE SOCIAL ASPECTS are taken into account in the design phase when determining the corridors for lines and the locations for substations; this analysis is integrated into the environmental impact study. In this sense, land uses that are incompatible with the facilities are determinant in the decision process. Additionally, other relevant factors are also taken into account, such as: cultural and tourism resources, landscape, areas of high agricultural yields and agroforestry.

Once the corridor of a line is defined, we begin to draft all the preventive and corrective measures necessary to minimise the effects on the land as well as on the activities carried out in the effective areas. Overall, 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.

VISUAL IMPACT

IN ORDER TO REDUCE as much as possible the visual impact of lines and substations maximum degree possible, Red Eléctrica puts in place various measures, noteworthy of which are: the restoration of affected areas and the integration of substation buildings into the landscape.

In 2013, six specific projects for the integration of substations into the landscape were carried out. Moreover, taking into account the European Landscape Convention, different models of buildings have been designed depending on the environment in which they are located. In 2013, six were designed, which have been added to the seven models designed last year. Noteworthy are the Volcano, Desert and Candelaria models designed for the Canary Islands, where for the first time landscape integration criteria was included in the detailed engineering of a transmission substation (Sabinal substation, Desert design).

PROTECTION OF PATRIMONY

ARCHAEOLOGICAL AND ETHNOLOGICAL PATRIMONY is one of the main aspects to be taken into account in the design and construction of facilities. Before any work can begin it is necessary to perform an archaeological survey, whose intensity and scope are based on the likelihood of the area to house archaeological remains. The results of the survey determine the need for the continued presence of an archaeologist in the earthmoving phase, and in the case in which findings of relevance are discovered, then the measures to be taken are determined with the competent authority, with its cataloguing and transfer to a museum being the most common.

During 2013, archaeological supervision was carried out on the construction of 15 lines and 6 substations, with the permanent presence of an archaeologist in 76% of the cases. Remains of the Emirate period were found and transferred to a museum.

ELECTRIC AND MAGNETIC FIELDS [-PR1-]

THANKS TO THE PREVENTIVE MEASURES that are applied in the design of the facilities, the levels of electric and magnetic fields stay below levels recommended by the European Union Council (EU Official Journal 1999/519/CE which sets the limit exposure values for the general public in sites where they may stay for a prolonged period at 5kV/m for the electric and 100μT for the magnetic field). The most important measures are:

>> Construction of double circuits and transposition of phases in lines.

>> Increasing the height of towers, thus increasing the safety distances.

>> Establishing the minimum distance of electricity lines from population nuclei and isolated houses.

In order to verify that the facilities are below exposure limits, between 2004 and 2006 Red Eléctrica carried out an exhaustive EMF measurement plan. This plan included not only the general public, but also workers' exposure regardless of the fact that their exposure may be sporadic and only for a short period of time.

Thanks to the important development of computational tools, it is no longer necessary to carry out the in-situ measurement plans because by using the parameters associated to the lines it is now possible to accurately calculate the maximum EMF levels that can be produced by such facilities.

During 2013, we have worked on improving and adapting one of these tools to the characteristics of the lines of Red Eléctrica. This development will make it possible in 2014 to perform the calculation of the values of EMFs in transmission lines acquired on the insular systems (to date, standard values have been used). In addition, the revision project is going to be complemented with one-off measurements of certain electricity lines in order to have a map of values adjusted to the most common loads of these lines (the calculations applied by the tool are based on the maximum loads of lines, and therefore exceed those measured in the field).

In addition, we continue to record some measurements at the request of interested parties since the in-situ verification of values is important for some groups (in 2013, two sets of measurements were taken). We also continue to participate in working groups, research projects and we keep abreast of all the latest scientific advances in the field.

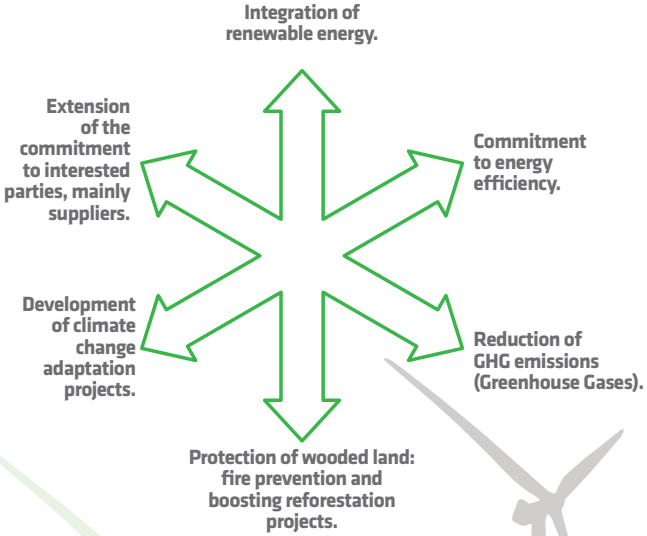
More information in the 'Electric and magnetic fields' section of the corporate website.

CLIMATE CHANGE AND ENERGY EFFICIENCY [-EN6-]

RED ELÉCTRICA IS a key player in the progress towards a more sustainable energy model. The development of electricity transmission grids and the implementation of operating system solutions aimed at integrating and making the most of renewable energy are essential to the achievement of the European climate targets.

In 2011, Red Eléctrica defined a specific climate change strategy that has an associated action plan which sets out the objectives and specific actions to be developed in the coming years.

CLIMATE CHANGE - STRATEGIC LINES



More information in the 'Energy and climate change' section of the corporate website.

EMISSIONS

RED ELÉCTRICA prepares its emissions inventory based on the GHG Protocol methodology. Since 2011, it has been working on expanding the inventory and in improving the calculation processes. The goal for 2014 is to submit the inventory to a verification process by an accredited entity. The emissions inventory and performance indicators can be found at the end of this chapter.

SF_6 EMISSIONS

THE MAIN direct emissions derived from Red Eléctrica's activities are those coming from sulphur hexafluoride (SF_6); 98% of total direct emissions calculated in terms of CO_2.

Red Eléctrica works in collaboration with the public administration and other entities (joining the research project of EPRI-Electric Power Research Institute) in the quest to find solutions for the control and reduction of emissions of this gas.

SF_6 Reduction measures [-EN18-]

>> Renovation of equipment for other with lower rate of leakage.

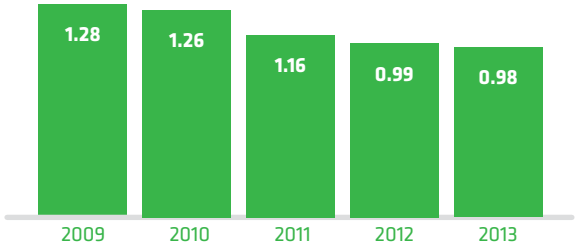
>> Improvement in the procedures for the control and identification of leaks, inventory and management of SF_6 gas.

>> Use of highly efficient management equipment and measurement equipment. Within the scope of the plan designed for 2011-2014, in 2013, we continued to supply new management equipment with a higher capacity of extraction. Emissions savings of 1,000 tonnes of CO_2 equivalent per year is estimated.

>> Education and training of all personnel involved in any way with the management or handling of the gas. During 2013, 265 technicians obtained their certification through the two Red Eléctrica centres that are officially recognised.

AVERAGE EMISSION RATE SF_6

(% OF EMISSIONS OVER GAS INSTALLED)



MANAGEMENT OF SF_6

	2011	2012	2013
SF_6 installed (kg)	245,415	332,541	350,221[1]
Emissions of equipment in service (kg) [2]	2,850	3,301	3,418
Average emission rate of equipment in service (%) [3]	1.161	0.993	0.976
Emissions derived from accidents (kg)	76.5	31.0	11.4
Total emissions (kg)	2,927	3,332	3,430

[1] The growth in installed gas is due to the putting into service of new facilities and the replacement of old equipment for SF6 insulated equipment.
[2] The savings derived from reduction measures implemented are not reflected in this inventory due to the fact that the calculation is based on the allocation of different emission factors depending on the age of the equipment installed (these factors are reflected in the Voluntary Agreement signed in 2008 by the parties involved).
[3] The decrease in the average rate of emission is due to the renewal of equipment for others with a lower rate of leakage.

ENERGY EFFICIENCY [-EN5,EN6,EN7,EN18-]

AS A KEY COMPANY within the electricity system, Red Eléctrica considers relevant efforts geared towards efficiency and electricity savings owing to the enormous benefits they represent in economic, social and environmental terms.

Red Eléctrica works in this field from two converging perspectives. As electricity system operator, the first is focused on the implementation of various demand-side management measures aimed at achieving a more balanced consumption profile, and at providing greater flexibility to the operation of the system. The second is geared towards promoting energy efficiency within the Company and reducing the Company's carbon footprint.
To this end, Red Eléctrica works along three main lines of action:

>> **Reduction of electricity consumption.** Improved knowledge of the buildings in terms of energy, applying strict efficiency criteria in the construction of new buildings and implementation of various efficiency measures in lighting, IT systems and insulation.

>> **Mobility.** Purchase of more efficient fleet vehicles (currently 40% have energy rating A or B), videoconferencing (in 100% of the meeting rooms), company bus for the Head Office, available parking space LED indicators.

>> **Raising awareness.** Awareness activities in the working environment such as contests, posters, communications, etc.

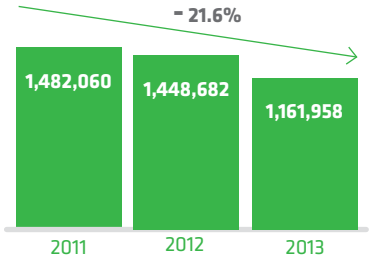
More information in the 'Sustainable energy' section of the corporate website.

'RED ELÉCTRICA EFICIENTE' RECOGNITION

A seal of recognition awarded to efficiency projects developed in the internal environment of Red Eléctrica. In 2013, four distinguished projects were awarded this recognition: Efficient building of Casaquemada, EFEN project for the management of all IT work stations and office servers, Efficient water management project at the Head Offices and Documentation archive of transmission infrastructures (ADIR). The Red Eléctrica Eficiente brand encompasses all those company initiatives that promote the efficient use of energy and resources.

LIGHTING CONSUMPTION AT THE HEAD OFFICES [-EN5-]

(KWH)



MAIN ACTIONS IN 2013

>> Reduction of lighting consumption at the Head Offices of 21.6% in the last three years, thanks to the expansion of lighting efficiency measures outlined in the 2012-2019 plan which is part of the Head Offices Energy Management System – ISO 50001 Certification.
>> Installation of new energy management equipment in 28 centres (currently 65% of the centres have this equipment).
>> Energy audits in all centres due to be renovated. In 2013, an audit was conducted in one centre.
>> Improvements in insulation, closures (windows, doors etc.) and lighting in seven buildings.
>> Plan for updating/ replacing IT equipment with more efficient equipment; estimated savings in 2013 of 45,000 kWh.
>> Replacement of physical servers for virtual servers with lower energy consumption. By the end of 2013, 50% of the servers had been replaced.
>> Efficiency measures in office IT equipment (automatic screen shutoff, stand-by mode for idle equipment, etc.).
>> CARS (Conducción Ágil, Responsible y Segura - Safe, Responsible and Agile Driving) project. Development of a tool that will allow the monitoring of and reduction in fuel consumption and CO_2 emissions, improved energy efficiency and reduction of the carbon footprint of the Red Eléctrica fleet of vehicles.
>> Mobility study to conduct an assessment of the current mobility situation associated with transporting employees to and from the Head Offices.

OFFSETTING EMISSIONS

WITHIN THE climate change action plan, we have set a goal to offset at least 20% of our direct emissions. In this sense, Red Eléctrica offsets its emissions primarily through the Red Eléctrica Forest project described in the biodiversity section of this report.

It is estimated that the specimens planted this year as part of that project will offset 30,740 t of CO_2 throughout its lifetime, representing 39% of the direct emissions of this year. This figure does not include the emissions offset by the Sierra Calderona Forest since it is a 2012 activity even though it was completed this year.

IN ADDITION, in 2013, the carbon footprint of the General Shareholders' Meeting was calculated. The result was 15 t of CO_2 equivalent, which was offset with the purchase and permanent retirement in the National Registry of Emission Allowances account of 15 GREEN CERs (Certified Emission Reductions on the basis of projects derived from the Clean Development Mechanism (CDM) under the Kyoto Protocol), for the project: Geothermal Generation in Guatemala.

CARBON FOOTPRINT OF SUPPLIERS

FOR THE SECOND CONSECUTIVE YEAR, Red Eléctrica has worked on the size of the carbon footprint associated with its value chain. During 2013, we focused particularly on the ten suppliers with the greatest impact on our indirect emissions (representing 44% of total Scope 3 emissions and all of them coming from the equipment manufacturing and construction sectors). Meetings have been held with the majority of them (9 out of the 10) and information has been collected through a specific portal.

Thanks to this process, it has been possible to communicate to suppliers the relevance these issues have for Red Eléctrica and the need to have an efficient process for the collection of data and the calculation of the carbon footprint. In addition, it has represented a significant improvement in the information we manage for the calculation of our indirect emissions.

OTHER ENVIRONMENTAL ACTIONS

WASTE

DURING THE various activities that Red Eléctrica performs, different types of waste are generated and these are segregated, stored and managed in the most appropriate manner.

In the maintenance phase of facilities, waste is associated with the following activities:

>> **Standard tasks regarding preventive or corrective maintenance:** revisions, changing of parts, oil renewal etc.

>> **Adaptation of facilities:** improvement works in facilities for their adaptation to Red Eléctrica's standard criteria, renewal of obsolete switchgear, improvement in accident prevention systems, etc.

>> **Actions against accidents:** although not common, accidental oil spillages are associated with a substantial amount of waste arising from the use of containment measures (absorbent material), cleaning of affected areas (soils impregnated with hydrocarbons) and the emptying of the containment tanks (oil-water mix).

GIVEN THE NATURE of these activities, it is very difficult to predict the evolution of the amount of waste and set targets for its reduction. Therefore, although criteria is established for the reuse of materials – the regeneration of oil from power transformers (200 t in 2013) - and the reduction of its hazardous nature, the main lines of action are geared towards improving segregation and the final disposal of waste, seeking the best options from amongst our suppliers and promoting best practices through training and awareness.

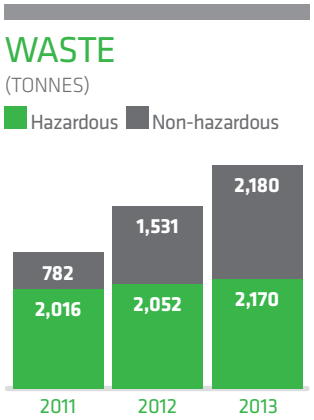
Of note, the quantities of hazardous waste have remained stable, despite the increased activity of the Company. On the other hand, non-hazardous waste has increased mainly due to the higher volume of work associated to the updating of assets acquired from other companies in order to adapt them to the standard criteria of Red Eléctrica facilities.

THE WASTE GENERATED by construction activities is managed by contractors. For all works there is a Waste Management Plan which establishes the waste management to be carried out in each case, the criteria of minimisation and reuse being of utmost importance (especially important for surpluses from excavation works).

Furthermore, Red Eléctrica includes specific waste management requirements in the contractual documentation regarding works and reviews its fulfilment through supervisory visits and the control of the associated documentation.

Regarding the waste generated in the work centres, in addition to various awareness campaigns, several simple measures have been implemented to minimise and improve its management.

In 2013, trays for collecting waste paper that can be reused in some way and yellow containers to facilitate recycling of small containers have been put in place in different areas of the offices. In addition, the supply of drinking water for meetings in plastic bottles has been replaced by the use of glass pitchers of tap water. This measure represents a saving of about 8,400 plastic bottles a year.



PROTECTION AGAINST LEAKS AND SPILLAGES

THANKS TO THE IMPLEMENTATION of preventive measures, the frequency of leaks and spillages of pollutants associated with the activities of Red Eléctrica is low, and when they do occur they usually have minor consequences, neither affecting the soil nor the groundwater. Amongst the measures adopted to prevent spillages, noteworthy are the following:

>> Preventive and corrective maintenance of equipment containing oil.

>> Spillage containment systems on equipment containing hazardous substances, which prevents possible spillages from affect the soil.

>> Best work practices (handling equipment and pollutants on impermeable surfaces).

>> Definition of action protocols and the supply of materials in case of an accident (mainly absorbent material).

(The performance indicators can be consulted in the quantitative data tables shown at the end of this chapter).

SUPPLIERS

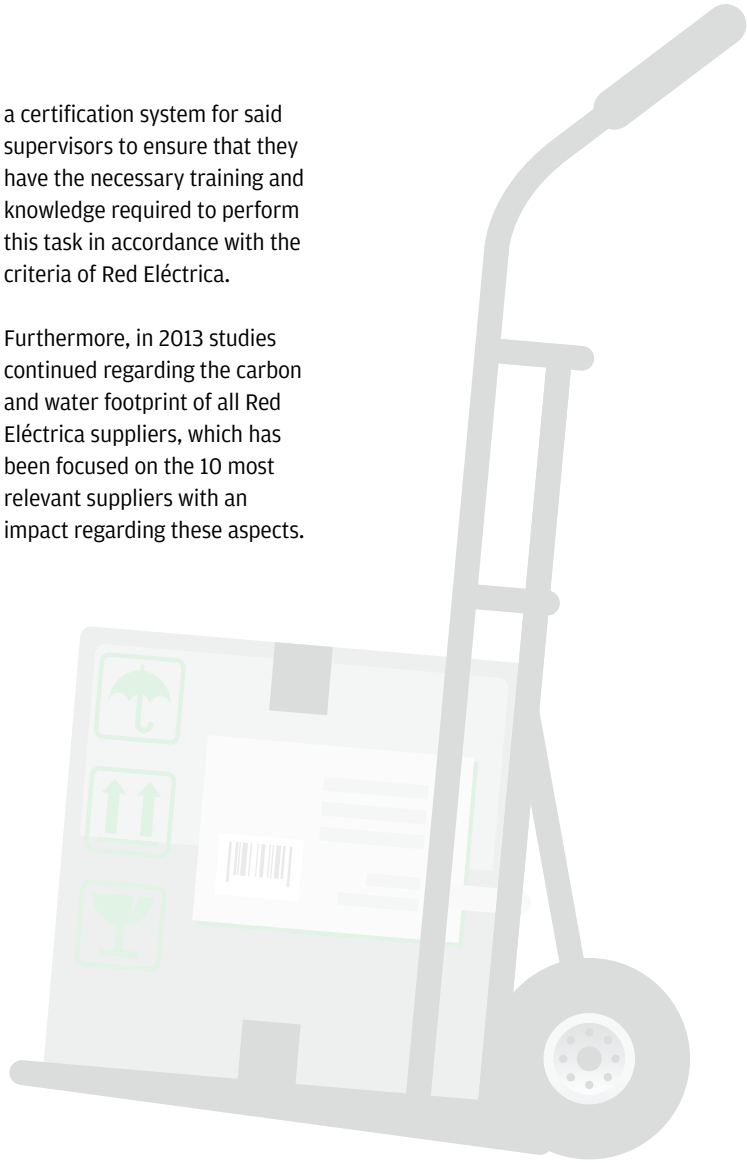
RED ELÉCTRICA HAS identified a certain number of its suppliers whose contracted activity can be considered to have a greater impact on the environment. On the one hand, included in this list are those service providers that could generate a direct impact on the environment (construction activities, treatment of vegetation and maintenance of equipment in substations). On the other hand, also included are those whose impact is linked to the use of raw materials, the consumption of water or those that produce emissions, as is the case with suppliers of equipment and components.

RED ELÉCTRICA REQUIRES these suppliers to have a Waste Management System that is either documented or certified by a third party.

In regards to supplier contracted activities, it is worth noting that the contractual documentation includes the environmental requirements that must be fulfilled (in terms of training and work performance). In this regard, for construction activities (which are susceptible to generating an environmental impact), there is a works environmental certification process in place that governs part of the payment of the work and this is dependent on the compliance with the environmental requirements. This process involves a thorough monitoring of the activities that are performed to verify compliance with all requirements

DUE TO THE FACT THAT THE MONITORING of works is mainly carried out by external supervisors, in 2013 we set up a certification system for said supervisors to ensure that they have the necessary training and knowledge required to perform this task in accordance with the criteria of Red Eléctrica.

Furthermore, in 2013 studies continued regarding the carbon and water footprint of all Red Eléctrica suppliers, which has been focused on the 10 most relevant suppliers with an impact regarding these aspects.



PERFORMANCE INDICATORS

CONSUMPTION OF RAW MATERIALS [-EN1-]

	2011	2012	2013
Oil consumption (kg)[1]	57,876	75,556	69,852
Regenerated oil (%)[2] [3] [-EN2-]	88	75	74
Paper consumption (printing and photocopying) (kg) [4]	67,563	54,038	48,333
Paper consumption (kg /employee)	35	27	25
Paper consumption publications (kg)	44,203	29,018	30,190
FSC paper in publicationss (%) [5]	100	100	100

[1] REE activities are not organised as a conventional productive process therefore the total consumption of raw materials is not calculated. As indicative data, information on oil used in maintenance is included, as this is the auxiliary material of highest environmental relevance. (There is a slight difference with regard to the data published last year owing to the fact that they have been recalculated).

[2] Regenerated oil in relation to the total new oil used in transformer maintenance activities.

[3] The decrease in 2012-2013 is due to the installation of new equipment which can only use new oil, and for which it is not technically feasible to use regenerated oil.

[4] Since 2013, a different procedure for the calculation of paper consumption has been used.

[5] Since 2008, all of the paper that has an ecological seal certified is in accordance with the FSC (Forest Stewardship Council). As of 2012 the servicing of printers and photocopiers has been awarded to a company that guarantees the offsetting of emissions resulting from its manufacture and transport.

Note: The ongoing decrease in paper consumption is due to different saving measures. These include the implementation of a high performance documentation file system, paperless classrooms and online publishing of documentation.

DIRECT ENERGY CONSUMPTION [-EN3-]

FUEL CONSUMPTION (LITRES)

	2011	2012	2013
Diesel	563,664	498,388	519,483
Petrol	22,260	19,408	7,781
Total fuel [1]	585,924	517,796	527,264
Average consumption (l/100 km) [2]	8.4	8.5	8.5

[1] Includes fleet vehicles, cherry pickers and executive vehicles.

[2] This ratio is an average based on the different types of vehicles.

INDIRECT ENERGY CONSUMPTION [-EN4-]
ELECTRICITY (kWh)

	2011	2012	2013
Head Offices (Moraleja+Albatros) (1)	8,602,621	8,788,140	8,566,662
Tres Cantos (1)	1,649,509	1,693,771	1,674,293
Extra-peninsular systems (1)	1,080,814	1,408,343	1,360,494
Regional head offices	2,414,235	2,396,947	2,353,001
Work centres: main regional offices (2)	1,719,685	1,713,227	1,505,716
Total	**15,466,864**	**16,000,428**	**15,460,166**

(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 a special energy consumption.

(2) These are work centres staffed primarily with maintenance personnel.

INDIRECT ENERGY CONSUMPTION [-EN4-]
ELECTRICITY (MWh)

	2011	2012	2013
Transmission grid losses (1) (1)	2,890,000	2,947,000	3,187,000

((1)) Losses in the Electricity Transmission Grid are related to the location of generation points in relation to the consumption points, 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 REE, making it very difficult to reduce them. However, REE works to identify and improve those factors it can have an influence on. The losses grow as the distance between points of generation and consumption increase. In general, higher hydroelectric and wind power generation involve increased transmission distances and therefore increased energy losses. 2013 has been a year of high hydroelectric power generation, and a year in which wind power generation has also been increased. Additionally, the increase in losses is also related to the growth of the transmission grid, mainly of facilities whose purpose is the evacuation of energy generated in locations far from the points of consumption.

SUMMARY OF ENERGY CONSUMPTION [-EN3, EN4-]
(JOULES) (1)

	2011	2012	2013
Fuel consumption	$2.16 \cdot 10^{13}$	$1.91 \cdot 10^{13}$	$1.95 \cdot 10^{13}$
Consumption of electricity	$5.56 \cdot 10^{13}$	$5.76 \cdot 10^{13}$	$5.56 \cdot 10^{13}$
Consumption transmission grid losses	$1.04 \cdot 10^{16}$	$1.06 \cdot 10^{16}$	$1.15 \cdot 10^{16}$

1 kWh = 36•105 joules
1 l of diesel = 37•106 joules
1 l of gasoline = 34•106 joules
1 l of gas oil = 37•106 joules
(1) Total consumption data in joules, according to the criteria defined by GRI.

WATER CONSUMPTION [-EN8, EN10-]

(m^3)

	2011	2012	2013
Head Office [1]	17,969	10,947	10,983
Head Office (m^3 / employee) [1]	22.1	12.9	13.1
Total work centres [2]	**48,631**	**41,586**	**31,597**

[1] During 2011, the garden of the Head Office of La Moraleja was remodelled, replacing the lawn with native plants and gravel. The reduction in irrigation water consumption is reflected since 2012.

[2] The ratio per person is not provided, since the use of water in all of the centres is not bound exclusively to office activities. The decrease in 2013 cannot be attributed to a reduction in consumption; some deficiencies have been detected in the compilation of the data and we are working to resolve this.

Note. The water consumed is obtained from: municipal water mains (71.37%), wells (25.27%), cisterns (3.2%), and rain water collection tanks (in the Northern Regional office and many substations, for sanitary use, for the watering of grounds and for firefighting systems) (0.15%). [-EN10-]

WATER CONSUMPTION IN THE VALUE CHAIN (m^3)

2011	2012	2013
32,290,892	13,414,362	11,545,107

Note: Water usage intensity in the value chain: 0.023 m3/euro in 2011, 0.020 m3 in 2012 and 0.024 m3/euro in 2013. The water usage intensity depends on the type and number of purchase orders that have been placed during the year; therefore, a strict comparison cannot be made between different fiscal years. Of all the activities, facilities construction and equipment manufacturing have the most intensive water consumption (representing over 60% of the water footprint in the value chain).

PRESENCE OF FACILITIES IN RED NATURA ZONES [-EN11-]

	2011	2012	2013
Peninsular system			
Km of line in Red Natura / total km of line (%)	15.6	15.4	15.5
Number of substations in Red Natura / Total substations (%)	-	7.3	7.2
Surface area of facilities in Red Natura / Total surface in Red Natura on the Spanish peninsula (%) [1]	0.12	0.12	0.12
Insular systems			
Km of line in Red Natura / total km of line (%)	10.6	9.8	10.0
Number of substations in Red Natura / Total substations (%)	2.8	2.8	2.8
Surface area of line in Red Natura / Total surface in Red Natura on the Islands (%) [1]	-	-	0.08
Total Spain			
Km of line in Red Natura / total km of line (%)	15.4	15.0	15.2
Number of substations in Red Natura / Total substations (%)	7.6	6.6	6.4
Surface area of facilities in Red Natura / Total surface in Red Natura Spain (%) [1]	0.12	0.11	0.12

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: 2011, 2012 and 2013 ratios were calculated using the Red Natura 2000 databases published in 2010, 2011 and 2012 respectively.

Note 2: The mapping of in-service facilities is improved and updated annually, whereby some variations in calculations not related to the increase or decrease of facilities can be derived.

DESCRIPTION OF THE MOST SIGNIFICANT IMPACTS ON BIODIVERSITY [-EN12-]

Most significant impacts on vegetation 2013
Felling of 300 trees (mainly Oaks, Olive trees and some Arbutus) in protected areas (SCI Western Andevalo, and Sierra Norte Natural Park Sierra Morena and IBA 236 of Seville).
Felling of 100 Poplars in the Protected Landscape Green Corridor Guadiamar/SCI Guadiamar River Ecological Corridor.

DETECTED COLLISION OF SPECIES OF INTEREST IN 2013

Species affected	Number of birds affected
Great Bustard *(Otis tarda)* [1] [5]	6
Little Bustard *(Tetrax tetrax)* [2] [3] [6]	6
Spanish Imperial Eagle *(Aquila adalberti)* [1] [4] [7]	1

[1] Vulnerable species according to IUCN Red List. [EN15]

[2] Near threatened species according to IUCN Red List. [EN15]

[3] Vulnerable species according to the National Catalogue of Endangered Species. [EN15]

[4] Near extinction species according to the National Catalogue of Endangered Species. [EN15]

[5] Bird fatalities. Two of the accidents were identified during the Environmental Monitoring Programme of a recently constructed line. The need for corrective measures will be analysed at the conclusion of said Programme. The rest have been detected on lines in service, which are marked in accordance with the Line-Marking Plan of the Community of Madrid.

[6] Bird fatalities. Accident identified during the Environmental Monitoring Programme of a recently constructed line. The need for corrective measures will be analysed at the conclusion of said Programme.

[7] Non-fatal accident. The bird was transferred to a rehabilitation centre.

CONSERVATION PROJECTS REGARDING THREATENED SPECIES [-EN15-]

Conservation and management in special protection areas for birds - includes Steppe birds including Bustards *(Otis tarda)* [1] and EU Life Nature Project - in Andalusia.
Recovery of the Golden Eagle in Galicia *(Aquila chrysaetos).* [2]
Platforms for Osprey *(Pandion haliaetus)* in Andalusia. [3]
Reintroduction of Bonelli's Eagle *(Aquila fasciatus)* in Majorca. [3]
Programme for the reintroduction of the Black Vulture *(Aegypius monachus)* in Catalonia. [3] [4]
Conservation of the Lesser Grey Shrike *(Lanius minor)* in Spain. [5]

[1] Vulnerable 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] Near-threatened species according to the IUCN Red List.

[5] Endangered species according to the national catalogue of endangered species.

GREENHOUSE GAS EMISSIONS [-EN16-]
(t CO_2 eq)

	2011	2012	2013
Direct (SCOPE 1)			
SF_6 emissions [1]	66,741	75,974	78,200
Associated with the use of fleet vehicles	1,563	1,381	1,410
Total direct emissions	**68,304**	**77,355**	**79,610**
Indirect (SCOPE 2)			
Associated with the consumption of electricity [2]	4,284	4,752	3,633
Derived from transmission losses [3]	800,530	875,259	748,945
Total indirect emissions	**804,814**	**880,011**	**752,578**
TOTAL EMISSIONS [-EN16-]	**873,118**	**957,366**	**832,188**

[1] Taking GWP to 100 years: 22,800 (Source IPCC, Intergovernmental Panel on Climate Change: 4th assessment report). The increase in SF6 emissions is derived from the increase in installed gas due to the commissioning of new installations and the replacement of old SF6 isolated equipment. However, the emission factor (gas emitted/installed gas) is lower than previous years.

[2] The peninsular emission factor calculated by Red Eléctrica is used which takes into account the generation mix of each year and associates to each generation technology an emission factor in accordance with the values set out in Spain's 2005-2010 Renewable Energies Plan. The decrease in 2013 is due to lower power consumption and a decrease of the emission factor, mainly associated with the increased contribution of hydro and wind energy in the energy mix of the peninsula and the lower contribution of coal. The emission factor (tonnes of CO2 emitted/MWh generated) covering the years 2011, 2012 and 2013 has been 0.275, 0.297 and 0.235, respectively.

[3] These losses are related to the location of the generation points in relation to those of consumption, the amount of energy demanded in 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. Similarly, as is the case for the emissions associated with the consumption of electricity, CO2 is not emitted during REE's activities as it takes place in the different electricity generation points. In order to calculate the losses in CO2 an emission factor calculated by REE is used. During 2013, energy losses in the transmission grid have increased in part due to the large share of hydro and wind energy in the energy mix, (generally higher hydro and wind generation involve increased transmission distances and therefore an increase in energy losses). On the other hand, also because of the large share of these renewable energies, the emission factor has been reduced significantly. The result has been a reduction in CO2 emissions associated with the losses in the transmission grid.

INDIRECT EMISSIONS SCOPE 3 [-EN17-]

(t CO_2 eq)

	2011	2012	2013
Emissions associated to business travel [1]	738	827	1,046
Emissions associated to internal material transport	869	782	674
Emissions associated to the value chain [2]	491,653	190,858	176,528

[1] The increase in 2013 is related to an increase in international travel and between the mainland and the islands (Balearic Islands and Canary Islands).

[2] In 2011. Analysis conducted for 100% of suppliers. Data obtained following a process of consultation and monitoring. Carbon intensity in the value chain: 359 t CO2 /million euros.
In 2012. Data regarding a prior analysis of suppliers representing 95% of the volume of purchase orders that year. The 2012 data has been adjusted after a direct collection of data from the top 10 suppliers in terms of emissions. Carbon intensity in the value chain: 294 t CO2 / million euros. The large reduction in emissions is associated primarily to a significant decrease in the volume of purchase orders during the same period.
In 2013. Provisional data calculated on suppliers that represent 87% of the volume of purchase orders (taking into account the most relevant suppliers in terms of contribution to the carbon footprint). Carbon intensity in the value chain: 331 t CO2/million euros.

Note: For the correct interpretation of the data it is necessary to take into account that:

- Carbon intensity is based on the type of purchase orders placed during the year and there are products/services with different carbon intensity. Therefore, strict comparisons between fiscal years cannot be made. Of all the activities, construction of facilities and equipment manufacturing are the most carbon-intensive (representing approximately 70% of emissions).
- According to the most recent study of the value chain conducted by Red Eléctrica during 2013, it can be considered that the 100 primary suppliers in terms of emissions account for 85% of the volume of purchase orders and 92% of total emissions. Therefore, we consider the study prepared for 2013 to be representative.

NON-HAZARDOUS WASTE [-EN22-]
(kg)

	2011	2012	2013	TYPE OF MANAGEMENT
Septic tank sludge [1]	413,236	1,118,660	1,311,240	Recycling and Reutilisation
Reutilisation	sd.	sd.	1,513,762	Recycling
Scrap metal not contaminated with hazardous substances [2]	170,970	144,580	544,082	Elimination
Inert waste [3]	115,747	211,338	241,938	Recycling
Paper and cardboard [4]	8	32	22	Reutilisation
Toner & printer ink [5]	30,460	42,231	69,581	Recycling
Wood [6]	24,940	34,153	8,567	
Waste vegetation [7]	46,413	699	3,443	Recycling
Electrical and non-hazardous electronic waste	3,107	7,535	4,957	Recycling
Plastics	760	75	176	Recycling
Glass	2,040	5,860	4,800	Recycling
Vegetable cooking oils	28	0	33	Recycling
Alkaline batteries/without mercury	782,769	1,531,010	2,180,272	
Total				

[1] The progressive increase is associated to the emptying of septic tanks and its replacement for watertight septic tanks (these works are part of the adequacy campaign for acquired assets to the REE criteria, initiated in 2010), Watertight septic tanks require that they be periodically emptied, which in turn represents an increase is the management of sludge.

[2] In 2013, the software application for control and monitoring of scrap metal transfer data was introduced. Although the data collected is included, it will not be added to the total overall waste until historical data is available.

[3] Increase due to the large number of renovations and improvements of substations that have required civil works.

[4] The increase stems from the removal and disposal of paper documentation.

[5] Management of toner and ink is the responsibility of the company that supplies and services the printers. Only the units purchased directly by Red Eléctrica are included.

[6] The amount has increased due to improved segregation for its delivery to the waste management company.

[7] Not taken into account in the calculation of the non-hazardous waste. This is a value of little importance as most of this waste is incorporated into the land or given to landowners. The table includes only the waste delivered to the waste management company.

HAZARDOUS WASTE [-EN22, EN24-]
(kg)

	2011	2012	2013	TYPE OF MANAGEMENT
Used oil	152,256	433,156	287,967	Regeneration/Valuation
Oil with PCBs [1]	0	426	137	Valuation /Elimination
Oil/water mix [2]	240,673	466,030	929,592	Valuation
Diesel/water mix		0	400	Valuation
Transformers and equipment with PCBs [1]	45,205	19,906	10,477	Valuation / Elimination
Hazardous electrical and electronic waste: equipment containing oil	716,708	353,745	307,077	Valuation
Hazardous electrical and electronic waste: other	78,487	49,070	59,897	Valuation
Nickel/cadmium accumulators [3]	100,355	105,866	112,035	Recycling
Lead batteries [4]	3,805	1,703	15,062	Recycling
Soils impregnated with hydrocarbons	648,138	504,032	383,033	Elimination
Containers that have contained hazardous substances	8,217	7,620	5,077	Valuation
Absorbent matter and other [5]	16,630	9,379	47,057	Valuation
Silica gel and other inorganic chemical products	489	0	848	Valuation
Non-halogenated solvents	0	134	47	Valuation
Halogenated solvents	0	5	108	Valuation
Water-based cleaning liquids	114	85	0	Valuation
Paint waste	201	843	372	Valuation
Insulation material (with or without asbestos)	2,439	9,656	1,244	Valuation / Elimination
Laboratory chemical products		974	354	Valuation
Gases in pressurised containers [6]	126	592	8,522	Valuation
Waxes and used grease	0	0	0	Valuation
Antifreeze containing hazardous substances	1,055	301	29	Valuation
Fluorescent lighting tubes		459	974	Recycling
Batteries			28	Elimination
Fuel oil y diesel	0	1,065	0	Valuation
Cable with hydrocarbons	0	87,180	0	Valuation
Total	**2,016,766**	**2,052,323**	**2,170,337**	

[1] Following the conclusion of the plan for elimination/decontamination of transformers, equipment and oil with PCBs completed in 2010, the quantities now produced come from the removal of airtight equipment which ends up contaminated at the end of its useful life. [EN1]

[2] Increase linked to the emptying of the containment systems for leaks in power transformers.

[3] Increase as a result of removals due to end of useful life (originate mainly from recently acquired insular assets).

[4] Increase as a result of removals due to end of useful life (originate mainly from the Head Office).

[5] Increase derived from a one-off management of impregnated materials (paper) used when dismantling a power transformer.

[6] The implementation of a new SF_6 management procedure has caused the removal of bottles containing this gas.

Note: Hazardous waste is transported and managed by authorised companies for that purpose. The total amount of waste destined for recycling is estimated at 47%. [EN24]

LEAKS AND SPILLAGES IN 2012 [-EN23-]

(kg)

	Incidents [1]	Accidents [2]				
		1	2	3	4	5
Construction	39	0	1	0	0	0
Maintenance [3]	17	0	1	3	0	0

HISTORICAL DATA REGARDING LEAKS AND SPILLAGES [-EN23-]

		2011	2012	2013
Construction activities	Incidents	39 [4]	9	39
	Accidents		0	1
Maintenance activities	Incidents	22 [4]	25	17
	Accidents		6	4
Total registered		**61**	**40**	**61**

[1] Accidents of minor importance related to the breakage of hoses of the machinery used for construction, or minor spillages of oil or fuel occurred during decanting and temporary storage.

[2] Classification of accidents depending on the severity on a scale of 1 to 5 (1 slight - 5 severe).

[3] Three of the accidents have been classified as Level 3. In all of them the spilled substance was oil. The amount was less than 10,000 l in two of them and less than 500 l in the third. None of them affected sensitive natural areas and on all occasions corrective measures (cleaning and replacement of affected areas, repairing the machinery involved and proper management of contaminated material) were applied. One of these accidents was associated with a failure of the containment system of a power transformer machine. In this case, an environmental monitoring of the facility is being conducted and implementation of new measures are being analysed.

[4] The current system of evaluation of incidents/accidents was introduced in 2012. In the past, the two categories were not separated.

SANCTIONS AND FINES [-EN28-]
(EUROS)

	2011		2012		2013	
INFRINGEMENTS COMMITTED	NUMBER OF CASES	AMOUNT	NUMBER OF CASES	AMOUNT	NUMBER OF CASES	AMOUNT
Fire risk [1]	7	2,314	4	1,082	5	1,182
Unauthorised felling and pruning	2	21,876	1	300	-	-
Fire due to line discharge	1	3,848	1	3,948	-	-
Obstruction of waterway/Unauthorised works	2	3,100	-	-	-	-
Activities with high probability of soil contamination	1	-	-	-	-	-
Accumulation of biomass waste	-	-	-	-	1	100
Fauna/Wildlife in captivity without authorisation [2]	-	-	-	-	1	100
Total	**14**	**31,138**	**6**	**5,330**	**7**	**1,382**

[1] Fire risk due to lack of maintenance of vegetation / abandonment of material.

[2] This case was a consequence of 1 roe deer entering one substation.

Note: Data from 2011 and 2012 has been updated to include new cases (two in 2011 and four in 2012) for these years, but resolved in 2013.

ENVIRONMENTAL EXPENDITURE [-EN30-]
(EUROS)

	2011	2012	2013
Investments	**7,027,748**	**5,154,305**	**2,752,119**
Engineering and construction of facilities [1]	7,027,748	5,154,305	2,752,119
Expenditure	**20,394,545**	**16,380,072**	**20,620,761**
Development of methodology and systems [2]	**45,086**	**25,153**	**49,980**
Environmental studies and analyses	**142,121**	**200,429**	**167,746**
Environmental actions in facilities in service	**18,272,125**	**14,053,007**	**18,564,425**
Contamination prevention [3]	727,892	1,890,198	1,547,453
Protection of biodiversity. Landscape [4]	15,851,286	11,187,670	16,039,821
Climate change [5]	874,348	475,360	277,067
Energy efficiency and savings in resources [6]	181,086	236,043	206,834
Waste reduction and management	637,513	263,737	493,250
Research and development	**319,172**	**147,799**	**305,868**
Training and communication	**416,753**	**402,004**	**163,180**
Environmental training and awareness	27,743	11,590	26,394
Communication [7]	389,009	390,414	136,785
Environmental taxes and fees	**23,186**	**117,392**	**105,162**
Cost of personnel dedicated to environmental activities	**1,176,103**	**1,434,287**	**1,264,401**

[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), line marking with bird-flight diverters, bird-nesting deterrents, management of nests, landscaping adaptation, biodiversity conservation projects, etc.

[5] 'Red Eléctrica Forest', improvement of SF6 management, replacement of equipment containing R-22.

[6] Installation of meters, energy audits, activities of Red Eléctrica eficiente.

[7] Affiliations, congresses, informative leaflets, stands in fairs, publicity in magazines, collaboration and sponsorships agreements.

BIOLOGICAL STOPPAGES 2013

Stoppage of works on 15 towers between 1 February and 31 July due to the presence of White Storks (Ciconia ciconia), Black Stork (Ciconia nigra) (1), Red Kites (Milvus Milvus) (2), Black Kites (Milvus migrans), Common Buzzards (Buteo buteo), Booted Eagles (Hyeraaetus pennatus) and Short-toed Snake Eagles (Circaetus gallicus).
Stoppage of works on 8 towers between1 March and 15 July due to nesting of the Imperial Eagle (Aquila adalberti) [2] [3] and Bonelli's Eagle (Aquila fasciata). [1]
Various stoppages of works between 1 March and 15 July on six towers due to nesting of the Booted Eagle (Hyeraaetus pennatus) and presence of Steppe birds.
Stoppages of 13 towers due to the presence of Steppe birds from 15 March to 15 July.
Stoppage of 28 towers due to the presence of Golden Eagles (Aquila chrysaetos) (4) from 1 January to 31 July.
Stoppage of 16 towers due to the presence of Black Storks (Ciconia nigra) (1) from 1 March to 23 August.
Stoppage of 37 towers (72.5% of the line) between 1 January and 12 August due to the presence of Black Vultures (Aegypius monachus) (1) (4), Griffon Vulture (Gyps fulvus), Golden Eagles (Aquila chrysaetos) (4), Black Storks (Ciconia nigra) (1), Short-toed Snake Eagles (Circaetus gallicus), Eagle Owls (Bubo bubo).

[1] Vulnerable species under the National Catalogue of Endangered Species.

[2] Endangered species according to the IUCN Red List.

[3] Threatened species according to the IUCN Red List.

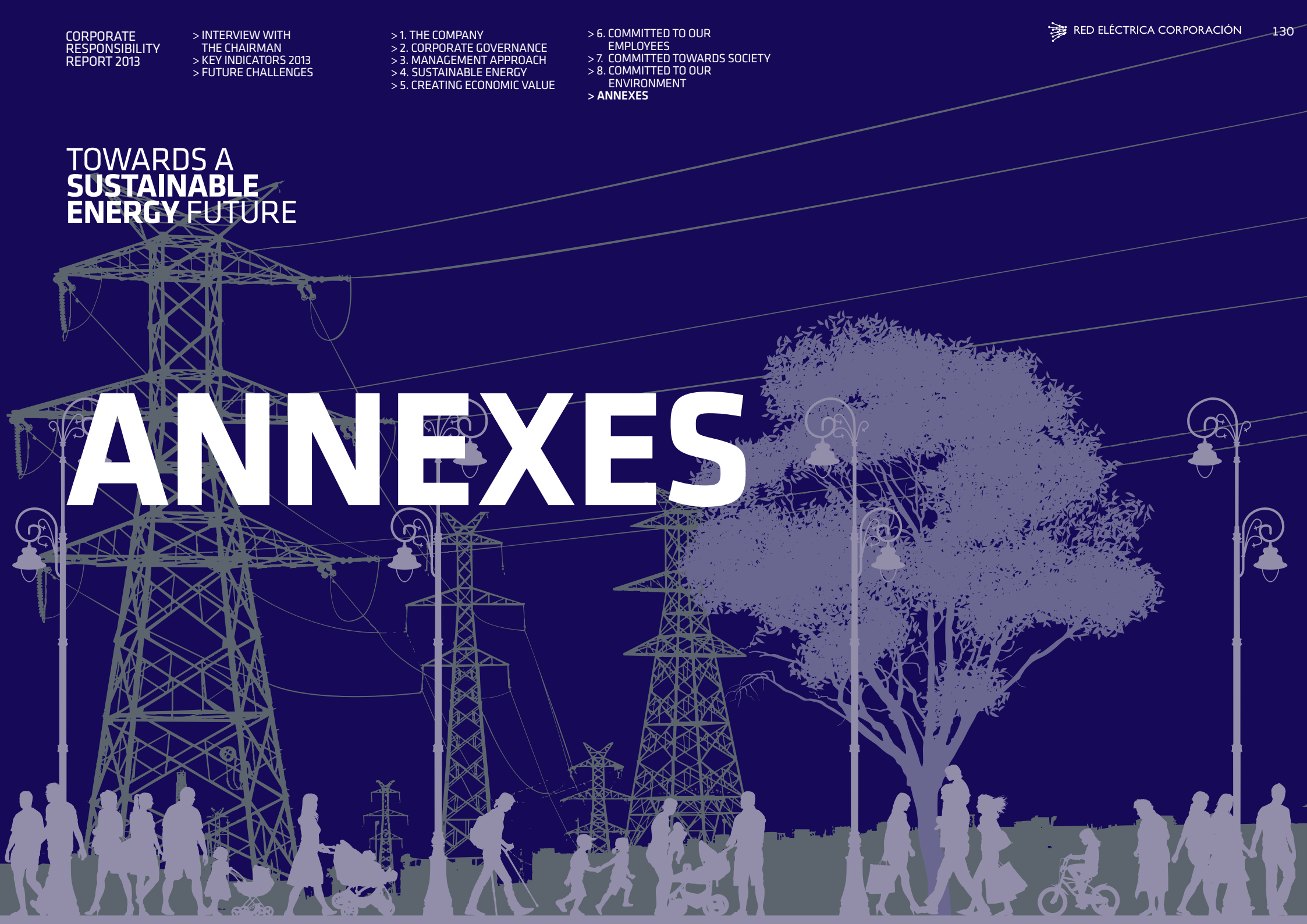
[4] Near threatened according to the IUCN Red List.

EMISSIONS INVENTORY

Direct emissions (SCOPE 1)	Fixed combustion: derived from the use of fuels in auxiliary generator units. In accordance with the estimates and calculations carried out, these emissions could be excluded from the inventory as they represent less than 2% of total emissions. Mobile combustion: those derived from fuel consumption by fleet vehicles. Fugitive emissions: SF6 gas leaks (used as insulation in switches and gas-insulated substations) and leakage of refrigerants in air conditioning units at facilities (currently in the calculation process).
Indirect emissions (SCOPE 2)	Electricity consumption in facilities. Emissions derived from energy losses in the transmission grid. Said losses represent the energy which, despite being generated by companies, does not reach the distribution network.
Indirect emissions (SCOPE 3)	Carbon footprint associated with the value chain. Emissions associated with business travel (calculated for trips by train and plane). Emissions associated with the transfer of materials between different workplaces (logistics). Emissions associated with Red Eléctrica events: Annual Shareholders' Meeting.

TOWARDS A **SUSTAINABLE ENERGY** FUTURE

ANNEXES



REPORT PARAMETERS

PROFILE, SCOPE AND COVERAGE [-3.1, 3.2, 3.3-]

The present corporate responsibility report collates relevant information on the social, environmental and economic impacts of Red Eléctrica during the 2013 fiscal year, and the evolution over the last five years in the majority of indicators. This report which Red Eléctrica **has been publishing every year since 2002** (the previous one corresponding to 2012, was published in March 2013), has been drawn up and validated in accordance with the recommendations of the **Guide for drafting sustainability reports (G3, version 3.1, 2011)** and **Electric Utility Supplement (2009 edition)** edited by the Global Reporting Initiative (GRI) and for the ninth consecutive year it **has been verified in accordance with the AA 1000 Standard.**

Its content is complemented with the following information:

>> Editing and publishing of the Corporate Responsibility Report and the Consolidated Annual Accounts of the Red Eléctrica Group, which includes the Management Report regarding the Group's businesses.

>> Editing and publishing of the Environmental Report.

>> Extensive content on the corporate website **(www.ree.es).**

MATERIALITY

Following the materiality study (revised in 2011) and information obtained through the framework of relations with stakeholder groups, the information presented in this report seeks to provide a complete response regarding the most relevant topics in order to address the challenges of the electricity sector and the impacts generated by the activity of the Company on the environment, society and the business fabric.

STAKEHOLDER PARTICIPATION [-3.5-]

El informe de responsabilidad corporativa se elabora en colaboración con las distintas áreas de la empresa y para la mejora de contenidos se tienen en cuenta las propuestas planteadas por los diferentes grupos de interés. Además, cabe destacar que un año más se han tenido en cuenta las notables aportaciones recibidas por parte de observatorios, agencias de rating, entidades evaluadoras y difusoras de responsabilidad corporativa.

COVERAGE [-3.6, 3.7, 3.8, 3.9, 3.10, 3.11-]

Este This report includes complete information regarding the management approach, activities and results of the Group's main activity: the electricity business in Spain through Red Eléctrica de España, SAU (REE) which represents 96% of the Group's consolidated net revenue. It was not considered relevant to provide information by activity or geographic segments of

GRI APPLICATION LEVEL CHECK: STATEMENT


Global Reporting Initiative

Statement
GRI Application Level Check

GRI hereby states that **Red Eléctrica Corporación** has presented its report "Corporate Responsibility Report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 20 March 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

The "+" has been added to this Application Level because **Red Eléctrica Corporación** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

the other activities that together represent only 4% of the net consolidated revenue. 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 justified in the corresponding section.

Additionally, this report outlines the actions and results that show the organisation's commitment regarding compliance with and support for human and labour rights. In line with this, two columns have been included in the list of GRI indicators with the aim of cross-referencing those GRI indicators that are equivalent to the Global Compact principles and provisions of the ISO 26000.

For any clarification and additional information regarding this publication or regarding the report validation and verification, please refer to the list of contact addresses provided at the end of the report.

INDEPENDENT VERIFICATION **[-3.13-]**

The contents of this report have been verified by an independent auditing firm and the corresponding verification report is included at the end of this section. The verification process is based on the following milestones:

- >> Verification of the process used to draw up the Corporate Responsibility Report based on the AA 1000 AS standard.
- >> Verification and classification of the degree of compliance with the G3 guide (version 3.1) proposed by the Global Reporting Initiative.

Furthermore, **the economic and environmental data** has been subjected to an **external audit** and is published in greater detail in the company's annual accounts and Environmental Report for 2013.

Red Eléctrica have followed the protocol established by the GRI and has submitted its self-evaluation for verification by SGS. This was finally confirmed by the auditing firm as A+. Similarly, the report has been revised by the GRI, which awarded it with the A+ application level.

GRI INDICATORS [-3.12-]

PART 1 . STRATEGY AND PROFILE

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
1. STRATEGY AND ANALYSIS				
1.1	Statement from the most senior decision-maker of the organisation.		6.2	3
1.2	Description of key impacts, risks, and opportunities.		6.2	23
2. ORGANISATIONAL PROFILE				
2.1	Name of the organisation.			13
2.2	Primary brands, products, and/or services.			14
2.3	Operational structure of the organisation.		6.2	14
2.4	Location of organisation's headquarters.			168
2.5	Number of countries where the organisation operates.			14
2.6	Nature of ownership and legal form.			13
2.7	Markets served.			14
2.8	Scale of the reporting organisation.			49, 62, 69
2.9	Significant changes during the reporting period regarding size, structure, or ownership.			Note (1)
2.10	Awards received in the reporting period.			34
3. REPORT PARAMETERS				
Report profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.			131
3.2	Date of most recent previous report (if any).			131
3.3	Reporting cycle (annual, biennial, etc.).			131
3.4	Contact point for questions regarding the report or its contents.			155

GRI INDICATORS (cont.)

PART 1 . STRATEGY AND PROFILE (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
Scope and coverage of the report				
3.5	Process for defining report content.			32, 131
3.6	Boundary of the report.			131
3.7	State any specific limitations on the scope or boundary of the report.			131
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.			131
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.			131
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.			131
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			131
GRI content index				
3.12	Table identifying the location of the Standard Disclosures in the report.			133
3.13	Policy and current practice with regard to seeking external assurance for the report.		7.5.3	132, 156

GRI INDICATORS (cont.)

PART 1 . STRATEGY AND PROFILE (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT				
Governance				
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.		6.2	18, 19, 86
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		6.2	21
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.		6.2	18
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		6.2	20
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).		6.2	21
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		6.2	20
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.		6.2	20
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		6.2	12, 20
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		6.2	20, 32, 33, 34
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		6.2	20, 22

GRI INDICATORS (cont.)

PART 1 . STRATEGY AND PROFILE (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT (cont.)				
Commitment with external initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	P7	6.2	23
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	P7	6.2	34, 153
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations which the organisation supports.		6.2	35
Participation of stakeholders				
4.14	List of stakeholder groups engaged by the organisation.		6.2	37
4.15	Basis for identification and selection of stakeholders with whom to engage.		6.2	36
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		6.2	36-37
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.		6.2	32

GRI INDICATORS (cont.)

PART 2. MANAGEMENT APPROACH

Profile Disclosure	Description	Comments	CR Report Page
ECONOMIC DIMENSION			
DMA EC	Economic performance		61-66
	Market presence		44-66
	Indirect economic impacts		61-66
	Availability and reliability		44-59
	Demand-side management		44-59
	System efficiency		44-59
	Research and development		57-59
	Plant decommissioning		Note (29)
ENVIRONMENTAL DIMENSION			
DMA EN	Materials		125
	Energy		114
	Water		120
	Biodiversity		104-109
	Emissions, effluents and waste		113-117
	Products and services		Note (8)
	Compliance		127
	Transport		Note (12)
	Overall		128

GRI INDICATORS (cont.)

PART 2. MANAGEMENT APPROACH (cont.)

Profile Disclosure	Description	Comments	CR Report Page
SOCIAL DIMENSION: LABOUR PRACTICES AND WORK ETHICS			
DMA LA	Employment		69-87
	Labour/management relations		77
	Occupational health and safety		78-80
	Training and education		74-75
	Diversity and equal opportunity		72-73
	Equal remuneration for women and men		87
SOCIAL DIMENSION: HUMAN RIGHTS			
DMA HR	Investment and procurement practices		Note (15)
	Non-discrimination		72
	Freedom of association and collective bargaining		77
	Child labour		Note (18)
	Prevention of forced and compulsory labour		Note (18)
	Security practices		Note (18)
	Indigenous rights	Corporate Responsibility Policy is in place	32
	Assessment		Note (18)
	Remediation		Note (18)

GRI INDICATORS (cont.)

PART 2. MANAGEMENT APPROACH (cont.)

Profile Disclosure	Description	Comments	CR Report Page
SOCIAL DIMENSION: SOCIETY			
DMA SO	Local communities		96
	Corruption		24
	Public policy		34
	Anti-competitive behaviour	Red Eléctrica does not have the competition profile; it is the sole system operation and transmission agent in Spain	12
	Compliance	Corporate Responsibility Policy is in place	32
	Disaster/emergency planning and response		Note (37)
SOCIAL DIMENSION: PRODUCT RESPONSIBILITY			
DMA PR	Customer health and safety		91-93
	Product and service labelling		Note (26)
	Marketing communications		Note (27)
	Customer privacy		91-93
	Compliance		91-93
	Access		44-56
	Provision of information		91-93

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
1. ECONOMIC				
Economic performance				
EC1	Direct economic value generated and distributed.		6.8, 6.8.3, 6.8.7, 6.8.9	63
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	P8	6.5.5	25
EC3	Coverage of the organisation's defined benefit plan obligations.			Note (2)
EC4	Significant financial assistance received from government.			13, 64
Market presence				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	P1, P4	6.4.4, 6.8	Note (3)
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		6.6.6, 6.8, 6.8.5, 6.8.7	64, 94
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	P6	6.8, 6.8.5, 6.8.7	Note (4)
Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	98
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		3.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9	57

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
2. ENVIRONMENTAL				
Materials				
EN1	Materials used by weight or volume.		6.5, 6.5.4	118, 125
EN2	Percentage of materials used that are recycled input materials.		6.5, 6.5.4	118
Energy				
EN3	Direct energy consumption by primary energy source.		6.5, 6.5.4	118
EN4	Indirect energy consumption by primary source.		6.5, 6.5.4	119
EN5	Energy saved due to conservation and efficiency improvements.	P8	6.5, 6.5.4	114
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	P8, P9	6.5, 6.5.4	114
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	P8, P9	6.5, 6.5.4	114
Water				
EN8	Total water withdrawal by source.		6.5, 6.5.4	120
EN9	Water sources significantly affected by withdrawal of water.		6.5, 6.5.4	Note (5)
EN10	Percentage and total volume of water recycled and reused.		6.5, 6.5.4	120
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	P8	6.5, 6.5.6	120
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	P8	6.5, 6.5.6	107,121
EN13	Habitats protected or restored.	P8	6.5, 6.5.6	104-109
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	P8	6.5, 6.5.6	104-109
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		6.5, 6.5.6	121

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
2. ENVIRONMENTAL (cont.)				
Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.		6.5, 6.5.5	122
EN17	Other relevant indirect greenhouse gas emissions by weight.		6.5, 6.5.5	123
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	P7, P8, P9	6.5, 6.5.5	113-114
EN19	Emissions of ozone-depleting substances by weight.		6.5, 6.5.3	Note (6)
EN20	NOx, SOx, and other significant air emissions by type and weight.		6.5, 6.5.3	Note (7)
EN21	Total water discharge by quality and destination.		6.5, 6.5.3	Note (8)
EN22	Total weight of waste by type and disposal method.		6.5, 6.5.3	124-125
EN23	Total number and volume of significant spills.		6.5, 6.5.3	126
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		6.5, 6.5.3	125
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.		6.5, 6.5.4, 6.5.6	Note (9)
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P7, P8	6.5, 6.5.4, 6.6.6, 6.7.5	Note (10)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		6.5, 6.5.4, 6.7.5	Note (11)
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		6.5	127
Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation’s operations, and transporting members of the workforce.		6.5, 6.5.4, 6.6.6	Note (12)
Overall				
EN30	Total environmental protection expenditures and investments by type.		6.5	128

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
3. SOCIAL: LABOUR PRACTICES AND DECENT WORK				
Employment				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.		6.3.10, 6.4, 6.4.3	81, 84
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.		6.3.10, 6.4, 6.4.3	81-82
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.		6.4, 6.4.3, 6.4.4	71
LA15	Return to work and retention rates after parental leave, by gender.		6.3.10, 6.4, 6.4.3, 6.4.4	87
Labour/management relations				
LA4	Percentage of employees covered by collective bargaining agreements.	P1, P3	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	82
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	P3	6.4, 6.4.3, 6.4.4, 6.4.5	Note (13)
Occupational health and safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	P1	6.4, 6.4.6	78
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	P1	6.3.10, 6.4, 6.4.6	83
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	P1	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	78, 79
LA9	Health and safety topics covered in formal agreements with trade unions.	P1	6.4, 6.4.6	Note (14)

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
3. SOCIAL: LABOUR PRACTICES AND DECENT WORK (cont.)				
Training and education				
LA10	Average hours of training per year per employee by gender, and by employee category.	P1	6.3.10, 6.4, 6.4.7	85
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P1	6.4, 6.4.7, 6.8.5	75
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	P1	6.3.10, 6.4, 6.4.7	85
Diversity and opportunity				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	P1, P6	6.3.7, 6.3.10, 6.4, 6.4.3	81, 86
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	P1, P6	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4	87

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. SOCIAL: HUMAN RIGHTS				
Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	P1, P2	6.3, 6.3.3, 6.3.5, 6.6.6	Note (15)
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	P1, P2	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6	94
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P1	6.3, 6.3.5	Note (16)
Non-discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken.	P1, P6	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3	Note (17)
Freedom of association and collective bargaining				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	P1, P3	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5, 6.6.6	Note (18)
Child labour				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	P1, P2, P5	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6	Note (18)
Prevention of forced and compulsory labour				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measure to contribute to the elimination of all forms of forced or compulsory labour.	P1, P2, P4	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6	Note (18)
Security practices				
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	P1	6.3, 6.3.5, 6.4.3, 6.6.6	Note (15)

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. SOCIAL: HUMAN RIGHTS (cont.)				
Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	P1	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	Note (19)
Assessment				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	P1	6.3, 6.3.5, 6.4.3, 6.6.6	Note (20)
Remediation				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	P1	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	Note (21)

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
5. SOCIAL: SOCIETY				
Local communities				
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	98
SO9	Operations with significant potential or actual negative impacts on local communities.		6.3.3, 6.8	110-111
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		6.3.3, 6.8	110-111
Corruption				
SO2	Percentage and total number of business units analysed for risks related to corruption.	P10	6.6, 6.6.3	24
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	P10	6.6, 6.6.3	Note (16)
SO4	Actions taken in response to incidents of corruption.	P10	6.6, 6.6.3	24
Public policy				
SO5	Public policy positions and participation in public development and lobbying.	P1, P2, P3, P4, P5, P6, P7, P8, P9, P10	6.6, 6.6.4, 6.8.3	35, 45
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		6.6, 6.6.4, 6.8.3	Note (22)
Anti-competitive behaviour				
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes.		6.6, 6.6.5, 6.6.7	Note (23)
Legislative compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		6.6, 6.6.7, 6.8.7	Note (24)

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
6. SOCIAL: PRODUCT RESPONSIBILITY				
Customer health and safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	P1	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	111
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	Note (25)
Product and service labelling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	91
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.		6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	Note (26)
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9	93
Marketing communications				
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		6.7, 6.7.3, 6.7.6, 6.7.9	Note (27)
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.		6.7, 6.7.3, 6.7.6, 6.7.9	Note (27)
Customer privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		6.7, 6.7.7	Note (28)
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		6.7, 6.7.6	Note (29)

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
7. ELECTRIC UTILITY SECTOR-SPECIFIC SUPPLEMENT				
Organisational profile				
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.			Note (30)
EU2	Net energy output broken down by primary energy source and by regulatory regime.			Note (30)
EU3	Number of residential, industrial, institutional and commercial customer accounts.			Note (31)
EU4	Length of above and underground transmission and distribution lines by regulatory regime.			49
EU5	Allocation of CO_2 emissions allowances or equivalent, broken down by carbon trading framework.			Note (32)
Economic dimension				
EU6	Management approach to ensure short and long-term electricity availability and reliability.	P7, P9	6.3.3, 6.5.3, 6.5.4, 6.5.5, 6.5.6, 6.7.8, 6.8.3, 6.8.6	45
EU7	Demand-side management programmes including residential, commercial, institutional and industrial programmes.	P8, P9	6.3.3, 6.5.3, 6.5.4, 6.5.5, 6.7.5, 6.7.8, 6.8.6	55
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	P9	6.8.6	57
EU9	Provisions for decommissioning of nuclear power sites.			Note (30)
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.			45
EU11	Average generation efficiency of thermal plants by energy source and regulatory regime.			Note (30)
EU12	Transmission and distribution losses as a percentage of total energy.			Note (34)
Environmental dimension				
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	P7	6.5.6	Note (35)

GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
7. ELECTRIC UTILITY SECTOR-SPECIFIC SUPPLEMENT (cont.)				
Social dimension				
EU14	Programmes and processes to ensure the availability of a skilled workforce.	P6	6.4.6, 6.4.7	74
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.			87
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	P1	6.3.3, 6.3.5, 6.4.6, 6.6.6	78
EU17	Days worked by contractor and subcontractor employees that participate in construction, operation and maintenance activities.			84
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	P1	6.3.3, 6.3.5, 6.4.6, 6.6.6	78
EU19	Stakeholder participation in the decision-making process related to energy planning and infrastructure development.			103
EU20	Approach to managing the impacts of displacement.			Note (36)
EU21	Contingency planning measures, disaster/emergency management plan and training programmes, and recovery/restoration plans.	P7	6.5.3, 6.7.8	Note (37)
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.			Note (36)
EU23	Programmes, including those in partnership with government, to improve or maintain access to electricity and customer support services.			45
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.			Note (40)
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements, and pending legal cases of diseases.			Note (38)
EU26	Percentage of population unserved in licensed distribution or service areas.			Note (39)
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.			Note (40)
EU28	Power outage frequency.			50
EU29	Average power outage duration.			50
EU30	Average plant availability factor by energy source and by regulatory regime.			Note (30)

NOTES TO THE GRI INDICATOR TABLE

(1) 2.9. Changes in the scope of consolidation of the financial figures of the Group due to the expropriation in 2012 of the Bolivian company TDE and the increased participation in REDESUR in 2013.

(2) EC3. The Group has contribution plans defined that set out the benefit amount that an employee will receive upon retirement, usually based on one or more factors such as age, years of service or remuneration. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no obligation, legal or implied, to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits related to the services provided in the current and prior years. The contributions are recognized as employee benefit expense when they are due. The number of participants in the pension plan at 31.12.2013 is 1,320, and the possible contribution contemplated is 1%, 2% or 3% of base salary to be deducted from the payroll (contribution by the participant) and the company contributes 1%, 2% or 3% (contribution of the promoter). Other long-term employee benefits include defined benefit plans other than pension plans, such as health insurance, in compliance with the provisions of the Collective Bargaining Agreement.

(3) EC5. The standard starting salary for all employees of Red Eléctrica de España is three times the local minimum wage.

(4) EC7. Although Red Eléctrica does not have a specific process for hiring local employees and executives, 100% of its professionals, including the management team, are recruited in the country of origin.

(5) EN9. Not applicable. The water consumed is obtained from authorised water withdrawal points (municipal mains and wells) or from cisterns. Therefore, no direct effect exists on ecosystems.

(6) EN19. These can be considered irrelevant, with the exception of those associated to the use of air conditioning systems with R22. Losses are minimal owing to the fact that they undergo adequate maintenance. Additionally, a plan is in place for their complete replacement which is foreseen to be completed in January 2015.

(7) EN20. Not applicable. These emissions are not generated directly by the activities of the Company.

(8) EN21. Not applicable. The Company has no dumping activities associated with productive processes.

(9) EN25. Not applicable. Pluvial water dumping from substations (which is the only water dumping associated to the activities of REE that takes place) does not affect water resources nor the associated habitats.

(10) EN26. Not directly applicable. The initiatives regarding demand management and integration of renewable energies already set out in EN6 could be considered under this aspect.

(11) EN27. Not applicable. Red Eléctrica does not commercialise products.

(12) EN29. The transport of materials and people are not considered significant impacts. The impacts considered are those indicated in EN3, EN4 and EN17.

(13) LA5. The minimum periods of notice to workers and their representatives are established by Spanish legislation (Statute of Workers' Rights). Red Eléctrica maintains permanent communication channels with union representation, which, as set out in the IX Collective Bargaining Agreement has the right to have access to the documents made available to shareholders and, in particular, the balance sheet, income statement and the annual report of the Company .

(14) LA9. The Occupational Safety and Health Committee of Red Eléctrica is composed of six members nominated by the Company and six health & safety delegates elected amongst workers' representatives, representing 100% of the employees. Amongst the functions conferred to this Committee are the analyses of the evolution of the following indicators: health and safety, labour accidents and injuries suffered and the transfer & settlement of proposals and consultation of employees, therefore constituting an essential element for participation and the improvement of prevention. In 2013 this Committee met on four occasions.

(15) HR1, HR8. Red Eléctrica's General Conditions of Contract, referring to corporate responsibility, establishes that the supplier/provider acknowledges that it is aware, accepts and complies with the provisions set out in Red Eléctrica's Supplier Code of Conduct and that it will respect the principles of the Universal Declaration of Human Rights and the conventions that it develops, as well as the recommendations of the ILO. Evidence of noncompliance of the aforementioned document may be grounds for contract cancellation. For security services providers, in addition to the training required by regulations it shall include training relating to social matters.

(16) HR3, SO3. All employees of the Group have been informed of and trained on ethical principles that must govern their daily activities through the Code of Ethics, , in which are specifically included the criteria and procedures to be carried out to comply strictly with human and labour rights. Also, new hires are provided the Code of Ethics along with the rest of the induction documentation. Another aspect on which employees have been trained is the policy and measures regarding anti-corruption, especially for those organizational units most implicated in this field. In addition, the dissemination of the new Code of Ethics to all employees, carried out in 2013, has reinforced the Company's commitment towards to non-discrimination and the prevention of corruption.

17) HR4. In 2013, no claims or incidents associated with discrimination were recorded.

(18) HR5, HR6 and HR7. As regards to these indicators, no risks have been identified in any of Red Eléctrica's operations. The activities carried out by the Red Eléctrica Group are characterized for being intensive in highly qualified human capital, making it impossible for problems related to human rights, such as child labour and forced labour, freedom of association amongst others. In addition, the SA 8000 certification and certification by AENOR in accordance with the IQNET SR10 standard in all companies of the Group, verify that the human and labour rights are guaranteed. In addition, Red Eléctrica de España, in compliance with existing labour laws, recognizes the right of association of workers and respects the regulatory scope of collective bargaining agreements as a source of rights and obligations between the parties since this is the nature conferred to it by the current Spanish legislation. Additionally, in the general terms and conditions of contract of Company the acceptance and compliance with the Code of Conduct

(continued to next page) ›

NOTES TO THE GRI INDICATOR TABLE (CONTINUED)

› for suppliers is a mandatory requirement and that includes among its principles the compliance of the elements addressed in these indicators.

(19) HR9.There is no record that any incident related to infringements of the rights of the indigenous people has occurred.

(20) HR10. Maintaining the certifications regarding corporate responsibility matters (IQNet SR10, SA 8000 and EFR), audited annually, implies the compliance with the requirements set out by these standards on human rights.

(21) HR11. No claims or complaints regarding human rights matters were registered in 2012.

(22) SO6. The Code of Ethics of Red Eléctrica establishes the prohibition regarding contributions to political parties or organizations.

(23) SO7. No legal claims against the Red Eléctrica Group have been registered related to acts taken against free competition, anti-monopolistic legislation and monopolistic practices.

(24) SO8. In 2013, there are no sanctions and significant fines or non-monetary sanctions for noncompliance with laws and regulations.

(25) PR2. There has been no significant incident registered linked to the non-compliance with the legal regulation of the voluntary codes related to the impacts of the goods and services on health and safety during its life cycle.

(26) PR4. Not applicable. The products of Red Eléctrica are exempt from labelling.

(27) PR6. Red Eléctrica does not carry out any campaigns for advertising or commercial purposes.

(28) PR8. No complaints have been filed with regard to infringements of customers´ rights to privacy or the theft and loss of personal data.

(29) PR9. In 2012, no significant fines have been imposed due to) breach of laws and provisions regulating the supply and use of products and services.

(30) EU1, 2, 9, 11, 30. Not applicable. All the activities of the Group are related with the transmission of electricity and with the operation of the electricity systems, but not with the generation of electricity.

(31 As at December 2013, 518 market agents were registered in the System Operator's information system. The profile of clients is described on page 91.

(32) EU5. Not applicable. The rights regarding CO_2 Equivalent Emission Allowances do not apply to power transmission activities.

(33) EU10. As the electricity system operator and transmission agent, this indicator has been interpreted as the planning of the grid in accordance with the 2008-2016 Infrastructures Plan.

(34) EU12.The losses attributable to the transmission grid during 2013 are estimated to be 1.29% over the transmission demand.

(35) EU13. Due to preventive and corrective measures applied, the facilities of Red Eléctrica do not entail a sufficiently significant loss of biodiversity to require the establishing of compensation zones. The effects generated are minimal, having established in some cases very specific measures were established such as the planting of trees or habitat restoration. The comparison of the compensation of habitat with the area affected is not applicable as the effects on the original habitat are minimal.

(36) EU20 and EU22. Red Eléctrica facilities do not produce any type of displacement.

(37) EU21. The management of contingencies which may occur in the company is included as part of the processes defined by Red Eléctrica. These processes are set out in a series of regulatory documents that establish the actions to be carried out in the event of any operational emergency. In turn, they are complemented by other regulations that cover the whole spectrum of possible contingencies that may affect the environment, accidents and incidents of significant severity which involve people, or those actions to be carried out in the event of a pandemic outbreak or the evacuation of buildings and facilities of the Company. In addition, the Company has an action plan in the event of contingencies regarding the electricity system, called Power Service Restoration Plan, which details the actions needed to restore the power supply under safe conditions for the system. The Company also has a specific training centre called ECRE (the Red Eléctrica Corporate School), which prepares technicians that work in the electricity control centre by means of recovery and restoration of the power service simulations.

(38) EU25. In 2013, no fatal injuries and casualties involving company assets have occurred amongst the citizens.

(39) EU26. Red Eléctrica does not carry out distribution activity, only high voltage transmission. The quality indicators regarding the electricity transmission are shown on page 50.

(40) EU24, EU27. Not applicable. Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.

UNITED NATIONS GLOBAL COMPACT *[-4.12-]*

RED ELÉCTRICA adheres to the United Nations Global Compact. Their activities seek to back and consolidate this international project, as they all consider this initiative a high value proposition for the defence of fundamental human rights, protection of the environment, support for social development, respect for workers' rights and the fight against corruption.

RED ELÉCTRICA DE ESPAÑA, founding Member of the Spanish Global Compact Network (Red Española del Pacto Mundial), annually presents the Progress Report, which includes the main actions carried out in relation to the Ten Principles. This information is available on the Spanish Global Compact website, **www.pactomundial.org** and on the Global Compact website, **www.unglobalcompact.org.**

In 2011, the Global Compact introduced the Differentiation Programme, oriented towards categorising the Progress Reports of the participating companies based, on one hand, on the degree of implementation of the Ten Principles and, on the other, on the degree of transparency. The Progress Report of Red Eléctrica de España has obtained, for a third consecutive year, the "GC Advanced qualification", granted to companies that implement and communicate best practices related to the integration of the Ten Principles in their management.

RED ELÉCTRICA DE ESPAÑA, actively collaborated with the Spanish Global Compact Network during 2013 as sponsoring company of the CSR-SME initiative, designed to promote the sustainable management of Spanish SMEs.

GLOBAL COMPACT ASPECTS AND PRINCIPLES	
HUMAN RIGHTS	
1.	Businesses should support and respect the protection of internationally proclaimed human rights; and
2.	make sure that they 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.	ensure the elimination of all forms of forced and compulsory labour;
5.	support the effective abolition of child labour; and
6.	support the elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	
7.	Businesses should support a precautionary approach to environmental challenges;
8.	undertake initiatives to promote greater environmental responsibility; and
9.	encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	
10.	Businesses should work against corruption in all its forms, including extortion and bribery.

CONTACT *[-2.4, 3.4-]*

For any consultation, opinion or suggestion about this report, please contact:

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This report is only published in electronic format.

This report shows complete information regarding the activity of the Company during the 2013 fiscal year and is complemented by the legal documentation (Corporate Governance Report and Consolidated Annual Accounts Report). All these documents are published, for a sixth consecutive year, exclusively in electronic format, in line with our commitment to reduce the use of paper.

A In addition, we have published, in paper format, a summary report with the most relevant aspects of the 2013 fiscal year. This document and the complete reports are available on the corporate website: **www.ree.es.**

Nevertheless, if for any reason the electronic format version cannot be accessed, a printed copy of the PDF format may be request by contacting the **Dígame** Stakeholder Attention Centre.

This English version is a translation of the original and authentic Spanish text found in the "INFORME DE RESPONSABILIDAD CORPORATIVA DE RED ELÉCTRICA 2013", originally issued in Spanish. In the event of discrepancy, the Spanish-language version shall prevail.

VERIFICATION REPORT

VERIFICATION REPORT

SCOPE

SGS ICS Ibérica, S.A. (hereafter **SGS**) has performed, at the request of **Red Eléctrica Corporación** (**REC** hereafter) an Independent Verification of the document ***Corporate Responsibility Report 2013***. The scope of the investigation includes the text and data in the reference document, but it does not include the information and / or referenced data not entered in the document.

INDEPENDENCE

The information contained in the verified document and its preparation is responsibility of **REC**.
SGS has not participated or advised in the preparation of the verified document. **SGS** only acts as an Independent Verifier, and checks the accurately of the contents. The content of this Verification Report and the opinions contained therein are the sole responsibility of **SGS**.

Policy Independence, Impartiality and Integrity
SGS ICS recognizes the importance of an Evaluation which is absolutely impartial and independent from the Management Systems of its Customers. It is therefore **SGS ICS** aim to ensure the maintenance of such impartiality and independence at all levels: strategic and political, decisions concerning the Assessment and Certification. To that end, several controls have been established.

Steering Team Members and Team Tester should be guided by the following rules:
a).- They are absolutely prohibited from participating in the Process of Verification / Certification of an Organization if during the two years preceding the date of their possible roles have provided any related consulting service.
b).- They are forbidden from commenting on their activities with any other member of **SGS ICS** staff not directly involved in the process of Certification of an Organization, as it is incorporated in the Confidentiality Agreement / No Broadcast signed at the beginning of the job, unless the Organization particularly specified otherwise.

The appointment of Members of the Evaluation Team will take into account possible conflicts with current or past jobs. Those who have or have had employment as consultants or employees of the same in the last two years, or have family in the first or second degree leadership positions within that Organization, will not be appointed as Evaluation Team members.

In the event that any **SGS** company has performed any consulting work related to an Organization wishing to obtain a Certificate from **SGS ICS**, **SGS ICS** Assessors involved in the process may not belong to that company.

All Assessors, Auditors and Technical Experts being staff or subcontractors on behalf of **SGS ICS**, must sign the Confidentiality Agreement / No Diffusion. This agreement requires the concerned person to declare before taking charge of the Assessment of any commercial or other kind interest that might have on the audited Organization. It also undertakes to maintain confidentiality.

Advisory Committee Members **SGS ICS** to make decisions regarding Certification or Assessment are governed by the same rules as the Audit Team.

Recognizing the importance of ensuring that the Management of **SGS ICS** has no financial interests in products or services that may be assessed, **SGS ICS** requires its Managers to the statement of any other economic or financial activity besides those directly related to his work at **SGS ICS**.

Also **SGS ICS** staff has committed to the observance of a Conduct Code which can be resumed as follows:
- Do not give in to pressure from Clients in one area of our business in order to obtain positive treatment in another area.
- Do not accept a duty or position in the company of a Competitor or Client, except in the exercise of their functions in **SGS**.
- Do not have any interest in a Supplier, Customer or Competitor of **SGS**, except in the case of publicly traded securities, and to an extent which can not significantly influence or create undue dependence.

VERIFICATION REPORT

- Do not accept an office or employment outside of SGS without having obtained prior authorization.
- Do not accept any personal benefit for themselves or their relatives, which might influence or appear to influence their opinion or shares when exercising their functions to SGS.
- Do not obtain personal advantage of business opportunities from SGS, and do not use ownership or company resources for personal purposes.
- Refrain from disclosing any confidential fact that they might have knowledge in the exercise of their functions.

SGS ICS has full authority over its Evaluation and Certification activity and this activity is absolutely independent of any other activity into the SGS companies in Spain.

SGS ICS is committed to properly analyze any new activity to assess their impact in meeting the requirements of ENAC.

VERIFICATION

Methodology and Equipment Controller

It has been used Verification Methodology established by SGS ICS, which consists of procedures according to ISO 19011 Audit and Verification mechanisms according to GRI Sustainability Reporting Guidelines (version 3.1) the Electricity Electric Utilities Sector Supplement (2009) and the Standard AA1000 Assurance Standard (2008), among these are:

- Interviews with staff responsible for obtaining and preparing data.

- Review of documents and records (both internal and public).

- Testing and validation of data with the sources themselves.

In particular, in this Verification economic area data were evaluated in accordance with the Certification Audit of annual accounts of the Company, carried out by an independent external auditor.

An addendum to the ***Corporate Responsibility Report 2013***, there are references to GRI ratio, relating to the checked values. Any mistake or significant absence have been noticed after our review.

The team consisted of Staff Verifier of SGS:

Ms. Carmen Manresa Bollaín
Mr. Oswaldo González Cameno

This was configured based on their knowledge, experience and qualifications to perform this task.

VERIFICATION REPORT

AREAS FOR IMPROVEMENT

* Based on the evolution of the participation in international projects, the convenience of including data regarding such projects should be analyzed, especially as considered relevant for Sustainability.

* Based on the evolution of regulatory and strategic **REC** environment, ítems such as new risks and opportunities, external investments impact on sustainability, etc., could be more deeply reviewed.

* Analyzing the possibility of enlarging the comparative information with other Organizations would be convenient for future reporting, so that the information provided by REC may be adequately located regarding its environment.

* In future reports, electric and magnetic field information could be enlarged regarding insular systems measurements in acquired transmission lines, and continue considering possible regulation changes and scientific advances in such matter.

* Further information could be provided in future reports regarding materials used and transported by contractors in construction activities.

* **REC** should analyze the possibility of enlarging the information regarding indirect impact on society, mainly if specifical studies are carried out.

STRENGTHS

* Report structure and drafting, which provides easiness and agility for reading and contents searching by stakeholders, including references to other supplementary documents, Website, etc..

* Updating of the "Plan Plurianual de Responsabilidad Corporativa" aimed at material aspects, with a new specific vector on "business" including Transport and Operation activities.

* Good economic results with benefits improvement, in spite of the present economic and energetic situation.

* New Coordinator Independent Member, position, with wide competences as counterbalance for such assigned to Board of Directors President. Updating and approval of the Regulations of the Board of Directors according regulatory revisions and international best practices.

* Stakeholders Management Model adequately identified and segmented. A new materiality study has been performed to be applied since 2014.

* Risk Management Process implementation, widely developed and monitorized, including details of each of the risks identified as well as detailed reports to Governance Bodies. Corruption and fraud risks have been included.

* Renewal of the European Seal of Excellence 500+ improving results. Certified management systems in quality, environment, sustainability, occupational health and safety, work-life balance, etc., including insular systems.

VERIFICATION REPORT

Evaluation of compliance with the principles of AA1000AS

The ***Corporate Responsibility Report 2012*** has been assessed following the principles of AA1000. The application of the principle of Relevance, Completeness and Response Capability provides the Corporate Responsibility Report REC credibility and quality of information provided.

• Materiality or Significance.- the ***Corporate Responsibility Report 2013*** of **REC** provides a fair and balanced representation of important points about economic performance, social and environmental.

• Comp leteness.- **REC** has mechanisms and systems that allow you to meet the expectations of Interest Groups and identify information of relevance to include the ***Corporate Responsibility Report*** of **REC**.

• Response Capability .- **REC** has effective processes to manage and report the answer to the expectations of its Stakeholders.

CONCLUSIONS

Based on the verification performed, the Verification Team from **SGS ICS** consider that:

• The ***CORPORATE RESPONSIBILITY REPORT 2013*** of **REC** contains reliable information and data that consistently represent activities and results for the period reflected, and has been prepared in accordance with the requirements of the GRI Sustainability Reporting Guidelines (version 3.1), the Electric Utilities Sector Supplement (2009) and the AA1000 Assurance Standard (2008)

• The GRI Application Level declared by **REC**: **(A +)** is appropriate.

* **REC** has implemented management systems to identify and give response to the social, economic and environmental impacts of their activities, including identify and response to the stakeholders points of view.

• After the assessment, the Assessment Team confirm that the level of assurance according to AA1000AS 2008 is Type 2 Level Moderate, coinciding with the type and level of the work requested by **REC** to **SGS ICS**.

Oswaldo González Cameno
March 10th. 2014
SGS ICS Ibérica, S.A.

EXECUTIVE SUMMARY OF THE 'ANNUAL CODE OF ETHICS MANAGEMENT REPORT 2013'

INTRODUCTION

The Code of Ethics contains the corporate values that should guide the conduct of all persons in the Red Eléctrica Group and provide support for the performance of their duties within the company. It also explicitly sets out certain behavioural guidelines that have to be followed, formulated through principles and commitments. It constitutes a firm commitment by the Company to ethics management as an essential driver towards building its character and reputation. The Code of Ethics affects 100% of the employees of the Group's subsidiaries.

The Board of Directors in its session on 28 May, 2013, approved the amendment to the current Code of Ethics in force until that moment. The new edition includes improvements demanded by Company's stakeholders and society in general, in addition to the recommendations of the most reputable international organisations in this field.

Any employee of the Red Eléctrica Group, or person from another stakeholder group, can report the alleged breaches of ethical, commercial, financial, accounting commitments, etc., which are derived from the Code of Ethics, by one of the companies of the Group or its employees and make consultations or suggestions, which are considered appropriate.

ETHICS CHANNEL (WHISTLE-BLOWING CHANNEL)

Throughout the whole of 2013, a highly visible and easily accessible and confidential channel has been operating on the Group's website, through which infringements/complaints and consultations can be transmitted to the Ethics Manager. In addition, the information contained on the corporate website regarding the ethical management of the Company has also been improved, in accordance with international best practices.

Red Eléctrica has appointed an Ethics Manager to manage the ethical questions that may be posed and to collate, analyse and resolve the various complaints received. The person appointed is Rafael García de Diego Barber, General Counsel and Secretary of the Board of Directors of Red Eléctrica. This figure, with a direct relationship to the Chairman and the Board of Directors is also responsible for maintaining the

confidentiality of the processes, the development, consolidation and continuous improvement of the ethics management in Red Eléctrica. The Ethics Manager can count on the support of the Company's organisational units that he deems necessary to carry out his activity.

With regard to the whistle-blowing channel for the detection and resolution of potential breaches and complaints, queries and suggestions, in 2013 twenty five consultations were made to the Ethics manager which had a maximum resolution time of 10 days. Similarly, a complaint was registered about the deadline to comply with the obligations arising from a court decision, which was resolved within the fiscal year to which this executive summary refers.

Amongst the functions undertaken by the Ethics Manager is the obligation to communicate the complaints that could lead to a criminal risk to 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 aforementioned complaints and, where appropriate, initiate an investigation into the event until it is clarified. In 2013, the Ethics Manager received no complaint about breaches related to criminal risk, and none of the companies of the Red Eléctrica Group has been investigated, or convicted by any law court for infringements related to criminal risks of the organisation.

COMMUNICATION PLAN

During 2013, phases 1 and 2 of the Communication Plan of the new edition of the Code of Ethics was drafted, which included a presentation of the new Code by the Chairman, the presentation of a copy to each employee and its dissemination through various communication channels (intranet, corporate website, corporate magazine, posters, etc.). During 2014, it is planned to continue with the next phase of the Communication Plan related to the permeation of corporate values by reinforcing actions targeted at all members of the organisation.

Furthermore, since the month of September 2013, a series of indicators related to the application of the Code of Ethics has been published on the corporate website which aim to provide relevant information that will allow socially responsible investors to be fully aware of those ethical elements necessary when making investment decisions, complementary to the traditional economic and financial criteria.

RECOGNITIONS

With regard to external recognition, noteworthy is that Red Eléctrica reached a score of 87 out of 100 points, in the Code of Ethics section, compliance, corruption and bribery of the Dow Jones Sus-tainability World Index 2013. This was 14 points above the average of the companies its sector that have managed to be included in the said index and four points higher than the score in 2012.

RED ELÉCTRICA CORPORACIÓN, S.A.

Independent Assurance Report on the design and effective implementation of the Internal Control System for Financial Reporting (ICFR)

31 December 2013

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Comm. Reg. of Madrid, sheet 87,250-1, folio 75, volume 9,267, book 8,054, section 3
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INDEPENDENT ASSURANCE REPORT ON THE DESIGN AND EFFECTIVE IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING (ICFR)

To the Board of Directors of Red Eléctrica Corporación, S.A.:

We have verified, with reasonable assurance, the design and effective implementation of the Internal Control System for Financial Reporting (hereinafter "ICFR") described in the attached document of Red Eléctrica Corporación, S.A. and subsidiaries (hereinafter the "Red Eléctrica Group") for the year ended 31 December 2013. The aforesaid system is based on the criteria and policies established by the Red Eléctrica Group in accordance with the guidelines established by the Commitee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control-Integrated Framework" report.

An Internal Control System for Financial Reporting is a process designed to provide reasonable assurance regarding the reliability of the financial reporting, in accordance with the applicable financial reporting regulatory framework, and includes those policies and procedures that: (i) allow maintenance in a precise manner, with a reasonable level of detail, of entries reflecting the transactions entered into; (ii) provide reasonable assurance that the transactions are entered in an appropriate manner to allow preparation of the financial reporting, in accordance with the applicable financial reporting regulatory framework and that they are entered into only in accordance with the established authorisations; and (iii) provide reasonable assurance regarding the prevention or timely discovery of unauthorised acquisition, use or sale of Group assets that could have a material effect in the financial reporting. In this regard, it must be borne in mind that, given the limitations inherent in any Internal Control System for Financial Reporting, independently of the quality of the design and operation thereof, this can only allow reasonable, but not absolute, assurance regarding the objectives pursued, for which reason there may be errors, irregularities or fraud that cannot be detected.

Responsibility of Directors regarding the Internal Control System for Financial Reporting

The Board of Directors is responsible for adopting appropriate measures to reasonably guarantee the implementation, maintenance and supervision of an appropriate Internal Control System for Financial Reporting, and for evaluation of its effectiveness, the development of improvements of that system and the preparation and establishment of the content of the information relating to the attached ICFR.

Our Responsibility

Our responsibility is limited to issuing an independent assurance report on the design and implementation of the Internal Control System for Financial Reporting of the Red Eléctrica Group, based on the work we have performed in accordance with the guidelines established in the ISAE 3000 Standard: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standard Board

(IAASB) of the International Federation of Accountants (IFAC), for the issue of reasonable assurance reports.

A reasonable assurance engagement includes understanding the Internal Control System for Financial Reporting, evaluating the risk that there may be material internal control weaknesses, that the controls are not adequately designed or do not operate effectively, the performance of testing and evaluation of the design and implementation of that system, and performing such other procedures as may be considered to be necessary.

We believe that the evidence we have obtained provides a sufficient and appropriate basis for our opinion.

Procedures performed

For the purposes of issuing this report we have applied the procedures described below:

1. Reading and understanding of the information prepared by the Red Eléctrica Group regarding the ICFR and evaluation of whether it includes all of the information required by Circular no. 5/2013 of 12 June 2013 of the National Securities Market Commission, for the purposes of the description of the ICFR in the Annual Corporate Governance Reports.

2. Review of the supporting documentation explaining the information included under the prior point, principally covering the information made directly available to those responsible for formulating the information describing the ICFR. In this regard, that documentation includes reports prepared by the Internal Audit function, Senior Management and other internal or external specialists supporting the Audit Committee.

3. Interviews with key personnel, with responsibility in the areas affected by the Internal Control System for Financial Reporting to obtain an understanding of the processes, evaluate the design thereof and verify that the control procedures described are implemented within the Red Eléctrica Group.

4. Performing selected tests, based on sampling criteria, of support documentation evidencing the effective implementation of the Internal Control System on Financial Reporting.

5. Re-execution of key controls by way of a selection of transactions in order to obtain evidence that the internal control procedures are being applied in the manner established and assure ourselves of the existence, effectiveness and continuity in the functioning of the controls throughout the period.

6. Reading of minutes of meetings of the Board of Directors, Audit Committee and other committees of the Red Eléctrica Group for the purposes of evaluating the consistency between the matters handled by them related to the ICFR and the information specified in point 1 above.

7. Obtaining the letter of representations regarding the work performed, appropriately signed by those responsible for the preparation and formulation of the information specified in point 1 above.

Independence

We have performed our engagement in accordance with the independence standards required by the Code of Ethics of the International Federation of Accountants (IFAC).

Conclusion

In our opinion, the Red Eléctrica Group, at 31 December 2013, in all material respects, maintains an effective Internal Control System for Financial Reporting for the period ended 31 December 2013, which is based on the criteria and policies established by Red Eléctrica Group Management in accordance the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "Internal Control — Integrated Framework" report.

We also have verified that the itemisations contained in the ICFR information attached at 31 December 2013 has been prepared, in all material respects, in accordance with the requirements established by the Securities Market Act 24/1988 of 28 July 1988, amended by the Sustainable Economy Act 2/2011 of 4 March 2011, and with the National Securities Market Commission Circular no. 5/2013 of 12 June 2013 for the purposes of the description of the ICFR in the Annual Corporate Governance Reports.

This work does not constitute an audit, nor is it subject to the Restated Text of the Audit Act, approved by Royal Legislative Decree 1/2011 of 1 July 2011, for which reason we express no audit opinion on the terms contemplated in the aforesaid regulations.

PricewaterhouseCoopers Auditores, S.L.

[Illegible signature]
Iñaki Goiriena Basualdu
Partner

26 February 2014

EXECUTIVE SUMMARY OF THE INTERNAL AUDIT

RED ELÉCTRICA DE ESPAÑA

Report by the Internal Audit and Risk Control Department

EXECUTIVE SUMMARY OF THE INTERNAL AUDIT OF THE CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM AT THE HEAD OFFICE (SECOND HALF 2012 and FIRST HALF 2013)

Objective and scope

For the period of the second half of 2012 and first half of 2013, verify the adoption of the Corporate Responsibility Management System in the activities conducted by Red Eléctrica at the head office, verifying whether the requirements of the IQNet SR 10 and SA8000 standards, and those of the organisation itself, are suitably implemented and efficient.

Methodology

The methods used to carry out this audit were: interviews with personnel that perform a function within the system, examination of evidence, and a review of documentation and internal and external records of public domain.

Conclusions

It can be concluded that the Corporate Responsibility Management System is suitably implemented, with one anomaly detected, as well as observations and improvement aspects that although we understand are not associated to non-compliances of the system; they would improve the efficiency of the same.

Anomaly identified

No evidence was presented that the 2012 evaluation of legal compliance was conducted in accordance with the AN003 Procedures Guide "Identification and Access of Legal and Regulation Requirements. Compliance Evaluation" ("*Identificación y acceso de requisitos legales y reglamentarios. Evaluación del cumplimiento*").

We recommend reviewing the adequacy of the AN003 Procedures Guide to establish the appropriate mechanisms for accurate identification, updating and evaluation of compliance with the law, regulations and other legal rules.

Strengths

1. Publication of the Supplier Code of Conduct.
2. Approval of the new Code of Ethics by the Board of Directors at the session held on 28 May, 2013.
3. Approval of the first Comprehensive Equality Plan, 2013-2017.
4. Activities promoting health for employees (conferences, individual counselling and publication of advice on the internal corporate website, "miRed").

Observations

1. The documentation associated with the Corporate Responsibility Management System is out of date. The Quality and Corporate Responsibility Department has reported that the Responsibility Management System is under revision due to the company being in the process of reviewing the multi-annual planning of corporate responsibility. In addition, we recommend that the multi-annual planning establish concrete strategic goals.
2. The corporate responsibility dashboard did not reflect environmental vector indicators updated with actual 2012 data.
3. The effectiveness of actions taken to respond to information requests, complaints or other types of request received via the Digame service should be verified.

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4. Design a dashboard and implement the automatic notification of the service response times of the Dígame service. These two actions were agreed to following the Dígame satisfaction survey conducted in May 2012. The dashboard has been designed but has not been updated, and the implementation of the automatic notification of response times is pending and behind schedule.
5. The 2013-2017 Comprehensive Equality Plan was approved by the Management Committee in the month of February 2013. The actions that will be taken in this regard in 2013 and thereafter should be communicated to the workforce.
6. The information that is necessary for the development and monitoring of the Climate Change Action Plan is not fully available. In addition, the plan should be revised to establish real and possible climate change objectives.
7. The real and potential impacts on stakeholders have not been assessed. However, an agreement exists with the Universidad Autónoma in Madrid for a project in 2014 with the objective of developing a methodology for the assessment of impacts on stakeholders.
8. Currently, the performance of suppliers is monitored by completing form Q001, but there is no evidence of a plan of action in response to the assessments conducted.
9. The external audit report by Aenor in 2012, detected weaknesses in horizontal and vertical communication. Following the most recent organisational changes and the new Strategic Plan for Human Resources, the approach to internal communication is being re-evaluated. Nevertheless, several projects are being worked on to improve the internal communication channels.

Areas of improvement

1. A work inspection was conducted in relation to compliance with the Spanish law on Social Integration of People with Disabilities (LISMI) with a positive outcome for REE. However, we recommend that REE continues to increase its recruitment of personnel with disabilities as well as increasing contracting with companies who have employees with disabilities.
2. Have available a tool that will systematise and facilitate the preparation and monitoring of all corporate responsibility activity indicators.
3. Verify the implementation of the action plans developed from the satisfaction surveys conducted on stakeholders. This means checking the evidence that shows the actions were carried out, as well as the effectiveness of these. If the agreed upon actions were not carried out, the corresponding unit should justify it.
4. In relation to the working climate survey, we propose a series of improvement measures.
   - It would be advisable that the results of each organisational unit be shared with the employees all organisational units. We confirmed that the results of the working climate survey conducted in 2012 have been submitted to the management team.
   - It would be advisable for each area of REE to develop an individualised action plan, based on the results of the working climate survey. We have found that not all areas of REE have made an individual action plan to resolve the weaknesses and areas for improvement identified in the survey.
   - It would be advisable for the Department of Talent Management to systematise the monitoring of the various plans of action to ensure the degree of progress in the next working climate study.

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