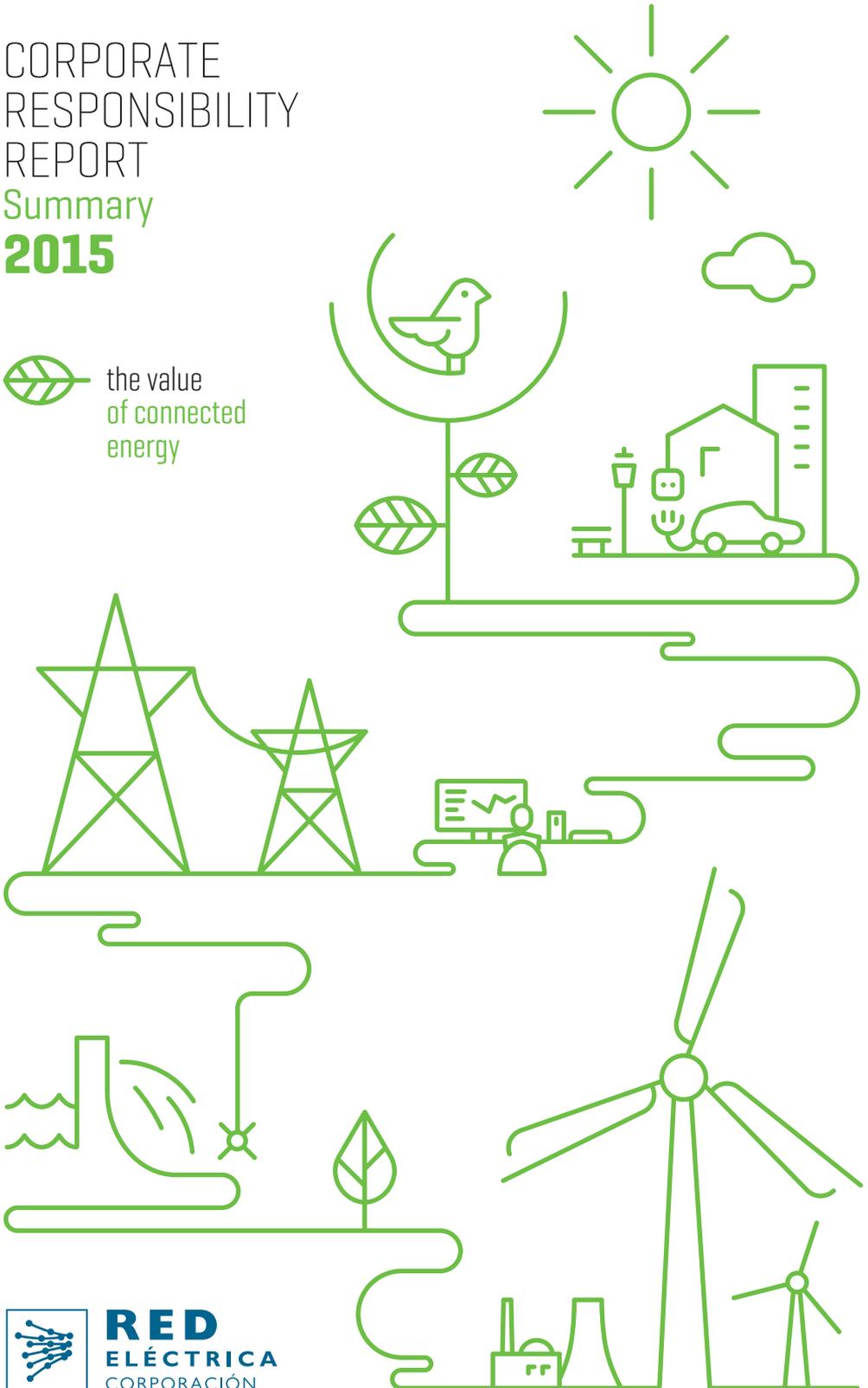


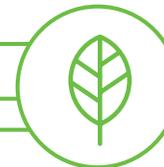
CORPORATE
RESPONSIBILITY
REPORT
Summary
2015

 the value
of connected
energy



RED
ELÉCTRICA
CORPORACIÓN

2015



*Corporate
Responsibility
Report
Summary*



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This Report presents a summary of the full Corporate Responsibility Report 2015. The complete version of the same, as well as the legal information [Consolidated Annual Accounts 2015 and Corporate Governance Report 2015] are published solely in electronic format (browsable pdf) and are available on the corporate website www.ree.es



Corporate Responsibility Report 2015



Corporate Governance Report 2015



Consolidated Annual Accounts 2015



Capture the QR code with your cell phone or tablet to access additional information about the Company that may be of interest to you.



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Letter from the Chairman and the CEO



José Folgado
Chairman of
Red Eléctrica Corporación

Juan Lasala
Chief Executive
Officer

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

transmission grid. Secondly, the regulatory reform was completed with the approval of the unit values concerning investment in transmission facilities, as well as their operation and maintenance, and the establishing of their regulatory useful life, which is an important milestone for the stability of the remuneration framework. In addition, work has continued on the deployment and implementation of the new Strategic Plan; a plan which emphasises the promotion

of new business activities that aim to expand the business base.

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

Electricity infrastructure planning

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

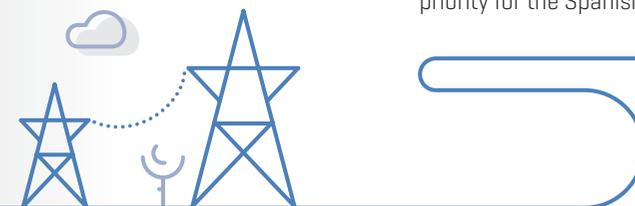
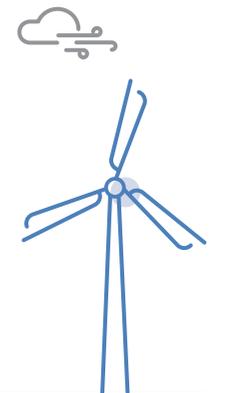
An important point of this planning is the relevance taken on by interconnections between systems, specifically the links between island systems and the connections between the Spanish Peninsula and the non-peninsular systems. These projects will not only pose a great challenge for the Company, but will also improve the guarantee and security of supply in isolated systems and increase competitiveness in the electricity markets. In this regard, noteworthy is the completion of the installation of the first interconnection cable between Ibiza and Mallorca in 2015. It is estimated that the second cable be brought into service in the first months of 2016.

With respect to international interconnections, it should be noted that in 2015 the Spain-France interconnection via the eastern Pyrenees, a high-profile project because of its influence on the safety and quality of supply, was brought into commercial operation. But nevertheless, the need to increase interconnection capacity with the European system remains a priority for the Spanish electricity



IN 2015

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





system, as endorsed in June 2015 with the creation of a high-level group, composed of the European Commission, France, Portugal and Spain, to boost key energy infrastructure projects in southwest Europe.

Significant progress of the Strategic Plan

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

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

Additionally, the subsidiary REINCAN was created to promote energy storage projects in the Canary Islands to be used as

system operator tools in order to guarantee supply on the islands and also improve system security and optimise the integration of renewable energies.

The construction project for the Chira-Soria pumped-storage hydro power station, a 320 million euro investment, responds to these objectives.

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

Commitment to corporate responsibility

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

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

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

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

the work-life balance and the prevention of work-related risks.

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

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

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



SUSTAINABLE COMMITMENT

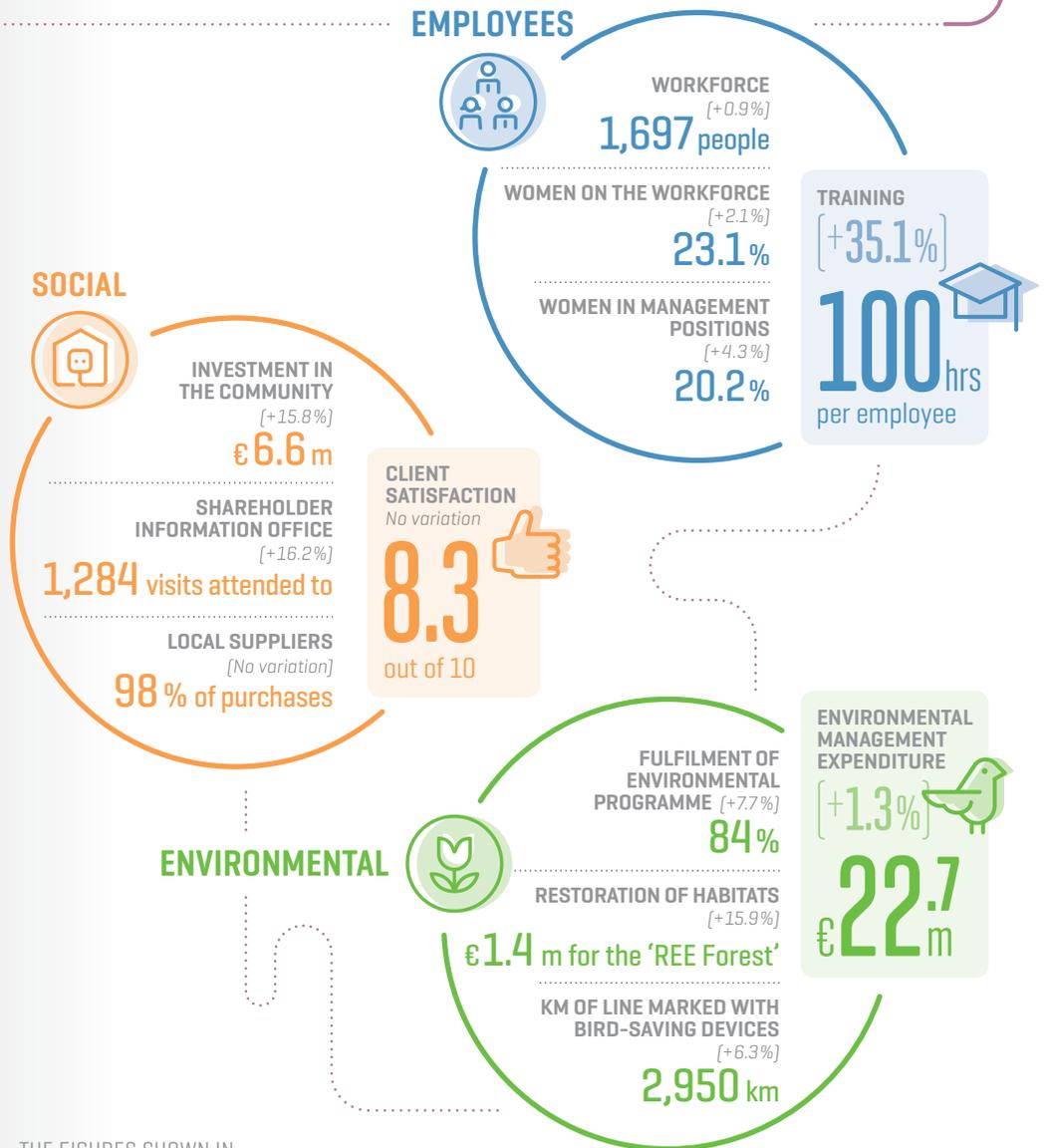
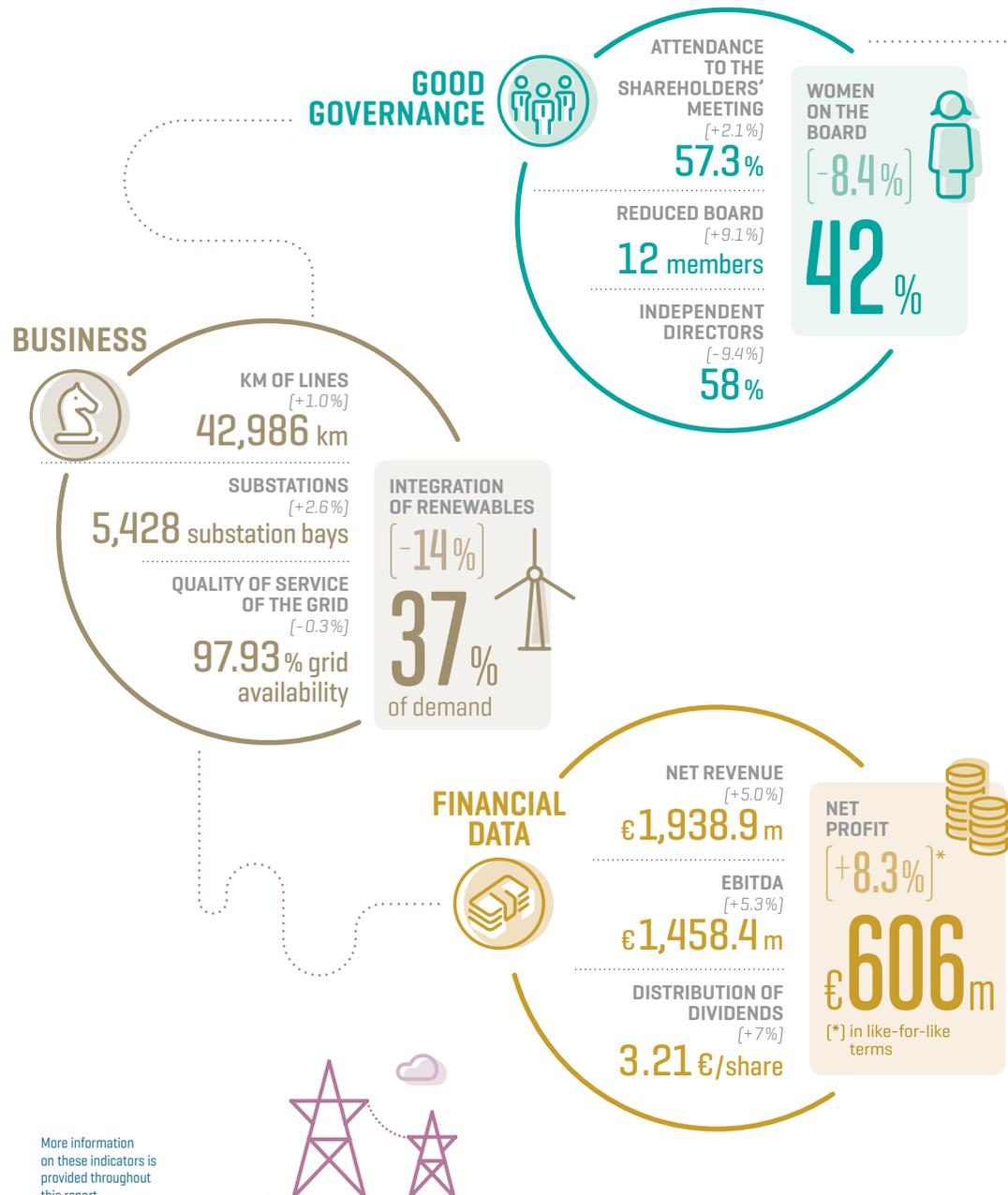
Red Eléctrica, fully aware of its responsibility towards sustainability, joins the commitment to the achievement of the UN Sustainable Development Goals, aimed at eradicating poverty, protecting the planet and ensuring the prosperity of all people.



DRIVING INTERNAL PROMOTION

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

Key performance indicators 2015



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

THE COMPANY

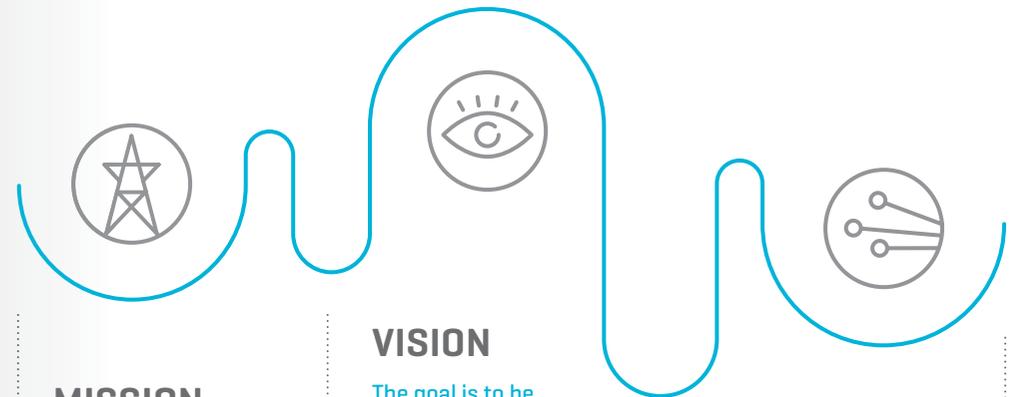
01

Connected to a secure and sustainable energy future



Red Eléctrica, a TSO of international reference.

Red Eléctrica is the sole transmission agent and operator (TSO) of the Spanish electricity system. The Company carries out this responsibility with transparency, neutrality, independence and economic efficiency, with the aim of providing the highest quality electricity service for society as a whole.



MISSION

Red Eléctrica has the mission of ensuring the continuity and security of the electricity supply and the effective coordination of the electricity generation and transmission system. Additionally, it is responsible for the transmission of high voltage electricity and it builds, maintains and operates the facilities of the transmission grid.

VISION

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

VALUES

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

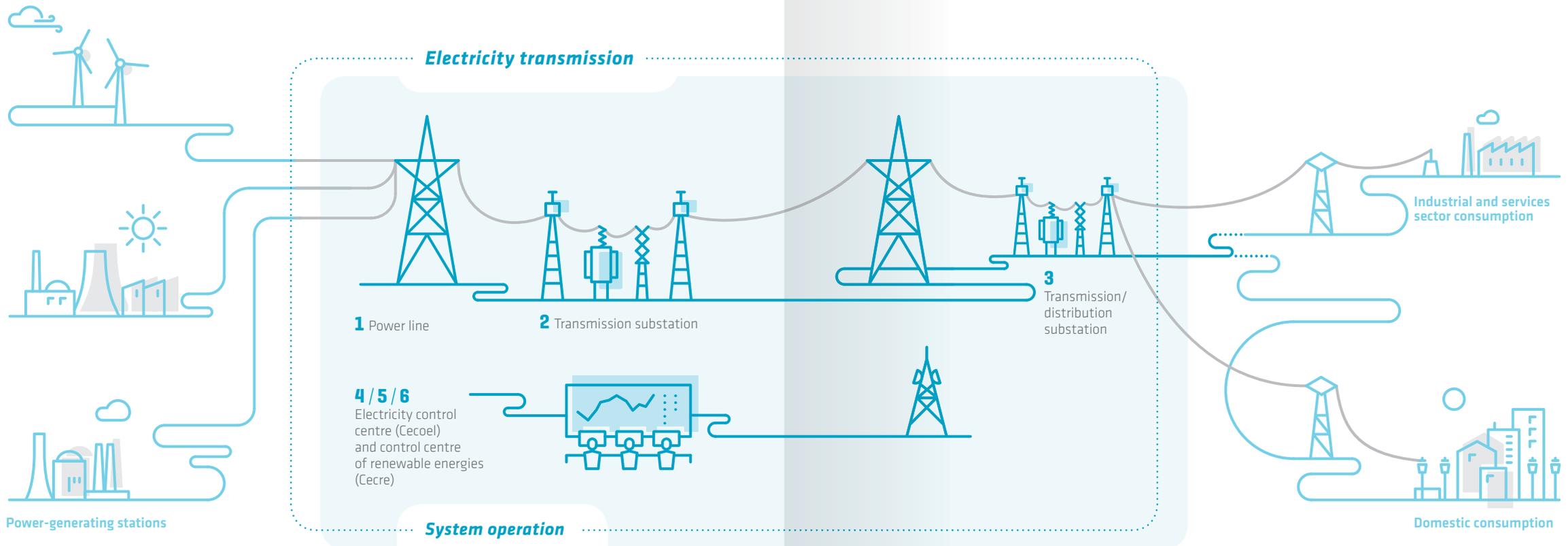
What we do

Electricity transmission activity

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

System operation activity

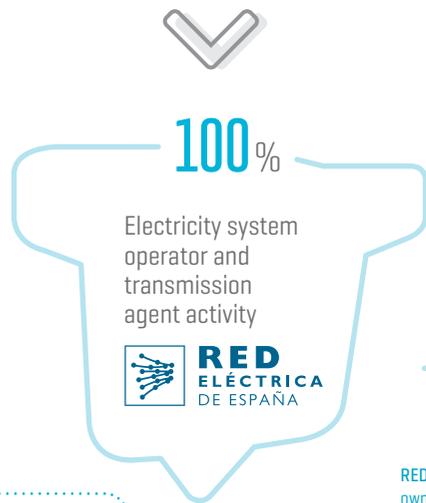
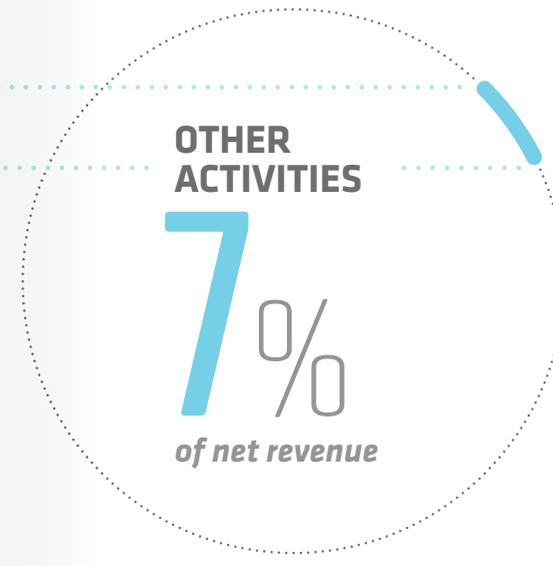
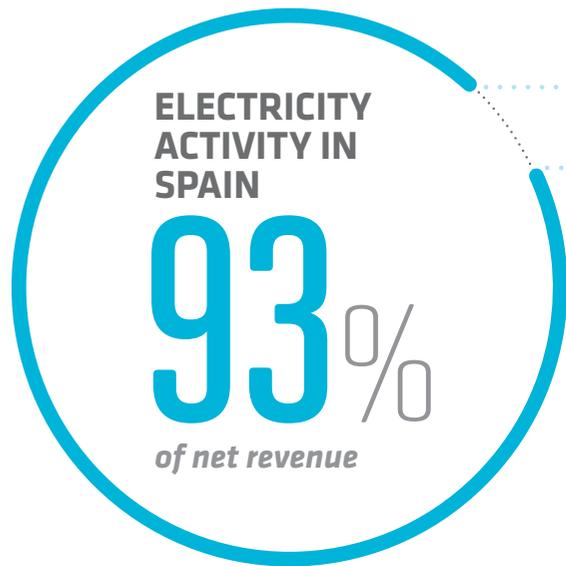
- 4** For this process to work, Red Eléctrica has to operate the system maintaining the constant balance between generation and consumption, due to the fact that electrical energy cannot be stored in large quantities.
 - 5** To do this, Red Eléctrica forecasts the electricity consumption that is going to be demanded nationwide throughout the day. Power stations use this forecast to schedule their production.
 - 6** Red Eléctrica, through its Electricity Control Centre (CECOEL), is responsible for maintaining the balance between the scheduled production and the energy demanded at each moment.
- And, as demand varies, it sends the appropriate orders to the power stations to adjust their production.



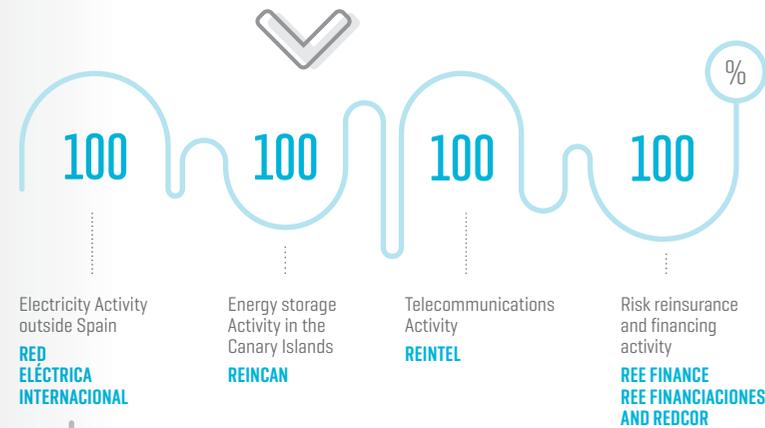
Structure of the Red Eléctrica Group

RED ELÉCTRICA

CORPORACIÓN



RED ELÉCTRICA DE ESPAÑA owns 50% of the share capital of INELFE, a company created jointly with its French counterpart, RTE, for the development of interconnections with France.



RED ELÉCTRICA INTERNACIONAL

REINCAN

REINTEL

REE FINANCE
REE FINANCIACIONES
AND REDCOR

Investment in electricity transmission infrastructure abroad is channelled through different subsidiaries integrated in Red Eléctrica Internacional (REI). In Peru, REDESUR, in which REI controls 55% of the shareholding, and Red Eléctrica Andina (REA), a company wholly owned by REI. In turn, REDESUR controls Transmisora Eléctrica del Sur and Transmisora Eléctrica del Sur 2. In Chile, Red Eléctrica Chile, a company wholly owned by REI. This subsidiary, in turn, has acquired 50% of the share capital of Transmisora Eléctrica del Norte (TEN), owned by the Chilean company EC-L.



In the Consolidated Annual Accounts Report.



Electricity activity in Spain



KM OF LINES



43,000
km
IN SERVICE
IN 2015

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

- Develop, expand and maintain the transmission grid under uniform and efficient criteria.
- Manage the necessary and constant balance between electricity generation and demand, guaranteeing the continuity and security of supply at all times.

Red Eléctrica is a TSO of international reference in the reliable and efficient management of electricity systems and the safe integration of renewable energy.

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



Other activities

INTERNATIONAL ACTIVITY

Red Eléctrica Internacional has been present in South America for more than 15 years, where it manages transmission grids while maintaining excellent rates of availability of the facilities and a seamless collaboration with all stakeholders.

During 2015, the Company consolidated its presence in Peru through the winning of tenders for new two projects, and has entered the transmission business in Chile, following the acquisition of 50% of the share capital of Transmisora Eléctrica del Norte (TEN). Therefore, this has enabled the Company to increase its positioning in the two neighbouring geographical areas of northern Chile and southern Peru.

TELECOMMUNICATIONS ACTIVITY

This activity is based on the commercial operation and management of the surplus capacity of fibre optic networks and associated dark fibre infrastructure of the electricity transmission grid. Additionally, as of November 2014, it also

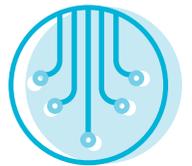
includes the national rail network as a result of the acquisition of the transfer of the rights to operate and manage ADIF's dark fibre optic network for the next 20 years.

This new dimension of the telecommunications business has required the creation in 2015 of a new subsidiary, Red Eléctrica Infraestructuras de Telecomunicación (REINTEL). This new dimension has positioned the Company as the first neutral provider of telecommunications infrastructure in Spain.

ENERGY STORAGE ACTIVITY IN THE CANARY ISLANDS

Red Eléctrica Infraestructuras en Canarias (REINCAN) was founded in the Canary Islands in September 2015 with the objective of promoting energy storage projects in the Canary Islands. Said projects will act as tools for the system operator in order to guarantee the electricity supply on the islands at all times, as well as to improve system security and optimise the integration of renewable energy. The project for the construction of the Chira-Soria pumped-storage hydro power station, on the island of Gran Canaria, meets these objectives.

REINTEL INFRA-STRUCTURES



33,000
km
OF DARK FIBRE
OPTIC LINE

and 800 points
of presence
and technical
spaces



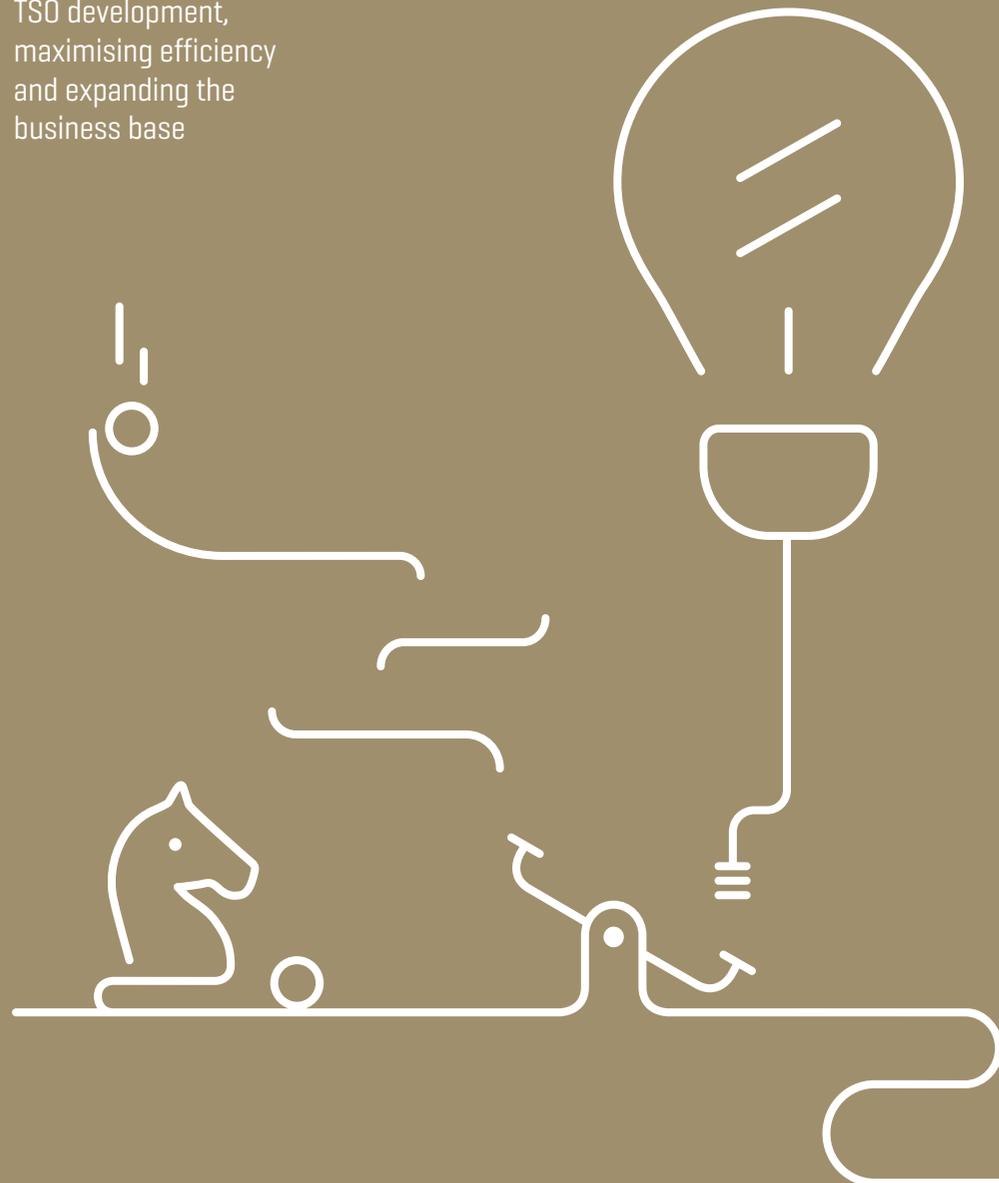
IN 2015
The telecommunications business has represented more than 50% of the growth in EBITDA of the Group.



STRATEGY

02

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

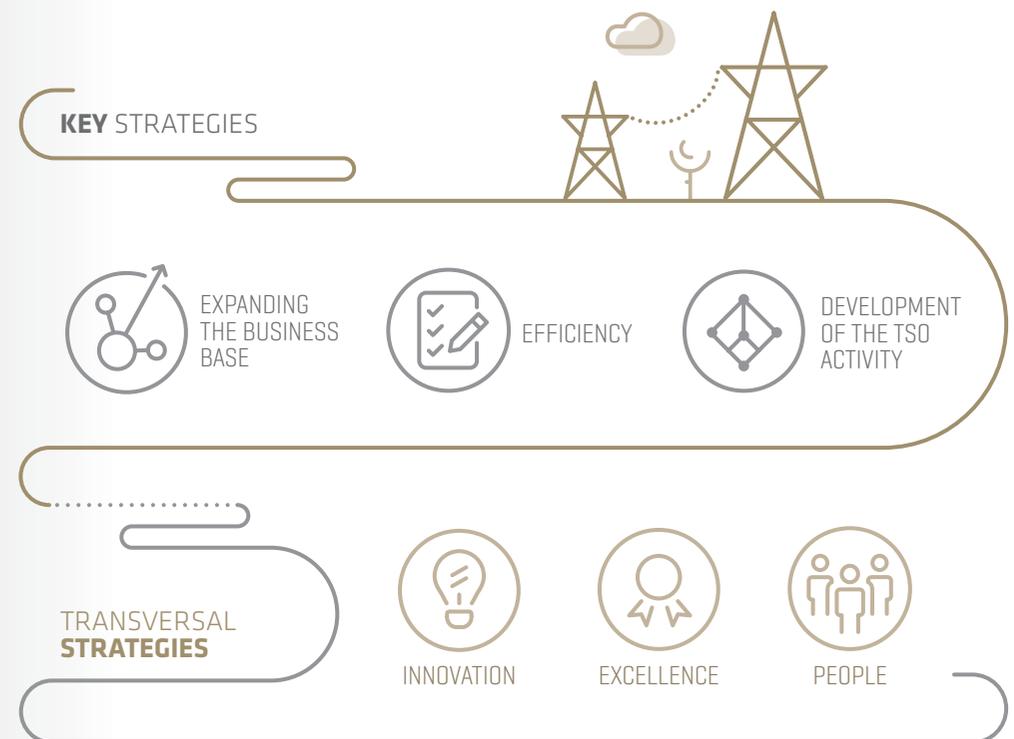


Strategic Plan 2014-2019.

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

STRATEGIC PLAN 2014-2019

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





Key strategies

Development of the TSO activity

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

Execution of the Plan in 2015

- Approval of the Energy Planning 2015-2020.
- Closing of the regulatory reform with the approval of the remaining aspects for the definition of the new remuneration framework for the electricity transmission activity.
- The interconnection with France, that doubles the exchange capacity with the European system, came into full operation.
- Commissioning of the first cable of the Majorca-Ibiza link to strengthen the electricity integration of the Balearic Islands and guarantee the reliability of the supply.

Efficiency

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

Execution of the Plan in 2015

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

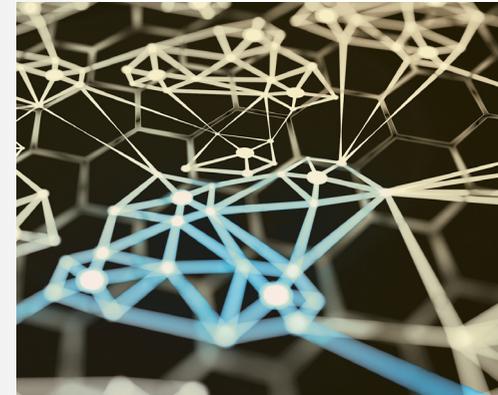


IN FIVE YEARS,

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



In the 'Strategy' section of the corporate website.



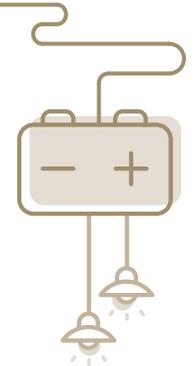
The new strategy 2014-2019 is based on the core business of the Company: the execution of the functions of transmission agent and operator of the electricity system.

Expansion of the business base

The current economic and energy context brings with it a lower growth scenario from the Company's main activity, which means having to consider expanding the business base in Spain (through the activities of telecommunications and energy storage), and internationally in countries with low risk and stable regulatory environments.

Execution of the Plan in 2015

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



Transversal strategies

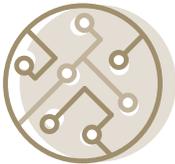
Excellence

At an excellence level, we must maintain the current reference position in the execution of our activities, focusing our efforts on the active management of our reputation and corporate brand and strengthening communication with stakeholders, consolidating a sustainable business management that is ethical and committed to society.

Execution of the Plan in 2015

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

TECHNOLOGICAL INNOVATION



76
PROJECTS UNDERTAKEN

Innovation

Innovation implies a cultural change, which is not limited only to the activity of R&D+i. Therefore, innovation is presented with a greater scope, being an integral part of the operational process and enhancing technological development as a lever for growth that will respond to the great challenges of the future.

Execution of the Plan in 2015

- Undertaking of 76 technologically innovative projects aimed at increasing system efficiency and the integration of renewable energies.
- New Innovation and Technological Development Plan 2016-2019.



People

In this scope, the Company fosters a healthy working environment conducive to the organisation of work and well-being of employees, allowing the optimisation of resources.

Execution of the Plan in 2015

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

SIGNIFICANT PROGRESS in the Strategic Plan 2014-2019



GOALS 2014-2019

SOLID GROWTH IN CONSOLIDATED ACTIVITIES

€3.1 bn
Investment in the Transmission Grid

€475 m
Investment in the dark fibre optic network

ADDITIONAL GROWTH IN NEW ACTIVITIES

€1 bn



ACHIEVEMENTS 2014-2015

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

NET DEBT RATIO/ EBITDA Average **3,5x**

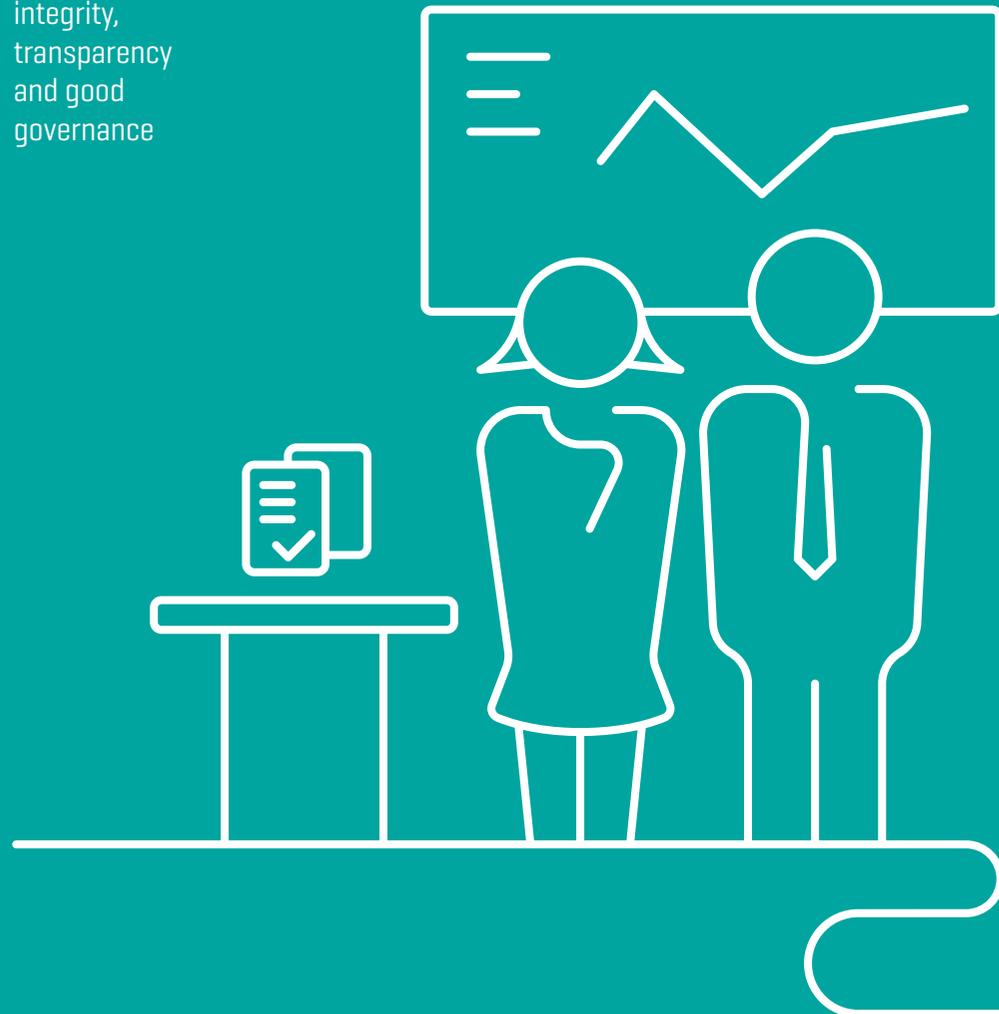
GROWTH IN EPS [CAGR in the period] **5-6%**



CORPORATE GOVERNANCE

03

Connected to ethics, integrity, transparency and good governance

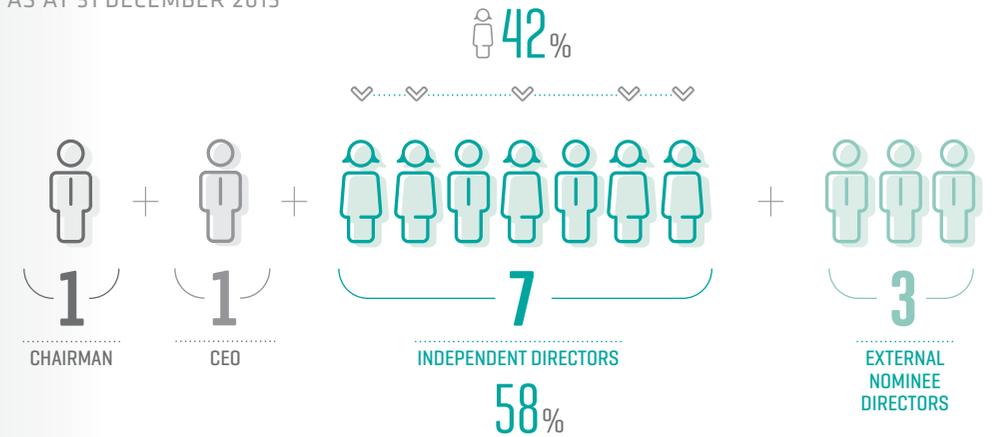


GENERAL SHAREHOLDERS' MEETING



Board of Directors

AS AT 31 DECEMBER 2015



Appointments and Remuneration Committee

CHAIRWOMAN
FEMALE LEAD INDEPENDENT DIRECTOR



Audit Committee

CHAIRMAN
INDEPENDENT DIRECTOR



Good governance of the Company

From the outset, Red Eléctrica has maintained a constant and firm commitment to adopting best corporate governance practices. This is made possible not only by complying with the applicable legal regulations and the most widespread national and international recommendations

on the subject, but also by voluntarily implementing a series of measures and initiatives that are targeted at the core of the most important issues regarding good governance of the Company, and which most concern and are demanded by shareholders, investors and the markets.

REMUNERATION POLICY FOR BOARD MEMBERS

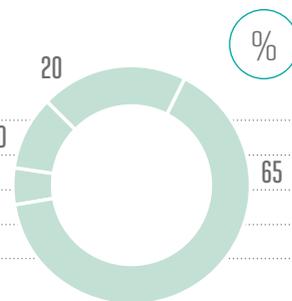


APPROVED FOR A PERIOD OF **THREE YEARS**

At the Ordinary General Shareholders' Meeting 2015

SHAREHOLDER STRUCTURE

20	SEPI (State Owned Industrial Holding Company)	10
65	Foreign Institutions	65
5	Spanish Institutions	5
10	Minority Shareholders	



Noteworthy actions in 2015

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



In the 'Corporate Governance' section of the corporate website.



General Shareholders' Meeting

With the aim of achieving the maximum participation, Red Eléctrica has continued to promote initiatives related to the guarantees and rights of attendance of shareholders at the meeting, as well as transparency in the dissemination of information on the most relevant issues.



PERCENTAGE OF ATTENDEES AT THE GENERAL SHAREHOLDERS' MEETING

2015	57.3
2014	56.1
2013	57.6
2012	61.9
2011	66.1

% over share capital.

Transparency and participation

- Implementation of electronic voting system at the General Shareholders' Meeting since 2005.
- Section on the corporate website with complete information regarding the Meeting.
- Live broadcasting of the Meeting via Internet, with simultaneous translation into English and Spanish sign language.
- Shareholder's Electronic Forum.
- Dissemination via social networks.
- Shareholders and investors office.

AVERAGE PERCENTAGE OF VOTES



92.1

%

IN FAVOUR OF THE APPROVAL OF AGREEMENTS

In the Ordinary General Shareholders' Meeting 2015

Guarantees and rights of attendance

- No minimum number of shares required to attend the Meeting.
- Representation at the Meeting by any person, without having to be a shareholder.
- Separate voting on each matter submitted for approval at the Meeting.
- External audit of the management processes of the Meeting.
- Vote certification.

Board of Directors

BOARD OF DIRECTORS WOMEN



42%

LEADERS IN THE IBEX 35

In gender diversity

Red Eléctrica establishes in its Corporate Governance Policy, the basic guideline of preserving the right balance and proportionality of powers in the structure and the composition of the Board of Directors. This is achieved by adopting measures that allow acting with unity of purpose and independent judgment, pursuing social interest and that of its shareholders.

BALANCE OF POWERS

Responding to the commitment made to shareholders in 2012 and to international best practices in corporate governance, the Board of Directors in July 2015, agreed to the appointment of Juan Lasala as Chief Executive Officer of the Company, after being appointed executive director at the Extraordinary General Shareholders' Meeting held on 17 July, 2015, with 99% voting in favour and an attendance level of 58%. For the process of separation of powers, a transitional period was established that will end at the Annual General Shareholders' Meeting 2016.

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

BOARD REMUNERATION

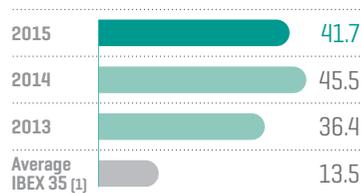
The Company applies the principle of maintaining a remuneration policy for the Board of Directors based on the principles of balance and moderation aligned with transparency and the practices demanded by shareholders and investors.

The remuneration of the Board was approved by majority vote at the General Shareholders' Meeting 2015. Regarding the remuneration of the Board for 2015, the same concepts and amounts established in 2014 were maintained.



DIVERSITY ON THE BOARD

FEMALE BOARD MEMBERS



[1] Source: CNMV. Data of 2014.



SEPARATION OF POSITIONS

In 2015, the separation of the positions of the Chairman of the Board and the CEO was concluded.

BOARD OF DIRECTORS

AS AT 31 DECEMBER 2015

EXECUTIVE CHAIRMAN

José Folgado Blanco



CHIEF EXECUTIVE OFFICER

Juan Lasala Bernad



EXTERNAL NOMINEE DIRECTORS (SEPI)



Fernando Fernández Méndez de Andés
Member of the Audit Committee

Santiago Lanzuela Marina

Member of the Audit Committee



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

EXTERNAL INDEPENDENT DIRECTORS



Mª Ángeles Amador Millán
Member of the Appointments and Remuneration Committee



Antonio Gómez Ciria
Member of the Audit Committee



Paloma Sendín de Cáceres
Member of the Audit Committee



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



María José García Beato
Member of the Appointments and Remuneration Committee



José Luis Feito Higuera
Chairman of the Audit Committee

GENERAL COUNSEL AND SECRETARY OF THE BOARD



Rafael García de Diego
Non-Board Director



Socorro Fernández Larrea
Member of the Appointments and Remuneration Committee

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

Risk management

The Red Eléctrica Group has a Comprehensive Risk Management System established whose objective is to ensure that the risks, which could affect the strategies and objectives of the Company, are systematically identified, assessed, managed

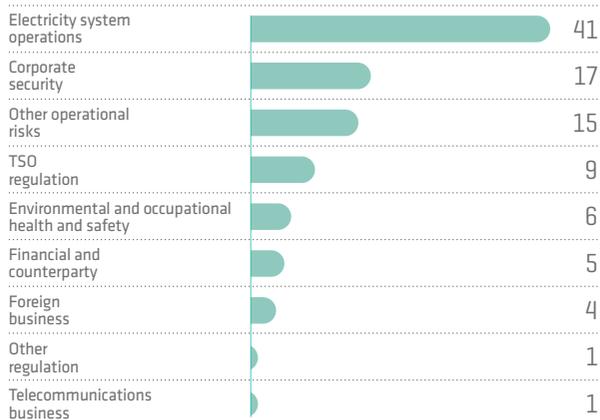
and controlled with uniform criteria and within the established risk limits, so as to facilitate the fulfilment of the business strategies.

COMPREHENSIVE RISK MANAGEMENT POLICY

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



RISK STRUCTURE



In 2015, the action guidelines for the management and mitigation of financial and fiscal risks were integrated into the Risk Management Policy.

Integrity model

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

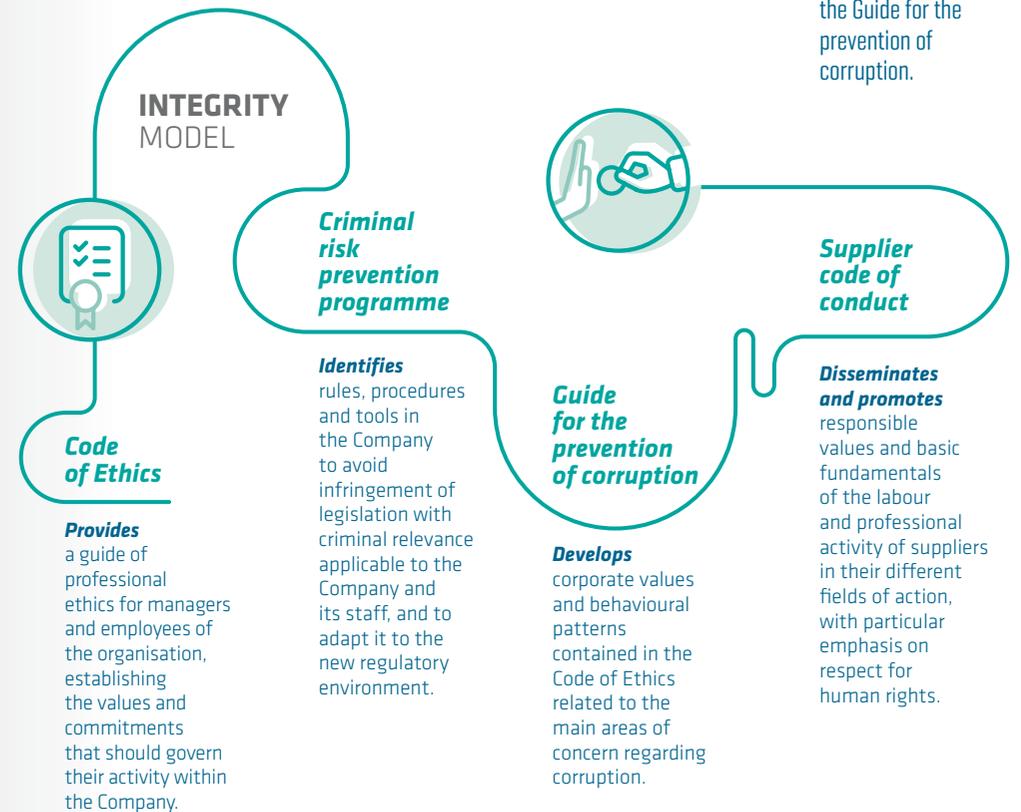


To do this, Red Eléctrica has a number of rules of conduct that establish corporate values and

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



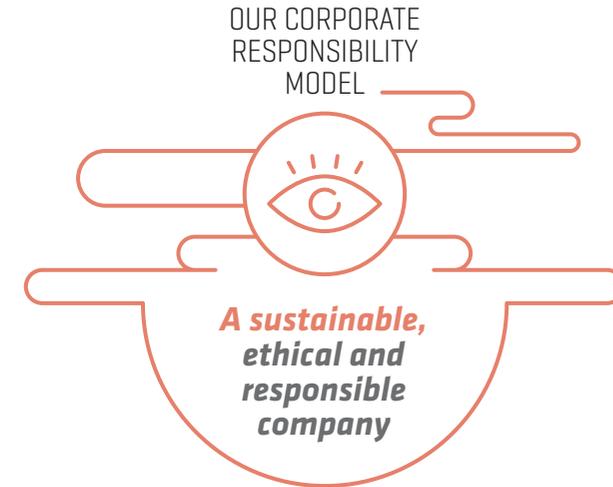
IN 2015
The Board of Directors approved the Guide for the prevention of corruption.



MANAGEMENT APPROACH

04

Connected to excellence and corporate responsibility



1. STRATEGIC APPROACH

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

Approved by the Board of Directors



CORPORATE RESPONSIBILITY PROGRAMME 2015

Fulfilment linked to a management objective



2. CORPORATE RESPONSIBILITY POLICY

Establishes the principles and guidelines regarding corporate responsibility.

Approved by the Board of Directors



5. MONITORING AND EVALUATION

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

Dashboard and audits



4. ANNUAL PROGRAMME

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

Approved by the Corporate Responsibility Committee

93% fulfilment of annual programme



3. CORPORATE RESPONSIBILITY PLAN 2014-2016

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

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

Commitment to sustainability

SUSTAINABILITY

INDEXES 2015



LISTED IN THE **DOW JONES** WORLD AND EUROPE

Red Eléctrica ranks only one point behind the leading company in the sector



IN 2015

The EFQM European Seal of Excellence 500+ was renewed, with a score in excess of 700 points, placing Red Eléctrica among the leading companies both nationally and at a European level.

For Red Eléctrica, corporate responsibility is part of the Company's corporate culture and provides the framework for all its activities in order to carry out its mission as operator and sole transmission agent of the Spanish electricity system. In this regard, the Company acts as a sustainable and ethical company, committed to society, whose management is undertaken with a focus on excellence in the performance of its functions within the electricity system.

THE QUEST FOR EXCELLENCE

The commitment of Red Eléctrica to excellence in management is evidenced through its policy of excellence and quality, and its inclusion as one of the transversal strategies of the Strategic Plan of the Company, which, in turn, establishes management based on best practices in corporate responsibility as a key action. The excellence management system is based on a process management focus. Thus, in 2015 the alignment matrix was developed between the key actions

of the Strategic Plan and the key processes of the Company.

THE MANAGEMENT OF CORPORATE RESPONSIBILITY

The Corporate Responsibility Policy reflects the commitment of Red Eléctrica to sustainable development. In 2015, the Company's updated commitments related to the challenge of contributing to a sustainable energy future were incorporated into the policy. The development of this commitment is implemented through the Corporate Responsibility Plan 2014-2016, which establishes the medium-term framework for action in this area. In turn, each year a corporate responsibility programme is defined, consisting of the set of the most significant projects, which contribute substantially to fulfil the goals set out in the Plan.

For the first time, in 2015, the fulfilment of this programme was incorporated as a management goal, with impact on the remuneration of persons employed.

AREAS OF ACTION OF Corporate Responsibility



STAKEHOLDER MANAGEMENT

Red Eléctrica's Corporate Responsibility Policy expresses its commitment to improve relations and dialogue with its stakeholders, enhancing relationship channels for creating shared value. Among the dialogue channels, which the Company has defined within

the relationship framework with its stakeholders, noteworthy are the satisfaction studies and the DÍGAME service.

In 2015, satisfaction studies were conducted on: financial analysts, ESG analysts, investors, suppliers of financial capital and goods and services.



SATISFACTION STUDIES

Overall Stakeholders satisfaction 8.4 out of 10.

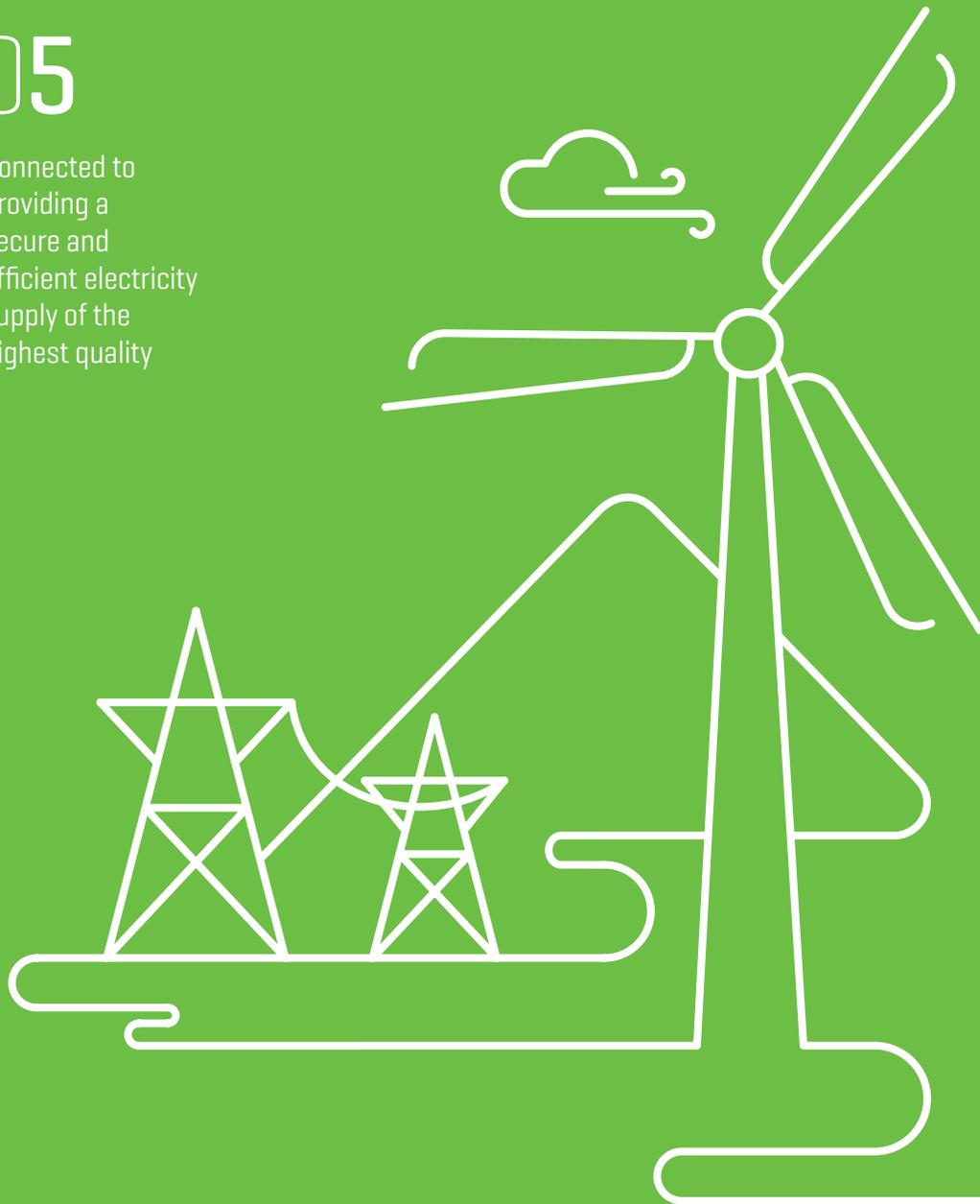
Main recognitions regarding sustainability



SUSTAINABLE ENERGY

05

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



CORNERSTONES FOR ACHIEVING SUSTAINABLE ENERGY



The value of a secure, efficient and sustainable energy supply



INTERCONNECTIONS BETWEEN SYSTEMS

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

Entry into operation of the Spain-France interconnection

Installation of the 1st cable of the Majorca-Ibiza link



SUSTAINABLE DEVELOPMENT OF THE TRANSMISSION GRID

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

414 km of new lines

136 new substations bays



APPROVAL OF THE INFRASTRUCTURE PLANNING 2015-2020



INTEGRATION OF RENEWABLES

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

37% of the electricity demand covered with renewable energies



ENERGY EFFICIENCY

Development of initiatives aimed at achieving a more efficient management of the electricity system in the fields of energy storage, smart grids and consumer involvement.

Projects: PRICE and PERFILA



TECHNOLOGICAL INNOVATION

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

76 technologically innovative projects
€9.6m in investment

Quality and security of supply

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

Therefore, we are working on developing a transmission grid that is increasingly more meshed and robust and better interconnected through the strengthening of international interconnections, and also those between the islands. We are also focusing on the safe integration of renewables, the development of initiatives aimed at energy efficiency and on incorporating innovative technologies to improve system efficiency. All this is geared towards achieving the new energy targets set by the European Council for 2030:

PLANNING
2015-2020



OVERALL INVESTMENT
€
4,554
m

In the transmission grid

40%
REDUCTION OF CO₂ EMISSIONS WITH RESPECT TO THE 1990 VALUES

27%
IMPROVEMENT IN ENERGY EFFICIENCY

RENEWABLES SHARE
27%

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

TRANSMISSION GRID DEVELOPMENT

Electricity infrastructure planning

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

This planning, covering periods of six years, aims to guarantee the security of the electricity supply nationwide and details new electricity infrastructure projects that must be undertaken under the principles of transparency, respect for the environment

CORNERSTONES OF THE transmission grid planning (2015-2020)



SECURITY OF SUPPLY



ECONOMIC EFFICIENCY



ENVIRONMENTAL SUSTAINABILITY



and with minimal cost for the electricity system as a whole.

From this planning, binding in nature, Red Eléctrica de España, in its capacity as transmission agent and operator of the system, has the responsibility to develop a sustainable electricity transmission grid that is essential not only to guarantee the quality and security of supply, but also to provide efficiency

and competitiveness in the electricity markets.

Interconnections between electricity systems

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

GRID PLANNING



THE LINKS BETWEEN ELECTRICITY SYSTEMS

are the most relevant projects

General objectives of the planned infrastructures

STRUCTURAL ACTIONS

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

OTHER ACTIONS

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



GRID
CONSTRUCTION



414
KM
OF NEW LINE

136
new substation
bays

Therefore, to improve the **interconnection between Spain and France** in the horizon 2015-2020, a phase-shifting transformer is included in the Arkale-Argia 220 kV line (listed by the European Union as a project of common interest - PCI).

However, because of their large scale, all actions, considered as PCI projects, which allow a significant increase in exchange capacity (up to 8 GW), are included for the horizon beyond 2020:

- A direct current submarine interconnection in the Bay of Biscay.
- Two more interconnections through Navarra and Aragón.

The planning includes **10 new links between islands** for connecting isolated systems or strengthening existing connections.



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

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

Finally, with regard to the interconnections between island systems, 10 new links between islands are included for connecting isolated systems or strengthening existing connections, thereby improving security of supply.

Construction of the transmission grid

In 2015, investments in the transmission grid have basically responded to the need to increase capacity and grid meshing to support distribution in various parts of the country, and the implementation of unique international interconnection projects and submarine interconnections between islands.



TRANSMISSION
GRID



INVESTMENT
2015
€
410.7
m

In this fiscal year, 414 km of new line and 136 new substation bays have been brought in service, and also transformer capacity has been increased by 605 MVA, with a joint investment in the transmission grid of 410.7 million euros.

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

- **Asturias-Galicia axis:** the main objective is to connect northern Galicia and western Asturias in order to meet forecasted consumption in this area, and facilitate the evacuation of new generation in the upcoming years. In 2015, progress was made on the construction of the Boimente-Pesoz line after the completion of its permitting process.

- **Aragón-Levante axis:** this axis aims to strengthen the meshing of the transmission grid to allow the evacuation of wind energy from Aragón into Castellón. In 2015, the Mudéjar substation and the Morella-Mudéjar line were brought into service and the hanging of the Mezquita-Morella line began.

- **Torrent axis:** its purpose in the future is to increase the voltage in the transmission grid from 66 kV to 132 kV on the island of Ibiza. In 2015, the Torrent substation was brought into service, which is the connection point



INVESTMENT IN THE
TRANSMISSION
GRID

2015	411
2014	493
2013	564
2012	672
2011	819

of the submarine link between Majorca and Ibiza.

- **Bajo Llobregat axis:** the aim is to strengthen the meshing of the 220 kV network in the area of Bajo Llobregat in the province of Barcelona. In 2015, the Nudo Viario-Zal line was brought into service.

- **Majorca-Ibiza interconnection:** The purpose of this link is to end the current electrical isolation of Ibiza, in addition to saving costs for the system and promoting competition in energy generation on the islands. In 2015, the installation of the first cable for the link was completed, with the second cable due to be brought into service in early 2016.

The electricity connection consists of a high-voltage alternating current dual link of 100 MVA per circuit and 132 kV, with a total length of 126 km. The route of the cable consists of a land section on each island that runs underground (3 km in Majorca and 5 km in Ibiza) and a submarine stretch of 118 km, with a maximum depth of 800 m.

Quality of service

Red Eléctrica has the responsibility of ensuring the proper reliability and availability of its electricity infrastructure. To do so, it annually conducts a rigorous plan of maintenance and renewal programmes and improvement of its facilities, with which the Company aims to achieve year-on-year, the highest level of security of supply and quality of service.

TRANSMISSION GRID PENINSULAR AND NON-PENINSULAR

	2015
Km of line	42,986
Overhead lines [km]	41,381
Submarine cable [km]	718
Underground cable [km]	887
Substation bays	5,428
Transformer capacity [MVA]	84,544



ELECTRICITY SYSTEM OPERATION

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

For yet another year, CECRE [Control Centre of Renewable Energies] has been instrumental in enabling the operation of an electricity system with a high penetration of renewable energies, such as the system in Spain. In addition, in 2015, in order to make further progress in the integration of these energies, without the security and quality of the electricity supply being affected, CECRE has begun to monitor the wind production in Portugal and the renewable generation from this country has been incorporated into the calculations of the maximum permissible renewable generation that can be integrated into the peninsular electricity

system without jeopardizing the interconnection with France.

Peninsular electricity system

In 2015, renewable energies have maintained a noteworthy role in the total generation mix, reaching 37% of the total amount generated in the peninsular system, but this was down more than five points over the previous year due to the variability of hydroelectric and wind production that in 2015 have shown decreases of 28.2% and 5.3% respectively.

Nevertheless, it should be noted that wind technology was the greatest contributor to the total production of peninsular electricity in the months of February and May. In addition, in 2015 the maximum records of wind production registered in recent years were exceeded: yearly maximums for instantaneous wind power production, hourly energy and daily energy; and on 21 November at

RENEWABLE ENERGY



92.8

TWh
INTEGRATED
IN 2015

37%
of the
peninsular
demand

SERVICE QUALITY GRID AVAILABILITY RATE

	2011	2012	2013	2014	2015
Peninsular transmission grid	97.72	97.78	98.20	98.20	97.93
Balearic Islands transmission grid	98.21	98.07	97.96	98.00	96.87
Canary Islands transmission grid	98.95	98.91	98.30	98.37	96.76



4:50 am a new all-time record was also registered in the contribution of wind power to demand coverage reaching a figure of 70.4%.

Balearic Islands electricity system

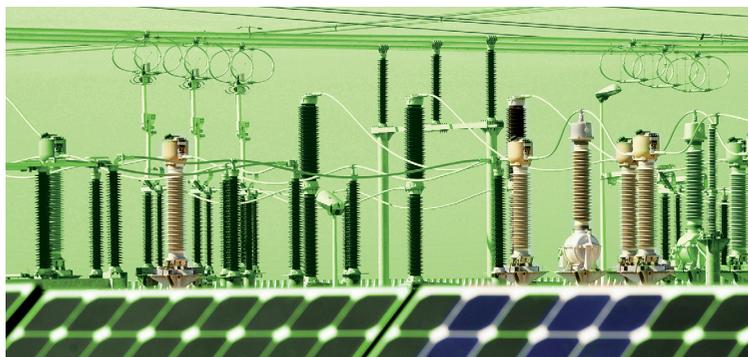
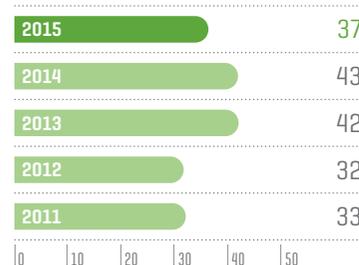
In 2015, work continued on the consolidation of the positive impacts of the operation of the

interconnection linking the island of Majorca with the Spanish Peninsula electricity system. The energy transferred from the Peninsula covered 23% of the demand on the Balearic Islands, reaching peaks of 38% of the hourly consumption. This represented an overall saving of 14% on the coverage costs of the Balearic Islands system and has prevented the emission into the atmosphere of approximately 350,000 tonnes of CO₂ in the territory of the Balearic Islands.

Canary Islands electricity system

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

PERCENTAGE OF RENEWABLE ENERGY IN THE COVERAGE OF THE PENINSULAR DEMAND



LINK
SPANISH PENINSULAR BALEARIC ISLANDS



14 %

SAVING IN DEMAND COVERAGE COSTS

Of the Balearic Islands system



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

Energy storage on the Canary Islands

In 2015, the subsidiary REINCAN was set up that meets the goal of promoting energy storage projects on the Canary Islands, as tools for the system operator to guarantee supply, improve system security and optimise the integration of renewable energies in the archipelago.

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

ENERGY STORAGE IN THE CANARY ISLANDS



€ 320 m INVESTMENT

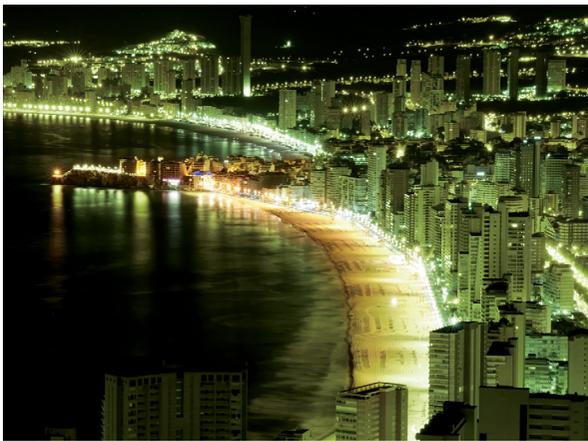
In the Chira-Soria pumped-storage hydro power station

Energy efficiency

Red Eléctrica continues to work actively on the promotion, development and dissemination of demand-side management measures as necessary tools

to achieve a more balanced consumption profile and aim to provide a greater flexibility and efficiency in the operation of the system.

In this regard, demand-side management initiatives undertaken by Red Eléctrica try to cover the whole demand, carrying out specific actions for the residential and industrial sector. In the future the incorporation of new flexibility measures is foreseen for the services sector through aggregated demand.

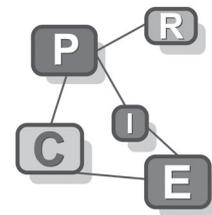


Residential demand: active citizen

The electricity system is in a transition phase towards a new more-dynamic energy model in which the role of the citizen as a key part of the system operation is increasingly essential, and that is why Red Eléctrica promotes demand-side management initiatives geared towards making information available to the citizen about the status of the system, or disseminate recommendations on best practices for efficient consumption.

In the area of residential demand, noteworthy is the PRICE deployment project (Joint

Smart Grid Project in the Henares Corridor), completed in 2015, and in which Red Eléctrica has participated along with 20 other partners.



Red Eléctrica works on demand-side management with specific actions for the residential and industrial sectors.



Industrial demand: interruptibility service

The industrial interruptibility service is a demand-side management tool provided by large consumers that aims to quickly and efficiently respond to the needs of the electricity system in situations of imbalance between generation and demand. In 2013, the challenge of providing a new competitive mechanism of interruptible resource allocation based on an auction procedure was introduced.

This mechanism, first implemented last year, enabled an interruptible resource of 3,020 MW in 2015.



IN THE INDUSTRIAL SECTOR

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

Profiling service

In order to have a better understanding of the hourly consumption of households and an important part of small shops and services, Red Eléctrica has led, since 2013, the PERFILA project, with the participation of the most important electricity distribution companies. This project is based on the analysis of the hourly information coming from a panel of 20,000 consumers who already have smart meters installed.



In the 'Red21' section of the corporate website



Technological innovation

In 2015 the Company approved the new Technological Development Plan 2016-2019, which, in line

with the new Strategic Plan, has identified the objectives and technological priorities of the Company in the medium and long term.



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

EXPENDITURE ON R&D+i

	2011	2012	2013	2014	2015
Expenditure on R&D+i (€m)	7.22	7.64	14.23	8.28	9.62
Nº of projects	56	50	62	66	76



BEST PATHS PROJECT



INTEGRATE RENEWABLES in a safe, efficient and reliable way

The BEST PATHS project seeks to overcome technical barriers that the current Pan-European electricity network could encounter in order to reliably integrate massive amounts of renewable energy.

Key R&D+i projects undertaken in 2015

NATIONAL PROJECTS	PROJECT DESCRIPTION
ESP-LÍDER	Device for the redirection of current flows installed in Torres de Segre. <i>Completed in 2015.</i>
SIMA	Intelligent Asset Maintenance System. <i>Completed in 2015.</i>
FIRE MONITORING	Automatic forest fires monitoring system for overhead electricity lines. <i>Completed in 2015.</i>
POSIDONIA OCEANICA	Development of a technique for the recovery of 'Posidonia oceanica' sea meadows through the use of seeds germinated under laboratory-controlled conditions and fragments obtained via natural fragmentation.
AMCOS-STABILITY FACTS	A pilot device which controls the main parameters that provide stability to an isolated system (frequency control, continuous voltage control and damping of power oscillations).
EUROPEAN PROJECTS	
e-HIGHWAY 2050	New methodology for the planning of the Pan-European transmission system that includes the new model of the electricity system with a 2050 horizon. <i>Completed in 2015.</i>
MIGRATE	Improved understanding of the behaviour of the electricity system with a high penetration of power-electronics based devices.
BEST PATHS	Analysis to overcome various technical barriers that the current Pan-European electricity network could encounter in order to integrate safely, efficiently and reliably, massive amounts of energy from renewable sources such as solar and offshore wind.

R&D+i
PROJECTS
2015



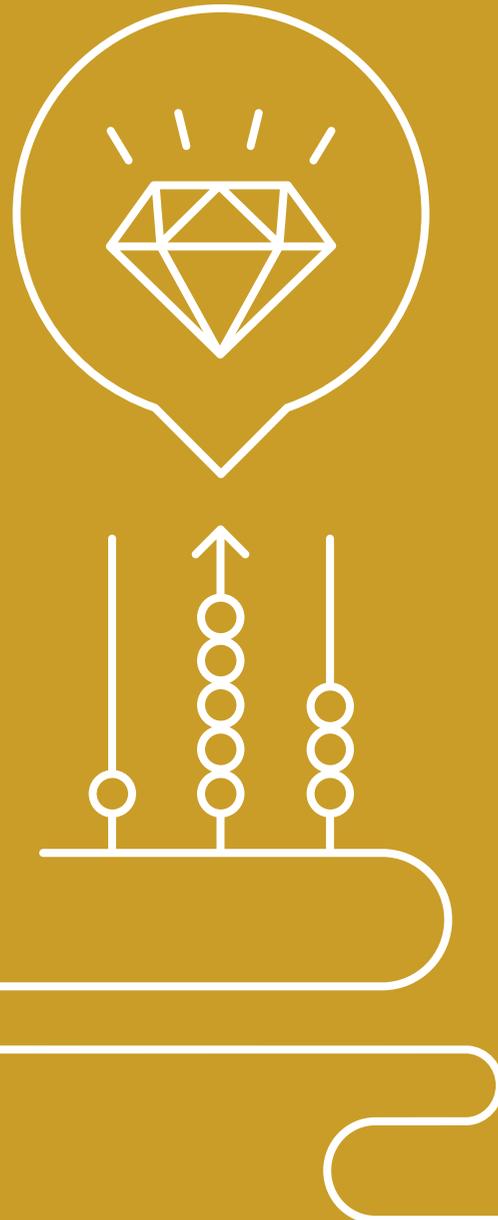
76

PROJECTS
GEARED
TOWARDS
ACHIEVING
GREATER
EFFICIENCY
OF THE
ELECTRICITY
SYSTEM

CREATION OF VALUE

06

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



CORNERSTONES FOR ATTAINING THE CREATION OF VALUE



Financial soundness, solvency and solid growth

FINANCIAL RESULTS



€
606
m

IN NET PROFIT

8.3% higher than 2014 in recurring terms



FINANCIAL STRATEGY

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

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



SHAREHOLDER RETURN

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

5.3% increase in the share price

7% increase in the dividend

Evolution of Results

Net profit for 2015 totalled 606 million euros, 15.6% below that of the previous year. If we strip out non-recurring items included in 2014, such as compensation for TDE and the impact of the implementation of the tax reform contained in Law 27/2014 on corporation tax for a total of 106.1 million euros, the profits for the year would have increased by 8.3%.

behaviour of working capital has allowed investments and dividends to be paid, and to reduce the **net financial debt** of the Red Eléctrica Group, which at the close of the fiscal year was 4,905.9 million euros.

Investments made by the Group during 2015 reached 447.8 million euros, of which 410.7 million euros were earmarked for the development of the national transmission grid, and 12.0 million euros to energy storage in the Canary Islands.

Operating cash flow after tax was 1,134.9 million euros, an increase of 12.5% compared to that generated in the same period last year. The strong cash generation and positive



KEY FINANCIAL INDICATORS

€m

	2015	2014	Δ%
Net Revenue	1,938.9	1,846.7	5.0
Gross operating result (EBITDA)	1,458.4	1,385.4	5.3
Profit before tax	829.7	853.5	(2.8)
Profit for the period	606.0	717.8	(15.6)
Recurring profit for the period (1)	606.0	559.5	8.3
Non-current assets	9,156.5	9,138.2	0.2
Net equity	2,760.6	2,552.5	8.2
Net financial debt	4,905.9	5,408.5	(9.3)
Operating Cash flow after tax	1,134.9	1,009.2	12.5
Investments (2)	447.8	957.6	(53.2)

(1) Earnings for 2014 include non-recurring gains from the compensation for TDE (€52 million) and from application of Corporate Income Tax Law 27/2014 (€106 million). Stripping out these items would have increased profits by 8.3% year-on-year.

(2) Investment in 2014 included the acquisition of the rights to use ADIF's fibre optic network for €434 million.



In the Consolidated Annual Accounts Report.



Financial strategy

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

Transmission and operation of the electricity system are very capital-intensive activities, wherein investments mature

Credit rating

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

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



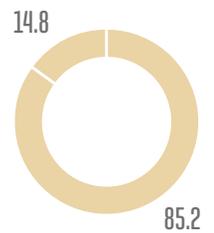
over long periods. In addition, the remuneration of these assets is for periods of 40 years at rates linked to Spanish long-term government debt. Therefore, our financial debt is primarily long-term and referenced mainly at fixed rates.

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

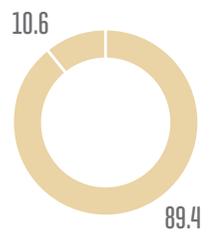


FINANCIAL DEBT STRUCTURE

FIXED vs. VARIABLE



SHORT-TERM vs. LONG-TERM



Shareholder return



IN 2015

the Red Eléctrica share price rose 5.3% and the shareholder return grew over 9% if we include dividends paid by the Company.

RED ELÉCTRICA SHARES

Red Eléctrica again surpassed the IBEX 35 in 2015 and in addition to the extraordinary rise registered in 2014, over 50%, we have to add an increase in the share price of more than 5% over the last year, and a return of over 9%

if we include the dividends paid out by the Company. The favourable reception of the Strategic Plan 2014-2019, and the visibility of the dividend policy has allowed our Company to avoid negative values in 2015.

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



2015
POSITIVE EVOLUTION
in the stock market



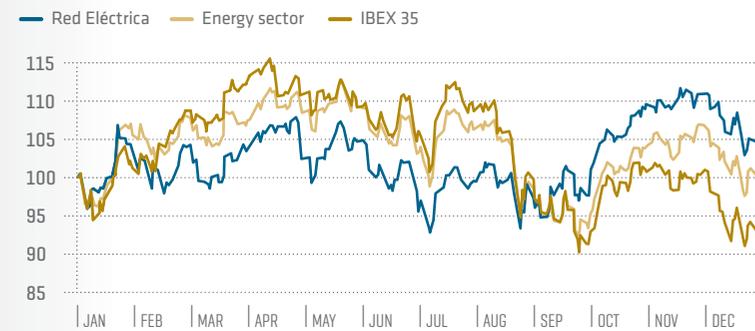
RED ELÉCTRICA
surpasses the Ibx 35 in 2015

DISTRIBUTION OF DIVIDENDS

The direct return for the shareholder in the form of dividends increased by 7% compared to the previous year. The gross dividend proposed at the General Shareholders' Meeting with

a charge to 2015 profit, was 3.21 euros per share. The payment of the dividend will be made on 1 July 2016, after having discounted the gross interim dividend pay-out of 0.8906 euros per share paid out on 4 January 2016.

VALUE COMPARISON



%

GROSS
DIVIDEND
2015



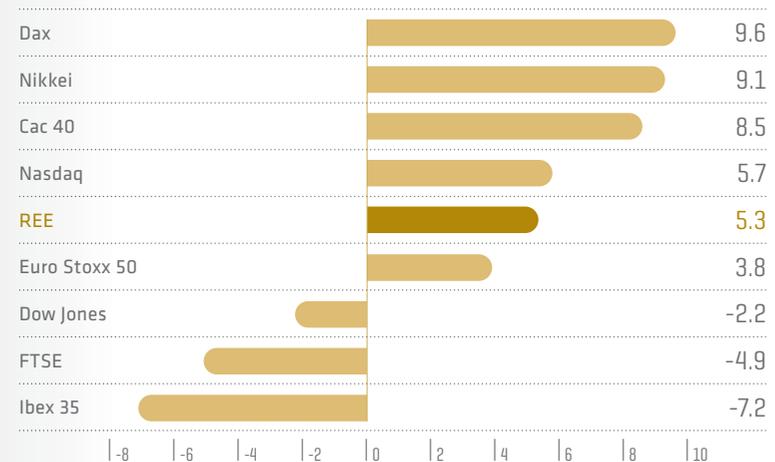
€
3.21

PER SHARE

Compared to 2014

+7%

EVOLUTION OF RED ELÉCTRICA AND THE MAIN STOCK MARKET INDEXES 2015



%

EMPLOYEES

07

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



CORNERSTONES OF OUR COMMITMENT TO EMPLOYEES



STABLE AND QUALITY EMPLOYMENT

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

99.9% permanent contracts
80% of new directors via internal promotion



HEALTHY WORKPLACE

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

AENOR Healthy Workplace Certification
5,850 hours of occupational health and safety training

CLIMATE SURVEY 2015



9.4

EMPLOYEE SATISFACTION
OUT OF 10

91% took part



TALENT MANAGEMENT

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

100 hours of training per employee
More than 97,000 hours of training to improve employability



DIVERSITY AND INCLUSION

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

20.2% of women in management positions
2.54% of people with a disability (includes workforce and LGD agreements)

Stable and quality employment

Red Eléctrica de España, by the end of 2015, had a team of 1,697 professionals, representing

an increase of 0.9% compared to 2014. At a Group level, the workforce as at 31 December stood at 1,742.

Our commitment towards creating stable employment is reflected in the percentage of workers on permanent contracts, which stands at 99.9%, and in driving internal promotion through which, of the 20 appointments that took place during 2015 in the management team of the Group, 80% were internal promotions.



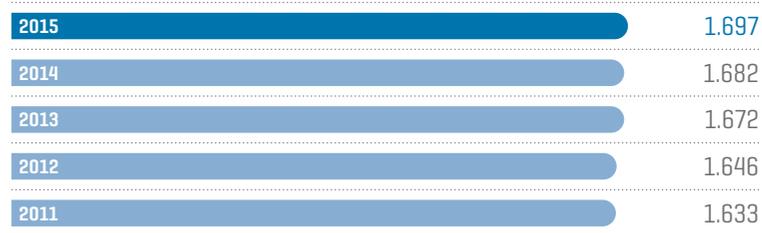
FIXED CONTRACTS



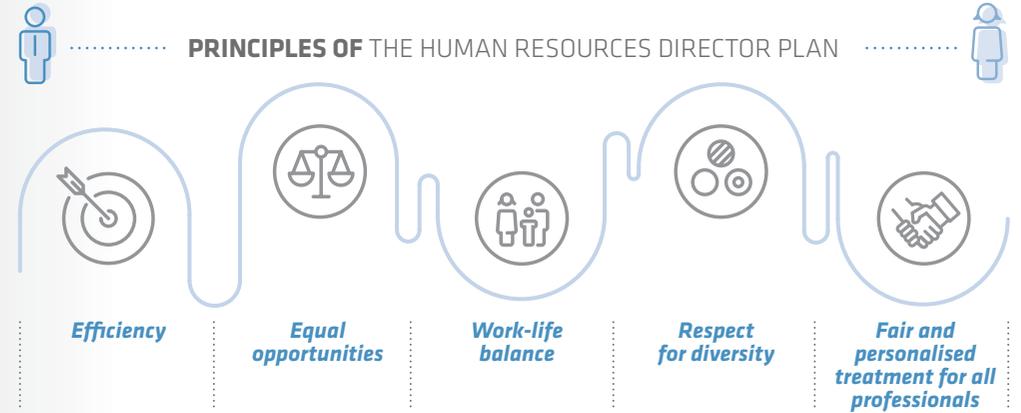
WITHIN THE WORKFORCE
99.9%

Out of a total of 1,697 employees

WORKFORCE EVOLUTION



WORKFORCE DISTRIBUTION BY AGE AND GENDER



WORKFORCE STRUCTURE BY PROFESSIONAL GROUP



KEY EMPLOYMENT INDICATORS (1)

	2013	2014	2015
Total workforce	1,672	1,682	1,697
Women [%]	23.1	22.8	23.1
Men [%]	76.9	77.2	76.9
Women in management positions [%]	19.7	19.3	20.2
People with some type of disability [%]	0.7	0.7	0.8
Creation of net employment (Nº of job posts)	26	10	15
Average age	43	43	44
Average length of service (years)	13	14	15
Undesired external turnover [%]	0.4	0.9	1.6
Total turnover [%]	1.0	1.2	2.1
Permanent contracts [%]	99.8	99.4	99.9

(1) Data regarding Red Eléctrica de España + Red Eléctrica Corporación.

RECOGNITIONS
Red Eléctrica occupies 21st position in the mercoTALENTO ranking 2015 and 29th position in the Universum ranking.

Diversity and inclusion

WOMEN ON THE WORKFORCE



23.1 %

+2.1%
Compared to 2014

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

Representation, which includes actions to promote equality between men and women. During 2015, noteworthy is the increase in the number of women on the workforce and in managerial positions, as well as the setting up of a Women's Leadership Observatory that aims to propose actions to increase the presence of women in management positions.

Cornerstones for diversity and inclusion

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

GENDER EQUALITY AND EQUAL OPPORTUNITIES

Red Eléctrica has had an Equality Plan since 2009, developed jointly with the Social



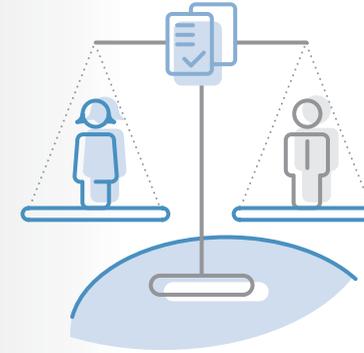
WOMEN'S LEADERSHIP OBSERVATORY

Set up in 2015 to increase the presence of women in management positions.

Nº

EVOLUTION OF WOMEN ON THE WORKFORCE

2015	392
2014	384
2013	386
2012	373
2011	370



Since 2009, Red Eléctrica has had an equality plan that sets out actions on promoting effective equality between men and women.

As a result of the actions carried out, 31% of internal promotions to management positions that have been filled in 2015 were filled by women. Also, in this fiscal year the first two female specialist technicians in substation maintenance joined the workforce.

INCLUSION OF PEOPLE WITH DISABILITIES

During 2015, Red Eléctrica has given a boost to its strategy of inclusion of professionals with disabilities with the approval of a management model and the associated action plan for its deployment. This model, approved by the Management Committee in early 2015, was developed jointly with the Adecco Foundation and the involvement of nine strategic areas of the Company. In 2015, 6,230 jobs were generated for people with disabilities through the project 'Jobs for all' of the Adecco Foundation, which was supported Red Eléctrica.

PEOPLE WITH DISABILITIES



2.5 %

includes people on the workforce and via LGD agreements

%

EVOLUTION OF WOMEN IN MANAGEMENT POSITIONS

2015	20.2
2014	19.3
2013	19.7
2012	19.4
2011	17.6

Talent management

BANK OF POTENTIAL 2015



75%

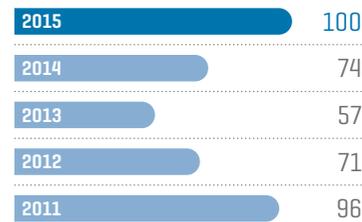
OF DIRECTOR POSITIONS

Covered by people included in the Bank of Potential programmes

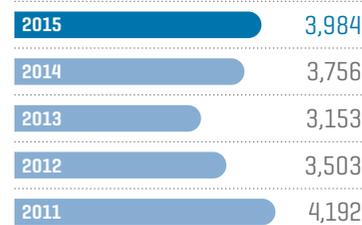
The training and development of people in Red Eléctrica is integrated under a global talent management model. Thus, the attraction, training, knowledge management and development of talent is part of the same process, resulting in greater efficiency in response to the Strategic Plan of the Company.



AVERAGE NUMBER OF HOURS OF TRAINING PER EMPLOYEE



INVESTMENT IN TRAINING PER EMPLOYEE



The **knowledge management model** and the **leadership model**, are key elements in managing talent because they facilitate the transfer of knowledge, which is key to Red Eléctrica.

Under the leadership model two programmes have been developed: Bank of Potential and LideraT that pursue the development of managerial skills. 33% of head of department positions and 75% of director positions have been filled with people included in the Bank of Potential programme of the Company. Regarding the knowledge management model, a guide has been developed that provides methodological and practical support, and an action plan has been approved scheduled to begin in 2016.

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

In 2015, more than 170,436 hours of training were given, which meant an average of 100 hours per employee and an investment of 3,984 euros per employee.

Dialogue and transparency

Internal communication is an essential tool for achieving the goals of Red Eléctrica, and actively contributes to achieving the changes that the Company proposes, with the involvement of its professionals. In this sense, the new miRED intranet supports the commitment for a shared communication between all organisational units and provides collaborative spaces that allow people to connect and facilitates dialogue.

In 2015, Red Eléctrica conducted a new climate survey, where noteworthy was the percentage of people that took part, 91%, demonstrating the interest of employees in the survey with a degree of satisfaction of 9.4 out of 10.

Regarding social dialogue, during 2015 the 10th Collective Bargaining Agreement was implemented, signed by all union representation, whose pillars are efficiency and productivity, the work-life balance, improving flexibility and sustainability, and which has removed the link between workforce salaries and the Consumer Price Index, linking it instead to the productivity of the Company and to the evolution of GDP.

miRED NEW INTRANET



COLLABORATIVE SPACE

To facilitate dialogue

RESULTS OF THE climate survey 2015 (0-10)

PERCENTAGE THAT TOOK PART

91%

18 points up on the survey held in 2012



9.1

IN PRIDE OF BELONGING



9.4

IN SATISFACTION



7.9

IN COMMITMENT



DOW JONES INDEX

Red Eléctrica obtains the maximum score (100 out of 100) in the Talent Attraction and Retention criteria.

Healthy workplace



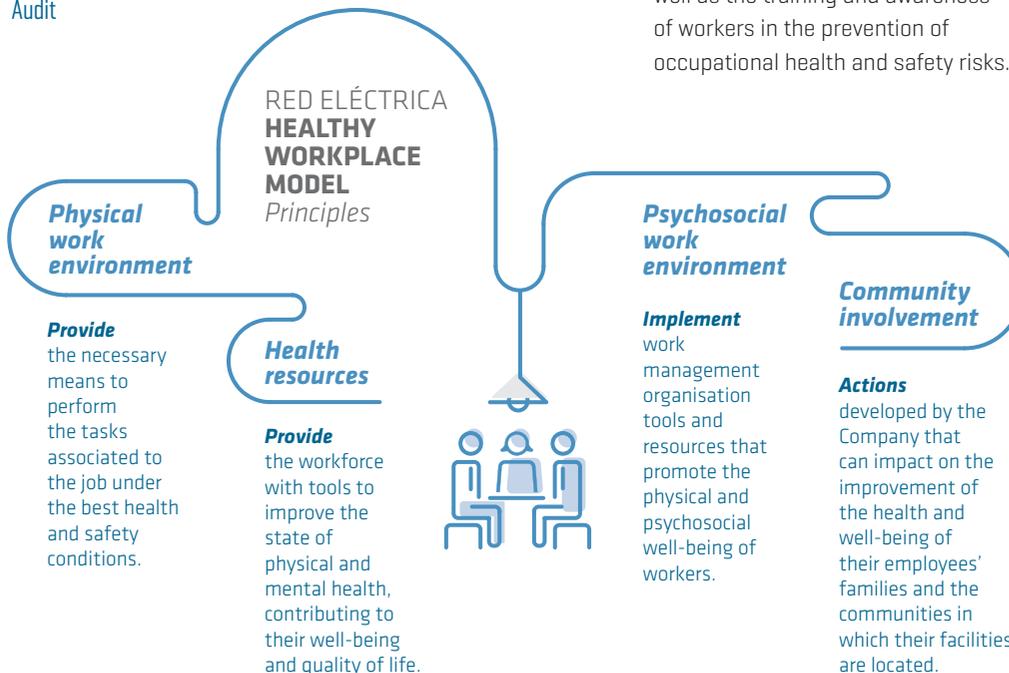
In 2015, the model was implemented and the healthy workplace manual was approved, which sets out the regulations associated to undertaking the management of well-being and the progressive improvement of the occupational health and safety levels. At the same time, a communication plan was developed in order to disseminate it through the entire workforce.

During 2015, the Company undertook various initiatives regarding a healthy workplace which were related to the promotion of health, the management of the aging workforce and the prevention of security risks in the workplace, as well as the training and awareness of workers in the prevention of occupational health and safety risks.

The healthy workplace model is a strategic commitment that sets out the general principles and guidelines for the management, promotion and health monitoring of people within the Company.



RECOGNITIONS
Healthy Workplace Certification awarded by AENOR (Spanish Association for Standardisation and Certification), OHSAS 18001 Audit



In this regard, in 2015 the severity index of accidents stood at 0.12 (0.14 in 2014) and the frequency index stood at 4.52 (2.82 in 2014). Similarly, 5,850 hours of training on occupational health and safety was provided to 1,165 participants.

WORK-LIFE BALANCE

The continued progress in creating more flexible work environments tailored to the needs of people, is one of the great challenges that Red Eléctrica faces within the work-life balance plan, integrated into the healthy workplace model. Through a large number of measures and initiatives, which are applicable to the entire workforce, it aims to improve the well-being and quality of life of people, encouraging their commitment and pride of belonging.

In this regard, the coming into force of the 10th Collective Bargaining Agreement has also represented a clear step forward regarding the work-life balance to include new measures or expand existing ones.

In 2015, the most noteworthy actions were:

- **Training and awareness programme** for managing people through the work-life balance, geared towards the management team.



- Development of **new work-life balance measures** related to health and well-being.
- **Family support** activities and services.
- Consolidation of the figure of the **work-life balance interlocutor**.



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

Consolidation of the figure of the **work-life balance interlocutor**: key to strengthening the measures and initiatives in this field.



SOCIETY

08

Connected to the progress and well-being of the communities in which our facilities are located



CORNERSTONES OF OUR RELATIONSHIP WITH SOCIETY



COMMUNITY TIES

Building and maintaining relationships based on trust and ongoing dialogue to facilitate the implementation of projects in the territory.

94% of agreements reached with landowners are amicable



INVESTMENT IN THE COMMUNITY

Social contribution aimed at improving the well-being and progress of the communities in which the Company's facilities are located.

€ 6.6 million contributed to society

COLLABORATION WITH LOCAL/REGIONAL ADMINISTRATIONS



57

COLLABORATION AGREEMENTS

With Autonomous Communities and Local Councils



SOCIAL COMMITMENT

Undertaking projects and initiatives of a social, cultural, environmental, educational and corporate volunteering nature.

Over 200 projects geared towards social development



TAX CONTRIBUTION

Social contribution aimed at improving the well-being and progress of the communities in which the Company's facilities are located.

€ 638 million Total Tax Contribution

Our commitment to society



Red Eléctrica, as a key player in the Spanish electricity system, contributes to ensuring all citizens and companies have guaranteed access to an essential commodity, such as electricity. Guaranteeing the security of supply is our first and foremost social contribution.

Additionally, the work that Red Eléctrica carries out, through its Control Centre of Renewable Energies [CECRE], allows the integration of renewable energies to be maximised. This in turn, makes it possible for the energy model to respond to society's

ongoing demand for it to be ever-more sustainable.

To achieve these objectives, the Company manages the transmission grid under the principles of neutrality, efficiency and sustainability, seeking solutions that generate the least environmental impact and promoting the participation of society in the process of implementation of infrastructure through dialogue and ongoing collaboration. In addition, it accompanies its projects in the territory with collaboration programmes that reflect the Company's social commitment and pursues progress and well-being of the communities in which its facilities are located.

TIES WITH THE COMMUNITY

Red Eléctrica promotes and maintains an ongoing relationship with the local areas in which its

Social Responsibility Plan associated to the Mezquita-Morella and Múdejar-Morella lines

A social responsibility plan has been defined that is aimed at 20 local councils in the municipalities of Teruel and Castellón which will be crossed by the Mezquita-Morella and Múdejar-Morella electricity lines.

This programme encompasses a number of social, cultural and environmental initiatives aimed at creating value in each of the towns involved in the project through the implementation of specific plans.



IN 2015

57 collaboration agreements with Autonomous Communities and Local Councils were signed for the implementation of projects of a socio-economic, environmental and cultural nature.

facilities are located, not only during the process of construction of new facilities, but also throughout the entire life cycle of the facilities.

Thanks to the collaboration on projects for local development and an ongoing dialogue, the Company has reached agreements with a high percentage of the town councils affected by facilities brought into service in 2015.

Furthermore, noteworthy are the amicable agreements reached with 94% of the landowners affected by projects whose permitting process finalised in 2015.

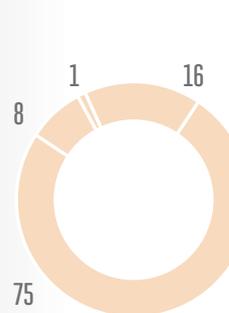
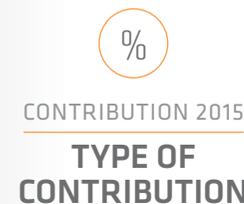
INVESTMENT IN THE COMMUNITY

Red Eléctrica contemplates and promotes social action as an essential element of its corporate responsibility policy.

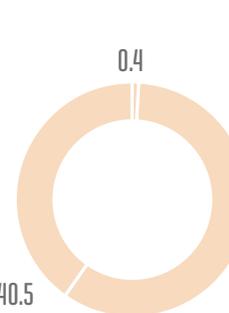


IN 2015

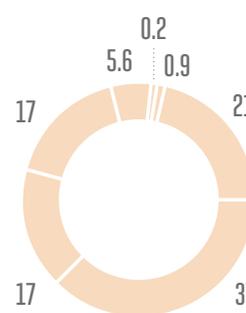
€ 6.6 million was invested in the execution or promotion of social initiatives.



75	Monetary
16	Time
1	In-kind
8	Management costs



0.4	One-off contribution
59.1	Social investment
40.5	Initiative aligned with the business



21.4	Education
37.7	Socio-economic development
17	Environment
17	Art and culture
5.6	Social well-being
0.2	Humanitarian aid
0.9	Other

Data calculated using LBG methodology.



SOCIAL PROGRAMME 2015



MORE THAN 200 PROJECTS



In 2015, the Company contributed € 6.6 million (1.21% of its net profit) to the execution or promotion of social initiatives.

SOCIAL COMMITMENT

Red Eléctrica's social programme includes actions mainly aimed at the socio-economic development of the territory; conservation, protection and enhancement

of the natural heritage of the municipalities; and disseminating knowledge of the electricity system.

Socio-economic development of the territory

Within this scope, in 2015, Red Eléctrica promoted and collaborated on more than 200 projects, among which noteworthy are projects for sustainable lighting, construction

2015, International Year of Light

On occasion of the celebration of Red Eléctrica's 30th anniversary and the proclamation by the UN of 2015 as the International Year of Light, the Company carried out a programme of activities with the objective of raising public awareness about the importance of light and its associated technologies for the development of life and the progress of society.

To this end, Red Eléctrica organised 34 activities, in different locations around Spain, that respond to the Company's ongoing commitment to society for

the dissemination of information regarding the functioning of the electricity system and the challenges for developing a sustainable energy model.

767,899 euros were invested in carrying out these activities; a project on which Red Eléctrica collaborated with the Spanish Committee of the International Year of Light.



Red Eléctrica's social programme promotes the conservation of natural heritage and the socio-economic development of the territory, as well as dissemination of knowledge regarding the electricity system.

or improvement of municipal infrastructure, collaboration on projects of social relevance with an impact on tourism, promotion of the cultural wealth of the territories and projects for the restoration of emblematic buildings, among others.

Dissemination of knowledge

In this field, Red Eléctrica plays an active role in raising knowledge regarding how the Spanish electricity system works as a whole, as it is aware that a more informed society is better able to develop and maintain a sustainable energy model that effectively meets the energy needs of citizens.

To disseminate this knowledge, the Company has the exhibition 'A highway behind the wall socket' which aims to explain the electricity supply process, from

generation to consumption, placing value on the activities of the company as TSO and key player of the electricity system, and raise public awareness about the need for an efficient and responsible energy consumption. During 2015, the exhibition was on show at the Museum of Science and Technology of Tarrasa, where it received 42,000 visits.

Also, in 2015, Red Eléctrica collaborated with the Spanish Foundation for Science and Technology (FECYT), the Higher Council for Scientific Research (CSIC) and the Padrosa Foundation on the **Movilab project**, a mobile laboratory installed in the trailer of a truck which toured 13 Spanish cities to bring science and innovation closer to its citizens.



MOVILAB

Nearly 10,000 people visited the Movilab, of which over 7,200 were students. In total, the mobile laboratory hosted more than 500 workshops aimed at audiences of all ages.

SUPPORT FOR
EDUCATION



1,045

STUDENTS FROM
MORE THAN

35

Schools and universities have visited facilities belonging to Red Eléctrica

In this area, Red Eléctrica also pays special attention to higher education and training in the field of energy and the environment. During 2015, of note is the support for the education of 1,045 students through visits to company facilities.

Moreover, in 2015 it has organised 97 visits to the electricity control centres CECOEL and CECRE, and 55 visits to various facilities of the transmission grid distributed nationwide.

Between 2012 and 2015, **the Company has trained more than 2,200 people** from the National Security Forces on security and safety issues regarding electricity facilities and fire prevention.

In total, 1,751 people visited the facilities of the Company.

Similarly, the training programme for the National Security Forces continued on security and safety issues regarding electricity facilities and fire prevention. In total more than 2,200 people have been trained as part of this programme since it was launched in 2012.

Environmental Actions

In 2015, within the framework 'Red Eléctrica Forest' project, two new agreements were signed for the restoration of two degraded public highlands in Zamora and La Coruña.

In addition, the Company also collaborates with the Life+ Activa Red Natura project, which aims to improve knowledge and awareness in Spain regarding Red Natura [Nature Network], as well as various birdlife recovery projects.

Corporate volunteering

'ENREDANDO', the corporate volunteering group of Red Eléctrica, was set up in 2005 with the aim of extending the social action of the Company through the promotion and strengthening of the collaboration of employees in solidarity activities that respond to social and

environmental needs, problems and interests.

During 2015, the main projects carried out by the corporate volunteering group were the following:

- **10th Fair Trade Campaign** that raised 3,240 euros in sales.
- Extraordinary donation of 6,000 euros to the **NGO Maiti Nepal** following the earthquakes that shook the country.
- **Operation kilo-litre campaign** that collected a total of 7,510 kilos and litres of foodstuffs.

- Collection of 11,057 euros in the **Solidarity concert in favour of Syrian refugees**.

- Collection of 3,402 euros in the **Solidarity auction in favour of the Apsuria Foundation**.

- Participation in the **6th edition of the 'Race for Hope' – FEDER** [Spanish Federation for Rare Diseases].

- Participation in the **9th edition of the 'Companies Solidarity Day'**.

PARTICIPATION
IN INTERNATIONAL
ORGANISATIONS



OBJECTIVE
DEVELOPMENT
OF PROPOSALS
REGARDING

Sustainability, legislation, regulation and operational criteria of grids and electricity systems

Participation in organisations and associations

Red Eléctrica actively collaborates with numerous national and international organisations.

INTERNATIONAL ORGANISATIONS

- **ENTSO-E** (European Network of Transmission System Operators For Electricity).
- **CIGRE** (International Council on Large Electric Systems).
- **GO 15**. Reliable and Sustainable Power Grids.
- **Med-TSO** (Association of the TSOs of the Mediterranean basin).
- **RGI** (Renewable Grid Initiative).

- **EASE** (European Association for the Storage of Energy).

NATIONAL ENTITIES

- **Real Instituto Elcano**.
- **Casa de América**.
- **Fundación Seres**.
- **Fundación Lealtad**.
- **Fundación de Víctimas del Terrorismo**.
- **Fundación de Energías Sin fronteras**.
- **LBG** (London Benchmarking Group).



Tax transparency

In 2015, the Board of Directors approved:

- The **tax strategy** of the Red Eléctrica Group.
- The aspects of the Policy for the control and management of the **Group's tax risks**

and its inclusion into the **Comprehensive Risk Management Policy**

Similarly, the Red Eléctrica Group has adhered to the **Code of Good Tax Practices** adopted by the State Tax Administration Agency.



The vision of the tax strategy:

Manage the tax affairs in a manner that is proactive, responsible with all stakeholders and which is transparent, in order to comply with tax laws and minimise reputational risk, making it compatible with protecting the share price.

KEY DATA in 2015

€ **638** m
TOTAL TAX CONTRIBUTION

MORE THAN
€ **1.865** m
TAX PAYMENTS IN THE 2013-2015 PERIOD

43%
OF VALUE GENERATED EARMARKED FOR TAX PAYMENTS

99% OF THE TOTAL TAX CONTRIBUTION MADE IN SPAIN

33% TAX CONTRIBUTION COMPARED TO REVENUE

Continuing with the good practice started in 2014; the Company has calculated and published its **Total Tax Contribution**, highlighting the relevant economic and social role derived from the Group's tax payments.

The total tax contribution of the Red Eléctrica Group to the relevant tax authorities in all countries in which it operates amounted to **638** million euros, Spain being the jurisdiction with the greatest tax contribution [99%].

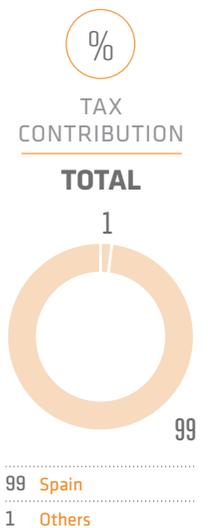
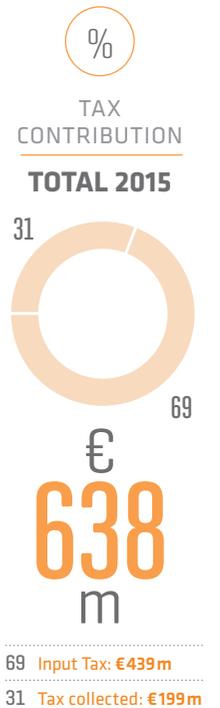
GEOGRAPHIC Distribution



TOTAL TAX CONTRIBUTIONS 2015

	Spain	Latin America	Other (EU)	Total
Input tax	196	3	-	199
Tax collected	433	3	3	439
Tax contribution	629	6	3	638

To calculate the total tax contribution, the Company has followed PwC's Total Tax Contribution (TTC) methodology.

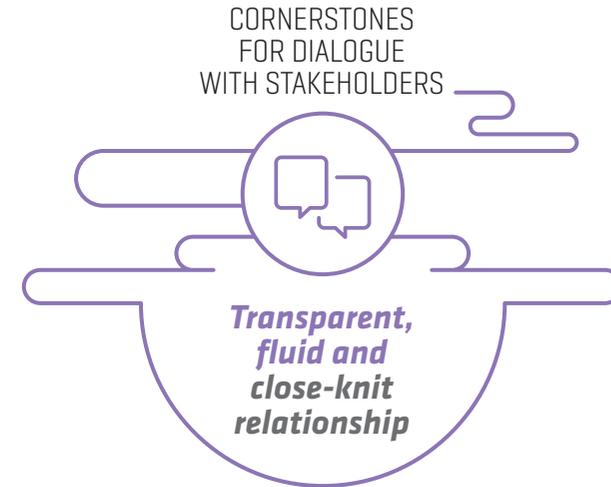
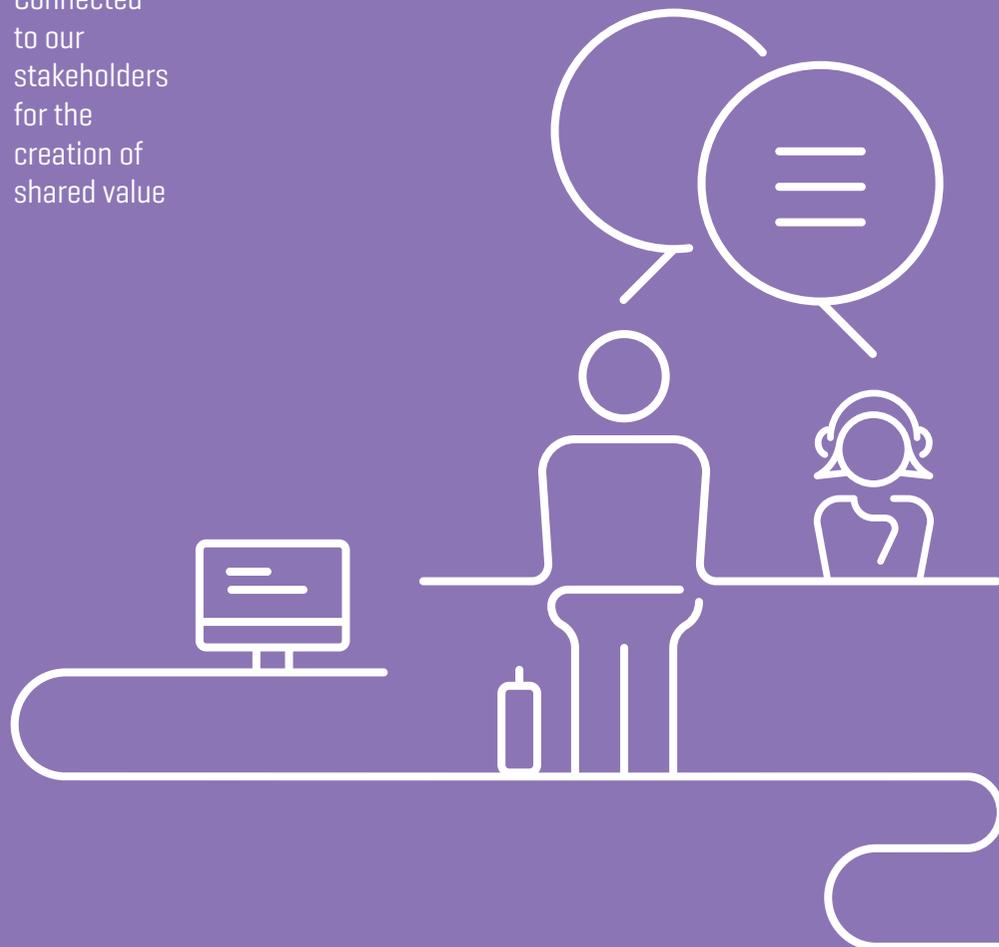


The revenue of the Red Eléctrica Group is principally in Spain (98%).

DIALOGUE WITH STAKEHOLDERS

09

Connected to our stakeholders for the creation of shared value



SHAREHOLDERS AND INVESTORS

Transparent and fluid communication, facilitating relevant corporate information to meet the information needs demanded by these groups.

542 meetings with analysts and investors

CORPORATE WEBSITE 2015



MORE THAN **2.4** MILLION VISITS



CLIENTS AND MARKET AGENTS

Compliance with legal requirements regarding communication and publication of information, guaranteeing transparency, integrity and disclosure timelines.

Client satisfaction **8.3 out of 10**



THE MEDIA

Dissemination of activities, projects and initiatives undertaken by the Company, with particular emphasis on its commitment to sustainability.

79 press releases issued



SUPPLIERS

Sustainable supply chain management model: transparency in management, corporate responsibility criteria in the procurement strategy, and its transference to suppliers.

98% of purchases from local suppliers

Ongoing dialogue with shareholders and investors

Red Eléctrica maintains a solid commitment to dialogue with its shareholders and investors, facilitating them with the relevant corporate data to meet the information needs at each moment. This communication is transparent and fluid, which is key to achieving a trust relationship with them.



Within the scope of relations with investors, in 2015, 542 meetings were held: 510 for variable income, 11 for fixed income and 21 for corporate governance. For yet another year, the Company has turned to major financial forums in the domestic markets of Europe, the United States and Australia, thus responding to our commitment to communication and transparency.

Moreover, Red Eléctrica, through its corporate website, makes available all the relevant information to the investor that provides insight into the necessary ethical, social and environmental indicators required when making investment decisions, as a complement to the traditional economic and financial criteria.

It also maintains an ongoing effort to improve communication with shareholders, and with the aim of increasing participation of shareholders in the Shareholders' Meeting, in 2015 it has continued to promote participation by electronic means. In this regard, noteworthy was the high participation of shareholders in the two Shareholders' Meetings (Ordinary and Extraordinary) held in 2015.

Red Eléctrica promotes shareholder participation by electronic means, thus enabling them to partake in the Shareholders' Meeting.

MEETINGS WITH INVESTORS 2015



542

510 VARIABLE INCOME

11 Fixed income

21 CORPORATE GOVERNANCE

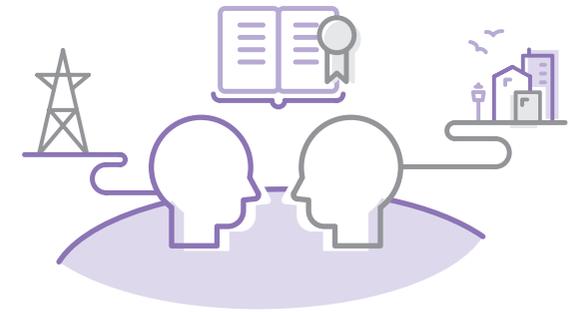
Maximum transparency with clients and market agents

Red Eléctrica bases its success as manager of the Spanish electricity system on the principles of neutrality, independence and efficiency that it applies in all its processes and activities, especially in the service it provides to its clients and market agents. To this end, the Company has an **Operation Code of Conduct** to ensure transparency, confidentiality, ethics and objectivity in its role as operator of the electricity system.

Furthermore, Red Eléctrica has an internal control system for the operation activity implemented since 2008 under the standard known as SSAE-16 (Standards for Attestation Engagements). This system is regularly submitted to rigorous external evaluation.

With respect to the information the Company must publish regarding the results of the system operation markets or processes, Red Eléctrica has a public website www.esios.ree.es and another one that can only be accessed by certified market subjects. Both channels, which undergo continual improvement, are key

The service to clients and market agents is based on the principles of neutrality, independence and transparency.



tools to ensure compliance with legal requirements regarding the communication and disclosure of information. In 2015, an important update of the content of the e-sios website was carried out.

Additionally, the Company participates in the implementation of the European Regulation regarding the Wholesale Energy Markets Integrity and Transparency (REMIT) and the Incident Analysis Group, GRAI, in which the most relevant incidents, their causes and necessary corrective actions are analysed.



BIENNALLY, the Company conducts a satisfaction survey of clients. The client satisfaction survey conducted in 2014 reflected an overall average rating of 8.3 out of 10.

Stable and trustworthy relationship with suppliers

Red Eléctrica has a sustainable supply chain management model which is governed, amongst other things, by the guidelines of the Procurement Policy and the relationship framework established in the Supplier Code of Conduct, which in 2015 did not register

any infringement – in line with the previous year.

The management of Red Eléctrica's suppliers seeks to minimise, throughout the supply chain, the business, technical, environmental, and health and safety risks, in addition to those related to working conditions and ethical behaviour.

All our suppliers must demonstrate business solvency and meet the specific requirements associated with the supply of goods or services. Additionally, those providers of 'critical' supplies must meet stringent requirements in aspects related to corporate responsibility.

In 2015, it is worth noting that a new **impact matrix regarding Company supplies and their impact on corporate responsibility** has been made



Management of
RED ELÉCTRICA
Suppliers



Of the 553.3 million euros invested in the procurement of goods and services in 2015, **98% was awarded to suppliers** with head offices in Spain.



IN 2015
54 social audits of suppliers were conducted related to corporate responsibility aspects.

available. This has brought about an evolution in the list of requirements that can be demanded from our suppliers in aspects related to these impacts so as to try to minimise them.

In the field of **supplier qualification**, during 2015, the Company processed 711 requests for qualification for supplies that have a significant impact upon the Company. These requests

affected supplies that require different verifications, depending on the corporate responsibility risk identified (environmental, occupational health and safety prevention, working conditions or human rights).

Furthermore, during 2015, **54 social audits** of suppliers were conducted focused on verifying working conditions and ethical behaviour, as well as to transfer and raise awareness among these suppliers on those aspects most valued and promoted by the Company in this field.

SUPPLIER QUALIFICATION
2015



711
REQUESTS
MANAGED

Qualification of supplies with impact on the Company



In the 'Supplier' section of the corporate website.



The Media

COMMUNICATION WITH THE MEDIA 2015



79 PRESS RELEASES

38%

of these were focused on sustainability projects



In the *Entrelíneas* blog.



2015 has been characterised by maintaining an information transparency model to disclose the activities of the Company both nationally and locally, with particular emphasis on the relationship with the media in the territory concerned.

New 'Entrelíneas' blog

In July 2015, Red Eléctrica launched its *Entrelíneas* blog, a new information space created to be a useful tool to convey, in an educational and entertaining way, Red Eléctrica's activity, paying particular attention to issues related to social commitment and innovation.

Among its contents the following sections are noteworthy:

- **'Latest news'**, in which the latest developments and events of the Company are reviewed. 36 articles have been published in this section since the blog was launched.
- **'Tribune'**, where the management team share their views on relevant topics.
- **'Observatories'**, which presents and analyses information on the reality of the current energy scenario and other areas: human resources, corporate responsibility, financial and environmental. 9 articles were published in this section in 2015.
- **'Learn more'**, which includes information, explained in a simple way, on various concepts related to the activity of the Company. 12 articles were published in 2015.
- **'Videos'**, in which 5 audio-visuals were published about some of Red Eléctrica's projects.

Among the events which occurred in 2015, the following had a greater informative impact:

- The new challenges arising from the implementation of the Strategic Plan 2015-2020. The new activities linked to the expansion of the business base and the momentum of international interconnections have been the protagonists of the communication and dissemination of information regarding the Company.
- The process for the separation of the positions of the Chairman and the Chief Executive Officer. The transparency with which the development of this important change in the organisational structure of the Company was disclosed, generated a great impact in the media.
- The celebration of the 30th anniversary of the Company and the commemoration of the International Year of Light. These events, which had a great informative presence, were accompanied by the organisation of various events and communication activities, as well as the publishing of press releases.
- The approval of the Electricity Infrastructure Planning 2015-2020, the disclosure of which acquired special relevance among regional media.

Corporate website



IN 2015 the corporate website had more than 2.4 million visits and 127 million page views.

The corporate website

www.ree.es is an interactive and informative space, which helps to strengthen the Company's brand, enhance knowledge and awareness of its activities and facilitates direct contact with its stakeholders. The website was recognised in 2015, for the second year running, as the sixth best website of companies in the IBEX 35, according to the International Webranking of Comprend Consulting.

For the second year running, Red Eléctrica's corporate website has been recognised as the sixth best website of companies in the IBEX 35.

Noteworthy in 2015 is the commitment of the Company to publish statistical information regarding the Spanish electricity system. To do this, it has made available a statistics section which includes monthly data, at a national level and per autonomous community, available for download in different formats. It has also enhanced the audio-visual products in order to communicate, among other things, the importance of international interconnections through videos, interactive visuals or infographics.

In 2015, the number of downloads of different documentation published on the website totalled nearly 2,700,000. The corporate website had 2,428,000 visits and 127 million page views.

CORPORATE WEB 2015



2.7 MILLION DOWNLOADS

Of published files and documents



ENVIRONMENT

10

Connected to the natural environment, biodiversity and the fight against climate change



CORNERSTONES OF OUR ENVIRONMENTAL COMMITMENT



Maximum respect for and protection of the natural environment



INTEGRATION INTO THE ENVIRONMENT

We make our facilities compatible with the environment, through dialogue with stakeholders and the implementation of preventive and corrective measures to minimise potential impacts on the environment.

Environmental assessment of all projects



ENVIRONMENTAL MANAGEMENT

Red Eléctrica undertakes all its activities following strict environmental criteria in accordance with the principles adopted in its environmental policy.

ISO 14001 Certification and EMAS Register



CLIMATE CHANGE

Red Eléctrica contributes to the fight against climate change by providing solutions in the execution of its business activities, and through its commitment to the efficient use of energy.

40% of demand covered using renewable energy (average over the last three years)



BIODIVERSITY

Biodiversity conservation has always been an essential principle in our environmental policy and business strategy.

'Mapping of bird flight paths', EFQM's best practices award-winning project

ENVIRONMENTAL EXPENDITURE 2015



23 MILLION EUROS

Our environmental commitment



The main objective of Red Eléctrica's environmental management is to make its electricity lines and facilities compatible with the environment, taking into consideration their entire life cycle and paying particular attention to the conservation of biodiversity.

Furthermore, in line with its firm commitment to move towards a more sustainable energy future, the Company has decided to take on a specific commitment to the fight against climate change and the promotion of energy efficiency.

ENVIRONMENTAL MANAGEMENT SYSTEM

In order to continuously improve its environmental performance and processes, Red Eléctrica has an environmental management system certified in accordance with ISO 14001 and which has been registered, since 2001, under the Community Eco-management and Audit Scheme (EMAS). An environmental programme is defined annually that sets out the various objectives derived from the strategies of the Company and that establishes the specific actions required for its fulfilment.



ALL ACTIVITIES

of Red Eléctrica are carried out following strict environmental criteria in accordance with the principles undertaken in its environmental policy.



FULFILMENT OF THE ENVIRONMENTAL PROGRAMME



ENVIRONMENTAL EXPENDITURE



Integration of facilities into the environment

Red Eléctrica conducts a detailed study of the territory, and works in coordination with the public administration and key stakeholders in the definition of the siting (location) of substations and the routes the electricity lines will follow, as their adequate siting is crucial to reduce and even avoid undesired impacts on the environment.

All projects regarding new lines and facilities are submitted to an environmental assessment, and once defined within the territory, then preventive and corrective measures are established in order to reduce or avoid possible impacts. Furthermore, environmental monitoring and supervision programmes ensure the implementation of the measures defined, and allow their effectiveness to be assessed.

Among the preventive measures undertaken in 2015, noteworthy are the works for the hoisting

The presence of **electricity infrastructure in no case represents** a significant alternation in the way of life of the communities affected.



IN 2015

a project was launched for the environmental risk assessment and identification of environmental liabilities regarding substation facilities, with the aim of drafting a facilities risk map that enables the implementation of preventive resources to be prioritised.

and hanging, via helicopter, of the Boimente-Pesoz line, the temporary stoppage of works on the Majorca-Ibiza link to avoid impacts on fishing and tourism, and the recovery of forest tracks in municipalities affected by the facilities.

MINIMISATION OF IMPACTS ON THE SOCIO-ECONOMIC ENVIRONMENT

Of the infrastructure managed by Red Eléctrica, just substations represent a total and irreversible occupation of land as it is not possible to make their presence compatible with other land uses.





However, livestock and agricultural activities are compatible with electricity lines, allowing all types of agricultural crops to be grown beneath them. In any case, the socio-economic aspects are taken into account from the outset of the design phase of all projects. The analysis of these aspects is integrated into the environmental impact study and appropriate measures are established to minimise impacts on the land affected.

BLENDING FACILITIES INTO THE LANDSCAPE

In order to reduce the visual impact of electricity facilities it is essential to implement various landscape integration measures.



Therefore, the main actions carried out by the Company are geared towards:

- The restoration of areas affected by construction work.
- The creation of vegetative screens and green areas in substations.
- The landscaped integration of substation buildings.

Similarly, Red Eléctrica works to improve the visual impact assessment tools. To do this, various innovative projects are being undertaken, based on the use of geographic information systems, which allow sensitive areas of land to be identified and establish the best options regarding the route, distribution and height of the electricity towers in each case.

PROTECTION OF ARCHAEOLOGICAL AND ETHNOLOGICAL HERITAGE

The protection of archaeological and ethnological heritage is an important factor in the design and construction of facilities. Therefore, in 2014 work began on the 'Arqueored project', which aims to provide digital mapping of catalogued heritage for its consultation prior to the planning of works.

Currently information is available from eight autonomous communities, with the cataloguing of these communities foreseen to be completed in 2016.

Additionally, before starting any construction work for facilities, an archaeological survey is carried out. In 2015, archaeological supervision was carried out in the construction of 22 lines and

4 substations, with the permanent presence of an archaeologist in 64% of the lines and in 100% of the substations.

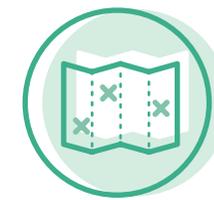
ELECTRIC AND MAGNETIC FIELDS

Thanks to the preventive measures applied in the design of facilities, the levels of electric and magnetic fields stay below those recommended by the European Union Council. Nonetheless, the Company keeps abreast of all innovations and the latest scientific advances in the field. During 2015, there were no incidents recorded resulting from non-compliance with regulations in this area.



ARCHAEOLOGICAL SURVEY

Carried out prior to the construction of facilities. In 2015, it was conducted in the case of 22 lines and 4 substations, with the permanent presence of an archaeologist in 64% of the lines and in 100% of the substations.



ARQUEORED PROJECT
Digital mapping of archaeological heritage



Currently with data from **8** AUTONOMOUS COMMUNITIES

Biodiversity



HÁBITAT PROJECT



Improve knowledge regarding the interaction of the

FACILITIES IN NATURAL HABITATS OF COMMUNITY INTEREST

2015-2017

Given that the main potential effects caused by the facilities are related to biodiversity, its conservation has always been a key principle in Red Eléctrica's environmental policy and business strategy.

Biodiversity challenges

- Make facilities compatible with birdlife: 'Mapping of bird flight paths' project.
- Improve knowledge of protected natural areas and species of interest: HÁBITAT project (2015-2017).
- Collaborate with Autonomous Communities, and other interested parties on matters regarding biodiversity: framework agreements for biodiversity protection, the prevention of forest fires and the reforestation of degraded areas (REE Forest).
- Promote communication from Red Eléctrica regarding biodiversity.

Therefore, the Company has a biodiversity strategy and a specific action plan covering all activities associated with the development of facilities. In addition, Red Eléctrica is part of the Spanish 'Business and Biodiversity' Initiative, sponsored by the Ministry of Agriculture, Food and the Environment.

ELECTRICITY INFRASTRUCTURE AND BIODIVERSITY

Avoiding areas rich in biodiversity is a priority criteria taken into account both in the grid planning phase and also in the definition of each project. However, bearing in mind that 25% of Spain's land surface is subject to some form of environmental protection, in some cases it is inevitable that infrastructure crosses, or is located in protected areas or areas with species of interest.

In these cases, Red Eléctrica puts in place all the necessary preventive and corrective measures to minimise the possible impacts on habitats and species. Said measures are complemented with environmental improvement

actions to boost biodiversity in areas where facilities and lines are located.

PROTECTION OF HABITATS AND SPECIES

The main impacts to be avoided in the construction of lines or modification of facilities are the alteration of the habitat of certain species of flora and fauna, and the impact on vegetation caused by the opening up of safety corridors, necessary to prevent electricity-caused fires as a result of the use of electricity lines.

PROTECTION OF BIRDLIFE

The main impact of electricity lines is the risk of collision of birds with grounding cables that protect the lines against electrical discharges during storms.

The most effective measure to reduce this risk is marking the grounding cables with devices that increase their visibility.

In order to establish the most appropriate line marking plans, work continues on the

km
OF LINE MARKED WITH
BIRD FLIGHT DIVERTERS

2015	2,950
2014	2,776
2013	2,585
2012	2,330
2011	1,931

Data collated at the end of each year.

MARKING OF LINES IN 2015



189 km

OF THE LINES WERE MARKED WITH SPIRAL BIRD-FLIGHT DIVERTERS

Nationwide

Most relevant measures for the protection of habitats and species in 2015

- Use of helicopters in the concreting works of 6 towers, the hoisting of 5 towers and the hanging of the 400 kV Boimente-Pesoz line.
- Use of a drone in the hanging of line in 2 spans of the Solórzano-Cicero line.
- Biological stoppages, of varying duration, in 12 lines to avoid effects on different species of fauna.
- Transplanting of various trees of different species which were in the area affected by works.
- Construction of a special building for Kestrels to nest safely in the municipality of Ayora, and the planting of trees.
- 'Posidonia oceánica' recovery project: collection of seeds and the planting of fragments of the seagrass.



THE PROJECT

'Mapping of bird flight paths' has been recognised as a highly distinguished project within the framework of good practices of the EFQM (European Foundation for Quality Management).





Moreover, given the importance of this aspect, the Company constantly works on strengthening the cooperation with the local and regional administrations involved in forestry management, by formalising specific agreements that set out the commitment to fight against forest fires.

CONTRIBUTION TO BIODIVERSITY CONSERVATION

Red Eléctrica actively contributes to the conservation of the biodiversity of Spain, by leading or participating in various projects and carrying out dissemination actions and training activities regarding environmental matters.

The Company aims to develop conservation projects in all autonomous communities. In 2015, the Company collaborated on 10 projects related to biodiversity. Most of these projects are linked to birdlife conservation, although work is also being carried out on other flora and fauna.

'Mapping of bird flight paths' project, a project that enables collision risk maps to be obtained and which serve as a base to prioritise corrective actions on existing lines and establish line marking plans.

FIRE PREVENTION

In order to minimise the risk of fire associated with the presence of transmission lines, it is essential that the safety distances between flora and facilities be strictly complied with. Therefore, in the management of safety corridors, all facilities are reviewed annually and the necessary forestry related tasks (felling and pruning) are regularly carried out.



FIGHT AGAINST FOREST FIRES

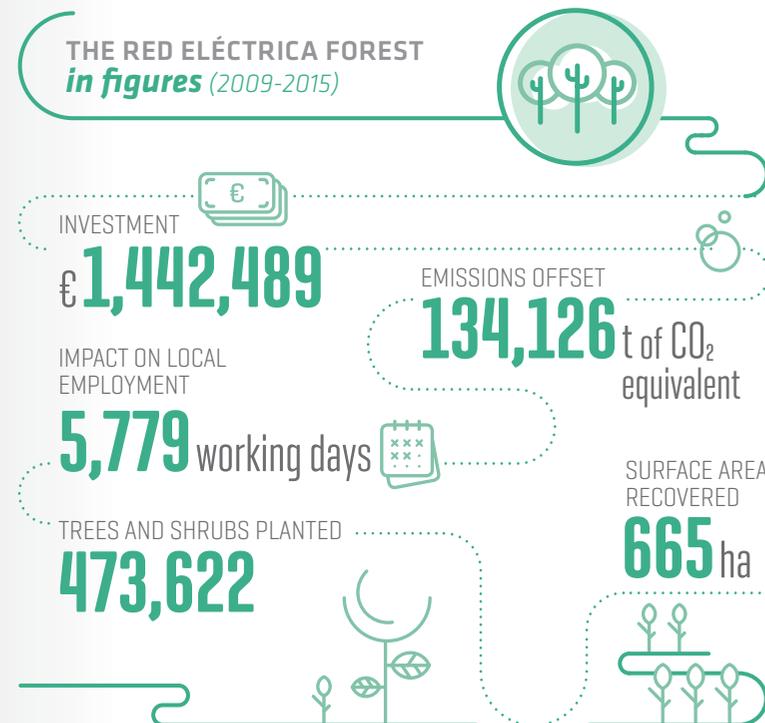
Currently, 11 agreements have been signed with various regional public administrations; with an associated budget, every 5 years, of 1.1 million euros.



In 2015, Red Eléctrica collaborated on projects related to biodiversity and the conservation of flora and fauna in ten autonomous communities.

Also relevant are those actions aimed at the restoration of degraded habitats included in the 'Red Eléctrica Forest' project. In 2015, two new agreements

were signed for the recovery of 55 and 41 hectares of highlands in Zamora and La Coruña, respectively.



Climate change

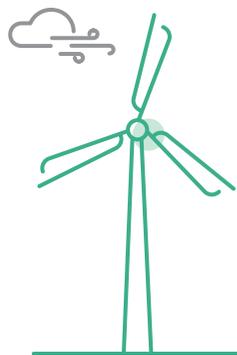
INTEGRATION OF RENEWABLES



40%

OF THE DEMAND HAS BEEN COVERED WITH RENEWABLES

Average over the last three years



The development of electricity transmission infrastructure and the implementation of operating system solutions aimed at the integration of renewable energies are essential for achieving European climate targets. Aware of this, in 2011 the Company decided to formalise its commitment to the fight against climate change.

Red Eléctrica, as a member of the Spanish Green Growth Group, signed the Barcelona Declaration in 2015, which includes 10 recommendations to promote a strategy for the development of green economy and establish economic policies that make it possible.

In 2015, a new Action Plan on climate change was launched which includes the objectives to be achieved in this field and sets out the measures for their achievement. The Plan is divided into four main lines of action:

ACTION PLAN ON CLIMATE CHANGE

Contribution to a sustainable energy model

In this scope the activities related to the performance of Red Eléctrica for the contribution to European sustainability targets are included. To this end, the following actions are contemplated:

- The construction of infrastructure that will enable a reduction of emissions in the electricity system as a whole: connections for the evacuation of renewable energies and feeding the railway network.
- Projects to promote the integration of renewable energies.

- Activities geared towards contributing to the efficiency of the electricity system: demand-side management measures, the development of smart grids and electric mobility.



Reducing the carbon footprint

The Action Plan establishes, as an objective for 2020, a reduction or offsetting of 21% of emissions of the Company compared to 2010. To do this, the activities are grouped into four main areas:

- Improved calculation and knowledge of the carbon footprint.
- Reduced SF₆ gas emissions.
- Increased efficiency in electricity consumption.
- Reduced fuel consumption in fleet vehicles and on business trips. In 2015, the sustainable mobility plan was launched.

Involvement of interested parties

The objective is to involve stakeholders in the Company's commitment to the fight against climate change. In this respect, a variety of communications have been developed and planned to promote energy efficiency.

In addition, a work programme has been defined to extend to suppliers the commitment to the fight against climate change.

Adapting to climate change

In addition to working on mitigating actions, the Company is aware of the need to work in the field of adaptation. For this reason, both the risks and opportunities arising from climate change have been identified and evaluated and work has begun to develop some actions derived from this analysis.

EMISSIONS TARGET 2020



REDUCTION OF 21%

Of the Company's emissions with regard to 2010

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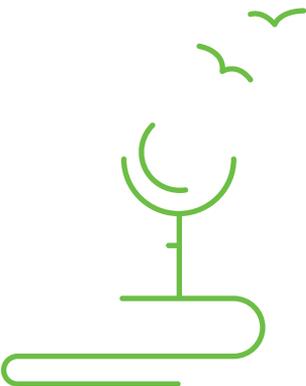




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