



RED
ELÉCTRICA
CORPORACIÓN

Annual Executive Report
on the Management of the
Code of Ethics
2015

March 2016



INTRODUCTION

The Annual Report on the Management of the Code of Ethics sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group within the fiscal year: the operation of the whistle-blowing channel for enquiries and grievances, awareness campaigns, recognition received and measures to be promoted.

The Code of Ethics of the Company seeks to provide an ethical guide for the people of the companies of the Red Eléctrica Group, establishing the values and commitments that should govern their activity within the Company.

Many of these values and commitments have been ingrained in Red Eléctrica since 1987 when it published its first set of shared values, entitled 'Core principles in the performance of duties'. In 2007, the ethical commitment of Red Eléctrica was strengthened with the approval of the document entitled "Code of Ethics and corporate values," the implementation of a whistle-blowing channel for queries and grievances, and the creation of the figure of the Ethics Manager.

The current edition of the Code of Ethics of the Red Eléctrica Group was approved by the Board of Directors of its parent company on 28 May 2013, undertaking the requirements demanded by stakeholders and the recommendations of organisations of repute with influence in this area.

The Code of Ethics is incumbent on all persons in the Group, understood as its Board of Directors, its directors and the remaining employees, in the performance of their duties and responsibilities. It is a regulatory instrument, in the general sense of establishing patterns of behaviour and guidelines with regard to the values enshrined within the Code of Ethics, in the different fields within the professional sphere in which the people of the Red Eléctrica Group carry out their activity. Its purpose is to serve as a general guideline when making decisions aligned with the aforementioned values in certain situations where professionals of the Red Eléctrica Group may find themselves.

It is applied in the companies of the Group, i.e. in those which are majority owned, regardless of their geographical location and in those countries where they are temporarily performing activities, providing professional services or any other activity related to the Group.

WHISTLE-BLOWING CHANNEL

Red Eléctrica has appointed an Ethics Manager to manage the ethical questions that may be posed and to collate, analyse and resolve the possible non-compliances received regarding the commitments set out in the Code of Ethics. The person appointed is Rafael García de Diego Barber, General Counsel and Secretary of the Board of Directors of Red Eléctrica Corporación. This figure, with a direct channel to the Chairman and the Board of Directors, is also responsible for maintaining the confidentiality of the processes, the development, consolidation and ongoing improvement of the ethics management in Red Eléctrica. The Ethics Manager can count on the support of the Company's organisational units that he/she deems necessary to undertake the designated responsibilities.

In 2015, in accordance with international best practices, the information on the corporate



website was improved regarding the ethical management of the Company, which includes the publication of a list of indicators related to the application of the Code of Ethics. The aim is to provide relevant information to enable socially responsible investors to be aware of those ethical elements which are necessary when making investment decisions, in a complementary form to the traditional economic and financial criteria. On the Group's website a channel was set up which is both visible and easily accessible, through which enquiries and grievances could be sent to the Ethics Manager in a confidential manner.

In 2015, the information on the corporate website regarding the ethical management of the Company was improved through the publication of indicators related to the application of the Code of Ethics.

With regard to the system for the detection and handling of possible non-compliances, grievances, enquiries and suggestions regarding ethical matters, in 2015, twenty-seven enquiries were received by the Ethics Manager, with a maximum resolution period of 10 days. Enquiries received have referred to the following areas of conduct: the responsible monitoring of the management of suppliers; dealing adequately with confidential information; the protection and use of facilities and equipment of the Organisation; limitation on the acceptance of gifts, loans or invitations, and the respect, integrity, accountability and transparency within the Organisation.

During said period, three grievances were received regarding the compliance with the Code of Ethics. The first concerned the corporate value "environmental awareness" having dismissed the grievance, with the agreement of the complainant, as the Red Eléctrica Group had not had any intervention whatsoever with regard to the stated facts, either directly or through any of its contractors. The second grievance referred mainly to corporate value "respect", a case that was resolved prior to its definitive resolution due to the fact that the person from the Company lodging the grievance left the Company voluntarily before the conclusion of the case. The third grievance referred to the corporate value "respect", and was still being processed at the close of 2015.

Among the functions undertaken by the Ethics Manager is the obligation to communicate the grievances that could lead to a criminal risk for the companies of the Red Eléctrica Group, for which the Control and Monitoring body of the Criminal Risk Prevention Programme of the Group, of which the Ethics Manager is a member, can assess the aforementioned grievances and, where appropriate, initiate an investigation into the event until it is resolved. In 2015, the Ethics Manager received no complaint about non-compliances related to criminal risk, and none of the companies of the Red Eléctrica Group have been investigated, or convicted by any law court for infringements related to criminal risks of the organisation.

INTEGRITY AND TRANSPARENCY

As a result of the commitment undertaken by Red Eléctrica to prohibit all practices related to



corruption, bribery or facilitation payments, the Board of Directors of the parent company approved on 22 December 2015 the 'Guide for the Prevention of Corruption: zero tolerance' as a fundamental element of the integrity model of the Red Eléctrica Group. The initiative was included in the Corporate Responsibility Programme 2015 of the Company. It aims to provide a guide regarding the prevention of corruption for all professionals in the companies of the Red Eléctrica Group, setting out the commitments and action criteria, thereto, that should govern their professional activities within the same. Its purpose is to provide members of the Red Eléctrica Group an analysis of the circumstances and the risks they face regarding corruption, and advance the dissemination of the criteria and the instruments available to the Company for the eradication said risks.

During 2015, after completion of the diagnosis and design phases of the proposal, the new Regulatory Compliance System started to be implemented along with the creation of the Regulatory Compliance Unit, developing the commitment, set out as a behavioural guideline for the Code of Ethics, to have a suitable legal compliance control system, aligned with the values of trustworthiness and responsibility set out therein.

AWARENESS ACTIONS

Regarding the Awareness Plan on ethical management, approved by the Corporate Responsibility Committee of the Company, in 2014 and continuing in 2015, a number of forums were started in all work centres of the Group's companies, with the aim of improving knowledge regarding the ethics management system, reflecting the values and commitments made by the organisation, and strengthening the figure and functions of the Ethics Manager. These sessions include the participation of the Ethics Manager and the Red Eléctrica Stakeholder Ombudsman.

EXTERNAL RECOGNITION

In the field of external recognition, noteworthy was the awarding of the maximum score (100 out of 100 points) to Red Eléctrica in the Code of Ethics/Compliance/Corruption and Bribery section of the Dow Jones Sustainability Index 2015. The inclusion in the Euronext-Vigeo Sustainability Indexes (Eurozone 120, Europe 120, Global 120) which selects the companies that stand out for their excellent performance in areas such as environmental protection, ethics or contribution to economic and social development of the communities in which they operate. Also worth highlighting is the fact that for years Red Eléctrica has formed part of prestigious indexes regarding business ethics such as the Ethibel Sustainability Index (ESI) Excellence Europe and also Ethibel Excellence.

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