Corporate Responsibility Report 2010

RED ELÉCTRICA CORPORACIÓN

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Letter from the Chairman

Dear reader

2010 has been an extremely important year for our company, as we have finalised the acquisition process, which began in 2002, of the transmission assets that remained under control of the distribution companies.

These purchases constitute the definitive milestone of our consolidation as sole transmission agent, including the Balearic and Canary Island systems, making us into the TSO of the Spanish electricity system. In this way, we have complied with that established by Law 17/2007.

Additionally, in 2010 the company has again met the expectations of growth thanks to our remarkable investment programme. An investment programme directed towards effectively implementing the electricity infrastructures plan. The execution of this plan enhances the efficiency and competitiveness of the electricity market, and will be a key element in driving the economy of our country on the road to long-term growth.

The investment in the transmission grid is also fundamental to guarantee the stability of an electricity system that features a greater penetration of renewable energies. Only a high capacity grid that is both meshed and robust, allows a higher quality management and the flexibility to compensate the energy flows which vary tremendously between their origin and destination points depending on meteorological conditions. This fact is particularly important in a country like ours, with few interconnections with the European electricity grid.

For this reason, we have greatly increased transmission grid investment in recent years, growing from 510 million euros in 2006 to 865 million in 2010. During this period, nearly 2,500 km of new electricity line has been commissioned; of which 839 km correspond to projects carried out in 2010. These new facilities have been focused mainly on the structural reinforcement of the grid, the creation of new energy transmission hubs and to strengthening of international interconnections, with the aim of guaranteeing the security and stability of the electricity supply.

Similarly, we have continued to reinforce the capacity of our Control Centre of Renewables Energies (CECRE) to control and monitor renewable energies. This control centre, which effectively manages the enormous variability of these intermittent energies, without affecting the quality and security of supply, has contributed to the fact that in 2010, 35% of the electricity generation was of renewable origin. This has made it possible to reduce the CO_2 emissions derived from electricity production by 21% compared to that in 2009. The outstanding work that we are carrying out regarding the integration of clean energies positions us as the world's leading TSO in this field.

At the same time, we are continually moving ahead with new tools that will enable us to face the new challenges of the system regarding increased energy efficiency and the achievement of a more balanced consumption profile, allowing a greater flexibility in demand. For this reason, the effective management of the demand, the use of pumped-storage power stations to service the operation, the increase

of energy storage capacity and the development of intelligent charging, in particular with regard to electric vehicles, form the pillar on which the company, as operator of the electricity system, bases its vision of future.

The challenge of sustainability also extends to the creation of value. Over recent years, the net profit of the company has almost doubled, surpassing the 200 million euros reported in 2006 and reaching 390 million euros in this financial year. The shareholder remuneration has been increased by the same proportion in this period, paying a dividend of 1.88 euros per share in 2010. This data once again confirms the fulfilment of our commitments concerning growth in results and retribution to shareholders and investors.

Our investment plan and the increase in our asset base that we must manage mean that we continue on a trajectory of creating stable employment. In order to continue developing human capital we have established a new personnel management model, and we continue promoting equal opportunities in employment and professional development. In this scope, it is worth noting that we have are one of the six companies of the IBEX-35 to earn the distinction for equality granted by the Ministry of Health, Social Policy and Equality. Similarly, we continue to drive forward measures regarding work-life balance above and beyond those established by law; we promote high levels of training and continue to pay close attention to the occupational health and safety of employees with an emphasis on prevention and monitoring.

Respect for the environment and the conservation of biodiversity continue being the basic principles of our business management. In 2010 we have strengthened this commitment by approving our biodiversity strategy and drawing up an action guide on the subject. Also, we have continued to work hard to avoid or reduce the impacts our facilities have on the surroundings, as well as in the control and reduction of our emissions and the promotion and awareness of sustainable practices amongst employees.

All these activities, together with the implementation of the best practices of corporate governance, consolidate us, for a fifth consecutive year, as the leading listed company regarding corporate responsibility.

In the future, we will continue focusing on operational excellence and the main activities shall be aimed at the development of the electricity infrastructure plan

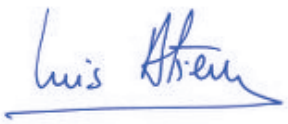
and to the integration of acquired assets. Over the next five years, we have forecasted an investment of 4 billion euros to strengthen the transmission grid. In addition, we shall work to reinforce international interconnections and to make our renewable energy and efficiency goals viable by driving demand-side management initiatives and by promoting technological innovation.

In addition, our strategic commitment shall be developed with a focus on operating efficiency and financial soundness, focusing on the creation of value and maintaining a dividend payout which increases in line with the growth in company results.

I would like to emphasize, for yet another year, the company's commitment to the ten principles of the United Nations Global Compact, a highly worthy initiative targeted to achieving a more just and united world.

To conclude, I would like to highlight that, as in previous fiscal years, this report has been prepared following the recommendations of the Global Reporting Initiative (GRI) guide for the drafting of sustainability reports.

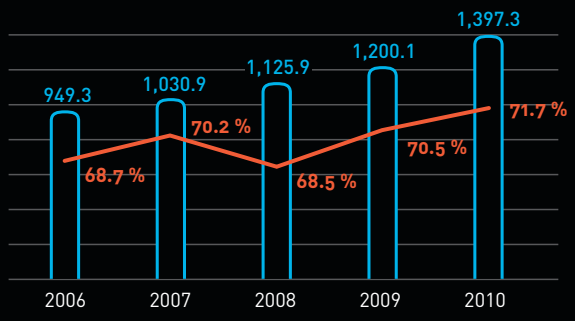
I hope this report proves interesting reading.



Luis Atienza Serna
Chairman

Key financial figures

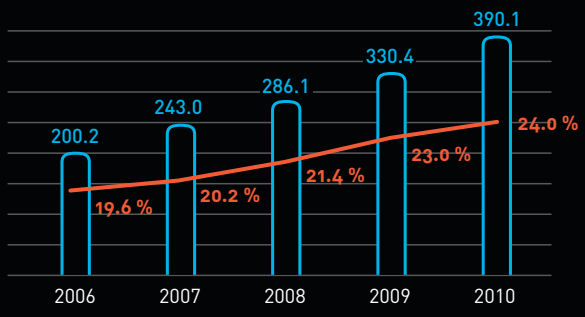
Consolidated net turnover



∩ Consolidated net turnover (€ million)

— EBITDA / Net turnover

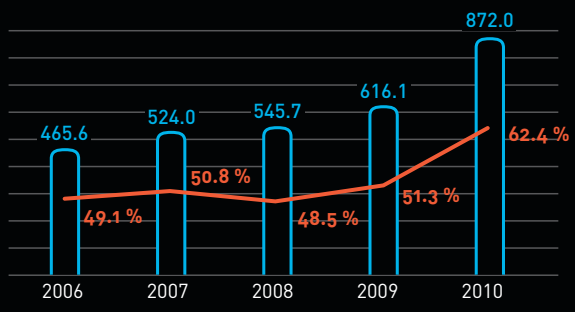
After tax results



∩ After tax results (€ million)

— ROE (Net Income / Equity)

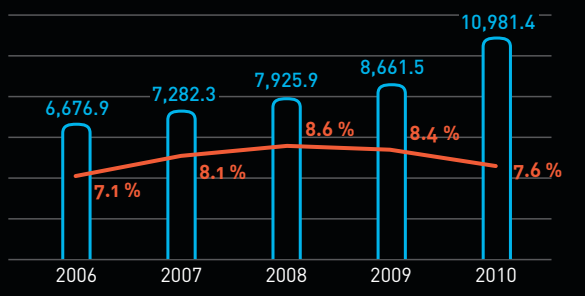
Cash-flow after tax



∩ Cash-flow after tax (€ million)

— Cash-flow / Net turnover

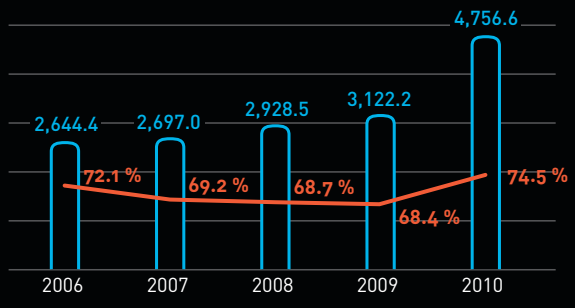
Gross Fixed Assets



∩ Gross Fixed Assets (€ million)

— Return on Assets (ROA) after tax (EBIT / Net assets)

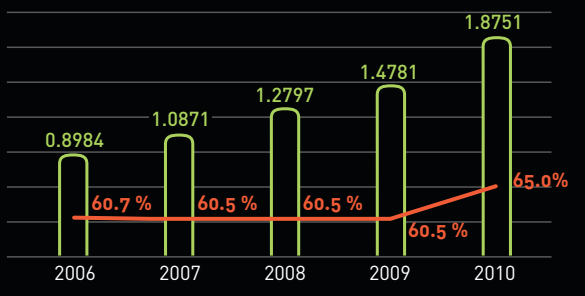
Net Financial Debt



∩ Net Financial Debt (€ million)

— Net Financial Debt /
(Net Financial Debt + Equity)

Dividends

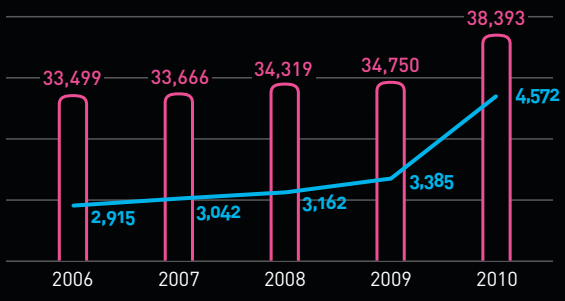


∩ Dividend per share (euros)

— Consolidated Pay-out

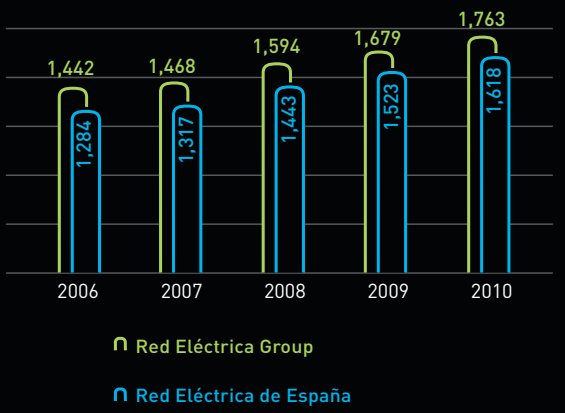
Key technical figures

Transmission Grid



Grid Availability

Workforce



Strategic Plan 2011-2015

The Strategic Plan shall be developed with a focus on operational excellence and with a clear orientation towards the quality of the service and the security of supply.

Strategic plan 2011-2015

Strategic lines:

1. Executing the electricity infrastructure plan and the integration of acquired assets.

2. Integrating renewable energies and fostering energy efficiency by promoting demand management strategies.

3. Maintaining the highest levels of operational efficiency and financial soundness.

Financial objectives:

2011-2015:
4 billion euros investment in the transmission grid.

Maintaining the rate of growth in earnings per share (EPS) in the short term and growth superior to 12% per year in the long term.

Increase in the dividend per share in line with the growth in EPS.

Company profile

The mission of Red Eléctrica is to **ensure the global functioning** of the Spanish electricity system. For this, it **operates the system in real time**, maintaining the generation and electricity consumption of our country in constant balance; and it is responsible for the **transmission of high voltage electricity** from the power stations to the centres for distribution to consumers.

Red Eléctrica, cornerstone of the electricity system

Red Eléctrica de España, S.A. established in 1985 under the provision of Law 49/1984 of 26 December was the first company in the world exclusively dedicated to the transmission of electricity and the operation of electricity systems. **-2.1, 2.6, 2.9-**

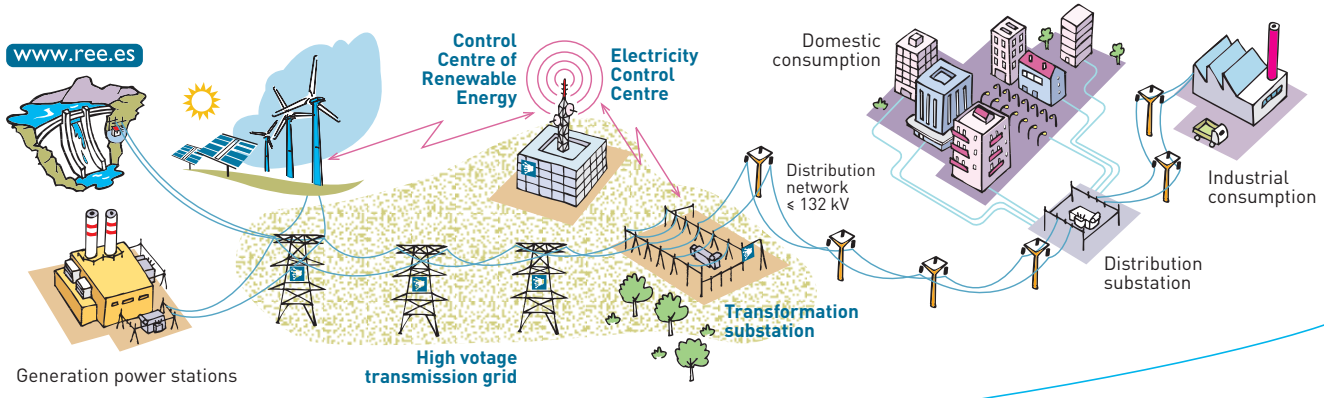
Law 17/2007, which came into force on 4 July, modified the Electrical Sector Law 54/1997 confirms Red Eléctrica's functions as operator and manager of the transmission grid and it also grants it, in its capacity as grid manager, the function of sole transmission agent, an activity that it carries out under a regime of exclusivity. In application of this law, 2010 saw the culmination of the acquisition process of the transmission assets, which were owned by the electric utility companies. This operation represents the definitive consolidation of its position as sole transmission and electricity system operator: Spanish TSO (Transmission System Operator).

With the objective of reinforcing the separation and transparency of the regulated activities in Spain – transmission and system operation - from the rest of the activities, the organisational structure of the company was transformed into a holding structure in 2008. The holding company of the Group is Red Eléctrica Corporación, which has two dependent subsidiaries: Red Eléctrica de España, responsible for the electricity activities in Spanish territory, and Red Eléctrica Internacional, responsible for the Group's activities internationally.

38,400
kilometres
of electricity lines

1,763
employees
in the Red Eléctrica Group

Red Eléctrica operates and supervises, in real time, the high voltage generation and transmission facilities of the electricity system.



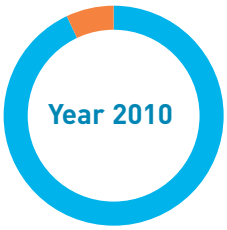
Moreover, Red Eléctrica Corporación maintains a strategic partnership with its Portuguese counterpart REN for the coordinated development of interconnections between the electricity systems of both countries. This partnership establishes a cross-holding stake by which Red Eléctrica has a 5% capital stake in REN. Additionally, the company owns 50% of the capital of INELFE, the company formed in conjunction with its French counterpart, RTE, for the development of the interconnection between Spain and France via the Eastern Pyrenees.

Red Eléctrica Corporación, as parent company of the Group, is quoted on the Spanish Stock Exchange and forms part of the select IBEX 35 index with a weighting of 1.36% at the close of 2010.

Business management key factors

- Independence from the other electricity system agents.
- Transparency as system operator.
- Neutrality in decision making.
- Commitment to sustainable development.
- Business management excellence.
- Organisation based on people.

Distribution of the consolidated turnover (2010)



- Red Eléctrica de España
  Electricity activities in Spain
  92 %
- Red Eléctrica Internacional
  Other activities
  8 %

Electricity activities in Spain -2.2, 2.5, 2.7-

Electricity system operator

Red Eléctrica operates the Spanish electricity system assuring at all times the continuity and security of the electricity supply. For this, it establishes electricity demand forecasts and operates the electricity generation and transmission facilities in real time, to ensure that programmed production in the electricity power stations coincides at all times with consumer demand.

Guaranteeing the functioning of the electricity system, 24 hours a day, every day of the year.

Sole transmission agent and grid manager

REE, in its role as manager of the high voltage grid, acts as the sole transmission agent and is responsible for the transmission of electricity from the generation points to the areas of consumption, carrying out this function under a regime of exclusivity.

In addition, it has the responsibility of developing, extending and maintaining the transmission grid under homogenous and coherent criteria. Furthermore, it is responsible for managing the transmission of energy between external systems and guaranteeing grid access to third parties under equal conditions.

In 2010, Red Eléctrica carried out the acquisition operation regarding the extrapeninsular transmission assets (the Balearic and the Canary Islands) and the remaining peninsular assets pending transfer, whose acquisition had to be concluded in 2010 in compliance with Law 17/2007. With this operation, at the end of the year, Red Eléctrica owns a meshed grid of 38,393 kilometres.

Managing a meshed, robust and reliable transmission grid which offers a service of the highest quality to the electricity system as a whole.

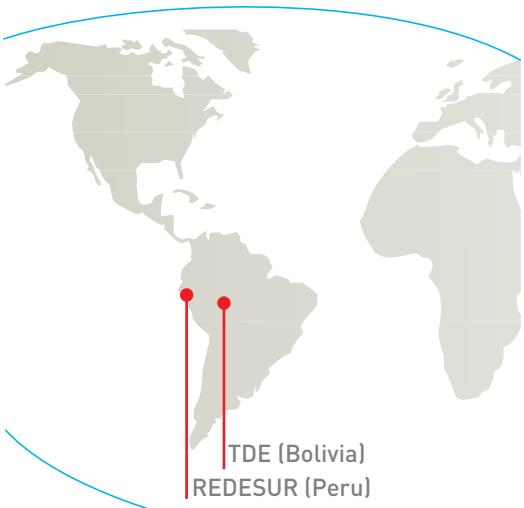
International activity -2.2, 2.5, 2.7-

The investment in transmission grids in other countries is channelled through the integrated subsidiaries in Red Eléctrica Internacional: the Bolivian company Transportadora de Electricidad (TDE) of which it owns 99.94% of the capital and the Peruvian company Red Eléctrica del Sur (REDESUR), in which it holds a 33.75% stake.

TDE is the company responsible for the operation of the Sistema Interconectado Nacional (SIN) electricity transmission grid. Its transmission grid extends across six Bolivian departments: La Paz, Cochabamba, Santa Cruz, Sucre, Oruro and Potosí.

REDESUR is the company awarded the concession for the design, construction and operation of the reinforcement of the electricity transmission systems in the south of Peru. By virtue of this concessionary contract, granted in 1999 for a term of thirty years, the company is responsible for the transmission of electricity between the cities of Arequipa, Moquegua, Tacna and Puno.

In July 2010 Red Eléctrica Internacional established, along with AC Capitales SAFI, SA, the company Transmisora Eléctrica del Sur, SA, in which it holds a 55% stake of the share capital. The activity of this company is the construction, operation and maintenance of electricity grids and electricity transmission in Peru.



on internet

http://www.tde.com.bo/
http://www.redesur.com.pe/

Management structure -2.3-

Red Eléctrica Corporación, SA.

Chairman and CEO	**Luis Atienza Serna**

Red Eléctrica de España, SAU.

Staff management

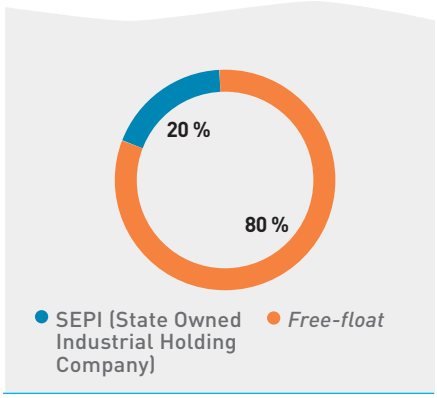
Director of Legal Services	**Rafael García de Diego Barber**
Director of Human Resources	**José García Moreno**
Director of Regulation	**Luis Villafruela Arranz**
Director of Corporate Responsibility and Institutional Relations	**Antonio Calvo Roy**

Business management

General Manager of Finance and Administration	**Esther Rituerto Martínez**
General Manager of System Operation	**Alberto Carbajo Josa**
General Manager of Transmission	**Carlos Collantes Pérez-Ardá**

Shareholder structure

Shareholder structure
31.12.2010



Evolution of the shareholder structure

Evolution of the free-float structure

Key Figures -2.8-

Main data of the Red Eléctrica Group

Key consolidated figures (€ million)	2006	2007	2008	2009	2010
Net Turnover	949,3	1,030.9	1,125.9	1,200.1	1,397.3
Gross operating profit (EBITDA)	651.7	722.5	771.6	845.6	1,001.9
Net profit	200.2	243.1	286.1	330.4	390.2
Cash-flow after tax	465.6	524.0	545.7	616.1	872.0
Net Financial Debt	2,612.2	2,697.0	2,928.5	3,122.2	4,756.6
Net equity	1,022.0	1,202.8	1,336.5	1,439.2	1,624.6
Total assets	4,818.4	5,315.0	5,813.3	6,201.6	8,283.9
Total Investments	529.6	727.8	635.1	758.7	2,308.8
Number of employees*	1,442	1,468	1,594	1,679	1,763
Long term financial ratings					
Moody´s	A2	A2	A2	A2	A2
Standard & Poors	AA-	AA-	AA-	AA-	AA-
Sustainability indexes (global rating)					
Dow Jones Sustainability Indexes	72	76	71	74	73
FTSE4Good and FTSE4GoodIBEX	Incorporated in 2008				

Certifications

Quality: ISO 9001	First group within the electricity sector to hold the joint certification for all the Group activities: From 2004
Environment: ISO 14001	
Occupational Health and Safety.: OHSAS 18001	

Information on the electricity activity in Spain

Red Eléctrica de España. SAU. [1]	2006	2007[2]	2008	2009	2010
Adjusted turnover (€ million)	928.7	1,010.3	1,095.8	1,157.2	1,340.8
Investments	518.3	720.3	632.2	753.3	2,306.2
Electricity lines (kilometres of circuit)	33,503	33,669	34,322	34,754	38,393
Substations (busbars)	2,915	3,042	3,162	3,385	4,572
Transformation capacity (MVA)	56,009	58,459	62,859	66,259	72,432
Optical fibre grid (km of cable)	15,260	21,300	23,146	24,286	26,085
Number of employees [3]	1,284	1,317	1,443	1,523	1,618

Corporate Responsibility Certifications

SA 8000 Certification	Certified in 2005. The first Spanish energy company to obtain this certification.

Footnotes on the following page

Data relating to the international electricity activity

Red Eléctrica Internacional	2006	2007	2008	2009	2010
Number of employees	18	10	11	4	4
TDE (Bolivia)					
Turnover (€ million)	20.0	20.9	23.9	26.6	28.9
Investments (€ million)	13.5	7.4	2.9	5.4	2.1
Electricity lines (kilometres of circuit)	1.965	2.189	2.190	2.190	2.190
Substations (busbars)	22	22	22	23	23
Number of employees	118	119	120	121	123
Corporate Responsibility Certifications					
SA 8000 Certification	Certified in April 2007				
REDESUR (Peru) company in which it has a 33.75 % stake					
Turnover (€ million)	9	9	8	10	11
Investments (€ million)	0	0	0	0.5	0.3
Electricity cables (kilometres of circuit)	532	532	532	533	534
Substations (busbars)	11	11	11	11	11
Number of employees	17	17	17	19	19

(*) Includes all the companies which form part of the scope of consolidation: REE SAU. REC, REI, CYBERCIA and REA.
(1) Red Eléctrica de España, S.A.U. includes data of Red Eléctrica Corporación.
(2) In 2007, the acquisition of 5% of REN for 98.8 million euros was included in the investments for that year.
(3) Includes 4 employees of Red Eléctrica Corporación.

Products y services provided by REE -PR3, 2.2-

- Planning and development of the transmission grid.
- Management of transmission grid access.
- Management of disconnections and works in facilities of the transmission grid.
- Management of the information for the electricity market in the daily planning horizon.
- Management of the ancillary services markets.
- Guaranteeing security of the system under conditions of emergency, alert or restoration.
- Real-time operation of the electricity system.
- Information and verification of energy metering.
- Technical operating information.
- Demand management services for interruptability.
- Maintenance of non-owned electricity infrastructures or changes in high voltage lines requested by third parties.
- Settlement of the system's ancillary services.
- Management of international energy exchanges.

Corporate governance

Corporate governance in Red Eléctrica is linked to the company's vision, and its principles and practices form part of the business culture. For this reason, the implementation of best practices regarding good governance represents a high-priority strategic objective.

on internet

Corporate Governace Report 2010 (full Report)

Rules of governance applied by the Company -4.6, 4.7, 4.8-

The rules of corporate governance are the object of continuous modification in order to improve the good governance practices of the company and to achieve a greater informative transparency for the markets.

In continuance of this policy, in 2009 the Internal Regulations governing Conduct in the Securities market were amended. In 2010, a Board of Directors meeting held on 28 January, approved a new version of the Board Regulations to adapt them to the company restructuring, carried out by the Red Eléctrica Group in 2008, and to the aforementioned new version of the Internal Regulations governing Conduct in the Securities market.

Also, in 2010, the Ordinary General Shareholders' Meeting modified article 9 of the Articles of Association to adapt it to Law 3/2009, of 3 April. This article exclusively affords the shareholders of the company the preferential subscription rights in the event of capital increase via the issuance of new shares against cash contributions and in issuance of convertible debentures.

The rules of governance may be consulted, at any time, on the corporate website (www.ree.es).

Majority (64%) of independent board members

Three (27%) women on the Board of Directors

The Company's rules of governance

- Articles of Association
- Regulation governing the General Shareholders' Meeting
- Regulation governing the Board of Directors
- Internal Regulations governing conduct in the Securities market
- Procedure for proxies, voting and information by remote means at the General Meeting
- Code of Ethics

The Code of Ethics

Approved by the Board of Directors in 2007, the Code reflects the corporate identity and the commitments assumed with the business environment and with the different stakeholders affected by the activities of the Red Eléctrica Group.

The code contains the key basic principles which should serve to guide the members of the Board, the management and the employees of the company and, in addition, may be invoked by the stakeholders.

In addition, a management procedure regarding consultations and claims is available on the corporate website (www.ree.es). In order to ensure it is totally complied with, an Ethics Manager was appointed, tasked with the responsibility for administering the system and dealing with non-compliances and claims.

During 2010, the task of disseminating the company's ethical management has continued along with the reinforcement of the consultation mechanisms and the complaint procedures regarding reported incidences of breaches of the Code. An executive summary of its management is included in the Annex of this corporate responsibility report.

on internet

Rules of Governance
Code of Ethics

Governance structure of the organisation

General Shareholders' Meeting -4.4, 4.10-

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

During 2010 the rights of the shareholders have continued to be improved regarding information and attendance at the General Meetings, facilitating the request and obtaining of information via electronic means. Noteworthy, is the advancement in the contents of the website as an instrument of communication with shareholders and investors.

In 2005, Red Eléctrica implemented an electronic voting system, being one of the pioneers in the use of this system which, via the corporate website (www.ree.es), enables shareholders to exercise their voting rights using electronic means. Over recent years, new improvements have been introduced to facilitate the participation of all shareholders in the Meeting.

In 2010, the electronic voting system was again satisfactory, given that 695 shareholders, holders of 198,562 shares voted and/or delegated electronically, a figure that more than doubles that registered in 2009. This meant that 14% of the 4,829 shareholders present or represented in the Meeting took part via electronic means.

Corporate Governance best practices in relation to the General Shareholder's Meeting

- No minimum number of shares required to be able to attend the Meeting.
- Separate voting on each one of the matters submitted for approval at the Meeting.
- Promoting the participation of shareholders in the Meeting via the implementation of an electronic voting system.
- All the relative information regarding the Meeting, made available to the shareholders via the corporate website.
- Live broadcast of Meeting via Internet, with simultaneous translation in English.

Due to the special nature of the activities carried out by the Company, considered as an essential service, and with the purpose of guaranteeing its independence from the other activities and agents of the electricity sector, the coming into force of Law 17/2007, 4 July, established new maximum limits of shareholder participation in the Company, as summarised below:

- Any individual or legal person may participate in the shareholding of the Company, as long as the total of their direct or indirect holding in the Company capital does not exceed five percent (5%) of the Company capital, nor exercise voting rights in excess of three percent (3%). Under no circumstances may these shares be pooled for any purpose whatsoever.

- In the case where individuals who carry out activities in the electricity sector and those individual or legal entities who, directly or indirectly, hold more than five percent (5%) of the capital, may not exercise more than one percent (1%) voting rights in the Company.

- The special system is maintained for the State Owned Industrial Holding Company (SEPI) who must hold, in all cases, at least ten percent (10%) of the capital.

Board of Directors -4.1-

The company has an active and efficient reduced Board, composed of eleven members (after the General Shareholder's Meeting held on 20 May 2010 in which the seat which became vacant, owing to the resignation of one of the Board members at the end of 2009, was filled).

Best corporate governance practices regarding the Board of Directors

- Reduced Board, composed of eleven members (three women), with a majority of independent members.
- Existence of a Corporate Governance and Responsibility Committee.
- Majority of independent members on the Board of Directors committees.
- The Board committees are presided over by independent board members
- Annual self-evaluation of all Board members.
- Detailed information regarding the remuneration of Board members.
- A maximum statutory limit exists regarding the remuneration of Board members.
- Both the remuneration policy report of the Board and the individualised remuneration of the Board members are submitted for approval at the General Meeting as separate and independent items in the order of the day.
- The final remuneration of the Board remains unaltered from that of the previous fiscal year.
- Board member profiles: recognised professionals of distinction with extensive professional backgrounds.
- Strict regulation regarding the responsibility of the Board members, as well as of the due diligence and loyalty.

The Board of Directors is currently comprised of seven independent external Board members, three external nominee Board members and an executive Board member, responding to the company's shareholder structure and the recommendations of corporate governance. -4.3-

In the thirteen Board of Directors' meetings held in 2010, there were only seven incidences of non-attendance, representing an overall attendance level of over 95%.

Professional profile and term of office of the Board members -3.2-

- The Board members are recognised distinguished professionals with a proven track record. They contribute to the social management both the experience and knowledge necessary to meet the needs of the Company.
- In accordance with that set out in the Articles of Association, the Board members perform their duties for a term of 4 years.
- The limit of the term of office of independent Board members, in accordance with the recommendations of the Unified Good Governance Code, has been established in the Board Regulations at twelve years. The remaining members may be re-elected indefinitely by the General Meeting.
- The cessation of external independent nominee Board members or independent Board members shall not be proposed prior to the fulfilment of the statutory period for which they were nominated, except in the case of sufficient cause and by prior reporting to the Corporate Governance and Responsibility Committee.

Audit Committee -4.1-

This Committee is composed of three external Board members, two of which are independent members. One independent member is the chairwoman of the committee. During 2010, ten meetings of the Audit Committee were held, in which no incident of non-attendance was reported.

Corporate Governance and Responsibility Committee -4.5-

This committee is composed of four Board members, three of which are external and one executive; amongst the external Board members two are independent. One independent Board member is chairman of the committee.

On 28 January 2010, as a consequence of the approval of a new Regulation of the Board of Directors, the Appointment, Remuneration and Corporate Governance Committee changed its name to the Corporate Governance and Responsibility Committee, and it assumed wide-ranging competencies regarding corporate responsibility.

In 2010 the term of office of M.ª Ángeles Amador Millán, as committee chairwoman, came to an end and Antonio Garamendi Lecanda was named as the new chairman for a term of three years.

During 2010, eleven meetings of the Corporate Governance and Responsibility Committee were held and no incident of non-attendance was recorded.

Board member self-evaluation -4.10-

The process of self-evaluation of the Board of Directors, its Committees and its Chairman is carried out annually. This process counts on the active participation of all the members of the Board.

The Board of Directors, in the meeting held in November 2010, approved the Self-evaluation Report of the performance of the Board regarding the 2009 fiscal year.

Remuneration policy -4.5-

During 2010, the total remuneration accrued by the members of the Board of Directors of the parent company, was 2,495 million euros, included in these figures are not only the estimation of the remuneration linked to earnings but also the salaries of those members of the Board who also have employee status.

The total remuneration (€ thousand) accrued by the members of the Board of Directors of the Company in the 2010 fiscal year, listed individually by member, are the following: -4.2, 4.3-

Board of Directors -4.2, 4.3, LA13-

	Position on the Board	Board member type	Audit Committee	Corporate Governance and Responsibility Committee	Remuneration 2010 (€ thousand)
Luis Atienza Serna	Chairman	Executive	-	Member	796
Antonio Garamendi Lecanda	Member	Independent	-	Chairman	188
Manuel Alves Torres [1]	Member	External Nominee (SEPI)		Member	188
Rafael Suñol Trepat	Member	External Nominee (SEPI)	-	-	159
María de los Ángeles Amador Millán	Member	Independent	-	Member	188
Francisco Javier Salas Collantes	Member	Independent	Member	-	188
Martín Gallego Málaga [2]	Member	Independent	-	-	63
José Folgado Blanco	Member	Independent	-	-	159
Arantza Mendizábal Gorostiaga	Member	Independent	Chairwoman	-	188
María Jesús Álvarez González [1]	Member	External Nominee (SEPI)	Member	-	188
Miguel Boyer Salvador [3]	Member	Independent	-	-	95
Rui Manuel Janes Cartaxo [3]	Member	Independent	-	-	95
Total remunerations accrued			-	-	**2,495**

([1] Amounts received by State Owned Industrial Holding Company (SEPI).
[2] Gave up his seat on the Board in May 2010.
[3] Incorporation to the Board in May 2010.

The remuneration of the Board with respect to the **profits allocated to the parent company** is the following:

Total remuneration of Board members (€ million)	**2,495**
Total remuneration of Board members / profits allocated to parent company (expressed in %)	**0.64**

In his status as member of the Board of Directors of REN, the executive Board member received a remuneration in the amount of 29,000 euros in 2010 (30,000 euros in 2009). This amount has been reduced, at the request of the executive Board member himself, from his fixed annual remuneration.

In 2009, it was decided to establish a remuneration programme for managers ("25th anniversary Extraordinary Plan 2009-2013") as a management tool and as a mechanism to drive the fulfilment of the five year strategic plan. The fulfilment of this programme, in which the executive Board member is included, shall be evaluated at the end of its current period in 2014. Based on the fulfilment of the objectives set out, the global evaluation for five years may reach a maximum of 1.8 times the fixed annual remuneration.

There are safeguards or golden parachute clauses in favour of the Executive Director to cover dismissal or changes in control. Said clauses are in line with standard market practices and contemplate suppositions to cover the termination of the employment relationship, providing for indemnification of one year's remuneration, unless the applicable legislation provides for a higher amount.

Board Members' Portal

The Board Member Portal «El Portal del Consejero» is an innovative project which went live in January 2010 with the objective of applying new technologies in the day-to-day work of members of the Board of Directors and the Committees. This portal was designed with innovative intentions, seeking improvement in the efficiency of current processes and information security.

Relation with institutional investors

The Company regularly organises informative meetings - road shows- in the main Spanish and international financial markets.

In 2010, in accordance with the most up-to-date international practices, a series of international visits were begun to directly explain to the different market agents, the practices and policies followed by the Company regarding corporate governance. In this way, the Company attempts to implement suitable mechanisms for the regular exchange of information with institutional investors who form part of the Company's shareholder structure.

External auditors

The Board Regulation, based on the applicable best practices, foresees that relations with external auditors of the Company must be channelled through the Audit Committee.

The auditor of the company accounts has been PricewaterhouseCoopers Auditores, S.L. since 2006

Remunerations satisfied during the 2010 fiscal year to external auditors do not represent a significant percentage of the auditing company's total incomes. Similarly, the fees corresponding to professional services other than audits, paid to companies directly or indirectly related with the auditing company, correspond to standard professional services different to those of auditing accounts.

Risk management -1.1, 1.2, 4.9, 4.11-

Management approach

The Red Eléctrica Group has a Risk Policy that sets out the principles and guidelines for ensuring that material risks, which could affect the objectives and activities of the Group, are systematically identified, analysed and controlled with uniform criteria and within the established risk limits.

Risk management and control bodies

- Board of Directors
- Audit Committee
- Management committee
- Department of Regulation (responsible for comprehensive management)
- All the organisational units

The risk control system covers not only the risks of the internal processes but also risks from the environment in which it operates, encompassing all the activities carried out by the Group. The impact of each risk is evaluated on four aspects: strategy, the income statement, the electricity system and reputation.

Both the risk policy and the general procedure for comprehensive risk management and control are based within the integrated framework of business management included in the report COSO II (Committee of Sponsoring Organisations).

Material risks to the Group are considered those related to:

- The creation of value sustainable over time.
- The continuity and quality of the energy supply of the electricity systems.
- The construction of the electricity transmission grid infrastructure necessary to deal with future needs.
- The compatibility of the aforementioned objectives with social and environmental concerns.

Main risks of the Red Eléctrica Group

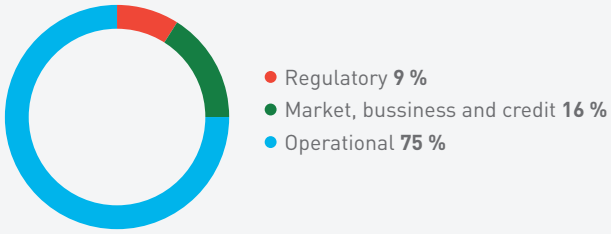
Regulatory, as the main business activities of the Group are subject to regulation.

Operational, derived fundamentally from the activities assigned within the electricity system, the care for and protection of the natural environment and the coverage of financial needs within a progressively complicated financial scope.

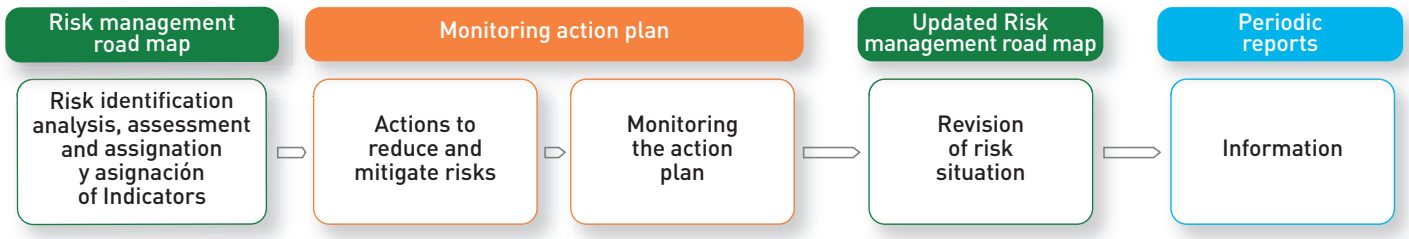
Market as the majority of revenues, as well as specific expenditures, are influenced by the evolution of variables such as inflation or interest rates.

Business and credit (or counterpart), although to a lesser extent due to the lesser weighting of the subsidiaries within the Group and the existing regulation on the invoicing and collection for transmission and operation activities.

Risk structure



Comprehensive Risk Management System Diagram



Risk analysis takes into account the possibility of a risk occurring (based on critical factors influencing whether the risk will occur or not; the weighting thereof; the situation in the Company with respect to each critical factor; and the assignation of a global assessment for all the factors) and the impact should it materialise (depending on the effect on the electricity system, basic strategies, reputation and the income statement).

Once the final evaluation has been made, a comparison is made with the admissible risk level. If it does not surpass this level, those responsible for processes or projects decide whether to implement actions or not. Should it exceed said level, an action plan is formulated for its minimisation or reduction.

The Regulation Department and the units responsible for managing the processes periodically follow up on the evolution of the action plans and indicators. The frequency of this follow-up is six monthly for high-level risks and annually for medium and low risk.

Actions carried out in 2010

During 2010 activities continued for the improvement of operational risks, mainly by means of new facilities that strengthen the meshing of the transmission grid. Also the action plans for both the Canary and Balearic Islands were drawn up with the aim of adapting the acquired assets to the company standards. In this way, the grid's permanent exposure to events that may affect the continuity and security of the electricity supply is reduced.

Improvements in the comprehensive risk management system during 2010

- **Implementation of new comprehensive risk management procedures.**
- **Incorporation into the system of two subsidiaries created during this fiscal year.**

The strain in the financial system increased in the last part of the fiscal year. In reply to this situation, medium and long term financing operations with financial institutions have been agreed, which assure both liquidity and the investment plan for next year.

In the following table the principal operational risks are detailed, the principal impacts analysed and the management carried out by Red Eléctrica to reduce them or to mitigate them.

Risks related to climate change –EC2-

Key impacts

Reduction in rainfall

- Less control capacity from hydroelectric production.
- Greater competition for water resources between the electricity generation activities, agricultural activities and the potable water supply.

Increase in temperatures

- Increase in the summer peak demand and decrease in the winter peak.
- Increase in the production of solar energy.
- Reduction in the transmission capacity of the high voltage lines.

Changes in wind currents

- Changes in the production profiles of the wind power generators.
- Greater frequency of extreme wind that can cause supply interruptions.

Key actions

Integration of renewable energies

- Consolidate the role of the Control Centre of Renewable Energies (CECRE).
- Construction of new lines for the evacuation of renewable energies.
- Strengthening of international interconnections.

Demand management Initiatives

- Putting in place measures that allow a more efficient and balanced consumption profile to be achieved.
- Participation in drawing up the «Comprehensive plan for the promotion of the electric vehicle in Spain».
- Management of the interruptability service.

Research and Innovation

- Participation in the ADM (Active Demand Management) project.
- Collaboration on several research projects regarding the electric vehicle (VERDE, DOMOCELL and MERGE).
- Participation in European projects for the development of renewable energies (IS-POWER, ANEMOS PLUS, CONSOLIDA and TWENTIES).
- Development of equipment and bespoke IT systems for emergency situations.

Risks related to the energy supply

Key impacts

- Equipment failure in facilities.
- Saturation of the existing facilities to deal with the growing demand.
- The necessity to construct facilities deal with system needs (wind farms, grid meshing, the high speed train, etc.).

Key actions

- Carry out periodic inspections of equipment and systems.
- Application of preventative and predictive maintenance programmes.
- Carrying out live working maintenance.
- Renovation programme and improvement of the facilities.
- Repowering of the lines and increase in transformer capacity.
- Improved grid meshing and increases in the construction of facilities to deal with Electricity Infrastructures Plan approved by the Government.
- Works started on the new interconnection with France.
- Installation of a submarine interconnection cable Spanish peninsula – Balearic Islands

Employee related risks

Key impacts

- Motivation of staff to reach company's objectives.
- Ageing of personnel.
- Adaptation of occupational health and safety risk prevention.

Action plan

- Application of the staff appraisal system.
- Development programmes for technicians and directors.
- Approval of the work-life balance policy and implementation of a management system.
- Contracting of young employees with potential.
- Development of a succession policy.
- Maintain and improve the structured risk prevention system in accordance with the OHSAS 18001 standard.

Other risks related to environmental and social surroundings

Key impacts

- Deterioration of the environment.
- Delays in the construction of authorised facilities due to social rejection.
- Integration into the community.

Action plan

- Environmental evaluation of all projects.
- Programme of preventive and corrective actions in the construction of facilities.
- Continuity of the construction programme for containment tanks to avoid spillage of oil from transformers.
- Agreements with autonomous communities for the prevention of fires.
- Sustainability laboratory: instrument to development a permanent dialogue with stakeholders and implementing sustainability projects.
- Cooperation and sponsorship actions.

Risk of fraud and corruption -SO2, SO4-

The Code of Ethics, approved by the Board of Directors in 2007 and the corresponding management system for consultations and formal complaints constitutes an effective mechanism for the detection and addressing of the possible cases of fraud and corruption. During this fiscal year, no formal complaints regarding corruption were reported through this channel.

In addition, the processes of Red Eléctrica are integrated in structured systems in compliance with the international reference standards (ISO9001, ISO14001 and OHSAS18001) and their design includes controls to mitigate or reduce the main risks associated thereto, amongst which are included the risk of fraud and corruption.

In addition to these processes two specific systems are in place: internal control on financial reporting (based on the North American ruling Sarbanes-Oxley) and internal control on system operation (based on ruling SAS 70). These processes and systems are constantly subjected to systematic internal and external audits.

Additionally, in this fiscal year a specific risk prevention programme has been drawn up, mainly comprised of:

- The identification of the processes susceptible to fraud.
- The identification of the main risks of fraud, the analysis of their probability of taking place, their potential impact and classifying the priority in which to carry out audits.
- Incorporation to the 2010 and 2011 Audit Plan.

In this fiscal year, tests and analyses on thirteen of the eighteen management departments of the company were carried out, no cases of corruption or fraud were identified.

Challenges 2010-2012

- Improvement in the methodology of risk evaluation with the incorporation of the statistical processing of series of historical data.
- Extension in the degree of coverage of comprehensive risk management to 100%.
- Deployment throughout the entire organisation of the IT tool which supports the comprehensive risk management system.

Performance indicators

Management indicators	2007	2008	2009	2010	Objective 2011
Degree of coverage of risk management (%) [1]	82.0	83.0	92.1	96.8	≥ 98
Improvement in the weighed risks average with respect to previous year [2]	0.79	0.90	0.75	0.94	≤1
External evaluations (DJSI) (0-100)	84	92	87	62	

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

Management approach

The quest for excellence and responsibility in the development of its activities has become one of the basic strategies of the Red Eléctrica Group and which acts as the cornerstone of its business management orientation towards sustainable development.

Red Eléctrica's sustainability commitment

The challenge of the Red Eléctrica Group is to become a model company that is responsible, efficient and sustainable, integrated into society, caring for all its stakeholders and being a reference in the markets in which it operates.

To make this challenge a reality, the Group adopts commitments, policies, management models and actions of outstanding value within the scope of corporate responsibility.

on internet

Corporate Responsibility Policy

The quest for excellence

In 1999, Red Eléctrica set out on the road to management excellence with the adoption of the EFQM (European Foundation for Quality Management) model which is the main reference for European organisations within this area. The scope of the model is complete as it includes management aspects regarding leadership, strategy, people, alliances, resources and processes, products and services, and is demanding with the key results obtained by the organisation and due to its impact on stakeholders.

The key aspects of Red Eléctrica's business excellence are endorsed by the external certification and accreditation of their business management systems.

Corporate responsibility management

Since 2004, Red Eléctrica has counted on a corporate responsibility management system of a transversal nature and whose implementation involves the senior management.

Said system guarantees the development of the principles established in the corporate responsibility policy and is constituted by a set of structural elements regarding management, temporary deployment, monitoring, evaluation and dissemination which guarantee an appropriate management of significant economic, social and environmental impacts of Red Eléctricas' activities and services on its stakeholders.

Certified management tools

Quality

ISO 9001
In all the activities and companies of the Group

Occupational health and safety

OHSAS 18001
In all the subsidiaries of the Group

Environmental

ISO 14001
In all the activities and companies of the Group

EMAS
Red Eléctrica SAU certification

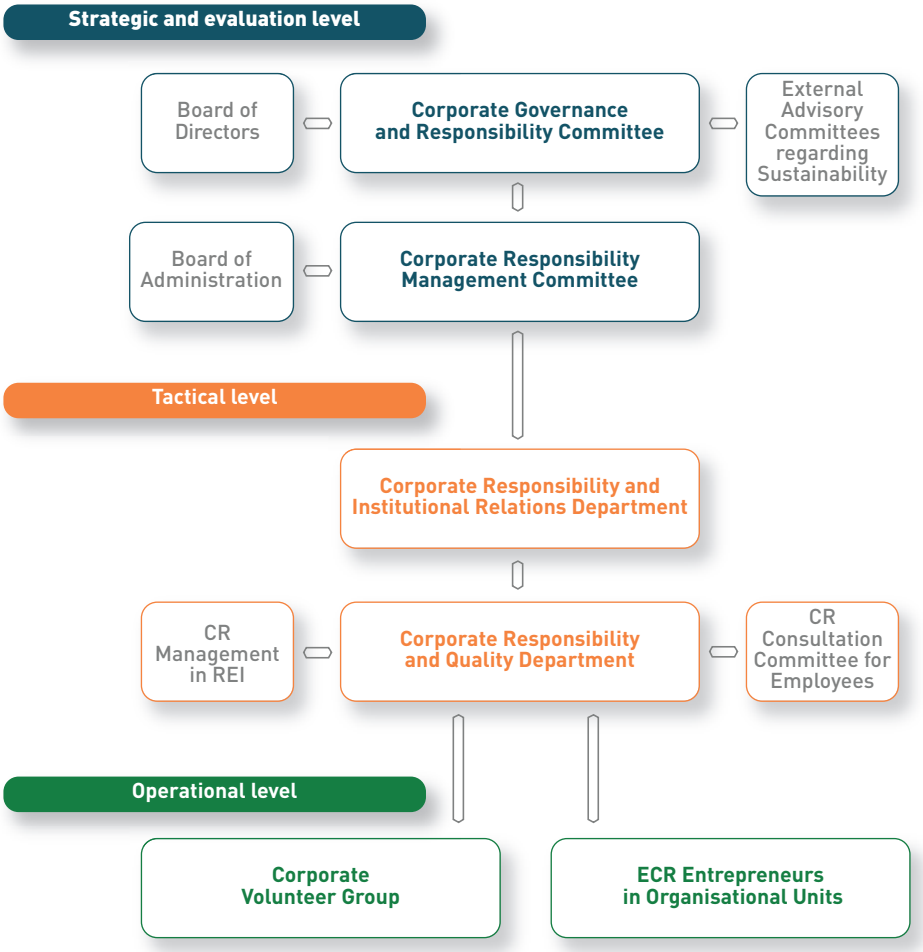
Corporate responsibility

SA8000
Red Eléctrica de España SAU and TDE (Bolivia) Certification

EFR 1000
Red Eléctrica SAU certification

RS10:2009
In all the subsidiaries of the Group

Corporate Responsibility organisation structure



Stakeholder management system -4.14, 4.15, 4.16-

In agreement with the strategies and the policies of corporate responsibility and quality, Red Eléctrica has, since 2004, counted on a stakeholder management system. The objective of this system is to manage stakeholder relations on the principles of transparency, accessibility to the information and innovation, to be aware of and to satisfy their requirements and expectations and, in this way, increase the value of the Company's intangibles and improve its reputation.

Red Eléctrica considers as stakeholders those groups or entities that are affected by the services or activities of the Company and also those whose opinions or decisions affect its economic results or its reputation.

The identification of stakeholders is achieved as a result of the analysis of the interrelations between the processes and the activities of the Company with its environment.

Stakeholders are segmented into different groups that share characteristics and, therefore, needs and interests in their relation with Red Eléctrica. Each of these groups is prioritised based on criteria of influence and dependency, with the aim of channelling the efforts and resources of the organisation, without neglecting any of these groups.

Stakeholder groups matrix -4.14, 4.16-

Stakeholder groups		Prioridad
1. Shareholders and investors	1.1 Institutional	●
	1.2 Minority shareholders	●
2. Customers, market agents and regulatory bodies	2.1 Organisations participant in system operation	●
	2.2 Organisations participant in transmission of energy	●
	2.3 Official bodies and administrations	●
	2.4 Electricity market (agents)	●
3. Employees		●
4. Suppliers	4.1 Of goods and services	● ● ●
	4.2 Of financial capital	●
	4.3 Outsourcing	● ●
5. Partners		● ●
6. Social	6.1 Ministries, autonomous communities, confederations, etc.	●
	6.2 City councils	●
	6.3 Business institutions and associations	●
	6.4 Educational and research centres	●
	6.5 Unions	●
	6.6 Financial analysts	●
	6.7 Environmental groups	●
	6.8 NGO's and Foundations	●
	6.9 Society in general	●
7. Press and Media		●
8. Subsidiaries of the Group		●
9. Markets/Sectors		●

Priority: ● High ● Normal ● Low

Basic principles of the stakeholder management system (actions 2010)

Incorporate the opinion of stakeholders in the company's strategy

- Dialogue platforms with NGO's and foundations

Integrate stakeholder management into the company's processes and activities

- Revision of the associated internal rules
- Improvements regarding the information on the intranet

Develop relationship channels with stakeholders

- Consolidation of the Stakeholder attention service, DÍGAME
- Design and implementation of a tool for the management of external and internal requests

Become aware of the requirements, expectations and satisfaction levels of stakeholders

- Carrying out satisfaction surveys in 2010
- Revision of the methodology of identification and the implementation of the improvement plan

Relation with stakeholders

The continual search of communication tools that support an open, systematic and valuable dialogue between Red Eléctrica and its stakeholders, as well as the transmission of complete, relevant and transparent information, is reflected in the increased appraisal of this aspect by the stakeholders.

With the aim of reinforcing the existing specific channels, in July 2008 Red Eléctrica set up DÍGAME, a stakeholder attention service that has as its objective to ensure that all the stakeholder requests are dealt with.

This professionalised service centralises the reception, registration, resolution and closing of all the consultations or claims received via the diverse channels made available to external stakeholders.

In 2010, the DÍGAME service managed a total of 2,618 enquiries (1,647 consultations, 489 notifications of information, 444 requests, 23 complaints, 6 suggestions and 9 recognitions). The claims managed by means of this service are detailed on page 125.

Classification of enquiries

Services

- Consultation
- Suggestion
- Complaints
- Requests
- Notification of Information
- Recognitions

CLAIMS

	2008 *	2009	2010**
Enquiries managed by the DÍGAME Service	439	1,854	2,618

** Data since July, when the DÍGAME service went live.*
*** 1,222 enquiries correspond to minority shareholders*

The dialogue platforms and other specific communication channels that Red Eléctrica develops and improves every year, are dealt with in detail in the various chapters of this report.

In addition, since 2009 the Ethics Manager of Red Eléctrica has assumed the functions of Stakeholders' Ombudsman, as guarantor of the fulfilment of the commitments acquired with these groups.

Stakeholder requirements, expectations and satisfaction surveys

A fundamental principle of the stakeholder's management system involves the systematic analysis of the requirements and expectations of these groups and their degree of satisfaction in relation to products and services offered by the company.

Since 2000, Red Eléctrica has carried out stakeholder satisfaction surveys. These surveys are carried out by an external consultant by means of studies (quantitative analysis) and interviews (qualitative analysis), so that the independence and confidentiality of the process is guaranteed. Specific improvement plans for each stakeholder group are established as a result of the analysis of the results.

In 2010 satisfaction surveys were carried out regarding customers, market agents and regulatory organisations, as well as the mass media. Similarly, the employees have been surveyed regarding aspects such as training, the corporate responsibility and reputation management system, occupational health and safety risk prevention and IT services.

The following table of indicators, regarding the stakeholder management process, shows the global satisfaction indicators, external appraisals and self-evaluation surveys. The breakdown of this data, as well as other related indicators by stakeholder group, is contained in the "Responsibility towards society" chapter.

Global indicators regarding stakeholders' satisfaction surveys	2006	2007	2008	2009	2010
Overall degree of satisfaction	7.5	7.7	7.7	7.6	7.7
Degree of satisfaction of the quality of services	7.8	7.8	7.6	7.5	7.6
Image and reputation	7.1	8.3	8.3	8.1	8.1
Responsible and ethical member	7.4	8.2	8.2	8.1	8.0
Development of corporate responsibility	6.9	8.0	8.0	8.0	7.7
Periodical dissemination of information	6.5	7.6	7.6	7.5	7.8
External evaluation					
DJSI World (0-100)	72	76	71	74	73
Self evaluation					
Degree of compliance of the annual CR programme (%)	86.2	87.2	93.5	91.2	91.2
Annual CR programme (number of projects)	36	30	41	40	63
Degree of compliance of the CR policy (%)	94.0	93.6	98.8	98.9	99.0
Internal customer evaluation of the CR management (0-10)*	7.2	-	-	-	-

** The internal customer satisfaction survey is conducted every three years. In 2006 it was evaluated for the first time in the corporate responsibility management process.*

For its part, the subsidiary TDE, in order to analyse and evaluate the institutional reputation of the Company, has carried out an external study corresponding to five stakeholder groups (government and regulators, customers or electricity sector companies, suppliers, communities and institutions or organisations). The results of the study reflect an extremely positive valuation of the company, with a reputation index rating of 81.5%.

Evaluation, learning and improvement

Internal evaluation

Since 2005, Red Eléctrica has counted on a **Corporate Responsibility Global Balance Scorecard** which constitutes the main evaluation and monitoring tool to comply with policy and activities programme and projects.

In 2010, a revision and update of the indicators of the technical, economic and environmental vectors was carried out with the aim of increasing its representation and link to the corporate responsibility strategy. This has meant an increase in the total number of indicators from 21 to 35.

At the beginning of 2010 the first **internal audit** on this matter took place, with the objective of verifying the implementation of the CR management system and to check that not only the regulatory requirements, in accordance with which the system is certified, but also that those of the Company are suitably implemented and are effective. Currently the second audit is being carried out and, as soon as it is completed, the corresponding executive report shall be published on the corporate website.

On the other hand, Red Eléctrica in its quest for ongoing transparency and improvement, has wanted to take another step forward in the assessment of its corporate responsibility activities. For this, it has developed a project in collaboration with the Research Group for Sustainable Organisations (GIOS) from the Universidad Politécnica de Madrid with the aim of studying in more depth the **operating statement regarding corporate responsibility**. In the first phase of the project, carried out in 2010, the specific objective consisted of defining the selection criteria for the activities that can be considered of corporate responsibility so as later to establish their monetary valuation.

One of the many requirements that an activity has to fulfil in order to be considered as corporate responsibility practice is that it must be of an innovative nature. As not all those activities considered as innovative have the same degree of innovation, a three-tier classification process has been established based on its degree of maturity. Thus, innovative practices shall be considered as those which are pioneering and novel.

Practices in transition are those that are in the process of consolidation, whereas the mature ones are already consolidated in the culture of the company and are aligned with the day to day business.

In the following table the economic value of the corporate responsibility activities is shown, classified by vector and degree of innovation. It includes not only the external costs, which represent 77% of the total, but also the internal costs (calculated based on the average tariffs per hour and professional group).

Income statement summary (euros)

		Vectors					
	Degree of innovation	Structural and corporate governance	Technical-economic	Social internal	Social external	Environmental	Total
2009	Innovative	21,914	5,031,077	993,347	49,630	600,472	6,696,440
	In transition	204,044	42,663	1,183,231	456,778	1,481,207	3,367,923
	Mature	173,321	936,556	2,142,785	2,816,902	3,707,273	9,776,837
	Total	**399,279**	**6,010,296**	**4,319,363**	**3,323,310**	**5,788,952**	**19,841,200**
2010	Innovative	17,283	5,160,968	1,651,320	130,233	0	6,959,804
	In transition	170,163	38,894	2,522,094	702,714	1,842,660	5,276,525
	Mature	163,690	1,069,911	1,788,803	6,462,960	4,113,120	13,598,485
	Total	**351,136**	**6,269,773**	**5,962,217**	**7,295,907**	**5,955,780**	**25,824,814**

The total amount attributed to corporate responsibility activities in the 2010 fiscal year (25,824,814 euros) represents 1.9% of net turnover and a 6.7% of REE's net profit.

Throughout this report the activities and projects are presented that have generated these expenses in the 2010 fiscal year. The exhaustive make up of these actions, classified by vectors, was presented to a selection of twelve experts, in corporate responsibility matters, they were composed of specialised mass media representatives and representatives representing the Third Sector (Non-profit sector).

The result of the analysis by this group of experts was the generalised approval of the identification of corporate responsibility activities and projects. Out of a total of 177 actions, objections to just 8 were presented and a certain level of doubt was expressed regarding 10. This means that 90% of the activities and projects that REE has identified within the scope of corporate responsibility are in accordance with the criteria of this group of experts.

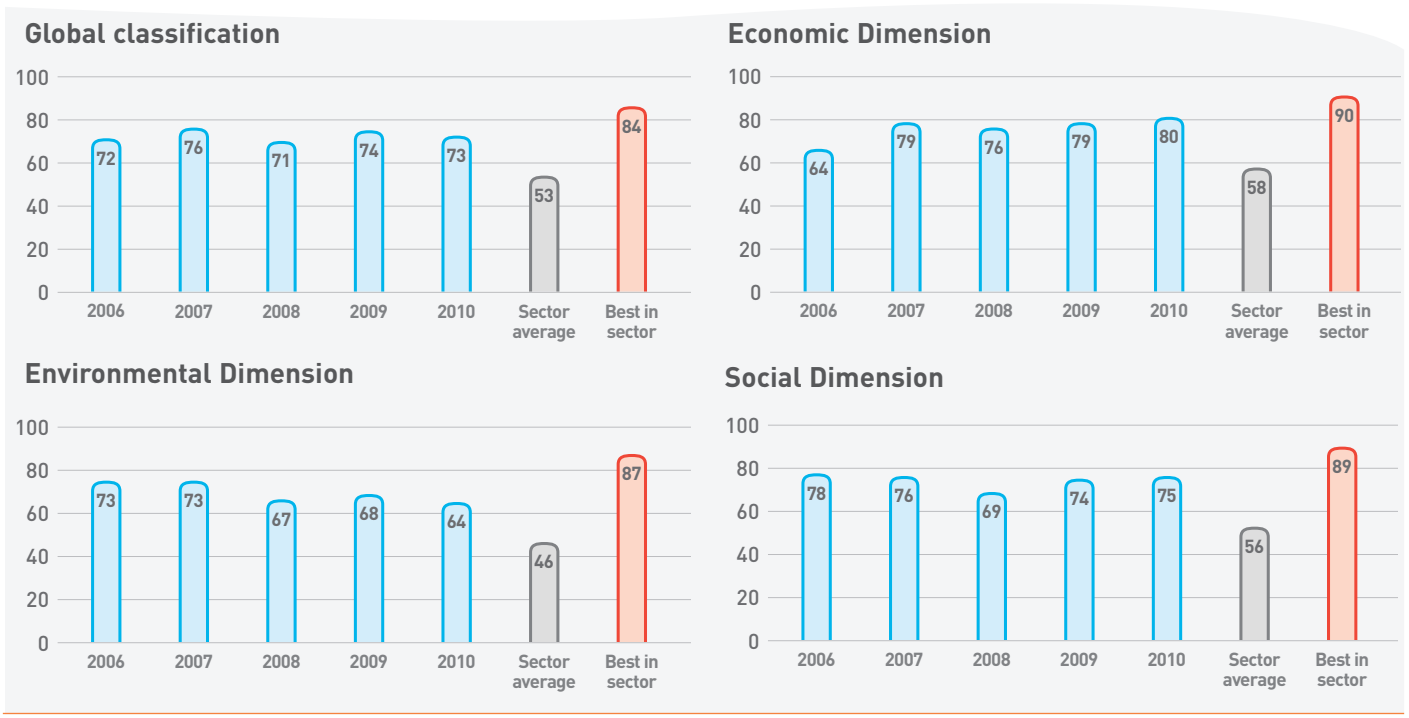
External evaluation

The performance level of Red Eléctrica within the scope of corporate responsibility is continually analysed and evaluated by evaluation agencies, investment banks, certifying entities, and opinion organisations. The results obtained represent one of the main sources of valuable information for learning about management models and their ongoing improvement.

In 2009, the corporate responsibility management systems of the Red Eléctrica Group obtained the certification according to technical specification RS10 (social responsibility management system, granted by AENOR). The first follow-up audit was performed in 2010, confirming that the systems are adapted to the requirements established in this guide with respect to universal rights and principles, as well as those related to its activity and which ensure that the activity of the Group takes place within a sustainable development framework.

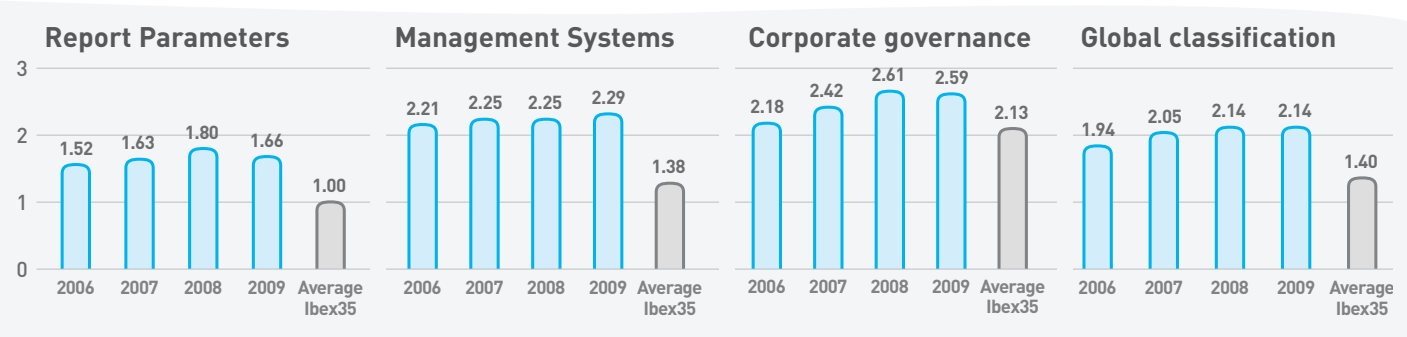
In addition, not only Red Eléctrica but also TDE have successfully passed the six-monthly follow-up audits in accordance with SA8000.

Evolution of the Dow Jones Sustainability Indexes evaluation

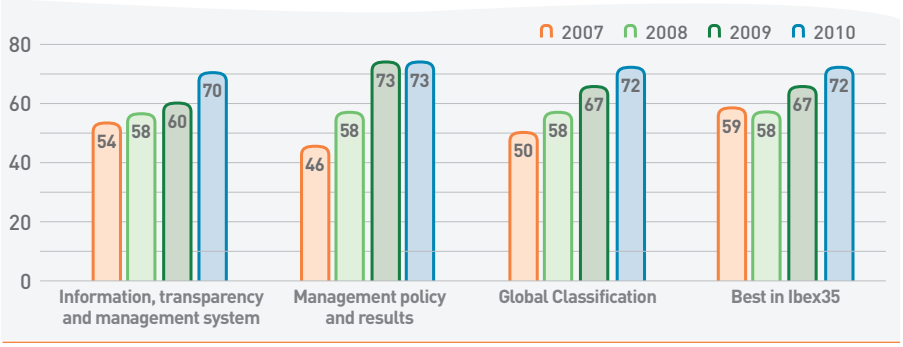


Evaluation by corporate responsibility observatories

Evolution of the results of "Social corporate responsibility in the annual reports of IBEX 35 companies" study. CSR Observatory



Evolution of the results of the "Culture, policies and responsibility practices of IBEX 35 companies" study. RSE Observatory



Exchange of experiences -SO5-

Internally, Red Eléctrica has continued developing corporate responsibility awareness campaigns aimed at employees, sharing information concerning practices carried out and the results obtained during the fiscal year. Similarly, in order to continue driving responsible and ethical management, a campaign to re-launch and strengthen corporate values was carried out.

External dissemination and the exchange of experiences regarding corporate responsibility within the fabric of both business and society in general; are a key element of Red Eléctrica's relationship with society. For this reason it has continued participating in various external initiatives not only in Spain but also in the countries in which it is present.

Exchange of best practices and experiences

Corporate Social Responsibility - best practices

Benchmarking regarding CSR Management systems: Grupo Banco Popular, Grupo Fundosa, Instituto de Empresa, Escuela de Organización Internacional, Iberdrola, Asociación Española de Profesionales de Compras.

Benchmarking regarding the drafting of CSR reports: Grupo Mahou-San Miguel, SEPI.

Benchmarking regarding Code of Ethics management system: Member companies of the Sustainability Excellence Club.

Benchmarking regarding the management of social action: Telefónica, MRW, ISS, BBVA.

Corporate Social Responsibility - dissemination and support

Congress regarding innovation and social responsibility in the purchasing function: AERCE.

Course regarding corporate responsibility in the company: Generalitat de Catalunya.

Informative session regarding energy efficiency: CES.

Informative session regarding corporate responsibility in the company: Expo Shanghai.

The road to excellence and sustainability: Universidad Complutense.

Company responsibility in the 21st century : Fundación Adecco/CES.

REE's commitment towards society: Universidad de las Islas Baleares.

Informative session regarding best practices concerning corporate volunteering: Cámara de Madrid.

Collaboration with universities

Corporate Responsibility and Sustainability professorship: Telefónica /UNED.

Development of research projects: Universidad Politécnica de Madrid.

Collaboration on a Masters in Corporate Social Responsibility, Social Accounting and Auditing: Universidad de Barcelona (CIES).

CR directors' study group: Escuela Superior de Administración y Dirección de Empresas (ESADE).

CR experts' committee: Instituto de Estudios Superiores de la Empresa (IESE).

Working groups

Working group regarding corporate responsibility: empresas TSO.

Socially Responsible Excellence: Club de Excelencia en Gestión.

Social impact in the sector: UNESA.

Sustainable Management Committee: AEC.

AEC - Energy Industries Committee: *benchmarking* RSC.

Responsible supplier management: Achilles South Europe.

CTN 165 Ethics working group: AENOR.

Participation in studies

Study regarding the state of corporate volunteering in Spain: CES.

Participation in the Sustainability Report of IBEX35 companies: Universidad de Deusto.

Commitment with external initiatives -4.12, 4.13-

		on internet
THE GLOBAL COMPACT APOYAMOS EL PACTO MUNDIAL	**United Nations Global Compact**	pactomundial.org
	Caring for Climate	unglobalcompact.org
Partnering with The European Alliance for CSR	**European Alliance for CSR**	crseurope.org
CARBON DISCLOSURE PROJECT	**Carbon Disclosure Project**	cdproject.net
IberoAmérica Sostenible	**Ibero-American Charter for Sustainable Management**	fundibeq.org

Other initiatives:

In 2007, Red Eléctrica signed the Bali Climate Agreement and prompted the UN to establish a legal framework to fight climate change. Similarly, since 2007, REDESUR has presided over the Social Responsibility Committee of the Spanish Chamber of Commerce in Peru.

Participation in sectorial organisations and entities

-4.13-

Red Eléctrica is present in numerous national and international organisations and actively collaborates on their governing bodies, study committees, standardisation and working groups. Amongst the key entities, the following are noteworthy:

ENTSO-E (European Network of Transmission System Operators for Electricity)
This association was created on 19 December 2008, being one step ahead of the indications included in the Third Legislative package regarding the Interior Energy Market, and in particular Regulation 714/2009 of the European Parliament and of the Council 13 July 2009. This regulation is relative to the conditions for access to the grid for cross-border trade of electricity, regarding the obligation of all the European TSOs to cooperate at the European community level by means of the creation of a European grid of TSOs of which Red Eléctrica is the founding member. ENTSO-E inherits all the experience and good practices of ETSO (European Transmission System Operators) and UCTE (Union for the Co-ordination of Electricity Transmission) which in July 2010 ceased to exist.

CIGRE (Consejo Internacional de Grandes Redes Eléctricas)
Organisation which brings together electricity companies, equipment manufacturers, engineering companies and research centres throughout the world with the aim of exchanging technical knowledge. Red Eléctrica holds the position of President and Secretary of the Spanish Committee.

EEI (Edison Electric Institute)
Association of electric power companies from the USA and affiliated international companies. Red Eléctrica participates in financial conferences with analysts and investors in the sector.

IESOE (Interconexión Eléctrica del Suroeste de Europa)
This organisation incorporates RTE (France), REN (Portugal), ONE (Morocco and Red Eléctrica (Spain). Its aim is to analyse the behaviour of the electricity interconnection network of these countries and draws up initiatives to perfect its operation. Red Eléctrica holds the position of President and Secretary.

MEO (Mediterranean Energy Observatory)
Set up in 1991 by thirty energy companies (electricity, gas and petroleum). Its objective is to encourage collaboration between the main companies in the energy sector which operate in the Southern Mediterranean basin and encourage dialogue between governments, the European Commission and other international organisations regarding energy issues in the Mediterranean.

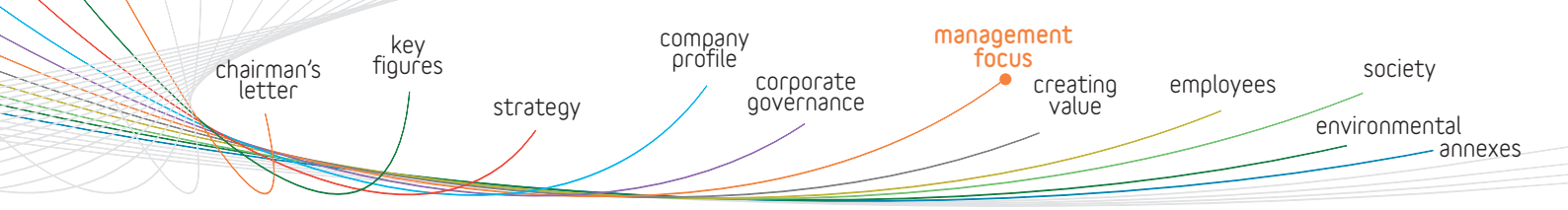
TSO-International Comparison
An International association of European, Asiatic, South African and American electricity system operators. Their mission is to exchange information on the present and future operating practices of the system, in order to establish comparisons and references.

VLPGO (Very Large Power Grid Operators)
An international initiative which groups together the major operators of the world's electricity systems, representing together more than 60% of the electricity demand in the world. In October 2010 Luis Atienza was named chairman of this association.

Corporate Responsibility Programme 2010

STRUCTURAL AND CORPORATE GOVERNANCE VECTOR	Progress
Design, identification and establishing of the foundation for the internal audit management of CR.	100 %
Materiality Diagnosis 2010-2015.	50 %
Creation of the employee consultation committee regarding CR.	100 %
Design of the 2010-2015 Comprehensive training plan regarding CR matters.	100 %
Creation of the Board member CR channel.	100 %
Exchange of CR experiences with leading Spanish companies.	100 %
Contribution to the attainment of the Millennium Development Goals.	100 %
Collaboration in the design of a governmental observatory model regarding the RSE of the Spanish government.	100 %
Code of Ethics 2010 edition. Updating and improving its implementation.	100 %
Strengthening of the role of the Corporate Governance and Responsibility Committee.	100 %
Knowledge update programme for Board members regarding the Company.	100 %

TECHNICAL - ECONOMIC VECTOR	Progress
Redesign of the content and scope of the technical – economic vector.	100 %
Digital invoicing for services to customers.	95 %
CR income statement: establishment of criteria and basis for its calculation.	100 %
R&D&i project: TWENTIES.	100 %
Formalisation of the participation processes in the design of the electricity sectors through ENTSO-E ESPOEU.	100 %
Definition of REE's position and proposal in Europe.	100 %
Participation in the definition of European grid codes.	100 %
Supplier monitoring.	100 %
IndicadoRSEs Project: Corporate responsibility indicators for the Procurement Management Department.	30 %
Advancement in the integration of CR concepts in internal supplier management processes.	95 %
Redesign and development of system management axes regarding excellence.	100 %
Complete 360º evaluation of all processes.	100 %

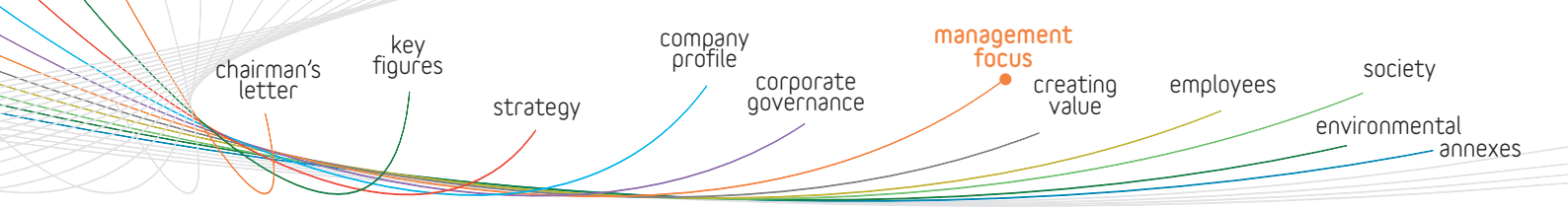


EXTERNAL SOCIAL VECTOR

	Progress
Re-engineering of the external social vector management system.	100 %
Actions for developing relations with parliamentary and governmental bodies.	100 %
Sustainability laboratory (progress).	100 %
Institutional Relations knowledge management.	100 %
Development of the management capabilities of the Third Sector.	100 %
Ongoing improvement of web accessibility (AA level).	100 %
Scrutiny of the CR implementation as per stakeholders' views.	100 %
Evaluation of the needs, expectations and satisfaction levels of stakeholders.	100 %
Corporate volunteer projects.	100 %

INTERNAL SOCIAL VECTOR

	Progress
Social actions oriented towards the family.	95 %
Promotion of sporting activities.	100 %
Communication of possible alternatives available regarding the work-life balance.	90 %
Training regarding work-life balance advisors.	100 %
Comprehensive work-life balance guide.	100 %
Promoting the collaboration with companies and foundations for the integration of people with disabilities.	100 %
Improvement of accessibility to facilities for people with disabilities.	100 %
Management training: labour relations.	100 %
Incorporation of CR practices in professional development programmes.	100 %
New system for professional development.	100 %
CR communication plan in miRED.	80 %
Management training and coaching to improve internal communication practices and style.	70 %
Red Eléctrica eficiente communication plan.	100 %
Inclusion of courses for driving vehicles in adverse conditions.	100 %
Management training: regarding occupational health and safety risk prevention.	100 %
Application of improvements derived from the revision of management systems for occupational health and safety risk prevention.	100 %
Corporate values communication plan.	95 %
Code of Ethics communication plan.	100 %



ENVIRONMENTAL VECTOR	Progress
Definition of the climate change strategy.	40 %
The REE Forest.	100 %
Zero emission building.	10 %
Definition of the energy efficiency strategy.	80 %
Efficiency improvements in consumption of natural resources in buildingsMobility plan.	58 %
The efficient substation.	0 %
BiodiveRSEdad. Definition of the strategy and objectives.	10 %
Birdlife conservation projects.	100 %
Sponsor a species (Alcaraván).	85 %
Green suggestion box.	90 %
Project for the conservation of vegetation. Vulcano Project	100 %
BiodiveRSEdad. 25th anniversary publication	100 %
Landscape integration of buildings	70 %
REE environmental training plan	100 %

Corporate Responsibility Programme 2011

CORPORATE GOVERNANCE / STRUCTURALVECTOR

Materiality Diagnosis of the CR 2011-2015.

Design of a platform for corporate responsibility.

Corporate responsibility training programme 2011.

Adapting the Company's Articles of Association to the requirements of the new law regarding listed companies.

Procedure for the adherence to best tax practices promoted by the Tax Office.

Action guide regarding the prevention of corruption.

Knowledge update programme for Board members regarding the Company.

Updating of the Code of Ethics and improvements in its implementation.

Prevention plan regarding criminal liability of the company.

Mechanisims for the coordination and follow-up between the Corporate Governance and Responsibility Committee and the CR management areas.

TECHNICAL - ECONOMIC VECTOR

Optimisation of the management process regarding the management of expenses which do not require purchase order.

R&D&i project: Twenties (progress).

Participation in the elaboration of the European grids codes. Establishing power generation company requirements 2011.

Collaboration on the drafting of a "road map" for the European grid of the future: Supergrid 2050.

Improvement to the supplier evaluation and monitoring system regarding CR.

Development of a CR Code of Ethics to be applied to suppliers.

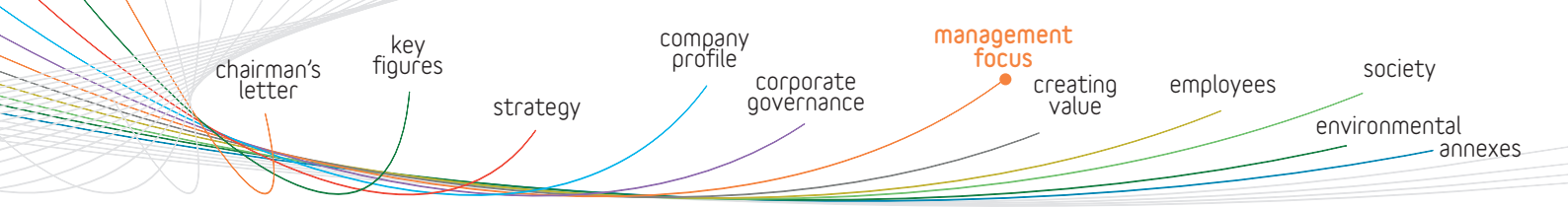
Proposal to optimise the number of sustainable evaluation agencies to which we provide information and the inclusion in indexes.

Develop a method to determine the acceptance of gifts from suppliers.

Designing of a tool that improves the quality of the data included in the corporate responsibility operating statement.

Re-engineering of the excellence system.

Taking part in the European Award for Business Excellence.



EXTERNAL SOCIAL VECTOR

News bulletin for stakeholders

Prevention of accidents related to electricity infrastructures present in society

Updating the CR section on the external web

Management development plan for the Third Sector

Execution of the activities defined in the Actions for the Improvement Plan for the Business' Customers and Agents 2011-2012

Development of the plan for the assessment of stakeholders' needs, expectations and satisfaction level.

Analyses and improvement of the Red Eléctrica's identification system regarding external stakeholders

Boosting the new 2.0 communication channels for the improvement of the dialogue with stakeholders

Corporate volunteering projects

INTERNAL SOCIAL VECTOR

UniveRSEdad entrepreneurs: project for the training of employees' children

Publication of a specific document for Operations Management and Transmission Management regarding the CR impact

Occupational Health and Safety Project: RED Segura.

Advancement in work-life balance measures. Family support.

Promoting collaboration with companies and foundations that focus on the integration of people with disabilities

Programmes for the development of talent and professional advancement

Programmes for improving the working environment

Programmes for internal integration, communication and involvement

ENVIRONMENTAL VECTOR*

Drafting, approving and disseminating REE's Strategy for Climate Change

Methodology for calculating the CO_2 not-emitted to the atmosphere due to the transmission grid

The REE Forest. Project 2011

Development of new biodiversity projects (Biodiversity corridor in the Turia Natural Park (Bats and re-introduction of Bonelli's Eagle in the Balearic Islands)

Projects related to socio-economic environment and landscape (Programme for boosting the laboural and socio-cultural aspects in rural zones: Ruta de "El Argar"(Murcia) and recovering and enhancing the value of the existing farmhouse at the future Manzanares substation.

Developement of the Vulcano project: Forest fire fighting and prevention

(*) These projects are complemented by the enviromental programme 2011 (see chapter 7)

External assessment of Corporate Responsibility 2010

SUSTAINABILITY INDEXES -2.10-

Dow Jones Sustainability Indexes Member 2010/11 / sam	***Dow Jones Sustainability World Index***	Included in the DJSE World Index for the fifth successive year, obtaining a score of 73 points.
FTSE4Good / EIRIS	***FTSE4Good***	Permanence in the index since 2008.
	FTSE4Good IBEX	Permanence in the index since its launch in 2008.
Member of the Investment Register Ethibel Excellence / vigeo	***Ethibel Excellence***	Permanence in the index since 2008.
ECPI	***ECPI Ethical Index Global*** / ***ECPI Ethical Index Euro***	Included in both indexes since 2008.

BUSINESS BANKS

Triodos Bank	***Triodos Bank***	Placed first with maximum scores in the governance and social areas.
BEST IN CLASS environmental and social performance STOREBRAND SRI	***Storebrand Investments SRI***	Selected as one of the 14 leading companies in its sector. Distinction «Best in class».
GS SUSTAIN	***Goldman Sachs*** .	Included in both indexes since 2008.

REPUTATION MONITORS

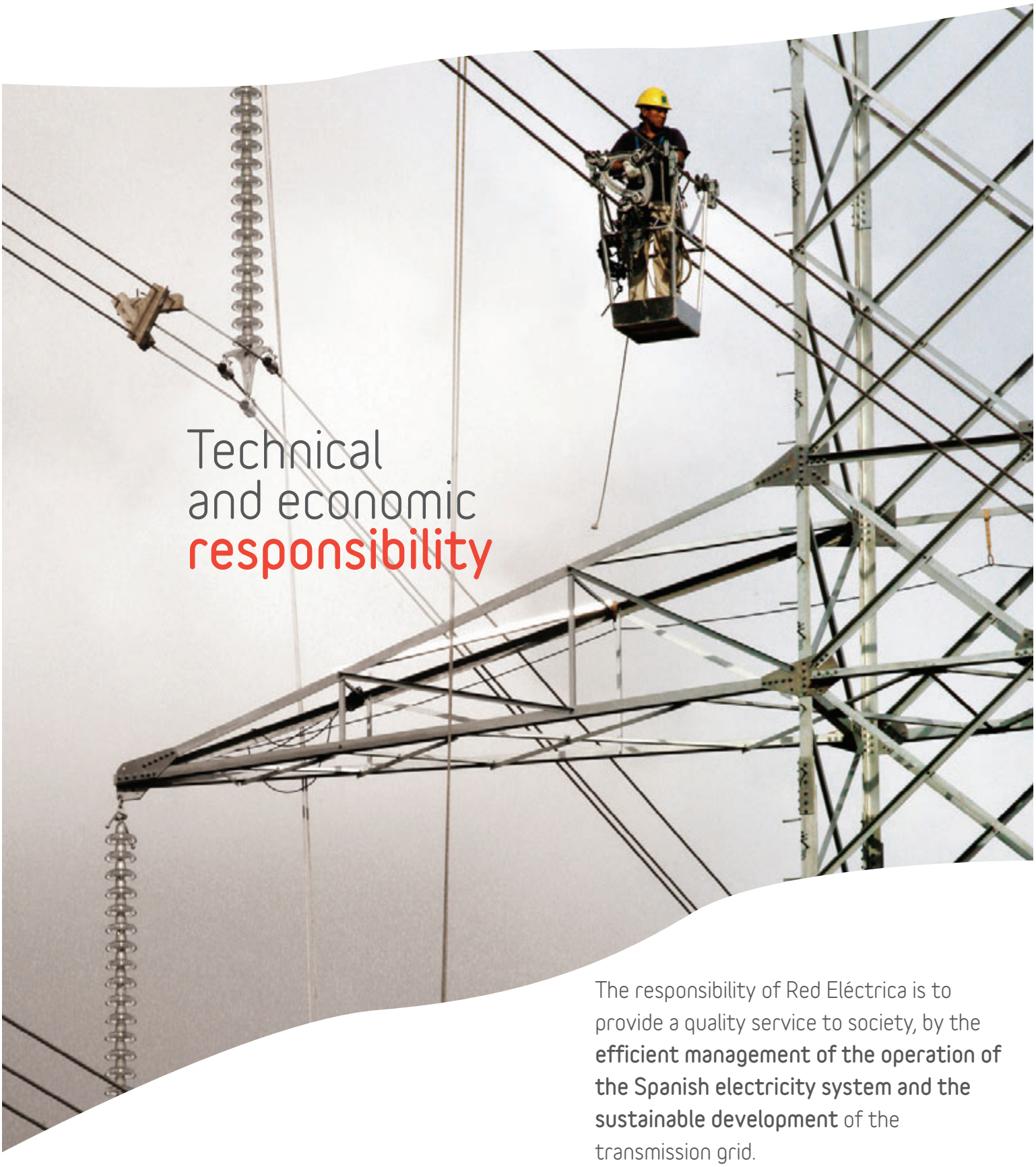
merco Monitor Empresarial de Reputación Corporativa	**Spanish corporate reputation monitor**	mercoEMPRESAS: position 45. mercoLÍDERES: position 43. mercoPERSONAS: position 29.

CORPORATE RESPONSIBILITY OBSERVATORIES -2.10-

CSR Observatory	First position amongst IBEX 35 companies for the fifth successive year.
RSE Observatory (Responsabilidad Social de las Empresas)	First position amongst IBEX 35 companies in four editions.

AWARDS AND DISTINCTIONS -2.10-

International Sustainability and Development Award	First place in the large corporations' category for its excellent management in the three scopes of sustainability.
SAM Sustainability Yearbook 2011	Distinction «Bronze Class».
OEKOM Research	Obtains an overall score of B and the «Prime» classification.
Centro de Investigación de Economía y Sociedad (CIES)	Acknowledgement for its performance regarding training employees in corporate responsibility matters.
Spanish Accounting and Business Administration Association (AECA) Instituto de Censores Jurados de Cuentas de España	AECA Award in its 7th edition and finalists in the 8th edition.
Spanish Association of Minority Shareholders of Listed Companies (AEMEC)	2009 AEMEC Award for the «Best Minority Shareholder Initiative».
Cámara Oficial de Comercio Industria y Navegación de Barcelona	Honourable mention in acknowledgement of the completeness and clarity of the information made available to shareholders and to the market.



Technical and economic responsibility

The responsibility of Red Eléctrica is to provide a quality service to society, by the **efficient management of the operation of the Spanish electricity system and the sustainable development** of the transmission grid.

The commitment we undertake in the performance of these functions drives us to:

- **Permanently create value for our stakeholders.**
- **Work towards the achievement of a sustainable energy model.**
- **Drive technological development and innovation.**

Creating value for our stakeholders

Red Eléctrica's corporate management maintains a clear orientation towards efficiency and the permanent generation of value.

In 2010, the company achieved highly satisfactory results, confirming its expectations of profit growth and profitability ratios.

Red Eléctrica obtained satisfactory economic results, confirming its growth expectations

Evolution of the key economic figures

Consolidated net turnover for the 2010 fiscal year reached just under 1.397 billion euros, representing a growth of 16.4% with respect to the previous year; this was due fundamentally to an increase in the remunerated assets commissioned in 2009 and the remuneration linked to the acquired transmission assets from the date of their acquisition.

The **gross operating profit** (EBITDA) reached just under 1.002 billion euros, signifying a growth of 18.5% with regard to 2009.

The **after tax result** grew to 390.2 million euros which represented an increase of 18.1% on that achieved during the previous fiscal year.

Investments carried out by the Group during the 2010 fiscal year reached just under 2.309 billion euros, a figure significantly higher than in the previous year due fundamentally to the acquisition of transmission assets from Spanish electric utility companies. After deducting the cost of the acquired transmission assets, the Group's investments in the development of the national transmission grid during 2010 grew to 865.4 million euros, an increase of 17.8% on the previous year.

The net **financial debt** of the Group on 31 December 2010 reached just under 4.757 billion euros. With regard to the type of interest, 63% of the net debt is fixed rate, whereas the remaining 37% is variable rate. Additionally, during the 2010 fiscal year, the average cost of the financial debt of the Group was 3.24% representing an average debt balance of 3.885 billion euros. In 2009, the average cost of debt was 3.49% and the average debt balance was a little over 3.153 billion euros.

In 2010, the credit rating agencies, Standard & Poor's and Moody's, maintained their credit rating of Red Eléctrica de España at AA- and A2 respectively. Additionally, on 31 December 2010, the Group's **net equity** reached just under 1.625 billion euros, increasing 12.9% with respect to the close of the 2009 fiscal year.

Economic value generated and distributed -EC1-

This indicator, based on the GRI method, indicates the generation of economic value of the Red Eléctrica Group and its distribution across the different stakeholders.

Economic value generated and distributed (Group)

(€ million)		2006	2007	2008	2009	2010
Economic value generated (EVG)		**960.9**	**1,065.6**	**1,160.7**	**1,239.2**	**1,441.9**
Net turnover		949.3	1,030.9	1,125.9	1,200.1	1,397.3
Other net profit and loss [1]		11.7	40.1	34.8	39.1	44.6
Economic value distributed to stakeholders (EVD)		**(600.7)**	**(705.8)**	**(792.2)**	**(798.6)**	**(981.6)**
Employees:	Personnel costs	(84.9)	(92.6)	(93.9)	(104.2)	(112.7)
Company:	Taxes on profit	(80.7)	(118.5)	(128.9)	(130.7)	(170.3)
	Investment in the community	(1.8)	(2.7)	(2.7)	(2.1)	(7.5)
Suppliers:	Other operating expenses [2]	(215.7)	(243.9)	(283.8)	(277.3)	(308.4)
Shareholders:	Dividends [3]	(121.0)	(146.9)	(172.8)	(199.8)	(253.6)
Otros proveedores de capital:						
	Net financial costs	(96.7)	(107.2)	(110.1)	(84.5)	(129.1)
Retained economic value (EVR)		**360.2**	**359.8**	**368.5**	**440.6**	**460.3**
Reserves		79.2	96.1	113.3	130.6	136.6
Repayments and depreciations [4]		281.0	263.7	255.2	310.0	323.7

Note: Data obtained from Consolidated Annual Accounts.
(1) Includes: other operating income/Net results obtained via equity method/Results from disposal of non-current assets (divestitures)/Capital subsidies/Other deferred incomes transferred to the fiscal year's result/Works performed by the Company on its assets.
(2) Supplies and other operating costs (excluding investments in the community).
(3) Includes the interim dividend and complementary dividend.
(4) Includes: Repayments / Depreciations (Includes mainly provisions for deterioration in asset value).

Direct economic impacts

Shareholders	2006	2007	2008	2009	2010
Dividend per share (euros)	**0.8984**	**1.0871**	**1.2797**	**1.4781**	**1.8751**
Dividend over net consolidated profit (pay-out) %	**60.7**	**60.5**	**60.5**	**60.5**	**65.0**
Customers (Group)					
Turnover (€ million)	**949.3**	**1,030.9**	**1,125.9**	**1,200.1**	**1,397.3**
Total investments (€ million)	**529.6**	**727.8**	**635.1**	**758.7**	**2,308.8**
Supplier (purchasing) [1] -EC6-					
REE Spain (€ million)	**526**	**1,038**	**902**	**687**	**781**
TDE Bolivia (€ million)	**9.2**	**6.0**	**4.8**	**4.5**	**3.7**
Employees (Group)					
Total salary expenses [2] (€ million)	**84.9**	**92.6**	**93.9**	**104.2**	**112.7**
REE España	80.9	85.7	90.0	97	105.1
REI España	1.3	1.6	0.5	0.4	0.4
TDE Bolivia	3.2	2.8	3.0	3.7	3.9
Other [3]	-0.5	2.5	0.4	3.1	3.3
Capital providers (Group)					
Financial expenses (€ million)	**102.1**	**111.4**	**117.2**	**91.2**	**104.3**
Reserves (€ million)	**751.5**	**932.3**	**1,066.0**	**1,168.6**	**1,352.3**
Company (Group)					
Tax on earnings (€ million)	**80.7**	**118.5**	**128.9**	**130.7**	**170.3**
REE España	83.1	113.8	121.7	138.5	170.8
REI España	-4.5	2.1	3.2	-11.8	0.6
TDE Bolivia	1.4	1.4	4.3	1.2	1.8
Other [3]	0.7	1.2	-0.3	2.8	-2.9
Subsidies [4] (€ million) -EC4-	**10.5**	**12.3**	**12.9**	**13.7**	**18.4**
REE España	10.5	12.3	12.9	13.7	18.4
REI España	0.0	0.0	0.0	0.0	0.0
TDE Bolivia	0.0	0.0	0.0	0.0	0.0
Other [3]	0.0	0.0	0.0	0.0	0.0
Investments in the community [5] (€ million)	**1.7**	**2.7**	**2.7**	**2.1**	**7.5**

(1) Purchase orders executed,
(2) Includes wages and salaries, social security, pension fund contributions and other concepts. Final figures refer to the consolidated Group and include International Financial Reporting Standards (IFRS) adjustments.
(3) Includes the rest of the company's subsidiaries and consolidation adjustment.
(4) Capital subsidies and other deferred income transferred to the results.
(5) Strengthening of relations with the community and actions regarding commitment towards society.

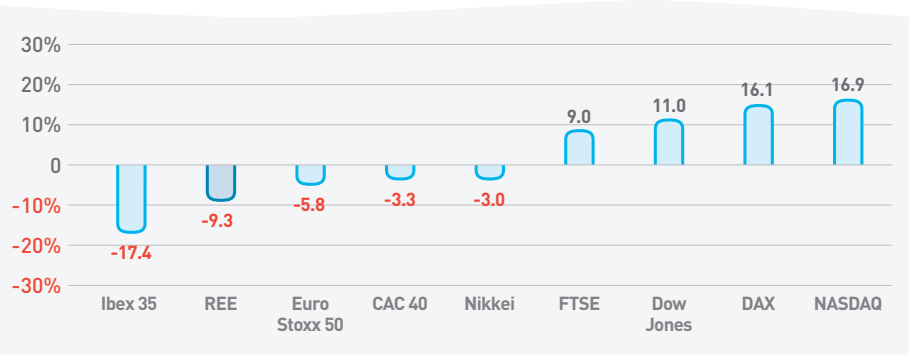
Stock market evolution

During 2010, the equity market indexes reflected to a significant degree the economic situation that the countries they represent are going through. Those who are ahead in the economic cycle and that closed the fiscal year with growth rates that help them move away from recession, registered a clearly positive stock market balance. Amongst these, countries like United States and Germany have stood out, and in both cases their stock exchange markets experienced a growth in excess of 10%.

At the opposite end, are those economies which are still in the recessive phase, a situation worsened due to fiscal imbalances in those countries lying on the periphery of the euro zone. It is in this last group that we include our country, which in addition to high unemployment rates and low growth rates, has been one of the countries to suffer, to its full extent, the crisis of the sovereign debt issue in the euro zone.

The important weighting of the financial sector in our stock exchange market, which is the sector hardest hit by the markets, and the strong increase of the risk premium that our economy had to bear, drove the IBEX 35 to a fall in excess of 17%.

Evolution of the key stock market indexes - 2010

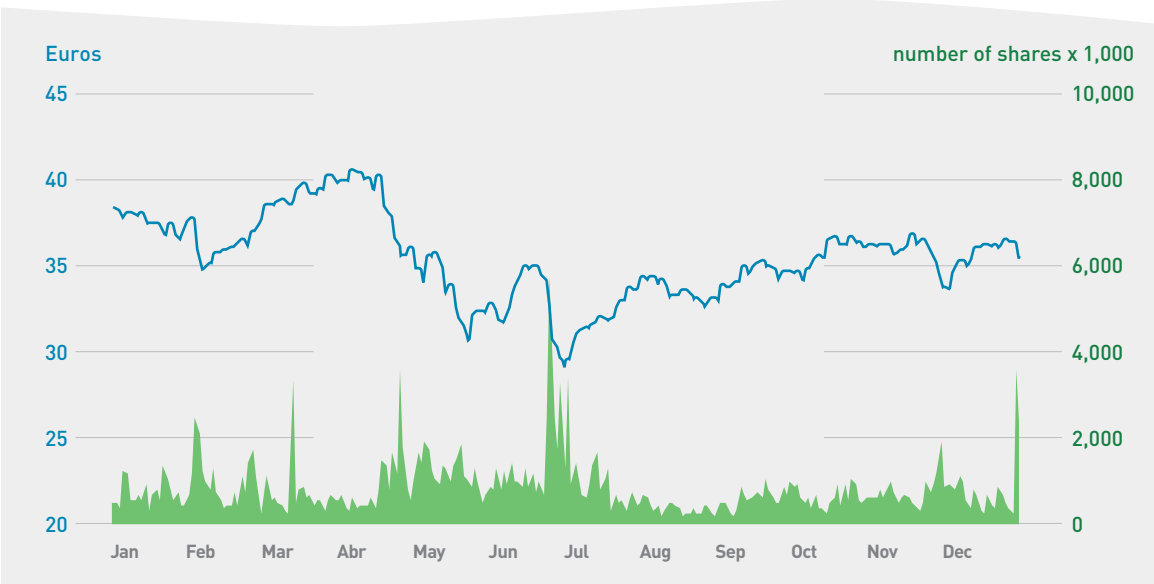


In this context, Red Eléctrica's share price closed 2010 at 35.20 euros, representing an annual decrease of 9%, substantially less than the decrease registered by IBEX 35, and similar to that registered by the energy sector.

In 2010 as a whole, 220.6 million shares were traded, which represents a multiple of 1.63 of the share capital of the Company. Cash sales totalled 7.668 billion euros. The volume of shares traded increased with regard to the previous year, with 197.1 million shares traded representing a cash figure totalling 6.444 billion euros.

on internet
stock market information

Evolution of the share price and daily volume - 2010



Dividend distribution

The payment to shareholders, in the form of dividend, increased by 26.8%, thus confirming the attractive policy maintained by the company regarding dividends.

The gross dividend proposed at the General Shareholders' Meeting to be allocated for the 2010 fiscal year is 1.8751 euros per share. On 3 January 2010, a gross interim dividend of 0.5882 euros per share was paid, leaving 1.2869 euros per share pending, as part of a complementary gross dividend for the 2010 fiscal year.

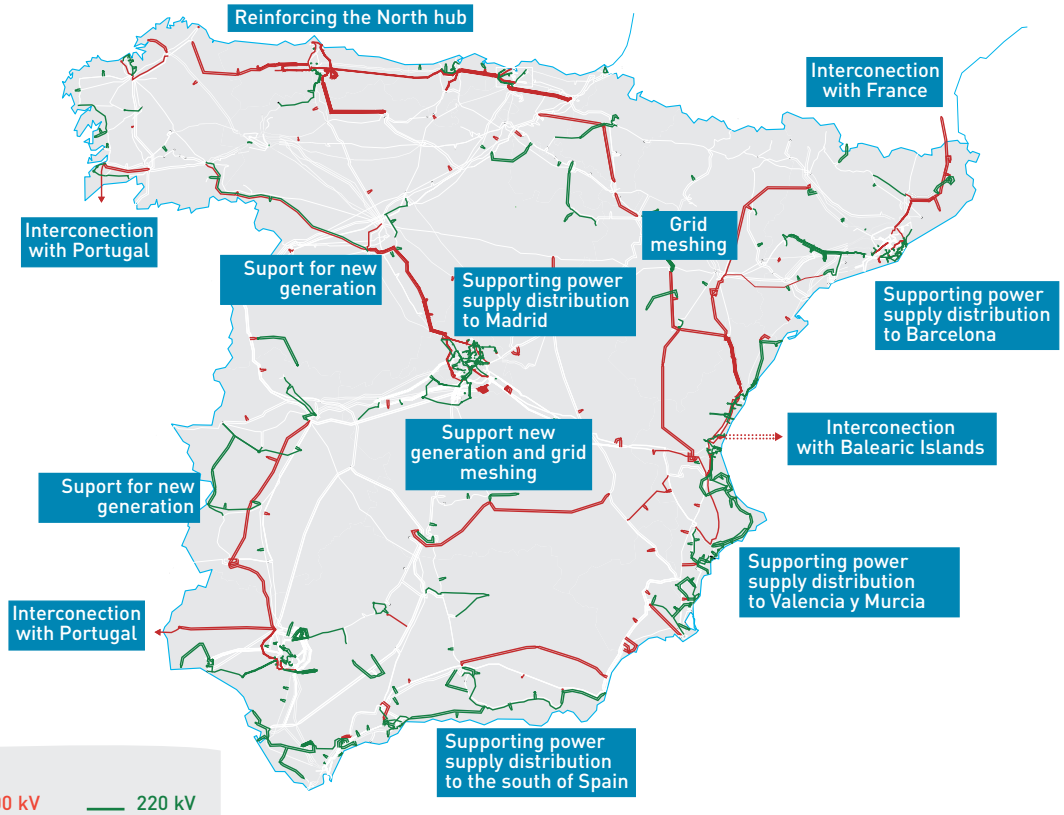
Principal stock exchange indicators	**2006**	**2007**	**2008**	**2009**	**2010**
Total number of shares	135,270,000	135,270,000	135,270,000	135,270,000	135,270,000
Number of outstanding shares	94,689,000	108,216,000	108,216,000	108,216,000	108,216,000
Face value of the share (euros)	2	2	2	2	2
Share price (euros)					
Maximum	37.09	45.14	46.00	39.80	40.755
Minimum	24.70	27.81	26.80	26.85	27.930
Average	29.22	34.97	38.51	32.68	34.730
Close	32.49	43.24	36.00	38.82	35.200
Market capitalisation at close of fiscal year (€ million)	4.394,9	5.849,1	4.869,7	5.251,2	4.761,5
Earnings per share (EPS) (euros)	1,48	1,80	2,12	2,45	2,90
Share price / EPS (number of times)	21,96	24,06	16,98	15,84	12,14

Working towards achieving a more sustainable energy model

Quality and security of supply –EU6–

Transmission grid planning –EU10, EU19, EU23–

Energy planning as set out in the document "Planning for the Gas and Electricity Sectors. Transmission grid development 2008-2016" was approved by the Council of Ministers in May 2008. This planning was revised in November 2010, and new facilities have been included and others, which are foreseen to be contemplated in the new 2012-2020 Planning, have been postponed.



Planning horizon 2016

	400 kV	220 kV
Planned lines		
Existing lines		

on internet

grid maps

In December 2009, Red Eléctrica, as system operator and transmission grid manager, requested the Ministry of Industry, Tourism and Commerce (MITYC) to initiate the new planning process. This process, started in 2010 with the admission and analysis of the proposals prepared by the agents involved in the planning (autonomous communities, electricity system agents, and promoters of

new generation projects), giving way to the drafting of the initial proposal for the transmission grid development 2012-2020, and which was sent to the MITYC in December.

Red Eléctrica will invest 4 billion euros in the transmission grid during the 2011-2015 period

The document defines new transmission infrastructure developments, once Red Eléctrica analysed the physical feasibility and suitability of the installations from an electricity standpoint, and includes the proposals presented by the agents that participate in grid planning and that were considered suitable. The essential aim that is sought with the new grid developments is to increase the guarantee and security of supply. For this reason, the most outstanding developments will be oriented mainly to the structural strengthening of the transmission grid, improving the meshing of grid nodes and creating new transmission hubs.

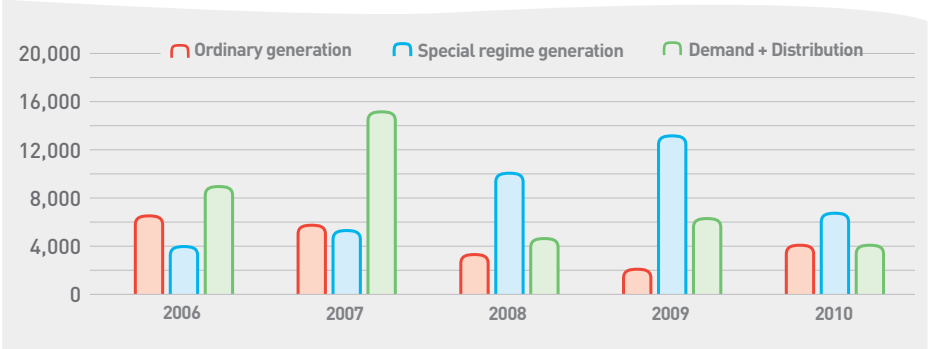
The initial proposal for the transmission grid development 2012-2020 also includes a specific chapter regarding demand management measures which would be necessary to implement in aforementioned horizon with the aim of achieving a more efficient electricity system. These measures encompass promoting energy storage and industrial demand management, the satisfactory integration of the electric vehicle, as well as raising society's awareness regarding the efficient use of energy.

Transmission grid access –EU23–

During 2010, the number of requests submitted and managed regarding access to the grid experienced a decrease (both in number and power capacity). A total of 130 requests were received and 127 of these were managed regarding direct access to the transmission grid.

on internet
grid access

Transmission grid access
MW-MVA



The most significant fall recorded was in those requests regarding special regime, registering a drop of nearly 50% with respect to 2009. In relation to ordinary regime, an increase in the power capacity was recorded regarding the requests received (primarily in thermal stations and hydroelectric with pumped storage capacity). Nonetheless, a substantial drop regarding total accumulated power was registered in 2010, due mainly to the cancellation of projects.

Regarding demand requests, a slight fall was recorded in power requested. However, this particular element continues to be highly relevant owing to the significant number of documented requests registered, mainly for support of the distribution grid and for connection of independent consumers, noteworthy were the requests related to the high speed train.

In addition to the transmission grid access requests, noteworthy is the increase in the number of requests received from special regime generators with planned connections to the grid. In 2010, a total of 181 requests were managed (totalling 2,687 MW), of which 85 correspond to wind power generation (with an associated power of 1,787 MW).

Transmission grid development

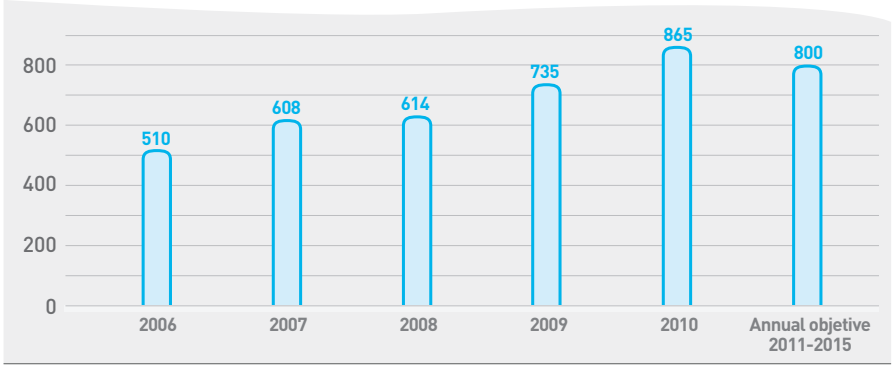
During 2010, Red Eléctrica's investment effort continued to be focused on the structural development and strengthening of the transmission grid. The investments are mainly focused on facilitating both the evacuation of new installed renewable energy and the power supply to the new high speed train corridors. They are also focused on providing support to the distribution networks and, above all, to strengthen the international interconnections, with the purpose of having a greater electricity exchange capacity with our neighbouring countries, which provide us with a greater security of supply and allow us to take better advantage of renewable energies.

Most relevant activities carried out during 2010

- The development of the transmission grid in the north-western part of the country and advancing with the **interconnection works with France**.
- The strengthening of the transmission grid in the **country's northern basin**.
- The connection of the **north-eastern zone** of the peninsula with the central zone, in order to facilitate the evacuation of the wind power generation from Galicia, as well as to improve the connection with Asturias.
- The development of the electricity transmission hub in the **region of La Mancha** (Spain), which will strengthen the connection between Levante and the central zone.
- The advancement of the electricity **interconnection works between the Spanish peninsula and the Balearic Islands**.

With these activities, which have signified a record investment of 865 million euros, a total of 839 km of circuit of new line and 164 new busbars in substations have been commissioned. In addition, the transmission capacity has been increased by means of 336 km of new line.

Investment in the transmission grid
(€ million)



Transmission grid (peninsular and extrapeninsular) -EU4-

	2006	2007	2008	2009	2010
km of 400 kV circuit	17,005	17,134	17,686	17,977	18,764
km of 220 kV circuit	16,420	16,457	16,558	16,698	17,352
km of 150-132 kV circuit	22	22	22	22	227
km of <132 kV circuit	53	53	53	53	2,050
Total km of circuit	**33,499**	**33,666**	**34,319**	**34,750**	**38,393**
Busbars 400 kV	950	1,004	1,055	1,114	1,185
Busbars 220 kV	1,961	2,034	2,103	2,267	2,657
Busbars 150-132 kV	2	2	2	2	32
Busbars <132 kV	2	2	2	2	698
Total number of busbars	**2,915**	**3,042**	**3,162**	**3,385**	**4,572**
Transformers (MVA)	**56,009**	**58,459**	**62,859**	**66,259**	**72,432**

In 2010, Red Eléctrica has carried out, in compliance with Law 17/2007, the acquisition of the extrapeninsular assets (Balearic and Canary Islands), as well as those transmission assets on the peninsula that were property of the electric utility companies.

Service quality of facilities –EU28–

Red Eléctrica maintains the challenge of becoming an international reference regarding the management of transmission assets, concerning the efficiency and service quality that their electricity facilities provide. With this focus, every year it carries out a maintenance plan for its lines and substations, with the purpose of maintaining their reliability and therefore guaranteeing the proper functioning of the transmission grid

The maintenance plan, in which special emphasis is paid to the processes regarding specifications and quality control of the work carried out, is focused mainly on the execution of periodic inspections to verify the state of equipment and systems, putting in place preventative and predictive maintenance programmes and developing of plans for the renovation and improvement of facilities.

With the aim of increasing the quality of the facilities, these works are enhanced by way of training and retraining of technical personnel through the maintenance school created in 2008. In the school, in addition to the specific technical training regarding maintenance, training in occupational health and safety risk prevention, environmental protection and quality is also imparted.

Service quality indicators

	2006	2007	2008	2009	2010
Grid availability (GAR) %	98.33	98.07	98.08	98.04	97.89
Energy not supplied (ENS) MWh	870	552	574	437	1,666
Average interruption time (AIT) min.	1.817	1.111	1.147	0.914	3.366

Reference values R.D. 1995/2000: GAR= 97 %, AIT= 15 minutes

In 2010, the service quality indicators registered a slight drop with regard to prior years. Amongst the causes, the following are worth noting:

- Regarding availability, the decrease was due to the increase in scheduled preventive and predictive maintenance works, as well as due to corrective maintenance works derived from technical breakdowns registered in facilities.

- Regarding energy not supplied, 70% of the increase was due to three isolated incidents which occurred in grid substations. Two of these we caused by involuntary actions carried out during maintenance works and the other was caused by damage to a line conductor.

Amongst the measures put in place by Red Eléctrica to maintain its quality standards, the MAR (Improvement of Grid Assets) project is worth highlighting. The objective of this project is to integrate and improve the transmission lines and substations acquired in 2010. As part of the project Red Eléctrica plans on investing more than 140 million in the Canary Islands during the 2011-2015 period.

Strengthening of international interconnections

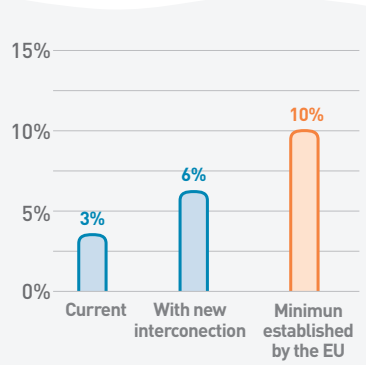
Interconnection with France

During 2010, INELFE, the company jointly and equally owned by Red Eléctrica and its French counterpart, RTE, awarded contracts for the construction of the underground electricity line and the construction of converter stations required for the interconnection between Spain and France.

on internet
http://www.inelfe.net

The new 400-kilovolt line, to be commissioned in 2014, will connect the substations of Santa Llogaia, in Spain, and Baixas, in France, through La Junquera in the western Pyrenees. In the section which crosses the frontier, 70 kilometres in length, the line will be buried by means of a trench system to reduce its environmental impact. Burying the line requires that it must be in direct current, which also requires the construction of converter stations at each end of the line. Therefore it represents a complex and exceptional infrastructure which will become one of the major challenges to be faced by Red Eléctrica over the coming years.

Interconnection capacity Spain-France
Percentage of maximum demand



The construction of this new interconnection, deemed as being of high-priority interest by the European Union, will allow the present interconnection capacity of both countries to be doubled, from 1,400 to 2,800 megawatts, thus reaching 6% of the maximum Spanish demand.

In addition, this interconnection will facilitate the integration of a greater volume of renewable energy production, especially wind power energy from the Iberian system, which will contribute towards reaching the European objective of covering 20% of the total consumption through the use of renewable energies. Additionally, this new line will guarantee the power supply in the province of Gerona and for the future high speed train.

Interconnection with Portugal

During 2010, we have continued progressing with the reinforcement works of the Duero and Andalusia hubs, as well as the studies for new interconnections from north-eastern Spain, with the objective of having a commercial exchange capacity equivalent to 3,000 MW with our neighbouring country.

The 400 kV Aldeadávila-Lagoaça line in the area of el Duero was commissioned and the planned changes to the 220 kV interconnection lines regarding topology were carried out, whereby the single circuit 220 kV Aldeadávila-Pocinho and 220 kV Aldeadávila-Bemposta lines is now a double circuit 220 kV Aldeadávila-Pocinho line.

Interconnection with the Balearic Islands

The electricity interconnection, between the Iberian peninsula and the Balearic Islands, is fundamental to ensure and improve the reliability of the electricity supply in the Balearic system and, at the same time, allows its integration into the Iberian electricity market, which facilitates the existence of a competitive electricity generation market on the islands.

This electricity link, whose conclusion is forecasted for the first half of 2011, is the first submarine transmission interconnection in direct current in Spain and the second in the world in which the cables run along the sea bed at depths of up to 1,485 metres. Presently this depth is only surpassed by the link between Cerdeña and the Italian peninsula which reaches depths of 1,600 metres.

The project involves a high voltage ±250kV submarine interconnection composed of three cables (one return cable) 237 km in length, which must be in direct current technology (HVDC), given the distances and the power necessary for this link.

The special nature of this project requires the construction of two converter stations: Morvedre 400 kV, in Sagunto (Valencia), and Santa Ponsa 220 kV, in Calviá (Mallorca), both are necessary to transform the incoming alternating current from the respective transmission grids into direct current, making it possible for its transmission under optimal conditions through the submarine cable and reduce the energy losses resulting from the extraordinary length of the cable. In addition, the cable will be buried at each end (just over 3 km) in trenches for their connection to the converter stations.

The execution of the project has sought at all times to protect and respect as much as possible the natural environment. For this reason, at depths less than 800 metres, the submarine cables will be buried below the seabed in trenches 1 metre in depth. Additionally, the route of the cables and their protection systems have been carefully selected in order to protect and guarantee the conservation of the oceanic Posidonia meadows, an indigenous species of marine vegetation protected at the European level.

International activity

The international activity of the Group is carried out by means of its subsidiaries, TDE and REDESUR, which manage electricity transmission infrastructures in Bolivia and Peru respectively.

In 2010, TDE ratified its commitment to undertake the investments set out in the new Expansion Plan of the National Interconnected System ("Plan de Expansión del Sistema Interconectado Nacional") approved by the Bolivian authorities. Specifically, it carried out the studies and the design of the five projects outlined in said plan, and whose construction is scheduled for 2011. They also finalised the negotiations to ensure the financing of the projects, which will be carried out with the participation of local contractors and labour.

During 2010, the facilities of TDE attained an excellent level of performance regarding its reconnection systems, with an effectiveness of 98% in those incidents which can be technically reconnected within the Sistema Troncal Interconectado (STI).

The agreement reached to modify a 4 km stretch of line of the Socabaya-Moquegua, as per request of a mining company, deserves special mention as an outstanding achievement of REDESUR's management team. Additionally, the proposals for connection to the Moquegua y Tacna substations, requested by various mining companies and one photovoltaic company, were accepted.

During 2010, REDESUR showed excellent quality standards in the operation of the system, with a grid availability ratio of 99.65% regarding its transmission grids. Similarly, as in previous years, no power outages attributable to the company occurred, which has made it the company of reference in Peru's energy transmission sector.

Sustainability and the integration of renewable energies

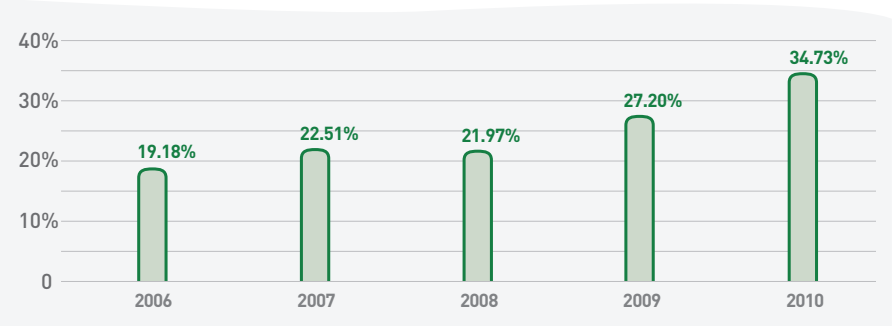
In 2010, we continued reinforcing the control and monitoring functionalities of renewable energies carried out by the Control Centre of Renewable Energies (CECRE). This centre, pioneer in the world, allows an increased integration of renewable energy into the system, reducing the amount of CO_2 emissions into the atmosphere and allowing the demand to be covered by means of intermittent energies, without jeopardising the security and the quality of the supply.

In this sense, the increased participation of the special regime in the demand coverage, which in turn reduces the production obtained from ordinary regime, made it necessary to update the voltage requirements at the special regime facilities in order to maintain an appropriate voltage profile in certain zones of the grid.

Additionally, the studies to determine the voltage control capacity of special regime at different transmission grid nodes were performed and a new proposal regarding Operation Procedures, "Complementary voltage control service applicable to Special Regime within the Spanish electricity system" was drafted. This proposal is currently pending approval, and it sets out the grounds for continuous voltage control regarding special regime, as occurs with the existing procedures regarding ordinary regime.

In addition, and in order to facilitate a better contribution of the special regime to the demand coverage, in 2010, tests were put in place and carried out to determine which special regime facilities can be considered as a manageable power system, making it possible to increase by almost 480 MW the power manageable in the system.

Contribution of renewable energies to the demand coverage



Includes wind power, hydroelectric, solar and renewable thermal.

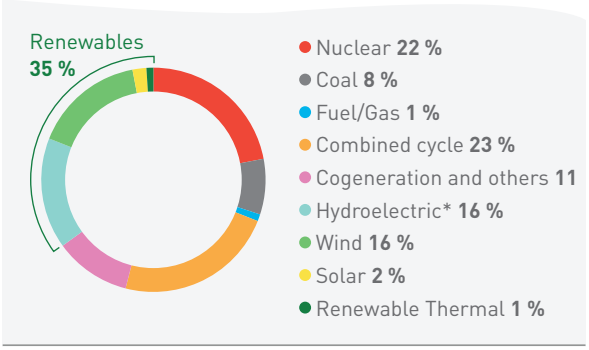
This continued effort towards the integration of clean energies contributed to the fact that in 2010 the generation coming from renewable sources represented 35% of the total production of the electricity system, nearly 8 percentage points up on the previous year. Noteworthy is the important contribution of wind power generation, with a share close to 16%, which means this technology occupies the third position amongst the energies used to cover demand, behind only nuclear energy and that of combined cycle.

The consolidation of CECRE as the centre for the supervision and control of special regime made it possible to successfully manage the variable nature characterised by wind energy and permits the control of extreme conditions such as the one which occurred on 9 November 2010 at 3:35am when 54% of the demand was covered by this energy and where the instantaneous wind energy production exceeded 14,960 MW at one specific moment on the same day; contrasting with the situation registered on 26 June at 10:32am when this energy managed to cover just 1%. These activities maintain CECRE as the world reference control centre regarding the monitoring and control of renewable energies.

The increase of generation obtained from renewable energies, on one hand, and the decrease of generation obtained from thermal stations, on the other hand, contributed to the reduction of CO_2 emissions in the electricity sector, estimated at 58.1 million tonnes for 2010, 21% less than in 2009.

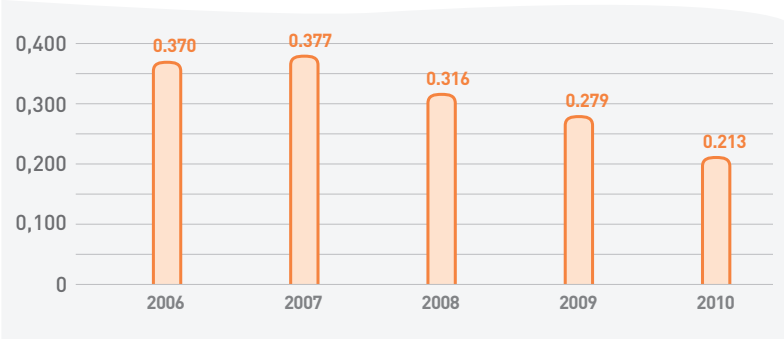
on internet
demand management

Annual demand coverage 2010



CO_2 emissions derived from the production of electricity

tCO_2/MWh



* Includes pumped storage generation and hydroelectric production obtained from ordinary and special regime

Energy efficiency

Demand management -EU7-

Energy efficiency is one of the pillars on which the commitments undertaken by member states of the European Union for 2020 regarding energy matters are consolidated: reduce greenhouse emissions by 20% with regard to 1990; to ensure that 20% of the total energy consumed comes from renewable sources and increase energy efficiency by 20%.

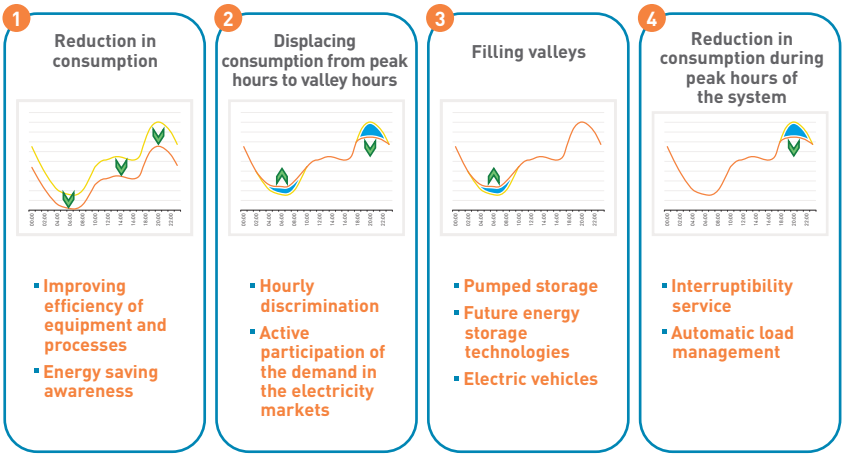
Conscious of the strong commitment towards the obligation regarding energy efficiency, and understanding that its fulfilment is essential to the compliance of the first two commitments, Red Eléctrica is promoting demand management strategies focused on the observance of said objectives.

The demand management strategies are targeted towards achieving a more balanced consumption profile and a greater flexibility in electricity demand, and are centred on increasing the integration of renewable energies and improving the global efficiency of the electricity system.

Demand management initiatives

Red Eléctrica's commitment in this matter is focused on understanding the behaviour of the demand curve, as an essential prior step in the process of identifying and promoting energy efficiency initiatives, allowing us to develop and evaluate new demand management measures in order to implement them as a part of the system operation processes.

Classification of demand management measures



In this regard, during 2010, we have continued to analyse the evolution of the demand in the industrial and services sectors by means of the demand monitoring system put into service last year. This system has provided hourly information of more than 35% of the total demand of these activity sectors.

Also, new visualisation and administrative management IT tools were implemented to improve the management of the interruptibility service, which has allowed an optimal control of the interrruptibility resource and an improved relationship with those who provide this service. The interruptible power available to the system operator during maximum demand periods was set at approximately 2,163 MW (1 January 2010).

Electric vehicle

The electric vehicle, as a new electricity consumer, can become an ally that can lead to a more efficient operation of the system, reducing the vast differences that are registered between the periods of higher and lower electricity consumption, and facilitating the integration of renewable energies, as long as the charging of vehicles takes place during the valley hours of the system.

The charging of the electric vehicle during the night time hours will allow the electricity infrastructures to be optimised and will also make it possible to integrate and take full advantage of wind power energy that many times is halted during the night owing to the lack of demand.

Electric vehicle property of Red Eléctrica

As part of its firm support for the electric vehicle, Red Eléctrica has actively participated in the drawing up of the "Integral plan for the promotion of the electric vehicle in Spain", led by the Ministry of Industry, Tourism and Commerce, where it coordinated the working group regarding energy management and infrastructures. The objective of which is to contribute to driving efficient charging, taking advantage of the valley hours when low energy consumption is recorded. The plan was presented on 6 April 2010 during the Spanish presidency of the European Union.

With the aim of fostering its deployment, Red Eléctrica also participates in different research projects (DOMOCELL and MERGE) that analyse the future impact of the electric vehicle and identify the infrastructures necessary for their successful implementation. In regard to this matter, the CENIT VERDE project started in 2010 deserves special mention taking into account that its objective is the development of an electric vehicle simulator as well as the management systems for its intelligent charging.

In 2010 it also worth noting REE's participation in the Very Large Power Grid Operators association (VLPGO), a volunteer initiative made up of the World's largest power transmission grid operators representing together more than 60% of the electricity demanded in the world.

Amongst the actions carried out by this association, the "Joint project regarding plug-in electric vehicles" is noteworthy. This project analyses the effects that the electric vehicles have on the electricity system operation and sets out a series of recommendations for vehicle manufacturers as well as for the regulatory entities, with the objective of benefitting users, prevent adverse effects in the security of supply and allow a more efficient use of the existing electricity infrastructure.

on internet

http://www.vlpgo.org/

Additionally, Red Eléctrica has been a pioneer in the installation of charging points at its work centres in Madrid, Seville and Valencia.

Driving technological development and innovation

-EC9, EU8-

In 2010, Red Eléctrica continued reinforcing the strategic nature of its R&D&i activity by reviewing and updating its Technological Plan 2008-2012 and its deployment by means of 200 specific actions. The effort carried out in this matter is focused on achieving a position of international reference within the Transmission System Operators' sector (TSO).

At an international level, the approval of the Industrial Initiatives on Electricity Grids within the SET plan (European Strategic Energy Technology Plan) framework, in which Red Eléctrica has played a key role in its design and subsequent launch, as well as the kick-off of the TWENTIES project (project led by Red Eléctrica focused on achieving maximum integration of renewable energies in the European electricity system).

	2006	2007	2008	2009	2010
R&D&i Expenditure (€ million)	3.73	4.63	7.01	6.78	5.02
% over regulated revenues	0.42	0.45	0.66	0.61	0.39
Number of projects	60	56	62	64	64
Number of patents	1	0	1	0	0

The investment in R&D&i projects during 2010 reached 5 million euros, which represents 0.39% of Red Eléctrica's regulated income, distributed across a total of 64 active projects. The projects counted on the collaboration of 166 company technicians, 34 being women (20.5%), and which have represented an investment of nearly 45,000 working hours.

Most significant projects

During 2010, several research projects were finalised, amongst which the following are noteworthy:

- Projects dedicated to determining the photovoltaic production limit compatible with the security of supply and to improving the forecasting processes regarding wind and solar energy production.

- The IT program for the calculation of the demand coverage based on probability methods;
- The study of operational reserves in the MIBEL (Iberian Electricity Market) with REN.
- Phase II of the development of the unmanned helicopter for the inspection of lines.

Other projects of interest currently in process include: the installation of a battery in test phase for the mass storage of energy and a flywheel prototype in the Canary Islands, in addition to the design of a piece of equipment capable of redirecting current flows and the design and construction of a complete substation in accordance with the IEC 61850 communication standard.

Within the scope of the CENIT programme of the Ministry of Science and Innovation, the ADM (Active Demand Management) project is practically finished. The objective of this project was to analyse what possibilities homes currently have of managing their demand, making consumers an active part of the electricity system, providing they have the suitable technology and equipment to do so. In addition, work continues on the VERDE project (research and development of necessary technologies required for the mass introduction of the electric vehicle in Spain) and in the CONSOLIDA project (improvement of electricity generation using thermo-solar technology).

Pan-European Projects

During 2010, the following European projects were successfully completed; IS-POWER (proposal and evaluation of different technical solutions, regulatory schemes and alternative technologies that make it possible to maximise, in an efficient manner, the integration of renewable energies and distributed generation within isolated electricity systems) and NET PROTECTION (development of a management framework for threat assessment and impact on electricity infrastructures).

Amongst the projects underway, the following are noteworthy: ANEMOS PLUS (system operation with high penetration of wind energy), OPTIMATE (Open simulation platform to share new market approaches at pan-European level), PEGASE (Pan-European grid advanced simulation and state estimation) and MERGE (Mobile Energy Resources for Grids of Electricity).

In addition, in this scope the approval of the TWENTIES project, led by Red Eléctrica, is noteworthy. This project constitutes the great initiative of the European electricity sector for the implementation of technologies that allow the integration of renewable energy sources, particularly wind power, in order to fulfil the European objectives regarding energy efficiency and sustainability.

Environmental interest projects

Red Eléctrica continues with its policy to contribute to sustainable development, making it possible for its installations and facilities to coexist in harmony with its natural and social environment.

Amongst the environmental projects currently underway, the following regarding birdlife protection are noteworthy:

- Study centred on minimising the impact of electricity installations on Steppe birds;
- Design of a device for the detection of bird collisions with grounding cables;
- Tests to determine which is the most suitable bird nesting deterrent for high voltage towers;
- Cartographic data regarding bird's migratory routes, which will help to determine the route and locations of new lines and facilities as well as to establish the impact of existing installations.

Distribution of R&D&i activities

Energy policy cornerstones	Nº Projects	Expenditure on R&D&i
Security of supply	40	45.1 %
Competitiveness	14	29.1 %
Sustainability	10	25.8 %

Responsibility towards employees

For Red Eléctrica, the people are the pillar on which its service vocation to society and the commitment to sustainability and ethical responsibility prevail regarding the execution of its activities.

Red Eléctrica's commitment –the satisfaction and development of people.

Red Eléctrica Group´s commitment to its core professionals is expressed through the implementation, development and continuous improvement of policies, management systems and actions to enhance their satisfaction, motivation and commitment to the business project.

Thus, during 2010, different elements were developed for a new personnel management model, which integrates human resources management practices (job classification, competency management, recruitment, training, evaluation, development and remuneration model), whose principal purpose is to broaden the horizon of the company´s workforce and increase organisational efficiency.

The company´s respect for fundamental human rights and labour rights is endorsed by the SA80001 certification obtained in 2005 for REE and 2007 for TDE in Bolivia. In 2010 the certification was confirmed through the appropriate follow-up audits for both Spain and Bolivia. **-HR5, HR6, HR7-**

In the follow-up audits the implementation of the requirements of the standard has been verified, such as the operation and implementation of elements of the occupational health and safety management system, the requirements of supervision of subcontracted companies and the criteria regarding selection, training and the promotion of personnel, as well as non-discrimination in these processes.

SA8000 certification for all its activities

The principal cornerstones of action

- The creation of stable and quality employment.
- Occupational health and safety protection.
- Social dialogue.
- Professional training and development.
- Equal opportunity.
- Work-life balance.
- Encouraging corporate volunteer work.

**The contents of the SA8000 standard are based on the different conventions from the International Labour Convention (ILO); on the UN Convention on the Rights of the Child; and on the Universal Declaration of Human Rights, that consider the following criteria: child labour, forced labour, occupational health and safety, freedom of association and the right of collective negotiation, discrimination, disciplinary policies, working timetables, remuneration and management systems. -HR5, HR6-*

Key employment data [1] -LA1, LA2, EU15-

Spain: REE SAU + REC

Workforce data	2006	2007	2008	2009	2010
Number of employees (total workforce)	1,284	1,317	1,443	1,523	1,618
Number of employees (average workforce)	1,267	1,297	1,370	1,488	1,542
Distribution by professional group (% over total workforce)					
Management team	7	7	7	7	6
G1 Senior technicians	26	26	28	28	30
G2 Inter-med. technicians	35	35	35	36	34
G3 Specialist technicians	21	21	20	20	21
G4 Auxiliary technicians	11	11	10	9	8
Distribution by age group					
Under 25	49	25	39	31	22
26 to 35	456	527	621	652	652
36 to 45	397	375	355	385	422
46 to 55	290	311	344	354	409
Over 55	92	79	84	101	113
Key employment indicators					
Average age (years)	40.0	39.4	39.1	40.0	40.0
Average time in the company (years)	10.9	10.2	10.6	11.0	11.1
Undesired external turnover (%)	1.5	2.6	2.8	1.0	1.0
Total turnover (%)	4.3	5.4	4.4	1.7	1.7
Creation of net employment (number of jobs)	30	33	126	80	95
Early retirements (number)	33	30	11	0	0

Bolivia: TDE

Workforce data	2006	2007	2008	2009	2010
Number of employees (total workforce)	118	119	120	121	123
Number of employees (average workforce)	118	117	119	122	122
Distribution by professional group (% over total workforce)					
Management team	19	20	20	20	23
G1 Senior technicians	34	34	35	35	33
G2 Inter-med. technicians	24	23	23	23	22
G3 Specialist technicians	10	10	10	10	9
G4 Auxiliary technicians	13	13	13	12	13

[1] *The staff of the subsidiary REDESUR ended the fiscal year with 19 people (68% men, 32% women). The structure by professional group is: Management team (16%), Senior technicians (26%), Specialist technicians (26 %) and auxiliaries (32%). The average age was 36 years.*

Distribution by age group (%)	2006	2007	2008	2009	2010
Under 25	1	3	3	1	1
26 to 35	29	31	31	30	29
36 to 45	34	30	27	28	30
46 to 55	27	29	33	34	28
Over 55	9	7	7	7	12
Key employment indicators					
Average age (years)	42	41	41	42	43
Average time in the company (years)	13.0	12.0	13.0	13.5	14.5
Undesired external turnover (%)	0.8	0.8	4.2	2.5	4.1
Total turnover (%)	3.4	5.9	5.0	3.3	4.9
Creation of net employment (number of jobs)	0	1	1	1	2
Early retirements (number)	2	7	1	0	0

The creation of stable and quality employment

Employment evolution

Last year the Red Eléctrica Group had a staff increase of 5% with respect to the previous year reaching 1,763 people. The greatest staff growth was registered in Spain, as the company´s activity is mainly developed there, with an increase of 6.2%.

The path of sustainable growth in employment in recent years, linked to the need to address the significant investments in the transmission system as anticipated in the infrastructure plan 2008-2016 as approved by the Spanish Government, was consolidated in 2010. The increase in the workforce was principally spurred by the acquisition of transmission assets on the mainland and islands and whose purpose is to carry out management of these new grids according to the quality standards of Red Eléctrica de España.

Workforce composition

The vast majority of the people who make up the Red Eléctrica Group are in Spain. From a geographical point of view, 42% of the workforce is decentralised in order to offer a service that is personalised and adjusted to the needs of the different autonomous communities and local organisms, while the other 58% of the

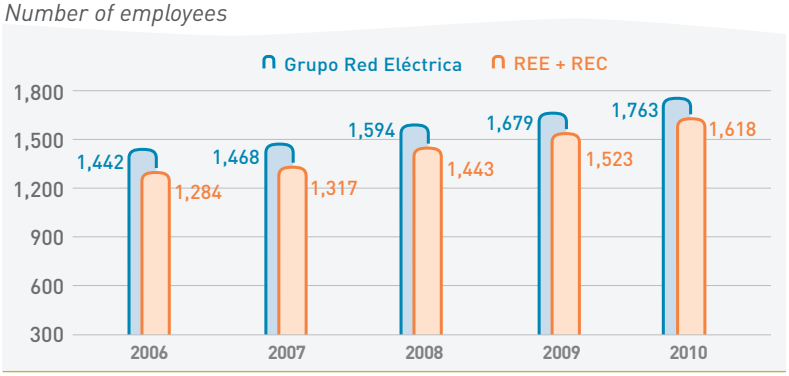
workforce offers services of a centralised nature, guaranteeing coherence in company practices in a diversity of areas: development of the transmission grid, environmental management, quality, etc. – in a general manner.

As a professional group, the workforce is characterised by having a majority of highly qualified people, in agreement with the highly specialised technical and added value functions that all the companies of the Group carry out.

The average age of the workforce in Red Eléctrica de España is 40 years of age, with the largest number of employees being between the ages of 26 and 35 and making up 40% of the total workforce. On the other hand, approximately 50% of the workforce has wider age range between 36 and 55 years of age, while those over 55 years of age account for 7%. This group would be eligible to retire in the next five or ten years according to the current Spanish legislation. **-EU15-**

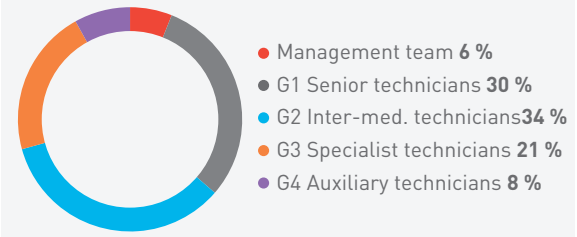
Workforce Evolution

Number of employees



Distribution by professional group (%)

REE SAU +REC



Labour stability **-LA2-**

The group defines its workforce in a sustainable manner, based on the criteria of efficiency and in accordance with the requirements to implement strategies and objectives established. Thus, after analysing staff requirements, the incorporation of new people to the Group is done with permanence and in an indefinite manner.

Creating employment that is stable and of quality has a positive effect on the sense of belonging and employee commitment to the corporate project, as demonstrated with the average length of service being over 11 years in all cases and an undesired turnover that barely reached 1% this year, in REE.

Breakdown of employees by region, contract and type of employment -LA1-

Spain (REE+ REC)	2006	2007	2008	2009	2010
Employees with permanent contract (number)	1,268	1,312	1,418	1,509	1,610
Employees with temporary contract (number)	16	5	25	14	8
Permanent contracts (%)	98.8	99.6	98.2	99.0	99.5
Workers from Temporary Employment Agencies (number)	27	21	15	14	14
Interns (number)	10	36	33	35	25
TDE (Bolivia)					
Employees with permanent contract (number)	118	119	120	121	123
Employees with temporary contract (number)	2	5	7	5	0
Permanent contracts (%)	98.3	96.0	94.5	96.0	100.0
Workers from Temporary Employment Agencies (number) [1]	0	0	0	0	0
Interns (number)	23	14	19	12	23
Peru (Redesur)					
Employees with permanent contract (number)	15	17	18	19	19
Employees with temporary contract (number)	1	1	1	1	0
Permanent contracts (%)	93	94	94	95	100
Workers from Temporary Employment Agencies (number)	1	3	2	3	0
Interns (number)	3	4	4	4	4

(1) Data from previous years has been revised. In prior years, employees working for subcontracted companies in the execution of different kinds of services had been considered as Temporary Employment workers.

Turnover Indicators -LA2-

Rotation by gender and professional group (%)	REE		TDE	
	Men	Women	Men	Women
Management team	7.7	0.0	33.3	-
G1 Senior technicians	26.9	15.4	16.7	-
G2 Inter-med. technicians	3.8	7.7	50.0	-
G3 Specialist technicians	7.7	3.8	-	-
G4 Auxiliary technicians	7.7	19.2	-	-
Turnover by gender	**53.8**	**46.2**	**100.0**	**0.0**

Distribution by age group	nº staff turnover	%	nº staff turnover	%
Under 25	0	0.0	0	0.0
26 to 35	8	30.8	3	50.0
36 to 45	8	30.8	2	33.3
46 to 55	4	15.4	1	16.7
Over 55	6	23.1	0	0.0
Total turnover	**26**	**100.0**	**6**	**100.0**

Employment management

Red Eléctrica counts on an employment policy that is based on a set of principles and guidelines which serve as a regulatory framework in the process of employment management of the company with transparency and objectivity.

Red Eléctrica employment policy principles

- Fulfilment of legislation regarding employment matters.
- Equality and non-discrimination.
- Transparency.
- Confidentiality.
- Promotion of internal rotation.
- Stability regarding contracting personnel.

Red Eléctrica promotes internal rotation and the development of its workforce, offering its professionals the opportunity to apply for vacancies that arise. For external recruitment of candidates, the **«Work with us» (Trabaja con nosotros)** service is available, and is found on the corporate website as well as on other digital employment platforms. Furthermore, they participate in different fairs and job forums, including most notably the **Fourth job fair for persons with disabilities in the Community of Madrid**.

Furthermore, Red Eléctrica develops educational cooperation programmes, more noticeably **PRACTICA**, a scholarship programme belonging to the company which was launched this year to further promote cooperation between the education sector and the business sector, offering students or recent graduates internships within the company facilitating entry into the company. It is also worth mentioning that Red Eléctrica has participated, for a third consecutive year, in the ***Recruiting Erasmus*** project, which is oriented to bringing Spanish and European Students finishing their studies closer to the business world through an international scholarship programme, as well as its participation in the **IAESTE** international student exchange programme.

In 2010, 121 new employees were hired (16.6% women and 83.4% men) of which the majority (78%) have university degrees.

As for local hiring procedures, almost 100% of employees and managers were recruited in their countries of origin. **-EC7-**

On a similar note, Red Eléctrica de España has again been included in the guide of the **Top Companies to work for 2010**. This guide, published by CRF HR Benchmark Survey, is the result of an international comparison that takes into account criteria such as working atmosphere and culture, labour conditions, talent development, commitment towards society and a backing for innovation.

* *The acquisition of the extrapenisular transmission grid assets brought with it the incorporation of new staff, of which 5% were women*

Remuneration model

The remuneration policy for the companies of the Group has been revised to ensure alignment with the organisational model and the professional development model, and can thus provide a more efficient personnel management system. Upon review the following principles were taken into account:

- Consistency with the organisation and development model.
- Provide opportunities for salary progression short, medium and long term.
- Economic recognition of a technical career as an alternative to a management career.
- Differential recognition regarding superior performance.

As a consequence, the remuneration model continues to respond to criteria of internal fairness, non-discrimination, transparency and improvement of the differential recognition possibilities by means of fixed remuneration within wide salary bands and an outstanding compensation which acknowledges noteworthy contributions.

All employees hired by Red Eléctrica in 2010 in Spain, regardless of the position held and not including social benefits or benefits in kind, received a minimum wage three times higher than the basic minimum wage. In the case of TDE, the starting salary was 6 times greater than the minimum in Bolivia and in Redesur 2.5 times greater than the minimum in Peru. **-EC5-**

Internal communication

Multidirectional dialogue is the cornerstone for the management of internal communication which builds confidence, improves the working environment and increases the commitment of the employees of Red Eléctrica.

Two-way communication channels allow the disclosure of business objectives and company philosophy, and also allow the company to listen to their employees and be attentive to new situations or possible changes. For this reason, Red Eléctrica has various tools and carries out actions for the dissemination of information at all levels of the company (ascending, descending and horizontal).

Key communication actions

- Communication plans regarding corporate projects.
- Encouraging non-work / leisure activities.
- Sports activities.
- Work, social and leisure communities.
- Idea competitions.
- Induction and integration plans.
- Surveys regarding social climate and commitment.
- Service satisfaction surveys.

Key Channels of Communication

- Corporate portal miRED.
- Employee helpline (RH2000).
- Employee self-service.
- Internal communication area.
- Quarterly magazine Entrelíneas.
- Activity follow-up interview.
- Groups focused on the analysis of diverse situations.

The **corporate portal miRED** continues to be the fundamental internal communication tool due to its functionality and high staff participation for consultations (with an average of 800 users daily) as well as contributions to and management of content. In 2010, 11 new communities were opened to promote the exchange of information and documentation between groups and the following sections have been updated "Corporate Responsibility", "Red Concilia", "Red Eléctrica eficiente" and the "Portal del Consejero" (Board member portal).

Communication plan

The annual communication plan contemplates the design of specific communication plans regarding projects that affect the whole organisation and that allow the dissemination of the Company's strategies, policies and objectives. In 2010, work was carried out mainly on:

- Dissemination of the new model of people management.
- Dissemination of the corporate mission, vision, and values.
- Awareness of health and psychosocial risks. .
- Information security.
- Equality and the work-life balance.

Within the Company's Social Plan, this year the **«Meetings with the Chairman»** in which the chairman responds to strategic issues raised by executives **were reinitiated**, along with continuing existing activities (Christmas parties, parties for the employees' children, activities with «Red en familia», executive team meetings, etc.).

One of the most widely-accepted communication initiatives amongst employees is the promotion of sponsored collective sports activities to promote knowledge and integration amongst the workers of Red Eléctrica outside of the working environment. In 2010, these increased considerably, not only in the number of sports but also the in the number of employees taking part in them. At present, 750 employees are distributed across 39 sports.

In 2010, the RH2000 channel dealt with 8,500 requests via telephone and email related to the Human Resources area from employees, interns, retired staff and collaborators. This service is dealt with by the Juan XXIII Foundation, an organisation that works with people with some type of disability.

Working climate

The working environment survey is one of the most relevant channels of participation and reveals the level of emotional and rational commitment of the employees towards the company, as well as their level of satisfaction, the existing working environment, and other social parameters. It also shows a steady improvement in these values.

Evolution of working environment data

Global Data	2006	2009	Variation
General Satisfaction	8.1	8.1	0 %
Pride in belonging	8.1	8.2	1 %
GALLUP Climate indicator	6.2	6.9	11 %

During 2010, interviews (47 employees) and group discussions (88 participants) were conducted to complete the 2009 survey which provided qualitative data for analysis and allowed a deeper understanding of people's opinions, perceptions and feelings. In order to share the results, studies have been presented for each area. During said meetings, reports were handed out outlining areas for improvement which will be carried out by means of specific communication and action plans.

In TDE, according to data from the last study conducted in 2009, 87% of employees show a high level of satisfaction regarding the work they perform.

Employer/employee relations –HR5-

Working relations between Red Eléctrica de España and its employees are regulated using the labour regulations currently in force, the IX Collective Bargaining Agreement of limited effectiveness and other agreements between the social representation and the company in relation to diverse subjects.

Therefore, the IX Collective Bargaining Agreement, effective until 31 December 2012, represents the legal framework by which Red Eléctrica commits itself to the fulfilment of values such as equal opportunity, the development of people, work-life balance and non-discrimination in all activities related to the management of people. 100% of the workforce, which requires a collective agreement, adheres to this agreement. The said collective agreement allows some people the possibility of be excluded from its scope. This option has been operational since 2010. –LA4, LA6-

Red Eléctrica de España has workers' representation in the majority of its work centres, in addition to an Intra-centre Committee composed of eleven members. The social representation participates on the occupational health and safety committee, as well as on various other committees and other dialogue platforms such as the work-life balance working group or the psychosocial risk observatory.

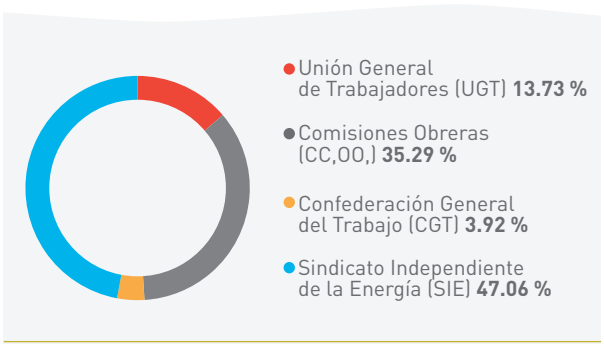
The committees which had more activity during 2010 were:

- **Social Affairs Committee:** agreement on the rules of management regarding financial assistance for employees who have in their charge an immediate or close family member with a minimum recognised disability of 66%.
- **Parity Committee for vigilance and interpretation of the Collective Bargaining Agreement:** different meetings were carried out in order to analyse the content of specific articles in the IX Collective Bargaining Agreement.
- **Parity Committee on Professional Classification:** meetings were held to discuss the requests of specific employees regarding their professional classification.

Committees with social representative involvement -LA6-

Commission for Geographical Mobility.
Training committee.
Occupational Health and Safety Committee.-LA9-
Social Affairs Committee.
Parity Committee for vigilance and interpretation.
Parity Committee on Equality.
Parity Committee on Professional Classification.
Committee for the follow-up of the Flexible Working Schedule System.
Working group regarding the work-life balance.
Psychosocial risk observatory.

Union representation 31.12.09



In order to facilitate its communication to the employees, the social representation has a specific area and an on-line notice board on miRED, in addition to the traditional standard notice board.

Social representation, as set out in the IX Collective Bargaining Agreement, has amongst its purposes to provide shareholders with documentation, in particular the balance sheet, income statement, and annual report of the company. Additionally they are granted the competency of issuing reports prior to the execution of organisational changes adopted by the company. **-LA5-**

As for TDE (Bolivia), a significant breakthrough in the process occurred in 2010 with the signing of the Collective Bargaining Agreement which approved a salary increase on the foundations laid by the Bolivian government. Also, in order to maintain fluid dialogue, regularly scheduled meetings have been held between the social representation and the board.

Occupational health and safety

Prevention and monitoring of occupational health and safety **-EU16-**

All companies of the Red Eléctrica Group have the management system for occupational health and safety certified in accordance with the international standard OHSAS 18001.

OHSAS 18001 certification in all activities of the Group (Spain, Bolivia and Peru)

In 2010, the certification of the standard was renewed through follow-up audits as well as creating measures to improve various elements of the occupational health and safety management system, strengthening good practices in occupational risk prevention.

The Group's philosophy on occupational health and safety risk prevention is based on the Health and Safety Policy and provides an axis on which different actions on this matter are carried out and serves as grounds for the occupational risks management system.

Risk prevention management system

Red Eléctrica de España has its own risk prevention system and an Occupational Health and Safety Committee comprising of six social representatives from all the work centres, which represent 100% of the employees.

One of the functions of this committee is the analysis of the evolution of occupational health and safety indicators and to resolve any enquiries from employees, constituting a basic element for the participation and improvement of occupational health and safety risk prevention. In 2010, this committee met on four occasions. **-LA6, LA9, EU16-**

Within the comprehensive risk prevention system, Red Eléctrica controls safety conditions through commitment and leadership of the management team and the involvement of the different stakeholder groups in the development of each activity.

For its part, TDE counts on six safety committees at a national level, four for the regions, one for the head office and one for current projects being carried out representing 100% of employees.

Improvements in the risk prevention system

During 2010, a revision and improvement of the occupational health and safety risk prevention management system was carried out in accordance with the main guidelines identified in 2009 and best practices in occupational health and safety.

As a result of the analysis of the occupational health and safety processes and its associated activities, several measures (in terms of structure, functions, information systems, etc.) were undertaken in accordance with the Occupational Health and Safety Policy, with an aim to:

- Consolidate and strengthen management support and leadership in risk prevention.
- Increase participation and involvement of employees.
- Increase participation and involvement of suppliers in the achievement of occupational health and safety objectives.
- Develop ongoing and systematic actions on training, awareness and communication.

As a result of the revision of the management system, an update to the regulations applicable to occupational health and safety was undertaken, putting special emphasis on regulatory elements linked to the organisation of work and activities related to the maintenance and construction of facilities which are naturally of higher risk.

The Occupational Health and Safety Policy was also updated as a point of reference to the management system and the company´s renewed commitment to safety in the activities it carries out.

This revision and update of regulations was carried out with the general consensus of the senior management, the relevant organisational units involved, and the Occupational Health and Safety Committee. During 2011 various communication activities and awareness campaigns will be carried out to promote awareness and ensure compliance.

In addition to these aspects to improve the efficiency of the occupational health and safety management system, the following projects were undertaken in 2010:

- Integrate and strengthen occupational health and safety training within the general training plan.
- Establish a corporate safety module programme for corrective actions, encompassed by the DEDI project (internal and external management of demand).
- Improve the process for verification of working groups within facilities.
- Develop self-protection plans for facilities, with a special focus on GIS type armoured facilities. **-PR1-**
- Develop a new electricity manual in collaboration with all electricity companies integrated under UNESA.
- Define a communication plan regarding occupational health and safety

Amongst the activities carried out by TDE for the identification of improvements in the risk prevention system, two are noteworthy: one focused on incorporating a safety plan in the technical specifications for minor works; and another, which will analyse in depth the root causes of accidents creating a commitment in preventive and corrective actions. It also emphasises the participation of TDE in a comparative study of 50 CIER companies which is aimed at detecting best working practices, primarily in line and substation maintenance activities.

Occupational Health and Safety indicators -LA7-

Spain (REE+REC+REI)

Salud y seguridad (sociedad matriz)	2006	2007	2008	2009	2010
Average workforce	1,285	1,311	1,379	1,493	1,584
Hours worked	2,226,292	2,266,644	2,373,524	2,565,436	2,678,350
Accidents with sick leave (serious/minor)	0/14	0/11	0/10	0/12	1/17
Fatal accidents	2	0	0	0	1
Days lost due to accidents [1]	12,369	195	352	156	6,268
Accident frequency rate	7.19	4.85	4.21	4.69	7.09
Serious accident rate	5.56	0.23	0.15	0.11	2.34
Incidence rate	10.89	8.39	7.25	8.05	11.99
Absenteeism rate	3.09	3.04	2.28	2.51	2.27

Occupational health and safety (Contractors REE) -EU17-

Average workforce [2]	2,116	2,590	3,139	3,183	3,447
Hours worked	3,597,653	4,403,145	5,336,236	5,410,526	5,860,778
Accidents with sick leave (serious/minor)	2/62	7/103	2/124	15/100	11/117
Fatal accidents	4	1	0	0	1
Days lost due to accidents [1]	25,302	9,256	7,705	8,066	9,282
Accident frequency rate	18.9	27.13	23.61	21.25	22.01
Serious accident rate	7.03	2.26	1.44	1.6	1.58
Incidence rate	32.13	42.86	40.14	36.12	37.13

TDE

Accidents with sick leave	2	3	1	0	0
Fatal accidents				0	0
Days lost due to accidents	0	215	9	0	0
Accident frequency rate	6.79	11.38	7.44	0	0
Serious accident rate	0	0.82	0.04	0	0
Absenteeism rate	-	0.19	0.39	0.21	0.11

Occupational health and safety (Contractors TDE) -EU17-

Accidents with sick leave	-	-	-	2	0
Fatal accidents	-	-	-	0	0
Days lost due to accidents	-	-	-	63	0
Accident frequency rate	-	-	-	10.12	0
Serious accident rate	-	-	-	0.23	0

Frequency rate = number of accidents with leave of absence per million hours worked.
Seriousness rate = number of work days lost due to work related accidents + incapacity scale, per thousand hours worked.
Absenteeism rate = hours absent due to common TI (temporary incapacity) 1 > 3 days, TI hours < 3 days and non-regulated leave / average workforce collective bargaining agreement personnel/collective bargaining agreement theoretical hours x 100.
Incidence rate = number of accidents with leave of absence x 1.000 / average workforce.
Serious accident (standard) = Those classified as serious by each doctor that issued the sick leave certificate.
Serious accident (REE) = Those classified as serious by each doctor that issued the sick leave certificate + those for sick leave over 90 days + those that lead to actions from the labour authority.

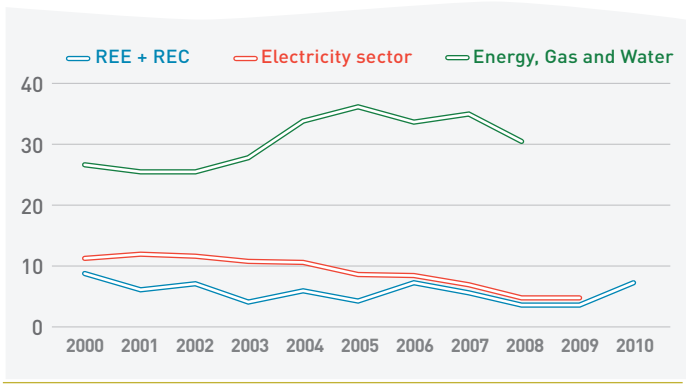
(1) 6,000 working days recorded per each fatal accident.
(2) Based on hours worked.

Note: In the subsidiary company, REDESUR, no accidents occurred with its own staff or contracted staff. The rate of absenteeism was 1.9%.

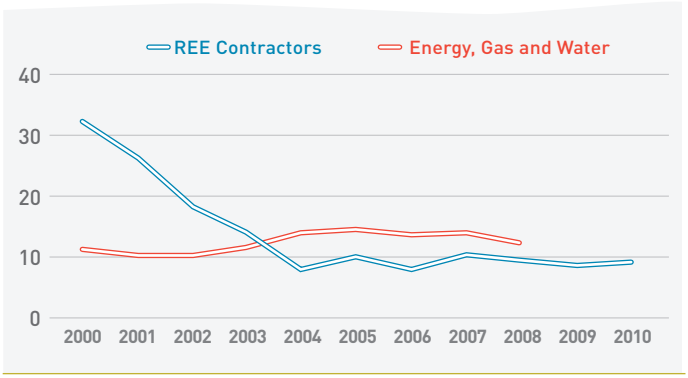
Results 2010

One of the most relevant aspects regarding occupational health and safety risk prevention is accident control. To this end, a strict identification system is used for risk control and management, as well as using other tools designed to reduce incidents and accidents in the development of business activities. These systems and tools have made it possible to keep a low rate of accidents in recent years. However, the frequency and severity of REE accidents was 7.09 and 2.34 respectively in 2010, resulting from the unfortunate fatal accident which occurred while preparing a facility to carry out non-live works.

Accident frequency rate



Serious accident rate



With regard to contractors that carry out activities within Red Eléctrica's facilities and work centres all are approved and qualified from an occupational health and safety point of view as well as in occupational risk prevention services. Red Eléctrica exhaustively monitors the execution of the work and as a result of these measures, contractor accident rates are below the comparable average rates.

In 2010, **4,116 safety inspections** were conducted, 26.6% more than in 2009, to identify deviations in the development of processes as well as to identify relevant improvement plans. **-EU16-**

These inspections serve, amongst others, as a basis for measuring supplier performance conducted at REE facilities. The results of these inspections grouped by homogenous activity, permits the comparison of each contractor's activity. The evaluation and measurement of said contractors is done according to the criteria established in a standardised document and consider the following:

(I) accident rate of each contractor, (II) comparison with their counterparts, (III) the actions of the prevention services of each contractor, (IV) the efficiency of the assigned corrective actions and (V) fluctuations in work site personnel. **-EU18-**

With regard to TDE, the indicators that measure accidents were excellent in this fiscal period, as no accidents were recorded neither in TDE nor its contractors.

Outstanding performance regarding risk prevention

In 2010, an occupational health and safety risk management satisfaction survey was conducted with employees of Red Eléctrica with 45.2% of employees participating, the second highest participation obtained amongst similar type surveys in Red Eléctrica. The goal of this study was to evaluate employee perception on key aspects of compliance with the Occupational Health and Safety Risk Prevention Policy within the context of daily work activities.

The satisfaction index of employees in relation to occupational risk management scored 8 out of 10, which is assessed as a strength (mean score ≥ 7 points as an overall average rate).

The analysis of the results of this survey, both in quantity and quality, have been a valuable source of information to consolidate measures for improvement undertaken in the risk prevention management system and to incorporate other improvements that will reinforce and strengthen the management system in 2011.

8 out of 10 in the occupational health and safety management satisfaction survey

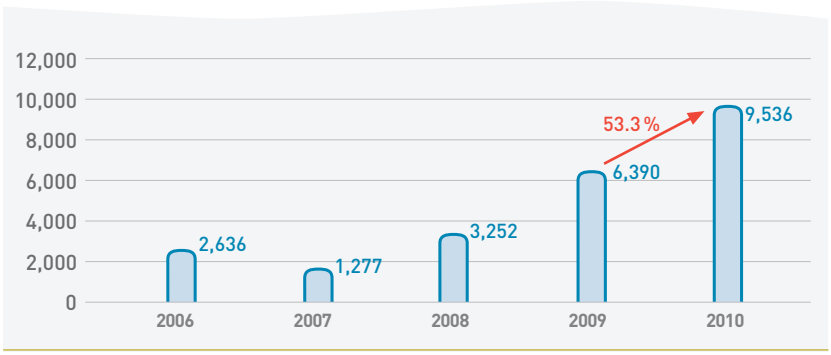
Training activities **-LA8-**

In occupational health and safety risk prevention, Red Eléctrica considers it essential to train and update knowledge and requirements relating to safety, as well as to assess the occupational health and safety risk associated to each job position and that is rolled out to all employees.

The training programmes in these areas included 747 participants this year, **dedicating a total of 9,536 hours, 53% more than last year**. Of the total hours recorded, 38% were specifically used in training new instructors in occupational health and safety matters. This training is intended to encourage specialisation and improve the quality of training and specifically, the integration of occupational health and safety training within the company´s general training plan.

97.6% of the hours were given by means of face-to-face training and all the accidents and incidences which have taken place were analysed as part of the recycling training programme set out in the training plan. **-LA8-**

Occupational health and safety training
Number of hours



Occupational health and safety risk prevention and monitoring

Red Eléctrica de España counts on a medical service with its own employees and doctors, which is integrated into a risk prevention service consisting of a doctor's office specialised in occupational and health risks, comprising of a doctor and a nurse, in order to comply, amongst other things, with the requirements established in the Occupational Health and Safety Risk Prevention Law.

The functions of this medical service are geared towards the prevention, promotion, and health monitoring of occupational health not only work related but also of a general nature, contributing to the welfare of employees and productivity improvement.

As part of this comprehensive health monitoring, **medical examinations** are conducted regularly with the employees' consent based on specific protocols according to the existing risks of each job. Health campaigns are also conducted aimed at the prevention of the most common health risks.

During 2010, an important **cancer prevention campaign** was launched in collaboration with the Asociación Española Contra el Cáncer (AECC – Spanish Association against Cancer). With it, a significant effort to communicate and raise awareness regarding a healthy lifestyle was made. As part of this campaign two conferences were held and publications were posted on the miRED corporate portal offering preventive advice and recommendations regarding diet, exercise, sun, and tobacco. Furthermore, **a diagnostic test was carried out on all interested staff over 50 years** of age aimed at the early detection of possible cases of **colon cancer**.

This medical service also promotes other risk prevention and health monitoring activities such as those related to the **prevention of psychosocial risks**. During 2010, the groundwork was laid to carry out new psychosocial risk evaluation for employees in 2011, as a continuation and update of the first risk assessment which took place in 2006.

1,010 medical checkups in 2010

Regarding TDE, in addition to the usual health check-ups, a complimentary health programme has been created named «support programme for critical cases» **(Programa de apoyo para casos críticos)** which allows medical monitoring of employees as well as their dependents and provides financial assistance in particular situations not covered by publicentity companies.

Medical service indicators -LA8-

	2006		2007		2008		2009		2010	
	REE	TDE	REE	TDE	REE	TDE	REE	TDE	REE	TDE
Medical check-ups	835	42	802	121	1,011	45	1,097	121	1,010	44
Doctors' consultations	1,361	442	1,422	359	1,443	431	1,167	353	1,170	436
Vaccinations	259	120	230	0	269	0	352	0	312	0
Temporary incapacity consultations	174	10	135	17	122	25	139	26	145	10

** At REDESUR, medical check-ups have been carried out on the entire workforce.*

Training and education -LA10, LA11, EU14-

Since its inception, Red Eléctrica maintains a constant commitment to training and professional development of its employees which is embodied in annual and multi-annual plans designed to add value and enhance the standards of excellence regarding service quality.

99 hours
of training per employee

In 2010, **162,290 hours of training** hours were given, 12% more than in 2009. This important effort was focused largely on specialised technical training to meet the needs generated by the significant growth in the workforce as well as the uniqueness of Red Eléctrica's activities.

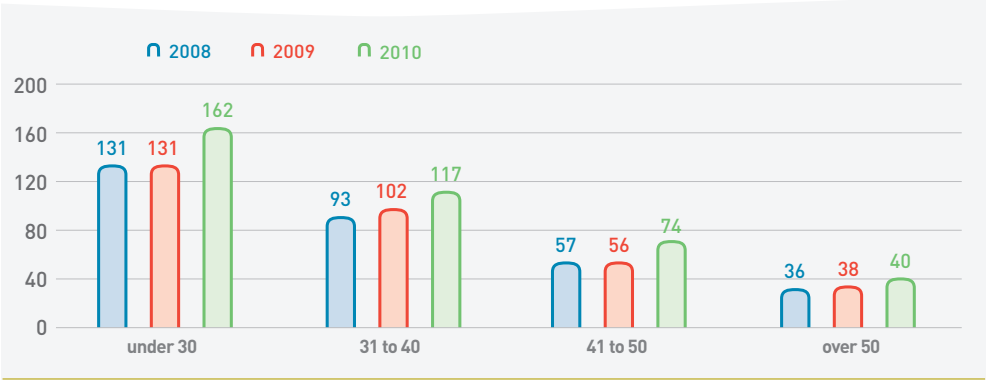
Training and education indicators -LA10-

REE+REC	2006	2007	2008	2009	2010
Training hours	92,450	102,926	118,126	144,497	162,290
Employee training hours	-	92,509	110,807	124,293	151,669
Training hours for intern employees (operation grants programme)	-	10,417	7,319	20,204	10,621
Hours per employee*	73	71	81	84	99
Employees in training (%)	95	97	100	100,8	97
Hours given with own resources (internal and virtual)	37,503	31,765	35,616	34,654	72,826
Number of courses managed	712	774	759	954	861
Investment in training / total personnel costs (%)	5.5	6.4	6.5	7.56	7.08
Investment per employee (euros) **	3,451	4,217	4,473	4,969	4,760
Training during working hours (%)	75	75	82	85	64
TDE (Bolivia)					
Training hours	7,408	7,705	4,883	6,870	8,569
Hours per employee*	63	65	41	56	70
Employees in training (%)	95	94	72	80	88
Investment in training / total personnel costs (%)	2.8	2.9	1.7	2.0	2.4
Investment per employee (euros)	578	630	403	623	721
Redesur (Peru)					
Training hours	421	193	249	370	412
Hours per employee*	25	13	15	21	91
Employees in training (%)	90	94	32	89	95
Investment in training / total personnel costs (%)	3.3	5.0	3.0	3.0	3.4
Investment per employee (euros)	-	-	578	622	817

** for the average workforce*
*** (external training cost + travel + student cost hr + teacher cost hr + management cost) / average workforce.*

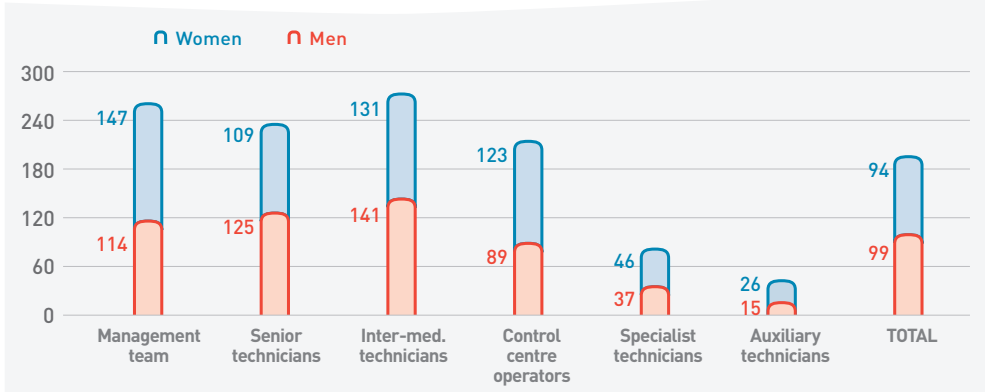
Average hours of training by age group (REE)

hours



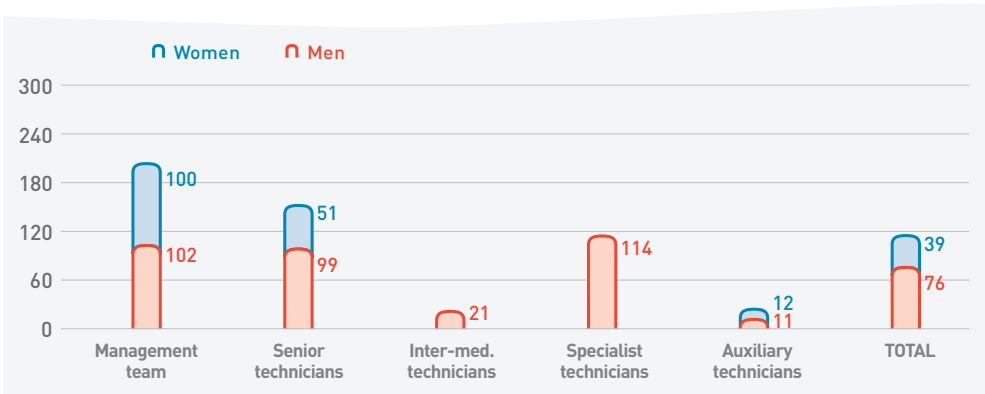
Average hours of training by professional group and gender (REE)

hours



Average hours of training by professional group and gender (TDE)

hours



The 2010 annual training plan paid special attention to the occupational health and safety programmes, the environmental protection programme, the IT and new technologies programme, which have accounted for 5.9%, 2.1% and 2.4% of total training hours respectively.

In addition, work has been continued with the integration plan for new employees and the management skills development programmes. Also, the training programme for key technicians which began in 2009 has culminated this year with a proposal and implementation of the participants executing four corporate responsibility projects:

- Energy efficiency in the workplace and at home.
- Disclosure on sustainability issues, energy efficiency, and the role of REE in the electricity system this is geared towards school students.
- Restoring natural habitats in the province of Badajoz.
- E65+: courses for the elderly and the supply of computers for students at a residence for the elderly run by the Alcobendas Council.

These projects have a dual objective to develop competencies in students and to contribute in various ways to the societies in which Red Eléctrica provides services.

New model of people management: a commitment to talent development

Continual improvement

The new model of employee management will be an improvement in organisational efficiency and will be utilised in all HR processes as a global system covering all employee management tools, including professional development and training. Within this overall improvement project, in 2010 the dictionary of transversal competencies for non-managerial employees was revised and updated. In order to carry out this review, 5 working groups each with 15 people were created and 9 personal interviews were conducted, collecting information from all the professional groups making up Red Eléctrica, both managers and technicians.

In 2011, a programme for the development of competencies identified for Red Eléctrica will put in place by means of «development roadmaps» in which each person shall commit to their professional development thus increasing their employability.

The management of knowledge: Red Eléctrica's Operation and Maintenance Schools -EU14-

The Operation and Maintenance Schools are internal training centres specifically designed to meet training and development needs ensuring the success of Red Eléctrica's entrusted functions.

Operation School

During 2010, one of the most important milestones and successes of the Operation School was the simulation of service restoration that took place on 3 November 2010 between France, Portugal and Spain. Red Eléctrica's leadership was manifested not only by involving operations personnel but also personnel from RTE (France), REN (Portugal) and from other Spanish generation and distribution companies.

In 2010, simulator equipment was updated with a replica of the Control Centre of Renewable Energies (CECRE) which enabled new learning opportunities within the field of electricity system operation. The training offered by Red Eléctrica´s schools is becoming an international benchmark. Other institutions and companies in the sector are increasingly interested in the education and training services that Red Eléctrica develops. An example of this is the collaboration in the training of operation technicians on electricity systems from ONE (Morocco),

Another of the school's relevant collaborations is the «Specialist Course in System Operation REE-ICAI» a joint initiative of Red Eléctrica and Universidad Pontificia de Comillas.

Throughout 2010, the Operation School gave **over 27,000 hours of training** to 494 students of which 2,300 correspond to external training.

Maintenance School

The Maintenance School has consolidated itself as the training centre responsible for managing knowledge pertaining to the transmission of electricity and has completed **74,500 hours of training** to 742 students. The school also certifies employees of other companies working in Red Eléctrica facilities. This initiative is designed to reduce occupational health and safety risks arising from this type of work and increase the quality and efficiency regarding line and substation maintenance.

Operation School
27,000
hours of training

Maintenance School
74,500
hours of training

The Maintenance School has a post-graduate training programme which is recognised as a university master in collaboration with the School of Industrial Engineers of the Universidad Pontificia de Comillas (ICAI) on the topic of high voltage facilities and consists of two graduate courses: one dealing with design and construction and the other dealing with high voltage facility maintenance.

Recent advances within the school has facilitated the implementation of the development of a 3D simulator for substations, which is aimed at the training and re-training of different tasks, that analyse the behaviour of students from a technical and occupational health and safety point of view. This tool will in turn provide greater quality and efficiency in training and therefore better qualified employees. Training will also be conducted on the basic concepts and behaviours of electricity systems through a programme fundamentally focused on practical material which uses a real-time RTDS simulator.

Performance appraisal -LA12-

The Red Eléctrica appraisal system is not only considered as a personnel management tool, but also as an element of communication and professional development. The system evaluates the performance of 100% of the workforce, taking into consideration what each person does and how they do it according to the standards required by the position.

Within the new model for people management, in 2010, the assessment system applicable to all non-managerial employees was revised and updated with the aim of integrating the appraisal system into the people management systems. Thus, consistent with the development and organisational model, generic competencies and others more specific competencies relevant to each individual shall be evaluated as well as other aspects such as contribution and commitment. A professional progression tool is available which is more effective and facilitates development and communication as it includes two new phases: planning and appraisal follow up.

The ongoing appraisal process is concluded with a personal interview in which the manager shares the results of their assessment with the employee and then prepares the most appropriate individual development plan.

Equal opportunity

Red Eléctrica expresses its commitment to the principles of equality and non-discrimination both in its Corporate Responsibility Policy as well as with various collective agreements that have regulated the labour relations.

Equal opportunities, diversity and the work-life balance are key factors in business success and social justice.

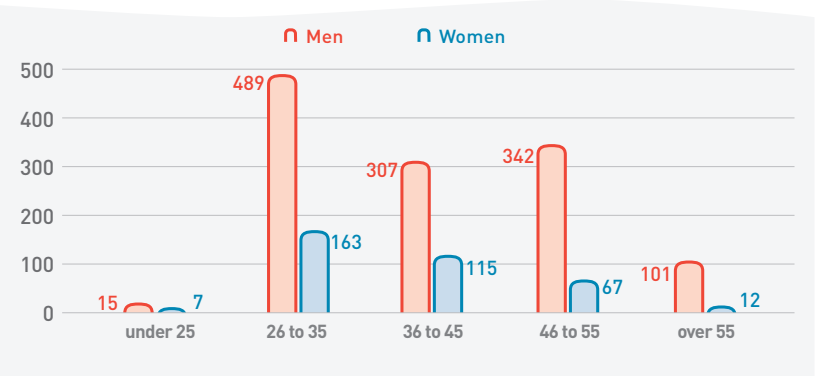
The **Equality Plan**, which was adopted by the company and its social representation in 2009, is renewed annually and includes a series of positive actions to promote real and effective equality amongst both men and women of the company in the areas of employment (recruitment, promotion and hiring), training, remuneration, and communication. These actions are monitored by management as well as its social representation in the **Parity Committee on Equality**.

It should also be noted, that on 2 December 2010 Red Eléctrica received the **award for equality granted by the Ministry of Health, Social Policy and Equality**. Red Eléctrica has positioned itself as one of the six IBEX 35 companies deserving of this symbol of excellence in equality policies. The purpose of this seal is to encourage best practices in the equal opportunity arena and is awarded to those companies leading the way in the implementation of policies of non-discrimination amongst women and men.

Equality Seal

Distribution of staff, broken down by age group and gender

Number of employees - 12.31.2010



Equal opportunity in employment

The 34.8% increase in the number of women employees in the past five years is evidence of Red Eléctrica's commitment to hiring women.

The work applications received are assessed according to the criteria of non-discrimination and gender equality, which in 2010 resulted in an equal opportunity recruitment index of 1.1 reflecting a balance in the criteria applied.

Equal opportunity in professional development

The percentage of women in senior positions continues to increase within the company, growing from 15.7% in 2009 to16.2% in 2010. The equality index regarding promotion was 0.9, reflecting non-discriminatory practices.

Workforce distribution by gender and professional group -LA13-

	2006			2007			2008			2009			2010		
REE	**M**	**W**	**%W**	**M**	**W**	**%W**	**M**	**W**	**%W**	**M**	**W**	**%W**	**M**	**W**	**%W**
Management team	76	11	12.6	83	14	14.4	85	15	15.0	86	16	15.7	88	17	16.2
G1 Senior technicians	218	115	34.5	226	116	33.9	271	138	33.7	287	146	33.7	328	157	32.4
G2 Inter-med. technicians	390	65	14.3	397	67	14.4	422	84	16.6	452	92	16.9	470	88	15.8
G3 Specialist technicians	262	1	0.4	272	1	0.4	282	4	1.4	296	5	1.7	336	9	2.6
G4 Support staff	51	95	65.1	48	93	66.0	46	96	67.6	46	97	67.8	32	93	74.4
Total	**997**	**287**	**22.4**	**1.026**	**291**	**22.1**	**1.106**	**337**	**23.4**	**1.167**	**356**	**23.4**	**1.254**	**364**	**22.5**
TDE	**M**	**W**	**%W**	**M**	**W**	**%W**	**M**	**W**	**%W**	**M**	**W**	**%W**	**M**	**W**	**%W**
G1 Senior technicians	20	3	13.0	21	3	12.5	20	4	16.7	21	3	12.5	25	3	12.5
G1 Senior technicians	36	4	10.0	37	4	9.8	38	4	9.5	37	5	11.9	34	7	11.9
G2 Inter-med. technicians	27	1	3.6	27	0	0.0	27	0	0.0	28	0	-	27	-	-
G3 Specialist technicians	12	0	0.0	12	0	0.0	12	0	0.0	12	0	-	11	-	-
G4 Support staff	6	9	60.0	6	9	60.0	6	9	60.0	6	9	60.0	6	10	60.0
Total	**101**	**17**	**14.4**	**103**	**16**	**13.4**	**103**	**17**	**14.2**	**104**	**17**	**14.0**	**103**	**20**	**16.3**

Relation between base salaries for men and women -LA14-

REE+REC	**2007**	**2008**	**2009**	**2010**
Management team	1.01	1.02	1.01	0.99
G1 Senior technicians	1.05	1.11	1.11	1.10
G2 Inter-med. technicians	1.07	1.11	1.10	1.08
G3 Specialist technicians	1.15	1.10	1.05	1.02
G4 Support staff	0.98	1.08	1.07	1.03
Total	**1.05**	**1.11**	**1.11**	**1.06**

Other equal opportunity indicators

	REE+REC			TDE		
	2008	2009	2010	2008	2009	2010
In recruiting [1]	1,10	1,56	1,11	1,00	1,00	0,50
Voluntary improvement [2]	0,97	1,01	1,18		-	-
Promotion [3]	0,61	0,00	0,93	0,61	0,00	0,00

(1) Number of women contracted/number of women interviewed/total number contracts offered/total number of interviews.
(2) Number of women with voluntary improvements/total number of women/total employees with voluntary improvement/total workforce.
(3) Number of women promoted/total women/total employees promoted/total workforce.

Protection against moral and sexual harassment and sexual discrimination

In 2008, an action guide for the prevention of moral and sexual harassment and sexual discrimination was approved not only in response to current legislation (Statutory Law 3/2007, 22 March) but also to the ethical commitment of Red Eléctrica. This guide, which is included in Red Eléctrica's framework of health and safety policies, aims to achieve a working environment based on relationships that are respectful and of mutual interest between people. The main measures incorporated in said guide are:

Protection against moral and sexual harassment and sexual discrimination

- Periodic evaluation of psychosocial risks and social climate studies.
- Dissemination of the actions carried out regarding these matters.
- Design and implementation of training programmes oriented towards avoiding harassment situations.
- Specific training in assessment of harassment situations for the people who take part in the action process.

Protection against domestic violence

An agreement exists between the company representative and the workers' representative which recognises a set of protective measures whereby the company shall assist employees who are victims of domestic violence, as well as their children under the age of 18 in their charge and living with them, as long as the aggression has been carried out by someone with whom the employee maintains a relation with or an emotional relationship with (spouse or ex-spouse, common-law partner or relative of any degree).

These measures take the form of psychological, medical, legal and economic support (economic assistance of 600 euros per month, over a maximum period of six months), as well as flexibility regarding working schedules, authorised leave, holidays, leave of absence, preferences in transfers to other locations or work centres, depending on the victim's request and whilst they are necessary for their normal reincorporation at work.

Integration of those with disabilities

According to the LISMI, companies with more than 50 workers must recruit for their workforce a minimum of 2% of workers with disabilities.

In 2010, the average number of employees at Red Eléctrica was 1,542 of which 6 of them were recognised as disabled. Job openings were sent to the General Employment office with the objective of integrating into our workforce 23 people with disabilities but finally this was not possible and the option of applying alternative exceptional measures had to be taken, through which we contribute to improving the social integration of people with disabilities.

Ongoing collaboration with specialised employment centres

Thus, during the period of June 2009 -June 2010 contracts for the procurement of goods and services with specialised employment centres and donations to Juan XXIII Foundation and Adecco Foundation to carry out activities to improve social and labour integration and employment of people with disabilities were carried out, in an amount equivalent to 6 workers with disabilities which exceeds the statutory quota established by the LISMI.

Employee financial assistance

Another one of the work channels in the field of integration is the agreement carried out by the Social Services Commission on a series of regulations oriented towards the concession of financial assistance for employees who have in their direct charge an immediate or close family member with a minimum disability of 66%.

Accessibility

Within the work that Red Eléctrica continues to develop, the gradual elimination of architectural barriers within the headquarters´ building are worth mentioning.

In 2010, the dining room was converted for basic accessibility by eliminating the stairs to the dining room, building a ramp and installing a lifting platform.

Furthermore, the most legible font is taken into account for publications and also sign language has been incorporated in corporate videos. The content of the new digital format of the Entrelíneas magazine also meets all accessibility criteria as does the corporate website.

AA Rating certification of corporate web page accessibility

Employment Fairs

Another important line of action in 2010 in this field has been the participation in the Fourth Employment Fair for People with Disabilities in Madrid, in which 113 applications were received and which now form part of the candidate database of Red Eléctrica to give coverage to the recruitment processes currently open.

EMPLEO Y DISCAPACIDAD 2010
EMPLEA TU CAPACIDAD

Other initiatives

Red Eléctrica continues to collaborate with the Adecco Foundation for the development of programmes for the social integration of people with disabilities, noteworthy is the «Plan Familia » aimed at relatives of employees of Red Eléctrica with some degree of disability, and in which different activities are carried out that facilitate their real integration into the labour and social world. In addition, collaborations with other integration centres have continued, such as the Apsuria Foundation and the Juan XXIII Foundation, with whom diverse services from their specialised employment centre have been contracted.

On the other hand, diverse donations for social causes and the integration of people with disabilities were made to the Juan XXII and Adecco Foundations, and are contextualised with the company's Corporate Social Responsibility Policy. Furthermore, a conference was held by the foundations´ responsible parties in collaboration with Red Eléctrica de España and was attended by numerous employees of the company.

Work-life balance

Achieving the best working environment is a commitment and responsibility for Red Eléctrica that requires the efforts of everyone. Finding harmony between work and personal life is part of the company´s objectives set in order to achieve a good working environment and, to this end, it has developed initiatives as well as practices for the work-life balance within the **Red Concilia project** during recent years. This ensures coherence of said initiatives, continuous improvement and a periodic review of the work-life balance management model.

Red Concilia Project

To comply with the needs identified in the initial diagnosis and upon receipt of the "EFR" certification ("Empresa Familiarmente Responsable"/ "Family Responsible Company") of 2009, new training and awareness activities were developed for the management team and other policies for the workforce to raise awareness regarding the characteristics that identify the work-life balance management model.

efr empresa | certificado en conciliación e igualdad
073 / 01-2009 / SGS

A Work-life balance Guide was designed and developed in 2010, which details the most relevant aspects regarding the work-life balance and equality in Red Eléctrica de España. This guide is a reference for the understanding of work-life balance and equality measures in force at all times, therefore contributing to improving the balance between the personal and professional life of the employees. The Work-life balance Guide is dynamic and has been distributed to each member of the company and is also available through the intranet, thus facilitating their knowledge and understanding.

In order for Red Eléctrica to adequately manage the work-life balance, various individuals have been identified whose mission is to propose new measures adapted to needs of employees and to ensure the proper implementation and enforcement of existing work-life balance measures.

The employees involved in the work-life balance management model (work-life balance technical team) have various channels of communication and dialogue open to them (labour and health partners) and social representation (work-life balance committee) to channel their concerns, questions, suggestions and proposals for the improvement and development of the work-life balance management system.

Work-life balance Committee

It is composed of representatives from both the company and the workers, it follows a work methodology which is participatory and integrates opinions and proposals, using a horizontal line of communication and fostering of a positive and open attitude which promotes dialogue amongst all members. Its main functions are to assess the state of the current work-life balance management model, establish new methods to educate the management team and employees about the work-life balance, propose and develop new practices and measures as well as ensure the correct use of those already in use.

Drafting and dissemination of the Work-life balance Guide

As a management instrument, during 2010 the work-life balance committee met on three occasions, in order to monitor various existing plans and present new initiatives in planning. The development of the Work-life balance Guide; the presentation of a Self-evaluation Report, the implementation of a takeout food service, as well as initiatives in communication and awareness to the management team are just some action that have been undertaken and discussed during previous Meetings.

Social representation is a means of communication for the proposal of new initiatives and provides understanding of new requirements for the work-life balance which may arise amongst employees.

Work-life balance measures

In addition to the practices aimed at providing greater transparency regarding the work-life balance and employee training and awareness, during 2010 new measures for the work-life balance were studied, evaluated and implemented, so that they may strengthen the already existing measures to improve the balance between work and personal life at Red Eléctrica.

Thus the dining service areas were improved, giving all employees the opportunity to request takeout food, a tool to further aid their work and personal life balance.

In 2010, work began on studies and the design for the launch of a project named «Days without school» (Días sin cole) and offered a solution to employees with children for those days when school is not scheduled.

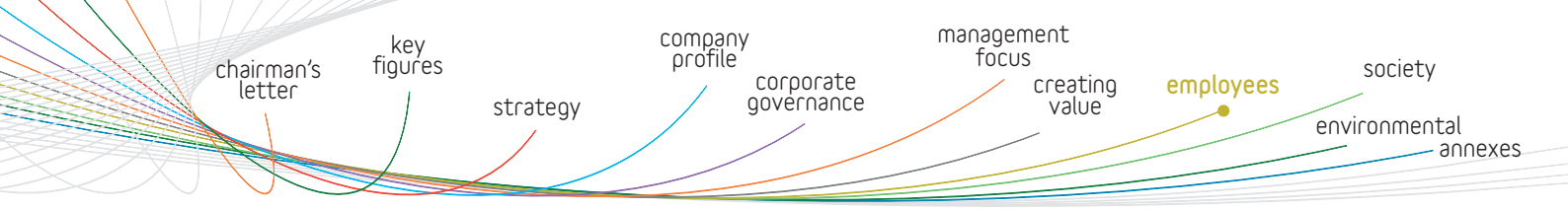
Work-life balance measures (measures which improve upon current legislation)

Flexible schedules

- **24% of the working day is flexible in terms of daily start and finish times.**
- **Shorter working day for 3.5 months.** Friday afternoon free.
- **Working calendars in agreement with working needs** and the geographical areas. Flexible holidays can be taken in three periods, providing business conditions allow.
- **"Bolsa 15".** Additional time (to a daily maximum of 1 hour) worked in excess of the standard working day, shall be accumulated and "banked" up to an annual maximum of 15 hours which can then be used, at will, to allow flexible start and finish times.
- **"Bolsa 32".** Additional hours worked in excess of 1 hour and up to a maximum of 2 hours, shall be accumulated and "banked" up to an annual maximum of 32 hours which will then allow the employee to take five full day or eight half day holidays.

Leave

- **Four-day authorised leave**, six when travelling is required, in the case of family bereavement of a blood relative or close acquaintance.
- **Three-day authorised leave**, five when travelling is required, **for serious illness of a family member**, immediate or close, acquaintance. This has a flexible application.
- **Two-day authorised leave**, four when travelling is required, **for surgery that does not require a hospital stay** of a family member, immediate or close, acquaintance.
- **Attendance to doctor's appointments**, without the need to make up the time taken, requiring doctor's note.
- **Reduction** of 7%, 10% or 12.5 % and up to a maximum of 50% **of working day** due to **chronic and serious illness of employee**. Guarantee of 100% of the social benefits paid out by the company in all cases of reduction of working day.
- **Attending examinations** at official and recognised centres.
- **Two-day leave for moving house** (standard abode).
- **One-day leave for the marriage** of an immediate or close relative.
- **Up to three days unpaid leave per year,** taking into account the needs of the service. Complete parity of the rights of civil/common law partnerships into the marital regime.



Support during motherhood and fatherhood

- **Improvement of legislation regarding a reduced working day** in order to take care of children: an additional year to the age limit established by law (9 years in the case of children) and reduction of 7%, 10% or 12.5 % and up to a maximum of 50% of working day due with a flexible weekly application to be agreed on between the company and the worker.
- **Paternity leave for birth**, fostering or adoption. This will be for 3 days, or 5 in the case of having to travel, in addition to the 13 days leave established by current legislation. During 2010, 100% of the parents were granted this leave (60 persons).
- **Guarantee of 100% of the social benefits** paid out by the company in all cases where the reduction of working day is to look after children.
- **Extension of maternity leave** a partir de la semana 38 de gestación hasta el día del parto.
- **Attendance to prenatal testing and childbirth preparation**, if they take place during working hours.
- **Breastfeeding allowance.** Reduction of one hour a day, which may be divided into two parts or hours, can be taken cumulatively.
- **Allowance of 1,500 euros** for adoption, birth or fostering, for mothers and fathers on lesser salaries.

Disabled/Dependent Family

- **Reduction of 7%, 10% or 12.5 % and up to a maximum of 50% of working day** for the direct care of family member, immediate or close, acquaintance. Guarantee of 100% of the social benefits paid out by the company in all cases of reduction of working day.
- **Permission to accompany an immediate family member** with a minimum of 66% disability for medical appointments.
- **Creation of a fund of 90.000 Euros per year** for economic aid to employees with families, immediate or close family, in their direct care and with a recognised disability of more of 66 %.

Social benefits and products [1] [2] –EC3, LA3-

- **Pension plan.**
- **Stock purchase programme.**
- **Private medical insurance** for employee and family in their charge. Collective life and accident insurance.
- **Collective life and disabilities insurance.**
- **Personal loans** (home and automobile).
- **Restaurant vouchers.** Nursery school vouchers.
- **Housing allowance.**
- **Supplement of up to 100%** of salary in case of temporary disability, work injury, maternity and paternity leave.
- **Training courses**

Services [2]

- **Company canteen**
- **Employee bus.**
- **Videoconferences and remote access.**
- **Car wash for private cars**
- **Travel agencies.**
- **Bank branch** and ATMs.
- **Medical service and prevention campaigns.**

Events and activities [2]

- **Family network.** Entertainment activities and environments for the entire family.
- **Sports activities.**
- **Childbirth gift.**
- **Children's parties.**
- **Children's painting competition.**
- **Days without School .**
- **Investor Day .**

(1) Benefits applied to the entire workforce, irrespective of the type of contract.
(2)Some of these services and activities are available depending on the work centre

Corporate volunteering

«EnREDando» is a corporate voluntary work group which was founded in 2005 with the will to drive and promote the collaboration of employees of Red Eléctrica in solidarity activities which respond to the needs, problems and interests of society.

In commemoration of the 5th anniversary of EnREDando, an official event took place to celebrate the achievements obtained during these first five years of operation and gave thanks to the support received from Red Eléctrica. The event was attended by executives who acted as «Sponsors» for projects carried out as well as representatives of the organisations involved.

Activity in 2010

Campaign to aid Haiti's earthquake victims

After the earthquake in Haiti, EnREDando coordinated a financial donation campaign amongst Red Eléctrica's employees to help with the devastating consequences of the disaster. The workforce's donations amounted to 25,000 euros the company donated double this amount resulting in total of **75,000 euros** which were given to the **NGO Doctors Without Borders**.

Campaigns for food donations

The Volunteer Group collaborated with the Madre Coraje Foundation in a charity project to alleviate child malnutrition by collecting canned food donated by employees which were then donated to the dining room of the Signos de Fe de la Salle School in Lima (Peru).

Solidarity Integration Day

EnREDando, in collaboration with Adecco Foundation, participated in creating a nature trail in the Jardín de la Vega, located in Alcobendas, along with intellectually disabled children from the Gil Gayarre Foundation. The purpose of this meeting is to help promote the integration of people with disabilities into the world of work.

Christmas Gift Solidarity Campaign

Red Eléctrica employees had the opportunity to voluntarily donate to the company an amount of money equal to a Christmas gift to be used in a solidarity project. The amount collected (10,100 euros) was given to Apsuria Foundation **to help build a home for children and young people with intellectual disabilities**.

Fifth Solidarity Sports Week

For the fifth consecutive year, Solidarity Sports Week was celebrated with a total participation of **209 employees and collaborators**. The total of this year's donations was 14,175 euros, which included the company donating double the amount raised through this activity which was allocated to finance two **Vicente Ferrer Foundation** projects taking place in southern India.

Fifth Fair Trade campaign

Red Eléctrica held the fifth fair trade market in their facilities in collaboration with SETEM, the organisation for development. The total of this year's donations was 14,175 euros, including the company's donation wich was double the amount raised through the activity, was allocate to financing two Vicente Ferrer Foundation projets taking place in southern India.

Charity Auction

EnREDando organised a charity auction with the Christmas gifts received by the management team. The amounted obtained from the auction **(3,576 euros)** was donated to the Apsuria Foundation.

Campaign for donations of materials

Collaboration with the «Lápices digitales» project taking place in Calcutta with the NGO *Light of hope* to which computer equipment and office supplies were donated.

Campaign for blood donations

Each year the medical service promotes blood donation campaigns at work centres. During 2010, **61 donations** were obtained at just one of the work centres where data was actually recorded.

Responsibility towards society

In Red Eléctrica we understand that the development of our activities must be dealt with from a responsible and ethical position with regard to society and the environment. **-4.14, 4.16, 4.17-**

Our commitment to society is supported by two fundamental pillars:

- Transparent and open dialogue with our stakeholders.
- Contribution to the community.

Dialogue with stakeholders

Shareholders and investors

The trust Red Eléctrica pursues in its relation with shareholders, investors and the financial community lies in the creation of sustainable value and the constant quest for transparent, fluid and close dialogue that goes beyond merely complying with legal obligations.

Shareholder Relations Office

This office addresses and resolves shareholder enquiries by means of a personalised attention service. Additionally, we have continued encouraging the participation of shareholders in the General Shareholders' Meeting via electronic means, live broadcast of the Meeting via the Internet (in both Spanish and English) and through an electronic voting system. In the 2010 Meeting, 695 shareholders voted via electronic means, 83% more than in the previous year.

14% of shareholders participating in the 2010 Meeting (GSM) voted via electronic means

Investor Relations Department

The Company's management team has continued to regularly take part in presentations and meetings with analysts and institutional investors in the main financial markets of Spain, Europe and the United States. Specifically, during 2010, there were 314 meetings held with analysts and financial investors in 28 financial markets.

Creation of the shareholder forum in 2011

Corporate website

In the specific section of the corporate web: **shareholders and investors**, Red Eléctrica not only publishes information regarding special company events but also disseminates information to the markets. In 2010, this section received 200,000 external visits, an increase of 18% on the figure from the previous year.

Key indicadores

	2006	2007	2008	2009	2010
Shareholders and investors section on the web (visits)	117,234	153,224	160,959	175,646	207,873
Shareholders' Office (visits attended to)	1,547	1,517	1,032	932	966
Shareholders' Global Help line and email (enquires attended to)	1,754	1,278	1,267	958	1,273
Documentation sent (number)	5,766	5,807	5,651	5,306	5,779
Identification of shareholders (number registered)	3,713	3,813	3,949	4,099	4,216
Institutional investor and analyst meetings	234	218	277	300	314
Quorum of attendance at the Shareholders' Meeting (%)	47.8	49.4	52.1	63.9	63.1
Surveys. Satisfaction level (0-10)					
Minority Shareholders	7.7	8.1	8.0	8.2	8.2
Institutional Investors (biennial studies)	-	7.9	-	6.9	-

Press and media

- Shareholders' Meeting.
- Shareholders' office and freephone 900 100 182.
- E-mail for shareholders: accionistas@ree.es.
- E-mail for Investors: relacioninversores@ree.es.
- Investor Relations Department.
- Corporate website: shareholders and investors section.
- Investors and analysts meetings.
- Publications: annual and quarterly reports.
- Internet broadcast of the presentation of results.
- Internet broadcast of the Shareholders' Meeting.
- "Red al día" alerts on relevant issues.
- Electronic voting at the Shareholders' Meeting.
- Satisfaction surveys.
- Investors' Diary on the web.

Customers, business agents and regulatory bodies

The clients of Red Eléctrica, defined as companies and organisations receiving services and participating in operations of the Spanish electricity system, can be grouped in the following categories:

- Public Agencies and regulatory organisations: primarily the Ministry of Industry, Tourism and Trade, National Energy Commission and autonomous communities.
- Electricity market agents: ordinary regime generators, special regime generators, traders, last resort traders, and consumers connected to the transmission grid. y consumidores conectados a la red de transporte.
- Other participants in the electricity system: primarily the Market Operator (OMEL), operators in neighbouring systems and interruptibility service providers.
- Third parties that request the maintenance of their electricity infrastructure and requests or changes in high voltage electricity line routes.

Dialogue platforms

Key Channels of Communication

- Public website with information in real time and full contents www.ree.es y www.esios.ree.es
- Web for all market agents (https://sujetos.esios.ree.es) and specific information systems (SIMEL, SCE, SIL) to exchange information about the electricity market in accordance with established legal and regulatory requirements.
- Periodic technical publications and permanent information.
- Hotlines for incidents and emergencies of the Electricity Control centres, 24 hours a day, 365 days of the year.
- Specific emails addresses for customer questions and exchange of information.
- Stakeholder attention centre..
- Complaint and incident management system for market agents.
- Satisfaction surveys and identification of requirements and expectations.
- Technical committees for the development or modification of operation procedures.
- Communication forums with market agents regarding specific processes.
- Active participation in study and standardisation committees and technical working groups.
- Presence in organisations, entities, sector associations, both nationally and internationally.
- Coordination and participation in comparative studies and exchanges in best practises.

Red Eléctrica counts on various communication channels which facilitate the efficient execution of its activities and the quality of the services provided. These channels facilitate awareness regarding the needs and expectations of customers, market agents and regulatory bodies, as well as to participate proactively in the carrying out of the activities of the Spanish electricity system.

Surveys on Satisfaction, requirements and expectations

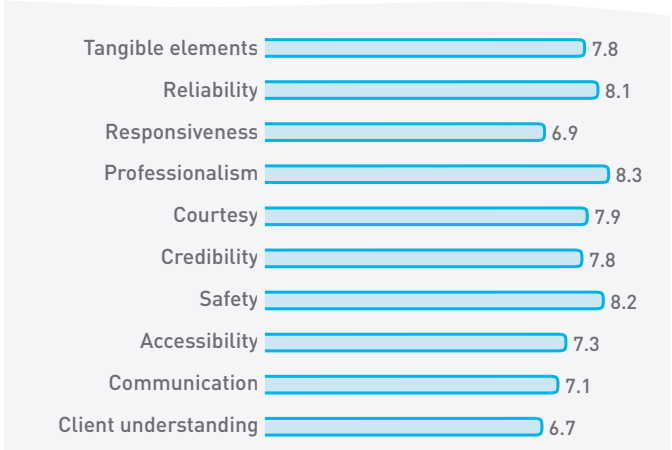
Every two years, Red Eléctrica prepares a satisfaction survey of stakeholder groups incorporating a methodology that is updated and improved each year. During the 2010 study, an assessment was made for a new service (demand interruptibility management), as well as other relative aspects of the company´s corporate reputation. The study involved 73% of the 183 business clients and agents as the target sample for the questionnaire. 54% were also interviewed by an external consulting firm to further understand their needs and expectations.

Key satisfaction indicators (0-10)* -PR5-

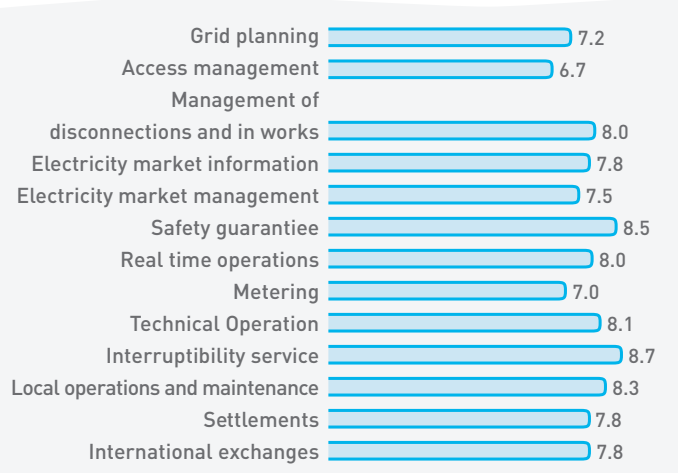
	2002	2004	2006	2008	2010
Overall degree of satisfactionl	7.77	7.79	7.77	7.64	8.02
Degree of satisfaction regarding the quality elements	7.50	7.30	7.38	7.36	7.60
Degree of satisfaction of services supplied	7.08	7.00	7.01	7.19	7.80
Customer service	7.51	7.51	7.70	7.39	7.46
Evaluation of the improvement actions undertaken as a result of the previous survey	7.40	6.43	6.47	6.80	6.12

** Biennial studies*

Average Rating of quality elements 2010



Average Rating of services 2010



In response to the reduced scoring in the satisfaction survey of the improvement actions taken, during 2010 the identification methodology was revised and action plans for improvements were set in motion.

Improvement Action Plans 2011-2012

Action areas	Number of Actions	Expected Benefits
Products and Services	9	• Improve the efficiency of the service delivery processes.
		• Minimise the impact on current processes.
		• Improve interface management with business clients and agents.
Information management	8	• Continue to strengthen management transparency.
		• Expand information and improve its access.
		• Facilitate understanding of operating procedures.
Communication channels	8	• Strengthen two-way communication.
		• Improve the knowledge regarding the needs and expectations of business clients and agents.
		• Reduce response times regarding email communication channels.

Amongst the improvement actions agreed, noteworthy in 2011 is the organisation of two new discussion forums between clients and sector agents: market agents' forum for presenting innovations and improvements to Red Eléctrica's information systems and a supplier forum regarding the interruptibility service.

Furthermore, noteworthy is the comparative analysis conducted by Red Eléctrica, CLH and Enagás regarding customer satisfaction studies in the Spanish energy transmission sector. During 2010, the identification of common attributes and standardisation of the assessment scales used in the aforementioned study were carried out. The first comparative report should be available during the first quarter of 2011.

With regard to TDE, it produces a customer satisfaction survey report every two years on the quality of the electricity transmission services in the Sistema Interconectado Nacional (National Interconnected System). The latest study which took place in 2009 reflects that customers of the wholesale electricity market perceived a high level of quality with an average score of 88 out of 100.

Anomalies and Claims Management

Red Eléctrica has claims management procedures for their services, activities carried out, and the impact their facilities have.

Claims related to the ancillary services market, managed by the system operator are handled via the e-sios web application «Anomalies and Claims Management» which is available to all market agents within a secure framework that also allows the consultation of claim statuses and historical information.

Since January 2009, Red Eléctrica has been publishing, via the e-sios web application available to all individuals in the electricity market, periodic reports on identified incidences the management of claims received, and anomaly resolution by the system operator related to the management of the ancillary service markets as well as the planning of international exchanges. This new publication responds to requests and suggestions received by electricity market agents in the interviews carried out during the **SAS 70 assessment process** in 2009.

SAS 70 Report

In 2009, Red Eléctrica received a positive response on the independent audit of the SAS 70 standard (Statement on Auditing Standards no. 70) of the American Institute of Certified Public Accountants (AICPA), which examines active controls in the system´s operation. REE thus became the first operator in the European electricity system achieving this standard.

Since then, REE has regularly participated by submitting critical areas of the operation system to examination in order to strengthen confidence in the processes it carries out and the information it provides, thereby demonstrating its commitment to meeting the objectives regarding transparency and independence, as established by the audit.

The objectives of this control system were established and then evaluated by key customers and business agents during the first audit and spanned the areas of Third party access to the grid, Management of Transmission Grid Works, Metering, Settlements and Management of Ancillary Services. During 2010, the scope of the audit was extended to the areas of coordination between the Technical Manager of the Gas System and the Electricity System Operator (REE).

In October 2010, the **automation of the reserve reallocation mechanism for secondary control in real time**, as established in the current P.O 7.2, was implemented in the e-sios system. This improvement measure has led to a significant reduction in this kind of claim due to the reduction in the existence of infringement situations regarding secondary control reserve commitments due to reasons not attributable to market agents (which is the main cause of complaint registered to date).

Key Indicators

	2006	2007	2008	2009	2010
Estimated number of claims regarding operational activities	30	19	31	44	69*
Estimated claims per 1,000 GWh of energy managed in the ancillary services of the system	0.56	0.95	1.75	1.84	2.52
Percentage of resolution of claims	100	100	100	100	100
Qualification ratings DJSI rating: Customer relation (0-100)	**75**	**78**	**67**	**81**	**86**

DJSI: Dow Jones Sustainability Indexes

* 94% of the claims received in 2010 were caused by the application of limitations by technical restrictions in real time on programming units, whose compliance (necessary for security of the system) limits or even impedes the control zones from fulfilling the previously acquired commitments in the market of secondary control. The increase in the volume of energy programmed in real time during recent years, mainly driven by a strong penetration of non-manageable renewable energies in 2010, renewable production covered 35% of peninsular demand) and the increased number of providers of this service (control zones) explains the increased number of claims reported during 2008, 2009, and during the first quarter of 2010 (in this quarter, with an exceptional production of renewables, 51 claims were registered in association to this type of incident).The introduction of a real time automated mechanism for secondary regulation released on 5 October 2010 has reduced the number of claims associated to this type of incident and only three claims were registered after that date until the end of 2010.

Suppliers

Red Eléctrica has become a dynamic element in the development of local economies thanks to its role in the electricity sector and its ever-growing geographical presence.

1,408 suppliers with purchases awarded in 2010

The company encourages small and medium-sized companies of reduced geographical scope) resulting in the compliance with Directive 2004/17/CE as written in Law 31/2007, and additionally as an element to streamline it and make it more dynamic so as to cover its needs as they arise.

During 2010, the volume of purchasing contracts reached 781 million euros, 14% more than in 2009. These purchases were awarded to 1,408 suppliers, 2% more than the previous year. The majority of contracts awarded (96%) were made to

providers with registered head offices in Spain, demonstrating the company's economic and social commitment to the environment in which it carries out its activities.-EC6-

The Dedal Project continued to be developed in 2010. This project is focused on improving supplier management and increasing efficiency in the procurement processes. Amongst the initiatives implemented in this project, a web application was created to manage proposals of awarded orders to facilitate processes and avoid the use of paper.

Furthermore, it is worth noting that from the procurement perspective, the interconnection project between Spain and France (Inelfe) has progressed satisfactorily with the awarding of the most important elements of the project: the construction of a tunnel, converter stations and the interconnection cable.

In TDE, purchase volume reached five million dollars, 78% of which were awarded to local suppliers.

96 %
of the contracts awarded were in Spain

781 million euros of purchases in 2010

Key channels of communication

- Enquiries and claims management: telephone and electronic mail.
- Specific area on the corporate website: www.ree.es.
- Presence in associations and working groups.
- Quality agreements.
- Partnerships.
- Meetings.
- Satisfaction surveys and identification of requirements.
- Informative training sessions.
- RePro evaluation system.
- Publishing of tenders and awarding adjudications in the OSG and OJEU.

Transparency and equal terms

Red Eléctrica's purchasing strategy continues to promote transparency in all its processes as well as a relationship with the supplier that is based on mutual recognition and benefits; and continuity over time.

With this in mind, Red Eléctrica makes its purchasing necessities public via different information channels, such as the OJEU (Official Journal of the European Union) and OSG (Official State Gazette). In these, the estimated annual needs are published, in addition to other unique projects which they are required to publish due to their cost value. Thus, all providers have equal access to information.

Supplier qualification

Red Eléctrica continues to strengthen the areas of supplier qualification and working with the Repro registry database consisting of providers operating in water, gas, electricity, petroleum, naval and related industries.

During 2010, 422 new provider requests were received to commence the qualification processes. This qualification system establishes the fulfilment on the part of the suppliers regarding the technical, quality, environmental and prevention standards as well as corporate responsibility of the company and guarantees a fair treatment to all suppliers initiating their qualification process.

Corporate Responsibility -HR2-

Red Eléctrica maintains its commitment to promote responsible actions in the supply chain. Therefore, in addition to the criteria regarding quality, environmental and safety included in the supplier qualification process since 2007, it has incorporated in its general conditions of contract a specific clause for corporate responsibility on behalf of the supplier (to work in compliance with the principles of the corporate responsibility policy of REE and respect the principles of the UN Global Compact and the Universal Declaration of Human Rights in carrying out their work). These conditions are available in the supplier section of the corporate website www.ree.es.

on Internet

General contracting conditions

Additionally, during 2010, Red Eléctrica produced the second edition of the survey, carried out on a selection of its suppliers, which evaluates compliance with corporate responsibility and quality principles. In this edition they have incorporated specific improvements in the evaluation process, amongst which noteworthy is the organisation of informative sessions for the technicians of Red Eléctrica in charge of the evaluations with the purpose of reinforcing the application of the valuation criteria. In 2010, there were 121 evaluations carried out, spanning a total of 53 suppliers. During these evaluations no non-fulfilments were identified regarding corporate responsibility matters.

Furthermore, in 2010, Red Eléctica collaborated with a working group led by Achilles South Europe S.L.U. (RePro system provider), in designing a specific questionnaire on corporate responsibility to obtain greater and more uniform information about the supplier's social responsibility.

In the future, the degree of compliance of each provider working with Red Eléctrica will be evaluated and compared quantitatively on their level of social responsibility and these results will be used to award contracts.

Key Indicators

REE (España)	2006	2007	2008	2009	2010
Number of suppliers (with purchases during 2010)	1,253	1,279	1,365	1,382	1,408
Qualified suppliers [1]	465	466	492	538	667
Qualified suppliers with environmental evaluation [1][2]	200	202	218	231	304
Qualified suppliers with occupational health and safety evaluation [1]	176	182	187	197	259
Surveys. Level of satisfaction (0-10)					
Goods and services (biennial studies)	-	7.9	-	7.6	-
Financial capital (biennial studies)	-	8.5	-	8.3	-

TDE (Bolivia)	2006	2007	2008	2009	2010
Qualified suppliers	53	79	118	143	153
Qualified suppliers with environmental evaluation	38	64	103	138	145
Qualified suppliers with occupational health and safety evaluation	38	64	103	138	145
Qualified suppliers with qualification in social responsibility [3] -HR2-	0	26	65	95	100

(1) The term qualified supplier refers to the dual term supplier-product or supplier-service. The same binominal can be qualified with an environmental assessment as well as with a health and safety evaluation.
(2) More information in the environmental responsibility chapter.
(3) Since 2007, the evaluation system incorporates social responsibility.

Dialogue with suppliers

Red Eléctrica continues to participate, as in previous years, in purchasing working groups and associations in an effort to enhance their business knowledge within the field of new procurement management systems taking advantage of synergies with other companies in their quest for continuous improvement.

Similarly, they have participated in annual working seminars with customers and providers belonging to the RePro register system, with the clear objective to enhance dialogue and to provide an in-depth study of mutual concerns and objectives.

Additionally, Red Eléctrica is member of the Spanish Association of SAP Users (AUSAPE) and of the Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE).

Furthermore, the company continues to strengthen the centralised stakeholder attention centre DÍGAME for greater communication with external stakeholders, amongst which are the suppliers.

Communication channels

In 2010, moving forward with its information transparency policy, the Company has continued to foster the direct relationship with the press and mass media institutions with the aim of raising awareness regarding the Company's activities and enhancing the contents of the webpage by increasing information and by introducing new digital formats.

Boosting digital content

Being aware of the importance of the Internet in the communication world, the digital contents made available in the press room of the corporate website have been increased and new web technologies have been incorporated making it a fully interactive site open to all users.

Entrelíneas – a digital interactive publication

Additionally, it also allows articles to be commented on and shared via email and social networking sites. Since its launch in October, 2,599 visits have been

registered and more than 70,000 pages have been consulted.

on Internet

Entrelíneas digital

Infograph of the Control Centre of Renewable Energies (CECRE)

A virtual animation of the operation of CECRE, a pioneering control centre which manages the integration of renewable energy, in particular wind power, into the electricity system has also been incorporated into the Press room webpage.

Press Meetings

Amongst the informative sessions organised with the media during 2010, noteworthy was the Romulus Project, with visits to works related to the interconnection between the Spanish peninsula and Balearic Islands, and also to the Santa Ponsa converter station in Mallorca.

The press was also invited to the commissioning of electricity facilities completed this year such as the Bit substation, the first electricity transmission substation in Mallorca and the commissioning of the main electricity hub between the north and south of Andalusia, also there were visits to various other projects under construction.

Key communication channels

- Press Room on www.ree.es.
- *Entrelíneas* Magazine (in digital and paper format).
- Social networks (Facebook, Twitter).
- Press releases.
- Press conferences.
- Training days.
- Live broadcast of the General Shareholders Meeting press conference via Internet.
- RSS subscription service for press releases.
- Collaboration with professional associations.
- Satisfaction surveys
- Visits to the Company's facilities.

Similarly, significant events have been motivated by the purchase of transmission assets, Red Eléctrica´s backing for the electric vehicle, the appointment of Luis Atienza as chairman of the Electricity GO-13, the world association of Very Large Power Grid Operators.

Key communication indicators

	2006	2007	2008	2009	2010
News about Red Eléctrica published in the media	**5,913**	**10,879**	**6,924**	**7,981**	**8,537**
National press	2,442	4,625	2,894	2,202	2,433
Regional press	3,471	6,254	4,030	5,779	6,104
Information published					
Press releases	35	37	47	46	51
Press conferences and meetings	22	25	26	32	38
Interviews and statements	148	121	99	138	178
On-line Press Room					
Number of visits	45,530	89,447	125,576	235,572	288,274
Pages consulted	177,995	357,640	1,153,387	1,841,109	2,241,233
Surveys. Satisfaction level (0-10)*	**n.a.**	**n.a.**	**7,33**	**n.a.**	**7,73**

** Biennial studies*

Social environment

Red Eléctrica integrates into this category educational and research centres; ecology groups; unions; councils; business organisations and institutions; local and regional communities; NGOs; and social foundations and entities with whom it maintains relations in various forms, whilst maintaining the principle of transparency and mutual collaboration.

In 2010, communication channels and actions have been reinforced; noteworthy is the development of numerous initiatives aimed at strengthening relations with the community and those geared towards social responsibility which is addressed in the next chapter, as well as the increase in webpage content.

Regarding the claims made to Red Eléctrica by stakeholders as set out in this section, during the 2010 fiscal year, seven claims were registered via the DÍGAME service, and all were made by individuals. These claims correspond to minor damages occurring during the construction or maintenance of transmission grid facilities. Another seven claims are in the analysis phase for their resolution.

Key Indicators

	2006	2007	2008	2009	2010
Qualification index DJSI Rating: Social Dimension (0-100)					
Commitment with stakeholder groups	95	87	70	73	98
Social Communication	98	82	80	100	93
Corporate citizen and philanthropy	85	85	87	87	24
Surveys. Satisfaction level (0-10)*					
Councils	-	7.3	-	5.9	-
Social environment of the activity	-	7.5	-	6.8	-
Educational and research centres	-	7.7	-	8.3	-
Financial and business analysts	7.4	-	-	7.8	-
Unions*	4.5	-	-	4.7	-
Business organisations and associations	-	8.5	-	8.9	-
Environmental groups	-	5.5	-	7.5	-
NGO's/Foundations	-	7.7	-	8.4	-

DJSI: Dow Jones Sustainability Indexes.
** Biennial studies*

Corporate website

The company's corporate website (www.ree.es) maintains the vocation of improving and disseminating information to all its stakeholders regarding the essential aspects of the Spanish electricity system operation and the activities carried out by Red Eléctrica as system operator and manager of the transmission grid. In this respect, the following content and services were most important during 2010:

- Real-time demand curve for CO_2 emissions and the wind power production curve.
- Presence in social networks, creating corporate profiles for Facebook, Twitter, YouTube and Picassa to provide our users with access to the most relevant updated information and content about our company.
- Digital edition of the Entrelíneas magazine with all the latest news on the energy sector and more.
- «Send to a friend» service and RSS feeds to share web content with others.
- New web platform for the supplier qualification process and the company's management of outsourcing.
- New content relating to demand management: what is demand management and the tools needed for its management, information on our electricity consumption habits and Red Eléctrica's backing for the electric vehicle as a new electricity consumer.

- Information regarding the most important biodiversity projects in recent years.
- Other items of interest to professionals in the electricity sector are: the publication of access procedures, connection and commissioning of facilities, information on electricity metering or loss coefficients.

The Group's policy of transparency is also expressed on the website of TDE (Bolivia) (www.tde.com.bo) which offers wide-ranging information regarding the Company and the Bolivian electricity sector. In 2010, this website had 23,548 external visits, a rate similar to the previous year.

Stakeholder groups participating in infrastructure development -EU19-

In addition, Red Eléctrica fulfils all the applicable regulations within the development process of electricity facilities, which amongst their contents contemplates the form of public participation in this process. Specifically, Law 27/2006 governs the rights of access to public information.

In addition, Law 9/2006 on the evaluation of the effects of certain plans and programmes on the environment (in particular the assessment of the Electricity Infrastructure Plan 2008-2016) in its article 10 makes reference to the questions regarding the report of the sustainability plan or programme to the administration, local authorities and any physical person or entity which may be affected by the plan. The Ministry of the Environment and Rural and Marine Affairs ensures that consultations are conducted in accordance with the law.

Similarly, the Royal Decree RD 1/2008 Environmental Impact Assessment project in Article 8 states the requirement of the environmental document and Article 9 requires the public disclosure of the Environmental Impact Assessment.

Management focus regarding the implementation of facilities -EU20-EU22-

As in previous years, **the implementation of Red Eléctrica de España's infrastructures has neither provoked the displacement of the general public nor alterations to the local economies in which they are located**. This has been made possible thanks to preliminary studies and an efficient design of electricity installations that adapt themselves perfectly to the environment.

The implementation of said electricity infrastructures causes an alteration derived basically from the inevitable presence of overhead lines, the permanent occupation of the space needed for towers, occupation of land for the substation, and the need for access to all of the above. Red Eléctrica de España pays special interest and attention in the individual relationship between property owners with whom they reach individual agreements in order to create a good working relationship. For this reason, in 2010 Red Eléctrica organised informative sessions with the objective of studying, in greater depth, and improving all aspects related to line infrastructure implementation. One of the most important aspects covered during the session was the establishment of criteria by which the collaborating companies representing REE in their negotiations with property owners must come to amicable agreements with them and other stakeholder groups.

These practices have allowed Red Eléctrica to establish agreements with 90% of the owners of property through which their facilities pass.

Contingency management -EU21-

Amongst its processes, Red Eléctrica has defined those that specify the management of contingencies that might occur in the company. These processes are developed in a series of legislative documents that regulate the activities in the case of emergencies of an operational nature. They are complemented as well with other legislation that includes the whole spectrum of possible contingencies and that may affect the environment, the accidents and events of great significance that are of concern to people, the activities when faced with situations brought about by pandemics or the evacuation of buildings and facilities of the company.

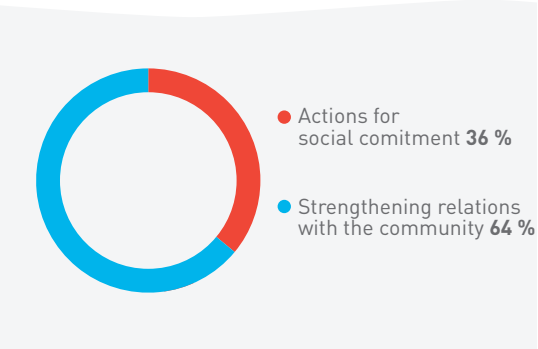
The company also has contingency plans available for the electricity system called Service Restoration Plans, which set out precise detailed actions to safely restore the electricity supply under secure conditions for the system. Also, the company counts on a specific training centre known as the Red Eléctrica "Operation School", in which it trains the technicians who work in the electricity control centre, in simulations regarding the restoration and recovery of the service.

Contribution to the community

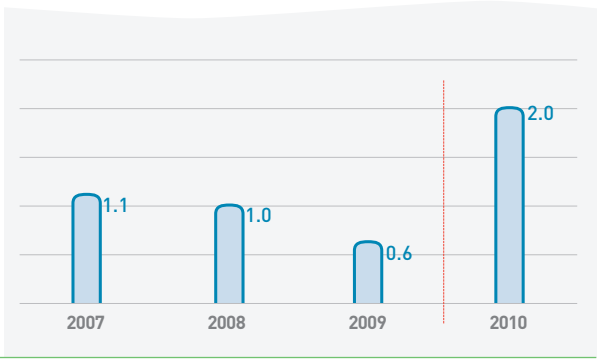
Red Eléctrica carries out an ongoing strategy of contributing to the community in the attempt to align its business objectives with those regarding social and environmental needs. As a basis for this strategy, it promotes all those activities which enable society to better understand the projects carried out by the company and its central role as operator of the national electricity system.

Similarly, Red Eléctrica continually seeks to establish relationships based on trust with those communities in which it has a presence and promotes the development of agreements and the knowledge regarding the needs of the environment to initiate institutional and social collaboration projects.

Contribution to the community
Group Data 7,5 M€



Investment in the community
% over net profit



As part of the project regarding the for the corporate responsibility annual accounting which is described in Chapter 3 of this report, the methodology was revised during 2010 in order to define, classify and measure Red Electrica´s contribution to society. This review resulted in a more precise definition of actions that can be considered as of social contribution. Thus during 2010 the information is not comparable with the previous years, although graphical reports are maintained of the investment trend on net profit.

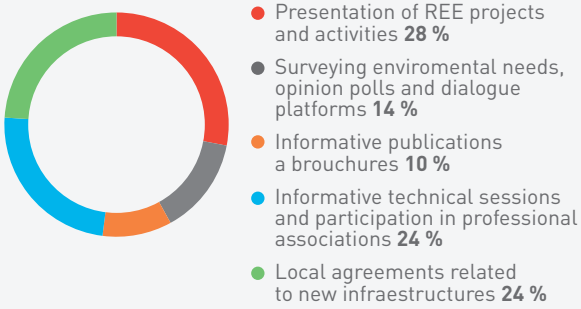
Strengthening relations with the community -EC8, SO1-

In order to facilitate the integration of its activities, Red Eléctrica attempts to strengthen relations with communities through an open and participatory strategy for social and institutional information and communication. These actions pursue the following objectives:

- **Integrate the company's presence within the social,** environmental and institutional fabric of the territories where projects are carried out.
- **Explain and disseminate project needs** and give adequate responses regarding the demand for information generated in the locality.
- **Ensure information transparency** and facilitate the maximum information to society.
- **Balance the general interests** of the territorial scope with the needs of the project.
- **Promote the maximum institutional and social** consensus in the implementation of projects.

Strengthening relations with the community

233 activities



Visits to **Control Centres of Red Eléctrica** by representatives of parliamentary and institutional committees of the autonomous communities are amongst the noteworthy actions taken in 2010, which allowed the strengthening of mutual understanding and the dissemination of projects related to each community.

Similarly, Red Eléctrica promotes the dissemination of information concerning activities carried out in facilities, in particularly in populated areas where company infrastructure exists. Additionally in 2010, **two open-door sessions** at the La Eliana (Valencia) and Marmolejo (Jaén) substations were held which welcomed more than 215 locals from the surrounding areas.

During 2010, a **second dialogue platform took place with NGOs and foundations** to explain social vectors and policies of the corporate responsibility management systems. The comments and suggestions collected from these stakeholder groups are an extremely useful tool in the design of future strategies and activities.

Furthermore, Red Eléctrica publishes numerous publications with the aim of contributing to the study and knowledge regarding the Spanish electricity system and as a key communication tool with stakeholders. Annually, approximately 20 different publications are distributed externally free of charge. These publications are also available in electronic format on the corporate website and were accessed more than half a million times in 2010.

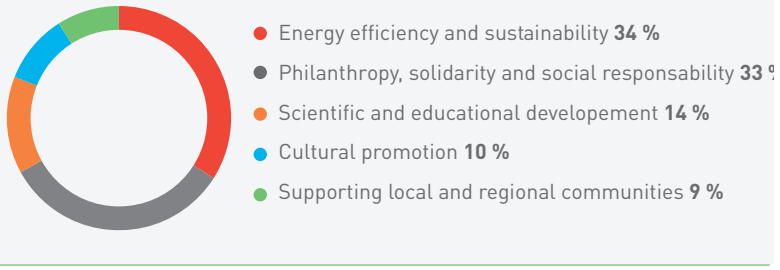
Social commitment

Social action

The actions encompassed by this field highlight the Company's commitment towards society and are focused on benefiting and contributing to business development in keeping with the well-being of society and progress in those territories where it carries out its activities.

The social action programmes are focused, in essence, on initiating projects which contribute to energy sustainability and efficiency; fostering educational and scientific development; promoting culture and conservation of national patrimony, and supporting social development by means of actions of philanthropy regarding solidarity and social responsibility.

Social commitment 2010
Group data (% of investment)



In order to coordinate actions, Red Eléctrica maintains constant dialogue with stakeholders, analysing and responding to requests for collaborations amongst social organisations, as well as finding and promoting relations with Third Sector organisations that carry out projects in line with the company's social objectives.

In 2010, **more than 80 activities or events were held, within the scope of Red Eléctrica's social action** programme, in collaboration with more than 50 social institutions. One of the most important actions regarding energy efficiency is the conferences organised with the Ramón Rubial Foundation, in which 15 councils of the Basque Country participated.

In this scope it is noteworthy highlighting the collaboration with various science museums to **promote education in energy matters** amongst citizens, in particular students. This collaboration is carried out through a road show **«The electricity highway behind the wall socket»**, which by means of an interactive exhibit which attempts to demonstrate how the electricity system works and how to consume energy more efficiently and responsibly. During the first half of 2010 this exhibit was installed in the Science Museum of Castilla-La Mancha in Cuenca and the second half of the year it is was installed in the Science Park of Granada.

A noteworthy project is the collaboration with the Santa María la Real Foundation to compile an encyclopaedia of the Romanic periods in Cuenca and Zaragoza.

Over 125,000 visitors to the exhibition in Granada

Regarding **scientific and educational development**, in 2010 Red Eléctrica collaborated with González Bernáldez Foundation to re-publish two books Invitation to human ecology and Ecology and landscape as well as other books with scientific and educational institutions such as the Universidad Autónoma de Madrid, Universidad Carlos III, Universidad Rey Juan Carlos, Universidad de Barcelona, Universidad de Navarra and Instituto Mediterráneo de Estudios Avanzados del CSIC.

Collaborations have also taken place on a variety of projects with organisations known for their **social commitment**, such as the Red Cross, Spanish Association against Cancer, the Terrorism Victims' Association, or Madre Coraje Association.

Supporting local and regional development

In line with its commitment to the community, Red Eléctrica pays special attention to projects that can contribute to the progress of local and regional societies to promote sustainability in territorial development through partnerships with social organisations.

In this sense, Red Eléctrica's Sustainability Laboratory analyses and promotes the development of projects that encourage collaboration with social and environmental agents within the area and that encourage social participation as a basis for progress, welfare and sustainability of its actions.

Priorities of the sustainability projects

- Environmental: territory of high ecological value - Red Natura 2000.
- Social: exodus and ageing of population.
- Economic: existence of REE assets.

Main objectives

- Disseminate the value of own natural resources and their sustainable use.
- Contribute to the benefit of society by adding value through the establishment of sources of sustainable employment.

Sustainability projects 2010*

- Biodiversity conservation in western Iberia: Reserva Campanarios de Azaba. (Red Natura 2000).
- Support for the sustainable development of grounds in the Valle del Castillo de Chuecos (Murcia).
- Study regarding the population status of the Stone Curlew on the island of Gran Canaria.
- Support for agriculture in the mountains via actions aimed at improving the habitat of the brown bear and the grouse (Redes Natural Park in Asturias). (Parque Natural de Redes en Asturias).
- Conservation and management of special protection areas for Steppe birds in Andalusia (Life Project).
- Energy efficiency in La Raya (107 municipalities of Zamora and Salamanca, along the banks of the Duero River).

**Cited projects can be found in the biodiversity conservation section of this report.*

Red Eléctrica In Bolivia

Amongst the activities designed to support economic and social development, the Second Course for Sports Management was carried out in 2010, coordinated by TDE and the Foundation of Sports of Alcobendas Spain (Fundación deporte de Alcobendas de España (FUNDAL)), training 192 participants of five municipalities of the tropical region of Cochabamba.

Similarly, this partnership imparted another course called «Excellente in Sports Management» in collaboration with Bolivia´s Investment Fund for Sports and was offered to directors of different sports associations and federations in the country. This course brought together for the first time 36 sports federations at a national level and 50 association directors from cities of the province of Cochabamba,

allowing an interesting exchange of ideas and suggestions for the country´s sports management

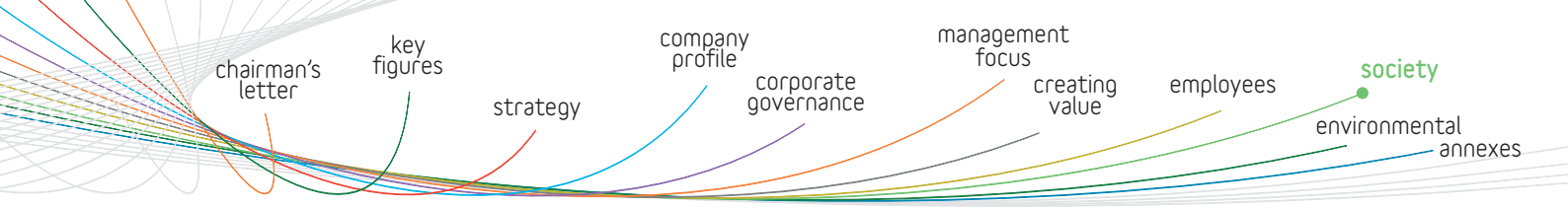
Important activities of this fiscal year worth highlighting are: the presentation of a Report on Human Development in Bolivia called **«Changes behind the Changes. Inequalities and social mobility in Bolivia»** (organised by UN Programmes in Bolivia) and the launch of a short film on **AIDS-HIV prevention** organised by the Institute for Human Development which was carried out with the support of international organisations. On this occasion, recognition was given to TDE for their continued support in the activities undertaken.

In addition, TDE has continued to support national and regional permanent training events for trade associations which are designed to drive development, such as the Bolivian Committees CIER and CIGRÉ, the Bolivian Maintenance Association, the Industry Chamber Department, the Association of Electrical Engineers the Private Companies Federation of Cochabamba, and the Association of Economists, amongst others.

Regarding education, for the seventh consecutive year, a programme for action in rural areas has been developed named «Juntos transmitimos energía» (Together we transmit energy) aimed at children and young people at schools in rural areas of the country. During 2010, the programme also included participation of a group of volunteers from the company that were able to experience, at first-hand, TDE's social efforts in six of the nine departments of the country helping more than 9,000 children and young people in 90 rural schools neighbouring the company´s facilities. **-EU24-**

Other education actions carried out by TDE are the cooperation agreements with universities and the promotion of energy education through the Centro Interactivo de Electricidad (Interactive Centre for Electricity) to which numerous educational institutions attend yearly to strengthen knowledge regarding electricity amongst their students.

Among the cultural development projects two events are noteworthy: TDE's support with the Sixth International Classical Guitar Contest and Fair and the Fifth International Theatrical Narration Festival called «Cochabamba... cuento contigo» an event which every year fulfils the expectations of the public who gather at the company´s auditorium.



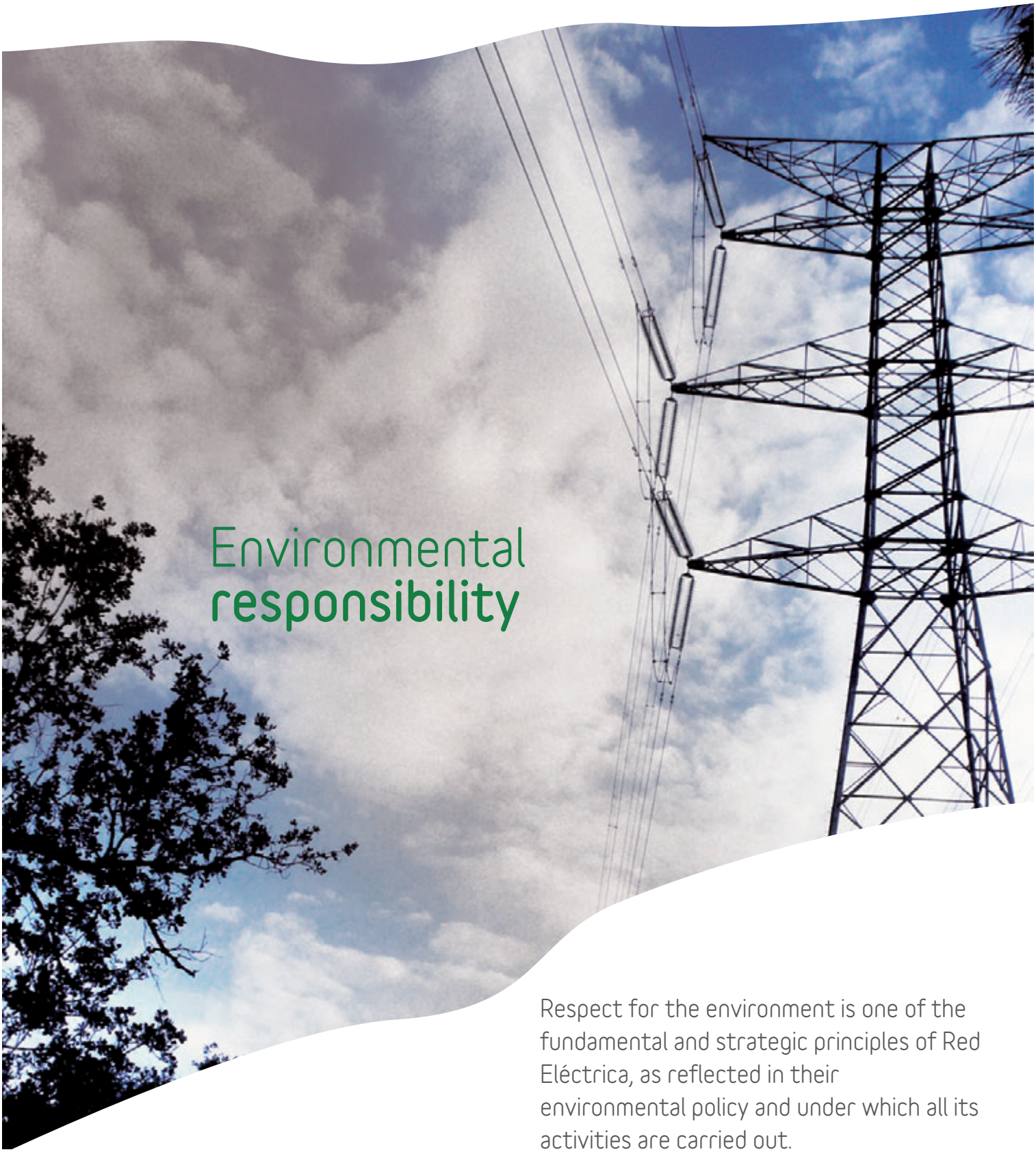
Red Eléctrica in Peru

REDESUR's social activity has continued its direction towards the **improvement of school education** in centres located near its electricity facilities. This is carried out in collaboration with the Fondo Social Uralán which is managed by REDESUR and the Compañía de Jesús.

This fund donated $51,000 in 2010, allowing work undertaken in previous years to continue and to develop new activities. Noteworthy amongst them is the installation of 23 computers and the organisation of sports workshops led by FUNDAL (Sports Foundation of Alcobendas) and supported by REE.

These diverse activities developed with the Fondo Social Uralán have facilitated the promotion of volunteers in REDESUR, achieving the direct participation of almost 50% of the workforce, both in integration campaigns and with Christmas and School Workshops, which has allowed a major breakthrough regarding how employees of REDESUR interact with their community.

In addition, collaboration agreements with universities from previous years have been maintained as well as the continued support for cultural initiates, technical workshops, conferences, and awards with a technical and social focus.



Environmental **responsibility**

Respect for the environment is one of the fundamental and strategic principles of Red Eléctrica, as reflected in their environmental policy and under which all its activities are carried out.

Management model and policy

Red Eléctrica has implemented a certified environmental management system in all the companies of the Group, in accordance with the UNE-EN ISO 14001:2004 standard (activities and facilities located in Spain, Bolivia and Peru) and registered since October 2001 on the European Community Eco-management and Auditing System (EMAS) (activities and facilities located in Spain).

ISO 14001 Certification in all companies of the Group

The maximum operational responsibility regarding environmental aspects of the activity in Spain falls on the Transmission Division, which counts on a specific department that provides technical support to all organisational units. This department consists of 17 technicians in the main office and 19 territorial technicians to improve the monitoring and control of all field activities.

The environment in the processes of Red Eléctrica

Potential effects on the environment [1]

- Visual impact of the facilities (lines and substations) and access routes.*
- Land occupation (temporary: clearing areas for work and temporary access routes; permanent: substations and legs of the towers).
- Effects on flora (clearing areas for work, opening of line-hanging paths and security corridors). -EN12-*
- Effects on fauna (alteration of habitat in construction / collision of birds in maintenance). -EN12-*
- Effects on the land (land movements / spillage risk of pollutant substances).
- Effects on historical / cultural heritage and patrimony (during land movements)
- Generation of dust (at works site).
- Noise generation.
- Waste generation (Hazardous and Non-hazardous).
- Risk of water contamination (to water sources during land movements during construction/due to accidental spillage)
- Fire risks.
- Presence of hazardous substances (PCBs).
- Electromagnetic fields.
- Impact on the socio-economic environment and to the fauna due to luminous/light pollution.
- Effects on the atmosphere due to SF_6 leaks.

[1] *The most relevant effects, although they may vary depending on the type of installation and its location, are marked (*).*

on Internet
Environmental Policy

Red Eléctrica identifies and assesses all those aspects derived from its activities which could interact with the environment and generate any type of impact. The main effects are linked mainly to the presence of the facilities (electricity lines and substations), as well as to their construction and maintenance works.

Thanks to the application of preventive measures and to the accomplishment of the works according to best environmental practices, the potential effects are reduced and the resulting impacts are compatible or insignificant. In those cases when effects are produced in the environment, the most adequate corrective measures are applied with the purpose of mitigating or compensating for them.

The grid planning stage

Starting at the initial stages of the transmission grid planning, Red Eléctrica takes into account the alternatives of least global impact on the environment. The future projects are revised from an environmental standpoint and those which are deemed unviable when first analysed are not included in the initial proposal for the elaboration of the planning presented to the Ministry of Industry, Tourism and Commerce (MITYC). During 2010, the environmental viability of the Planning 2012-2020 proposal was analysed.

In addition Red Eléctrica continues collaborating with the MITYC in the process of strategic environmental evaluation of the electricity planning. Specifically, during 2010, they continued working on the calculation of indicators that allow the evaluation of the environmental effects (both positive and negative) derived from the execution of the Infrastructure Plan2008-2016.

In addition, Red Eléctrica collaborates with several autonomous communities on the development of regional electricity infrastructure plans that allow the implementation and articulation of the electricity sector planning on the territory, via the reservation of the corridors necessary for its development.

Along these lines the following works are being carried out:

- «Viability study of electricity corridors in Castilla-La Mancha»: began by the Energy Management Agency of Castilla-la Mancha (AGECAM) and whose results have already been incorporated into the Territorial Organisation Plans

(POT) of Castilla-La Mancha, managed by the Territorial Organisation and Housing Committee.

- «Corridors for Electricity Infrastructures» currently in the permitting phase by the General Department for Industry, Energy and Mining of the Comunidad de Madrid by means of an Infrastructures Plan.

In addition, currently the communities of Murcia, Valencia and Catalonia are being worked with in order to commence the development of similar works.

We define the alternative of least impact so as to avoid effects on the natural and social environment.

The project stage

The definition of the alternative of least impact is the single most important measure to avoid the majority of possible effects on the natural and social environment. For this reason, REE carries out an **assessment of an environmental nature on all its projects** (new facilities and modifications of facilities in service) informing and requesting authorisation from the appropriate environmental administration even in those cases where they are not legally subject to an environmental impact assessment process.Thanks to this, the best locations and routes can be established for future facilities and also the preventive and corrective measures which must be applied in the construction and maintenance phases can be defined beforehand.

During 2010, the environmental permitting procedure for 39 projects was started and environmental authorisation has been obtained for another 43 projects.

Regarding the Bolivian company TDE, in 2010 the environmental documents for the obtaining of the environmental permits of three projects have been drawn up, all of them related to the extension/adjustment of existing substations, therefore new environmental aspects are not generated. On the other hand, the National Environmental Authority has issued the corresponding permits for one project.

The construction phase

REE **supervises from an environmental perspective all the construction works** of new lines and substations carried out by contractors to ensure the compliance with environmental requirements, and to verify the effectiveness of the corrective and preventive measures implemented. In order that the environmental supervision is more effective, in many cases the **continuous presence of the supervisor** in the field is considered necessary, which is why specialised companies have been contracted for this type of work over recent years (without REE's environmental technician relinquishing responsibility).

Permanent environmental supervision in 2010 covered **62% of works in progress**, 94% of lines under construction and 51% of construction works at substations, compared to 29% and 35% in 2008 and 2009 respectively.

Environmental supervision of construction works

Substations	2008	2009	2010
Total works supervised*	17	36	45
Permanent environmental supervision (contracted)	2	7	23
Lines			
Total works supervised*	27 (1,154.5 km)	33 (990.0 km)	55 (1,134.8 km)
Permanent environmental supervision (contracted)	11 (753.8 km)	17 (607.8 km)	39 (1,427.8 km)

(*) The number of works supervised corresponds to the number of works in progress.

The maintenance stage

Red Eléctrica de España carries out all the maintenance tasks of its facilities under strict environmental criteria. Additionally, periodic inspections are carried out to ensure compliance with the established standards. During 2010, the detailed supervision of 139 substations took place meaning that since September 2008 (the date these activities began) 57% of the REE substations have been reviewed.

We work with strict environmental criteria in all phases of our activity

Additionally, during the year, inspection visits were carried on all the insular assets, and on part of those on the peninsula, prior to them being acquired at the end of 2010.

In the Bolivian company TDE, a multidisciplinary team carried out the annual environmental supervision of eight facilities.

Biodiversity management

Biodiversity conservation is a basic principle within Red Eléctrica's environmental policy and corporate business strategy. During 2010, Red Eléctrica has strengthened this commitment by approving the biodiversity strategy and drawing up the pertinent action guide. Within this guide, the main cornerstones and essential lines of work are set out.

Key principles of the biodiversity strategy

1. To integrate the conservation and sustainable use of the biological diversity in the strategic plan of the company.
2. To establish mechanisms that assure the protection and conservation of environmental values in the activities carried out by the Company, especially in sensitive natural surroundings.
3. To promote a framework of communication and collaboration with stakeholders, increasing the visibility of the Company's commitment towards biodiversity conservation.
4. To reinforce the recognition on the part of the institutions and of the national and international sustainability indexes.
5. To contribute to and encourage the participation in research, educational and awareness projects regarding biological diversity conservation.

Red Eléctrica's facilities and biodiversity

One of the main criteria, at the time of defining the location of new facilities is to avoid the areas rich in biodiversity. Nevertheless, Red Eléctrica's facilities are located all over the national territory, making it, in many cases, inevitable that they cross or be located in protected spaces or in areas with species of interest (approximately 25% of the Spanish territory is protected).

In the cases in which it is not possible to avoid sensitive areas, Red Eléctrica initiates all the necessary measures to reduce the possible impacts and it even establishes environmental improvement actions to improve the biodiversity in those areas in which its facilities are located. All these measures are described throughout this chapter.

Presence of facilities in Red Natura zones -EN11- [1]

	2008 [2]	2009 [2]	2010 [2-4]
Km of line in SAC / total km of line (%)	13.59	13.74	13.44
Surface area of lines in SAC/Total surface in SAC in Spain [3] (%)	0.12	0.12	0.12
Km of line in SPAs / total km of line (%)	10.89	10.95	11.37 [5]
Surface area of lines in SPAs / Total surface in SPAs in Spain (%)	0.12	0.12	0.12
Number of Substations in SAC / Total Substations (%)	11.80	11.71	6.65
Number of Substations in SPAs / Total Substations (%)	9.57	9.57	5.61

SAC: Special Areas of Conservation; SPA: Specially Protected Areas for birds.
(1) Data regarding the assets acquired from the Spanish electric utility companies at the end of 2010 will be integrated in 2011.
(2) The Red Natura 2000 database, published in 2008, was used to calculate the ratios for 2008 and 2009. For the 2010 calculation the current base published in 2009 was used.
(3) The surface area of lines in SAC has been calculated assuming an occupation of 20 m on each side of the line. It is necessary to keep in mind that the occupation is aerial; there is only actual occupation in the case of the towers.
(4) For the calculation of the 2010 data the cartography of commissioned facilities was updated, the slight variations with respect to the previously used cartography were more significant in the calculation of ratios related to substations. The indicators solely make reference to the facilities located on the Spanish peninsula.
(5) The updating of the Red Natura database has had impacted primarily on this indicator, due to the slight increase in surface catalogued as SPA in said catalogue, resulting in facilities not previously regarded as being inside protected areas now being included.

In 2010, 22.5 km of line were commissioned in Red Natura (representing 5.8% of the toal number of lines commissioned). On the other hand, the construction of the 400 kV Lastras-San Sebastián de los Reyes line is noteworthy as it made it possible to dismantle 30 km, of line that crossed through the Regional Park of Cuenca del Río Manzanares, of which 29 km were in SAC areas.

Presence of facilities in protected areas (TDE) -EN11-

Protected area	km of line
Cotapata National Park and its integral management	14.5
Tunari National Park	19.6
Carrasco National Park	13.5

Note: TDE counts on a total of 2,190 km of line

The potential **impacts of the activities of REE on biodiversity** are related to: -EN12-

- Effects on flora and the alteration of habitats of certain species, mainly during construction activities.
- Effects on flora due to felling and pruning due to maintenance of security corridors.
- Fire risks.
- Risk of birds colliding with the grounding cables that protect the lines from electricity discharges during storms.

Impacts produced in 2010 -EN12-

Effects	Measures applied
During the works to increase the capacity of the Entrerríos – Montetorrero line land reduction took place (effecting the soil and flora) in the SAC «Dehesa de Rueda Montolar»	**Restoration of the area and its monitoring over a two-year period**
Pruning of two holly trees (Ilex aquifolium) for the positioning of a tower in the construction of the 220 kV Soto-Penagos line.	**Planting of two new holly trees**
Collisions with lines in service, resulting in 4 bird deaths: Booted Eagle (Hieraaetus pennatus), Great Bustard (Otis tarda) - vulnerable species according to the IUCN red list. -EN15-, Western Marsh Harrier (Circus aeruginosus) and Reed Bunting (Emberiza schoeniclus).	**Communication to the appropriate environmental organisation**
Collisions with lines in service resulting in 2 wounded birds: Short-toed Eagle (Circaetus gallicus) and White Stork (Ciconia ciconia).	**Transferred to the recuperation centre**

In the event that a potential impact on protected areas or species should exist, the work criteria established is more restrictive and the preventive and corrective measures applied are more far reaching. -EN14-

Measures applied to construction works of facilities

The following tables include the main protection measures regarding the reduction of impacts on flora and the fauna, and some of the actions carried out during 2010 are detailed. -EN13, EN14-

Protection of flora: preventive and corrective measures

Modification of the project design during the works

E-S Udalla 400 kV line	**Compacting of towers** with the distribution line in order to avoid the felling of oaks and Holm oaks (Quercus ilex y Quercus rotundifolia) in a scrubland area deemed to be of public interest.
Sentmenat-Vic-Bescanó line*	**Increase** in the height of towers in order to **eliminate a tower** located in the SAC protected area of Guilleries–Savassona. This has avoided the need to open an access road and reduced land movements, and reduced the impact on numerous holly trees (*Ilex aquifolium*).
Sentmenat-Vic-Bescanó line*	**Relocation of a tower** (displacement of the route) to avoid the impact on holly trees (*Ilex aquifolium*).
Trives-Aparecida 400 kV line	**Relocation of 3 towers** to avoid the felling of various chestnut trees (Castanea sativa), some of large dimensions.
Soto-Penagos line	**Increase in the height of 70** towers in order to minimise the impact on flora, mainly avoiding the felling of leafy specimens.

Relocation of specimens

Santa Ponsa 220 kV substation Valldurgent 220 kV substation	**Transplanting** of carob trees present in the area (18 in total) in order to assist in the landscape actions of the area.
Soto-Penagos lines	**Transplanting** of holly trees (Ilex aquifolium) affected by towers.

Marking and protection of habitats and areas with protected species

Calamocha-Mezquita 220 kV line	Botanical research previous to works and marking off of the access paths to protect the gypsophila flora and other indigenous vegetation. **-EN13-**

Hoisting with a boom crane

Cártama-Alhaurín-Los Montes 220 kV Trives-Aparecida 400 kV line Soto-Penagos line Sentmenat-Vic-Bescanó line*	Hoisting with a boom crane versus a standard crane requires less cleared surface and narrower access routes, representing a lesser impact on flora. A total of 187 towers have been hoisted with a boom crane.

Hanging by helicopter

L/Soto-Penagos L/ 400 kV Penagos-Güeñes L/ Zierbena-Abanto L/Pesoz-Salas L/Sentmenat-Vic-Bescanó*	A total of 94 km of line were hung by helicopter. This cable hanging technique avoids the need to open a corridor for cable hanging, hence avoiding the need to fell the vegetation.

Manual hanging

Cabra-Guadame 400 kV line	Manual hanging of line in a 4.5 km stretch, avoiding the need for vehicles and heavy machinery to access the area and therefore protect the existing flora. As a result of this measure, no impact was caused on the natural habitats of interest: Salix alba and Populus alba Riparian forests nor on thermo-Mediterranean riverside shrub land and riparian vegetation where the facilities cross the Guadalquivir y Guadajoz rivers respectively. **-EN13-**
Cártama-Alahurín-Los Montes 220 kV line	Manual hanging of line in a 0.8 km stretch to protect two areas of unique Mediterranean shrub land in the area, containing species such as the Mediterranean Fan Palm (*Chamaerops humilis*), Purple Jerusalem Sage (*Phlomis purpurea*), Black Thorn Shrub (*Rhamnus oleoides*), Rockrose shrub (*Cistus albidus y monspeliensis*) and abandoned almond trees. **-EN13-**
E-S Udalla 400 kV line Avenas-Requena 400 kV line	Manual hanging of a 2.2 km stretch of line.

Use of special techniques in order to carry out works

Peninsula-Balearic Islands Interconnection	Opening a trench by means of "trenching technology", technique that minimises the impact on posidonian sea grass meadows (*Posidonia sp.*).

Restoration of natural spaces and areas affected by works

Sentmenat-Vic-Bescanó line*	Decompacting and adapting of 6,000 m^2 of platforms, laying of 4,675 m^2 of coconut netting, hydro sowing of 30,500 m^2 (platforms and slopes) and planting of 5,000 plants. *Brachypodium retusum* was planted in the area around the towers located in the Thero-Brachypodietea habitat (considered SAC), and hydro-sowing was not carried out in order to avoid the introduction of species alien to it. **-EN13-**
Pesoz-Salas line	Restoration of access paths and areas affected by land movements. Adding soil containing vegetable matter and sowing by hand. Part of the terrain restored belongs to the SAC Sierra de Lagos. **-EN13-**

Protection of flora environmental improvement measures*

Penagos-Güeñes 400 kV line	Improvement of 20 ha of pasture lands in the Armañón Natural Park (manual clearing, fertilizing and lime spreading).

(*) Not related to the potential or actual impact of the facility, the actions are directed to improving the biodiversity of the surroundings of the facilities.

Protection of fauna corrective and preventive measures

Relocation of specimens

Peninsula-Balearic Islands Interconnection: submarine stretch of cable	The Noble pen shell (Pinna nobilis) - endangered species according to the National Catalogue of Endangered Species **-EN15-** affected by the project were recovered and relocated.

Fencing off to protect species

Santa Ponsa substation	Fencing off work areas to avoid impacts on the spur-thighed tortoise (*Testudo graeca*) - endangered species according to the IUCN Red List. **-EN15-**

Biological stoppages

Penagos-Güeñes 400 kV line	Stoppage of works from February to August in a critical area of 1.3 km owing to the presence of the Egyptian Vulture (*Neophron percnopterus*), species in danger of extinction according to IUCN Red List. **-EN15-**
Soto-Penagos line	Stoppage of works from May to September due to the presence of the Egyptian Vulture (Neophron percnopterus). **-EN15-**

Light pollution studies

Morvedre 400kV converter station (CS)	Execution of a light pollution study to prevent the effect on the fauna of the "Marjal dels Moros" wetlands No impact on the same was detected and it was not necessary to modify the lighting systems.

Other measures

Fuendetodos-Mezquita 400 kV line	Dismantling of a rubbish dump in the vicinity of the route of the line (to avoid impact on birds that might frequent the dump) and restoration of the area.

Prevention of fires -EN14-

In the fight against fires it is essential to carry out a **suitable maintenance of the lines and the security corridors**. Therefore, an appropriate predictive maintenance (inspection and periodic revision of the facilities) as well as a correct preventive maintenance, based on the development of forestry works are carried out.

Regarding predictive maintenance, Red Eléctrica inspects all facilities annually using diverse methods: on foot for 25% of the facilities (in the case of critically important points this is carried out more intensely) and inspections from the air (normal for 62.5% of the facilities and intensive for 12.5%). For specific facilities, LIDAR flight technology is also used (Laser Imaging Detection and Ranging) that allows the precise identification of flora that is in a close proximity to the cables.

Red Eléctrica carries out an annual revision of all its facilities as a priority measure in fire prevention

Preventive forestry works (precise clearing, pruning and cutting back) have the objective of maintaining the safe distances between flora and the facilities, this is why they are fundamental when reducing fire risks to the maximum. It is important to emphasise that **Red Eléctrica does not use chemical methods in the maintenance of the security corridors**.

Given that the felling of wooded areas can in itself represent an impact on flora, it is important to carry them in accordance with best practices:

- Comply with the corresponding administrative authorisations and fulfilling all the environmental conditions in relation to the periods in which the works are performed.

- Cause the least impact on the species to be worked on: respecting scrubland and the arboreal species which contain small and slow growing species, minimising activities on protected species (pruning only) and repopulating degraded zones. Noteworthy is the case of TDE, that in tropical zones it replaces the thick-growing vegetation under lines with pastureland or a covering of leguminous plants.

Also it is necessary to emphasise that, during facility construction works, a series of measures is taken designed to prevent forest fires:

- Elaboration and establishment of plans for fire prevention adapted to the characteristics of the works.
- Stoppage or restriction of works at times of high fire risk.
- Establishment of preventative measures in the cases of high risk: water tanks in the working area, backpacks, "spark guards" on machinery, etc.

Furthermore, Red Eléctrica continues fostering **collaboration with the areas of the administration responsible** for the development of measures and strategies for fire prevention and fire fighting. Along this line, collaboration agreements with the autonomous communities of Andalusia, Castilla-La Mancha and Aragon have been signed and the objective is to reach similar agreements with all the autonomous communities.

Additionally, in the scope of awareness and training, within the framework of the agreement regarding fire prevention signed with Andalusia, collaboration has been carried out with Plan INFOCA on the elaboration of informative material that has been distributed in schools of all the provinces of Andalusia.

In the field of research, the following projects are noteworthy:

VULCANO (R&D&i) (2008-2011)

Carried out in collaboration with Iberdrola, ADIF and INECO, its objective is the prevention of forest fires, by means of the development of an assessment methodology and the prevention of conflict between electricity lines and railway networks with their surroundings During 2010, the following activities were carried out:

- Characterisation of the socioeconomic environment of the project by means of the accomplishment of two surveys (carried out by APAS - Association for the Promotion of Sociocultural Activities). In the survey aimed at the public general, Red Eléctrica resulted in being the company which was the best valued from a rural standpoint regarding the way in which it carries out its activities in relation to the environment. Regarding the survey carried out on the technicians and those responsible for the administration, noteworthy was the maintenance of security corridors carried out by REE and their fluid communication with the Administration.

on Internet

Vulcano Project

- Development of the evaluation model and obtaining of the risk rates.
- Creation of the project webpage: www.proyectovulcano.es.
- Celebration of technical sessions with the participation of the project partners and the people in charge and technicians in matters of forest fire prevention in Andalusia, Catalonia, Castilla-La Mancha, Madrid and Valencia.

Modelling of the growth of forest masses (2010-2013)

The work will be carried out with Altran Technologies and the School of Engineering and Mountain science of the Universidad Politécnica de Madrid. The project consists of developing a growth model of the forest mass with the aim of being able to predict the necessity for tree surgery in the proximity of the lines so that the established distances are not exceeded.

Pastureland grazing as an alternative technique for the maintenance of electricity line security corridors.

Launched at the end of 2010, and carried out in conjunction with the Government of Aragon and the Official School of Technical Forestry Engineers. This consists of analysing controlled grazing as a tool for the maintenance of electricity line security corridors. With this project Red Eléctrica seeks to offer alternatives that combine the environmental benefit associated to the control of vegetation and the creation of rural employment.

It is important to highlight that, thanks to the application of all these measures, the number of fires related to REE facilities remains low and their derived consequences are ever less serious. During 2010 two fires in substations occurred (within the limits of the facility and were of little consequence) and neither were related to the electricity lines.

Protection of birdlife -EN14-

The only potential negative effect for wildlife caused by facilities in service (substations and lines of 400 and 200 kV) is the risk of collision of the birds with the grounding cable. The main measure to reduce this risk is the marking of these cables by means of devices that increase their visibility.

During 2010, **228 km of overhead lines were marked**, 132 km of new lines and 96 km of lines already in service. The marking of lines in construction derives from the environmental analysis of the projects and the establishment of preventive measures, whereas marking of lines in service is due to the collaboration work with the different administrations, which identified the risk points associated to the lines present in their territory and asked for actions to be taken regarding the lines.

Marking of lines with bird flight diverters km of line marked -EN14-

	2008	2009	2010
Total km of lines with installed devices	923	1,175	1,403
km of line marked /total km (%)	3.5	4.4	5.4
km of lines with installed devices in SPAs	255	375	412 (1)
km of lines with installed devices in SPAs/km of lines that pass through SPAs (%)	8.8	12.7	14 (2)

(1) 48% of the total kms marked in 2010 are in SPA or zones under other entities for the protection of birdlife
(2) Although the value of the indicator could seem low, it is important to clarify that it is not necessary to mark 100% of the lines that pass through SPA as not all the species of birdlife present in these areas are susceptible to collisions with lines. At this moment the elaboration of an indicator that better reflects the marking is being worked on (for its calculation the areas in which species at risk of collision exist will be taken into account, whether they are in SPAs or not).

In relation to the prevention of collisions noteworthy is **the collision detector R&D&I project**: this is carried out with the Fundación MIGRES and the Research Foundation of the Universidad de Sevilla. Its objective is the design of a detection system of possible impacts to be installed on grounding cables that will indicate, in real time, collisions and their actual location, so as to allow swift action in the case of accidents. This year, the prototype has been installed on an actual stretch of line in the municipality of Tarifa (Cadiz). The monitoring of its effectiveness will continue during 2011 (although the conclusion of the project was initially predicted for 2010).

In addition, with the aim of having a better knowledge of those areas where there is a risk of birds colliding with electricity lines, Red Eléctrica has begun to work on drawing up the **cartography of bird flight paths**, that consists of identifying

the more frequented routes and those used by birds which are more prone to collide with the lines, in its regular movements. This has begun in the autonomous communities of Andalusia and Extremadura and a project is being carried out in collaboration with the Doñana Biological Station (CSIC), the Junta de Andalucía (Andalusian Government), Junta de Extremadura and CLAVE. In 2010 work has been carried out regarding the phase of collating information (identification of focal species and contact with interlocutors) and it is anticipated that geographic information will be generated during 2011.

On the other hand, REE continues trying to improve other aspects related to the interaction of their facilities with birdlife, for example nest building by birds on the electricity lines. In 2010 a new project for **testing a model of nesting deterrent for storks (Ciconia ciconia)** has begun. This year three different types of deterrent devices have been installed on 18 towers located in Andalusia and Castilla-Leon, so as to be able to analyse their effectiveness.

Contribution to biodiversity conservation

In addition to working on reducing the impact of its activities, Red Eléctrica actively contributes to the conservation of biodiversity in our country, participating and leading various projects and carrying out activities related to training and the dissemination of information.

Main communication actions 2010

- Publishing of the leaflet regarding 25 years of biodiversity.
  http://www.ree.es/medio_ambiente/biodiversidad.asp
- Creation of an area on the REE webpage dedicated to biodiversity.
  http://www.ree.es/medio_ambiente/biodiversidad.asp
- Support, by TDE, for the publishing of a book a Amphibians of Bolivia.
- Participation in the forum «Biodiversity and energy companies», promoted by the Spanish Energy Club and REE.
- Participation in the biodiversity and society training sessions, organised by the Valencia Government (Generalitat Valenciana).
- Collaboration of TDE with the Natural History Museum «Alcide d'Orbigny» for the support of research, training and dissemination regarding the importance of biodiversity in Bolivia.

Moreover, REE has established, as an objective for the 2011-2013 period, to have at least one project, activity or collaboration agreement under way in each autonomous community regarding biodiversity. At present it is collaborating in some form on 10 initiatives. During 2010 it has worked on the following projects:

Improvements to the habitat of Steppe birds (2008-2012)

Developed in collaboration with the Department of Biology of Doñana's Biological research station (CSIC) together with the Gypaetus Foundation and the area of La Noruela in Higuera de Calatrava (Jaén). Its aim is to design and test measures to minimise the impact of the lines on these birds, especially on the Great Bustard, Otis tarda (endangered species according to the UICN red list **-EN15-**) and to improve their habitat. During 2010 the works have continued in the agreed area, planting leguminous plants, delaying removal of weeds and undergrowth and improving watering holes and the marking of facilities has continued. At present it has been possible to confirm the birth and survival of a Great Bustard chick on the site.

In parallel, measures are being applied to provide shelter and additional food to numerous species, in addition to the Great Bustard population of the area, with the aim of increasing the biodiversity in the area of the project. In this way, during 2010 the re-vegetation took place around the base of three towers by means of the sowing of seeds and the planting of indigenous vegetation (seedlings and shrubs) and the creation of shelters that have already been occupied by numerous species.

Programme for the reintroduction of the Black Vulture (*Aegypius monachus*) in Catalonia (2008-2012)

This project is coordinated by the Rehabilitation Group of Indigenous Fauna and its habitat (GRENF), the Autonomous government of Catalonia (in collaboration with the Autonomous government of Extremadura, the Community of Madrid and Caixa Catalunya) and the Association of Centro de fauna de Valcent (TRENCA).

The project is based in the pre-Pyrenees area located in the Lerida region and includes field actions as well as dissemination and educational activities. The aim is to create new colonies forming natural corridors in the Mediterranean basin and the reintroduction of the species in Catalonia. During 2010, the following activities were carried out:

- Release of 6 specimens of the Black Vulture (27 had been released previously).
- Installation of 10 artificial nesting platforms and strengthening of existing structures.
- Installation of attraction devices for the Black Vulture (artificial decoys).
- Installation of an automatic system of video-monitoring in the feeding sites and collaboration with the Reserve's bird shelter for the feeding of the Black Vulture.
- Monitoring of the released specimens.

The results at present are highly satisfactory having consolidated a nucleus formed by 22 individuals and **providing the first recorded successful breeding of the Black Vulture in the Pyrenean massif for more of a century**. In addition there has been the consolidation of a flight communication passage between Black Vulture colonies in Spain and France.

Support programme for the conservation of the Brown Bear (Ursus arctos) and Wood Grouse (Tetrao urogallus) (2008-2010)

Carried out in collaboration with the Fund for the Protection of Wild Animals (FAPAS) and the main objective is to support the feeding of these animals, by means of the planting of fruit trees and positioning of beehives, thus contributing to the conservation of the biodiversity of the Cordillera Cantábrica and providing support to the local community by through training in traditional farming methods of the territory. In 2010 the following activities have taken place:

- The planting of 2,000 fruit trees (cherry, chestnut and apple) on private properties which are semi or quasi-abandoned.
- The installation of a pollinating station with 30 beehives.
- The dissemination of the activities through informative leaflets distributed at talk sessions with the local society, with the support of local action groups.

Study on the state of the Stone Curlew population (Burhinus oedicnemus distinctus) and threats to its conservation (2010-2011)

This is carried out in collaboration with the Biodiversity Service of the Canary Islands Government and Birding Canarias. Its objective is to ascertain the state the population of this species on the island of Gran Canaria. In 2010, the following milestones were achieved:

- Cartographic identification of the areas where the species is present.
- Census of reproductive population and characterisation of the habitat.

- Sampling in areas in the vicinity of the electricity cables owned by REE, where no accidents due to collision have been registered.

Captive breeding and gene pool of the Bearded Vulture (Gypaetus barbatus) (2010)

Collaboration with both the Government of Catalonia and TRENCA on the construction of two breeding cages for the development of a new module in the captive breeding centre and the Pyrenean gene pool of the species in the Valcallent fauna centre (Lleida), Catalonia.

Conservation of the Lesser Grey Shrike (Lanius minor) in Lleida (2010)

Collaboration with both the Government of Catalonia and TRENCA on the introduction of urgent measures regarding the conservation for this species. Three release cages and one breeding cage in the fauna centre Valcallent fauna centre (Lleida), Catalonia have been constructed. This was carried out in collaboration with the Government of Catalonia.

Proyecto LIFE+ conservation and management of Special Protection Areas of Steppe birds in Andalusia (2010-2013)

The project consists of the initiating of a series of measures to improve the situation in which various species of Steppe birds find themselves - Great Bustard (*Otis tarda*)- vulnerable according to the IUCN red list, -EN15- Little Bustard (*Tetrax tetrax*)- almost endangered according to the IUCN red list, -EN15- Lesser Kestrel (*Falco naumanni*)- vulnerable according to the IUCN red list, -EN15-Montagu's Harrier (*Circus pygargus*) vulnerable according to the National Catalogue of Endangered Species -EN15-, Stone Curlew (*Burhinus oedicnemus*), Collared Pratincole (Glareola pratincola), Black-bellied Sandgrouse (*Pterocles orientalis*) and European Roller (*Coracias garrulus*)- almost endangered according to the IUCN red list, -EN15- present in various SPAs in Andalusia (Alto Guadiato-Córdoba, Campiñas de Sevilla, Laguna de Fuente de Piedra y Lagunas de Campillos-Málaga).

Carried out in collaboration with the Ministry for the Environment, Ministry for Agriculture, Fisheries and Food, ASAJA, COAG, UPA, the Association of Valle del Guadiato Municipalities, SEO, EGMASA, DAP, ENDESA and Fundación Enresa and implies the participation of 120 owners of affected land.

on Internet

LIFE+ Proyect

In 2010 the signing of the agreement took place and also the creation of the project webpage: http://www.juntadeandalucia.es/medioambiente/lifeesteparias.

Installation of nesting boxes for the Common Kestrel (Falco tinnunculus) (2010)

Four nesting boxes for the Common Kestrel were installed in the Viladecans substation (Barcelona), with the aim of improving the nest building base of this species. Collaboration has occurred with GREFA and the occupation of the nesting boxes has been a success.

Installation of nesting boxes for the Soprano Pipistrelle Bat (Pipistrelus pygmaeus)

In collaboration with the Valencia Government and to improve the availability of shelters for bats in the Turia Natural Park (Valencia), four nesting boxes have been installed, which have already been occupied.

The REE Forest: reforestation of highland areas affected by fires in the province of Teruel -EN13-

Started in 2009, it is an ongoing project associated to the compensation of emissions (see climate change section). This compensation shall be carried out by means of planting trees with the aim of recovering a deteriorated natural area. In 2010 work was undertaken regarding the **reforestation of 85 ha of highland areas**, property of the Aragon Government (Montes de Castelfrío-LIC- and Ejulve), that was damaged by fire in July 2009. The works of land preparation has been carried out with the planting of 70,000 Pines (*Pinus sylvestris*) and 10,000 Mountain Ashes (*Sorbus sp.*) and in addition the sowing has taken place using protective sleeves for 23,000 Oaks specimens (*Quercus ilex and Quercus faginea*).

Compensatory measures associated to the REMO Project (Second interconnection cable Spain-Morocco).

Given that the stretch of line crosses El Estrecho (The Strait) Natural Park (Tarifa), catalogued as a SAC, the project has involved numerous compensatory measures. During 2010, the following activities were carried out:

- **Activities to evaluate the effect of underwater activities on the sea bed.** In the summer of 2010, actions began, by the Universidad de Sevilla, to carry out monitoring on those infrastructures installed for the mooring of boats dedicated to underwater activities. It is anticipated that the results of the impact, positive or negative, of these activities on the different components of the marine environment shall be available in 2011.

- **Design and equipping of the monitoring station for migration in the Strait of Gibraltar.** After the accumulated delay caused by the difficulty in locating an appropriate location in El Estrecho Natural Park, due in great measure to the protection regulations of the Park and the conditions for the implementation of new facilities in its area. In 2010 an agreement with the Ministry of Defence for the location of a tracking station in old dependencies within the Park been signed.

Conservation of Biodiversity in Western Iberia: Campanarios de Azaba Reserve

Sponsorship of this LIFE Project coordinated by the Nature and Man Foundation to improve the various habitats and ecosystems in the area and to define models of its sustainable management.

Support for sustainable development of «Valle del Castillo de Chuecos» (Águilas, Murcia)

Collaboration with the plan of sustainable development of the area, promoting fire prevention actions and an erosion control process. Amongst the anticipated actions noteworthy is the construction of a emergency water reservoir for fire fighting and the installation of a prototype system of video-monitoring in REE's towers present in the area.

Red Eléctrica and climate change

The energy sector has a significant role in the fight against climate change. Red Eléctrica, as transmission agent and system operator of the electricity system, actively contributes to the development of a more sustainable energy model through:

- The construction of a **network of electricity infrastructures** that facilitates the evacuation of clean energies and the application of technical operational solutions to maximise the safe **integration of renewable energies**.
- The promotion of **energy efficiency** by means of the development of demand management initiatives directed to the responsible use of energy, amongst which noteworthy is the backing for the implementation of the electric vehicle.

Además, REE ha asumido el compromiso de **controlar y reducir las emisiones derivadas de todas sus actividades** y se ha fijado como objetivo para el año 2020 su reducción en un 20 %. Para ello, ha definido varias vías de trabajo entre las que se incluye el inventario y reducción de emisiones de SF_6, la aplicación de medidas de eficiencia energética en sus instalaciones y procesos y la compensación mediante la plantación de arbolado.

These lines of action are complemented with collaboration on external initiatives such as the CDP (Carbon Disclosure Project) or the CO_2 Action Programme (Fundación Entorno-Consejo Empresarial Español para el Desarrollo Sostenible).

RED ELÉCTRICA eficiente

Conscious of its important role in the promotion of energy saving and energy efficiency measures, Red Eléctrica has incorporated efficiency as one of its main pillars of work, as reflected in its new environmental policy. For this reason it has created the brand "Red Eléctrica eficiente" that distinguishes all those actions that promote a better use of energy and resources with the objective of fostering and raising awareness about them. Encompassed within this framework of this brand are not only demand management initiatives and other technical projects related directly to its activity as operator of the electricity system, such as measures for the reduction of basic consumptions in the daily activities and the different awareness and communication campaigns.

Development of facilities and integration of renewable energies -EN6-

Thanks to the development of electricity transmission infrastructures the commissioning of new cleaner energy generation facilities is possible, amongst which are those of renewable origin. In this sense, during 2010 Red Eléctrica de España has commissioned 839 km of new electricity line, a great part of which will help to address the growth experienced in 2010 regarding energy of renewable origin (1,634 MW) and combined cycle (2,154 MW) in the Spanish electricity system. Similarly, the facilities for powering the high speed train have been commissioned, thanks to which the inauguration of the AVE Madrid-Valencia and Madrid-Albacete has been possible.

Also, noteworthy is that all the projects whose permitting procedure began in 2010, 17% have, as their ultimate objective, the evacuation of renewables from facilities and 17% are facilities to support the high speed train.

In relation to the commitment of increasing the efficiency of the electricity system as a whole, it is important to note that 56% of the initiated projects have as their objective the improvement of grid meshing. In addition, two projects regarding hydro-electric storage systems and electricity regulation that will be developed on the Canary Islands have begun the permitting procedures. The development of storage systems is essential to increase the efficiency of the system and the incorporation of renewable energies.

As system operator Red Eléctrica continues to strive to integrate, under secure conditions, the greatest possible amount of renewable energy through CECRE (Control Centre of Renewable Energies), the world reference centre for the monitoring and control of renewable energies. During 2010 coverage of the demand originating from renewable sources was 35% compared to 27% in 2009. The increased weight of renewable energies in the energy generation mix has been translated to a reduction in the emission factor according to that indicated in the following table:

Emission factor (t CO_2/MWh generated)

2008	2009	2010
0.3167	0.2789	0.2129

The factor has been calculated for the Peninsular system, taking into account the energy mix of each year and associating to each generation technology an emission factor in accordance with the values set out in the 2005-2010 Spanish Renewable Energies Plan.

Also worth a special mention, is the work TDE is carrying out in the field of renewable energy. In 2010, thanks to the management of the Atlas Eólico Satelital de Bolivia, it has been possible to deal with 48 requests for information and wind power grantsconcesión de cupones eólicos.

Energy efficiency, demand management initiatives -EN6-

Demand management consists of planning and implementing measures destined to influence the way energy is consumed with the objective of producing the desired changes in the demand curve: reduction of consumption in peak hours and displacement of the consumption to valley hours. Driving these measures is necessary to fulfil the efficiency objectives and obtain a better integration of renewable energies.

The works in this area concentrate essentially on the following aspects: to understand the behaviour of the electricity demand as a necessary step for the identification of action measures; to offer, to develop and to evaluate the identified measures and to disseminate the knowledge regarding consumption patterns and measurements of success.

In this scope noteworthy is that Red Eléctrica has clearly backed the introduction of the electric vehicle into our society, as it represents a great opportunity to improve the efficiency of the system, reducing the differences that take place between the periods of greater and lesser electricity consumption and facilitating the integration of non-manageable energies, such as wind power.

Red Eléctrica has published on its webpage since 5 June 2009 (World Environment Day) information on the sources of energy generation that is being consumed at every moment and the corresponding emissions associated to them.

www.ree.es/+

The initiative, in addition to providing information, is a route to disseminating awareness, as it shows the relation between different points on the demand curve regarding CO_2 emissions and the necessity of a more balanced electricity consumption throughout the day. This work has been including in 2010 in the Top Ten awards of "The ten best ideas to save nature" awarded by the Red Life magazine.

In this way, Red Eléctrica actively collaborates on the drafting of the "Comprehensive Plan for the backing of the electric vehicle in Spain", having coordinated the concerns regarding efficient charging. In addition it takes part in different research projects related to the introduction of the electric vehicle, noteworthy amongst which is the "**Proyecto VERDE**" (Green Project) whose main objective is the development of a simulator of the electric car and its management systems for intelligent charging. On the other hand, Red Eléctrica has acquired its own electric vehicle and already has eleven charging points.

Note: For more information on the demand management activities and research projects please see chapter 4 of this report.

Control and reduction of emissions

REE inventory of emissions

Greenhouse gas emissions (t CO_2 equivalent)*

	2008	2009	2010
Direct emissions			
SF_6 emissions [1]	48,455	65,764	61,500
Emissions associated to the use of fleet vehicles [2]	1,995	2,437	1,715 [6]
Indirect emissions			
Emissions associated to electrical energy consumption [3]	4,403.5	3,881	2,957
Emissions due to losses from electricity transmission [4]	1,073,518	861,859	723,540
Totals -EN16-	1,128,371	933,941	789,712
Emissions compensated as a result of planting trees [5]	-	-2,430	-30,900

(*) This inventory does not include all the emissions that have been identified for REE. During 2011 a project for the revision and adjustment of the inventory will be carried out with the aim of including all the data. The inclusion of the omitted data in the inventory for 2010 was not considered in order to maintain a period of three years that can be compared and therefore be able to appreciate the progress regarding emissions.

(1) Taking global warming potential (GWP) during 100 years of 22,800. Source IPPC (Intergovernmental Panel on Climate Change: 4th assessment report)

(2)Source used for the calculation: GHG Protocol initiative.

(3) The factor has been calculated for the Peninsular system, taking into account the energy mix of each year and associating to each generation technology an emission factor in accordance with the values set out in the 2005-2010 Spanish Renewable Energies Plan.

(4) A part of the energy generated by companies does not reach the consumer but is lost in transmission. Losses are related to: the location of the location of generation points with respect to the consumption points, the amount of energy demanded in the year, the yearly generation mix energy mix (percentage of each generation technology in the total energy generated), international exchanges and the demand curve. Practically none of these factors are controllable by REE, whereby its reduction is difficult. However, REE works to identify and improve those which depend on their management. We consider this information of relevance, in the same way as the emissions associated to electrical energy consumption. C02 is not emitted during REE activities as they take place at the different energy generation points. The emission factor calculated by REE is used.

(5(During the full life cycle of the tree. 1 Oak = 300 kg of CO_2 during its life-cycle

(6) In 2010 a total of 5,888,712 km has been driven.

SF_6 emissions

The main emissions directly derived from the activities of Red Eléctrica are those of sulphur hexafluoride (SF_6), a gas used as an insulator in switches and shielded substations. In 2008, REE signed a voluntary agreement with the Environmental Ministry, the Electrical Manufacturers Association (SERCOBE) and the Spanish

Electricity Industry Association (UNESA), for the reduction of the emissions of sulphur hexafluoride (SF_6) in the electricity sector. For their monitoring, annual meetings are held between the signing parties, in which they also share information regarding advancements in this matter.

On the other hand, during 2010, Red Eléctrica de España has carried out a complete revision of the practices followed regarding the control and management of SF_6 and has proceeded to define a new procedure that incorporates best practices and stricter requirements than those applied until now, with the purpose of having the best information regarding gas losses and to be able to establish the best reduction measures. In addition the training programme regarding the management of SF_6, due to be rolled out to all REE technicians, has been completed. **-EN18-**

Regarding the measures for the reduction of emissions, a **plan for the substitution of both SF_6 management equipment and metering equipment** has begun. In 2010, nine new pieces of equipment for the management of the gas and six new metering units have been acquired. The savings of emissions anticipated in the plan are detailed below:

Savings of emissions associated to the equipment renovation plan [1] -EN18-

	Savings in Emissions (Annual t CO_2)	Finalisation of plan
Management equipment [2]	450	2014
Metering equipment [3]	1,000	2012

(1) These savings are not reflected in the SF_6 inventory, due to the fact that the calculation is performed on the basis of emissions from equipment.
(2) The reduction of emissions is a consequence of its greater extraction capacity, which prevents any amount of SF_6 to remain in bottles and equipment that is emptied.
(3) The reduction is achieved owing to the fact that the new equipment allows the recovery of the gas used in the analyses, whereby said gas is not released into the atmosphere.

Management of SF_6

	2008	2009 [1]	2010
SF_6 installed (kg)	175,250	203,036	211,255
Emissions of equipment in service (kg) [2]	2,027	2,590	2,667
Average emission rate (%)	1.156	1.275	1.262
Emissions derived from accidents (kg)	-	294	30
Total emissions (kg)	-	2,884	2,697

(1) The 2009 data has been recalculated owing to the revision of gas inventories. Additionally, the accidents occurred in December 2009, and that at the moment of the drafting of the previous annual report had not been reported, have been incorporated into the figure.
(2) Different emission factors have been applied in the calculation of SF_6 leaks depending on the age of the equipment installed.

Emissions associated to electrical energy consumption

With the aim of reducing the emissions associated to electricity and fuel consumption, Red Eléctrica continues to work on the implementation of various **efficiency measures**. All these measures, as well as the savings of emissions represented by each, are detailed in the section dedicated to consumption and energy efficiency. **-EN18-**

The REE Forest: this unique project is related with the fight against climate change. This year 103,000 trees were planted in Teruel (70,000 pines, 10,000 Mountain Ashes and 23,000 specimens of oaks) having greatly exceeded the goal established for 2010. This project equates to a compensation of 49% of REE's direct emissions and 4% of total emissions. **-EN18-**

Other emissions: gases that affect the ozone layer

In the case of REE, the gas emissions which damage the ozone layer can be considered irrelevant as they would only be associated to the losses coming from the air conditioning equipment with R22. These losses are minimal as suitable maintenance of the equipment is carried out. However, a **plan to replace** old equipment with new equipment containing gases which do not harm the ozone layer is being carried out. This will begin with that equipment which has had breakdowns or does not function adequately. All of this equipment will have been completely replaced before Jan 2015. **-EN19-**

Energy efficiency and consumption

Red Eléctrica considers it fundamental to know and reduce its basic consumption, as an important area of improvement in its environmental commitment. As a result it works in the implementation of measures aimed towards the efficient use of resources, putting special emphasis on energy efficiency improvement.

Basic consumption indicators at REE

Consumtion on raw materials -EN1-

	2008	2009	2010
Oil consumption (kg) [1]	71,820	41,480	73,065
Regenerated oil (%) [2] -EN2-	85	71	94
Paper consumption (printing and photocopies) (kg)	67,086	86,091	71,044 [3]
Paper consumption (kg /employee)	38	46	37
FSC Printing/Ecological brand (%) [3]	100	100	100
Paper consumption (publications) (kg)	78,478	49,960	64,640 [4]
Kg of FSC paper in publications (%)	46	25	43

(1) REE activities are not organised as a conventional productive process therefore the total consumption of raw materials is not calculated. As indicative data, information on oil used in maintenance is included as this is the auxiliary material of highest environmental relevance.

(2) Regenerated oil in relation to the total oil used in the transformer maintenance activities.

(3) Paper certified in accordance with the FSC (Forest Stewardship Council) which ensures efficient forestry used to conserve forests. 100 % of the paper for stationery is also FSC.

(4) The increase is primarily due to the increased number of publications for the 25th Anniversary of REE and the new brochures printed for distribution at Red Eléctricas roadshow science museums.

Direct energy consumption. Consumption of fuel (litres)* -EN3-

	2008	2009	2010
Diesel	721,527	884,022	625,333
Petrol	20,411	21,872	16,597
Total combustible	**741,938**	**905,894**	**641,930**
Average consumption (l/100 km) [5]	10.8	10.1	10.9

(5) This ratio is based an the average of the different types of vehicles. The data used for internal analysis is broken down by vehicle type.

Indirect energy consumption. Consumption of electrical energy (kWh)* -EN4-

	2008	2009	2010
Head Offices (Moraleja+Albatros) [6]	8,314,790	8,388,424	8,456,236
Tres Cantos [6]	1,649,525	1,621,481	1,652,587
Extrapeninsular systems [6]	942,366	1,096,601	1,152,442
Regional Offices	2,993,907	2,808,981	2,626,034
Consumption of electrical energy [7]	**13,900,588**	**13,915,487**	**13,887,299**

*(6)These are working centres with special characteristics due to the fact that electricity control centres are found there, which work 24 hours a day and have special energy consumption. As a result of the energy audit carried out in 2007 at the Head Office, it can be estimated that the consumption at the Control Centres would represent approximately 30% of the total, which would equate to **3,141,881 kWh** in 2010.*
(7) During 2010, the data was gathered regarding the electricity consumption registered at regional offices (work centres) and some maintenance centres. This data is not included in the 2010 fiscal year owing to the fact that a control and reporting revision of this data (emissions inventory) is pending to be completed in 2011 and it is considered more appropriate to include only those values that can be used to establish comparisons between the series of the three years.

Indirect energy consumption. Consumption of electrical energy (kWh)* -EN4-

	2008	2009	2010
Transmission grid losses [8]	3,388,742,000	3,090,008,000	3,398,038,000

(8) A part of the energy generated by companies does not reach the consumer but is lost in transmission. The location of generation points with respect to the consumption points, to the amount of energy demanded in the year, to the yearly energy generation mix (percentage of each generation technology in the total energy generated), international exchanges and the demand curve. Practically none of these factors are controllable by REE, whereby its reduction is difficult. However, REE works to identify and improve those which depend on their management.

Water consumption (m^3) -EN8-

	2008	2009	2010
Head Office [9]	18,161	22,508	18,083
Head Office m3/employee [9]	22.01	26.36	20.36
Centres [10]	10,351	16,253	35,076

(9) Water consumption at the head office includes the well water consumption used for irrigation of grounds. The real consumption ratio per employee at the offices would be 10.32 m3 (in 2009 it was 11.52 m3).
(10) The consumption in the work centres has increased due to fact that it now includes centres that before did not provide data to this effect. The ratio per person is not provided because the use of water at these centres is not linked exclusively to the activities of the offices.

* *According to the criteria defined by GRI, these indicators shall be provided in Joules. Owing to the fact that it is a infrequently-used unit of measure and it makes the analyses of the data complicated, the values are provided in kWh (electricity) and in (l) litre (fuel), which are frequently-used units of measure and that make it easier to understand the data. Nonetheless, the following summary table is provided in Joules for key data.*

Total fuel	$2.74 \cdot 10^{13}$	$3.35 \cdot 10^{13}$	$2.37 \cdot 10^{13}$
Total electrical energy consumption	$5.0 \cdot 10^{13}$	$5.0 \cdot 10^{13}$	$5.0 \cdot 10^{13}$
Total investment in the transmission grid	$1.22 \cdot 10^{16}$	$1.11 \cdot 10^{16}$	$1.22 \cdot 10^{16}$

1 kWh=$36 \cdot 10^5$ Joules; 1 l of diesel=$37 \cdot 10^6$ Joules; 1 l petrol=$34 \cdot 10^6$ Joules

The water consumed in Red Eléctrica's facilities is obtained from different sources: municipal water mains, wells, cisterns and rain water collection tanks (in the Northern Regional Offices and many substations, for sanitary use, for irrigation and fire fighting systems). -EN10-

Total water withdrawal by source -EN8-

	2008	2009	2010
Water mains	68.65	33.79	52.69
Well	30.73	65.16	45.66
Cisterns	0.62	1.05	1.65

Savings and efficiency initiatives

As mentioned in the section dedicated to climate change, Red Eléctrica has created the brand «Red Eléctrica eficiente» to highlight all those actions that promote energy efficiency. The following are the most relevant actions carried out in 2010:

5 March, World Energy Efficiency Day, was the day elected for the presentation of the brand to all Red Eléctrica employees under the motto «Use energy wisely ». The presentation was centred in the conveyance of messages regarding the good use of energy and other resources on a daily basis.

RED ELÉCTRICA eficiente

Incorporation of more efficient equipment in substations -EN5, EN18-

Red Eléctrica back the incorporation of equipment available on the market with the greatest energy efficiency when remodelling and modernising its facilities. An example of this is the substitution of old power transformers for new and more efficient ones, which in addition to being more powerful also have reduced power losses.

Additionally, a plan for the substitution of climate control equipment at substations was defined (to be completed in 2015). The new equipment has been selected based on its energy efficiency rating, and purchasing those with the highest efficiency and that comply with the technical specifications required.

Implementation of measures for reducing electricity consumption within buildings

During 2010, a permanent multidisciplinary working group was created with the aim of standardising the energy savings and efficiency criteria for Red Eléctrica buildings. In addition, work has continued on the implementation of efficiency measures in the head office and in work centres.

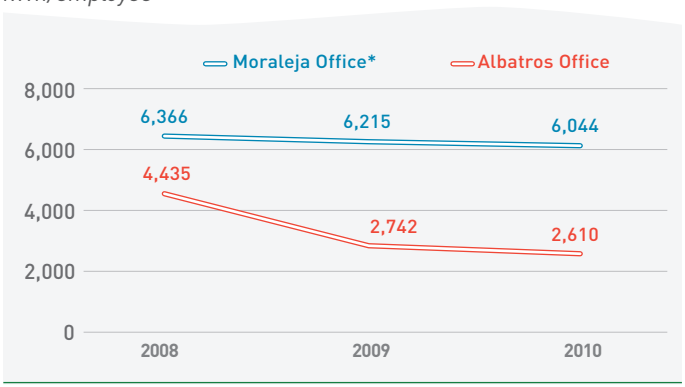
Head Office

In 2010, work has continued on the implementation of measures for the reduction of electricity consumption at the two centres that make up the head office, and all the halogen lights have been replaced with LED down lighting, it is estimated that the total annual savings is **69,334 kWh (14.76 t CO_2 equivalent)** **-EN5, EN7, EN18-**

It is important to point out that after several years of implementing efficiency measures, the figures are starting to show the reduction in electricity consumption.

Evolution of electricity consumption

kWh/employee



(*) The consumption regarding the control centre is not considered in the calculation.

Furthermore, during 2010, a study was carried out in order to define the exact actions required for the energy certification of the buildings located in La Moraleja, Spain, in accordance with norm UNE EN 16001.

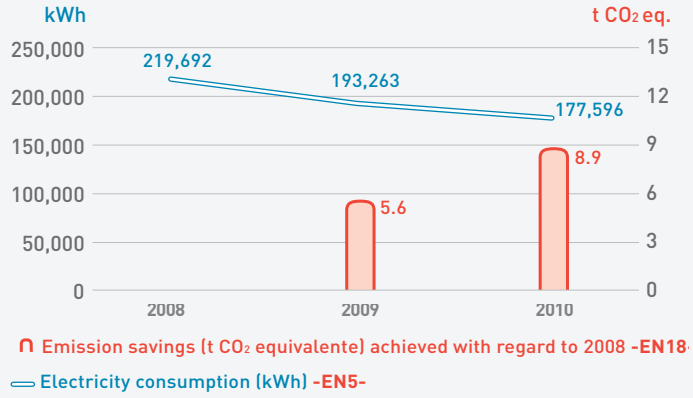
Maintenance centres

With regard to the remodelling of REE buildings, special attention is paid to analyse the possibilities of installing energy efficiency measures in: lighting, air conditioning, insulation, installation of renewables and water saving measures, proceeding to install those that best adapt to the structural specifications of the building. During 2010 the following measures were put in place:

- **Lighting:** building automation control (domotics), electronic ballasts, natural light regulators, movement sensors, timers, low consumption bulbs, exterior lighting with LED.
- **Insulation:** fitting of low emissivity glass laminated with solar control filter or double glazing and improvement of insulation on floors, ceilings and facades.
- **Renewables:** solar thermal for hot water used for sanitary purposes (ACS).

Taking into consideration only the measures related to the improvement regarding the lighting systems, it is hoped that this will represent an annual reduction in electricity consumption of 4,124 kWh (0.9 t CO_2 equivalent) **-EN5, EN18-**

Practical case: La Eliana maintenance centre (Valencia)



- Installation of LED fluorescent lighting in all buildings.
- Low consumption lighting with movement sensors and timer switch in bathrooms.
- Fitting of low emissivity glass.
- Insulation of the facade and ceiling.
- Thermal solar energy for sanitary hot water (ACS).
- Installation of 5 recharging points for electric vehicles.

Efficiency in Corporate Information Systems (SIC)

In 2010, a sustainability policy regarding corporate information systems was defined, it contemplates, as a key element principle, the application of energy efficiency criteria in the acquisition of equipment.

During 2010, 190 old monitors were replaced for new more efficient ones and 260 desktop computers and 212 laptops were renewed. The annual savings derived from these actions is estimated at **34,204 kWh (7 t CO_2 equivalent).** **-EN5, EN7, EN18-**

Mobility measures

More efficient fleet vehicles

Currently **50.14% of vehicles** that make up the REE fleet vehicles count on an **energy rating of A** and work continues to improve this figure.

Initiatives for reducing fuel consumption -EN5, EN7, EN18-

	Fuel savings (litres in 2010)	Control of emissions (t CO_2 equivalent in 2010)
Holding meetings via videoconferences [1]	28,531	76
Company bus for employee transportation [2]	28,190	76

*(1) Number of videoconferences * average distance not travelled (average obtained from the distances to the different work centres) * average fuel consumption (0.08 l/km).* ***Currently70% of meeting rooms have videoconference options.***
(2) Buses are made available to headquarter employees (Madrid) for their transportation to the work centre. The fuel saved is calculated by comparing the fuel used by buses (consumption of 0.33 l/km) with the consumption that 110 employees (bus users) would use in their private vehicles to travel the same distance.

Initiatives for reducing paper consumption

REE has continued with the paper reducing measures put in place over recent years: scanning of documents, internal request processes via IT systems, Christmas Greeting cards and publications in electronic formats and training via «The Paperless Classroom» that has provided 157 courses representing a paper savings of 785 kg.

Measures for the reduction of water consumption

During 2010 dual-flush cisterns were installed and taps with water reducing anti-splash nozzles in 8 maintenance centres.

Communication/awareness actions and participation in working groups

Participation in the Spanish technological platforms for energy efficiency and the digital home -EN6, EN7, EN18-

Red Eléctrica participates in these two sectorial platforms that aim to bring together the knowledge from a wide selection of companies regarding energy efficiency and the digital home.

Improvement in the communication and information for employees regarding energy efficiency -EN7-

Incorporating of new contents in the employee portal miRED:

- Renewing of the «Red Eléctrica eficiente» web area, with the addition of new sections such as «Current News Bulletin », Agenda (with events and informative/training sessions), «Using energy wisely » and « CO_2 Calculator » (link to Fundación Entorno).
- Reports about current topics of interest related to energy efficiency.
- New section called «Energy efficiency and sustainability » in the daily press bulletin.

Mobility Week -EN7-

Coinciding with European mobility week, the contest «Your city on bicycle" was proposed to its employees by Red Eléctrica. It involved the presentation of compositions regarding city touring routes, and two winners received a bicycle each.

Exhibition « The electricity highway behind the wall socket, taking electricity from the power station to your home » -EN7-

Red Eléctrica presented at Parque de las Ciencias de Granada, an interactive journey that invites the visitor to participate, experiment and discover what electricity is, how it is generated and transported and how to consume it in a sustainable way.

« The electricity highway behind the wall socket, taking electricity from the power station to your home »

The following actions were put in place for this exhibition:

- Graphical modules illuminated by LED's (7 to 18 times more efficient than fluorescent tubes or incandescence light).
- Re-usable materials and mediums.
- Minimisation of disposable materials.
- Wood fibre obtained from ecological forestry.
- Forest Stewardship Council (FSC) certified paper in support publications and brochures for the exhibition.

Publishing of the "Intelligent Electric Energy Consumption Guide" -EN7-

This guide regarding sensible consumption habits provides information and advice in order to make a more intelligent use of electric energy. (www.ree.es)

Creation of a web space dedicated to the electric vehicle

In this space Red Eléctrica's vision concerning the electric vehicle is explained, as well as those related projects in which it takes part.

Energy efficiency project in la Raya -EN7-

This project is carried out together with the Agrupación Europea de Cooperación Territorial Duero-Douro (AECT) which encompasses 107 municipalities of Zamora and Salamanca, as well as 80 in Portugal along the banks of the Duero river. Its aim is to bring the reality of energy to the rural world and to raise awareness within the population regarding good practices regarding energy efficiency.

Information dissemination sessions -EN7-

During 2010 a total of 30 information dissemination sessions were held, amongst which the following are noteworthy:

- **Informative sessions «Energy efficiency in the electricity system: challenges and opportunities for the society on the Canary Island »**. The event was organised together with the Social Board of the Universidad de La Laguna and counted on the participation of local and state energy institutions.
- **Informative sessions for children regarding energy efficiency and sustainability** in Fuendetodos (Zaragoza) attended by 115 students of primary and secondary education. Additionally, a permanent information stand for the dissemination of energy efficiency and sustainability concepts was inaugurated in the Centro de Interpretación de la Naturaleza de Fuendetodos.
- **Public awareness session** regarding energy efficiency and climate change held at Aldeadávila de la Ribera (Salamanca), with the collaboration of the Oxygen Foundation. A total of 70 children and youths accompanied by their parents participated in the session. The session was supported by the presence of the «climabús», a bus that counts on a didactic exhibit regarding energy efficiency and climate change in its interior which is composed of informative panels, interactive computers and scale models of the different sources of energy.

In 2010 Red Eléctrica participated in benchmarking sessions regarding corporate responsibility organised by the Excellence Sustainability Club, which addressed matters regarding energy efficiency. This Club granted the jury's special mention to the «Red Eléctrica eficiente» brand.

Waste management

During Red Eléctrica's activities different types of waste are generated, which are separated, stored and managed in the most effective way.

The **waste generated during maintenance activities** has the tendency to be increased due to the nature of the activities that produce them:

- **Adaptation of facilities:** improvement works on facilities to adapt them to the standardised criteria of REE, renovation of obsolete materials, improvement in the accident prevention systems, etc. Over the last two years numerous works have been carried out along this line and the waste associated to those activities has grown significantly. In 2010 the following cases are worth noting:
  - Adaptation of assets acquired in previous years to the current regulation and Red Eléctricas standardised criteria. This activity has represented an increase in the management of the oil/water mix due to the drainage of the spillage containment systems required for their adaptation.
  - Finalisation of the elimination/decontamination plan of machinery and equipment with PCB's which has generated an increase in the management of transformers, equipment and oil with PCB's.
  - Renovation of switchgear (installed and spare parts) which has signified an increase in the waste of electrical and electronic equipment with oil.
  - Adaptation of septic tanks to standardised criteria which required the previous management of a substantial volume of sludge.
  - Campaign for the substitution of Ni-Cd accumulators as a result of reaching the end of its useful life.

- **Accident prevention:** although accidents are infrequent, accidental oil spillage produces a large amount of waste due to the use of containment measures (absorbent material) and cleaning up the affected areas (soil impregnated with hydrocarbons) and draining of containment tanks (oil/water mix). The work to reduce this type of waste is linked to the appropriate preventive maintenance of the equipment and to the training of the workers in trying to reduce the number of accidents.

- **Regular maintenance tasks:** the maintenance of facilities generates different types of waste which try to be reduced by prolonging their useful life. As is the

case of the treatment that is carried out on transformer oils which allow it to be reused, allowing 1,145 tn to be regenerated in 2010 -EN2-. However, it must be pointed out that the increase in waste is related to the increase in facilities to be maintained (1,187 additional busbars and 6,173 MVA more of transformer capacity in 2010 with respect to the previous year).

Given the nature of these activities, it is very difficult to establish patterns for the reduction of total waste which is why the main lines of work are directed to the improvement of their management: minimising their hazardous properties (as has been done by the progressive replacement of silica gel containing cobalt for silica gel that does not contain hazardous substances); segregating them as much as possible; seeking the best management options (establishing of a collection system for NI-Cd accumulators, adapted to the IMS (Integrated Management System); carefully selecting the best suppliers and fostering best practices through training and awareness. -EN26-

As a reduction measure, included is the initiative carried out by the subsidiary TDE and that involved the substitution of the flashlights used by the substation security guards for other more efficient ones, hence reducing the amount of used batteries generated.

Waste generated during maintenance activities

	Amounts managed (kg)			
Non-hazardous waste -EN22-	**2008**	**2009**	**2010**	**Type of management [1]**
Septic tank sludge	73,149	230,000	371,410	Treatment/Elimination
Scrap metal	1,372,185	312,226	sd [2]	Recycling
Inert waste	1,634,100	321,298	19,400	Recycling/Elimination
Paper and cardboard	76,565	68,061	68,376	Recycling
Toner [3]	311	81	66	Reutilization
Wood	124,688	12,129	14,760	Valuation/elimination
Waste vegetation	15,520	6,550	34,030 [4]	(4)
Non-hazardous electrical and electronic waste	542	2,965	35,251	Recycling
Plastics Recycling	0	2,245	1,152	Recycling
Vegetable cooking oils	5,020	3,680	4,060	Valuation
Total hazardous waste	**3,286,559**	**952,685**	**514,475**	

(1) The amount of waste whose final destination has been recycling is estimated at 31.5 % of the total waste generated.
(2) Data not available. Upon finalisation of this report, the data regarding the total volume of metallic waste managed was in the process of being collated by the area concerned.
(3) As of 2006, the maintenance and replacement of equipment is performed by an external company who is responsible for its correct management. The figure only included the toners that are not contemplated in the contract.
(4) The greater part of this waste was handed over to the owner or incorporated in the soil. Only the managed wastes are taken into account in the figure. It has not been taken into account as part of the non-hazardous waste total.

Hazardous waste -EN22, EN24-	Amounts managed (kg) 2008	2009	2010	Type of management [1]
Used oil	156,978	174,538	187,758	Regeneration/Valuation
Oil/water mix	41,694	60,140	533,863 [5]	Valuation
Diesel/water mix	0	0	2,120	Valuation
Transformers and equipment with PCBs	46,834	33,960	180,655 [6]	Recycling/Valuation/ Elimination
Oils with PCBs	82,874	5,674	66,675	Elimination
Lead batteries	582	378	1,468	Recycling
Nickel/cadmium accumulators	2,548	20,946	44,723 [7]	Recycling
Batteries	34	95	5	Recycling/Elimination
Hazardous electrical and electronic waste: equipment containing oil	108,169	355,317	1,219,789 [8]	Recycling/Elimination
Hazardous electrical and electronic waste: others			12,579	Recycling/Elimination
Florescent tubes	388	818	297	Recycling
Earth impregnated with hydrocarbons	161,127	480,322	478,864	Elimination
Recipients that have contained hazardous substances	985	9,251	5,785	Recycling/Valuation
Absorbent materials, filtering materials, cleaning rags/cloths and protection clothing contaminated with hazardous substances	2,235	5,980	2,728	Valuation /Elimination
Silica gel and other inorganic chemical products	444	570	3,196	Elimination
Non-halogenated solvents	0	0	69	Regeneration
Halogenated solvents	0	0	16	Valuation
Water-based cleaning liquids	200	0	0	Elimination
Paint waste	0	53	43	Recycling/Valuation
Insulation material (with or without asbestos)	0	80	45	Elimination
Laboratory chemical products containing hazardous substances	75	420	50	Elimination
Gases in pressurised containers	14	762	4,078 [9]	Elimination
Waxes and used grease	0	0	9	Valuation
Total hazardous waste	**605,181** [10]	**1,149,305**	**2,744,814**	

(5) A significant amount resulted from the an adaptation campaign of non-standard pits for the containment of accidental spillage.
(6) Increase resulting from carrying out the decontamination/elimination regarding equipment containing PCB's.
(7) Replacement campaign owing to the end of useful life.
(8) Renovation of metering transformers.
(9) A campaign was carried out for the removal of SF_6 that did not comply with specifications that was in storage at substations.
(10) Data updated as a result of including gases in pressurised containers.

The waste generated in **construction activities** is managed by the contractors. REE communicates the requirements to them so that this management is adapted through environmental specifications, and its fulfilment is reviewed during works supervision visits and by controlling associated documentation. Control is evermore exhaustive due to the intensification of activities regarding environmental supervision of works.

It is worth noting that during 2010 an IT tool was implemented that makes it possible to record and analyse the data regarding waste generated during the construction activities of new facilities.

Waste generated during construction activities

Non-hazardous waste	Hazardous waste
Excavation surpluses	Absorbent matter and cloths contaminated with hazardous substances
Concrete surpluses	Earth impregnated with hydrocarbons
Flora/Forest waste	Recipients that have contained hazardous substances
Paper and cardboard	Paint waste
Plastics (containers and wrapping)	
Wood	
Scrap waste	
Solid urban waste	
Septic tank sludge	

Other environmental actions

Management of equipment with PCBs -EN1-

PCBs (Polychlorinated biphenyls, polychlorinated terphenyls, etc.) are classified by the World Health Organisation (WHO) as hazardous substances, their use being prohibited in new equipment due to their long persistence in the atmosphere, for being barely biodegradable and cumulative in the food chain and because its decomposition gives rise to high toxicity compounds.

Of the 17 transformers contaminated with PCBs that Red Eléctrica had inventoried, none exceeded a concentration of 500 ppm. In 2010 12 were eliminated (by means of an authorised manager of PCBs) and the other 5 have been submitted to a decontamination process, as was set out in the corresponding decontamination/elimination plan. Thereby, this plan was considered as completed (pending the analyses that confirms the decontamination of the equipment, which must be performed one year after the process was finalised).

During 2010, the decontamination/elimination plan for transformers contaminated with PCBs was successfully completed

In addition, there is equipment at the facilities that cannot be analysed (nor inventoried therefore) until the end of their useful life. This is equipment with a low oil content (in the order of 100 litres) and in these cases, a characterisation is carried out prior to its elimination to be able to begin to adapt its suitable waste management (the treatment is different if the waste has PCBs or not). During 2010, 43 pieces of measuring equipment contaminated with PCBs were eliminated.

Equipment used by TDE does not contain PCBs, although a total of 1,000 litres of oil containing PCBs that were part of non-redeemable debenture inherited prior to the creation of the company is stored in confinement under secure environmental conditions. Confinement is a temporary solution, but it is currently the best option considering the waste management possibilities that exist Bolivia for this type of substance.

Preventive measures for leaks and spills -EN26-

Thanks to the application of preventive measures and to the definition and application of suitable action procedures in the case of spillages, this type of incidents seldom occur and in the case when they do happen, they are not usually serious.

The most important measures are:

- The preventive and corrective maintenance of the equipment containing oil.
- The adoption of best practices regarding works (manipulation of equipment and polluting substances on impermeable surfaces).
- The existence of absorbent material to be used in the case of accidents.
- The existence of spillage containment systems for equipment containing dangerous substances, which prevent a possible spillage from affecting the soil.

During 2010, spillage containment systems were improved on power transformers (with large oil content) at 9 substations and auxiliary transformers (with low oil content) at 7 substations.

Leaks and spillage -EN23-

	2008	2009	2010
Leaks and spillages of hydrocarbons derived from the use of machinery	3	2	5 [1]
Leaks and spillages of oil and hydrocarbons during maintenance, handling or storing of equipment	2	13	17
Explosion/spillage in current metering transformers and spillages in auxiliary transformers [2]	-	-	9
Leaks in power transformers [3]	-	-	5
Other [2]	-	-	3
Oil leaks in underground lines	0	1	0

(1) Accidents of minor importance related to the breakage of hoses of the machinery used for construction of facilities or renovation works at existing substations.

(2) Although the accidents are considered to be of different characteristics, none of these can be considered as significantly important, as the quantity of the spillage did not exceed 100 l. As a result of these, the gravel and absorbent material contaminated as a result of the cleanup activities were managed as hazardous waste by an authorised contractor.

(3) Although in some cases the amount of spillage may have been considered significant, practically all the oil spillage from the affected equipment was collected in the containment tanks (preventive measure). A small amount that could possibly be expelled by pressure and that would contaminate the gravel surrounding the transformer is managed as hazardous waste. It is worth highlighting that as a result of the accidents occurred in 2010 (explosion in a power transformer bushing at the Vic Substation and subsequent fire), triggered the revision and adaptation of the oil contention system at the substation. The effect on the soil due to accidents involving contaminants was insignificant, the management of the generated hazardous waste being the main problem.

Protection of the socioeconomic environment and the landscape

Protection of archaeological and ethnological heritage

During 2010 archaeological supervision were carried out during works involving the construction of 22 lines (with permanent presence of an archaeologist during the earth movement phase in 16 of these), and in 3 substations (with permanent presence of an archaeologist during the earth movement phase in 2 of these). Noteworthy are the following special activities:

Protection of archaeological – ethnological heritage

Sentmenat-Vic-Bescanó line*	The limits of the possible heritage sites near the works were marked off. Excavation and protection works were performed in the area of a roman road in the vicinity of an electricity tower (in the municipality of Centelles).
Morvedre underground cable (Spanish peninsula-Balearic Islands Interconnection Project)	Impacts on the secondary galleries of ancient ovens occurred. The layout plans for the galleries was obtained in order to study the route and assess the possible impacts. A measure to negotiate around the galleries was defined in order to avoid the destrution of these without modifying the route.
Trives-Aparecida 400 kV line	With the object of avoiding an impact on a fort, an alternative route was designed for the line. Due to the fact that the new route could impact a well (47 m from the tower), an new archaeological study was carried out and it was communicated to the Heritage Dept. of the Xunta, who authorised its construction. The area was marked off and the works were subject to permanent archaeological supervision.

Complementary measures for the improvement of the archaeological heritage*

Regarding the construction of the 400 kV Penagos-Güeñes line, an archaeological study of the Biroleo and Perutxote sites in the Natural Park of Armañón was carried out.

(*) They are not related to a real or potential impact of the facility, they are directed towards improving the heritage in its surrounding area.

Additionally, Red Eléctrica carries out the **paleontological supervision** in those areas where it is foreseeable that these kind of sites may exist. In 2010, it was carried out for the 220 kV Jalón-Los Vientos line. Also noteworthy is REE's participation in the "Management models of archaeological heritage in the XXI century (2001-2010) » congress held in Valencia.

Landscape protection -EN14-

REE is conscious of the relevance of the impact of the lines and substations on the landscape, being one of the aspects which most influences social rejection of the high voltage facilities. For this reason, measures are taken to reduce their impact whenever possible. Two examples corresponding to 2010 include:

Minimising visual impact

Penagos-Güeñes 400 kV line	Modification of the route of the line and dismantling of three towers near population nuclei.
Otero-Ventas 220 kV line **Lastras – Galapagar 400 kV line**	Dismantling of the Otero-Ventas line and two stretches of the Lastras-Galapagar line (owing to the construction of the new 400 kV Segovia – Galapagar line) making it possible to eliminate sections of line in four population nuclei.

As habitual practice, the work areas and access paths required for the construction of new facilities are restored after the works have been completed. -EN13- On many occasions, specific landscape adaptation and restoration projects are carried out.

Landscape restorations - 2010

Santa Ponsa Transformer Station	Landscape adaptation of the building and its surroundings: building painted in ochre colour, installation of dark green Majorca type vents, construction in dry stone of the perimeter wall and exterior landscaping.
Penagos substation	Planting of vegetation screen on two sides.
Muruarte substation	Planting of vegetation screen, hydro-sowing and landscaping of the substation access and entrance.
Codonyers substation	Restoration of substation slopes and the slopes and platform of the aerial-subterranean converter tower. Hydro-sowing of 2,000 m^2.
Villanueva de los Escuderos substation	Restoration of slopes.
Benahadux substation	Replanting of vegetation on interior slopes using aromatic species and 38 Mediterranean Fan Palm (*Chamaerops humilis*) of about 1.20 m high.

On the other hand, during 2010, work was carried out on a **landscape integration project for substation buildings**, and the characteristics of different standard buildings were defined in accordance with specifics of the different regions of Spain. Consequently, the most suitable type of building to be constructed will depend on the region where the project is to be carried out, and the construction is completed with the finish that best suit the surroundings.

As a part of this commitment, an agreement has been signed with the Universidad de Las Palmas de Gran Canaria to carry out the research project **«Study for the landscape and environmental integration of substations»**.

Other socio-economic protection measures

The Company carries out a series of preventive and corrective measures with the aim of minimising the effects on the socio-economic environment, amongst which the following are noteworthy:

Preventive measures	
Peninsula-Balearics Interconnection	Stoppage of works during the tourist season (May-October).
Corrective measures	
Pesoz-Salas line **Pesoz-Sanzo 400kV line** **Sentmenat-Vic-Bescanó line***	Restoration of paths used during the construction of the facilities. Surface course mix was added in the cases where it was considered necessary.
Complementary measures	
Penagos-Güeñes 400kV line	Improvement of trails in the Armañón Natural Park (trails not affected by the project).

Monitoring of electric and magnetic fields -PR1-

Thanks to the preventive measures that are applied in the design of the facilities, the levels of electric and magnetic fields stay below levels recommended by the Council of the European Union (The Official Journal of the European Union 1999/519/CE: limit exposure values for the general public in sites where they may remain for some time at 5 kV/m for the electric and 100 μT for the magnetic field). The most important measures are:

- Construction of double circuits and translocation of phases in lines.
- Increasing the height of towers, thus increasing the safety distances.
- Minimum distance of the lines from population nuclei and isolated houses.

In order to verify that our facilities are below exposure limits, we carried out an intense measurement plan which was developed as follows:

- **2004:** Measurements in 1,100 proximity points (in the vicinity of which were schools, hospitals, houses or industrial areas). All measurements provided results in accordance to the EU recommendation.
- **2005:** Measurement in 37 substations to evaluate the level of exposure of the workers and to verify the compliance with the European Directive of minimum health and safety requirements regarding electromagnetic fields (2004/40/EC). All the magnetic field values and 92% of the electric field values were below the reference levels (500 μT y 10kV/m).
- **2006:** Measurements were taken at various points within facilities acquired from other companies located near population nuclei and also at locations near lines that were repowered during that year, complying with the recommended values in all the cases.
- **2007-2010:** In order to demonstrate compliance of facilities/installations with the European recommendations, as of 2007 the measurements carried out have been in relation to consultations o claims. In 2010, measurements of the 400 kV Santurtzi-Güeñes line were performed on the route that crosses the municipality of Ortuella (Bizkaia, Spain), owing to the fact of construction of homes in the proximity of the line. The measurements registered were well below the limit values recommended.

Although our facilities comply with the European recommendation, Red Eléctrica constantly monitors all progress and innovations regarding this aspect and actively participates in working groups and in research projects on this matter.

Moreover, Red Eléctrica is subscribed to an international information service (ELF Gateway, which keeps its clients informed via email, almost on a daily basis, on the most recent developments regarding EMF that occur in at a world-wide level) and we keep in touch with different entities and associations.

Additionally, noteworthy is the fact that as a result of its commitment with society and its interest in collaborating with public administrations and institutions, REE replies to consultations made by the interested parties (4 in 2010) and participates in various forums in order to inform about and clarify those issues that most worry society. During 2010, the following activities are noteworthy:

- Participation in the «Environmental civic forum» of the municipality of Mieres, associated to the project for the new CAUDAL 220 kV substation and its incoming and outgoing lines.
- Presentation on EMF (Electromagnetic Fields) to the Heads of Civil Defence for Castilla y León.

Actions against noise contamination -EN26-

During 2010 work has been carried out on the development of an IT tool that allows noise modelling at substations, particularly for noise coming from power transformers. This tool will provide more precise information in the acoustic studies of the facilities.

General aspects of environmental management

Relation with stakeholders

Internal communication and training

Environmental training is fundamental when forming a team which is more and more aware and conscious of the relevance of working in accordance with certain environmental criteria.

In 2010, 5 different profiles of employees were identified during the drafting of the training plan and the training required for each has been detailed.

3.07% of Red Eléctrica's staff received environmental training during 2010 (in contrast to 15.39% in 2009) with a total of 7,182 hours (in contrast with 3.109 hours in 2009). The decrease in the number of employees who received training and the increase in number of hours is due to the fact that during 2010 the training has been much more specialised and was directed towards employees whose activities are directly related to environmental matters, contrary to 2009 where the training was more generalised.

Additionally, numerous awareness campaigns have been carried out with the aim of contributing to improving environmental habits in daily work and family life of each employee. In the "Energy efficiency and consumption" section of this chapter, some of these actions have been detailed.

External communication

The main channel of communication for dissemination of information is the website, (www.ree.es), where it is possible to find all the relevant environmental information as well as the main publications amongst which noteworthy are the Environmental Report and The Corporate Social Responsibility Report. Additionally, this year, the publication Red Eléctrica y la biodiversidad, 25 años (Red Eléctrica and biodiversity, 25 years) is worth highlighting.

The external consultations and claims can be carried out through the Dígame service or the Green suggestion box on the external website. During 2010, a total of 2 claims and 28 consultations classified as of environmental character were received.

Additionally, Red Eléctrica collaborates with prestigious organisations that work in the field of environmental protection and awareness. In addition, it actively participates in numerous working groups, forums and congresses, which are fundamental for the exchange of experiences and learning. The information regarding these activities is detailed in chapter 6.

Suppliers

Suppliers are an essential part regarding the development of REE's activities: for this reason we consider it important to extend our environmental commitment to each one of them as an integral part of the working team.

Suppliers of those products or services that may have associated environmental impacts need to undergo an environmental qualification process. During the qualification process they are required, amongst other requirements, that all their employees have at least a minimum environmental training. Additionally, REE's general conditions of contract include a clause that requires the contractor to have a civil liability insurance with coverage for environmental damage for all those activities that may represent a possible environmental risk.

Supplier of services - environmental behaviour

	2008	2009	2010
Number of suppliers with environmental qualification	188	115	151
% of suppliers with a certified Environmental Management System (UNE-EN ISO 14001:2004 or EMAS registered) divided by suppliers with qualification	41	50	55

Supplier of equipment and materials - environmental behaviour

	2010
Number of suppliers with environmental qualification	13
% of suppliers with a certified Environmental Management System (UNE-EN ISO 14001:2004 or EMAS registered) divided by suppliers with qualification	38

Sanctions and fines -EN28-

During 2010, 12 sanctions were resolved with a fine.

Infringements committed (euros)	2008	2009	2010
Lack of maintenance of vegetation	1,805 (1)	300 (6)	-
Unauthorised felling and pruning	6,367 (2)	720	-
Unauthorised construction of path	21,000 (6)	500 (6)	-
Fire due to line discharge	15,182 (6)		4,804 (6)
Abandonment of material/fire risk	91	2,735 (4)	-
Unauthorised spanning of Protected Natural Areas	200	-	-
Unauthorised works in police area	-	90.15 (6)	-
Obstruction of water way	1,858 (3)	-	300 (6)
Activities with high probability of soil contamination	-	-	1,050 (5) (6)
Total cost	**46,503**	**4,345**	**6,154**

(1) The amount corresponds to 10 cases.
(2) The amount corresponds to 4 cases.
(3) The amount corresponds to 2 cases.
(4) The amount corresponds to 2 cases.
(5) The amount corresponds to 5 cases.
(6) Cases resolved in 2010.

Environmental expenditure -EN 30-

(euros)	2008	2009	2010
Investments	**5,078,780**	**4,427,760**	**6,277,588**
Engineering and construction of new facilities	5,078,780	4,427,760	6,277,588
Expenditure	**17,150,042**	**13,651,980**	**18,866,105**
Development of methodology and systems	**10,775**	**10,028**	**325,885**
Environmental studies and analyses	-	-	112,382
Environmental actions in facilities in service	**14,782,548**	**11,666,853**	**16,079,834**
Contamination prevention	832,782	642,311	870,686
Protection of biodiversity/ Prevention of fires/landscaping	13,394,886	10,439,651	13,969,817
Climate change	-	-	171,677
Energy efficiency and savings in resources	-	-	111,039
Waste reduction and management	554,880	584,891	956,615
Research and development	**496,108**	**600,472**	**618,489**
Training and communication	**711,919**	**281,766**	**575,264**
Environmental training and awareness programmes	41,815	38,941	18,782
Communication	670,104	242,825	556,482
Environmental taxes and levies	**207,719**	**17,084**	**18,139**
Expenditure of personnel dedicated to environmental activities	**940,972**	**1,075,778**	**1,136,111**

Environmental investment and expenditure	2008	2009	2010
Environmental investment/Total investment in the transmission grid (%) [1]	0.82	0.60	0.27
Average expenditure / Total operating expenditure	2.77	2.13	2.60

(1) The percentage of environmental investment is lower this period has fallen due to the fact that 1,421 million euros of the total investment in the transmission grid correspond to transmission assets in operation that were acquired from electric utility companies

Environmental Programme 2010 (1)

	% Fulfilment
Biodiversity -EN14-	
Definition of the biodiversity strategy at Red Eléctrica. Creation of working groups with the CCAA (Autonomous Communities) and establishing agreements for the execution of projects. *	90
Control of maintenance actions regarding electricity line corridors in areas classified as high risk of fire. .	100
R&D&i projects for conservation of nature: birdlife.	100
Improvement in emission control -EN18-	
Control and compensation of emissions in Red Eléctrica: improvement in the management of SF_6. The REE Forest Project.	100
Consumption control -EN5, EN7-	
Efficiency improvements in consumption of natural resources: water and electricity.* Development of REE's Sustainable Mobility Plan.*	58
Landscaping -EN14-	
Standardization of environmental criteria that will be considered for REE buildings. Integration in the environment of 10 % of the buildings (new constructions).*	60
Risk analyses at substations under maintenance -EN26-	
Analyses of the environmental risks at 180 substations.*	58
Reduction of accidental spillage risk -EN26-	
Execution of 31 improvement actions at substations for the prevention of ground contamination.	69
Relation with stakeholders -EN5, EN7, EN18, EN26-	
Development of Red Eléctrica's Environmental Training Plan.	100
Execution of two environmental communication actions directed towards society.	0
Programme fulfilment	**71** (2)

(1) The definite programme varies slightly with that published in the 2009 Report due to adjustments carried out after being published.
(2) The programme fulfilment is the result of the sum of the different objectives, weighted by importance. (The figure does not correspond to the average sum of the fulfilments).
*The objectives marked with * will continue in 2011.*

Environmental Programme 2011

Improvement in the environmental management system -EN14, EN26-

Implementation of the environmental certification of works.

Climate change -EN18-

Improvement in the emissions inventory.

Definition of reduction objectives and methodology for its calculation and monitoring.

Control and reduction of SF_6: emissions: Inventory, procedure, equipment replacement and workforce training.

Integration of renewable energies at work centres (buildings).

Energy efficiency and consumption -EN5, EN7-

Reduction in consumption of energy –up to 20% by 2020-.

Analyses of consumption points at substations. Action Plan.

Adaptation of exterior lighting systems at substations.

Energy audits in buildings. Action Plan.

Sustainable Mobility Plan.

Communication Plan.

Reduction in consumption of resources –up to 10% by 2020-.

Control and reduction in the consumption of water at Head Office.

Reduction in paper consumption.

Biodiversity -EN14-

Risk map regarding birdlife collisions with facilities.

Adaptation Plan for hanging of lines.

Establishment of collaboration frameworks the autonomous communities –objective 2011/2012-.

Collaboration agreements regarding fire prevention and fire fighting measures.

Environmental criteria regarding maintenance procedures regarding electricity line corridors.

Landscaping -EN14-

Incorporation of landscaping criteria for new substations: engineering and design of buildings.

Relation with stakeholders -EN5, EN7, EN18, EN26-

Design and modification of the environmental section on the external web.*

Improvement regarding the integration of environmental criteria in the supplier qualification process.

*All objectives set out are pluri-annual, except for those marked with *.*

Key environmental indicators - TDE

	2008	2009	2010
Environmental objectives			
Compliance with the environmental programme (%)	99.21	95.63	99
Effect on protected areas. Impact on Biodiversity -EN11-			
Km of lines constructed in protected spaces/km of lines constructed (%) [1]	0	0	2.18
Consumption of natural resources			
Total electricity consumption [2] (kWh) **-EN4-**	841,724	887,218	893,974
Electricity consumption [2] (kWh/employee)	6,734	7,098	7,152
Total electricity consumption (Joules) **-EN4-**	$3 \cdot 10^{12}$	$3.2 \cdot 10^{12}$	$3.2 \cdot 10^{12}$
Total water consumption [3] (m^3) **-EN8-**	15,992	14,677	14,308
Water consumption [3] (m^3/employee)	128	117	114
Total fuel consumption of fleet vehicles [4] (litres)	119,240	129,891	126,205
Total fleet vehicle consumption (l/100km)	17.86	17.75	16.58
Fuel consumption of electricity generators in substations. (litres)	376	535	296
Total fuel consumption (l) **-EN3-**	119,616	130,426	126,501
Total fuel consumption (Joules) **-EN3-**	$4.4 \cdot 10^{12}$	$4.8 \cdot 10^{12}$	$4.7 \cdot 10^{12}$
Greenhouse gas emission			
Direct emissions - fuel consumption - (t CO_2 equivalent) [5]	322.96	352.15	341.55
Indirect emissions - derived from electricity consumption - (t CO_2 equivalent)	445.27	469.34	472.91
Total emissions (t CO_2 equivalent) **-EN16-**	768.24	821.49	814.46
Waste generated (amounts managed) kg -EN22-			
Non-hazardous			
Municipal waste	17,402	9,621	7,261
Plastic waste	401	439	413
Paper waste (cardboard, newspapers, magazines)	2,638	1,411	1,477
Hazardous			
Printer cartridges and toner [6]	165	141	191
Dry cell batteries and batteries	9	13	9,2
Sanitary goods and out-of-date medicine	5	4	0,9
Miscellaneous solids impregnated with dielectric oils	6	21	489
Accidents (oil and fuel spills) -EN23-			
Total number of environmental accidents	0	1	0
Number of environmental accidents – Oil spills	0	1	0
Number of environmental accidents – Fuel spills	0	0	0
Number of environmental accidents – Other accidents	0	0	0

	2008	2009	2010
Training and environmental awareness training			
Employees who have received training in environmental matters (%)	93	100	100
Number of external people who have received information in environmental areas during project execution.	0 [7]	268	0 [7]
Environmental communication with interested parties			
Number of environmental consultations	3	3	4
Number of environmental claims	0	0	0
Supplier / subcontractor environmental behaviour			
Number of suppliers	8	16	19
Percentage of suppliers / contractors with SGMA certified ISO 14001	0	0	0 [8]
Sanctions and fines -EN28-			
	0	0	0
Environmental costs and investment -EN30-			
Environmental investment (USD)	0	0	0
Environmental investment / Total investment (%)	0	0	0
Environmental costs (USD)	64,263	95,213	153,023
Environmental costs / total costs (%)	0.92	0.77	1.23

(1) To date this data was unknown. In 2010 a study was carried out regarding coverage and thematic maps and all the lines of TDE were digitalised as well as the protected areas of the company.
(2) Data from Head office, regional centres of Valle Hermoso, Potosí, Oruro, Santa Cruz and the warehouse at La Maica.
(3) Data from the public water mains 10,287 m3: well 5,705 m3. Used in gardens and toilets
(4) The fleet is made up of 30 vehicles.
(5) The emission factor has been adjusted for Bolivia.
(6) The units are "pieces".
(7) No projects were carried out
(8) 95% with environmental qualification.

Key environmental indicators - REDESUR

	2008	2009	2010
Environmental objectives			
Compliance with the environmental programme (%)	100	100	97,30
Effect on protected areas. Impact on Biodiversity -EN11-			
km of lines constructed in protected spaces/km of lines constructed (%).	0	0	0
Consumption of natural resources			
Total electricity consumption (kWh) **-EN4-**	150,008.72	156,385.28	163,719.03
Electricity consumption (kWh/employee) [1]	7,143.27	6,516.05	6,821.63
Total electricity consumption (Joules) **-EN4-**	$5,4 \cdot 10^{11}$	$5,6 \cdot 10^{11}$	$5,9 \cdot 10^{11}$
Total water consumption (m^3) **-EN8-**	1,005.93	1,277.64	1,474.00
Water consumption (m^3/employee)	47.90	53.23	61.42
Fuel consumption of fleet vehicles (litres) [2]	3,118.84	4,794.24	4,185.82
Fuel consumption of electricity generators in substations. (litres)	1,352.52	947.92	908.50
Total fuel consumption (l) **-EN3-**	4,471.36	5,742.16	5,094.32
Total fuel consumption (Joules) **-EN3-**	$1.6 \cdot 10^{11}$	$2.1 \cdot 10^{11}$	$1.9 \cdot 10^{11}$
Greenhouse gas emission			
Direct emissions - fuel consumption - (t CO_2 equivalent)	12.07	15.50	13.75
Indirect emissions - derived from electricity consumption - (t CO_2 equivalent) [3]	51.45	53.64	56.16
Total emissions (t CO_2 equivalent) **-EN16-**	63.52	69.14	69.91
Waste generated (amounts managed in kg) -EN22-			
Non-hazardous			
Municipal waste	603	660	568
Paper waste (cardboard, newspapers, magazines)	90	137	175
Hazardous			
Printer cartridges and toner and chemical product containers	0	12	24
Dry cell batteries and batteries	5	0	0
Sanitary goods and out-of-date medicine	1	0	3
Miscellaneous solids impregnated with dielectric oils	53	85	143
Accidents (oil and fuel spills) -EN23-			
	0	0	1

	2008	2009	2010
Training and environmental awareness programmes			
Employees who have received training in environmental matters (%)	54	54	50
Environmental communication with stakeholders			
Number of environmental consultations	0	0	1
Number of environmental claims	0	0	0
Supplier / subcontractor environmental behaviour			
Number of suppliers	11	11	11
Suppliers / contractors with SGMA certified ISO 14001 (%)	1	1	3
Sanctions and fines			
	-	-	-
Environmental costs and investment			
Environmental costs (USD)		45,000	
Environmental costs / total costs (%)		2.80	

(1) 21 employees in 2008; 24 in 2009 and 2010
(2) 2 cars
(3)The emission factor applied was calculated based on data from the AIE 2008

Annexes

Report Parameters

Profile, Scope and Coverage -3.1, 3.2, 3.3, 3.8-

Based on the principle of **materiality and exhaustiveness**, this corporate responsibility report aims to offer the relevant information on the social, environmental and economic impacts of the Red Eléctrica Group during the 2010 fiscal year, and its evolution over the last five years regarding the majority of the indicators. This report which Red Eléctrica **has been publishing every year since 2002**, has been drawn up and validated in accordance with the recommendations of the **Guide for drafting sustainability reports (G3, 2006 edition) and electric utility supplement** (2009 edition) edited by the Global Reporting Initiative (GRI) and for the seventh consecutive year it **has been verified in accordance with the AA1000 Standard**.

In keeping with the requirements of the G3, the team responsible for defining the contents has continued paying **special attention to the stakeholders**, integrating the majority of their proposals. This year, Red Eléctrica has taken one step more, submitting this report to consultation by almost 50 people pertaining to the following stakeholder groups: union representatives, prescribers to corporate responsibility of NGO's and foundations, the employee consultative committee and specialised mass media professionals regarding this matter. The proposed improvements by the experts consulted shall be taken into account in future editions of the report to fulfil the expectations of our stakeholder groups.

In addition, it is worth noting for yet another year that the noteworthy contributions received from bodies and entities that disseminate and evaluate Corporate Responsibility have been taken into account.

With regard to **the scope and coverage**, this report includes complete information regarding the management focus, activities and results of the Group's main activity: the electricity business in Spain by means of Red Eléctrica de España, SAU. (REE) which represents 92% of the Group's consolidated turnover and 95% of its total assets.

Regarding the rest of the Group's activities, which jointly represent 4% of the business turnover, included is the relevant information of the primary company: TDE (Bolivia). In addition, it is worth noting that this public company in 2010 published its first corporative responsibility report following guide GRI. This report can be consulted on its corporate web: www.tde.com.bo.

The rest of the companies (REDESUR and Transmisora Eléctrica del Sur, the latter set up in the second half of 2010 for the construction, operation and maintenance of an electricity line in Peru) do not present significant sustainability impacts. Nonetheless, included are the most relevant indicators of the company REDESUR (Peru), in which there is a 33.7% stake holding, and whose impact within the set of activities pertaining to the management and operating of the Group's electricity grids are of little relevance. With respect to Transmisora Eléctrica del Sur, in which we have a 55% stake, the key data shall also be provided in the next fiscal year, as at the close of this year it was still in its initial phase. **-3.5, 3.6, 3.7, 3.11-**

Additionally, this report gathers information on the actions and results which demonstrate the commitment of the organisation with the compliance of and support for Human Rights and labour rights, as well as with the Millennium Development Goals. In this direction a list of the 10 Principles of the United Nation's Global Compact is included, together with the associated GRI indication and their location in the document.

In general, the relevant data included in previous reports has not been reformulated. It is only possible that data from previous fiscal years has been updated and in that case this update is justified in the corresponding section. **-3.10-**

It is necessary to point out that this report is completed with the edition of the Corporate Governance Report and the consolidated annual accounts of the Red Eléctrica Group, that include the management report regarding the Group's businesses, and which are complemented with information presented on the corporate webpage (www.ree.es). For any clarifications and additional information about this publication or the validation and verification report, please contact the addresses which are indicated at the end of the document. **-3.4-**

Independent verification **-3.13-**

The contents of this report have been checked by an independent auditing firm and the corresponding verification process is included at the end of this chapter. The verification process is based on the following milestones:

- Verification of the process used to draw up the Corporate Responsibility Report based on the AA1000 AS standard.
- Verification and classification of the degree of compliance with the G3 guide proposed by the Global Reporting Initiative.

Furthermore, the **economic and environmental data** has been subjected to an **external audit** and is published in greater detail in the company's annual accounts and Environmental Report for 2010. **-3.9-**

Red Eléctrica have followed the protocol established by the GRI and has submitted its self-evaluation for verification by SGS. This was finally confirmed by the auditing firm as A+. Similarly, the report has been revised by the GRI, which awarded it with the grade A+.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Red Eléctrica Corporación** has presented its report "Corporate Responsibility Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

5 April 2011, Amsterdam

A+ GRI REPORT GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Red Eléctrica Corporación has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assuranceProvider and for deciding the scope of the assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 16 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

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● EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	145
Aspect: Emissions, Effluents and Waste	
● EN16. Total direct and indirect greenhouse gas emissions by weight.	159, 180
● EN17. Other relevant indirect greenhouse gas emissions by weight.	(note 3)
● EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	160, 165
● EN19. Emissions of ozone-depleting substances by weight.	161
● EN 20. NO, SO, and other significant air emissions by type and weight.	(note 4)
● EN21. Total water discharge by quality and destination.	(note 5)
● EN22. Total weight of waste by type and disposal method.	171, 186
● EN23. Total number and volume of significant spills.	175, 186
● EN24. Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	172
● EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	(note 6)
Aspect: Products and Services	
● EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	171, 174, 184
● EN27. Percentage of products sold and their packaging materials that are reclaimed by category.	(note 7)
Aspect: Compliance	
● EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	182, 186
Aspect: Transport	
● EN29. Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	(note 8)
Aspect: general	
● EN30. Total environmental protection expenditures and investments by type.	183, 186

● **Key** ● **Additional**

SOCIAL DIMENSION

Labour practices and work ethics

Management approach	**77-111**
Aspect: Employment	
● LA1. Breakdown of employee groups, by type of employment, contract and region.	79
● LA2. Total number of employees and average turnover, broken down by age groups, sexes and regions.	79
● LA3. Social benefits for full-time employees, not offered to temporary or part-time employees, broken down by activity.	109
Aspect: Relations between company and employees	
● LA4. Percentage of employees covered by a collective bargaining agreement.	87
● LA5.Minimum period/s of relative notice related to organisational changes, and whether these notification are specified in collective agreements.	88
Aspect: Occupational safety and health	
● LA6. Percentage of total employees represented on joint health and safety committees formed by the company-workers, to help in controlling and advising with respect to occupational health and safety programmes.	87
● LA8. Educational, training, advisory and risk-prevention and control programmes applied to employees, their families or community members in relation with serious illnesses.	91
● LA8. Programas de educación, formación, asesoramiento, prevención y control de riesgos que se apliquen a los trabajadores, a sus familias o a los miembros de la comunidad en relación con enfermedades graves.	93
● LA9. Health and safety aspects covered by formal agreements with trade unions.	87, 89
Aspect: Training and education	
● LA10. Average hours of training received per year by each employee, broken down by professional Categories.	96
● LA11. Management programmes on skills and ongoing training to promote eligibility of employees for jobs and to support them in managing the end of their professional careers.	96
● LA12. Percentage of employees receiving regular performance and professional development appraisals.	100
Aspect: Diversity and opportunity	
● LA13. Composition of the corporate bodies of governance and staff, broken down by sexes, age groups, belonging to minority groups and other diversity indicators.	24, 102
● LA14. Ratio between basic salaries for men with respect to women, broken down by professional categories.	102

Human rights

Management approach	**34, 77**
Aspect: Investment and supply practices	
● HR1. Percentage and total number of significant investments agreements including human rights clauses or which have been analysed with respect to human rights.	(note 9)
● HR2. Percentage of main distributors and contractors which have been analysed with respect to human rights and measures taken as a result.	121

● **Key** ● **Additional**

- HR3. Total hours of training received by employees on policies and procedures related to those aspects of human rights that are relevant for their activities, including the number of employees trained. (note 11)

Aspect: Non-discrimination

- HR4. Total number of incidents due to discrimination and measures taken. (note 10)

Aspect: Freedom of association and collective bargaining

- HR5. Company activities in which freedom of association and to participate in collective bargaining may be exposed to important risks and measures adopted to support those rights. (note 12)

Aspect: Child labour

- HR6. Activities identified that pose a potential risk of child labour incidents, and measures adopted to help eradicate them. (note 12)

Aspect: Forced labour

- HR7. Operations identified as posing a high risk of leading to episodes of forced or non-consented labour and measures adopted to help eradicate them. (note 12)

Aspect: Safety practices

- HR8. Porcentaje del personal de seguridad que ha sido formado en las políticas o procedimientos de la organización en aspectos de derechos humanos relevantes para las actividades. (note 11)

Aspect: Rights of the indigenous population

- HR9. Total number of incidents related to infringements of the rights of the indigenous population and measures taken. (note 13)

Society

Management approach **112-135**

Aspect: Community

- SO1. Nature, scope and effectiveness of programmes and practices for evaluating and managing impacts of operations on communities, including entry, operation and exit. 129

Aspect: Corruption

- SO2. Percentage and total number of business units analysed with respect to risks related to corruption. 31
- SO3. Percentage of employees trained on anti-corruption policies and procedures in the organisation. (note 11)
- SO4. Measures taken in response to symptoms of corruption. 31

Aspect: Public policy

- SO5. Position in public policies and participation in their development and lobbying activities. 44
- SO6. Total value of financial contributions and contributions in kind made to political parties or related institutions, by countries. (note 14)

Aspect: Unfair competition behaviour

- SO7. Total number of actions due to causes related with monopolistic practices and against free competition, by countries. (note 15)

● Key ● Additional

Aspect: Compliance with legislation

- SO8. Monetary value of sanctions and significant fines and total number of non-monetary sanctions derived from non-compliance of laws and regulations. (note 16)

Responsibility for products

Management approach **115-119**

Aspect: Health and safety of clients

- PR1. Phases in the life-cycle of products and services in which are evaluated, for improvement, the impacts of the same on health and safety of clients, and the percentage of significant product and services categories subject to those evaluation procedures. 90,178
- PR2. Total number of incidents arising from non-compliance of legal provisions or voluntary codes on the impacts of products and services on health and safety during their life cycle distributed based on the type of result of those incidents. (note 17)

Aspect: Labelling of products and services

- PR3. Types of information on products and services required by the applicable procedures and regulations, and percentage of products and services subject to those informative requirements. 17
- PR4. Total number of breaches of the regulation and voluntary codes with respect to information and labelling of the products and services, distributed based on the type of result of those incidents. (note 18)
- PR5. Practices with respect to customer satisfaction, including the results of satisfaction surveys. 116

Aspect: Marketing communications

- PR6. Programmes of compliance with laws or adhesion to voluntary standards and codes mentioned in marketing communications, including advertising, other promotional activities and sponsorships. (note 19)
- PR7. Total number of incidents due to non-compliance of regulations regarding marketing communications, including advertising, promotion and sponsorship, distributed by type of result of those incidents. (note 19)

Aspect: Client privacy

- PR8. Total number of complaints due mainly to respect for privacy and the disclosure of customer personal data. (note 20)

Aspect: Legislative compliance

- PR9. Cost of any significant fines due to non-compliance of regulations with respect to the supply and use of the organisation's products and services. (note 21)

● Key ● Additional

ELECTRIC UTILITY SECTOR-SPECIFIC SUPPLEMENT

Organisational Profile

● EU1. Installed capacity, broken down by primary energy source and by regulatory regime.	(note 22)
● EU2. Net energy output broken down by primary energy source and by regulatory regime.	(note 22)
● EU3. Number of residential, industrial, institutional and commercial customer accounts.	(note 24)
● Length of above and underground transmission and distribution lines by regulatory regime.	64
● EU5. Allocation of CO_2 emissions allowances or equivalent, broken down by carbon trading framework.	(note 25)

Economic Dimension

Aspect: Availability and Reliability

● EU6. Management approach to ensure short and long-term electricity availability and reliability.	61

Aspect: Demand-Side Management

● EU7. Demand-side management programs including residential, commercial, institutional and industrial programs.	71

Aspect: Research and Development

● EU8. Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	74

Aspect: Plant Decommissioning

● EU9. Provisions for decommissioning of nuclear power sites.	(note 22)

Aspect: Availability and Reliability

● EU10. Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	61, (note 23)

Aspect: System Efficiency

● EU11. Average generation efficiency of thermal plants by energy source and by regulatory regime.	(note 22)

Aspect: System Efficiency

● EU12. Transmission and distribution losses as a percentage of total energy.	(note 26)

Environmental Dimension

Aspect: Biodiversity

● EU13. Biodiversity of offset habitats compared to the biodiversity of the affected areas.	(note 27)

Social Dimension

Aspect: Employment

● EU14. Programs and processes to ensure the availability of a skilled workforce.	96
● EU15. Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	81
● EU16. Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors.	88

● Key ● Additional

● EU17. Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities.	91
● EU18. Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	93
Aspect: Community	
● EU19. Stakeholder participation in the decision making process related to energy planning and infrastructure development.	127
● EU20. Approach to managing the impacts of displacement.	127
Aspect: Disaster/Emergency Planning and Response	
● EU21. Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	128
● EU22. Number of people physically or economically displaced and compensation, broken down by type of project.	127
Aspect: Access	
● EU23. Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	61
Aspect: Provision of Information	
● EU24. Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	134
● EU25. Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	(note 28)
Aspect: Access	
● EU26. Percentage of population unserved in licensed distribution or service areas.	(note 29)
● EU27. Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	(note 30)
● EU28. Power outage frequency.	65
● EU29. Average power outage duration.	65
● EU30. Average plant availability factor by energy source and by regulatory regime.	(note 22)

● Key ● Additional

To facilitate the identification of the indicators required by the Global Reporting Initiative, in drawing up the report, references are included -X.X- corresponding to the indicator codes, as shown in this table.

Notes to the GRI indicator table

(1) Not applicable. The water consumed is obtained from authorised water withdrawal points (municipal water mains or Wells or cisterns). Therefore, no direct effect exists on the ecosystems.

(2) In some REE buildings and substations, rain water is collected for use. At the moment there is method to determine the amount of rain water used.

(3) Have not been quantified at the moment. This information will be included in future reports.

(4) Not applicable. These emissions are not generated directly by the activities of the Company.

(5) Not applicable. The Company has no dumping activities associated with productive processes.

(6) Not applicable. Pluvial water dumping from substations (which is the only water dumping associated to the activities of REE that takes place) does not effect hydric resources nor the associated habitats.

(7) Not applicable. Red Eléctrica does not commercialise products.

(8) The transport of materials and people are not considered significant impacts. The impacts considered are those indicated in EN3, EN4 and EN17

(9) The document of Red Eléctrica on general contracting conditions (available on the company website) establishes in section 19 referring to Corporate Responsibility, the respect for the Global Compact Principles and Human Rights when carrying out its activities whether they be carried out by its own personnel or subcontracted personnel.

(10) In2010, no claims or incidents associated with discrimination were recorded.

(11) All employees have been informed of and trained in the Code of Ethics principles which must govern their daily activity, in which are specifically included the criteria and procedures to be carried out to comply strictly with human and labour rights. Additionally, the newly incorporated staff is given the Code of Ethics along with all rest of the induction documentation. Another of the aspects on which employees have been trained is the policy and measures of anti-corruption, especially in those organisational units most involved.

(12) The activities carried out by the Red Eléctrica Group are characterised for being intensive in highly qualified human capital making it impossible for there to appear any problems related with human rights, such as child and forced labour, or freedom of association amongst others. In addition the SA8000 Standard certification and the AENOR certification based on the RS10 guide verify that these human and labour rights are guaranteed. Additionally, Red Eléctrica de España, in compliance with the current labour legislation, recognizes the right of freedom of association of the workers and respects the regulatory framework of the collective bargaining agreements as source of rights and obligations between the parties as this is the nature it is attributed by the Spanish legislation.

(13) There is no record that any incident related to infringements of the rights of the indigenous people has occurred.

(14) No contributions have been made to any political parties.

(15) No legal claims against the Red Eléctrica Group have been registered related to acts taken against the competition, anti-monopolistic legislation and monopolistic practices.

(16) In 2010, there are no sanctions and fines, nor non-monetary sanctions derived from the non-compliance with the laws and regulations.

(17) There has been no significant incident registered linked to the non-compliance with the legal regulation o of the voluntary codes related to the impacts of the goods and services on health, and safety during its life cycle.

(18) Not applicable. The products of Red Eléctrica are exempt from labelling.

(19) Red Eléctrica does not carry out any campaigns for advertising or commercial purposes.

(20) No complaints have been filed with regards to infringements of customers´ rights to privacy or the theft and loss of personal data.

(21) In 2009, no significant fines have been imposed due to breach of laws and provisions regulating the supply and use of products and services.

(22) Not applicable. All the activities of the Group are related with the transmission of electricity and with the operation of the electricity systems, but not with the generation of electricity.

(23) As the electricity system operator and transmission agent, this indicator has been interpreted as the planning of the grid in accordance with the 2008-2016 Infrastructures Plan.

(24) In Red Eléctrica, clients are regarded as the market agents. In December 2010, 638 Market agents were registered in the System Operator's information system.

(25) Not applicable. The activity of electricity transmission does not directly generate emissions and consequently they are not subject to emission quota rights of CO_2 equivalent.

(26) The losses attributable to the transmission grid during 2010 are estimated to be 1.3% over the transmission demand.

(27) Due to preventive and corrective measures applied, the facilities of REE do not entail a sufficiently significant loss of biodiversity to require the establishing of compensation zones. The effects generated are punctual and very specific, and in some cases compensatory measures such as the planting of trees due to the felling activity or habitat restoration measures (such as the case of the measures associated to the REMO Project and that included in the report). The comparison of the compensation habitat with the area affected is not applicable as the effects on the original habitat are practically inexistent.

(28) In 2010, no fatal injuries or casualties have occurred among the citizens and that involved company assets.

(29) Red Eléctrica does not carry out distribution activity, only high voltage transmission.

(30) Not applicable. Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.

(31) Total data is not included. Only partial data about consumption savings from the various applied methods are shown.

United Nations Global Compact -4.12-

The Red Eléctrica Group, as a whole, has adhered to the United Nations Global Compact and considers this initiative a high value proposition for the defence of Human rights and workers' rights, respect for the Environment, support for the social advance in all its aspects and the fight against corruption.

Red Eléctrica de España is a founder member of the Spanish Global Compact Association (ASEPAM) and annually presents the Progress Report, like TDE do. The reports are available on the Spanish Global Compact website (www.pactomundial.org) and bring together the activities oriented towards advancing the implementation and continual improvement of its ten principles.

In 2010 Red Eléctrica collaborated on the joint initiative with the Spanish Sustainability Observatory (OSE) and the Spanish Global Compact Network through their contribution to the elaboration of the Sustainability Annual Report of OSE. This report deals with biodiversity and brings together examples of best practices in this matter amongst those companies adhering to the United Nations Global Compact and producing a global analysis of the investment in this area.

Aspects Global Compact Principles

	GRI Indicators
Human Rights	
1. Companies will support and respect the protection of the fundamental human rights, recognised internationally with their scope of influence.	**HR1-9, LA4, LA13-14, EC5, LA6-9, PR1, SO5**
2. Companies will ensure that their companies are not involved in any infringement of human rights.	**HR1-2, HR6-7, SO5**
Labour rights	
3. Companies will support freedom of association and the effective acknowledgement of the right to collective bargaining.	**HR5, LA4, LA5, SO5**
4. Companies will support the eradication of all types of forced labour or labour carried out under coercion.	**HR7, EC5, SO5**
5. Companies will support the eradication of child labour.	**HR6, SO5**
6. Companies will support the abolition of discrimination at work and in occupation.	**HR4, LA13, LA14, EC7, SO5**
Environment	
7. Companies will maintain a preventive approach that favours the environment.	**4.11-12, EN18, EN26, SO5**
8. Las empresas deben fomentar las iniciativas que promuevan una mayor responsabilidad ambiental.	**EN5-7, EN11, EN12-14, EN18, EN26, EC2, SO5**
9. Companies will favour the development and diffusion of technologies that respect the environment.	**EN6-7, EN18, SO5**
Anti-corruption	
10. Companies will work towards eradication of corruption in all its forms including bribery and extortion.	**SO2-SO5**

The Millennium Development Goals in the Red Eléctrica Group

The companies of the Red Eléctrica Group continued to work on initiatives oriented towards achieving Millennium Development Goals promoted by the United Nations and directed towards originating significant improvements in the reduction of poverty and the inequalities affecting millions of people worldwide.

The activities carried out in this fiscal year, in which the Corporate Voluntary group, EnREDando, have concentrated on the first two goals, and the majority have been developed in collaboration with NGO and foundations.

Millennium Goals	Key initiatives
1. Eradicate extreme poverty & hunger	Project "Danos la lata" with the Madre Coraje ONG, oriented to mitigating infant malnutrition in poor communities of Peru.
	Collaboration with the SETEM organization be means of the V Fair Trade Campaign.
	"Aid for Haiti" campaign, in collaboration with the Doctors without Borders ONG, destined to collecting donations for victims of the Haiti earthquake.
2. Achieve universal primary education	"Aid for Haiti" campaign, in collaboration with the Doctors without Borders ONG, destined to collecting donations for victims of the Haiti earthquake.
	Collaboration in the "Lápices digitales" project carried out in Calcutta by the Light of Hope ONG by means of the donation of computer equipment and office supplies.
	The Uralán Fund project managed by REDESUR and the Compañia de Jesus oriented towards improving school schooling in Peru.
3. Promote gender equality and empower women	No specific initiative.
4. Reduce child mortality	No specific initiative.
5. Improve maternal health	No specific initiative.
6. Combat HIV/AIDS, Malaria and other diseases	TDE (Bolivia) support regarding VIH/AIDS prevention actions carried out by the Instituto para el Desarrollo Humano (IDH)
7. Ensure environmental sustainability	Approval of a biodiversity strategy fight against climate change (Lucha contra el cambio climatic) (promoting of renewable energies, energy efficiency and reduction of greenhouse emissions).
	Development of various biodiversity projects within the territory of Spain (see environmental chapter of this report).
8. Develop a Global Partnership for development	Participation in several forums and initiatives regarding corporate responsibility.

Contact -2.4, 3.4-

For any consultation, opinion or suggestion about this report, please contact:

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This report is only published in electronic format.

This report shows complete information regarding the activity of the Company during fiscal year 2010 and is complemented by the legal documentation (Corporate Governance Report and Consolidated Annual Report). All these documents are published, for a third consecutive year, exclusively in electronic format, in line with our commitment to reduce the use of paper.

In addition, we have published, in paper format, a summary report with all the most relevant aspects of the 2010 fiscal year. This document and those previously indicated are available on the corporate website: www.ree.es.

Nevertheless, if for any reason someone cannot access the electronic format version, they may request the delivery of a printed copy of the PDF format by contacting the Dígame Stakeholder Attention Centre.

This English version is a translation of the original and authentic Spanish text found in the "INFORME DE RESPONSABILIDAD CORPORATIVA DE RED ELÉCTRICA 2010", originally issued in Spanish. In the event of discrepancy, the Spanish-language version shall prevail.

Publishing the documents in electronic format has represented a savings of 34 tonnes of paper.

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Verification Report

VERIFICATION REPORT

SCOPE

SGS ICS Ibérica, S.A. (hereafter SGS) has performed, at the request of Red Eléctrica Corporación (REC hereafter) an Independent Verification of the document CORPORATE RESPONSIBILITY REPORT 2010. The scope of the investigation includes the text and data in the reference document, but it does not include the information and / or referenced data and not entered in the document.

INDEPENDENCE

The information contained in the verified document and its preparation is responsibility of REC.
SGS has not participated or advised in the preparation of the verified document. SGS only acts as an Independent Verifier, and checks the accurately of the contents. The content of this Verification Report and the opinions contained therein are the sole responsibility of SGS.

Policy Independence, Impartiality and Integrity
SGS ICS recognizes the importance of an Evaluation which is absolutely impartial and independent from the management systems of its Customers. It is therefore SGS ICS aim to ensure the maintenance of such impartiality and independence at all levels: strategic and political decisions concerning the Assessment and Certification. To that end, several controls have been established.

Steering Team Members and Team Tester should be guided by the following rules:
a).- They are absolutely prohibited from participating in the Process of Verification / Certification of an Organization if during the two years preceding the date of their possible roles have provided any related consulting service.
b).- They are forbidden from commenting on their activities with any other member of SGS ICS staff not directly involved in the process of Certification of an Organization, as it is incorporated in the Confidentiality Agreement / No Broadcast signed at the beginning of the job, unless the Organization particularly specified otherwise.
The appointment of Members of the Evaluation Team will take into account possible conflicts with current or past jobs. Those who have or have had employment as consultants or employees of the same in the last two years, or have family in the first or second degree leadership positions within that Organization, will not be appointed as Evaluation Team members.

In the event that any SGS company has performed any consulting work related to an Organization wishing to obtain a Certificate from SGS ICS, SGS ICS Assessors involved in the process may not belong to that company.

All Assessors, Auditors and Technical Experts being staff or subcontractors on behalf of SGS ICS, must sign the Confidentiality Agreement / No Diffusion. This agreement requires the concerned person to declare before taking charge of the Assessment of any commercial or other kind interest that might have on the audited Organization. It also undertakes to maintain confidentiality.

Advisory Committee Members SGS ICS to make decisions regarding Certification or Assessment are governed by the same rules as the Audit Team.

Recognizing the importance of ensuring that the Management of SGS ICS has no financial interests in products or services that may be assessed, SGS ICS requires its Managers to the statement of any other economic or financial activity besides those directly related to his work at SGS ICS.

Also SGS ICS staff has committed to the observance of a Conduct Code which can be resumed as follows:
- Do not give in to pressure from Clients in one area of our business in order to obtain positive treatment in another area.
- Do not accept a duty or position in the company of a Competitor or Client, except in the exercise of their functions in SGS.
- Do not have any interest in a Supplier, Customer or Competitor of SGS, except in the case of publicly traded securities, and to an extent which can not significantly influence or create undue dependence.
- Do not accept an office or employment outside of SGS without having obtained prior authorization.

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VERIFICATION REPORT

- Do not accept any personal benefit for themselves or their relatives, which might influence or appear to influence their opinion or shares when exercising their functions to SGS.
- Do not obtain personal advantage of business opportunities from SGS, and do not use ownership or company resources for personal purposes.
- Refrain from disclosing any confidential fact that they might have knowledge in the exercise of their functions.

SGS ICS has full authority over its Evaluation and Certification activity and this activity is absolutely independent of any other activity into the SGS companies in Spain.

SGS ICS is committed to properly analyze any new activity to assess their impact in meeting the requirements of ENAC.

VERIFICATION

Methodology and Equipment Controller

It has been used Verification Methodology established by SGS, which consists of procedures according to ISO 19011 Audit and Verification mechanisms according to GRI Guidelines: G3 (2006), the Electricity Sector Supplement (2009) and the Standard AA1000 Assurance Standard (2008), among these are:
- Interviews with staff responsible for obtaining and preparing data.
- Review of documents and records (both internal and public).
- Testing and validation of data with the sources themselves.

In particular, in this Verification economic area data were evaluated in accordance with the Certification Audit of annual accounts of the Company, carried out by an independent external auditor.

There has been reviewing the degree of progress and achievement of Corporate Responsibility commitments for 2009, raised in the Corporate Responsibility Report for 2008.

An addendum to the Corporate Responsibility Report 2010, there are references to GRI ratio, relating to the checked values. Any mistake or significant absence have been noticed after our review.
The team consisted of Staff Verifier of SGS:

D. Fco.-Javier Gª.-Consuegra y Zamorano
Ms. Isabel López Guerrero

This was configured based on their knowledge, experience and qualifications to perform this task.

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VERIFICATION REPORT

AREAS FOR IMPROVEMENT

* Indicators of Quality of Service, are much higher than legally required, but show lower values than in recent years. They have been analyzed by REC, and shows that there are actions under way to recovery.

* During fiscal year 2010, spending on R + D + i decreased (from 6.78 million Euros in 2009 to 5.02 in 2010). It would be desirable to specify the reasons for this reduction.

* Several indicators show declines DJSI. We must continue with the analysis and actions undertaken in 2009.

* Training and advice on prevention of serious diseases that apply to workers' families and other members of the community should be enhanced.

* Although it is stated that most employees and managers are recruited in their home countries, no data is specified, in Spain, with regard to recruitment of the staff in each province or autonomous region in which REC develops their activities.

* As an area of improvement, CO2 emissions generated as a result of REC staff movements and its subcontractors could be included, related to travel to offices and business travel.

* It could be a good practice to extend the information provided in the REC Report on activities that represent a smaller volume in REC activities (eg, REI).

* As of this verification, full report of verification of the EMAS regulation in 2010 has not been received. Data reported to the Verification Body has been verified, EMAS report is in draft stage and ISO 14,001 report is in its final version. REC must confirm with the Verification Body that the certificate is actually granted before publishing the Corporate Responsibility Report 2010.

STRENGTHS

* It should be noted the excellent involvement and willingness of all staff interviewed.

* The clarity in drafting the report. Of note is the report's structure and clarity of the information and facilities for its location.

* To write the report, REC has taken into account the indications of the Guide to Sustainability Reporting Guidelines G3 (edic. 2006) and Supplement, specific to the electricity companies, published by GRI in 2009.

* The CEO Portal presents an application with very important information content and accessibility to it outstanding.

* It is remarkable the high degree of transparency which is the nominal inclusion of all members of the Board providing all the information regarding type (executive, independent, Sunday) and even the annual salary.

* The review and implementation of the new system of Integrated Risk Management.

* The project, developed in collaboration with the Polytechnic University of Madrid, to establish the monetary value of the activities that can be considered as corporate responsibility.

* Inclusion of Income Fivefold.

* An *Action Guide to Identification, Classification, Evaluation and Dissemination of Corporate Research* has been developed.

* REC has several awards, ratings and national and international awards, maintained and refurbished on for years. These awards include the first position among the Ibex35 companies for the fifth consecutive year issued by the Observatory of RSC and also the first among companies in the Ibex 35 in four editions issued by the Observatory for RSE.

* There was an increase in both the Action Dividend and Pay-Out for 2010.

* It shows a continued growth of interest from shareholders and investors in the use and

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VERIFICATION REPORT

development of new technologies (web, electronic voting, online monitoring of the Annual General Meeting) powered by REC for the sake of clarity and transparency of their actions.

* The strengthening of the Service to Stakeholders "DIGAME."

* The re-engineering applied to external social vector.

*The support given to the development of the economy of the areas where they are sited and commitment to society.

* The continued enhancement of CECRE.

* The continuation and good prospects of Project Active Demand Management (GAD).

* The expansion that has occurred in this Corporate Responsibility Report 2010 of the information relating to subsidiaries of Bolivia (TDE) and Perú (Redesur).

* Increased training of staff.

* Environmental Management Policy has been revised, dated September 2010. It is oriented toward research, development and use of new technologies, sustainable energy model and the fight against climate change. It also focuses on the impacts on biodiversity and the development of a transmission net compatible with the environment.

* As a novelty, and to comply with the REC revised Environmental Policy an strategy on biodiversity has been defined and adopted, based in 5 principal axes, which are published in the report.

* Establishment o fan specific area into the REC web, focussed to biodiversity.

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VERIFICATION REPORT

Evaluation of compliance with the principles of AA1000AS

The 2010 Corporate Responsibility Report has been assessed following the principles of AA1000AS Assurance Standard. The application of the principle of RELEVANCE, COMPLETENESS AND RESPONSE CAPABILITY provides the Corporate Responsibility Report REC credibility and quality of information provided.

• Materiality or Significance.- the 2010 Corporate Responsibility Report REC provides a fair and balanced representation of important points about economic performance, social and environmental.
• Completeness.- REC has mechanisms and systems that allow you to meet the expectations of Interest Groups and identify information of relevance to include the Corporate Responsibility Report REC
• Response Capability.- REC has effective processes to manage and report the answer to the expectations of its Stakeholders.

CONCLUSIONS

Based on its verification, the Verification Team from SGS considers that:

• The CORPORATE RESPONSIBILITY REPORT 2010 of REC contains reliable information and data that consistently represent activities and results for the period reflected, and has been prepared in accordance with the requirements of the Guide for Preparing G3 Sustainability Reporting 2006 Global Reporting Initiative (GRI), the Electricity Sector Supplement (2009) and the AA1000 Assurance Standard (2008)

• The GRI Application Level declared by REC: (A +) is appropriate.

• After the assessment, the Assessment Team confirms that the level of assurance according to AA1000AS 2008 is Type 2 Level Moderate, coinciding with the type and level of the work requested by REC to SGS.

·REC has implemented management systems to identify and reply to the social, economic and environmental impacts of their activities, including identify and response to the points of view of interested parties.

F.-Javier Gª.- Consuegra y Zamorano
18 March 2011
SGS ICS Ibérica, S.A.

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Executive summary of the annual Code of Ethics management report

As set out in its preamble, the Code of Ethics of the Red Eléctrica Group brings together the set of principles and recommendations regarding behaviour, whose assumption and application contributes to an ethical and responsible management for the activities of the companies of the Group, or in the relations established with the different stakeholder groups.

Any employee of the Company or member of any stakeholder group can report the alleged breaches of the Code of Ethics detected in any of the companies of the Red Eléctrica Group or committed by any of its employees, through the system implemented for the reception and handling of reported incidents and possible breaches of the Ethical Code, dealt with by the Ethics Manager.

During the 2010 fiscal year work continued regarding the tasks of dissemination of the Company's ethical management and reinforcing the consultation and reporting mechanisms regarding breaches of the Code.

The vast majority of the consultations received have been made with the aim of interpreting the commitments set out in the Code of Ethics regarding specific situations.

Amongst the possible breaches reported to the Ethics Manager, several of them were directed to the organisational units which had the ability to resolve the detected problems, thus avoiding the corresponding report being filed. Also a report regarding a supposed breach of obligations by the Company derived from a judicial decision was dealt with by the Ethics Manager, which had been resolved by the time this summary was compiled.

Halfway through 2010, the process of development and improvement of the Code of Ethics already underway was halted. This stoppage took place to introduce suitable tools and practices destined to reinforce the measures of the Organisation to prevent offences with social repercussions from being committed, as a result of the approval of Statutory law 5/2010, 22 June, regarding the Reform of the Penal Code. This reform introduces into the realm of Spanish society the criminal responsibility of the legal entity who commit certain offences by physical persons within the organisation.

Once the needs of the Company are identified for the establishment of a suitable plan for the prevention of such offences, the development and improvement process of the Code of Ethics shall resume. This is due to be completed within the 2011 fiscal year.

Internal Report regarding Financial Information

RED ELÉCTRICA DE ESPAÑA

INTRODUCTION

The recommendations regarding Internal Control Systems regarding Financial Information (*Sistemas de Control Interno sobre la Información Financiera*, hereinafter referred to as SCIIF) developed by the Internal Control Working Group (*Grupo de Trabajo de Control Interno*, hereinafter referred to as GTCI) was proposed by the National Securities Market Commission identified sixteen key indicators that allow instrumentation and execution of financial information with the ultimate goal of establishing an effective SCIIF that involves the entire organization.

The main objectives pursued in the working sessions held by GTCI were to analyse the Spanish regulatory framework on internal control regarding financial information and to determine a key reference framework to connect principles and best practices relating to SCIIF, including management, supervision, and evaluation of its operation as well as to provide listed companies with the transparency and consistency required regarding financial information to be published in the securities markets regarding their SCIIF.

The analysis done by GTCI identified 16 control indicators, to be used and executed by each company, with the aim of ensuring the establishment of internal controls over financial information grouped under the following five component:

A. Scope of Control.
B. Risk assessment regarding financial reporting.
C. Control activities.
D. Information and communication.
E. Monitoring system performance.

Red Eléctrica de España, voluntarily introduced its SCIIF in 2008 and it currently covers all indicators through policies, procedures, instructions and other formal documents, that in regards to the control system is known as "Indicator Assessment Elements" ("*Elementos de valoración de los indicadores*", hereinafter referred to as EVIs) and is considered good practice for its management, monitoring, archiving, and updating as needed. At present, 35 EVIs are identified fully covering the 16 indicators, although a continuous improvement process is still underway to identify and develop new EVIs to keep Red Eléctrica's SCIIF updated and reinforced at all times.

Following is a description of each indicator, each grouped in its corresponding control component, as well as the corresponding EVIs that exist at Red Eléctrica de España.

A. Scope of Control

The scope of control is aimed at establishing a comprehensive framework for information security, so that the framework may influence behavioural patterns, values, and philosophies of the entire organization with the goal of creating a culture of internal control at a corporate level. The indicators encompassed within "Scope of Control" are:

A. 1. Organisms and functions responsible for the existence, maintenance, implementation, and supervision of the SCIIF.

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A. 2. Definition of the departments and mechanisms in charge of defining: organisational structure, lines of responsibility, necessary procedures, especially with regards to financial information.

A. 3. Code of conduct, complaints channel, training programs, keeping personnel involved updated in the preparation and revision of financial information as well as in the assessment of the SCIIF.

Red Eléctrica covers these 3 indicators through 8 EVIs, most notably the Board of Directors Regulations, General Shareholders' Meeting Regulations, Internal Regulations governing Conduct in the Securities Market and Channel for ethical consultation, suggestions, or complaints.

B. Risk assessment regarding financial information and reporting

Risk assessment allows the analysis and consequent adoption of necessary corrective measures in lieu of the impact of possible risks associated to the achievement of objectives regarding the reliability of financial information. The preventative measures taken in any risk assessment, are triggered by the need to put in place measures to prevent fraud at all levels within a company, especially those with significant impact on financial information.

The indicators encompassed within "Risk assessment regarding financial reporting" are:

B. 1. Processes for the identification of risks with an impact on SCIIF

Red Eléctrica covers this indicator through 4 EVIs, among them the Group's Policies regarding Comprehensive Risk Management and the General Management & Comprehensive Risk Control procedures.

C. Control activities

Monitoring and control activities are conducted at various levels within the organisation, with a dual purpose of mitigating existing possible risks, as well as those that have been identified by the company, or for the detection of possible risks not previously identified. These controls should ensure the reliability of financial information from an operational and systems standpoint, implying the necessity of SCIIF control activities and including those risks related to financial reporting.

The indicators encompassed within "Control activities" are:

C. 1. Documentation describing the flow of activities and controls.

C. 2. Policies and procedures for internal control regarding information systems.

C. 3. Policies and procedures for internal control oriented toward overseeing the management of activities outsourced to third parties.

C. 4. Review and approval procedures of the financial information and description of SCIIF.

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Red Eléctrica covers these 4 indicators through 11 EVIs, among them Red Eléctrica's SCIIF, Group Policies regarding Security of Information, the Manual for Internal Control and Rules for general control of the Corporate Information System (*Sistemas de Información Corporativos*, SIC).

D. Information and communication

Information and communication are key aspects in the dissemination of the necessary standards, guidelines and instructions regarding the impact on financial information, both internally and externally. In this sense, it is considered a critical aspect of any corporate business structure the definition of formal communication and information channels to equip the system with the necessary guarantees to ensure information flow and communication of financial information.

The indicators encompassed within "Information and Communication" are:

D. 1. Functions regarding the definition of accounting policies and keeping these updated.
D. 2. An updated and disseminated accounting policy manual.
D. 3. Mechanism for collecting and preparing financial information.

Red Eléctrica covers these 3 indicators through 5 EVIs, among them Red Eléctrica's SCIIF, Red Eléctrica's Manual on Accounting Policies, and the Annual Accounts closing procedures.

E. Monitoring system performance

To ensure effectiveness of any Internal Control System regarding Financial Information, periodic assessment must be done to prevent and address any shortcomings in its design and/or function.

The indicators encompassed within "Monitoring system performance" are:

E. 1. Internal audit function.

E. 2. Senior management and audit committee communication procedures informing of significant internal control weaknesses and an action plan to mitigate these weaknesses.

E. 3. Scope of the SCIIF assessment.

E. 4. SCIIF supervision activities undertaken by the audit committee.

E. 5. Review SCIIF by an external auditor and issuance of the corresponding report.

Red Eléctrica covers these 5 indicators through 7 EVIs, among them the External Audit Report regarding Red Eléctrica's SCIIF, General Procedures regarding Internal Audit, Technical instructions regarding the follow-up of compliance and weaknesses detected in internal audits and the Internal Control Manual.

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

To the Board of Directors of Red Eléctrica Corporación, S.A.:

1. We have examined the effectiveness of the internal control system over financial information of Red Eléctrica Corporación, S.A. and Subsidiaries ("the Company") at 31 December 2010. The objective of this system is to contribute to the transactions performed being presented fairly under the accounting principles and standards applicable to it and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the financial information. The aforementioned system is based on the rules and policies defined by Company management, which is responsible for maintaining the effectiveness thereof. Our responsibility is limited to expressing an opinion on its effectiveness based on the work performed by us.

2. Our work was performed in accordance with Spanish professional standards and, consequently, it included understanding the internal control system over financial information, an assessment of the risk of the existence of material errors in that information, the performance of tests and evaluations of the design and operational effectiveness of this system, and the performance of such other procedures as we might have considered necessary. We consider that our examination provides a reasonable basis for our opinion.

3. An internal control system over financial information is designed to provide reasonable assurance on the reliability of the financial information in accordance with the accounting principles and standards applicable to it. An internal control system over financial information includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of assets of a company which could have a material effect on the financial information.

4. The limitations inherent to any internal control system might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

5. In our opinion, at 31 December 2010 the Company maintained, in all material respects, an effective internal control system over financial information and this internal control system is based on the rules and policies defined by Company management.

DELOITTE, S.L.

Jesús María Navarro

25 February 2011

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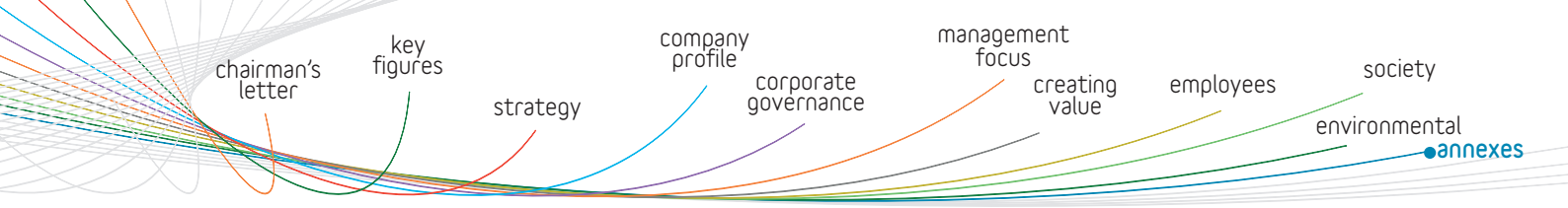

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