



Corporate
Responsibility
Report
2008



RED ELÉCTRICA CORPORACIÓN

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Letter from the President



Dear Reader:

Corporate Responsibility is, in my opinion, a key management element in the functioning of companies in this century and essential to confront the challenge of sustainable development. Regarding this challenge, energy is one of the most important matters, not only in relation to economic aspects but also to the environment and security of supply. This is set out clearly in the 20-20-20 objectives of the European Union, that is to say, 20% greater energy efficiency, 20% of primary energy from renewable sources and 20% reduction in emissions, all this for the year 2020.

Also, let us not forget, electricity has become the fundamental way of incorporating renewable energies into our energy model, and the growth of these alternative energies is going to play a key role in both the process of economic recovery and in the struggle against climatic change.

Our company, as system and transmission grid operator, has an important responsibility in the achievement of these targets, contributing solutions for the integration of renewable energies. In this sense, I would like to indicate the important investment effort carried out during this fiscal year, through which we have put in service more than 600 kilometres of lines and 120 busbars in substations which have represented an investment of 614 million euros, which has today allowed hundreds of producers of renewable energies to be connected to an extensive and robust meshed grid.

Similarly, through the Centre for the control of renewable energies, our CECRE, a technological tool designed to manage this energy under secure conditions, it has been possible to integrate more than 30,000 GWh of wind energy production into the system, which covered 11% of the demand for 2008. This centre, the first of its kind in the world, allows us to safely manage the ex-

traordinary variability of wind power energy contribution, which at one point this year reached a level which covered 43% of the demand, and on other occasions it has only provided less than 1%.

This increasing influential role of renewable energies provides significantly positive effects in the reduction of contaminating emissions and diminishes our energy dependency. Nevertheless, to advance towards an energy sustainable model, the development of the international interconnections is also essential. Therefore, following the commitment of our governments we have signed an agreement with RTE, our French counterpart, to construct a new interconnection line with France that will allow us to reinforce the security of both systems and to integrate a significant volume of renewable energy.

Our responsibility to advance in all these areas is necessarily linked to the creation of sustainable value in the long term. In this way, the 2008 fiscal year has concluded with some highly satisfactory economic results, confirming the expectations of growth in benefits and ratios of profitability. Net profit has increased 17.7% and the dividend received by the shareholders has increased by the same percentage. Regarding the behaviour of the share price within the context of a world financial crisis, it has registered a fall significantly lower than that of the stock exchange indexes of reference.

We have also taken new steps regarding social and environmental aspects. We have created employment and promoted the recruitment of women and their presence both on the Board of Directors and in managerial positions. Also, in the realm of social dialogue, I wish to emphasise the signing of the IX Collective Bargaining Agreement for a term of six years, in the framework of which, amongst other matters, puts forward new proposals and measures to ensure effective equal opportunity between men and women, as well as conciliatory measures to ensure that the already well-established measures will be extended and improved.

Regarding the environmental aspect, I would like to point out the important effort we are dedicating to make compatible the necessary development of an electricity grid that structures the Spanish electricity system as a whole, respecting the natural and social ecosystem, looking for and agreeing on the routes with the least social and environmental impact.

These efforts and our commitment to transparency allow us to be in the main sustainability indexes and to occupy a leadership position with respect to corporate responsibility within the companies of the Ibex 35.

Looking to the future

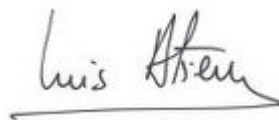
Our challenge over the few next years is to contribute to the conversion of energy into a vector of economic recovery. Through the consolidation of our role as Spanish TSO, we will work to extend and to develop the transmission grid, improve the security of supply and support the promotion of green energies. Over the next five years we will invest 4 billion euros in grid reinforcement and meshing in order to effectively contribute to the principal objective of energy planning 2008-2016: to achieve a secure, efficient and sustainable electricity supply.

Also, this important investment cycle will be supported by our business strengths, such as the regulatory stability provided by the new remuneration framework, leadership regarding the integration of renewable energies and our ongoing clear orientation towards achieving quality of service. All this, along with our solid financial position, will allow us to maintain an attractive return on investment for the shareholders and to create value for the rest of the stakeholders.

But I am also convinced that to look to the future means making efforts in research, development and innovation geared towards energy efficiency and savings, principally developing demand-side management tools and promoting of renewable energies.

Finally, I would like to show once again our commitment to the ten principles of the United Nations Global Compact and our responsibility to keep advancing in the collective challenge of constructing a sustainable energy model and a more united and just society.

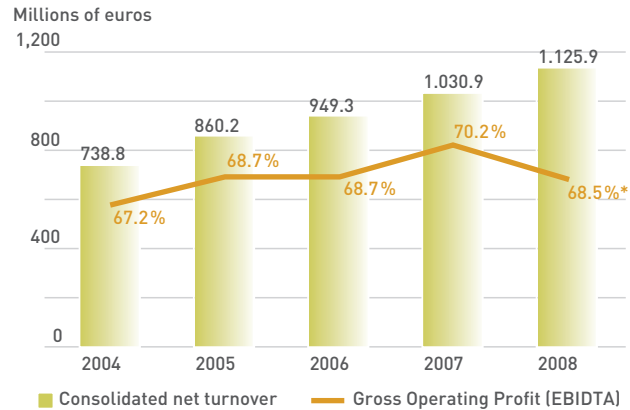
I hope that the contents of this report, which we are publishing for the seventh consecutive year, gives a balanced response to all the questions that may arise. On this occasion we have incorporated all the information relative to the activity of our company in the 2008 fiscal year and which is complemented with the corporate governance report and the annual consolidated accounts.



Luis Atienza Serna
President

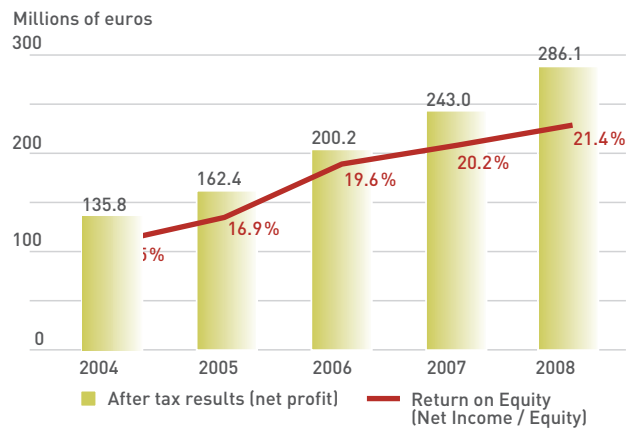
Key Figures

Consolidated net turnover

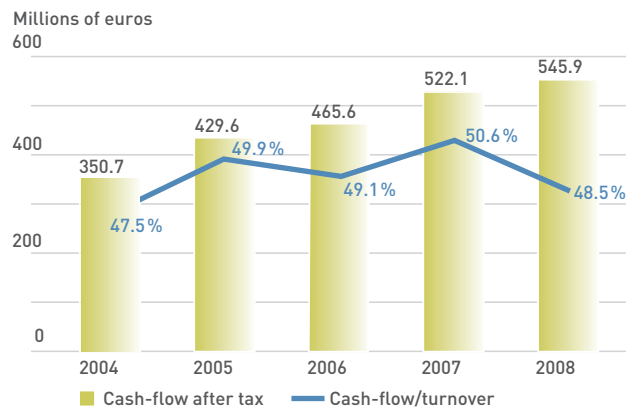


* Gross Operating Profit (EBIDTA) has been affected by a provision of 11 million euros set aside to cover a sanction imposed due to an electricity incident in 2007, a sanction which has been appealed against.

After tax results



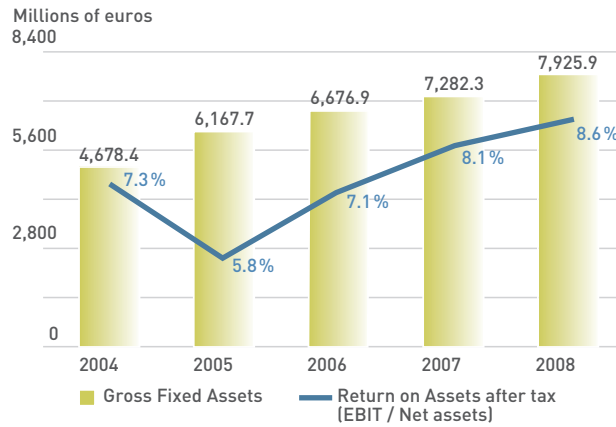
Cash-flow after tax



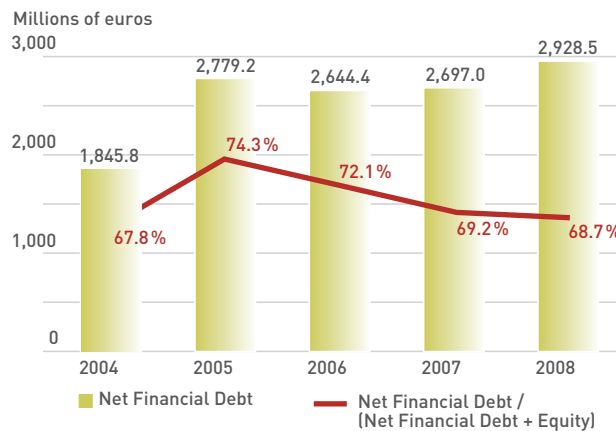
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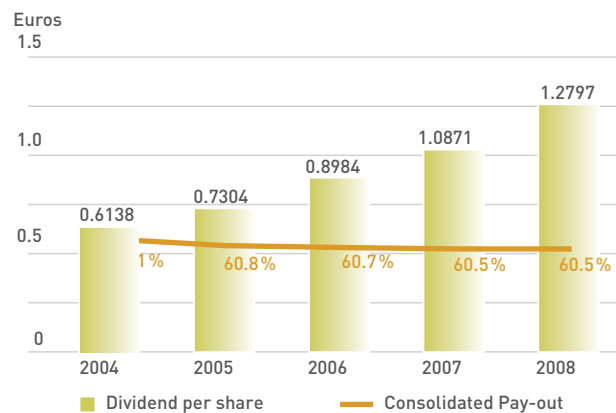
Gross Fixed Assets



Net Financial Debt



Dividend per share

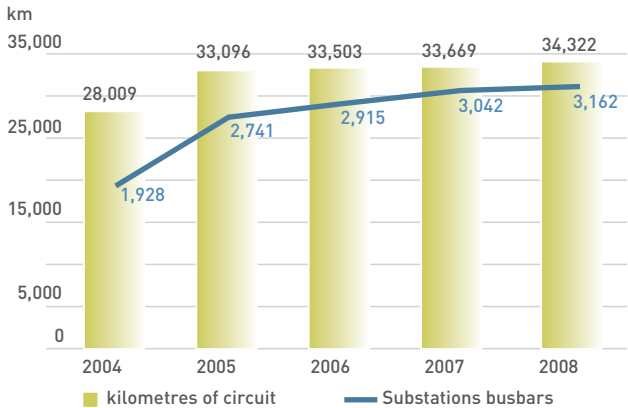


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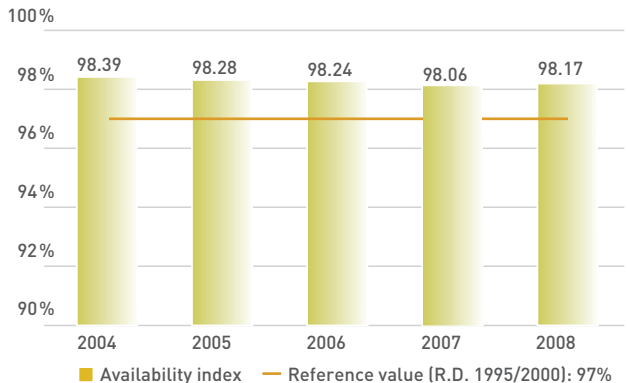
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Transmission Grid

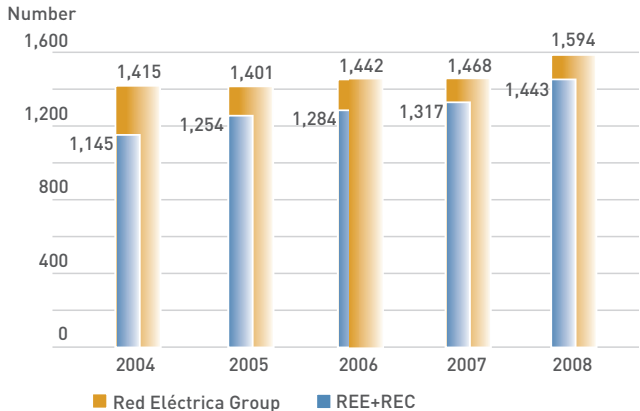
2004 and 2005 data include REE acquisitions of assets from other companies.



Grid availability



Workforce



Strategic Plan 2009-2013

00

The strategic plan 2009-2013 will be developed with a focus on efficiency and profitability, maintaining the guarantee of supply and working towards the sustainability of our energy model.

Financial objectives

Annual increment
in earnings per
share (EPS)
in excess of
15%

**Dividend
increase**
in line with
the EPS increase





The strategy of Red Eléctrica for the period 2009-2013 is orientated towards securing various business objectives in line with the strengths the company presents.

Amongst these strengths the following are noteworthy:

- 1- regulatory stability,
- 2- leadership regarding the integration of renewable energy,
- 3- quality of service and security of supply,
- 4- an investment mandate derived from energy planning, and
- 5- a solid financial position.

The principal objective of our strategy is to consolidate our role as Spanish TSO: the sole transmission agent and operator of the system.

This consolidation will imply the following measures:

- ◀ the execution of an important investment for the development of the entire Infrastructure Plan 2008-2016, approved by the government and which amounts to 8.5 billion euros,
- ◀ the acquisition of the transmission assets from the electricity companies, in accordance with the established law 17/2007, which will convert Red Eléctrica into the sole transmission operator, and
- ◀ maintaining various high levels of operative and financial efficiency in the management of the company.

Regulatory Stability

The same remunerative framework is maintained for the assets prior to 2008 and a new methodology for compensation is established for the facilities commissioned since 2008. Also, the setting of some new standard reference values for the costs of investment and of operation and maintenance have been suggested, which will be checked every four years, with the objective of reflecting the necessary costs to guarantee the correct functioning of the facilities and of the system.

The new remunerative framework provides stability, transparency and sufficient remuneration, and in addition rewards operating efficiency that electricity facilities offer.

Leadership in the integration of renewable energies

In the face of the significant increase experienced by renewable energies in our country, Red Eléctrica is making a concerted effort to integrate this energy into the electricity system and to increase its share in the demand coverage, thus guaranteeing at the same time the stability and security of the system.

Red Eléctrica has set up the world's first control centre dedicated to the integration of renewable energies (CECRE) and is making a significant investment in electrical infrastructures for the evacuation of energy derived from these renewable sources.

Clear orientation towards quality of service

The continued effort of Red Eléctrica concerning the renovation and improvement of the transmission grid has had its benefits with respect to a higher quality of service and in an effective response to extreme situations meaning the minimum possible effect on the demand for electricity.

The excellent behaviour of the transmission grid and the high level of response regarding system operation and in the grid restoration has positioned Red Eléctrica at the forefront of service quality.



Important investment cycle in the transmission grid

The investment plan for the next five years will reach 4,000 million euros and is based on the Infrastructure Investment Plan mandate 2008-2016.

The breakdown of the investments, according to its purpose, shall be the following:

- ◀ the majority has been allocated to the reinforcement of the meshing of the transmission grid and distribution support,
- ◀ the remainder of the investments will be destined:
 - ◀ to the strengthening of the international interconnections to achieve an increased energy exchange capacity with neighbouring countries,
 - to the evacuation of the new installed capacity of renewable energies and combined cycles, and
 - to support the powering of the High Velocity Trains.

4 billion euros investment in the expansion and improvement of the transmission grid, with the objective of achieving improved security in the grid and guaranteeing the supply of the electricity demand.

Solid financial position

Red Eléctrica continues to maintain a solid, efficient capital structure, and the financial strength of the company provides sufficient flexibility to face the strong investment cycle foreseen for the forthcoming years and maintain an attractive return for the shareholders.


Our efforts will be based on the creation of value, for which we will maintain the following financial objectives:

- ◀ an annual growth in net income per share in excess of 15%,
- ◀ a dividend growth in line with the increase in net income per share.

Company Profile

01

The mission of Red Eléctrica is to ensure the global functioning of the Spanish electricity system. Therefore, it operates the system in real-time maintaining the country's generation and the electricity consumption in constant balance, and facilitates the transmission of high voltage electrical energy from the power stations to the centres for consumer distribution.



34,300
kilometres
of electricity
lines

1,594
employees
in the group

Guarantee and quality of service

Red Eléctrica de España, S.A. was established in 1985 under the provision of Law 49/1984 of 26 December. This law created the unified operation of the Spanish electricity system through high voltage grids as a public service provided by the state and managed by a public company. Red Eléctrica was the first company in the w exclusively dedicated to the transmission of electrical energy and the operation of electricity systems. **-2.1, 2.6-**

The Electrical Sector Law 54/1997 constituted an important step forward by introducing free competition. This law confirms the role of Red Eléctrica as a fundamental part of the Spanish electrical sector operation, assigning it the functions of system operator, transmission grid manager and principal carrier in the electricity system.

With Law 17/2007 coming into force on 4 July, modifying the Electrical Sector Law 54/1997 to comply with European regulations, this has reinforced the value of Red Eléctrica as a cornerstone in the process of electricity supply, now that this law confirms its functions as operator and manager of the transmission grid attributing it, in addition, its capacity as grid manager, the function of sole transmission operator, an activity that develops a regime of exclusivity.

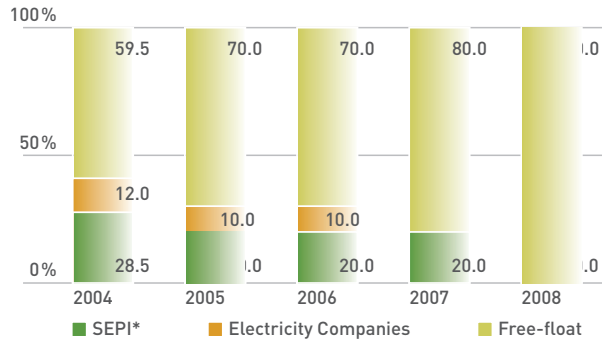
This supposes the definitive consolidation of its position as Spanish TSO (*Transmission System Operator*). **-2.9-**

This law, on the other hand, has introduced a series of corporate changes in the company that, besides the adaptation of social statutes, have required organisational restructuring. In particular, so as to reinforce the separation

KEY FACTORS OF OUR BUSINESS MANAGEMENT

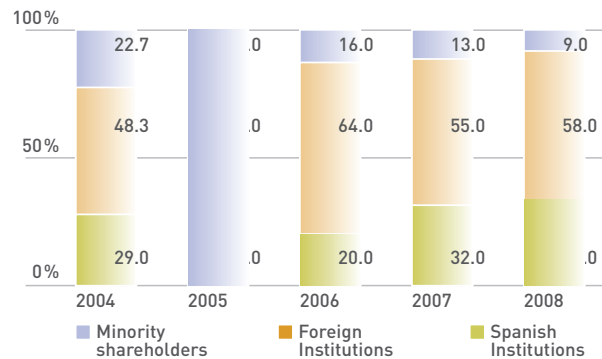
- ◀ Independence from the other electricity system agents.
- ◀ Transparency as system manager.
- ◀ Neutrality in decision making.
- ◀ Commitment to sustainable development.
- ◀ Excellence in business management.
- ◀ Organisation focused on people.

Evolution of the shareholder structure (%) -2.9-



* State Owned Industrial Holding Company

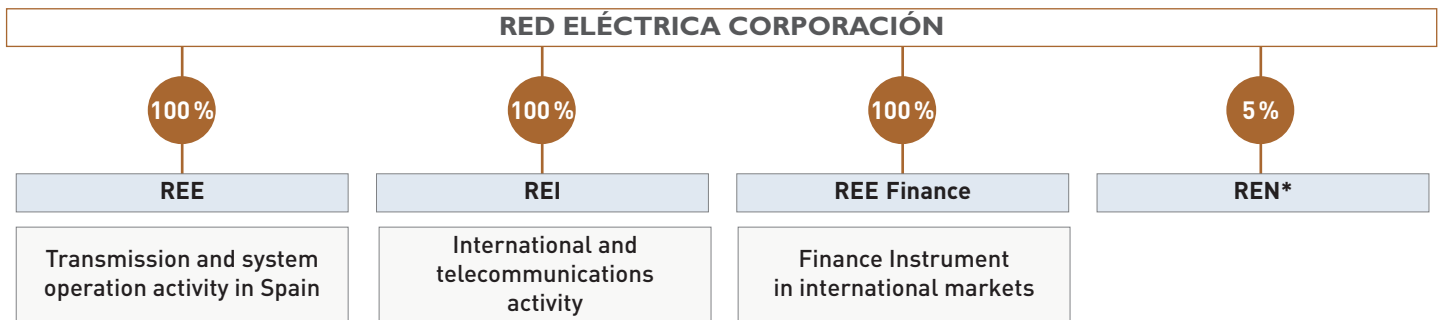
Evolution of the free-float structure (%)



and transparency of the activities regulated in Spain –transmission and the operation of the system- of the rest of the activities, the organisational structure of the company has transformed into a *holding* structure -2.9-

Consequently, from July 1, 2008, the quoted company, Red Eléctrica de España, S. A. changed its name to Red Eléctrica Corporación, S. A. (hereinafter REC) and has transferred the lines of business for the regulated activity it carries out in Spain to Red Eléctrica de España, S. A. U. (hereinafter Red Eléctrica or REE) and the third party telecommunications line of business to Red Eléctrica Internacional, S. A. U. (hereinafter REI). The corporate head offices and the properties not involved in the regulated activities will remain under the parent company (REC), as well as the stake in other companies. -2.9-

REC, as principal company of the new constituted business group, remains quoted on the Spanish stock market and is a part of the Ibex 35 selective index.



* Portuguese transmission and system operator with whom a strategic alliance is maintained through crossed shareholder participation.



KEY FIGURES OF THE RED ELECTRICA GROUP

Key consolidated figures (millions of euros)	2004	2005	2006	2007	2008
Turnover	738.8	860.2	949.3	1,030.9	1,125.9
Gross operating profit (EBITDA)	496.4	591.1	651.7	722.5	771.6
Net profit	135.8	162.4	200.2	243.1	286.1
Cash-flow after tax	350.7	429.6	465.6	522.1	545.9
Net financial debt	1,845.8	2,791.1	2,612.2	2,697.0	2,928.5
Equity	876.2	962.9	1,022.0	1,202.8	1,336.5
Total assets	3,477.1	4,657.3	4,818.4	5,315.0	5,813.3
Total Investments	274.6	755.5	529.6	727.8	635.1
Number of employees	1,286	1,401	1,442	1,468	1,594

Long term financial ratings	2004	2005	2006	2007	2008
Moody's	A2	A2	A2	A2	A2
Standard & Poors	AA-	AA-	AA-	AA-	AA-

Sustainability indexes (global rating)	2004	2005	2006	2007	2008
Dow Jones STOXX Sustainability Index	57	72	72	76	71
FTSE4Good y FTSE4GoodIBEX	Incorporation in 2008.				

Certifications

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

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INFORMATION ON THE ELECTRICITY ACTIVITY IN SPAIN

Red Eléctrica de España SAU ⁽¹⁾	2004	2005	2006	2007 ⁽²⁾	2008 ⁽³⁾
Adjusted turnover (millions of euros)	851.0	743.4	928.7	1,010.3	1,095.8
Investments	267.3	748.3	518.3	720.3	632.2
Electrical cables (kilometres of circuit)	28,009	33,096	33,503	33,669	34,322
Substations (busbars)	1,928	2,741	2,915	3,042	3,162
Transformation capacity (MVA)	37,216	54,272	56,072	58,522	62,122
Optic fibre grid (km of cable)	13,400	13,400	15,260	21,300	23,146
Number of employees	1,145	1,255	1,284	1,317	1,443

RC Certifications

SA 8000 Certificate	Has SA 8000 Certificate for Social Accountability, obtained in 2005. The first Spanish energy company to obtain this certification.
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INFORMATION ON THE INTERNATIONAL ELECTRICITY ACTIVITY (SUBSIDIARIES)

Red Eléctrica Internacional ⁽⁴⁾	2004	2005	2006	2007	2008
Number of employees	20	20	18	10	11

TDE (Bolivia)

Turnover (millions euros)	18.1	19.6	20.0	20.9	23.9
Investments (millions euros)	7.3	7.2	13.5	7.4	2.9
Electrical cables (kilometres of circuit)	1,946	1,962	1,965	2,189	2,190
Substations (busbars)	19	20	22	22	22
Number of employees	113	126	118	119	120

RC Certifications

SA 8000 Certificate	Certified in April 2007.
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REDESUR (Perú) company with a 33.75 % stake

Turnover (millions of euros)		9	9	8
Investments (millions of euros)		0	0	0
Electrical cables (kilometres of circuit)		532	532	532
Substations (busbars)		11	11	11
Number of employees		17	17	17

(1) In 2005 data from Inalta was included. 2006 saw the merger due to the absorption by Red Eléctrica de España.

(2) In 2007, the acquisition of 5% of REN for 98.8 million euros was included in the investments of the year.

(3) Red Eléctrica de España, S.A.U. includes data of Red Eléctrica Corporation.

(4) The business of supplying telecommunications services to third parties has been transferred to Red Eléctrica Internacional, S. A. U.

Core Activities -2.2, 2.5, 2.7-



OPERATOR OF THE ELECTRICITY SYSTEM

We ensure the correct functioning of the electricity system every day of the year, 24 hours a day

REE operates the peninsular electricity system as well as the insular and extrapeninsular systems, assuring at all times the continuity and security of the electricity supply, as well as the correct functioning of the production and transmission. It exercises these functions under the principles of transparency, objectivity and independence.

The electricity supply process requires a constant balance between production and consumption, as electrical energy cannot be stored in great amounts and, therefore, must be generated when it is needed and in the precise amount. REE, as operator of the system, is responsible for managing this balance every day of the year, 24 hours a day.

Therefore, the electricity consumption needed by the country will be anticipated and managed, in a coordinated manner and in real time. The generation and transmission facilities ensure that the programmed production in the power stations coincides in every moment with the actual electricity demand of the consumers. Should for any reason it differ, appropriate orders are sent to the power stations so that they can adjust production by increasing or decreasing the generation of energy.

SOLE TRANSMISSION OPERATOR AND GRID MANAGER

We manage a meshed, robust and reliable transmission grid which offers a high quality service to the electricity system and society as a whole.

PRODUCTS AND SERVICES PROVIDED BY RED ELÉCTRICA DE ESPAÑA -PR3-

- ◀ Planning and development of the transmission grid.
- ◀ Transmission grid access management.
- ◀ Management of discharging and works in facilities.
- ◀ Information for the electricity market.
- ◀ Technical feasibility and the resulting market programmes.
- ◀ Guaranteeing the safety of the system during states of emergency, alert or replacement.
- ◀ Real-time operation of the electricity system.
- ◀ Electricity measuring.
- ◀ Technical operating information.
- ◀ Economic operating information.
- ◀ Local operation and maintenance of the transmission.
- ◀ Inspection and verification of electrical measurements.
- ◀ Management of the settlements assigned to the system operator.

REE, in its role as manager of the grid, is the sole transmission operator and carries out this function under an exclusive regime. Its responsibility is the transmission of electrical energy from the generation units to the areas of consumption.

In addition, it has the responsibility of developing, extending and maintaining the transmission grid under homogenous and coherent criteria.

It is also responsible for managing the transmission of energy between external systems and guaranteeing the access of third parties to the grid under equal conditions.

REE is currently owner of 99% of the high voltage transmission grid (400 and 220 kV), with more than 34,300 kilometres of lines distributed throughout the Peninsula, which forms a meshed, robust and reliable grid.

The remaining 1% of the transmission facilities is presently owned by the electrical companies and has to be acquired by REE, as established by the new Law 17/2007, within three years from their date of approval. The behaviour of the grid displays excellent indicators of availability and security of supply and offers the maximum guarantee and quality of service to the consumer.



OTHER ACTIVITIES: INTERNATIONAL BUSINESS

The international activity of the Group began in 2001 with the creation of Red Eléctrica Internacional. The mission of this branch is to demonstrate globally the value of Red Eléctrica and to channel the experience and resources of the company in the management of electricity grids and systems.

This activity is carried out within two lines of business:

Investment in the Transmission infrastructure

The investment in transmission grids is channelled through the following companies:

- ◀ the Bolivian company Transportadora de Electricidad (TDE) of which it owns 99.94% of the capital – the remaining 0.06% is owned by the employees- TDE is owner and operator of the Bolivian National Interconnected System (SIN), which deals with 85% of the national market,
- ◀ and the Peruvian company Red Eléctrica del Sur (REDESUR), of which it controls 33.75% of the capital and is the strategic operator.

Technical consulting and advisory services

The consultancy services are aimed at providing technical and highly specialised business advice on areas where the Red Eléctrica Group has competitive advantages. This activity is principally executed in North Africa, Eastern European countries and South America.

Management Structure

RED ELÉCTRICA CORPORACIÓN, S. A.

President

Luis Atienza Serna

RED ELÉCTRICA DE ESPAÑA, S. A. U.

Staff Management

Director of Legal Counsel

Rafael García de Diego Barber

Director of Human Resources

José García Moreno

Director of Regulation

Luis Villafruela Arranz

Director of Corporate Responsibility and IR.

Antonio Calvo Roy

Direcciones de negocio

General Director of Administration and Finance

Esther Rituerto Martínez

General Director of Operations

Alberto Carbajo Josa

General Director of Transmission

Carlos Collantes Pérez-Ardá



Corporate Governance

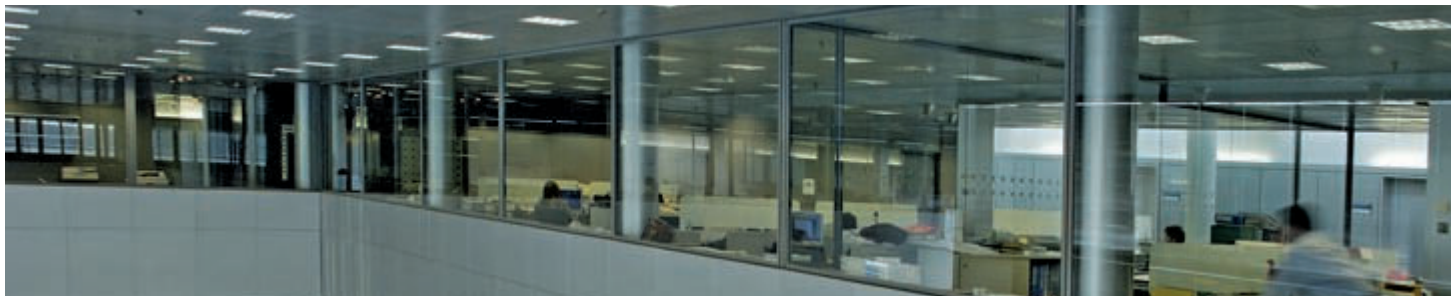
02

The implementation of the best principles and practices of corporate governance constitutes for Red Eléctrica a high level strategic objective and an inescapable requirement for the management of a business project.

63 %
independent
Board
members

27 %
women
on the Board





In Red Eléctrica, corporate governance is connected to the Company vision and the acquired commitments which are made public to the shareholders, consumers, markets and society, and therefore forms part of our corporate culture.

As corporate governance continues to advance in Red Eléctrica, it will make the model of corporate responsibility which guides the Company in the development of its activities more robust, ensuring at all times to conciliate economic, social and environmental benefits with the principles and practices of good governance.

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

Constant adaptation of the rules of governance of the Company to the best practices and recommendations of good governance.

The rules of corporate governance of the Company are the object of continuous modification in order to improve the shareholders right to information and to offer a greater informative transparency to the markets.

During 2008 the Articles of Association, the regulation of the General Shareholders' assembly and the procedure on delegation, information and distance voting were modified. Also, an Ethical Code was implemented and has been disseminated to the whole organisation. This regulation can be consulted at any time on the corporate website (www.ree.es) and consists of the following documents:

ARTICLES OF ASSOCIATION

These are the object of permanent adaptation to the best practices and principles of corporate governance and, to this end, have successively been modified by the Ordinary General Assembly of the Company in the last financial year. The latest modification of the articles were approved during the Ordinary General Shareholders' Assembly held 22 May 2008, within the framework of the recent company reorganisation process, in order to adapt them to the demands of Law 17/2007, of 4 July. These have been communicated to the NMSC, and registered in the Mercantile Registry.

REGULATION GOVERNING THE BOARD OF DIRECTORS

Approved 20 December 2007 (replaces the previous 2003 text to adapt to the Conthe Code), in which the basic rules of organisation and operation of the Board and of its Commissions and the members' rules of conduct are established. This has been communicated to the NMSC, and registered in the Mercantile Registry.

In its session on 18 December 2008, the Board of Directors, following a proposal by the Appointments, Remuneration and Corporate Governance Committee, agreed to annul the Statute of Independent Directors, after its contents had been incorporated in the current Regulation governing the Board of Directors of the Company.

REGULATION GOVERNING THE GENERAL SHAREHOLDERS' ASSEMBLY

Originally approved by the General Shareholder's Assembly on 17 July 2003, this was modified by the Ordinary General Shareholder's Assembly held on 22 May 2008, in order to adapt it to the aforementioned Law 17/2007, 4 July. This has been communicated to the NMSC, and registered in the Mercantile Registry.

The Regulation incorporates the basic principles of the legal statute of the shareholders of Red Eléctrica, in line with the best practices of corporate governance and includes the new protection and participation methods for the shareholders in order to recognise, encourage and promote to the maximum their rights in the Company.

INTERNAL REGULATION GOVERNING CONDUCT IN THE SECURITIES MARKET

Approved by the Board of Directors on July 20th 2006, this document replaces the previous text of 2003. The regulation goes beyond the legal requirements, regulating on abuses in the market, the treatment of privileges and relevant information and the obligations of notifying the NSMC of shares held by the Executive Officers and Directors. Registered with the NMSC.

PROCEDURE FOR DELEGATION, VOTING AND PROVISION OF LONG-DISTANCE INFORMATION AT THE GENERAL SHAREHOLDERS' ASSEMBLIES

The Board of Directors of the Company adopted, for the first time, a procedure for the use of electronic voting in the General Assembly held on the 26 May 2005, becoming one of the first quoted companies to put into operation said mechanism.

The Board of Directors meeting held on 17 April 2008 approved the rules on delegation, voting and the right to access information electronically for the Ordinary General Shareholders' Assembly corresponding to the financial year 2007, which as an innovation, has incorporated the possibility of using the National Identity Document (DNI).

THE ETHICAL CODE

Implementation of the Ethical Code, which is widely promoted and its principles and recommendations disseminated to the whole

The Ethical Code was approved by the Board of Directors on 26 July 2007, after an extensive consultation process which received more than one hundred initiatives by company employees. The code reflects corporate identity and social commitment in the business environment and with the different stakeholders affected by the activities of the Red Eléctrica group.

The code contains the key principles which should serve to guide the members of the board, the management and the employees of the Red Eléctrica group and can be invoked by the stakeholders. In its implementation it emphasises especially the management procedure of consultations and claims, which is available on the corporate website (www.ree.es).

In order to monitor its total fulfilment an ethical manager has been appointed, responsible for administering the system and dealing with non-compliances and reported claims. During the 2008 no claims of any type were reported.

Throughout this financial year, the Audit Commission has carried out an in depth analysis of the Company's Ethical Code implementation process and, in particular, the procedure of reported claims of financial and accounting irregularities.

In addition, informative sessions and presentations of the Ethical Code have been carried out, not just in the headquarters but also in the regional offices, with the purpose of obtaining the desirable dissemination of its principles and recommendations, and to clarify the possible doubts and explanations posed by its recent implementation.



Governance structure of the organisation

GENERAL SHAREHOLDERS' ASSEMBLY -4.4, 4.10-

IMPROVED CORPORATE GOVERNANCE PRACTICES RELATED TO THE GENERAL SHAREHOLDERS' ASSEMBLY:

- ◀ All the relative information regarding the assembly, made available to the shareholders via the Company website.
- ◀ No minimum number of shares required to be able to attend the assembly.
- ◀ Separate voting on each one of the matters submitted for approval in the meeting.
- ◀ To promote the participation of shareholders in the assembly via the implementation of an electronic voting system.
- ◀ Live broadcast of assembly via Internet.

The General Assembly represents all the shareholders. The rules of the organisation and operation are set forth in the Articles of Association and in the General Assembly Regulations. Shareholders' rights have been extended, beyond the legal requirement, regarding information and increasing the participation of all shareholders in the assembly by electronic means.

Noteworthy, is the advancement in the contents of the website as an instrument of communication with shareholders and investors. Article 2 of the General Shareholders' Regulation establishes that, amongst other aspects, the Company's website shall include the communication channels with the shareholders and the relevant information about the

fiscal year that must be made available to these. -3.11-

In 2005, Red Eléctrica implemented an electronic voting system, and as a consequence pioneered the use of this system, which enables shareholders to exercise their right to vote using electronic means via the website (www.ree.es). Over the last few years new improvements have been introduced to facilitate the participation of all shareholders in the assembly. In particular, in 2008, as an innovation, the possibility of using the National Identity Document (DNI) was incorporated.

The agreement proposals were presented to the General Assembly as separate items, so that shareholders could vote on each one separately.

The coming into force of Law 17/2007 on 4 of July, has introduced new maximum limits for the Company's shareholders as summarised below:

- ◀ Any person, physical or legal may participate in the shareholding of the Company, as long as the total of their direct or indirect participation in the Company capital does not exceed five percent (5%) of the Company capital, nor exercise political rights in excess of three percent (3%). These shares may not be joined or grouped in any way.
- ◀ In the case of individuals who carry out activities in the Electricity Sector and those persons physical or legal who, directly or indirectly, participate in the capital of these with a quota superior to five per cent (5%), shall not be able to exercise political rights in the Company over one per cent (1%).
- ◀ The special regime is maintained for the State Owned Industrial Holding Company (SEPI) who shall have to have, in all cases, a stake not lower than ten per cent (10%)

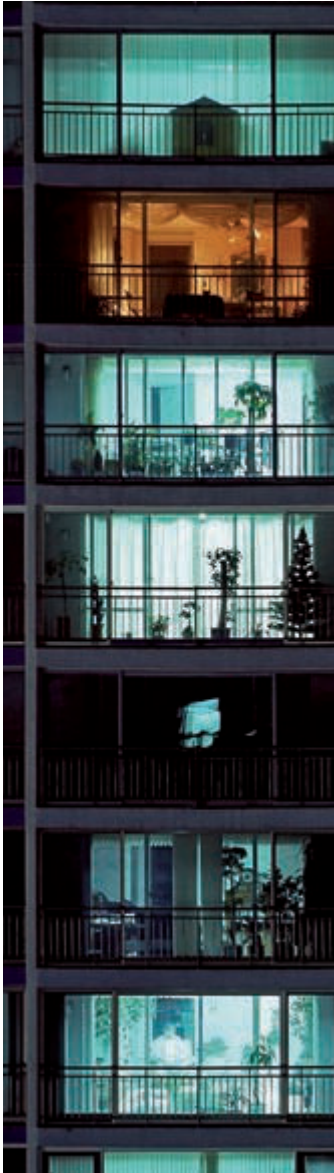
CORPORATE GOVERNANCE BEST PRACTICES IN RELATION TO THE BOARD OF DIRECTORS:

- ◀ **Reduced board, composed of eleven members (three women), with a majority of independent board members. -LA13-**
- ◀ **Annual self-evaluation of all board members.**
- ◀ **Maximum transparency and publication of individualised board member remuneration.**
- ◀ **Board member profiles: recognised professionals of distinction with extensive professional background.**
- ◀ **Existence of a commission for matters related to corporate governance.**
- ◀ **Strict regulation regarding the responsibility of the board members, as well as of the duties of diligence and loyalty.**

BOARD OF DIRECTORS -4.1-

During 2008, Red Eléctrica has maintained an important number of independent members on its Board of Directors. The board is formed by eleven members (three women) with the following breakdown: seven external independent members – 63%–, three external proprietary members and an executive member. -4.3-

This composition responds adequately to the current configuration for the structure of the Company shareholders and to corporate governance recommendations. Its composition, organisation and functions are implemented by the Articles of Association (articles 19 to 26) and the Board of Directors Regulation approved on 20th of December 2007. Both documents are posted on the Company website (www.ree.es).



Appointment and termination of directors

The Board Regulation establishes that the directors will be appointed by the General Assembly or by the Board of Directors by co-option.

The appointment proposal of independent directors must be previously informed by the Appointment, Remuneration and Corporate Governance Commission. The Regulation of the Board of Directors sets forth a detailed procedure to determine the experience and training required to be on the Board of Directors.

In practice the choice of candidate is seen to rest with those who have accredited solvency, competency and experience taking into account, such things as social, economic and environmental aspects.

The Articles of Association establish the appointment period as four years, with the possibility of re-election. In accordance with that established in the Board Regulation, independent directors may not remain as such during a continuous period of more than twelve years.

The Board Regulation has established that external proprietary or independent directors must not be proposed for cease before completing their statutory period for which they were appointed, except in the case where there is sufficient cause and the existence of a previous report from the Appointment, Remuneration and Corporate Governance Commission. The directors must hand in their resignation to the Board of Directors and formalise, if they consider it convenient, the corresponding resignation when reaching the age of 70 (seventy). **-3.2-**

Board of Directors Self-evaluation **-4.10-**

The Board of Directors of the Company started in 2006, via its Appointments, Remuneration and Corporate Governance Commission, a self-assessment process on its in-



ternal working, as well as its two Commissions, the President of the Board of Directors and of directors, a process which culminated in the 2007 fiscal year.

During 2008, this self-evaluation process was carried out in the light of the recommendations contained in the Unified Best Governance Code for Listed Companies («Conthe Code»). As a result of the experience acquired by the Company, on this occasion it was deemed convenient that self-evaluation is carried out by the board itself.

The president of the Appointment, Remuneration and Corporate Governance Commission is coordinating this process, in which all the members of the board have actively collaborated.

Remuneration Policy -4.5-

During 2008 the total remuneration accrued by the members of the Board of Directors of the holding company, was 2,486 million euros, this amount includes not only the remuneration linked to results but also the salary of those members of the board who also are employees of the Company.

The total remuneration accrued by the members of the Board of Directors of the Company in the 2008 fiscal year, listed individually by member, are the following: **-4.2, 4.3-**

BOARD OF DIRECTORS - 4.2, 4.3 -

	Position on the Board	Type of director	Commission for Appointment	Remunerations and Corporate Governance	Remunerations in 2008 (thousands of euros)
Luis Atienza Serna	President	Executive president	-	Member	782
Pedro Rivero Torre ⁽²⁾	Member	Independent	-	-	73
Juan Gurbindo Gutiérrez ⁽¹⁾⁽²⁾	Member	Proprietary (SEPI)	-	-	78
Antonio Garamendi Lecanda	Member	Independent	-	Member	187
Manuel Alves Torres ⁽¹⁾	Member	Proprietary (SEPI)		Member	181
José Riva Francos ⁽²⁾	Member	Independent	-	-	62
José Manuel Serra Peris ⁽²⁾	Member	Independent	-	-	65
Rafael Suñol Trepát	Member	Proprietary (SEPI)	-	-	158
María de los Ángeles Amador Millán	Member	Independent	-	President	181
Francisco Javier Salas Collantes	Member	Independent	President	-	181
Martín Gallego Málaga	Member	Independent	-	-	157
José Folgado Blanco ⁽³⁾	Member	Independent	-	-	88
Arantza Mendizábal Gorostiaga ⁽³⁾	Member	Independent	Member	-	106
José Rodrigues Pereira Dos Penedos ⁽³⁾	Member	Independent	-	-	88
María Jesús Álvarez González ⁽¹⁾⁽³⁾	Member	Proprietary (SEPI)	Member	-	99
Total remunerations accrued			-	-	2,486

(1) Amount received by State Owned Industrial Holding Company (SEPI).

(2) Have left office as directors during the 2008 financial year.

(3) Joined the Board during 2008.

Also, the Company established a director remuneration plan linked to the fulfilment of objectives over a three year period (2006-2008), that on 31 December was pending evaluation and approval, and in which the executive director is included, who will receive settlement, in his case, during the 2009 fiscal year.

Guarantee or parachute clauses exist for cases of dismissal or changes in control in favour of the executive director. This contract has been proposed by the Appointment, Remuneration and Corporate Governance Commission and has been approved by the Board of Directors. The said clauses conform to common business practice and they



contemplate suppositions for the termination of the labour relation that establishes an indemnification equal to one year's remuneration, except if the applicable regulation should establish a higher indemnification.

Up to 31 December 2008, in the balance sheet there are no credits, nor advances granted nor Guarantees pledged by the Company in favour of the members of the Board of Directors. Up to the said date, there are also no obligations contracted in regards to pensions of the members of the Board of Directors.

Audit Commission -4.1-

During the whole of 2008, the commission has been integrated solely by external board members, with the majority of independent members, one of which was the president of the commission.

This commission meets at least quarterly, each time the commission is convened by its president or it is requested by two of its members and whenever the board or its president requests the issuing of a report. During the 2008 fiscal year it met on twelve occasions.



Appointment, Remuneration and Corporate Governance Commission -4.5-

The commission for Appointment, Remuneration and Corporate Governance is composed of four board members, three of whom are external directors and one an executive; two of the external directors are independent and one of them is the president of the Commission

This commission meets at least once per quarter and each time it is convened by its president or when requested by two of its members and whenever the Board or its president requests a report to be issued. During this 2008 fiscal year, it has met on nine occasions.

EXTERNAL AUDITORS -3.6-

The Board Regulation, based on the applicable best practice, foresees that relations with external auditors of the Company must be channelled through the audit committee. The Board of Directors must refrain from contracting any auditing companies where fees are expected to be for all concepts, more than 10% of the entire income during the year.

Remunerations satisfied during 2007 to external auditors by the Company and the companies of the group do not represent a significant percentage on the total of the auditing company's income. Similarly, the fees corresponding to professional services other than audits, paid to companies directly or indirectly related with the auditing company, are not relative and do not affect the strategy or the general planning of the Company.

Risk management -1.1, 1.2, 4.9, 4.11-

PRINCIPAL RISKS OF THE RED ELÉCTRICA GROUP

- ◀ **Regulatory**, as the main business activities of the group are subject to regulation.
- ◀ **Operational**, fundamentally derived from the activities assigned in the electricity system, of caring for the natural environmental and the coverage of financial needs within a progressively complicated financial scope.
- ◀ **Market**, as the majority of the income, as well as determined expenses could be influenced by the evolution of variables such as inflation or interest rates.
- ◀ **Business and credit (or counterpart)**, although to a smaller degree due to the reduced weight of the exterior offices within the group and by the existing regulation on the invoicing and receiving of funds for transmission and operation activities.

MANAGEMENT APPROACH

The Risk Policy of the Red Eléctrica group, approved by the Board of Directors on 24 July 2008, aims to establish the principles and directives for ensuring the relevant risks which could affect the aims and activities of the group are identified, analysed, assessed, managed and controlled, and these processes are carried out in a systematic fashion and with uniform criteria and within the fixed levels of risk.

Relevant risks of the Red Eléctrica group are considered as those which significantly affect the group's global business objectives and are related to:

- ◀ **The sustained creation of value over time.** The increasing generation of sustained economic results should allow the adequate remuneration of investors and enable the Company to confront its strategy.
- ◀ **The continuity and quality of the energy supply in the electricity systems.** In achieving this objective an important role is played by, on the one hand, the management of the System Operator and, on the other hand, the reliability and availability of the transmission grid.
- ◀ **The construction of the electricity transmission grid infrastructure required to deal with future needs.** Red Eléctrica, as sole transmission operator, must design, process and construct the facilities determined by the energy plan. This global objective must be achieved with cost efficiency.
- ◀ **The social and environmental compatibility of the aforementioned objectives.**

PARTICIPANTS IN THE COMPREHENSIVE MANAGEMENT OF RISKS

- ◀ **Board of Directors.**
- ◀ **Audit Commission.**
- ◀ **Management committee.**
- ◀ **Department of Regulation (responsible for comprehensive management).**
- ◀ **All the organisational units.**

The risk control system covers both risks derived from internal processes and risks stemming from the environment in which it operates, encompassing all the Group's activities, and is adapted to its risk profile.

Each organisational unit identifies the risks of the process/projects for which they are responsible, taking into account at least the following aspects:

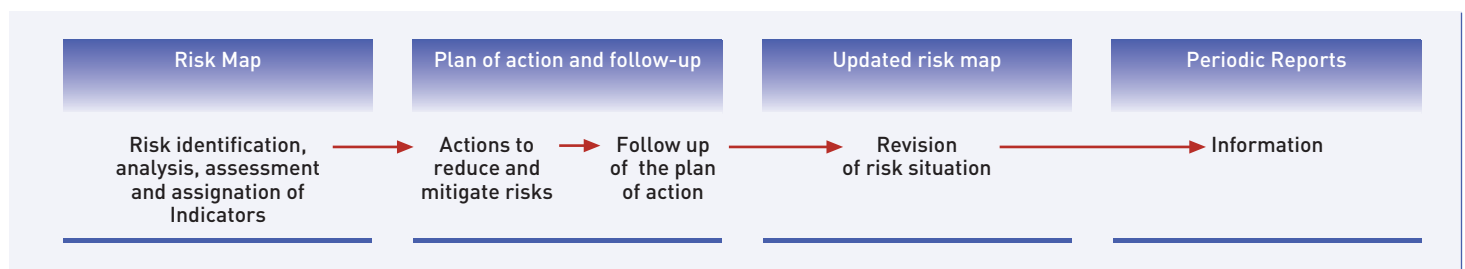
- ◀ the general explicit or implicit objectives of the process or activity, and
- ◀ the key factors for their successful development.

The Regulation Department collaborates with the organisational units, ensuring the uniformity of criteria and application of the methodology established. Each time a new risk is identified it is included in the risk check list of the Group.

Risk analysis take into account the possibility of occurrence (based on critical factors to whether the risk will occur or not, the weighting thereof, the situation in the Company with respect to each critical factor, and the assignment of a global assessment for all the factors) and the impact if it materialises (depending on the effect on the electricity system, basic strategy, reputation and the profit and loss account).

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 the actions. But should they exceed said level, an action plan is formulated for its minimisation or reduction.

Comprehensive Risk Management System Diagram



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 quarterly for high-level risks and annually for medium and low risk.

ACTIONS CARRIED OUT IN 2008

During 2008 actions have continued to improve operational risks, this is mostly due to the suitability of the installations acquired to the traditional standards of the Company and commissioning new installations which strengthen grid meshing. However, during this fiscal year a sanction of 11 million euros was imposed by the Generalitat de Catalunya due to the electrical incident which happened in July 2007. Provisions for this sanction have been made and an appeal has been raised before the Courts of Justice.

In 2008, and especially in the second six months of the year, serious tensions in the financial system were produced. In reply to these tensions, long term financing operations with financial entities have become difficult, which ensure liquidity and next year's investment plan.

IMPROVEMENTS IN THE SYSTEM FOR THE MANAGEMENT OF INTEGRAL RISKS DURING 2008

- ◀ **Update of the Risk Policy approved by the Board of Directors.**
- ◀ **Improvements in the recording of data and processing of databases in the operational risk and in the IT tool that supports the process.**
- ◀ **Collaboration with European electricity companies in the elaboration of a document about measuring risk and creating value in the European electricity industry.**

Of all the risks monitored by the Comprehensive Risk Management System during the year, 75% correspond to operational risks, 10% to regulatory risks, and 15% to business, market or credit risks. In the following table, the main operational risks linked with the guidelines included in the corporate responsibility policy and the commitment of the Company regarding sustainable development, are detailed.

RISK	ASPECT	PLAN OF ACTION 2008
Related to electricity supply	Equipment failure in installations	Start-up of the maintenance school.
	Saturation of existing facilities in dealing with growing demands	Renovation programme and improvement of the facilities.
	Need to construct facilities to cover the system needs (wind farms, meshed grid, high speed trains, etc.)	Repowering of the lines and increase in the capacity of the transformers.
Related to Personnel	Motivation of staff to reach company's objectives	Put into service a high temperature cable that allows greater transmission capacity in comparison with conventional cables.
	Aging of personnel	Increase in the construction of facilities to attend the planning of electricity infrastructures approved by the state.
	Adapting of occupational risks prevention	Application of the staff appraisal system. Development programmes for technicians and directors.
Related to climate change -EC2-	Integration of renewable energies into the electricity system solving technical problems in incorporating wind energy	Conciliation measures.
		Contracting young employees with potential.
		Development of a succession policy.
Others related to environmental and social	Deterioration of the environment	Maintain and improve on structural prevention in accordance with the OHSAS 18001 standard.
	Delays in the construction of authorised facilities due to social rejection	Consolidation of the control centre for integration of renewable energies.
	Integration into the community	Creation of the Department of Demand Management.
		Participation in various European projects oriented towards the development of renewable energies (IS-POWER, WIND ON THE GRID, ANEMOS PLUS Y EWIS).
		GAD project (Active Management of the Demand).
		Programme of preventive and corrective actions in the construction of installations.
		Continuity of the construction programme for tanks to avoid dumping oil from transformers
		Agreement with autonomous communities for prevention of fires.
		Acceptance programmes for social projects: successful application in specific programmes.
		Stakeholder management.

RISK OF CORRUPTION AND FRAUD -S02, S04-

PROCESSES FOR AUDITING CORRUPTION AND FRAUD RISK

- ◀ **Management of the purchase of services and equipment.**
- ◀ **Financial management and payments.**
- ◀ **Remunerations.**
- ◀ **Construction and works.**



The Ethical Code, approved by the Board of Directors in 2007, and the formalisation of the corresponding system of management of enquiries and formal complaints, whose implementation process is described in the corresponding epigraph of this chapter, constitutes an effective mechanism for the

detection and treatment of the possible cases of corruption and fraud. During this fiscal year, no formal complaints of any type were reported through this channel.

In addition, the processes of Red Eléctrica are included in structured systems that comply with international reference standards (ISO9001, ISO14001 and specification OHSAS18001), and their design includes controls to mitigate or reduce the main risks associated thereto, including the risk of corruption and fraud. In addition to these processes, in 2008, two specific systems were implemented: internal control and financial reporting (based on the North American ruling Sarbanes- Oxley) and internal operating control (based on ruling SAS 70). These processes are constantly subjected to systematic internal and external audits.

Processes considered as being exposed to the risk of corruption and fraud are audited by the internal auditing system every year, and incorporating specific tests on this risk. In several of these processes every area of the company takes part. In 2008, tests and analysis on 14 of the 18 company management departments have been carried out.

In 2008, no cases of corruption or fraud were identified.

CHALLENGES 2009-2011

- ◀ Improvement in the methodology of the evaluation of risks with the incorporation of the statistical processing of series of historical data.
- ◀ Extending the degree of coverage of comprehensive risk management to 100%.
- ◀ Deployment throughout the entire organisation of the IT tool that supports the comprehensive risk management system
- ◀ Extension of the temporary horizon of evaluation of risks with an impact on Company strategy.

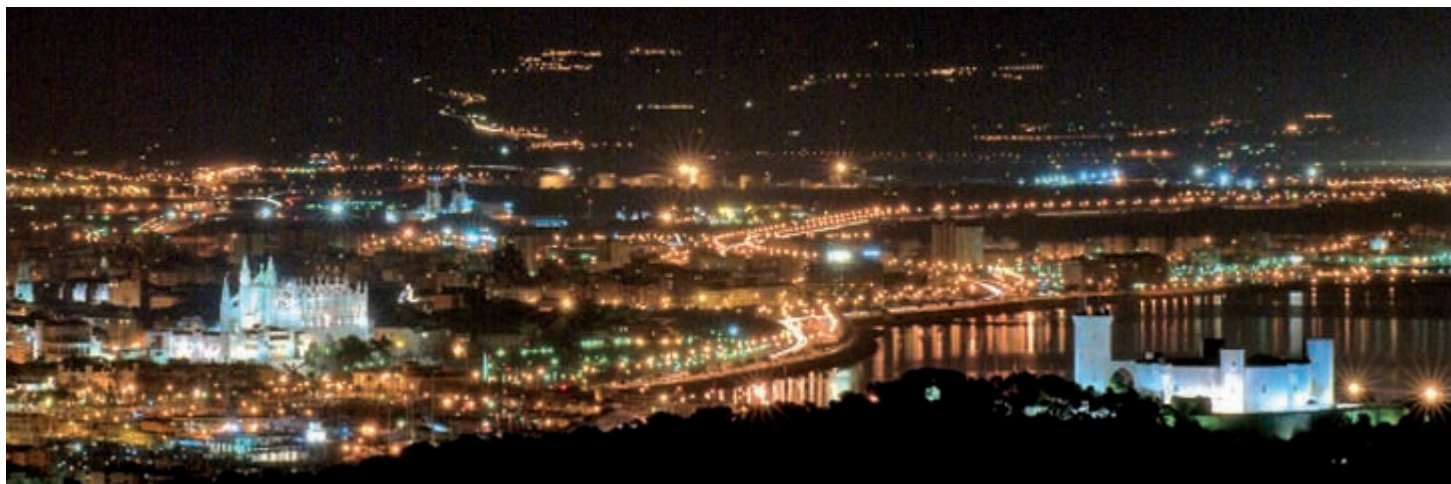
Performance indicators

	2006	2007	2008	Objetives 2009
Management indicators				
Degree of coverage of risk management (%) ⁽¹⁾	62.7	82.0	83.0	≥ 90
Improvement of the weighed risks average with respect to previous year ⁽²⁾	0.8449	0.7893	0.9009	≤ 1
External Assessments (DJSI) (0-100)	70	84	92	

(1) *(Risks treated / risks detected)*100.*

(2) *Average weighted value year n / Average weighted value year n-1.*

DJSI: Dow Jones Sustainability Indexes.



Management model and policy -1.2-

03

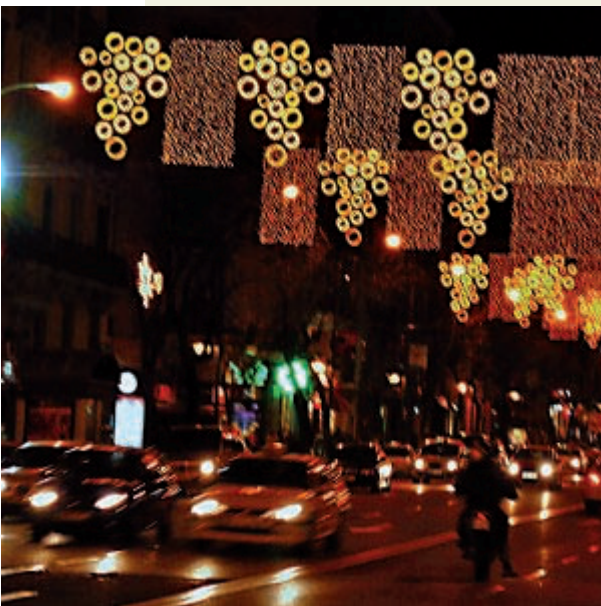
The challenge of the Red Eléctrica Group is to become a type of company that is responsible, efficient and sustainable; caring for all its stakeholders and being a reference in the markets in which it operates. To make this a reality, the Group adopts commitments, policies, management systems and actions of outstanding value in the scope of corporate responsibility.

Best IBEX 35 company

according to the
observatories
of corporate
responsibility

First prize

for the best
sustainability
annual report



Principles of the corporate responsibility policy -4.8-

- ◀ To promote best corporate governance practices in management, ensuring compliance with the legislation, transparency, business ethics and correct risk management.
- ◀ To orientate the activities of the Red Eléctrica group in the defence of its viability and value in the short, medium and long term for all its stakeholders, by offering services that guarantee its image and reputation.
- ◀ To create an open communication channel with its stakeholders, in order to ascertain their requirements and expectations and improve their satisfaction level, provide true information and guarantee maximum transparency and the honest exchange of information.
- ◀ To encourage support for the betterment of society by participating in projects of general and social interest, and in educational, cultural and scientific programmes, and to pay special attention to the communities in which the group performs its functions.
- ◀ To regard the development and satisfaction of people as an essential element in achieving the objectives of the Red Eléctrica Group. To pay special attention to attitudes and conducts, to non-discrimination, the search for equality (remuneration, working hours, development and evaluation), professional development occupational health and safety, the working environment, integration of people and the work/life balance. Any disciplinary measure shall be applied in accordance with current legislation.
- ◀ To ensure compliance with fundamental human rights, freedom of association to unions, the right to undertake collective bargaining, the abolition of child labour, the abolition of forced or coerced labour and any other practice that can be taken as an infringement of collective or individual dignity.
- ◀ To maintain a firm, preventive commitment with respect to environmental preservation and the rational use of resources.
- ◀ To scrupulously respect the applicable legislation in the business sector and countries where the Red Eléctrica Group operates and avoid becoming involved in corruption of any kind, including extortion and bribery

NB: The corporate responsibility policy approved by the Board of Directors is complemented by the existing company policy.

Management focus

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

THE QUEST FOR EXCELLENCE

TOOLS FOR THE MANAGEMENT

QUALITY CERTIFICATES

ISO 9001

In all the activities and subsidiaries that comprise the Group.

ENVIRONMENTAL MANAGEMENT STANDARD

ISO 14001

In all the activities and subsidiaries that comprise the Group.

EMAS

Red Eléctrica SAU. Certification.

OCCUPATIONAL HEALTH AND SAFETY STANDARD

OHSAS 18001

In all the subsidiaries that comprise the Group.

SOCIAL ACCOUNTABILITY AND SOCIAL RESPONSIBILITY

SA8000

In all the subsidiaries that comprise the Group.

In 1999, Red Eléctrica set out on the quest for management excellence with the adoption of the European model of the EFQM, European Foundation for Quality Management, the main reference for European organisations looking to achieve excellence in its business management. The achievement of the model is complete, as it includes aspects of leadership management, strategy and policy, people management, resources, alliances and processes. But also it is extremely demanding in regard to key results obtained by the organisation and their impact on its stakeholders.

In 2003 Red Eléctrica became **the first Spanish electricity company to be awarded the European Seal of Excellence + 500 points**, granted by the Club for Excellence in Management, following the directives of the EFQM European model. In 2005 and 2007 the Company renewed this award. After obtaining more than 600 points in the latest evaluation carried out, Red Eléctrica consolidated its position as leader amongst the 22 companies within Spain which currently possess this



recognition. These results enable Red Eléctrica to access the **European recognition «Recognised for Excellence 5 Stars»**, awarded by the EFQM.

In line with its commitment to excellence in management, in 2007 Red Eléctrica renewed the “**Madrid Excelente**” quality mark, a recognition granted by the Community of Madrid to companies which fulfil a series of requirements in excellence, corporate responsibility and consumer confidence.

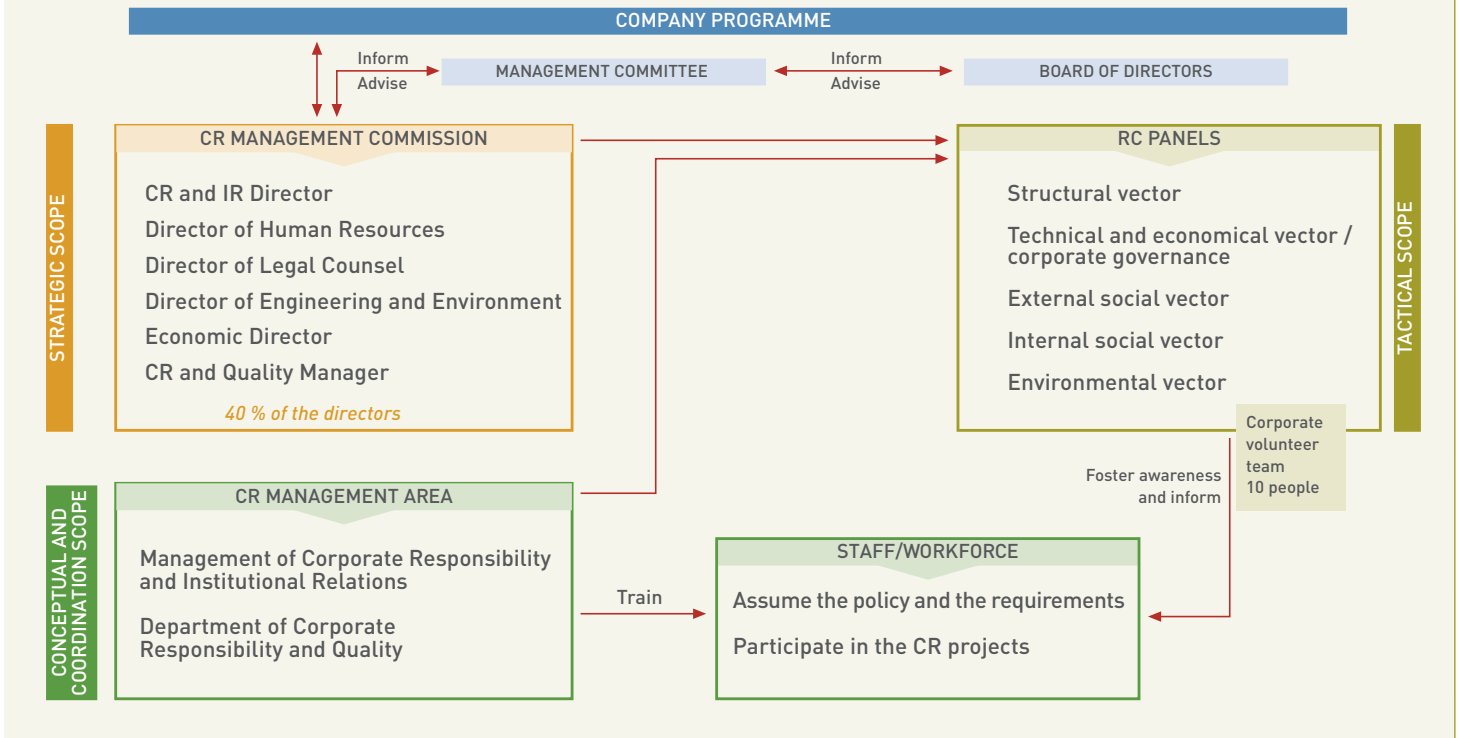
The key to business excellence by Red Eléctrica is also endorsed by the external certification and accreditation of their business management systems and in the recognition received in 2005 by obtaining the Principe Felipe Prize for Business Excellence, in the category of Industrial Quality.



THE MANAGEMENT OF CORPORATE RESPONSIBILITY

Red Eléctrica counts on a corporate responsibility management system which guarantees the development of appropriate activities in order to fulfil the principles established within its corporate responsibility policy. The most relevant elements which comprise this management system are: the integration of corporate responsibility in the business plan, a responsible organisational structure responsible for the coordination and pursuit of the activities within this scope, the involvement of stakeholders and an evaluation system for the acquired commitments.

ORGANISATIONAL STRUCTURE OF THE CORPORATE RESPONSIBILITY MANAGEMENT



RELATIONS WITH STAKEHOLDERS -4.14, 4.16-

Red Eléctrica has identified and structured hierarchically its eight categories of stakeholders directly related to their activity: employees, shareholders, customers, market agents and regulatory bodies, suppliers, the media, partners, social groups and markets.

The complete list, the first segmentation level and the priority for each interest group is given in the matrix table of stakeholders.

SHAREHOLDER'S MATRIX CHART -4.14, 4.16-

CATEGORY	SEGMENTATION	PRIORITY
Shareholders		
	Institutional	●
	Minority	●
Customers, market agents and regulatory bodies		
	System operation (electricity companies)	●
	Transmission of energy (electricity companies and engineering and maintenance companies)	●
	Official bodies and administrations	●
	Electrical market (agents)	●
Employees		
Suppliers		
	Of goods and services	● ● ●
	Of financial capital	●
	Outsourcings	● ●
	Of human capital (ETT)	● ●
	Partners	● ●
Social		
	Ministries, autonomous communities, confederations, etc.	●
	City councils	●
	Business institutions and associations	●
	Educational and research centres	●
	Trade unions	●
	Owners	●
	Financial analysts	●
	Ecological groups	●
	NGOs and foundations	●
	Society in general	●
Media and Press		
Market / Sectors		
		●
		●

Priority*: ● High ● Medium ● Low

(*) Priority criteria are established depending on the volume, critical nature and specific importance of each of the stakeholders. In some cases, various levels of priority that gather the casuistry of the different individual groups are included together into one segment (For instance Suppliers).

The main advance in this field during 2008 has been the initiating of the first dialogue platforms, a new tool for stakeholder management with which Red Eléctrica tries to strengthen relations with the less traditional groups. Therefore, this year meetings have been held with unions, ecology groups, NGO's, foundations and the media. The design of the work method and the moderation of the dynamics of debate were carried out by the Social Corporate Responsibility Investigation Group of the Superior Technical School of Industrial Engineers. In the first meeting with each one of the groups, evaluations were gathered on the Company's corporate responsibility strategy and the most relevant aspects of concern for these groups were identified.

Additionally, work has continued on other techniques for the detection of requirements and expectations, for example the periodic satisfaction surveys which are conducted via independent consultants. In 2008, satisfaction surveys of the following stakeholders were carried out: minority stockholders, external clients, supplier of external services (particularly IT services) and the media (press, radio and television). Internally, an

GLOBAL INDICATORS OF THE STAKEHOLDER MANAGEMENT PROCESS

Global indicators for studies and surveys of the stakeholders' satisfaction (0-10)

	2005	2006	2007	2008
Overall degree of satisfaction	7.4	7.5	7.7	7.7
Degree of satisfaction of the quality of services	7.8	7.8	7.8	7.6
Image and reputation	7.0	7.1	8.3	8.3
Responsible and ethical member	6.9	7.4	8.2	8.2
Development of CR	6.8	6.9	8.0	8.0
Periodical dissemination of information	6.3	6.5	7.6	7.6

External assessment of the management of stakeholders (0-100) (DJSI)

	2005	2006	2007	2008
External assessment of the management of stakeholders (0-100) (DJSI)	95	95	87	70

Self-evaluation

	2005	2006	2007	2008
Degree of compliance of the annual CD programme (%)	88.0	86.2	87.2	93.5
Degree of compliance of the CR policy (%)	90.1	94.0	93.6	98.8
Internal customer evaluation of the CR management (0-10) (*)	n/a	7.2	n/a	n/a

(*) The internal customer satisfaction survey is conducted every three years. In 2006 the management of the corporate responsibility programme was assessed for the first time.



employee poll was carried out regarding some specific aspects, for example general services and the aforementioned IT service.

In the previous indicator scorecard the process of stakeholder management shows the global indicator evolution of the satisfaction surveys, the internal evaluations and self-evaluation. The breakdown of this data, as well as other indicators related to stakeholders, can be found in the chapter «Responsibility towards society.»

EVALUATION, LEARNING AND IMPROVEMENT

Internal evaluation

Red Eléctrica counts on a series of tools to evaluate the coherence and efficiency of its results regarding policies, strategies and defined key activities. Amongst these, it is worth noting the global Balanced Scorecard, a system of indicators which measures the degree of development of all the strategic parameters and is an essential tool for continuous improvement.

This scorecard is broken down into balanced scorecards specific to each key operating area, and in 2005 the Corporate Responsibility Balanced Scorecard was incorporated as a part of these. This scorecard is formed by 22 indicators linked to the Corporate Responsibility strategy, with the objective of evaluating the results in each of the corporate responsibility system management vectors.

External Evaluation

The performance level Red Eléctrica is analysed and evaluated by diverse organisations and opinion entities, whose results form one of the main sources of information for learning and continuous improvement.



Sustainability Indexes

DJSI

For the third consecutive year, with a score of 71, Red Eléctrica has renewed its **presence in the *DJSI World Index*** in recognition of its practices regarding sustainable development. Nevertheless, the Company has been excluded from the European *DJSI STOXX Indexes* after having been included for three consecutive years. This obliges us to continue working more intensely during the coming fiscal year.



FTSE4Good

In March, Red Eléctrica was included in the *FTSE4Good* Index which unites the world companies with the greatest commitment in the scope of corporate responsibility. The index's criteria cover the areas of the environment and sustainability, developing and strengthening positive relations with the stakeholders, as well as the defence and support of human rights.

FTSE4Good IBEX

Red Eléctrica has been one of the 27 companies selected to be in the Spanish Index, *FTSE4Good IBEX*, created in April 2008 by FTSE Group and the Spanish "Bolsas y Mercados Españoles" (BME). It is an indicator that comprises companies in the BME's IBEX 35 Index and the FTSE Spain All Cap Index that meet good standards of practice in corporate social responsibility.

SAM

Red Eléctrica is included amongst the world's top twelve best electricity companies in the area of sustainable development, according to the *Sustainability Yearbook 2008* which has granted it the distinction of *SAM Silver*.

OEKOM

Red Eléctrica, with a classification of B (*Prime*), was selected as the second most responsible company in the public utilities sector, according to the analysis carried out by OEKOM, the German agency specialised in evaluating corporate responsibility.



Goldman Sachs

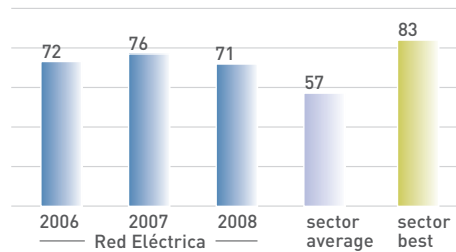
Red Eléctrica finds itself amongst the seven leading «utilities» sector companies in the world which stand out in terms of return on capital, positioning within its industry, environmental management, social and corporate governance, according to the *Goldman Sachs Global Investment Research* study, in which it has been identified as one of the best companies in the scope of corporate social responsibility.

E. Capital Partners Indexes

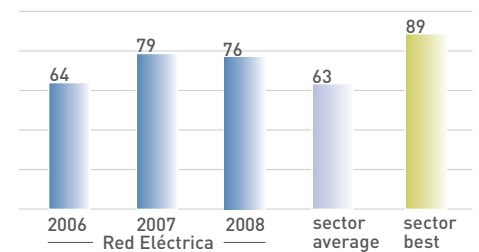
Red Eléctrica has been included in the *ECPI Ethical Index Euro* for its responsible practices regarding environmental issues, social and corporate governance.

Evolution of the Dow Jones Sustainability Indexes evaluation.

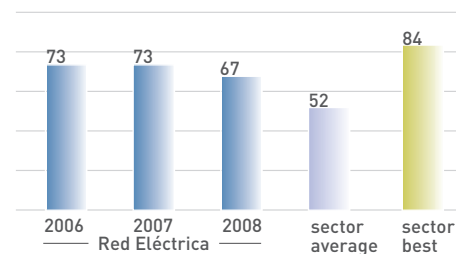
Global Rating



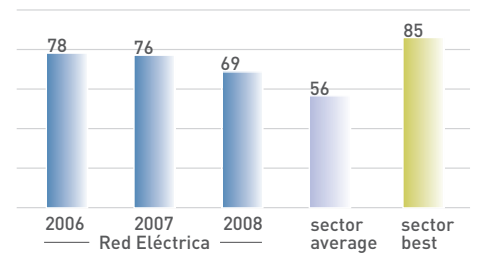
Economic Dimension



Environmental Dimension



Social Dimension



Reputable Indexes

Merco empresas 2008

Red Eléctrica has ranked in position 61 of the 100 companies with best reputation, advancing 8 positions in regards to 2007. In the business leaders' classification, the

president of the Company is ranked in position 85 of the 100 most prestigious directors, advancing 7 points with regards to the previous year.

Merco personas 2008

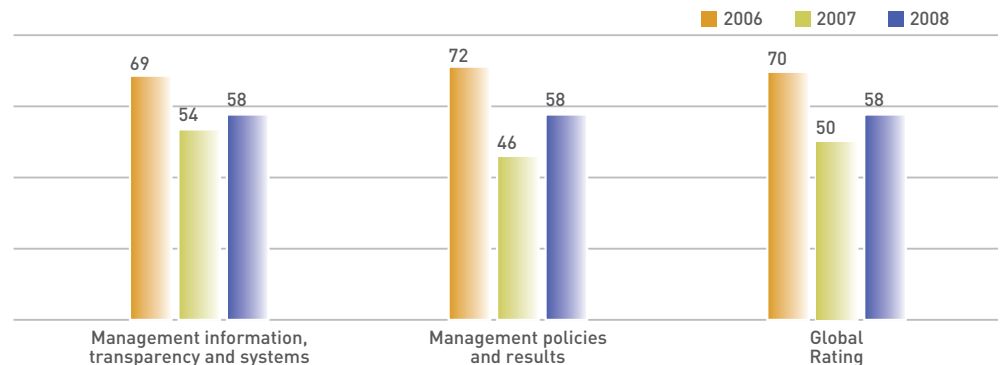
Red Eléctrica has ranked in position 26 within the group of 100 companies with the best corporate reputation in relation to employees. In 2007 it ranked in position 28.

Evaluation by the corporate responsibility observatories.

Responsible Business Observatory

Red Eléctrica has obtained first place in the first and third editions of the study «The responsibility culture, policies and practices in IBEX 35 companies» prepared by the RSE Observatory.

Evolution of the results of the study «The responsibility culture, policies and practices in IBEX 35 companies»

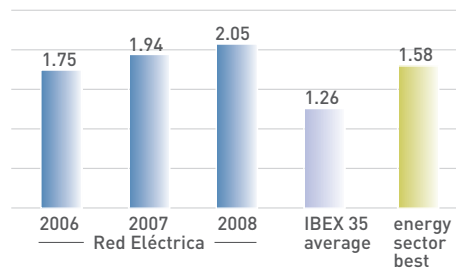


Corporate Social Responsibility Observatory

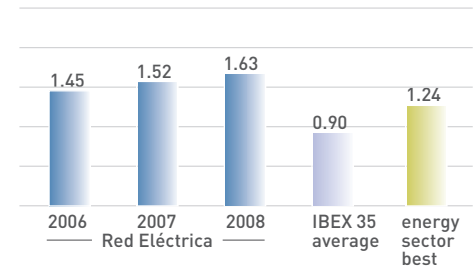
For third consecutive year, Red Eléctrica has been ranked in first place of the classification of the Corporate Social Responsibility Observatory in its study about «CSR in the annual reports of the IBEX 35 companies», for the 2007 fiscal year.

Evolution of the results of the study «Corporate Social Responsibility in the annual reports of the IBEX 35 companies»

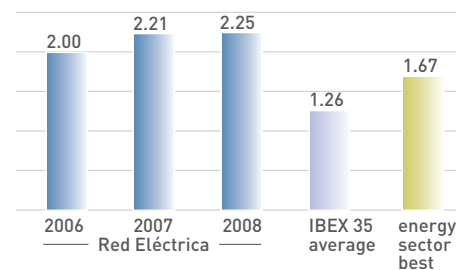
Global Rating



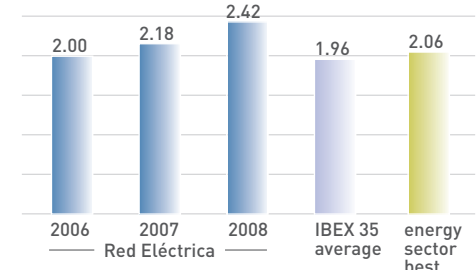
Report contents



Management Model



Corporate Governance



Awards and recognitions

European Environmental Prize

Red Eléctrica received the European Environmental Prize 2007-08, in the Spanish section, in the category « Product for Sustainable Development » for commissioning its Control centre for renewable energies (CECRE).

Sustainable Reports Award

Red Eléctrica has resulted winner of the VII edition of the Spanish Corporate Sustainable Development Report award, granted awarded by The Spanish Institute of Chartered Certified Accountants (ICJCE) and the Spanish Accounting and Business Administration Association (AECA).

Fundal Award for Corporate Social Responsibility

Red Eléctrica has been awarded the highest prize that is granted by the Fundación Deporte Alcobendas (FUNDAL) for their collaboration in the project «Plan for the Development of Physical Education and Sports during Youth in the Tropic of Cochabamba in Bolivia».



Learning and exchanging experiences -S05-

Red Eléctrica is a company committed to the dissemination, promotion and development of corporate responsibility which is why, during this fiscal year, it has actively continued participating in the exchange of experiences and best practices. In 2008 it carried out multiple activities, noteworthy being the participation in the *Best Practices in Corporate Responsibility Catalogue*, documentation drafted by the *Excellence in Sustainability Club* and edited by Red Eléctrica, and the participation in the development of a of Construction Sustainability Index for Spain. (The UPM-IECA-OFICEMEN project).

Additionally, Red Eléctrica has participated in diverse working groups and investigative study groups, national and international, providing information regarding corporate responsibility practices developed by the Company. Noteworthy is its participation in the RSC (Corporate Social Responsibility) working group, promoted by the IESE School of Business Management, in the permanent group of improvement in the implementation of RSE, initiated by the ESADE academic institution and the Committee of Sustainable Management of the Spanish Quality Association.

EXCHANGE OF BEST PRACTICES AND EXPERIENCES -S05-

Subject	Company/body
CR management system.	Adecco, Banco Popular, CECA, Cemex, Sogecable.
Catalogue of good CR practices.	Sustainability Excellence Club.
CR management system for SMB's.	Comunidad Valenciana.
Stakeholder management.	Various companies via the CR Masters of IE.
Focus and RSC positioning in the electricity sector.	Unesa, CEOE.
Return on Investment in responsible activities.	Sustainability Excellence Club
Red Eléctrica's role in the climate change mitigation.	ASEPAM (Global Compact).
Advanced exchange of experiences.	Holcim, Vodafone.

Dissemination and fostering awareness -HR3-

During this fiscal year, Red Eléctrica has continued to develop actions on a regular basis aimed at disseminating and fostering of awareness in the area of corporate responsibility. At an internal level, with the training sessions given to the Company's five regional areas, the training campaign has been completed, making all the staff aware of the corporate responsibility management system and the projects developed during the last year. The objective of this campaign consisted of ensuring that all the organisational units of the company understand the value of sustainable development and that they integrate it into their processes. In addition, the employees are regularly informed, through the employee portal "miRED", of the most significant actions carried out in this scope.

NOTEWORTHY ACTIONS

Corporate responsibility competition for employees.

The projects presented are evaluated according to the level of contribution to sustainability, the link of the project with REE's scope of action, the viability of initiating the proposal and the number of people who could benefit from the execution of the project.

«The responsible Citizen» Deck of Cards

Design, production and distribution of a deck of cards which incorporates 40 key tips to show solidarity towards responsible environmental actions.

Participation in CSR Market Place

This event, organised by Forética, presents innovative business solutions within responsible and ethical management. In the 2008 edition REE presented, as a solution, a project named « Implementation of corporate social responsibility in the training and development of future REE directives».

Also, after the approval of the Ethical Code, a campaign of awareness was carried out on behalf of the ethics Manager, person responsible of the system for dealing with possible non-compliances and formal complaints under the Code, as well as for the consolidation and continuous improvement of ethical management within Red Eléctrica.

At an external level, Red Eléctrica continues to collaborate with diverse organisations in the dissemination and fostering of awareness of corporate responsibility. In 2008 it is worth noting its participation, in collaboration with the Excellence in Sustainability Club, in the campaigns carried out to promote corporate responsibility practices into the Spanish business sector.

It is also worth pointing out that at the end of the year a project began which represents a step forward in the assumption of sustainable development in our country by means of the creation of new line of work named «Support for the dissemination of corporate responsibility and implementation into the business sector».



COMMITMENT TO EXTERNAL INITIATIVES -4.12, 4.13-



United Nations Global Compact

All the companies which comprise the Red Eléctrica group are adhered to the Global Compact, an international initiative promoted by the United Nations to ensure that companies take on board the ten principles of conduct relative to Human rights, working conditions, the environment and corruption. 2002 saw the incorporation of the parent company in Spain and in 2007 TDE in Bolivia and REDESUR in Peru. The progress reports presented to evaluate this commitment and confirm the advances made, are available on the United Nations Global Compact website (<http://www.unglobalcompact.org>).

Caring for Climate

In 2008, the Red Eléctrica Group also adhered to the Global Compact's joint initiative *Caring for Climate: the Business Leadership Platform*, the United Nations Environment Programme (UNEP) and the World Business Council for Sustainable Development (WBCSD). With this adherence, the Company has indicated its commitment to adopt energy efficiency measures to reduce CO₂ emissions and to collaborate jointly with other public and private institutions in the challenges raised by climate change.



The Bali Agreement

Red Eléctrica is among the 150 companies on a world level who have signed the Bali Climate Agreement 2007, prompting the UNO to establish a legal framework to combat climate change

European Alliance for CSR

In 2006, Red Eléctrica adhered to the «European Alliance for Social Responsibility of Companies» initiative in order to inform the European Parliament, the national Governments and the public opinion about its vision of CSR and the routes to encourage it, as a key component of the European strategy for the sustainable development.

Carbon Disclosure Project

Red Eléctrica has participated in the *Carbon Disclosure Project* (CDP), a study carried out for the first time in Spain with participation as local partner of Ecology and Development (Ecología y Desarrollo). The study concentrates on the risks and opportunities regarding climatic change, plans to reduce emissions and transparency in corporate activities to mitigate climatic change. The CDP is a project whose mission is to facilitate dialogue between investors and companies in matters related to climatic change. The public responses of Red Eléctrica are available on www.cdproject.net.

Ibero-American Charter for Sustainable Management

TDE, the Bolivian subsidiary of the Red Eléctrica group, adhered to the Ibero-American Charter for Sustainable Energy which is driven by the Ibero-American Foundation of Quality (FUNDIBEQ).

Other initiatives

Since 2007 REDESUR has presided over the Social Responsibility Committee of the Spanish Chamber of Commerce in Peru, an entity which promotes the activities of Spanish companies and facilitates the implementation and furtherance of socially responsible business models within its organisations. REDESUR also participates in the social responsibility committees of different Peruvian business organisations (CONFIEP, SNMPE, CCL).



PARTICIPATION IN KEY ENTITIES AND ORGANISATIONS -4.13, S05-

Participation in entities, bodies and associations is a source of indirect value for the Company and all its stakeholders. Red Eléctrica is present in numerous national and international organisations and collaborates actively on their governing bodies, study committees, standardisation and working groups. Nearly 140 people from all areas of the company participate, jointly dedicating nearly 10,000 hours annually. 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, actually under discussion, 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. Red Eléctrica is founder member.

CIGRE (International Council on Large Electric Systems)

Body which brings together electrical companies, manufacturers of goods, 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.

EEl (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.

ETSO (Association of European Transmission System Operators)

An association which operates in the European Union, Switzerland and Norway. Red Eléctrica is a founder member and maintains an active participation in the association and is part of the Management Committee.

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[continued from previous page >](#)**IESOE (Electrical interconnection with South East Europe)**

This organisation incorporates RTE (France), REN (Portugal), ONE (Morocco and Red Eléctrica (Spain). Its aim is to analyse the behaviour of the interconnection grid of these countries and draw 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 (electric power, 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.

UCTE (Union for the Co-ordination of Transmission of Electricity)

Association which coordinates the transmission system operators of the 23 countries of Continental Europe. The common aim is to guarantee the security of the interconnected electricity system, a task that has been fulfilled for the past 50 years. The UCTE grid supplies 450 million people (530 GW of installed power, 2,500 TWh of consumed energy and 220,000 km of transmission lines).

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.



2008 CORPORATE RESPONSIBILITY PROGRAMME

STRUCTURAL VECTOR

Start up of dialogue platforms with stakeholders	100 %
Awareness and dissemination programme for corporate responsibility in regions	100 %
Integration of CR in competency management and development of employees	100 %
Implementation and dissemination of the CR vector panels	100 %
Improvement of the CR balanced scorecard	90 %
Plan for promoting corporate values	100 %
Application of the best suggestion of a CR project proposed by the workforce	80 %
Canarias sustainability board (CSC)	100 %

TECHNICAL-ECONOMIC VECTOR

Design of economic reports based on the most advanced legislation advocating transparent and ethical management. Adaptation of the economic-financial reporting to the SOX regulation	100 %
Method for controlling environmental and social costs associated to the installations	97 %
Inclusion of sustainability criteria in the contracting process	50 %
Risks associated to CR	90 %
Evaluation of R+D+i projects from a CR perspective	90 %
Digitalisation of invoices received	70 %

CORPORATE GOVERNANCE VECTOR

Design and implementation of the periodic self-evaluation process of the Board of Directors, of its commissions and the President of the Board	100 %
Design and implementation of training programmes: corporate governance activities and rules for new directors	100 %

INTERNAL SOCIAL VECTOR

Design and implementation of new conciliation measures for professional and working life	100 %
Occupational health programmes (back pain and actions in the event of a pandemic)	85 %
Cultural exchange club : Reading, leisure and movies between Red Eléctrica employees	100 %
Updating and making of First Aid posters	100 %

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EXTERNAL SOCIAL VECTOR

Contribution to the attainment of the Millennium Development Goals	100 %
Improvement in accessibility to the administrative work centres	100 %
Promoting best practise information in the Business sector	100 %
Certification of accessibility to the corporate Web with a double AA	100 %
Development of new contents of the educational programme	100 %
Social and environmental integration projects (PAS)	100 %
Corporate voluntary work: development of new projects	100 %
Deck of cards: How to be sustainable in your everyday life	100 %
Creation of the comic: «The super-electrics and the mysterious cloud»	100 %
Development of sustainability projects in Autonomous Communities	100 %

ENVIRONMENTAL VECTOR

Improvement in waste management at work centres	60 %
Mobility projects associated to the reduction of emissions	90 %
Compensation of emissions by planting trees: The Red Eléctrica Forest	30 %
Creation of the Green Table	100 %
Creation of the Environmental Window	100 %
Energetic Efficiency at Corporate Headquarters	70 %

Note: Some projects have been replaced in relation to the ones published in the 2007 CR report.

FUTURE CHALLENGES -4.12, 4.13-

The strategy of REE for the next few years is to put into action a new corporate responsibility plan (PlanCorp) revised by the Board of Directors and approved by the Management Committee. The principal innovation in the plan is the multi-year focus of the programming which provides a long-term perspective of corporate responsibility practices. Said practices have been structured to facilitate the integration and systematisation in what we have called the “vectors” of corporate responsibility. These vectors, by means of which we intend to respond to the different vectors of corporate responsibility of the Company, are the following five: structural and corporate governance, technical-economic, internal social, external social and environmental.

For each vector, seven key action principles have been defined, which will be maintained throughout the five years the plan is applied. These key action principles will be developed through specific annual projects oriented to respond to the expectations of all our stakeholders. These principles also apply to international projects and prestigious national and international organisations offering joint and integrated solutions via the efforts of administrations, companies, NGO's and citizens to support sustainable development. With these 5 x7 key action principles, we hope to contribute in the quest for solutions to the challenges posed by the 21st century.

2009 CORPORATE RESPONSIBILITY PROGRAMME

STRUCTURAL AND CORPORATE GOVERNANCE VECTOR

- Improve the structural bases of the corporate responsibility management system.
- Redesign the corporate responsibility balanced scorecard.
- Develop integral training systems in Corporate Responsibility: design of specific technological platforms and advanced training systems.
- Contribute to the attainment of the Millennium Development Goals.
- Participate in international projects in the field of CR.
- Awareness programmes for the dissemination of the new corporate values and the code of ethics principles throughout the organization (regions and branches).
- Ethical signposting oriented towards reinforcing the corporate values.
- Identification and implementation of best practises in corporate governance.

TECHNICAL-ECONOMIC VECTOR

- New action guide for the detection and tracking of environmental and social expenses linked to projects.
- Awareness of Red Eléctrica's corporate responsibility criteria regarding suppliers (Phase II).
- Design and implementation of a new CR compliance monitoring and evaluation system for suppliers of goods and services.
- Verification of the validity of the CR designs, contents, projects and results with respect to RSE 165010 standard.
- Programme of projects for the improvement of the external reputation of the Company.

INTERNAL SOCIAL VECTOR

- Improvement in measures to conciliate work and professional life.
- Programmes for the personal and human development of employees.
- Programmes for the improvement of workplace and work environment.
- Occupational health and safety programmes.
- Deck of cards: Occupational health and safety.
- Development of relevant CR information and news platforms for the whole workforce.

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EXTERNAL SOCIAL VECTOR

Sustainability Laboratory.

Dissemination of the service centre to all external stakeholders: DÍGAME.

Redesign of the stakeholder management system. Stakeholder and relations manual.

Qualitative and quantitative surveys and studies with stakeholders.

Design of a communication protocol via web for crisis and emergency situations.

Design of a new communication means for the corporate information to deal with environmental efficiency and the improvement in communication.

Development of the management capabilities of the Tercer Sector (non-lucrative sector).

On-going improvement of the accessibility guidelines of the corporate website.

Corporate Volunteer programme: develop new projects.

Improvement in accessibility to the administrative work centres.

Promoting best practise information in the Business sector.

ENVIRONMENTAL VECTOR

The REE Forest.

Creation of the REE Group nature school.

Improvement of the efficiency of natural resources (Improvement in lighting systems of the building, an area called "Efficient Red Eléctrica" on the intranet ...).

Conservation of Birdlife (Collision detector project, "Espetarías" project ...).

Green Suggestion Box: staff suggestions for projects for the protection of biodiversity and the development of the chosen project.

Development of environmental research projects.

Supplier environmental awareness: training of work supervisors and site managers.

Improvement in the waste segregation systems in the workplace



04 Technical and economic responsibility

04

Red Eléctrica, aware of its responsibility towards society by managing such an essential service as the Spanish Transmission System Operator (TSO) focuses its strategy on quality of service with the aim of guaranteeing the maximum possible reliability and security of supply to consumers, and the creation of value for all its stakeholders.

286,1
million
euros of net
profit

614
million
euros in grid
investment



Creating value for our stakeholders



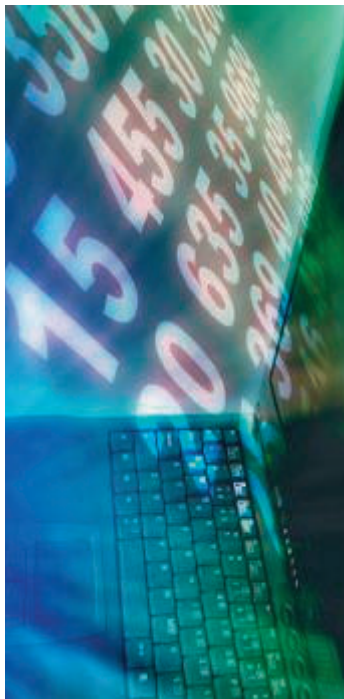
Red Eléctrica concentrates its efforts on carrying out an important investment plan focused on the development and the improvement of an environmentally sustainable transmission grid, whilst maintaining excellent levels of operational efficiency. It also orientates its business management to the generation of value by means of a sustained growth of its results and profitability ratios.

EVOLUTION OF THE KEY ECONOMIC FIGURES

Red Eléctrica has obtained some satisfactory economic results and thus confirms its expectation of growth forecasted for 2008.

The post tax results grew to 286.1 million euros, representing an increase of 17.7% on those achieved during the previous fiscal year.

The consolidated net turnover was 1,125.9 million euros and its growth, 9.2%, was due fundamentally to an increase in the remunerative asset base as a result of the facilities commissioned in 2007.



The **gross operating profit consolidated** results (EBITDA) reached 771.6 million euros, signifying a growth of 6.8% with regard to the fiscal year 2007. The Gross operating profit consolidated results (EBITDA) was affected by the making of a provision for 11 million euros destined to cover the sanction imposed by the Generalitat de Catalunya as a result of the sanctioning proceedings it initiated related to the interruption of the electricity supply in Barcelona in July 2007. The sanction has been appealed against by Red Eléctrica as it is not in agreement with the assumptions and evaluations that the investigating body has used to levy the sanction.

After tax cash flow rose to 545.9 million euros, which allowed the year to close with a moderate increase in financial debt despite the important investment effort carried out during the fiscal year.

The investments realised during the fiscal year reached the 635.1 million euros. Of this figure, 613.7 million euros corresponded to investments in the Spanish peninsular transmission grid.

Net financial debt at the end of 2008 rose to 2,929 million euros. With regard to the type of interest, 72% of the debt is fixed rate, whereas the remaining 28% is variable rate. The average cost of the financial debt during this fiscal year was 4.39%.

The Red Eléctrica Group has maintained its stable credit ratings: AA-/A-1+ awarded by Standard & Poor's and A2 by Moody's, which confirm its high level of solvency and financial strength, as well as the low risk and the strategic importance of its main activity.

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 throughout the different stakeholders.

ECONÓMIC VALUE GENERATED AND DISTRIBUTED (GROUP)

Millions of euros	2006	2007	2008
Economic value generated (VEG)	960.9	1,065.6	1,160.7
Net turnover	949.3	1,030.9	1,125.9
Other net income and losses ⁽¹⁾	11.7	40.1	34.8
Economic value distributed to stakeholders (VED)	(600.7)	(705.8)	(792.2)
Stakeholders			
Employees: Personnel costs	(84.9)	(92.6)	(93.9)
Company: Tax on profits	(80.7)	(118.5)	(128.9)
Investments in the community	(1.8)	(2.7)	(2.7)
Suppliers: Other operating expenses ⁽²⁾	(215.7)	(243.9)	(283.8)
Shareholders: Dividends ⁽³⁾	(121.0)	(146.9)	(172.8)
Other capital providers : Net financial costs	(96.7)	(107.2)	(110.1)
Retained economic value (VER)	360.2	359.8	368.5
Reserves	79.2	96.1	113.3
Repayments and depreciations ⁽⁴⁾	281.0	263.7	255.2

N.B.: Data obtained from Consolidated Annual Accounts

(1) Includes: Other operating income / Net results by equivalence / Results from disposal of non-current assets / Capital grants / Other deferred income transferred to the result for the year / Works carried out by the company for its asset side.

(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 assets value).

DIRECT ECONOMIC IMPACT

	2004	2005	2006	2007	2008
Shareholders					
Dividend per share (in euros)	0.6138	0.7304	0.8984	1.0871	1.2797
Dividend over net consolidated profit (pay-out) %	61.1	60.8	60.7	60.5	60.5
Customers (Group)					
Turnover (millions of euros)	738.8	860.2	949.3	1,030.9	1,125.9
Total Investments (millions of euros)	274.6	755.5	529.6	727.8	635.1
Suppliers (purchasing) ⁽¹⁾					
REE Spain (millions of euros)	416	462	526	1,038	902
TDE Bolivia (millions of euros)	8.4	6.7	9.2	6.0	4.8

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Employees (Group)	2004	2005	2006	2007	2008
Total salary expenses ⁽²⁾ (millions of euros)	68.2	78.1	84.9	92.6	93.9
REE+REC Spain	67.3	75.1	80.9	85.7	90.0
REI Spain	-	1.4	1.3	1.6	0.5
TDE Bolivia	-	2.4	3.2	2.8	3.0
REDESUR Peru (participated in 33.75 %)	-	0.4	0.3	0.3	0.4
Capital providers (Group)					
Financial expenses (millions of euros)	76.7	108.4	102.1	111.4	117.2
Reserves (millions of euros)	605.6	692.2	751.5	932.3	1.066.0
Company (Group)					
Tax on earnings (millions of euros)	81.2	85.3	80.7	118.5	128.9
REE+REC Spain	80.3	84.8	83.1	113.8	121.7
REI Spain	-	-1.1	-4.5	2.1	3.2
TDE Bolivia	-	1.5	1.4	1.4	4.3
REDESUR Peru (33.75 % Stake)	-	-	-	1	0.8
Subsidies ⁽³⁾ (millions of euros) -EC4-	-	9.0	10.5	12.3	12.9
REE+REC Spain	-	8.9	10.5	12.3	12.9
REI Spain	-	0.1	0.0	0.0	0.0
TDE Bolivia	-	0.0	0.0	0.0	0.0
REDESUR Peru (33.75 % Stake)	-	-	-	0	-
Investments in the community ⁽⁴⁾ (millions of euros)	0.9	1.2	1.7	2.7	2.7

(1) Purchase orders carried out.

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

(3) Capital subsidies and other deferred income transferred to the results.

(4) Organisations, institutions, educational, environmental and social projects (Group).



STOCKMARKET EVOLUTION

The value of Red Eléctrica closed the year at 36 euros, 16.7% down on the previous fiscal year. However, the fall in price has been significantly lower than that experienced by the majority of the reference indexes of the stock exchange.

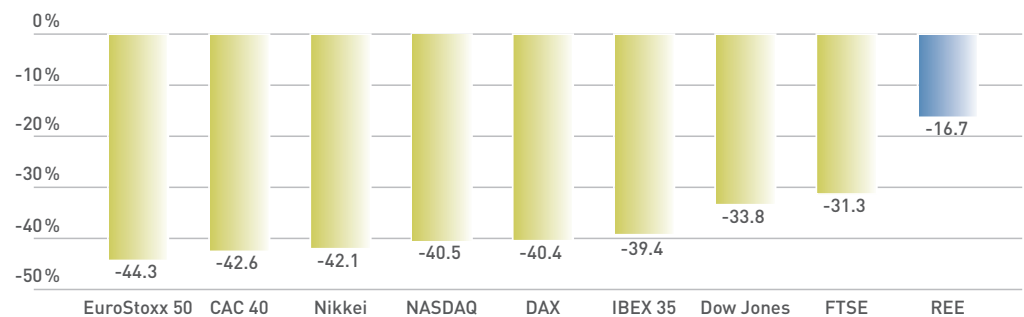
2008 has been one of the worst in the history of the modern stock market. The main international stock exchange indexes have shown high volatility, registering values never seen before, with a steep decline in trading and a pronounced drop in the share prices. The Spanish stock exchange has mirrored these same characteristics: the four Spanish ex-

changes traded at 30% less than the previous year and the level of IBEX 35 fell 39.4% during the 2008.

Within this context, the value of Red Eléctrica was immune to the crisis during the first half of the year. Thus, 3 June marked a historical maximum share price of 46 euros. It was not until the third quarter of the year when it suffered a reduction similar to the rest of the market, dropping to its lowest annual value of 26.8 euros on 10 October.

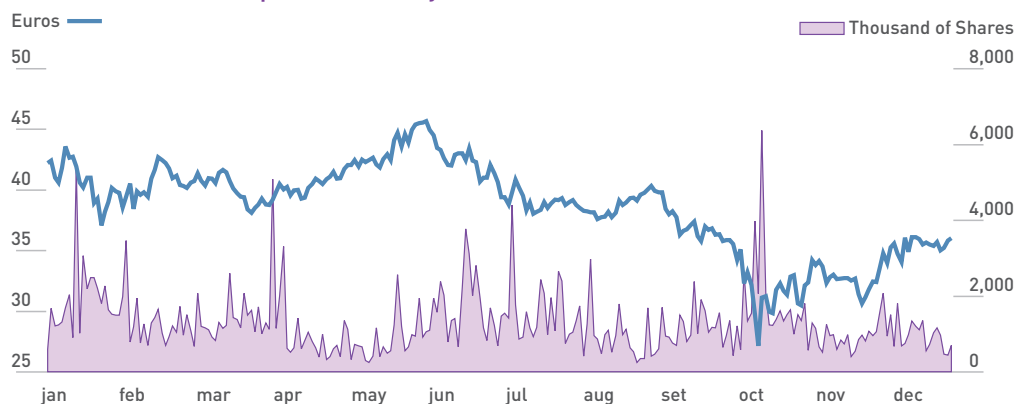
From that point onwards, the share value underwent a recovery that allowed it to settle down and behave in a manner better than the rest of the market and also to be able to close the year at 36 euros per share, which represented an overall fall of 16.7% with respect to the previous year.

Evolution of the principal stock market indexes – 2008

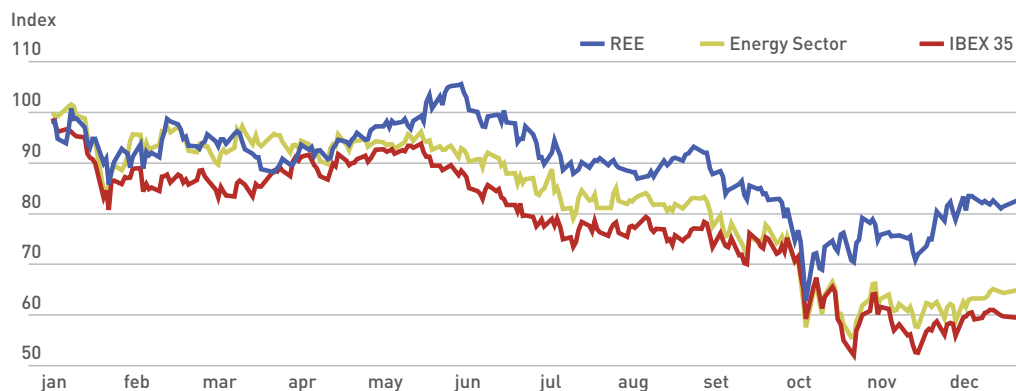


In 2008 as a whole, 331.3 million shares were traded, which equates to 2.45 times the Company's net worth, and cash purchases surpassed 12.75 billion euros. As with the rest of the market, the trade volume was inferior to the previous year, in which 435.8 million shares were traded representing cash of almost 15.2 billion euros.

Evolution of the share price and daily volume - Red Eléctrica 2008



REE comparison – Energy Sector · IBEX 35 – 2008



DIVIDEND DISTRIBUTION

Shareholder remuneration, in the form of dividends increased 17.7%, which confirms the attractive policy of dividends maintained by the company. The proposed gross dividend by the General Shareholders' Assembly for the 2008 fiscal year is of 1.2797 euros per share. On 2 January 2009 a gross dividend of 0.4487 euros per share was made, with 0.8310 euros per share pending to be paid as part of a complementary gross dividend for the 2008 fiscal year.

Principal stock exchange indicators	2004	2005	2006	2007	2008
Total number of shares	135,270,000	135,270,000	135,270,000	135,270,000	135,270,000
Number of shares in circulation	80,485,650	94,689,000	94,689,000	108,216,000	108,216,000
Nominal share value (euros)	2	2	2	2	2
Share value (euros)					
Maximum	16.75	23.75	37.09	45.14	46.00
Minimum	12.75	15.95	24.70	27.81	26.80
Average	14.32	21.09	29.22	34.97	38.51
Close	16.50	26.16	32.49	43.24	36.00
Market capitalisation at close of fiscal year (millions of euros)	2,231.9	3,538.7	4,394.9	5,849.1	4,869.7
Earnings per share (EPS) (euros)	1.00	1.20	1.48	1.80	2.12
Share price / EPS (PER) (times)	16.43	21.79	21.96	24.06	16.98
Share price / Book Value per Share (PVC) (times)	2.55	3.68	4.30	4.86	3.64



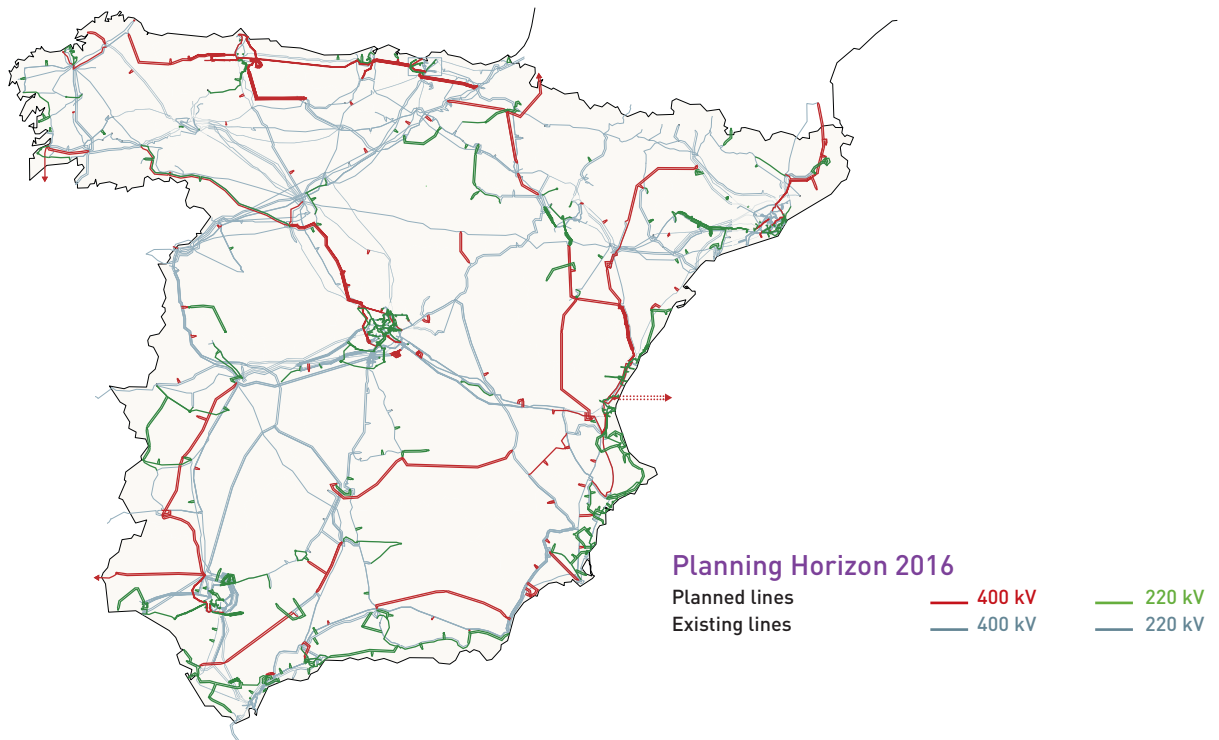
Guaranteeing the quality and security of supply

TRANSMISSION GRID PLANNING

Energy planning foresees an investment superior to 8.5 billion euros in the electricity infrastructure for the 2008-2016 period.

In May 2008 the Cabinet approved the “2008-2016 Planning for the gas and electricity sectors” document. This planning contemplates an ambitious programme of construction of new facilities of the electricity transmission grid. Its objective is to guarantee a secure, efficient and quality electricity supply to the consumers.

The programme has been drawn up taking into account the increases in demand that may take place during this period and will allow the evacuation of energy from not only ordinary regime power stations but also the numerous special regime facilities, mainly from wind power and solar anticipated over the next few years.



The function of Red Eléctrica, as system operator and manager of the transmission grid, has consisted of identifying future development needs of said grid. Therefore, Red Eléctrica has drawn up the consequent demand forecast analyses and its coverage, as well as the technical adjustment studies of the transmission grid.

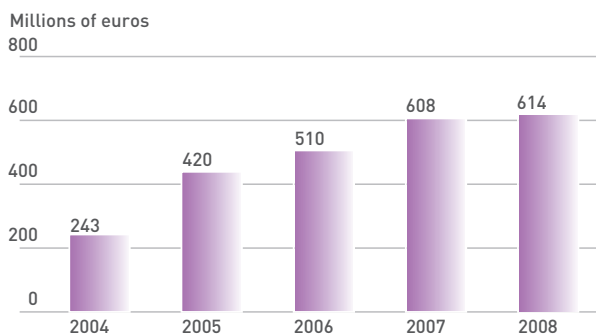
TRANSMISSION GRID DEVELOPMENT

Durante el 2008 REE llevó a cabo un significativo esfuerzo inversor en la red de transporte nacional, que alcanzó los 614 millones de euros, superando las ya importantes cifras de inversión de los últimos años. Entre las actuaciones más significativas destacan las siguientes:

The investments have been concentrated in the reinforcement and meshing of the grid, with the aim of achieving a greater security of supply and to be able to deal with guaranteeing the electricity service in those areas with high demand growth.

- ◀ The development of the transmission grid in Catalonia and moving forward with the interconnection works with France.
- ◀ The development of an electricity axis between Galicia, Asturias and Cantabria.
- ◀ The strengthening of the connection of the north-eastern area of Spain with the Community of Madrid.
- ◀ The construction of the electricity infrastructures for the evacuation of energy from the new combined-cycle power plants and the various installed wind farms.
- ◀ The support for powering the High Velocity Trains.
- ◀ The advancement of the electricity interconnection works between the Spanish Peninsula and the Balearic Islands.

Transmission grid investment



This year a 653 km circuit of new line and 120 new busbars in substations were commissioned. Also, transformer capacity was increased by 3,600 MVA

Transmission grid owned by Red Eléctrica	2004 ⁽¹⁾	2005 ⁽¹⁾	2006	2007	2008
km of circuit	28,009	33,096	33,502	33,669	34,322
400 kV	16,548	16,808	17,004	17,134	17,686
220 kV and less	11,461	16,288	16,498	16,535	16,636
Number of busbars	1,928	2,741	2,915	3,042	3,162
400 kV	740	877	950	1,004	1,055
220 kV and less	1,188	1,865	1,966	2,039	2,108
Transformers (MVA)	37,216	54,272	56,072	58,522	62,122

(1) The 2004 and 2005 data includes Red Eléctrica's acquisitions of assets from other companies.

SERVICE QUALITY INDICATORS

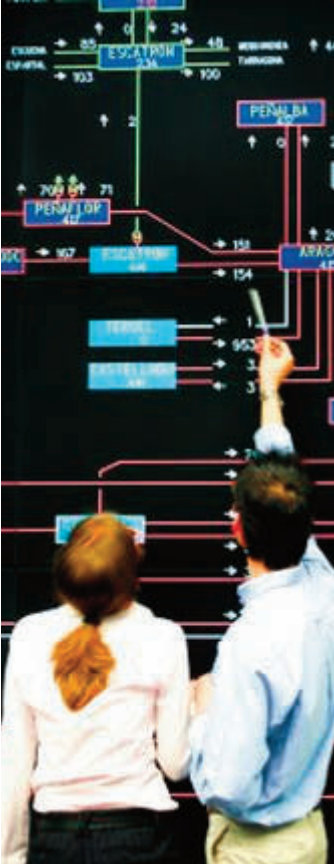
The excellent availability indexes shown by the equipment and systems that comprise the high voltage transmission grid, are principally determined by three factors:

- ◀ the application of strict quality criteria and maintenance works,
- ◀ the use of predictive maintenance techniques, and
- ◀ the carrying out of live working on facilities.

The application of this type of activities on an ongoing basis contributes to Red Eléctrica being placed, internationally, at the vanguard with regard to operating efficiency and quality of service of their electricity systems.

For yet another year, the service quality indicators of the transmission grid have been highly satisfactory in terms of availability and continuity of supply.

Quality indicators	2005	2006	2007	2008
Grid availability ratio (GAR) %	98.28	98.24	98.06	98.17
Average Interruption time (MIT) min.	1.078	1.817	1.104	1.152
Energy not supplied (ENS) MWh	506	851	547	576



In relation to the service quality of the REDESUR and TDE subsidiaries, it is also worth mentioning the excellent levels of availability reached in their electricity infrastructures:

- ◀ REDESUR has reported increased standard levels in operational quality, showing results of 99.65% for the rate of availability. Also, as in previous years, no cuts in the electricity supply, attributable to the company, have occurred.
- ◀ On the other hand, the process of continuous improvement that TDE maintains has been reflected in service quality with excellent results for the electricity consumers, having this year reached 100% of reconnections in the Interconnected Trunk Distribution System. Also, no component of the TDE grid exceeded the limits of frequency and duration demanded and admitted in the registered disconnections.

STRENGTHENING OF THE INTERNATIONAL INTERCONNECTIONS

French Interconnection

At the beginning of 2008, Red Eléctrica and its French counterpart Réseau de Transport d'Electricité (RTE) signed, within the framework of the Hispanic-French summit, an agreement to construct a new line between the substations of Santa Llogaia (Spain) and Baixas (France), in order to increase the capacity of electrical interconnection between both countries.

With respect to the alternatives analysed for their construction, the conclusions of the report drawn up by the European coordinator of this infrastructure, Mr. Mario Monti, recommends the development of the interconnection in Direct Current and completely underground. These technical determining factors for the installation, together with the huge impact that the interconnection has on the security of the Iberian system, means that this project has become one of the majors challenges which Red Eléctrica is going to face over the next few years.

The new interconnection with France will increase our exchange capacity with Europe to 6% of the maximum peninsular demand, with the consequent improvement in the security of the system.»

The construction of this new interconnection will allow the reinforcement of the security of the three electricity systems (including Portugal), and will contribute to a greater energy support amongst them. In addition, it will favour the integration of a greater volume of production of re-

newable energy, especially wind power energy in the Iberian system, since the more interconnected we are and the greater our electricity exchange capacity with Europe is, the better prepared we shall be to face the inevitable variations in generation that these sources of energy display.

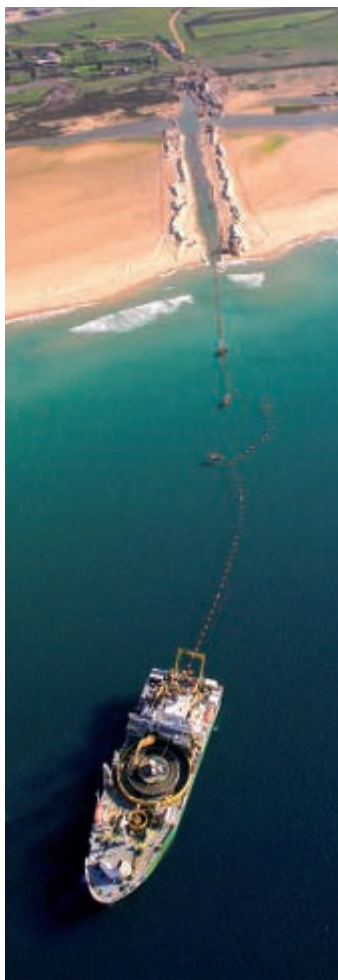
In order to carry out the project, Red Eléctrica and RTE have formed a company IN-ELFE, each with a 50% stake. This company will be in charge of carrying out prior technical, environmental and economic studies and will finance the costs associated to the construction of the new interconnection.

Portuguese Interconnection

During 2008, reinforcement works of the Duero and Andalusia axes have continued progressing, as well as the studies of two new interconnections from north-western Spain, with the aim of reaching a commercial exchange capacity of 3,000 MW with our neighbouring country.

Moroccan Interconnection

This year, studies have begun to evaluate the viability of increasing the exchange capacity with Morocco, due to the anticipated increase of solar production energy in North Africa.



Contributing to a sustainable energy model



OUR FIRM BACKING FOR RENEWABLE ENERGIES -EC2-

Electricity is the fundamental way of integrating renewable energies into our energy model.

With the aim of contributing to a cleaner energy model, which halts climate change and that is much more efficient in the generation of electricity, Red Eléctrica is resolutely backing the development of renewable energies by means of invest-

ment in electricity infrastructures which facilitate its evacuation and through the implementation of tools and mechanisms that make the maximum integration of renewable energies into the system, under secure conditions, possible.

In order to secure this objective, it is necessary to face some challenges which allow the integration capacity of renewable energies to be maximised, whilst guaranteeing the stability and the security of the electricity supply. Therefore, Red Eléctrica has undertaken the challenge to incorporate energies into the electricity system which are extremely variable, and that have a greater unpredictability and less capacity to adapt to the demand due to their dependency on the climatic conditions.



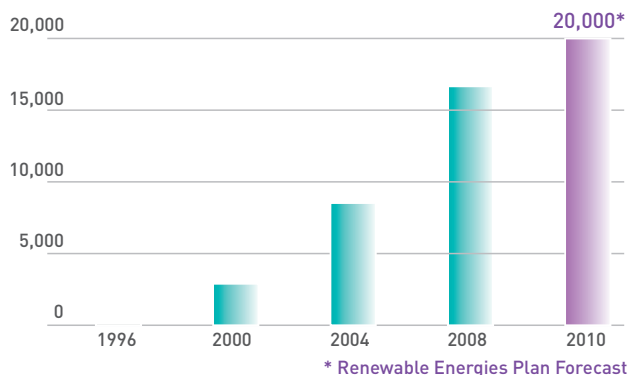
Red Eléctrica has created the world's first Control centre for the integration of renewable energies.

The creation of CECRE, a pioneering control centre, whose mission is to guarantee the maximum integration of renewable energy into the electricity system under secure conditions, is a clear example of our firm backing for the development of these energy sources. With its implementation we are the first country in the world to have all the wind farms of over 10 MW connected to a control centre. In addition, Red Eléctrica has become the world's top company in transmission and system operation, regarding the safe integration of renewable energies.

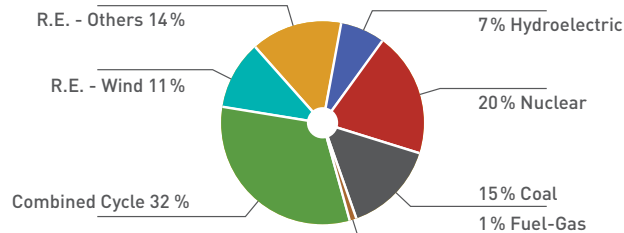
Additionally, in collaboration with different national and European organisations, REE carried out technological research and development projects of systems and tools which allow us to further the objective of obtaining a greater degree of participation of generation from renewable sources in the energy model.

This effort to integrate renewable energies has been reflected in the demand coverage, where the wind power energy covered 11% of the total demand in 2008. On 18 April a new record of wind power production of 10,727 MWh was registered and a daily energy total of 213.169 MWh, which represented 28.2% of the electricity demand on that day.

Evolution of installed wind power in Spain (MW)



Annual demand coverage 2008 ⁽¹⁾

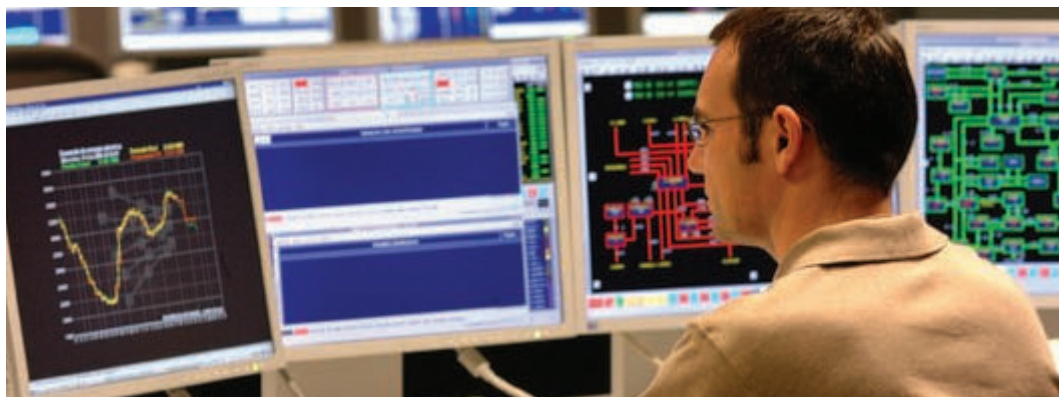


Special Regime. (R.E.)

(1) Includes, in addition to the Spanish peninsula demand, the balance of international exchanges and the consumption from pumped storage.

Nevertheless, it is worth highlighting that, due to its high variability, wind power energy has generated extreme situations, like that produced on 24 November at 4:47 am, in which 43% of the demand was covered by this energy, whereas on 27 November at 4:22 pm it only covered 1.1% of the total consumption.

This smaller capacity of adaptation to the demand displayed by renewable energies, due to its high variability, makes a control centre like CECRE absolutely essential. Thanks to CECRE we are achieving that renewable energies are incorporated into our energy model in an ever-increasing way and that society has a greater amount of green energy transformed into electricity.





DEMAND SIDE MANAGEMENT

The initiatives based on demand side management have the objective of improving energy efficiency and encouraging the intelligent use of energy.

The measures to manage the demand that Red Eléctrica promotes are oriented towards the fulfilment the energy strategy requirements as determined by the European Union for 2020: 20% coverage of the final demand by renewable energies, 20% reduction in greenhouse gases and a 20% increase in energy efficiency.

Regarding this, to improve energy efficiency and to encourage the responsible consumption of energy, Red Eléctrica is carrying out diverse initiatives to promote the strategies of demand side management based on the following lines of action:

- ◀ To know the electricity demand behaviour according to the different types of consumers and typologies of electrical loads.
- ◀ To promote and develop the initiatives of greater impact on energy efficiency in each of the sectors that comprise the electricity demand: industrial, services and residential.

- ◀ To confront the challenge of explaining to the public that electricity is not a product that can be stored, and that is why it is necessary to count on infrastructures which must be dimensioned to cover the hours of maximum demand, which represent a very small fraction of the total annual hours. Also, it must simultaneously communicate the environmental cost of the current consumption patterns.

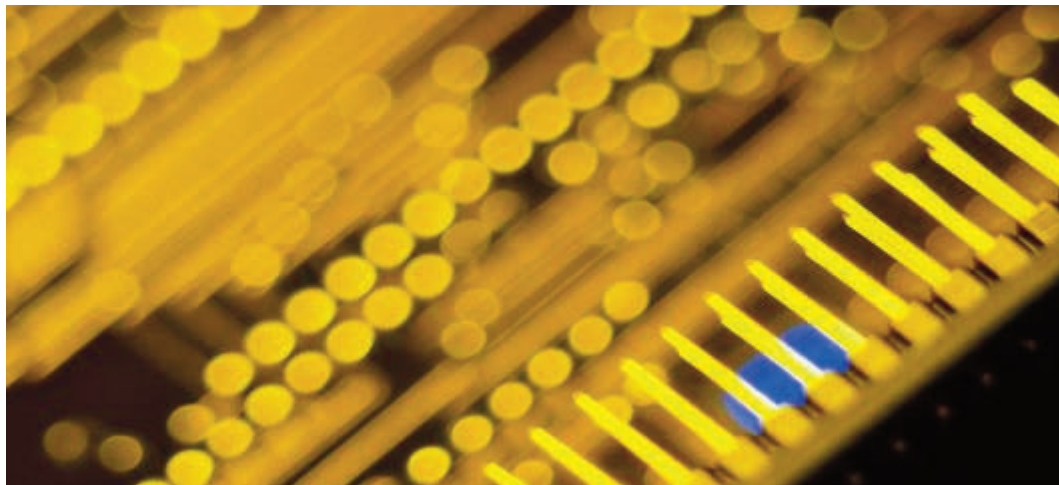
During 2008 Red Eléctrica continued with the analysis of the industrial demand, determining its characteristics and identifying the standard patterns of consumption. At the moment, the Operator of the System has information in real time on the consumption of a small number of consumers who represent nearly 20% of the aggregated demand. The monitoring in real time of this information allows the CO₂ emissions associated to that demand to be known.

The Active Management of the Demand project (GAD), in which Red Eléctrica participates, has the objective of demonstrating that it is possible to manage household demand acting directly on a set of home electrical appliances, through the infrastructure of remote management of the advanced meters.

Also, Red Eléctrica has undertaken an in-depth analysis of the co-generation sector, with the purpose of offering diverse measures that can make this efficient technology available to the electricity system. At the same time it has developed new tools which allow a better monitoring of the energy evacuated into the grid by these facilities.



Furthermore, Red Eléctrica has started up a new demand side management service for interruptability for those consumers who acquire their energy in the market. The service consists of reducing the energy demanded through the grid to predetermined values for industrial consumers who, fulfilling the requirements of this regulation, have a formalised a contract with the System Operator. Presently, the System Operator has 164 consumers who are included in this service: 152 in the Spanish peninsular system, 11 in the Canary Island system and 1 in the Balearic Island system, with an interruptible total power of 2,300 MW.



TECHNOLOGICAL DEVELOPMENT AND INNOVATION

The activity in the field of technological innovation is oriented to guaranteeing the efficiency and security of the electricity infrastructures and to contribute to a sustainable development.

During 2008 a revision of the **Innovation Management System** was carried out with the aim of reinforcing the strategic character of R+D+i in Red Eléctrica and to achieve the objectives established in the R+D+i Technological Plan 2008-2012, in which the technological vision in the medium and long term was defined and the key technological objectives of the company were identified. As a result of this revision, a balanced scorecard of innovation indicators was established to guarantee the good operation of the system.

The investment in R+D+i projects during 2008 increased significantly, reaching 7.01 million euros, which represents an increase of 60.7% with respect to the previous year. The investment was distributed across a total of 62 projects and represents 0.66% of the regulated income.

The return on investment of the projects, including the subsidies, the fiscal deductions of duties and the reduction in company tax, reached 2.77 million euros, which represents 39.5% of the total cost in R+D+i.



Most significant projects

From a technological point of view, the following projects are noteworthy:

- ◀ the conclusion of a mobile transformer prototype for emergency use,
- ◀ the commissioning of a high temperature high voltage transmission cable in the Atarfe-Caparacena line,
- ◀ the European project IRRIS to reduce the vulnerability of critical infrastructures, and
- ◀ the study of operational reserves with REN, that reinforces the Iberian Electricity Market (MIBEL).

Amongst the projects currently under way, noteworthy is: the unmanned helicopter for line inspections, the development of tools for predicting the generation of photovoltaic energy and the project financed through the ZENITH programme, Active Demand Side Management (GAD).

European Projects

Red Eléctrica has participated in various projects of Framework Programme for Research of the European Union, amongst which the following stand out:

- ◀ **IS-POWER**, (integration of renewable energies into isolated electricity systems).
- ◀ **WIND ON THE GRID** (preparation of the European electricity grid in order to allow large scale integration of wind power energy).
- ◀ **ANEMOS PLUS** (development of advanced management tools for wind power energy in systems with a high penetration of this type of energy).
- ◀ **EWIS** (studies to facilitate the integration of wind power energy into the electricity system).
- ◀ **FENIX** (problems of distributed generation in the medium and long term).
- ◀ **RESPOND** (identification of efficient response options of the market that actively contribute to an efficient integration of renewable energy and distributed generation).

Environmental interest projects

Red Eléctrica continues with its policy to contribute to a sustainable development that allows the perfect coexistence of its facilities with the social and natural surroundings.

During 2008 Red Eléctrica worked in projects related to the protection of birdlife and vegetation, noteworthy amongst them are: the development of a sensor to detect bird collisions with power lines and the experimental study on the viability of the relocation of the oceanic posidónea in the area of the Spanish Peninsula-Balearic Islands submarine interconnection.

Research, Development and innovation	2004	2005	2006	2007	2008
Investment in R+D+i (millions of euros)	2.36	2.95	3.73	4.63	7.01
Percentage over regulated income (%)	0.33	0.41	0.42	0.45	0.66
Number of projects	36	45	60	56	62
Number of patents	0	0	1 ⁽¹⁾	0	1 ⁽²⁾

(1) Utility model a new bird anti collision device.

(2) Concession of the NSR patent (New Substation of REE) in the United States.



Responsibility towards employees

05

For the Red Eléctrica Group one of its essential values are people, the base on which it builds its service to society and its commitment to sustainability and ethical responsibility which leads the development of its activities.

The principal cornerstones of action in this scope are:

- ◀ The creation of stable and quality employment.
- ◀ Occupational health and safety protection.
- ◀ Social dialogue.
- ◀ Professional training and development.
- ◀ Equal opportunities and conciliation.
- ◀ Encouraging corporate voluntary work

1,594
employees in
the Group

98.2 %
permanent
contracts



Satisfaction and development of people, our commitment

2.8 %
index of undesired staff turnover

10.6 years
average length of service

SA8000
certification

The commitment of the Red Eléctrica Group towards its employees is translated into the implementation of policy and actions aimed at the creation of stable and quality employment; improvement in employability of people through continuous training; the development of policies for equality and conciliation of work/life balance; to the design of professional development models and to performance recognition.

These principles of human resource management encourage the sustainability of the business project of the Group through the people who comprise the group. Its commitment is evident in the results of the latest social climate survey carried out in REE in 2006 (scoring 8 out of 10, in respect to general satisfaction) and in other indexes, like undesired external rotation (2.8%) and the average number of years at the company (10.6). All of this without forgetting the effort invested over the last few years in contracting, which has meant an important rejuvenation in the workforce.

Red Eléctrica Group's commitment to its employees is endorsed, not only by the SA8000* certification obtained in 2005, extended in 2007 to TDE Bolivia and renewed in 2008 for all the activities of REE. The renewal of this certification represents the ratification of a commitment to continuous improvement which allows the company to demonstrate to the stakeholders its ethical commitment towards employees. **-HR5, HR6-**

* Standards based on the conventions of the OIT and the Universal Declaration of Human Rights, which has the following criteria: child labour, forced labour, occupational health and safety, freedom of association and the right to collective negotiation, discrimination, disciplinary policies, working hours, remuneration and management system.

KEY EMPLOYMENT DATA -LA1, LA2- ⁽¹⁾**SPAIN: REE SAU + REC**

Workforce Data	2004	2005	2006	2007	2008
Number of employees (total workforce)	1,145	1,254	1,284	1,317	1,443
Number of employees (average workforce)	1,082	1,205	1,267	1,297	1,370
Distribution by professional group (% of entire workforce)	2004	2005	2006	2007	2008
Management staff	8	8	7	7	7
Senior technicians	25	26	26	26	28
Intermediate technicians	36	35	35	35	35
Specialist technicians	19	20	21	21	20
Auxiliary technicians	13	12	11	11	10
Distribution by age group	2004	2005	2006	2007	2008
Less than 25	99	73	49	25	39
26 to 35 years	278	387	456	527	621
36 to 45 years	422	409	397	375	355
46 to 55 years	274	288	290	311	344
More than 55	72	97	92	79	84
Key employment indicators	2004	2005	2006	2007	2008
Average age (years)	40.0	40.0	40.0	39.4	39.1
Average time in the company (years)	11.8	10.2	10.9	10.2	10.6
Undesired turnover (%)	1.4	1.1	1.5	2.6	2.8
Total turnover (%)	3.0	2.4	4.3	5.4	4.4
Creation of Net employment (number of jobs)	114	109	30	33	126
Early retirements (number)	-	-	33	41	0

continues >

continued from previous page

BOLIVIA: TDE

Workforce Data	2004	2005	2006	2007	2008
Number of employees (total workforce)	113	118	118	119	120
Number of employees (average workforce)	113	116	118	117	119
Distribución por grupo profesional (% sobre plantilla total)	2004	2005	2006	2007	2008
Management staff	20	19	19	20	20
Senior technicians	30	33	34	34	35
Intermediate technicians	25	24	24	23	23
Specialist technicians	12	11	10	10	10
Auxiliary technicians	13	13	13	13	13
Distribution by age group	2004	2005	2006	2007	2008
Less than 25	1	2	1	3	3
26 to 35 years	30	27	29	31	31
36 to 45 years	34	35	34	30	27
46 to 55 years	29	27	27	29	33
More than 55	6	9	9	7	7
Key employment indicators	2004	2005	2006	2007	2008
Average age (years)	42	42	42	41	41
Average time in the company (years)	14	14	13	12	13
Undesired turnover (%)	0,0	1,8	0,8	0,8	4,2
Total turnover (%)	0,9	2,7	3,4	5,9	5,0
Creation of Net employment (number of jobs)	0	5	0	1	1
Early retirements (number)	0	0	2	7	1

(1) For this degree of breakdown, data is not included for REDESUR due to the small workforce (19 employees) distributed in the following way: Management team 17%, senior technicians 28%, specialist technicians 28% and auxiliary technicians 22%. The average age is 35 years old.

Quality employment and a quality working environment

1,594 employees
in the Group

126 nuevos puestos
net employment created

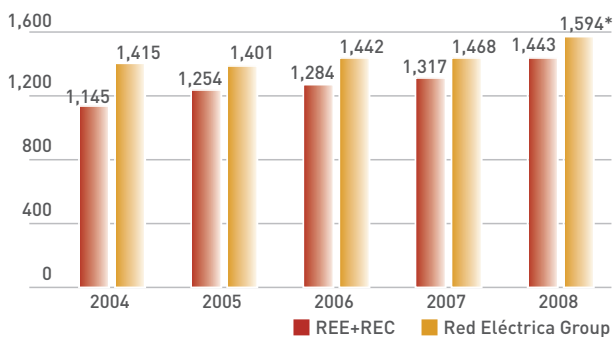
98.2 %
permanent contracts

The increase in the number of people who make up the REE workforce is a consequence of the process of growth derived from the acquisition of the transmission assets, of the implementation of the operation functions in the extra peninsular systems and the commitment to excellence in the management and quality of service inherent to the company.

During 2008, the transmission grid development planned for the 2008-2012 horizon, has represented the need to increase the workforce as forecasted in the strategic plan of the Group, to address the investments required and to implement the peninsular and insular territorial model, significantly reinforcing the areas of construction and maintenance.

Thus, to year end, the workforce grew to a total of 1,443 people in Red Eléctrica Corporación y Red Eléctrica de España SAU, also increased was the number of group employees, totalling 1,594.

Workforce evolution



This workforce increase has been undertaken based on the criteria of efficiency and quality of employment. During 2008, there were 184 new incorporations and 58 staff members left the company, which represents a net creation of employment of 126 new jobs. All the incorporations are on permanent contracts with two types: 83.7% are indefinite contracts and the remaining 16.3% are training contracts that after a period will become indefinite. In total terms, 98.2% of the company employees maintain a quality stable labour relation, over time,

* Does not include the Redesur workforce (19 employees) as it is a company in which Red Eléctrica is a stakeholder.

by means of a permanent contract, which gives them a positive sense of belonging and commitment with the corporate project.

With respect to the turnover indexes, during 2008, a reduction in total turnover was observed, dropping from 5.4% in 2007 to 4.4% this fiscal year, whereas undesired staff turnover 2.8%, maintained a similar value to that of the previous year and continues to be one of the lowest indexes of the sector. Regarding turnover of new incorporations, a reduction was also observed regarding the first three years, dropping from 5.9% in 2007 to 4.2% in 2008.

Regarding local recruitment procedures, the majority of employees and managers are recruited in their countries of origin, with a figure of almost 100% in all cases. **-EC7-**

TOTAL TURNOVER BY SEX, PROFESSIONAL GROUP AND AGE -LA2- *

Distribution by sex and professional group (%)	REE		TDE	
	Men	Women	Men	Women
Management staff	8.8	0.0	50.0	-
Senior technicians	22.9	15.8	50.0	-
Intermediate technicians	36.8	3.5	-	-
Specialist technicians	5.3	0.0	-	-
Auxiliary technicians	0.0	7.0	-	-
Turnover by sex	73.7	26.3	100.0	-

Distribution by age	REE		TDE	
	No. of people leaving	%	No. of people leaving	%
Less than 25	1	1.7	-	-
26 to 35 years	33	56.9	3	50.0
36 to 45 years	5	8.6	2	33.3
46 to 55 years	4	6.9	-	-
More than 55	15	25.9	1	16.7
Total turnover	58	100.0	6	100.0

* For this degree of breakdown, data is not included for REDESUR due to the small workforce (19 employees).

BREAKDOWN OF EMPLOYEES BY REGION, CONTRACT AND TYPE OF EMPLOYMENT -LA1-

ESPAÑA (REE+ REC)	2004	2005	2006	2007	2008
Employees with fixed contract	1,053	1,231	1,268	1,312	1,418
Employees with temporary contract	92	23	16	5	25
Fixed contract (%)	92.0	98.0	98.8	99.6	98.2
Worker from Temporary employment agency	17	24	27	21	15
Research interns (number)	12	11	10	36	33
BOLIVIA (TDE)	2004	2005	2006	2007	2008
Employees with fixed contract	113	118	118	119	120
Employees with temporary contract	0	0	2	5	7
Fixed contract (%)	100	100	98.3	96.0	94.5
Worker from Temporary employment agency	71	57	34	45	33
Research interns (number)	18	12	23	14	19
PERÚ (REDESUR)	2004	2005	2006	2007	2008
Employees with fixed contract	19	17	15	17	18
Employees with temporary contract	0	0	1	1	1
Fixed contract (%)	100	100	93	94	94
Worker from Temporary employment agency	0	0	1	3	2
Research interns (number)	4	2	3	4	4

EMPLOYMENT RELATED INITIATIVES

During 2008 REE participated in the **Recruiting Erasmus project**, a pioneering multi-company initiative that facilitates the contact between participating companies and Spanish students who, at the moment, are currently studying or are finishing their studies outside Spain within the ERASMUS scholarship programme. With this objective, an employment guide was drawn up and a communication plan with the media, universities and web platforms was initiated. The project is supported by the Ministry of Science and Innovation and the Spanish University Committee of International Relations.

Another of the actions undertaken regarding employment has been the collaboration with *The International Association for the Exchange of Students for Technical Experience* (IAESTE) by which the welcoming of European students who wish to complete their training with practices within different units of our company is managed.



Additionally, REE has been included in the **Top Companies guide** of places to work in, 2008. This guide, drawn up by *CRF HR Benchmark Survey*, is the result of a national comparison which considers criteria such as atmosphere and work culture, labour conditions, talent development, commitment to society and backing innovation. The guide shows a selection of national companies which best foster talent; offer a more pleasant working atmosphere and which are most socially responsible.

REMUNERATION MODEL

The Red Eléctrica Group recognises in its Human Resources policies that employees will be treated fairly and justly. As a consequence, the remuneration model responds to criteria of internal fairness, non-discrimination, transparency and recognition by means of fixed remuneration within wide salary bands and an outstanding remuneration which acknowledges superior performance and noteworthy contributions.

All new employee incorporations follow a salary scheme according to the results of their ongoing appraisal. The employees subject to the aforementioned system evolve through successive phases of development throughout the first 4 years of integration, which the development phase may last. This plan was designed to attract and retain the most suitable professionals, as well as to promote commitment to the corporate project.

All employees hired by REE in 2008, irrespective of the position occupied and without including social benefits or benefits in kind, received a minimum starting salary equiva-



lent to 3 times the minimum inter-professional salary in Spain. 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-**

IMPROVING ORGANISATIONAL EFFICIENCY

In order to optimise and boost the efficiency of activities inherent to the company within a model of developing excellence and continuous improvement, during 2007 the second phase of the project of revision and adjustment of the management system of the organisation, called PROA II, was initiated.

Within the framework of this project and throughout the course of this fiscal year, a revision of the structure and job definitions has been carried. This has been done to adapt the positions to the actual operation of the company and therefore to establish an organisational model which allows the efficient development of business processes.

INTERNAL COMMUNICATION

Internal communication is an action clearly integrated in the culture and business strategy as a catalyst for the promotion of individual performance, the commitment to the corporate project, corporate identity and organisational efficiency.

The needs detected in the survey and the social climate interviews carried out in previous years, have produced results in the form of concrete actions, which form the general plan of internal communication of the company.

As a key communication tool, REE counts on the corporate portal miRED, in which more than the 250 items of news were published in 2008, many of them written by the

KEY COMMUNICATION ACTIONS

- ◀ **Corporate portal miRED.**
- ◀ **Employee self service.**
- ◀ **Work, social and leisure communities.**
- ◀ **Corporate Voluntary Programme.**
- ◀ **Communication plans for corporate projects.**
- ◀ **Encouraging non-work/leisure activities.**
- ◀ **Sporting activities.**
- ◀ **Quarterly magazine Entrelíneas.**
- ◀ **Cultural exchange club: books and films.**
- ◀ **Idea competitions:
Environmental and Corporate Responsibility.**

employees. This fact, in addition to facilitating the exchange of information, has contributed in increasing the commitment and motivation of the employees.

Within miRED the utilisation of work, social and leisure communities are supported. Therefore, interactive spaces for collaboration exist which facilitate the exchange of information and knowledge, team working and encourage contact to share social activities and concerns.

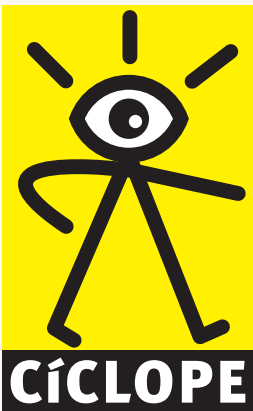
Another line of action is the design of specific communication plans to support the dissemination of the strategies, policies and objectives of the company. During 2008, various communication actions have been developed regarding the ethical code, corporate responsibility, the environment, employment and health and safety.

Additionally, in order to encourage knowledge and the integration of employees, non-work related activities are promoted. Under the title «RED in family», the employees and their children can participate in recreational and cultural activities. In 2008, in addition to the children's Christmas celebrations, visits to a wildlife hospital were organised, where it was possible to see first hand how to save the life of indigenous wildlife, and also a day in an adventure park.



Other popular initiatives for the employees are the sport activities sponsored by the company. In 2008, these increased considerably, not only in the number of sports but also the in the number of employees taking part in them. At present, 550 employees, distributed throughout the company, participate in 13 sports.

In addition, TDE counts on the communication and knowledge management platform known as «My portal TDE». This portal contains the modules «TDE Knowledge» and «Learning Communities» as fundamental pillars of this tool. The first brings together information from all the areas of the company, while the objective of the second is to generate virtual spaces where people from different disciplines and areas can deal with previously selected issues of interest.



CYCLOPS (CÍCLOPE)

(Reading, leisure and film cultural exchange club amongst employees of Red Eléctrica)

This initiative puts an interesting collection of books and up-to-date films at the disposal of the employees. In this club, in addition to the employee being the protagonist, they are also the person in charge of its success, continuity and growth.

Its primary target is to stimulate the integration of company employees and to encourage collaboration on social projects by means of the voluntary donation of 1 euro for each exchange carried out. The final recipient of the donations will be chosen by club members.



Worker/Employee relations -HR5-

Working relations between the company and its employees are regulated using the labour regulations currently in force, the IX Limited effectiveness Collective Bargaining Agreement has been adhered to by 100% of those affected and other agreements on various matters agreed between the social and business representation.

Red Eléctrica and the members of the IX Collective Bargaining Agreement negotiating commission who signed the agreement, decided to donate to Doctors without Borders “Médicos Sin Fronteras” the amount of money which is traditionally used for the purchasing of a gift to signify the conclusion of the agreement negotiation.

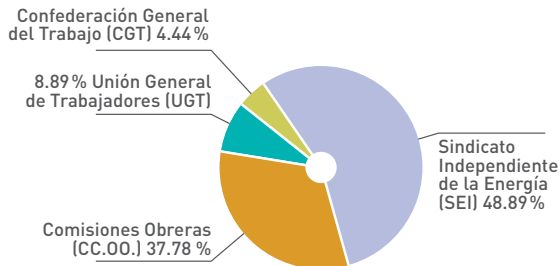
Therefore, the IX Limited effectiveness Collective Bargaining Agreement, effective until 31 December 2012, represents the legal framework from which Red Eléctrica commits itself to the fulfilment of the values such as multicultural, non-discriminatory and equal opportunities in all the activities related to the management of people. This agreement applies to 99.85% of the non-managerial employees. **-LA4, LA6-**

Amongst the agreements reached in this Collective Bargaining Agreement, the following are noteworthy:

- ◀ Implementation of new conciliatory measures regarding the work/life balance.
- ◀ Improvement in timetable of the transmission grid facilities personnel, with the adoption of flexible working.
- ◀ Substitution of a preferential electricity supply with a cash benefit in kind, which is updated annually allowing employees to take advantage of the maximum fiscal benefits.

Red Eléctrica has worker representation in the majority of the work centres, in addition to an Inter-centre committee, empowered by the Collective Bargaining Agreement. Also, the social representation participates in the Occupational Health and safety Committee, as well as in the different commissions stipulated in the IX Collective Bargaining Agreement, amongst which noteworthy are those which came up in the last agreement, such as the

Union Representation on 31/12/2008



COMMISSIONS PARTICIPATED IN BY SOCIAL REPRESENTATIVES -LA6-

- ◀ Job appraisal commission.
- ◀ Training Commission.
- ◀ Occupational Health and Safety Committee. -LA9-
- ◀ Social Services Commission.
- ◀ Parity commission for vigilance and interpretation.
- ◀ Parity commission for equality.
- ◀ Commission for professional classification.
- ◀ Commission for monitoring the flexibility system.
- ◀ Conciliation round table.
- ◀ Psychosocial risk observatory.

Parity Commission on Equality, the Professional Classification or the Commission for Monitoring the Flexibility System.

Also, it is necessary to mention the existence of a round table for the conciliation of the work/life balance and the permanent observatory of psychosocial risks.

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

According to the IX Limited effectiveness Collective Bargaining Agreement the workers' representatives are granted the competency of issuing reports prior to the execution of the organisational changes adopted by the company. -LA5-

Regarding TDE (Bolivia), it recognises and supports the freedom of its workers to associate with unions, as well as collective bargaining, as expressed in its corporate responsibility policy, the ethical code, the TDE internal regulations and in their progress report to the United Nations Global Compact which is available on its website: www.tde.com.bo

In 2007, on the initiative of a group of workers, an ad hoc committee for the constitution of the TDE Workers Union was organised. The management of the company facilitated the necessary resources (office with equipment, electronic mail, space on the Intranet, meeting rooms and informative sessions) for the establishing of the union and time for the electoral process. In September 2007, an assembly took place in which the workers approved the Union by-laws and chose an electoral committee. Later in April 2008, the union elections were held.

Occupational health and safety

PREVENTION AND VIGILANCE IN OCCUPATIONAL SAFETY

The Red Eléctrica Group is certified in all its companies based on the international standard for occupational health and safety in accordance with the international standard OHSAS 18001.

The occupational health and safety management system includes the Occupational Health and Safety Policy, its own prevention system and a safety and vigilance committee comprising of six social representatives from all the work centres, which represent 100% of the employees. **-LA6, LA9-**

**OHSAS 18001
Certification**
in all the companies
of the Group

2,945 hours
of risk prevention training

The Occupational Health and Safety Policy, published on the employment portal, provides a structure for the establishment of the occupational health and safety objectives. It is driven by the senior management and assumed by the employees. The tools which are considered by the organisation as fundamental in risk prevention are training and updating knowledge regarding safety and the risk evaluation of each job position, covering all employees. In 2008, training in risk prevention management

was given to 432 participants to which 2,945 hours were dedicated. The degree of compliance of the annual prevention programme was 82%. The unfinished voluntary action improvements included in the 2008 programme (18%) will be completed in 2009.

The occupational risk evaluation system goes beyond the safety of group employees, since it extends to the suppliers carrying out activities in our facilities. In 2008, one of the high-priority objectives was to measure the behaviour of the workers regarding prevention, completing more than 1,500 field tests.

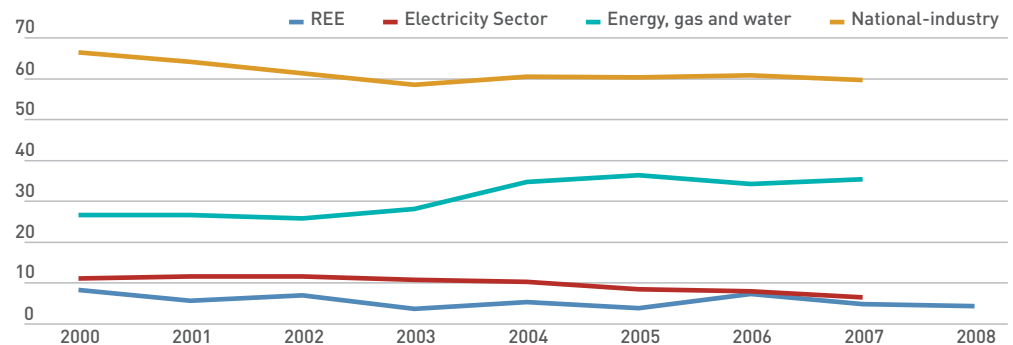


In addition, during this year the programme for improving the monitoring occupational health has continued, according to the new demands of the OHSAS regulations. Control programmes of psychosocial risks have been developed and the protocol has been approved regarding moral and sexual harassment, and sexual discrimination: approval in which the workers' representatives participated.

The programmes for the prevention of electrical risk have been put in place for the labour activities related to live working and discharge activities carried out not only in the transmission grid facilities but also in those works affected by facilities which are owned by other electricity companies, in a collaboration programme with the whole electricity sector. The results of these activities have reduced the accidents caused by electrical risk to nil. **-PR1, PR3-**

In TDE risk prevention workshops are carried out annually, as well as mixed security workshops in which non-tolerated risks and dangers identified in risk evaluation are analysed. In the management of 2008, it is worth noting the establishing of the «Temporary Mixed Committee of Projects», whose function is to carry out the strict monitoring of safety conditions throughout all stages of work executed.

Evolution of the index of Frequency of accidents



Frequency index: number of accidents requiring sick leave, of a least 1 day, per million worked hours. Source: Employment Ministry, UNESA y REE.

OCCUPATIONAL HEALTH AND SAFETY INDICATORS ⁽¹⁾ -LA7-**SPAIN (REE+REC)⁽¹⁾**

	2004	2005	2006	2007	2008
Average workforce	1,102	1,231	1,285	1,311	1,379
Hours worked		2,109,391	2,226,292	2,266,644	2,373,524
Accidents with sick leave	10	8	14	11	10
Fatal accidents	0	0	2 ⁽²⁾	0	0
Days lost due to accidents	253	290	12,369 ⁽³⁾	195	352
Accident frequency rate	5.25	4.01	7.19	4.85	4.21
Seriousness of accident rate	0.12	0.11	5.56	0.23	0.15
Incidence Index	9.07	6.5	10.89	8.39	7.25
Absenteeism rate ⁽⁴⁾	3.67	3.15	3.09	3.04	2.28

TDE (Bolivia)

	2004	2005	2006	2007	2008
Accidents with sick leave	5	0	2	3	1
Days lost due to accidents	63	0	0	215	9
Accident frequency rate	17.73	0	6.79	11.38	7.44
Seriousness of accident rate	0.22	0	0	0.82	0.04
Absenteeism rate ⁽⁴⁾	-	-	-	0.19	0.39

REE CONTRACTORS

	2004	2005	2006	2007	2008
Average workforce	-	1,562	2,116	2,590	3,139
Hours worked	-	2,654,719	3,597,653	4,403,145	5,336,236
Accidents with sick leave	40	65	68	111	126
Fatal accidents	2	0	4	1	0
Days lost due to accidents	13,848	1,849	25,302	9,256	3,476
Accident frequency rate	21.76	24.48	18.9	27.13	23.61
Seriousness of accident rate	7.53	0.69	7.03	2.26	0.65
Incidence Index ⁽⁵⁾	-	41.62	32.13	42.86	40.14

(1) Includes REI.

(2) Air traffic accident fatalities.

(3) Contemplates 12,000 working days per accident related fatalities.

(4) Total number of hours of absence due to common TI > 3 days, TI hours < 3 days not regulated leave/average workforce collective agreement personnel/collective agreement theoretical hours x 100

(5) Regarding hours worked

In REDESUR, in which Red Eléctrica is a stakeholder, no fatalities have been recorded and the absenteeism index is at 0.6%.

MEDICAL SERVICE INDICATORS -LA8-

REE + REC*	2005	2006	2007	2008
Medical check-ups	884	835	802	1,011
Doctor's visits	1,039	1,361	1,422	1,443
Vaccinations	268	259	230	269
Temporary incapacity visit (TI)	137	174	135	122
TDE (Bolivia)	2005	2006	2007	2008
Medical check-ups	115	42	121	45
Doctor's visits	419	442	359	431
Vaccinations	70	120	0	0
Temporary incapacity visit (TI)	8	10	17	25

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

* Includes REI.

PREVENTION AND VIGILANCE IN OCCUPATIONAL HEALTH -LA8-**2008 KEY ACTIVITIES**

- ◀ **Excess weight prevention campaign.**
- ◀ **Stress prevention workshops.**
- ◀ **Back pain prevention campaign.**
- ◀ **Action plan in the event of a pandemic.***

* Voluntary protocol following the recommendations of the World Health Organisation.

Red Eléctrica has a medical service, composed of its own personnel and means which directs its activities to the prevention and monitoring of health risks. During 2008, as well as the activities pertaining to health vigilance such as health check-ups, other activities have continued oriented towards the prevention of the most common health risks: cardiovascular problems, backache, psychosocial risks and activities carried out in extreme situations, as in the case of a pandemic.

In TDE the risks which the workers are exposed to are analysed periodically. Apart the results obtained, in the last two years the « Integral Health Programme » which aims to improve health of all the workers has been developed. This program has three basic objectives: good eating habits, good sporting practices and a programme to stop smoking. In addition, a quality control system was implemented to check the quality and suitability of all water for drinking purposes in all the facilities of the company.

Training and education -LA10, LA11-



81 hours
training per employee

4,473 euros
invested in training
per employee

The Red Eléctrica Group is strongly committed to the continuous development of the knowledge and skills of people as a guarantee of the success of its corporate project. This strategy is carried out through training plans which promote the ongoing development of technical and generic competencies, in accordance with business requirements and the adaptation of personnel and teams to the current business environment.

The development plan is supported by internal training, above all with regard to knowledge sharing specific of our business processes. In this sense, one of the major contributions to professional development currently operative in 2008 has been the Red Eléctrica training schools: the Operation School and the Maintenance School. Both schools have been equipped with highly qualified personnel and material resources to give training in the most relevant and singular aspects of the Red Eléctrica mission: the operation of the system and the management of electricity transmission grid.



During 2008, a concerted training effort was made, oriented mainly to the development of management skills, new director management and an integration plan for new employees. In addition, working on training in other areas such as labour risk prevention, environmental protection and languages etc. has been continued. This has represented an increase in the number of training hours by 14.8% with respect to the previous year.

TRAINING AND EDUCATION INDICATORS -LA10-

REE+REC	2004	2005	2006	2007	2008
Training hours	90,947	82,506	92,450	102,926	118,126
Training hours for employees	-	-	-	92,509	110,807
Hours of training for grant holders (grant programme in operation)	-	-	-	10,417	7,319
Hours per employee*	84	68	73	71	81
Hours given with own resources	31,086	25,175	25,537	18,547	32,338
Number of courses managed	685	715	712	774	759
Investment in training as total personnel costs	5.9	5.5	5.5	6.4	6.5
Investment per employee (euros)	3,651	3,470	3,451	4,217	4,473
Training during working hours (%)	82	81	75	75	82

TDE (Bolivia)

Training hours	6,241	9,674	7,408	7,705	4,883
Hours per employee*	57	84	63	65	41
Investment in training as total personnel costs	3.3	3.4	2.8	2.9	1.7
Investment per employee (euros)	641	663	578	630	403

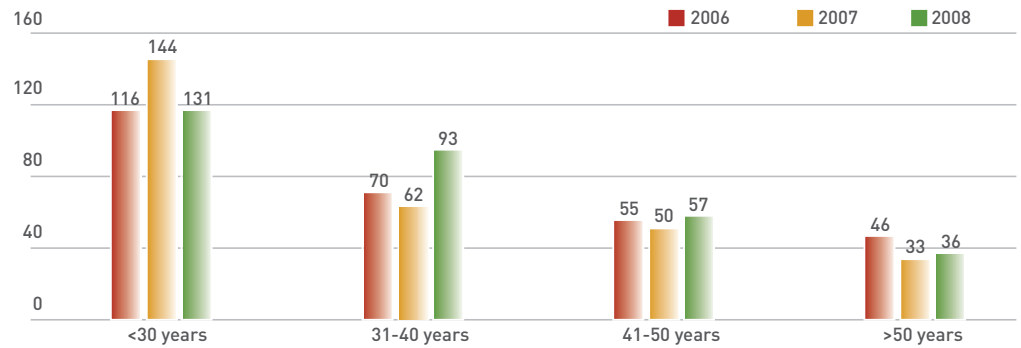
REDESUR (Perú)

Training hours	420	225	421	193	249
Hours per employee*	25	12	25	13	65
Investment in training as total personnel costs	3.0	3.2	3.3	5.0	3.0
Investment per employee (euros)	-	-	-	-	578

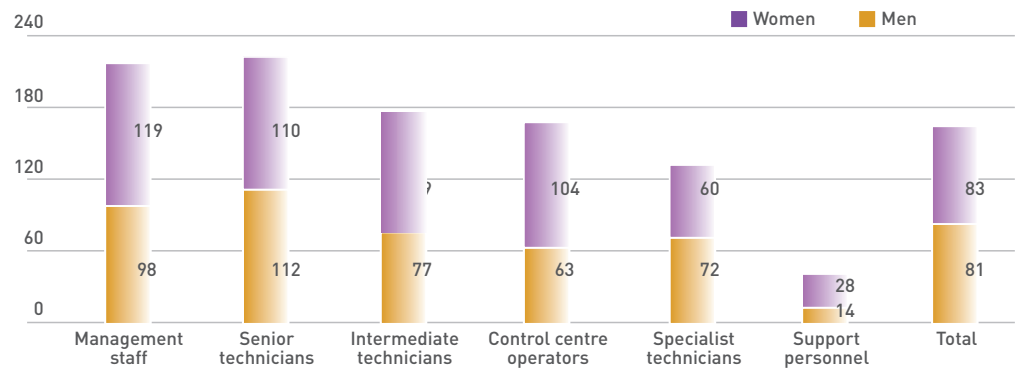
* For the average workforce.



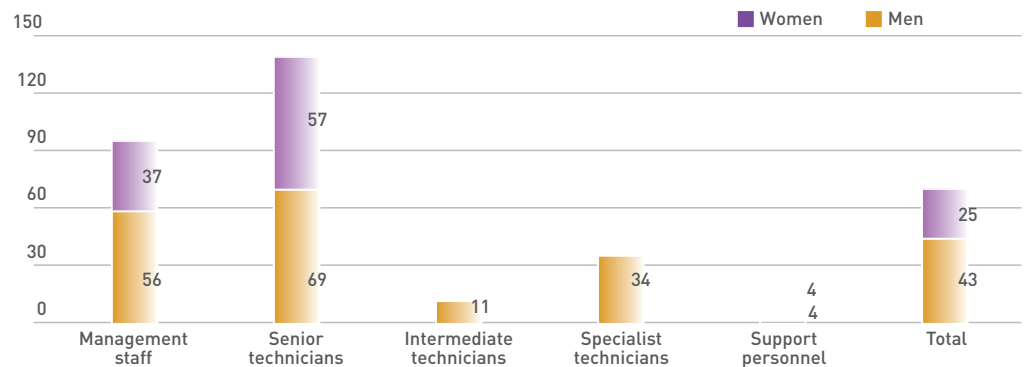
Average training hours per age group (REE) -LA10-



Average training hours per professional group and sex (REE) -LA10-



Average training hours per professional group and sex (TDE) -LA10-



MANAGING KEY KNOWLEDGE: RED ELÉCTRICA OPERATION AND MAINTENANCE SCHOOLS

35,000 hours
of training in the
Operation School

20,000 horas
of training in the
Maintenance School

In order to guarantee the qualification of the employees, Red Eléctrica has created the Operation and Maintenance Technical Schools. These schools function in a coordinated way and fit within the internal training system of the company. From them, all the technical formation corresponding to the operation and transmission activities are coordinated, and have been conceived not only for new employees to learn, but also the ongoing training and updating knowledge of the rest of technicians. In addition, both schools work on specialised postgraduate courses with the university.

The Operation School has consolidated itself as a reference in teaching and training of professionals, dedicated to the operation of high voltage electricity systems. It offers externally recognised prestigious courses and it collaborates with other companies worldwide in similar initiatives in an exchange of experiences and knowledge. Throughout 2008, almost 35.000 training hours were given to 764 employees.

In January 2008, the Maintenance School was inaugurated. Courses are given in the school to maintenance technicians of the transmission grid in order to obtain an optimal level of conservation of the company facilities. In addition, the school standardises the personnel of other companies who work in Red Eléctrica facilities. With this initiative it is hoped that labour risks derived from this type of work are reduced and it also hopes to increase the quality and effectiveness in the maintenance of lines and substations. In its first year the Maintenance School gave almost 20.000 hours of training to 487 employees and has accredited 50 employees of other companies.

Additionally, in TDE a Maintenance School has also been set up, as well as various virtual courses through the learning portal «My portal TDE» open to a greater number of



employees, some of which are of a technical nature and which complement the courses of the school, and others are of a more general nature.

PERFORMANCE MANAGEMENT -LA12-

The Red Eléctrica evaluation system is not only considered as a personnel management tool, but also as an element of communication and development for the employee. The system assesses the performance of 100% of the employees and every two years it also analyses, the employee professional development, which allows a programme to be designed in accordance with his/her potential and talent and define succession and career planning.

Appraisal is an ongoing process which culminates in a personal interview where the manager shares the appraisal results with the collaborator. In order to suitably apply this system, training sessions with those carrying out the appraisals have been carried out, not just to be acquainted with the tool, in the case of the new members of the management team, but also to continually improving their application by existing managers.



Equal opportunity, diversity and conciliation

23.4 % of the workforce are **women**, 22,1 % in 2007

15 % of the managers are, **women**, 14,4 % in 2007

-LA13-

Red Eléctrica, in its commitment to social responsibility and ethical management, considers that equal opportunities, the diversity and conciliation of professional and personal life are key factors of business success, as well as of social fairness.

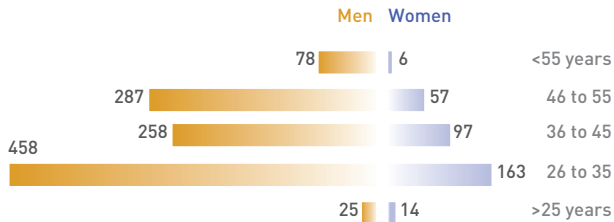
Traditionally, Red Eléctrica has demonstrated its involvement in guaranteeing the compliance of the principles of equality and non-discrimination, as expressed in its corporate responsibility policy and in the different collective bargaining agreements which regulate labour relations. This commitment is made evident in the advances obtained in the field of recruitment, promotion, and training and in policies which improve on the applicable legislation in the area of the conciliating the work/life balance, as well as boasting the highest percentage of women among companies in the electricity sector.

The IX Limited effectiveness Collective Bargaining Agreement lays out in the third temporary provisions the creation of a Parity commission for equality in order that it be this commission that studies, analyses and if so offers the most suitable measures for the drafting of a equality plan in conformance with that anticipated in article 45.2 of Constitutional law 3/2007 for the effective equality of men and women. There is a commitment to present proposals before the end of 2009. This commission is empowered to modify and to adapt the articles of the IX Collective Bargaining Agreement that may be considered necessary.

EQUAL OPPORTUNITIES IN SELECTION AND RECRUITMENT

In the selection process candidacies are valued without discrimination, which has signified that during 2008 the percentage of women recruited has been 10% higher than that of men (with respect to the candidacies received from each sex).

Workforce distribution by sex and age group -LA13-



A wage and development structure equal for both sexes is applied to new incorporations for a maximum period of four years, based on the training and experience they have.

EQUAL OPPORTUNITIES IN PROFESSIONAL DEVELOPMENT

Advances have been made, not only in opportunities for development, but also for promotion, which has represented an increase in the percentage of women in positions of responsibility within the Company, which increased from 14.4% in 2007 to 15% in 2008.

WORKFORCE DISTRIBUTION BY SEX AND PROFESSIONAL GROUP -LA13-

REE	2004			2005			2006			2007			2008		
	M	W	%W	M	W	%W	M	W	%W	M	W	%W	M	W	%W
Management staff	82	10	10.9	84	11	11.6	76	11	12.6	83	14	14.4	85	15	15.0
Senior technicians	195	87	30.9	218	103	32.1	218	115	34.5	226	116	33.9	271	138	33.7
Intermediate technicians	353	55	13.5	379	61	13.9	390	65	14.3	397	67	14.4	422	84	16.6
Specialist technicians	216	1	0.5	247	1	0.4	262	1	0.4	272	1	0.4	282	4	1.4
Auxiliary technicians	55	91	62.3	56	94	62.7	51	95	65.1	48	93	66.0	46	96	67.6
Total	901	244	21.3	984	270	21.5	997	287	22.4	1,026	291	22.1	1,106	337	23.4

TDE	2004			2005			2006			2007			2008		
	M	W	%W	M	W	%W	M	W	%W	M	W	%W	M	W	%W
Management staff	21	2	8.7	20	3	13.0	20	3	13.0	21	3	12.5	20	4	16.7
Senior technicians	29	5	14.7	35	4	10.3	36	4	10.0	37	4	9.8	38	4	9.5
Intermediate technicians	27	1	3.6	27	1	3.6	27	1	3.6	27	0	0.0	27	0	0.0
Specialist technicians	13	0	0.0	13	0	0.0	12	0	0.0	12	0	0.0	12	0	0.0
Auxiliary technicians	6	9	60.0	6	9	60.0	6	9	60.0	6	9	60.0	6	9	60.0
Total	96	17	15.0	101	17	14.4	101	17	14.4	103	16	13.4	103	17	14.2

RELATION BETWEEN BASIC SALARIES FOR MEN AND WOMEN * -LA14-

REE+REC	2007	2008
Management staff	1.01	1.02
Senior technicians	1.05	1.11
Intermediate technicians	1.07	1.11
Specialist technicians	1.15	1.10
Auxiliary technicians	0.98	1.08
Total	1.05	1.11

* The significant impact of the male salary is because historically (not currently) Red Eléctrica contracted (due to the engineering profile required) more men than women, as the possibility of doing the contrary did not exist in the labour market. Consequently, the salaries of men have evolved in a different way, making the comparison have a historical slant which is being corrected at present.

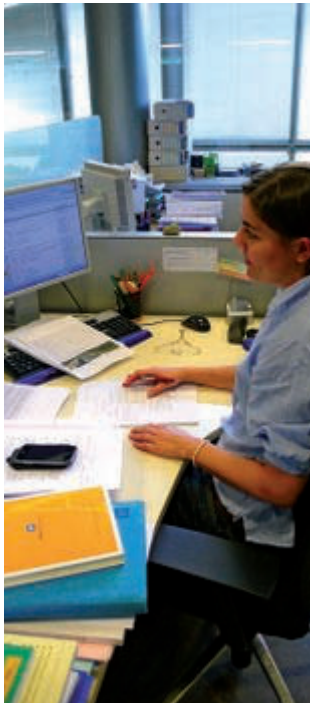
OTHER EQUAL OPPORTUNITY INDICATORS

	REE+REC		TDE	
	2007	2008	2007	2008
In recruiting ⁽¹⁾	0,95	1,10	0,00	1,00
Voluntary improvement ⁽²⁾	1,03	0,97	-	-
Promotions ⁽³⁾	0,68	0,61	0,57	0,61

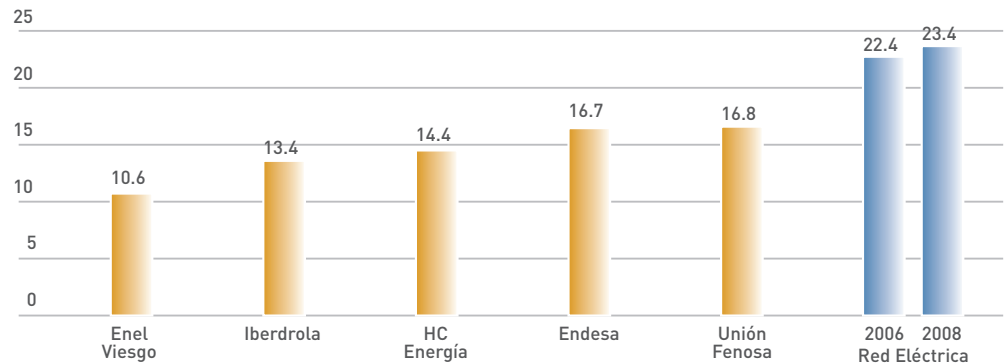
(1) Number of women contracted/number of suitable interviews/total number interviewed/total apt.

(2) Number of women with voluntary improvements /total no. Of women/total employees with voluntary improvement/total workforce.

(3) Number of women promoted/ total women/total employees promoted/total staff.



Comparison of the percentage of women in the electricity sector



Source: UNESA 2006 Annual Report

PROTECTION AGAINST MORAL AND SEXUAL HARASSMENT AND SEXUAL DISCRIMINATION

In 2008 a action guide for the prevention of moral and sexual harassment and sexual discrimination was approved in accordance with Constitutional law 3/2007, 22 March, as well as the ethical commitment of the company. This guide is included within the framework of health and safety policies of Red Eléctrica with the aim of ensuring a working environment where the interpersonal relations are based on mutual respect and interest.

The principal preventive measures incorporated in this guide are: periodic evaluation of psychosocial risks and social climate studies; dissemination of the actions carried out regarding harassment; the design and implementation of training programmes oriented towards avoiding harassment and 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 will assist employees who are victims of domestic violence, as well as their children under the age of 18 in their charge or living with them, as long as the aggression has been provoked by someone with whom the employee maintains a relation with or an emotional relationship with (spouse or ex-spouse, actual partner or relative of any kind).

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



INTEGRATION OF THE DISABLED -LA13-

Red Eléctrica possesses the certificate of exceptionality for the fulfilment of the Law of Social Integration of the Disabled (LISMI). Therefore, as an alternative measure, the company has signed an agreement with the Adecco Foundation through which it donates funds to this non-profit making organisation which supports the labour integration of those people who find great difficulty in finding employment.

Within the framework of the agreement various initiatives on social integration for people with disabilities are carried out, such as Plan Familia the “Family Plan. This Plan is directed to the relatives of company employees, and one of its most significant activities is training and rehabilitation. Similarly, there is a considerable involvement in the Support to the Paralympics Sports plan (ADOP), whose most significant initiative this year was the 2008 Beijing Paralympic Games sponsorship.

On the other hand, Red Eléctrica is working on signing up certain products and services from centres of labour integration for people with disabilities. In this way, during the current fiscal year it has signed a Collaboration Agreement with the Juan XXIII Foundation, a non-profit organisation, to provide an employees’ telephone service covering various issues such as schedules, remuneration, social benefits, etc.

Another important line of action in this area has been the participation in the Second Employment Fair for People with Disabilities organised by the Department of Employment and Women’s Affairs of the Community of Madrid, where 302 candidacies were put forward and now they form part of the Red Eléctrica candidates’ database to give coverage to the selection processes initiated.

In the area of the accessibility, Red Eléctrica has collaborated with the Excellence in Sustainability Club in the preparation of an action guide to equip the diverse areas of the company’s environment with proper accessibility, which range from the elimination of the architectural barriers up to the accessibility of the communication and information systems.



CONCILIATION - THE WORK/LIFE BALANCE

For the Red Eléctrica Group, encouraging a balance between personal and professional life is a strategic objective of human resource policies, as it is the key element in retaining and motivating its employees. As a result, the Strategic Plan of Red Eléctrica incorporates as one of its key objectives «To implement the best practices to conciliate the work/life balance».

Red Eléctrica, maintaining its tradition regarding the introduction of improvements in relation to the regulation currently in force (Constitutional law 3/2007 for the effective equality between women and men), has agreed in the IX Limited effectiveness Collective Bargaining Agreement as well as in its supplementary agreements to incorporate new measures as well as to extend and improve the ones that already exist, in the scope of labour flexibility as well as in that of the maternity and paternity. Similarly, it should be noted that the Red Concilia project has already been initiated in the core of the negotiating table for conciliation.

Negotiating table for conciliation

Its principal functions are to raise awareness of the management team and the employees regarding conciliation matters, to put forward and to develop new measures and to ensure the correct use of those already established. It is constituted by representatives of the company and of the workers. It follows a methodology of participative work and integrating opinions and proposals, using a line of horizontal communication that promotes dialogue amongst all members.





One of the most relevant agreements reached at this table has been the creation of the figure of the labour and personal interlocutor, whose main function is to facilitate the advice and support with a view to the resolution or the channelling of the employees' needs in the labour context that also affect the conciliation of the work/life balance.

Red Concilia Project

Red Eléctrica identified the need to define a conciliation policy which included all the existing measures and consolidated this matter with a future perspective. With this aim, during 2008, the Red Concilia project was initiated and is directed towards defining the current situation relating to policies, practices and culture regarding conciliation and to facilitating the management of the conciliation needs of its employees in the framework of the aims and activity of the company.

During this year, the diagnostic phase of the existing policies and measures and those which were requested has taken place. The diagnosis has been drawn up based on the following activities: compilation of measures and existing practices in the company, analysis of the company's human profile, organisation of workshops with employees, interviews with executives and surveys through questionnaires.

The aforementioned diagnosis, which reflects the current situation relating to conciliation, the risk groups, key agents and recommendations or proposals for action, will become the basis to continue making headway in the project and to draw up a conciliation policy which determines the strategic lines of the company in this matter, as well as a comprehensive conciliation plan that will include the number of actions to be developed.



CONCILIATION MEASURES (measures which improve upon the current legislation)

LABOUR FLEXIBILITY

- 24% of the working day is flexible in terms of 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 5 full day or 8 half day holidays.
- Four-day authorised leave, 6 when travelling is required, in the case of family bereavement of a blood relative or close acquaintance.
- Three-day authorised leave, 5 when travelling is required, for serious illness of a family member, immediate or close, a close acquaintance, This has a flexible application.
- Permission to accompany an immediate or close disabled family member with a minimum of 66% disability for medical appointments.
- Two-day leave for moving house.
- One-day leave for the marriage of an immediate or close relative.
- Three days unpaid leave per year, taking into account the length of service completed.

SUPPORT DURING MOTHERHOOD AND FATHERHOOD

- Improvement of legislation regarding a reduced working day in order to take care of children, disabled or direct elderly relatives: an additional year to the age limit established by law (9 years in the case of children) and a reduction in the working day up to 7% or 10%, with a flexible and/or cumulative application 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.
- 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 from week 38 of pregnancy until giving birth.

continues >

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- Allowance of 1,500 euros for adoption, birth or fostering, for mothers and fathers on lesser salaries.
- 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 BENEFITS IN KIND -EC3, LA3*-

- Pension plan.
- Private medical insurance for employee and family in their charge.
- Group life and accident insurance.
- Personal loans.
- Restaurant vouchers.
- Nursery school vouchers.
- ADSL at home and personal computers.
- Housing allowance.
- Economic support for sport activities.
- Complement up to 100% of salary in the case of temporary incapacity.

SERVICES

- Company canteen.
- Employee bus.
- Parking.
- Car wash for private cars.
- Travel agency with special discounts.
- Agreement with a physiotherapy and osteopathy centre.
- Bank branch and ATMs.
- Special offers and discounts on products, brands, activities y services.
- Fiscal, legal and financial advice.
- Advice on retirement procedures.
- Grants for sporting activities in nearby sports centres.
- Medical service and prevention campaigns.

* Applied to the entire workforce, irrespective of the type of contract.



Corporate Voluntary programme

«EnREDando» is a voluntary work group which was founded in 2005 with the will to drive and promote the collaboration of a greater number of employees at Red Eléctrica in solidarity activities: humanitarian, social and environmental projects.

**Environmental
Voluntary Day**
50 employees participated

**3rd Solidarity
Sports Week**
300 employees,
18,135 euros raised,
46,750 inhabitants
of the Piura region (Peru)
benefitted

«EnREDando», the corporate voluntary group of Red Eléctrica, organised amongst other activities a day of environmental recuperation on the bank of the River Duero, with the collaboration of the Oxygen Foundation, an organisation whose objective is the conservation and highlighting of the value of natural heritage. The work done by the Red Eléctrica volunteers was carried out throughout the day in several workshops amongst which the reforestation in degraded hill-sides stands out. This activity was carried out with a view to improving the natural environment in the Burgos locality of Caleruega and at the same time to the strengthening of the emotional links between the natural environment and the employees of Red Eléctrica.

For the third consecutive year in June Red Eléctrica celebrated Solidarity Sports Week, an activity oriented towards raising funds for the development of projects of a social nature. This edition has included the participation of the General Director of Administration and Finance as the Patron of the event. Throughout the week 300 employees from the company took part in the different categories. This year's funds, collected through the enrolment fees for the sporting activities,

plus twice that amount of money contributed by the company totalled 18,135 euros, which has been allocated for the finance of a project promoted by Energy Without Borders "Energía Sin Fronteras" which intends to provide nine rural health centres in the provinces of Morropón and Huancabamba, in the Piura's region (Peru), with electricity and radio communication, which in theory will benefit 46,750 inhabitants of this region.

Third Fair Trade campaign

3,258 euros in sales of various products

In December 2008 the 3rd fair trade market was held at the Red Eléctrica facilities in collaboration with the organisation for development SETEM. During the day, employees had the opportunity to buy a wide variety of food products and hand-crafts which will help the producers from African, Asian and Latin American cooperatives to escape poverty. This activity forms part of a wider campaign started in 2006 and which takes into account a set of specific actions to encourage the consumption of fair trade products amongst the workforce. For the second time running the day was sponsored by the General Director of Transmission, was a great success due to the participation of the employees and raised 3,258 euros.

Campaigns for Donating Blood

100 employees participated

As in previous years, the Red Eléctrica medical team carried out campaigns for donating blood (which happen at least twice a year) with the involvement of approximately 100 employees.



Responsibility towards society

06

The commitment of the Red Eléctrica Group to society is supported by three pillars:

- ◀ Transparent, smooth and open communication with our stakeholders through an extensive framework of relations which enables us to work jointly towards mutual understanding.
- ◀ Integration into the community in which our infrastructures are located through social and environmental participation programmes.
- ◀ Supporting social development through participation in environmental, educational, cultural and scientific projects, paying special attention to the communities where the Group carries out its activities.



2.7
million
euros of
investment in the
community

7.7
out of 10
stakeholders'
global
satisfaction level

Stakeholder relationship -4.14, 4.16, 4.17-



SHAREHOLDERS AND INVESTORS

The trust the Red Eléctrica Group pursues in all its relations with shareholders, investors and the financial community lies in its ongoing search for constant, transparent, smooth and close dialogue that goes beyond merely complying with legal obligations.

ADVANCES 2008

- ◀ Extension of the electronic vote mechanisms at the General Shareholders' Assembly.
- ◀ Simultaneous translation broadcast in English of the General Shareholders' Assembly.
- ◀ Participation in the Small Shareholder Forum
- ◀ Collaboration agreement with the Spanish Association of Minority Shareholders of Listed Companies (AEMEC)

Therefore, it counts on two units - **Relation with Minority Shareholders and Relation with Investors**, who suitably identify and resolve the concerns and demands for information from the different interested groups through a combination of means which facilitate communication.

Together with the traditional participation and dialogue channels, Red Eléctrica has been progressively incorporating the most advanced technologies. Hence, during this year it has again broadcasted via the Web the presentation of the Strategic Plan and the General Shareholders Assembly which was followed by 292 users. Additionally, the systems of electronic voting, through which 315 shareholders voted or delegated electronically, were improved.

Also, the Company's management team took part in presentations and meetings with institutional investors in the main financial markets of Spain, Europe and the United States.

KEY INDICATORS

	2006	2007	2008
Shareholders Office (visits)	1,547	1,517	1,032
Shareholders line and email (queries)	1,754	1,278	1,267
Sending of documents (number)	5,766	5,807	5,651
Identification of shareholders (number)	3,713	3,813	3,949
Shareholders and investors section on the web (visits)	117,234	153,224	160,959
Meetings with analysts and investors (number)	234	218	277
Quorum of attendance at the Shareholders assembly (% of the share capital)	47.8	49.4	52.1
Surveys Degree of satisfaction (0-10)			
Minority Shareholders	7.7	8.1	8.0
Financial analysts (bi-annual Studies)	n/a	7.9	n/a

CHANNELS OF COMMUNICATION

Shareholders Assembly

Shareholders office and free telephone 900 100 182

E-mail for shareholders: accionistas@ree.es

E-mail for Investors: relacioninversores@ree.es

Department of Relations with Investors

Corporate web: Shareholders and investors

Meeting with shareholders and investors

Publications: annual and quarterly reports

Retransmission over internet of the presentation of results

Retransmission over internet of the Shareholders Assembly

«Red al día» alerts on relevant issues

Electronic voting at the Shareholders Assembly

Satisfaction Survey

Investors Diary on the web



CLIENTS, BUSINESS AGENTS AND REGULATORY ORGANISATIONS

The effective development of the activities of Red Eléctrica is directly linked to its satisfactory interaction with its customers, market agents and regulatory bodies. For this reason all communication activities and systems are focused on identifying potential anomalies, needs, requirements and expectations that will contribute to ascertaining the efficiency in processes and the quality of service rendered.

KEY CHANNELS OF COMMUNICATION

Global Help Desk:

www.ree.es - digame@ree.es

Tel: +34 91 728 62 15

Ongoing anomalies management

Consultations and complaints management

Public website with information in real time and full contents www.ree.es and www.esios.ree.e

Web for market agents specific computer systems (SIOS, SIMEL, SIOM)

Permanent information for market agents and regulatory bodies

Regular technical publications

Active participation in study committees and debate forums

Working groups and technical meetings Joint projects

Presence in business associations (national and international)

Benchmarking studies

Satisfaction studies and identification of requirements

Training of market agents in different processes

Information access and exchange in the different processes, both technical and economic, by market agents is controlled using specific computer systems (SIOS, SIMEL, etc.). Their design guarantees the security and protection of customer data, and no complaints have been received in this aspect. In addition, the criteria of transparency, objectivity, non-discrimination and confidentiality established by law are applied. In the case of the electricity system operation, this is done in accordance with the operating procedure PO9, posted on the Company's website. **-PR3-**

Management and improvement of relations

Since 1999 Red Eléctrica has had a system in place for evaluating satisfaction and detecting needs and expectations of the business agents. This evaluation is carried out every two years, through surveys and interviews, the results of which lead to actions for improvement. In this fiscal year the survey corresponding to 2008 has taken place and from the results obtained two general areas of improvement have been identified: the planning and development of the grid and the management of access to the transmission grid. The action plan that

includes the concrete actions of improvement for the upcoming years in each of these areas, according to the requirements and expectations expressed by the clients, is at present in currently be drafted.

KEY SATISFACTION INDICATORS (0-10) * -PR5-

	2000	2002	2004	2006	2008
Overall degree of satisfaction	7.85	7.77	7.79	7.77	7.64
Degree of satisfaction of the quality of services	7.41	7.50	7.30	7.38	7.36
Degree of satisfaction of the quality of services supplied	7.13	7.08	7.00	7.01	7.19
Customer Service	6.84	7.51	7.51	7.70	7.39
Evaluation of the improvement actions undertaken as a result of the survey from the previous year	-	7.40	6.43	6.47	6.80

* *Bi-annual Studies*

During this fiscal year the Action Plan 2007-2008 has continued, defined from the results of the 2006 satisfaction survey, with a global degree of fulfilment of 90%.

OBJECTIVES 2007-2008

Create monitoring groups with the agents of the sector regarding the development of grid planning. **Fulfilment: 100%**

Implement the functionality in e.sios to improve the management of bilateral contracts and system operator nomination. **Fulfilment: 100%**

Develop a tool to facilitate and to expedite the management of incorporations in the production market. **Fulfilment: 50%**

Hold communication forums with market agents, CNE y MITYC. **Fulfilment: 100%**

Draft a guide detailing the functions and contact details of each department so as to facilitate enquiries from the market agents.

Fulfilment: 100%

Red Eléctrica also boasts other communication channels that form the most complete relations framework, amongst which are noteworthy the permanent working groups, the ad hoc committees, strategic alliances or benchmarking studies, which enable us to involve the stakeholders in an effective and strategic manner.

With regard to benchmarking, Red Eléctrica has been participating since 1994 in different studies to compare the results of their business activities with the results obtained by the main companies which carry out a similar activity on a national and international level. Amongst those, noteworthy is that relating to electricity system operation carried out within the international organisation TSO with the participation of 20 companies from five continents.

EXAMPLES OF PERMANENT COMMITTEES

ELECTRICITY SYSTEM OPERATION

Technical Control Centre Coordination Group	Market Agents
Technical wind generation Integration group	Wind/electricity companies
Technical Follow-up committee on the Iberian system operation	Market Agents
Market agent committee	Market Agents
Technical group for following up measures	MICYT, CNE and market agent.

TRANSMISSION GRID MANAGER

Transmission grid planning follow-up group	MICYT, CNE and market agent.
International interconnections planning coordination	TSO France (RTE). Portugal (REN). Morocco (ONE) and FE DA
GRAI. Analysis of incidents and obtaining of improvements in protection systems	MICYT, CNE and market agent. (generators and distributors)
Work group for accessing the distribution TG.	CNE and market agents (distributors)
Wind associations	APPA and AEE (wind)



GLOBAL HELP DESK

www.ree.es
digame@ree.es,
Telephone: 91 728 62 15
Fax: 91 650 45 42

On the other hand, Red Eléctrica has a **procedure to deal with formal complaints and enquiries** related to the facilities or the actions it carries out (Ref. GQ01), revised in 2008, which establishes the criteria to record, document, resolve and to answer to the external demands from any external stakeholder. In order to achieve an efficient management of this procedure, a global help desk service for all its stakeholders has begun to operate. This new service is the Office of Stakeholder Information and External Multi-user Attention, known by the acronym in Spanish: DIGAME.

As for TDE (Electricity Transmission Company, S.A.), during this year it has carried out an evaluation of the quality of the specialised technical services, obtaining results which reveal that the opinion of the clients of the electricity, petroleum, mining and industrial market has been 86.45%, equivalent to a high level of perceived quality.

KEY INDICATORS

	2005	2006	2007	2008
Number of estimated complaints of operation activities.	26	30	19	21
Number of estimated complaints of operation activities per 1000 km of line	0.79	0.90	0.56	0.61
Solving of complaints %	100	100	100	100
DSJI Rating: Customer relations (0-100)	81	75	78	67

DSJI: Dow Jones Sustainability Indexes.

SUPPLIERS -EC6-

Due to its mission, Red Eléctrica plays an important role in the electricity sector and thanks to the significant volume of purchases over the last few years and its geographical distribution, it has become a wealth conveyor and therefore an instrument for local economic development. The volume of purchases, due to the investment effort that the Company is carrying out, has become stabilised in the last two years in a figure close to 1 billion euros (in 2008 it was greater than 900 million euros).

During this year purchases were granted to 1,365 suppliers. The main suppliers of materials, equipment and services have been Asea Brown Boveri, Siemens, Nexans y Sociedad Española de Montajes. The acquisitions made from these suppliers represent approximately one quarter of the total annual amount.

Based on the location of the corporate headquarters of the company issuing the invoice, the geographical distribution of the purchases shows the social and economic commitment of the Company with its country of origin. The majority of the adjudications were granted in Spain (96%) and the remaining 4% in the European scenario, mainly in France.

1,365 suppliers
with purchases granted in 2008

96% in Spain
origin of the adjudications

902 million euros
volume of purchases in 2008

CHANNELS OF COMMUNICATION AND PARTICIPATION

Customer service and complaints
Telephone and e-mail.

Specific area of the company web. www.ree.es.

Presence in associations and working groups.

Quality agreements.

Partnerships.

Meetings.

Satisfaction studies and identification
of requirements.

Working day.

RePro evaluation system.

Publication in the OJEC and the OSG.

With regard to TDE, 54% of the purchases were made through local suppliers: Asea Brown Boveri Ltd., Empretec, Cimec Ingenieros y Seim S.R.L; 29% in Brasil, Venezuela, Peru, Argentina, Colombia, Uruguay, Peru, Chile and Ecuador; 11% in Europe and the remaining 5% in other countries.

The main aim of the purchases for Red Eléctrica is to guarantee the supply of materials and services, and obtain the best conditions in terms of price, quality and contractual guarantees. Taking into account this objective and the ambitious investment and growth programme of the Company, the relations with suppliers are established with the intent of long term relations based on trust and mutual benefit.

Transparency

With the aim of allowing suppliers non-discriminated access to information, the following information is published in the OJEC (Official Journal of the European Communities) and OSG (Official State Gazette) for the supplier classification system: the annual needs estimates for the main categories of goods and services, the main adjudications and the ordinary notices of the individual projects that are required to do so because of the amount.

Supplier qualification

During 2008 the area of qualifying suppliers has been reinforced with a new process of monitoring the actions of suppliers. In addition, the procedure of supplier qualification has been consolidated, where the RePro system of classification has been defined as a mandatory prior step for the possible qualification of a supplier by Red Eléctrica.

The qualification system ensures transparency and compliance with the Company's standards. It evaluates for each supplier, its production and economic capacity, as well as environmental criteria and occupational health and safety of those goods or services

Valuation 7.9 out of 10
supplier satisfaction survey for
goods and services (2007 data)

Valuation 8.5 out of 10
supplier satisfaction survey for
financial capital (2007 data)

which require it. The qualification of suppliers is demanded solely for those that due to their nature or economic relevance are considered strategic for the Company. During 2008, qualification requests received through the specific channel of the corporate website have been 335, which represents an increase of 40%.

Social Responsibility -HR2-

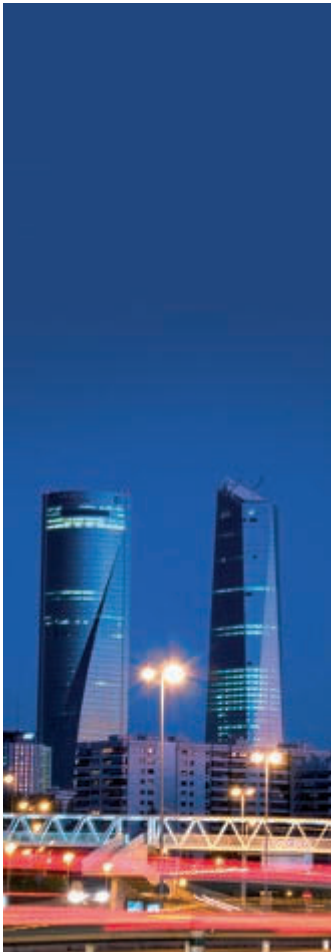
In 2007, Red Eléctrica included a new clause in the general conditions for contracting materials and services (available on the corporate website) regarding the fulfilment of corporate responsibility criteria on behalf of the supplier, which complements the specific clauses on fulfilment of the current legislation regarding labour, occupations health and safety and environmental impact matters.

Analysing the information from our classification system, where the suppliers corresponding to 11.7% of the orders issued are included, we know that 45% have specific policies related to human rights, labour rights and the prevention and promotion of environmental obligations within the company.

With regard to TDE in Bolivia, dissemination workshops have been carried out during this year with contractors and suppliers, regarding the scope and commitments of the Group's corporate responsibility policy, human rights and the principles of the United Nations Global Compact.

Dialogue with suppliers

The Company periodically carries out satisfaction surveys to know the quality of the management of purchases and supplier qualification. In addition, it participates in working groups and associations with the intention of improving its knowledge of the business environment within the scope of provisioning and the supporting management systems.



During this fiscal year, the line of work established in the RePro classification system has continued and it has actively participated in the working group «Auditing Committee», whose aim is the accomplishment of supplier audits jointly with other companies of the sector.

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

KEY INDICATORS REE

REE (SPAIN)	2006	2007	2008
Number of suppliers (with purchases in 2008)	1,253	1,279	1,365
Qualified suppliers ⁽¹⁾	465	466	492
Qualified suppliers with environmental evaluation ⁽¹⁾⁽²⁾	200	202	218
Suppliers qualified with occupation health and safety evaluation ⁽¹⁾	176	182	187
Surveys Degree of satisfaction (0-10)			
Goods and services (bi-annual Studies)	n. e.	7,9	n. e.
Financial capital (bi-annual Studies)	n. e.	8,5	n. e.
TDE (BOLIVIA)			
Qualified suppliers	53	79	118
Qualified suppliers with environmental evaluation	38	64	103
Suppliers qualified with occupation health and safety evaluation	38	64	103
Qualified suppliers with social responsibility evaluation ⁽³⁾	0	26	65

(1) The terms qualified supplier refers to the dual term supplier-product or supplier-service.

(2) More information in the environmental responsibility chapter.

(3) A new system was started in 2007 which included the evaluation in social responsibility.

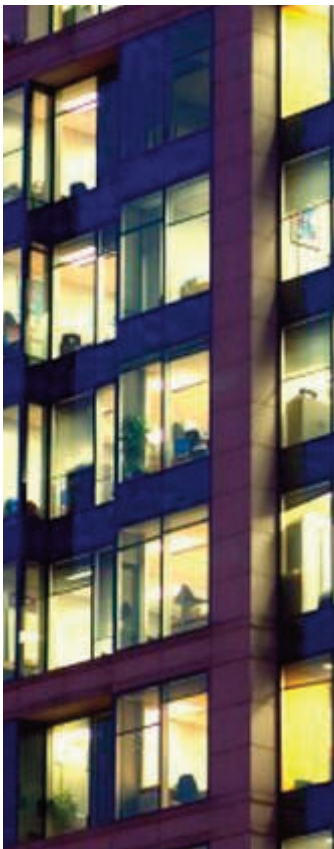
6,924 news items
published about REE

More than 125,000
visits to the Press Room
webpage

Valuation score 7.33
out of 10, satisfaction
surveys of services
provided

THE MEDIA

Responding to the policy of transparency and continual improvement, Red Eléctrica has continued strengthening communication with the media, emphasising this year the development of specific plans of communication to present the key projects of the Company. Also, it has continued driving the diverse channels of information, creating new formulas and improving already existing ones.



Spanish Peninsula - Balearic Islands electricity interconnection (Romulo Project)

The submarine electricity interconnection that will join Valencia and the Balearic Islands was presented to the media of the two autonomous communities, where the characteristics of the project was explained and whose objective is to improve the quality and reliability of the electricity supply in the Balearic Island system. Amongst the documentation drafted for the media noteworthy was the drafting of a monographic pamphlet (in Spanish and English) and an infographic, also published in the online Press Room, as complementary informative material.

Spain-France interconnection

Red Eléctrica has been in contact with the Catalanian media to explain the importance that the electricity interconnection with France represents for the national electricity system. As in the Romulo project, specific documentation was prepared (a pamphlet and audio-visual material), available in the online Press Room.

Other noteworthy activities

Others projects to which the media has been invited are the inaugurations of some facilities of Red Eléctrica, like the Palmar substation and the one of Totana, in Murcia.

CHANNELS OF COMMUNICATION

Electronic mail: gabinetedeprensa@ree.es

Customer support via telephone.

Press Room on www.ree.es

Entrelíneas magazine.

Press releases.

Press conferences.

Training sessions.

Live broadcast of the General Shareholders press conference via Internet.

Notification service for press releases

Collaboration with professional associations.

Satisfaction surveys.

Visits to the Company's facilities.

Within this informative programme, also meetings were held with the regional press of Andalusia, the Canary Islands, Murcia and Asturias in order to explain to them the future activities of Red Eléctrica in their respective autonomous communities.

Strengthening of the channels of communication

The contents of the Press Room have continued to be developed, with the publication of its English version during this fiscal year, as well as new audiovisual material. Additionally, a SMS alert system that notifies the publication of new material has been implemented and the quarterly magazine Entrelíneas has continued to be published, with a circulation of 4,000 copies.

KEY COMMUNICATION INDICATORS

	2006	2007	2008
News about Red Eléctrica published in the media	5,913	10,879	6,924
National press	2,442	4,625	2,894
Regional press	3,471	6,254	4,030
Information published			
Press releases	35	37	47
Press conferences and forums	22	25	26
Interviews and statements	148	121	99
Online Press Room			
Number of visits	45,530	89,447	125,576
Page consultations	177,995	357,640	1,153,387
Surveys, Satisfaction level (0-10)	n/a	n/a	7.33

* Bi-annual Studies

CHANNELS OF COMMUNICATION

Enquiries and formal complaints,
Telephone and electronic mail.

Corporate website, www.ree.es.

Publications (corporate, electrical, environmental, social).

Educational channel on the Web.

Participation in congresses, forums, conferences, courses.

Collaboration with business, educational, social and environmental bodies.

Meetings and agreements with public bodies (both local y autonomous).

Open door visits and conferences.

Participation in fairs.

Satisfaction surveys.

SOCIAL ENVIRONMENT

Red Eléctrica integrates into this category educational and research centres, ecological groups, unions, councils, organisations and business institutions, local communities and NGOs, with whom they relate with in many forms whilst maintaining transparency and mutual co-operation.

Amongst the diverse formulas used, noteworthy are the new dialogue platforms, an innovative tool implemented in 2008 by which it is hoped that a greater affinity with the less traditional stakeholders can be achieved, also noteworthy is the aforementioned **Dígame** service.

Additionally, periodical surveys with these groups are carried out and various activities are developed to bring together the company with their social environment. Amongst these activities it is important to emphasise the programme of visits of the Industry and Environmental commissions of the national and autonomous parliaments, which allow them to know first hand the operation of the electricity system, its complexity, its challenges and its expectations. This policy of proximity has also been followed with the education centres by means of the participation in science fairs and with the improvements incorporated in the education channel of the corporate website.



KEY INDICATORS

	2005	2006	2007	2008
Number of estimated complaints	57	58	49	104*
Number of complaints per 1000 km of line	1.72	1.73	1.45	3.30
Resolving complaints (%)	89	62	100	100
Number of web queries	-	400	439	574
Number of web visits	609,503	846,269	1,088,429	1,270,027
Number of user sessions for publication	190,208	225,758	339,402	358,000

*The significant increase in the number of official complaints can be explained by the introduction into service of DÍGAME in the fourth quarter of 2008,

DSJI Rating: Social Dimension (0-100)

Commitment with our stakeholders	95	95	87	70
Social Communication	89	98	82	80
Corporate citizen	80	85	85	87

Surveys Degree of satisfaction (0-10)*

Borough councils	6.8	n/a	7.3	n/a
Social environment of the activity	7.2	n/a	7.5	n/a
Educational and research centres	8.3	n/a	7.7	n/a
Financial and business analysts	n/a	7.4	n/a	n/a
Trade unions	5.3	4.5	n/a	n/a
Business institutions and associations	8.3	n/a	8.5	n/a
Ecological groups	4.5	n/a	5.5	n/a
NGO/ Foundations	6.0	n/a	7.7	n/a

*Bi-annual Studies

DJSI: Dow Jones Sustainability Indexes.



More than 1 million
visits to the Corporate website

AA Level
Web Accessibility Certification

Corporate Website

In order to respond adequately to the increasing importance of communication via Internet with all the stakeholders, Red Eléctrica strives in developing its corporate website (www.ree.es) with the criteria of transparency and continuous improvement. The 2008 fiscal year has been

characterised by two significant efforts: global certification of AA level for web accessibility and putting into operation the new demand and production curves of wind power energy in real time.

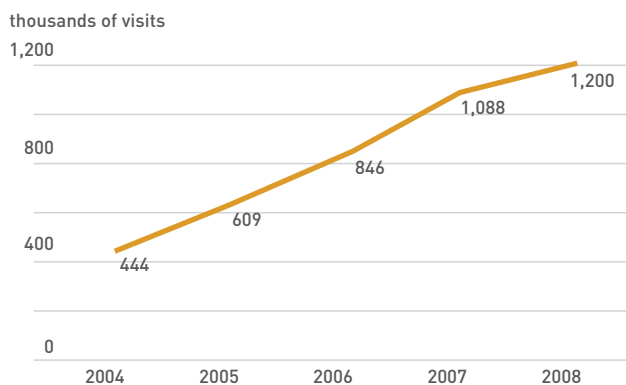
With respect to the accessibility, in addition to the certification, another step forward has been taken publishing two videos with accessibility options (subtitles and sign language), available through the website, as well as some files accessible in PDF format. In addition, an expert analysis has been carried out regarding its use and functionality, identifying various improvements to balance the accessibility requirements with those of functionality.

In regard to information regarding the demand and wind power production in real time, data of actual demand, both forecast and programmed, are offered every ten minutes along with details of the different technologies from which the production is covered.

Also, data of the wind power energy generation curve in real time and its contribution to demand coverage is produced in intervals of ten minutes.

Additionally, Red Eléctrica has continued informing the shareholders of the most relevant events of the Company and has reinforced its firm backing of new technologies. Therefore, the analysts, shareholders, investors and general public, were able to follow via Internet the presentation of the Annual Results and the Strategic Plan, as well as the General

Annual evolution of the corporate website



199,568 visits
website's educational area
4 times greater than in 2007

32 publications
edited and distributed

358,000 visits
website's publications area

Shareholders' Assembly (in both Spanish and English). Also, the system of remote voting improved the functionality to exercise the right of delegation and voting by means of the electronic national identity document.

The education area, which forms part of the educational programme of Red Eléctrica, has been strengthened as a space with didactic contents. In order to clearly explain how the Spanish electricity system works and about the activities that the Company carries out, new contents such as a comic «Los super-

eléctricos y la nube misteriosa» (*“The super-electrics and the mysterious cloud”*), the new virtual tour of the CECOEL and CECRE, the incorporation of new videos and the development of a new version of the game «Control, electricity control simulator» have been produced.

All these efforts are reflected in the significant increase in the number of visits to the corporate website, which during this fiscal year has risen to 1.2 million.

The Group's policy of transparency is also expressed on the website of TDE (Bolivia) (www.tde.com.bo) which offers wide-ranging information on the Company and the Bolivian electricity sector. In the 2008 fiscal year this website received 15,513 external visits, a 45% increase on the figure from the previous year.



Publications

Red Eléctrica develops an extensive publishing and diffusion activity as a key communication tool with the different stakeholders. The target public for the documents represents a wide spectrum within the social arena, institutions, public bodies and administrations, electricity companies, the media, shareholders, education centres, etc.

PRINCIPAL PUBLICATIONS IN 2008*

Annual Report 2007 (Spanish and English).

Corporate Responsibility Report 2007 (Spanish and English). **

Corporate Governance Report 2007 (Spanish and English).

Environmental Report 2007 (Spanish and English). **

Spanish Electricity System Report 2007.

Monthly Bulletin (only available in Electronic format).

Red Eléctrica Style Book, 2nd Edition.

Iberian Electricity System transmission grid map 2007.

Electricity system maps: Canary and Balearic Islands.

Shareholders bulletin (quarterly).

Entrelíneas, Red Eléctrica's quarterly magazine.

The Super-Electrics and the mysterious cloud (comic).

"The Electricity Tug-of-War!" (video).

Centre for the control of renewable energies (video).

* All publications are available on the corporate webpage www.ree.es.

** Only available in English in electronic format.

Annually a large number of publications are produced and distributed free, not only in paper form, but also in audio-visual format, which cover corporate, technical, environmental and social subjects. During this fiscal year around 32 different publications with a global circulation of more than 130,000 units have been produced and distributed. Also two videos have been published: one on the integration of renewable energies and another one on the operation of the electricity system which includes recommendations of efficiency and power saving. To this data it is necessary to add the number of user sessions registered in the publication area of the corporate website, which in 2008 was 358,000, a 5.5% increase on the previous year.



Environmental and social integration of projects



Red Eléctrica continues to carry out activities aimed at the integration of community projects through the implementation of environmental and social participation programmes (ESPP) and other and other experiences encompassed within the objectives of sustainable development.

PROGRAMMES OF SOCIAL AND ENVIRONMENTAL PARTICIPATION (PAS)

The aim of these programmes is to encourage the participation of all the stakeholders interested and to respond to the demands for information generated in the community to ensure that the Company's projects are executed with the maximum possible consensus. These programmes strive for the following objectives:

PRINCIPAL ACTIVITIES FOR THE SOCIAL-ENVIRONMENTAL INTEGRATION OF FACILITIES

Opinion polls.

Presentations to entities, councils and charities (NGO).

Participation in forums and symposiums.

Distribution of pamphlets and publications.

Collaborative agreements with councils.

Projects of compensatory and additional measures.

- ◀ Integrate the presence of the Company in the social, environmental and institutional network of the territory where the projects take place.
- ◀ Explain the need for the projects and give adequate responses to the demand for information generated in the environment.
- ◀ Maintain informative transparency throughout the development of the PAS, based on the opportunity, clarity and veracity of the messages which are transmitted.
- ◀ Conciliate the general and particular interests of the territorial scope with the possibilities of the projects.
- ◀ Achieve collaboration agreements that can be assumed by the projects and that contribute to sustainable development in the implicated municipalities.
- ◀ Promote the maximum institutional and social consensus to carry out the projects of the Company.

During 2008, these programmes have been carried out in 14 facilities (6 of them in service, 3 under construction and 5 in the processing phase), with more than 300 activities of different natures.

In order to monitor the correct development of the projects in the community in which they are implemented, Red Eléctrica has set up the “**Institutional Monitoring Groups**” (**GIS**), whose mission consists of approving the social and environmental actions considered more suitable to reduce the impact of the project and to verify their effectiveness. A GIS exists in each autonomous community to which, at least, the institutions that take part in the procedure of processing and execution of the projects belong, as well as the promoter.

In addition, Red Eléctrica looks for collaboration with environmental interlocutors, accredited in their activity, who are able to propose studies and alternatives which reduce the impact of the electricity systems in the natural and social environment. In this sense, during 2008 in addition to continuing with the collaboration agreements, a day of dialogue with environmental organisations was set up in order to exchange experiences and to propose models of work oriented to the conservation of the biodiversity.

PRINCIPAL CHARACTERISTIC OF SUSTAINABILITY PROJECTS

Existence of REE facilities in the area.

Area of high ecological value:
Natura Network 2000. etc.

Exodus and ageing of the population.

Distribution of the value of natural resources and its sustainable productivity.

Benefit to society: to retain population through valuing the sources of sustainable use.

SUSTAINABLE DEVELOPMENT PROJECTS

These projects are part of the sustainable development programme which Red Eléctrica promotes directly to encourage the integration of the Company socially and institutionally, as well as to contribute to the objectives of sustainable development established by the different institutions: European, state, autonomous and local. During this fiscal year, four projects have been developed whose most noteworthy aspects are detailed below:



YES Project

In collaboration with ADISGATA and the joint municipalities, in 2007 the following projects were set in motion: Sources of Sustainable Employment (YES) in the Sierra de Gata area (Cáceres). Its aim is to analyse the potential of the area to invigorate the socio-economic structure of the area. During this year, the final phase of the project has concluded, providing interesting data to make useful proposals for sustainable employment sources in its three dimensions: nature, agriculture and livestock farming and services.

Improvement in the habitat quality of the Brown bear and the Grouse

The aim of this project, developed along the Cantabric mountain range in collaboration with FAPAS, is to provide these species with food and to restore the quality of a territory, that due to the rural exodus and the ageing of the population has caused the abandonment of the high lands, bringing about the deterioration of the habitat and increasing the risk of fires. The most significant activities have been the placing of beehives and the planting of fruit trees.

Council of Sustainability in the Canaries (CSC)

To contribute to the sustainable development of the Canaries, Red Eléctrica has created a consultative committee to promote sustainability actions through the additional measures of the new projects of the Canary transmission grid. This committee will consist of individuals willing to get involved in the pursuance of sustainable solutions by means of civil participation initiatives.

The energy of both shores

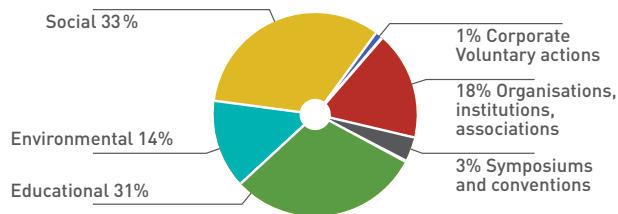
Energy efficiency project developed in collaboration with the Encuentro Foundation, whose aim is to raise awareness amongst children from seventeen district councils in the region of Arribes of the Duero regarding the sustainable use of energy. To that purpose, various activities (video viewing, games and contests) have been developed in those municipalities which have centres of cooperation for the local development through the application of the new technologies, within an Internet portal called "The energy of both shores".

Support for the community

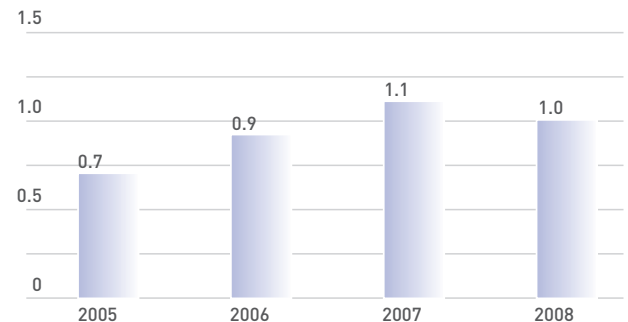
The Red Eléctrica Group supports the community through cooperative actions and sponsorship of specialised companies in the educational, research, environmental and social fields.



Distribution of Investment in the community (2.7M€)



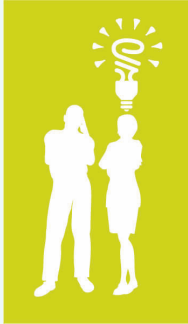
Investment in the community (% over net profit)



ENVIRONMENTAL PROTECTION

The care and improvement of the natural environment constitute the key directives for the daily development of all the activities of the Red Eléctrica Group.

This commitment is reinforced by carrying out of other environmental activities, such as the production of environmental awareness campaigns, especially related to the efficient and responsible consumption of electricity as well as by collaborating with other prestigious entities which work in the area of protecting and raising awareness about the environment.



CAMPAIGN ON INTELLIGENT CONSUMPTION

Under the slogan "Learn about your consumption, make a responsible use of energy", Red Eléctrica has kicked off the Eergy campaign, which tries to encourage a more efficient consumption of energy. This campaign has consisted of the distribution of an electricity meter to employees, collaborators, the media, companies and institutions. The meter allows the constant measuring of the electricity consumption in the home, as well as the cost and CO₂ emissions. Along with the meter, a guide has also been distributed with tips on a more intelligent use of the energy.

MOST SIGNIFICANT ENVIRONMENTAL COLLABORATIONS

Biological Station of Doñana of the Council of Scientific Research
Study on the preservation of birdlife.

Group for the rehabilitation of the indigenous fauna and its habitat (GREFA)
Collaboration in developing activities aimed at preserving and rehabilitating indigenous fauna and its habitat.
Participation in the program Environmental Education «Naturaleza Viva - Living Nature» by means of sponsoring the installation of the young of lesser kestrels.

Entorno Foundation
Collaboration agreement to promote environmental improvement by developing training and research activities in collaboration with the business world. Participation in the Energy and Climate Change and Ecosystems working group.

Spanish Ornithology Society (SEO)
Framework agreement for collaboration in the study of the coexistence of electrical transmission lines with birdlife preservation.

Fund for the protection of wildlife (FAPAS)
Support programme for environmental aspects and social perception.

MIGRES Foundation
Collaboration in activities related to the preservation of nature in general, especially migratory species, Granting of a space in the Southern Regional Branch of REE to carry out the activities of the Foundation.

Official School of Physicists (COFIS)
Consultancy agreement on issues within their competence, especially regarding electric and magnetic fields. Additionally, «teacher training course on the energy», was organised aimed at the educators of primary and secondary schools in Madrid.

Excellence in Sustainability Club and Austurian Environmental Foundation
Sponsorship of the website «Responsabilidad i +» where new trends in corporate responsibility are disseminated.

Association of Environmental Information Journalists
Collaboration agreement to encourage environmental information, Sponsorship for the 7th National congress for environmental journalism.

Fundación + Árboles (foundation and trees)

Collaboration in the first international encounter of Friends of the Trees.

CONAMA Foundation

Sponsorship and collaboration in the Iberoamerican Congress for the Environment.

Higher Council of Scientific Research (CSIC)

Preservation of ocean posidonia (R+D+i projects).

Birdlife conservation.

Government of Aragón, Autonomous Government of Andalucía, Autonomous Government of Castilla-La Mancha, Provincial Council of Álava, Provincial Council of Vizcaya

Collaboration in preservation activities of the natural environment, avifauna and fire prevention.

EDUCATIONAL DEVELOPMENT

Red Eléctrica considers education as a tool for integration, social development and innovation. One of the main lines of action in this field is targeted at the university world through collective agreements or activities which are of mutual interest.

In addition, work has continued in the development of an educational programme targeted initially at students and teachers of secondary school, professional training centres and pre/university centres, with the following objectives: facilitate the basic information about the electricity system to teachers and students, provide resources and didactic suggestions to teachers so they may address the contents related to electrical energy and to disseminate the cultural awareness of the efficient use of electrical energy.



PRINCIPAL COLLABORATIONS WITH RESEARCH AND EDUCATIONAL CENTRES

Higher Council of Scientific Research (CSIC)

Framework agreement for the development of projects of mutual interest.

Research centre of Economy and Society Foundation (CIES)

Collaboration on a Master's course Corporate Social Responsibility. Accounting and Social Auditing

University Carlos III

Collaboration agreement for developing a Master's course in Industrial Economy, specialising in the energy sector, 17th edition.

Energy Studies Foundation

Collaboration agreement for the development of a study about coal in energy policy.

Rey Juan Carlos University

Collaboration agreement for the development of the course «The challenge of scientific and environmental information, IV Course – Workshop of scientific and environmental journalism».

University of Valladolid

Programme for associate lecturers linked to companies, through which Red Eléctrica technical staff may teach within their area.

Empresa Seguridad y Sociedad Foundation (ESYS)

Collaboration agreement to draft studies and training activities regarding company security with the principle of maximum security and minimum restriction with regards to the freedom of both the companies and the people.

University of Barcelona (Foundation Bosch i Gimpera)

Collaboration agreement for the development of an investigation project «Economic regulation in different levels of government».

Students' Residences

Collaboration agreement to celebrate the conference cycle «Electricity and hydrocarbons as an energy base of the future».

Foundation of Financial Studies

Agreement for the promotion of financial studies and training activities in the financial and stock market field.

Foundation for Promoting Industrial Innovation

Collaboration agreement for the research into projects related with Corporate Social Responsibility in the value chain.

Alternatives Foundation

Agreement for the promotion of the development and diffusion of studies in the field of: Employment, health, culture, education, economy, environment, quality and immigration.

University of León

Framework agreement for the development of projects of mutual interest.

SOCIAL AND CULTURAL PROJECTS

The cooperation in this field is oriented towards projects located in the zones where Red Eléctrica develops its activities, by means of the participation in diverse social and cultural initiatives destined to improve the life of the citizens.

MAIN SOCIAL AND CULTURAL PROJECTS

International Solidarity – “Solidaridad Internacional”

Collaboration agreement to promote a greater representation of women in Bolivia y Peru, favouring the joint participation in all social and political areas; and the development of the Fair Trade project «8 X 80–El comercio CONsentido»

Sports Foundation in Alcobendas (FUNDAL)

Annual sponsorship for fostering local sport and the development of different social programmes, such as the “Integration through sport. Immigration and the disabled”, «Alianza FUNDAL-UNICEF», «Educar deportivamente» (“Education through sport”) and «Nosotras también jugamos» (“We play too”).

Foundation of Rural Studies Collaboration

Agreement targeted at stimulating rural development.
Financing the «First Spanish Rural World photographic competition»

Action against Hunger – “Acción contra el Hambre”

Participating in the football tournament organised by the charity to raise funds for nutrition, water sanitation and food safety projects.

Intermón Oxfam

Subsidising 50% of the entrance costs for employees to «El principito and Cirque du Soleil» benefit functions organised by the charity.

Zaragoza International EXPO Fair 2008

Collaboration agreement by which Red Eléctrica figured as a «Friend of the Zaragoza Expo 2008»

Encuentro Foundation

Collaboration agreement for the development of the sustainability and efficient use of energy project, «the energy of both shores », aimed at the young population between 8 and 15 years in the region Las Arribes del Duero.

ANAR Foundation

Collaboration agreement to finance «The telephone of Hope in Peru»

Ramón Rubial Foundation

Collaboration agreement to facilitate the foundation’s activities, By virtue of the agreement the project «Help office for the return of the Spanish detainees in Bolivia» was financed.

[continues >](#)

[continued from previous page >](#)**APSURIA Foundation**

Collaboration agreement to support the cost of constructing and furnishing of the multi-sensorial stimulation room in the new treatment centre and residence for the disabled which the foundation has inaugurated in Alcobendas.

Victims of Terrorism Foundation

Collaboration agreement to develop the activities of the foundation and specifically the support project for people and families affected by the terrorism in the Basque Country.

Bolivian Embassy

Collaboration with the Bolivian Embassy in the celebration of the CLXXXIII Bolivian National Day Anniversary.

Distance Learning University (UNED)

Collaboration agreement, the project undertaken by both institutions during the year consisted of the shipment of books gathered by Red Eléctrica's corporate volunteer group, to the UNED centres in Equatorial Guinea.

University Autónoma de Madrid

Collaboration agreement with the international cooperation office for the development of the project for strengthening of institutional and university cooperation for the development of Bolivia: the Intellectual University of the Tropic of Cochabamba.

Carlos III Foundation

Collaboration agreement for the development of social actions carried out by this entity in the localities of Getafe y Leganés in the Community of Madrid.

Español Urgente Foundation (Fundéu)

Agreement to encourage the correct use of Spanish.

Symphonic Orchestra of Madrid (OSM)

Co-financing of the music cycles for the Community of Madrid for the 2008-2009 season.

Madrid Hippodrome

Collaboration in renovating the facilities.

Europe Forum of New Economy

Co-sponsorship for the financing of the forums with renowned experts on issues of great social interest.

Europe Forum Catalunya Tribune

Co-sponsorship for the financing of the forums with renowned experts on issues of great social interest.

Help in Action – “Ayuda en Acción”

Collaboration with an improvement project for educative infrastructures for children 0-3 years in Peru (construction of 3 classrooms with optimal conditions of hygiene and security).

RED ELÉCTRICA IN BOLIVIA



The Bolivian subsidiary, TDE, participates in projects and activities of general interest by means of specific lines of action. In this fiscal year it is worth highlighting the programme to promote the access and use of renewable energies in rural populations of Bolivia.

Additionally, TDE collaborates on the economic and social development of the regions neighbouring its facilities. In this line of action, during 2008 it signed a series of communitarian support agreements with the zones with prevailing needs, as in the case of Entre Ríos (province of Chapare), Colomi (Cochabamba) and Mazocruz (La Paz). Also, it has collaborated in the holding of national and regional permanent training events for trade union institutions.

RENEWABLE ENERGIES PROGRAMME

TDE, in collaboration with IFC (International Finance Corporation), is developing a program to promote the access and use of renewable energies in rural populations of Bolivia.

In the first stage the factors which influence the use of the different sources of energy, the situation and condition of the communities, as well as the social-cultural factors and the results of the diverse programs undertaken by governmental organisations and NGOs have been determined.

In the second stage TDE has worked in specific projects:

- ◀ Wind power generation analysis. A wind map of Bolivia has been drawn up, complemented by a wind atlas carried out using satellite technology.
- ◀ Study and basic design of a pilot project for a wind farm.
- ◀ Feasibility study for the implementation of micro-hydroelectric power stations.
- ◀ Study for providing rural electricity using photovoltaic systems.
- ◀ Implementation of efficient wood burning stoves (the most used source of energy in rural communities) in order to reduce wood consumption as much as possible so as to improve health conditions by reducing smoke emissions.

Within the **scope of education**, TDE maintains a commitment to the education of the children and adolescents in Bolivia through an educational programme for rural areas. This programme is called «Together we transmit energy». During 2008 it assisted 9,000 children and teachers from 85 schools. In the last part of the year a group of voluntary employees joined in. In addition, more than 1,600 children and adolescents became familiar with the functioning of electricity in a pedagogical and interactive way by visiting TDE's Electricity Interactive Centre.

The **mutual cooperation agreements with universities** represent yet another type of action carried out in the educational field. In 2008, 19 students developed final-year projects and participated in managerial practices in TDE through the seven agreements currently subscribed. The last one was signed this year with the Gabriel René Moreno University of Santa Cruz.

In the **cultural and social field**, its activity revolves around the support to artists or cultural groups, the promotion of the customs and cultural values, the participation in events of national and international importance and the collaboration with various social institutions focused on the sectors of the most underprivileged population.



RED ELÉCTRICA IN PERÚ



The Peruvian company, REDESUR, aware of the importance of education for social development, directs its efforts at the improvement in the education of the students attending the centres located in the areas surrounding its facilities. The activities are developed through the Uralán Fund. This fund managed by REDESUR and the Company of Jesus, has been a new and satisfactory experience, because it assisted in managing REDESUR's social activity programme with experts in the relation with the communities and the educational environment. During 2008, the Uralán Fund received a 53,000 dollar grant facilitating the development of the following activities:

- ◀ **Reader Plan:** creation of libraries in 24 educational centres, with a provision of 646 books.
- ◀ **Distribution of school material:** every school year the provision of educational material for the children of an average family in Peru represents a very high expense. REDESUR has distributed packs of school material to 924 children in 25 educational centres.
- ◀ **Improvement in the educational facilities:** 2 centres of computer science centres have been set up. Also 20 school tables have been built, re-using the wood from the





reels of cable. Furthermore, the dining hall belonging to the Colegio de Fe y Alegría has been provided with a kitchen.

- ◀ **Support to teacher training:** to further improve the qualification of the teaching staff in reading comprehension and mathematical capacity, 43 teachers were trained and 102 teachers' training packs were submitted with the support of the Santillana publishing house.
- ◀ **Conference on community integration.** It is aimed at the education of the communities relating to the electrical hazards, conservation and improvement of the environment.
- ◀ **Social Photography Contest.** Carried out in collaboration with Municipality of Arequipa.
- ◀ **Concerts.** Music concerts in Lima, Cuzco and Arequipa with the Urubichá Choir, featuring children from the missions of the Chiquitanía Boliviana.

Additionally, REDESUR has reached agreements with the University of San Agustín of Arequipa and with TECSUP, an educational institution, which have allowed not only the incorporation of new scholarship students but the attendance to a specific training for the technical team of REDESUR. In the framework of these agreements, a variety of courses were given and a technical congress was organised.

Moreover, REDESUR's role in the improvement of the development of the electricity system in Peru is prominent. During this fiscal year it has had an active participation inside the sector, by presiding over the Operator of the Peruvian Electricity System (COES) during the first six months of the year and favouring its transition to the new organisational scheme marked by the Regulations of the COES. In addition, it actively shares responsibility with others in the sector and managerial organisations and holds the chairmanship of some committees such as the Social Responsibility of the Chamber of Commerce of Spain or the Cigré's Andean Committee.

Environmental Responsibility

07

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

22.2
million euros
cost of
environmental
activities

100 %
of projects
with evaluation of
an environmental
character





Red Eléctrica has implemented a certified environmental management system in all the companies in 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).

ENVIRONMENTAL POLICY PRINCIPLES

- ◀ Guide the Group towards sustainable development, seeking commensurate balance between respect for the environment, the promotion of progress, social well-being and economic interests with the objective of creating value on a permanent basis.
- ◀ Ensure leadership in environmental issues in all the companies in the Group in their areas of activities.
- ◀ Ensure compliance with the environmental legislation, regulations and norms applicable to the activities they carry out.
- ◀ Guarantee ongoing improvement and prevention of environmental contamination through the updating and monitoring of management systems and environmental goals.
- ◀ Promote research and the development and design of new technologies and processes in order to reduce or minimise environmental impact.
- ◀ Integrate the environmental variable in the design and development of new plans and projects for facilities or in the modification of existing ones.
- ◀ Incorporate environmental requirements into the selection and evaluation process of suppliers and contractors.
- ◀ Elaborate and provide permanent training, awareness and motivation on environmental protection to achieve a more active participation from employees.
- ◀ Develop methods and channels of communication for informing and communicating with all interested parties on activities related to the environment.

NB: The ultimate operational responsibility regarding environmental aspects is vested in the Company's Engineering and Environmental Department. Detailed information on the environmental management policy of Red Eléctrica can be consulted on the website: www.ree.es and in the annually published Environmental Report.

The activities of REE and the environment

MAIN POTENTIAL EFFECTS ON THE ENVIRONMENT

- ◀ Visual impact of the facilities.
- ◀ Occupation and limitation of the use of the land.
- ◀ Effects on vegetation (opening and maintenance of safety corridors). **-EN12-**
- ◀ Effects on fauna (alteration of habitat in construction / collision of birds in maintenance). **-EN12-**
- ◀ Effects on the land (land movements during construction).
- ◀ Effects on historical / cultural heritage (in land movements)
- ◀ Electromagnetic fields.
- ◀ Noise generation.
- ◀ Waste generation.
- ◀ Effects on the atmosphere (SF₆ leaks).
- ◀ Luminous contamination.
- ◀ Risk of water contamination (to water sources due to land movements during construction)
- ◀ Risk of spills of pollutant substances (oils).
- ◀ Fire risks.

Thanks to the implementation and monitoring of preventive and corrective measures, the application of good practices and the correct monitoring of the activities (revisions and audits) at all stages of the activity, the potential effects are reduced and in general are compatible or non-significant.



Red Eléctrica identifies and assesses all those aspects derived from activities which could interact with the environment and produce any type of impact. Consequently, throughout all the stages of its activity (planning of facilities, definition of projects, construction works, maintenance of facilities and operation of the system), REE works to minimise their potential effects on the environment, derived from the presence of facilities (electricity lines and substations) and from the construction and maintenance works associated with them.

REE has an Environmental Department which provides technical support to all organisational units. It is important to highlight that during 2008, this department increased from 21

technicians (5 of which are territorial) to 33 (16 of which are territorial). This manifests the Company's clear objective to reinforce environmental management and control in the field, in the areas where the activities are carried out.

PROJECTS THAT RECEIVED ENVIRONMENTAL AUTHORISATION DURING 2008

POSITIVE ENVIRONMENTAL IMPACT STATEMENT ⁽¹⁾

L/400 kV Segovia Junction-Galapagar Junction.

Carmona Substation 400/220 kV.

L/400 kV Carmona-L/Guillena-Don Rodrigo.

L/220 kV Carmona-L/Dos Hermanas-Guillena.

L/220 kV Carmona-L/Santiponce-Villanueva del Rey.

L/220 kV Carmona-L/Guillena-Alcores.

Cártama Substation 400/220/25 kV.

L/400 kV Cártama-L/Guadalquivir Medio-Tajo de la Encantada.

L/220 kV Cártama-L/Alhaurín-Tajo de la Encantada.

L/220 kV Cártama-L/Los Ramos-Casares.

L/220 kV Cártama-L/Alhaurín-Los Montes.

Torrente Substation 400 kV. L/400 kV Torrente-L/La Eliana-Catadau.

L/400 kV Soto de Ribera-Penagos (Nava variant).

L/400 kV Soto de Ribera-Penagos (Siero variant).

POSITIVE ENVIRONMENTAL RULING ⁽²⁾

Argamasilla de Calatrava Substation 220 kV.

L/220 kV Argamasilla de Calatr.-L/Picón-Puertollano.

L/220 kV Los Pradillos-Illescas.

Camino Congosto Substation 220 kV.

C/220 kV Camino Congosto-C/Coslada-Villaverde.

Retiro Substation 220 kV.

C/220 kV Arganzuela-Retiro.

C/220 kV Retiro-La Estrella.

Nueva Dumbria 220kV

L/220 kV Nueva Dumbria-L/Mazaricos-Vimianzo

L/220 kV Nueva Dumbria-L/Meson do Vento-Dumbria

(1) Authorisation resulting from the complete process of Environmental Impact Evaluation (Environmental impact study).

(2) Authorisation resulting from the processing of an Environmental Document (summarised Environmental impact study).

The processing of a project through one channel or another depends on the magnitude of the project or of the current legislation in each autonomous community.

THE GRID PLANNING STAGE

Starting at the initial stages of the transmission grid planning, Red Eléctrica bears in mind the alternatives of least global impact on the environment.

To this end, Red Eléctrica collaborates actively with The Ministry of Industry, Tourism and Commerce in the strategic environmental evaluation process of the electricity planning. Specifically, during 2008, they have worked collectively in the definition and calculation of indicators that allow the evaluation of the environmental effects (positive and negative) derived from the 2008-2016 Infrastructure Plan.

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 Environmental Impact study on all new facility projects (whether or not they are subject by law to the Environmental Impact Evaluation procedure) and informs the appropriate environmental administration.

Thanks to this, the best locations and routes can be established for the future facilities and also the preventive and corrective measures which must be applied in the construction and maintenance phases can be defined beforehand.

THE CONSTRUCTION STAGE

The permanent environmental supervision has covered 65% of the construction works of the electricity lines built in 2008.

REE environmentally supervises the construction works of its new lines and substations to ensure the compliance with environmental requirements and to verify

the effectiveness of the corrective and preventive measures implemented. In this sense, in some cases it has been detected that the continued presence of an environmental technician at the construction site is necessary (especially for line construction), whereby beginning in 2008 the environmental supervision is being contracted out to specialised companies, always under the responsibility of an environmental technician of the company.

SUPERVISIÓN OF CONSTRUCTION ACTIVITIES

	Total works supervised	Permanent environmental supervision (contracted)
Substations	17	2
Lines	27 (1,154.5 km)	11 (753.76 km)

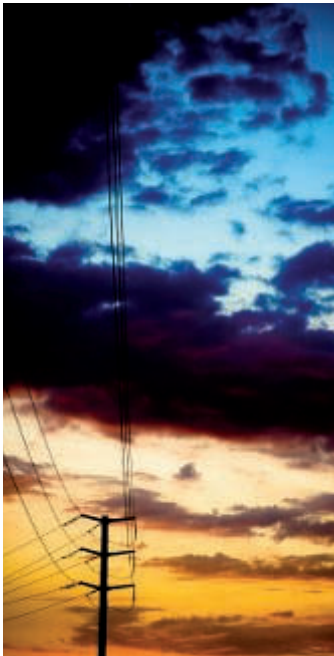


THE MAINTENANCE STAGE

As part of the maintenance activities of facilities, REE establishes the work criteria in accordance with the environmental requirements and ensures, by means of inspections and audits that the activities are carried out in compliance with these criteria.

In the Bolivian subsidiary TDE, an environmental inspection has been performed on all Company facilities (lines and substations) and the annual technical report of the 2008 Environmental Application and Monitoring Plan (Plan de Aplicación y Seguimiento Ambiental - PASA 2008) regarding the 16 environmental manifestos was presented to the National Environmental Department and Authorities.

Landscape protection and biodiversity management



The aim of the transmission grid is to link the energy generation centres with the consumption areas. In order to guarantee the continuity and security of supply, as well as an adequate integration of renewable energies, this grid must be sufficiently meshed. For this reason, 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 order to make the necessary grid development compatible with the respect for the natural environment, REE carries out the necessary actions to avoid or, if not possible, to minimize the effects on vegetation and fauna. To this end, specific work criteria, as well as corrective and preventive measures, are established and are put into effect during both the construction and maintenance stages, and are more intense in cases where there is a potential effect on the protected spaces or species. **-EN 14-**

PRESENCE OF FACILITIES IN NATURA NETWORK ZONES **-EN11-**

	2006	2007	2008 ⁽¹⁾
Km of line in SAC / total km of line (%)	12.4	14.3	13.5
Surface area of lines in SAC/Total surface in SAC in Spain ⁽²⁾ (%)	0.1	0.1	0.1
Km of line in SPAs / total km of line ⁽²⁾ (%)	9.3	11.6	10.8
Surface area of lines in SPAs / Total surface in SPAs in Spain (%)	0.1	0.1	0.1
Number of Substations in SAC / Total Substations (%)	7.1	9.0	11.8
Number of Substations in SPAs / Total Substations (%)	5.7	7.3	9.6

SAC: Special Areas of Conservation; SPAs: Specially Protected Areas – birds. **-3.10-**

(1) 2008 data reflects the adjustments derived from the updated inventory of facilities, lines as well as substations. Additionally, the ratios are adjusted in accordance with the Natura Network database published in 2008.

(2) 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 true occupation in the case of the towers.

CONSTRUCTION ACTIVITIES IN PROTECTED ZONES 2008

	2006	2007	2008
km of line constructed (commissioned in Natura Network) / total km of lines commissioned (%)	1.2	5.0	10.5
Substations constructed (commissioned) in Natura Network / Substations constructed (commissioned)	0	0	0

30 km of lines have been commissioned in Natura Network during 2008. The precautions have been maximised in the construction works of the line,

On occasions, though it is minimised as much as possible, it is not possible to completely avoid certain effects on the fauna and vegetation, as occurred in 2008 in the following cases (though it should be pointed out that these impacts would have been of greater magnitude had the corrective measures not been applied):

- ◀ L/Cartuja-Pinar del Rey 220 kV: felling of 5 cork oaks in the National Park of Los Alcornocales. **-EN12-**
- ◀ L/Tordesillas-Segovia 400 kV: felling of 1,173 pine trees (*Pinus pinaster* and *Pinus pinea*) in the works stage and 225 black poplar, fundamentally from plantation (*Populus sp*) for security corridor. None of these species are protected.
- ◀ L/Senmenat-Vic-Bescano 400 kV: felling of woodland in 27,000 m² in the civil works and 13,800 for opening paths in forest area. Of these, 3,900 in protected spaces, 460 m² in priority habitat (SAC) **-EN12-**. To evaluate the relative weight of the impact, it is important to take into consideration the information regarding corrective and preventive measures provided in the following table:



MOST OUTSTANDING PREVENTATIVE AND CORRECTIVE MEASURES CARRIED OUT IN 2008 -EN14, EN13-

PROTECTION OF FAUNA AND VEGETATION -EN14, EN13-

NEW FACILITIES

L/Pesoz-Salas

The hanging of cables by helicopter ⁽¹⁾ 16,071 km (2 of them in the protected Sierra de Carondio and Valledor) for the protection of leafy native species (birch, maple and ash) pine trees and eucalyptus.

Hoisting with a boom crane ⁽²⁾ in protected areas Sierra de Carondio and Valledor and LIC Sierra de los Lagos to reduce the impact on «non-high priority habitats heath-gorse shrub-lands and heather shrub-lands; broom-hare and formations of white heather; leafy native species (birch-maple and ash); and to “Habitat of communitarian interest” code UE4030: dry heath-lands.

L/Penagos-Güeñes

Biological stoppage from February to August due to nesting of the African Vulture.

Stoppage of works on a tower in the River Asón (SAC) during the salmon spawning season.

Adequate design of accesses: 15 km of new access paths have been opened, passing to some extent through the San Bartolomé de los Montes (Voto) beech grove and no mature trees have been cut, only some pruning was done.

Construction of a path (as of the prolongation of two accesses), by request of the Forestry Service of Cantabria to facilitate the access of Fire fighting Brigades.

L/Senmenat-Vic-Bescanó

Setting up a Monitoring Committee with the Environmental Department.

Minimizing the creation of new accesses: all the accesses and towers have been agreed on with the forestry service of the autonomous community and the use the existing network of roads and paths has been maximised.

Reduction of the width of the felled area (from 40x40 m to 16x20 m) to protect vegetation ⁽³⁾ and use of a boom crane for hoisting operations in the wooded areas to minimise the impact on vegetation. The felling of 8,700 trees was avoided, primarily pine trees (*Pinus sp*), holm-oak (*Quercus ilex*), oak (*Quercus humilis*) y chestnut (*Castanea sativa*).

Over-elevation of 91 towers ⁽⁴⁾ to protect the wooded areas (approximately 96% of the line towers). The felling of 81,000 trees was avoided. (Species indicated in the previous paragraph).

Hanging by helicopter ⁽¹⁾ of 5.2 km. The felling of 1,660 trees was avoided, primarily pine trees (*Pinus halepensis*).

Transplantation of holy trees (*Ilex Aquifolium*) (with administrative authorisation), situated in the locations of the towers.

L/Tordesillas-Segovia

Hoisting of 50 towers with boom crane ⁽²⁾, manual hanging of the rigging rope (20 km), hanging by helicopter ⁽¹⁾ of 8.5 km. The felling of 1,950 pine trees (*Pinus Pinaster* and *Pinus Pinea*) was avoided.

ACTIONS ON FACILITIES CURRENTLY IN SERVICE

L/Cartuja-Pinar del Rey

Stoppage of works during forest fire risk season in the National Park of Los Alcornocales.

Analysis of crane placement to minimise possible effects on the area.

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L/Begues-Vandellòs

Increase of tower height to avoid the felling of a 110 year-old pine tree situated in Vilallonga del Camp, declared a national monument in 1987: «El pi del Mestre».

All maintenance lines (depending on need)

Selective felling of woodland whilst maintaining security corridors, respecting underbrush and small sized arboreal species of slow growth and carrying out pruning (instead of felling) of protected species.

LANDSCAPING -EN 13-**SE Pesoz**

Construction of a breakwater. Modification of the drainage points of the substation to avoid soil erosion.
Hydro-sowing of all slopes of the substation.

SE Salas, SE Salteras

Providing of topsoil and sowing seeds on all slopes of the substation.

SE Totana

Landscaping by providing plantations of trees indigenous to the area: olive trees and palm trees.

SE Brovales

Land restoration by providing topsoil and planting of 14,000 species of: holm oak, cork tree, ash tree, silver olive tree, yellow elder, mastic tree, rosemary, rose bush and oleander.

L/Penagos-Güeñes

Reinforcement of slopes and hydro-sowing of herbaceous and bush-like plants.

- (1) The hanging of cables carried out by means of a helicopter or manually prevents the opening of a corridor for installing the lines, which involves the pruning or felling of trees along the section where the installation will take place for an average width of approximately 4 m. (Total hanging of lines using a helicopter in 2008: 29,8 km).
- (2) The hoisting performed by a boom crane as opposed to the hoisting by means of a derrick crane entails the need of a smaller surface to be used as the working area and some accesses of a lesser width, which implies a minor impact on the vegetation.
- (3) The towers of this line have an average base of 10x10 m. In order to keep the tower free from vegetation, in compliance with the Fire Prevention Ordinance, the average felling corresponding to each tower has been 16x20 m. During 2008 the civil work affecting 126 towers was carried out, 85 of which were located in a wooded area, resulting in the felling of 27,200 m². If the working areas had been the usual size, (40x40) the felled surface would have been 136,000 m². Considering a density of woodland of 800 feet/ha, as many as 10,880 trees would have been felled instead of the approximately 2,180 trees that were actually felled.
- (4) The over-elevation of towers makes it unnecessary to open the safety corridor, thus preventing the impact on the vegetation. (450 average opening x 25 m wide of the safety corridor x 90 openings; 800 feet/ha).

PROTECTION OF BIRDLIFE: MINIMISING COLLISIONS -EN14-



The only negative effect of Red Eléctrica's Facilities on birdlife is the risk of collision of the birds with the 220 kV and 400 kV lines. The collision is usually produced with the grounding cables —which protect the lines from electrical discharge during storms—, which are less visible than the conductors as the diameter is less. For this reason actions aimed at decreasing this risk area are based on marking these cables using devices which increase their visibility.

During 2008, 107 km of overhead lines were marked, 51 km of new lines and 56 km of lines already in service. The marking during maintenance is performed in collaboration with the different administrations whom carry out a diagnosis of the lines present in their region, identifying risk points and requesting the lines be made suitable.

MARKING OF FACILITIES WITH BIRD FLIGHT DIVERTERS AND ANTI-COLLISION DEVICES -EN 14-

	2006	2007	2008
Total km of lines with installed devices	686	783*	890
km of lines with installed devices / total km (%)	2.9	3.0	3.3
km of lines with installed devices in SPAs	207	212	255
km of lines with installed devices in SPAs/km of lines that pass through SPAs (%)	9.4	7.0	8.8

**The figure for 2007 has been modified as a result of the updated inventory of facilities.*

Additionally, REE has continued working from a research perspective on the following projects:

- ◀ **Bird flight diverter project:** work is being carried out in collaboration with the Biological Station of Doñana (CSIC) in the study of a new design of a bird flight diverter device and the analysis of the effectiveness as compared to the spiral device traditionally used. During this year the laboratory tests (wind tunnel) necessary for the definitive design have been concluded. The new field tests continue to confirm that the new model is more effective.



- ◀ **Collision detector:** carried out with the Migres Foundation and the Research Foundation of the University of Seville. The objective is the design of a possible impact detection system to be installed on grounding cables that would allow real-time detection of possible collisions and their location in order to act swiftly in the event of accidents.

CONTRIBUTION TO BIODIVERSITY CONSERVATION

The nest building of the white stork (*Ciconia ciconia*) on the towers of the electricity lines may pose a problem for the functioning of the facilities. REE strives to make this nest building and the correct maintenance of the lines compatible, by installing deterrent devices at the points of the tower that interfere with the maintenance works allowing the nesting in those points which do not cause problems.

Two types of devices have been designed and installed: deterrent in rods (56% efficiency) and electrical deterrent (efficiency being tested). Protection measures to sensitive points (chain of insulators) have also been installed: crosspiece covers and aerodynamic insulators (efficiency next to 100 %). In addition, the number of line towers occupied by stork nests are monitored, in 2008 1,071 nests were accounted for in 863 towers.

Additionally, Red Eléctrica contributes to the conservation of the biodiversity participating in and leading various projects amongst which the following stand out:

- ◀ **Steppe birds (R+D+i).** It is developed with Doñana's Biological research station (CSIC) together with the Gypaetus Foundation. Its aim is to design and test measures to minimise the impact of the lines on these birds, especially on the buzzard, *Otus tarda* (vulnerable species according to the red list of the IUCN - EN15-) and to improve their habitat.
- ◀ **Programme of re-introduction of the black vulture (*Aegypius monachus*) in Catalonia.** Coordinated by the Group of rehabilitation of native fauna and its habitat (GRENF) and



the Autonomous government of Catalonia in collaboration with the Autonomous government of Extremadura, the Community of Madrid and Caixa Catalunya (Foundation). The aim is to create new colonies forming natural corridors in the Mediterranean basin. The project is based in the pre-Pyrenees area located in the Lerida region and includes field actions (marking and follow-up, control cameras, etc.) as well as publication and educational actions.

- ◀ **Bonelli's Eagle** (*Hieraaetus fasciatus*) (R+D+i): carried out in collaboration with the Department of Animal Biology from the University of Barcelona. The aim was to study the interaction between the Bonelli's Eagle and the electricity transmission lines.
- ◀ **Lesser Kestrel** (*Falco naumanni*, vulnerable species according to the red list of the UICN -EN15-): carried out in collaboration with GREFA and it consisted of the captive breeding of this species and the introduction of specimens in various areas of the Community of Madrid in order to improve the populations.
- ◀ **Brown Bear and Grouse**: in collaboration with FAPAS, the aim of this project, developed along the mountain range in Cantabria, is to provide these species with food by placing beehives and planting fruit trees.
- ◀ **Posidonia** (*Posidonia sp.*) (R+D+i): developed in collaboration with the TECNOAMBIENTE company and includes the scientific supervision by the Centre for Advanced Studies in Blanes. The project studies the viability of the temporary removal of small portions of meadow of oceanic posidonia to be subsequently replanted in its original site after a period of time, in an attempt to minimise the impact deriving from the works on the coastline. Tests are taking place in various locations of the Mediterranean Sea under different ecological conditions (this year the works have been restricted to the coast of Tarragona). Based on the results of the project, it may be necessary to write an action protocol to be applied to the Spanish Peninsula-Balearic Islands Interconnection project.

In addition, all through this year work has continued on the initiated compensatory measures relating to the second cable interconnection Spain-Morocco. This project, which was declared to be of community interest by the European Union, crosses a pro-

tected area qualified as SAC, called Estrecho Natural Park (Tarifa), and it is included in the Natura 2000 Network. We must point out that the work executed by Red Eléctrica met all the requirements established by the competent environmental authority. From the point of view of the landscape, we can state that the environment has not been affected and that the actions established and implemented in the corrective measures and in the studies carried out indicate that the environment has been fully restored.

COMPENSATORY AND ADDITIONAL MEASURES OF THE SPAIN- MOROCCO ELECTRICITY INTERCONNECTION PROJECT (REMO), FINALISED IN 2008

MARINE ENVIRONMENTAL PROJECTS

Studies on the black spot sea bream (*Pagellus bogaraveo*) in the straits of Gibraltar
Sampling campaigns finished. The report will be published during the first quarter of 2009.

Study on the migration of the Atlantic tuna (*Thunnus thymus*) in relation to sexual maturity and egg-laying in the Mediterranean
Sampling campaigns finished. The report will be published during the first quarter of 2009.

Study of the socioeconomic and preservation aspects of the cetaceous observation activity
Finalised in the first quarter of 2008.

TERRESTRIAL ENVIRONMENTAL PROJECTS

Elimination of invading species and recuperation of indigenous species (Bolonia cove).
Elimination of invading species completed. Restoration will be completed in 2009.

Actions for the conservation of costal rivers and streams of southern half of the province of Cádiz.
Finalised the characterisation of the river basins and identification of wells. Study on saltwater fish (*Aphanius baeticus*) species in danger of extinction according to the red list of the UICN -EN15-. Pending final conclusions in January 2009. Development of measures in pools of water is pending agreement with land owners.

INFORMATIVE PROJECTS

Castilian edition of the publication «The Ornithology of the Straits of Gibraltar» by L. Howard L. Irby 1895.

Co-financing of an informative documentary on the phenomenon of migration: "The strait: the gateway of the worlds".

CONSTRUCTIVE PROJECTS

Construction of a prefabricated waste water purifier in the urban area El Faro de Punta Carnero (Algeciras).

PLANNING PROJECTS

Study of different alternatives of sustainable use of the environmental and cultural resources from the island Las Palomas (Tarifa, Cádiz).

Red Eléctrica and climate change



Red Eléctrica shows its firm commitment to caring for the natural environment assuming its responsibility with the challenges that climate change raises. In 2008, we have adhered to the « Caring for the Climate initiative: the Business Leadership Platform», which shows our commitment to adopting practical measures to increase energy efficiency and to reduce CO₂ emissions as much as possible. Also, REE has collaborated with CDP (Carbon Disclosure Project), completing the questionnaire for the drawing up of their 2008 report.

Due to the nature of the activities that it carries out, REE undertakes different commitments related to climate change:

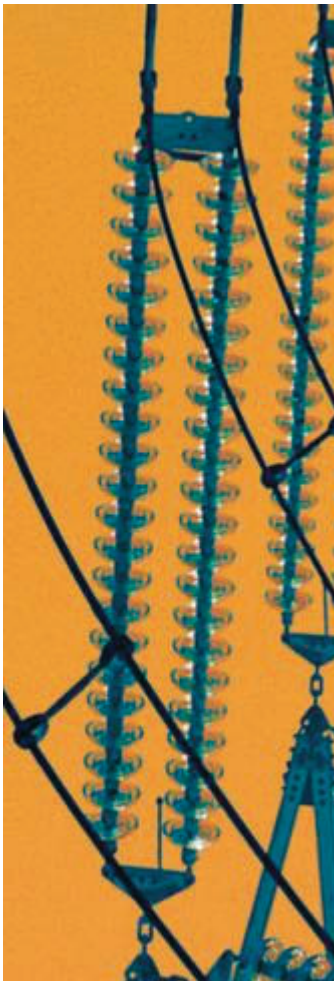
- 1. Investment in new electricity infrastructures.** As manager of the transmission grid, REE maintains the commitment to construct a network of electricity infrastructures compatible with the environment which allow energy coming from renewable energy sources and combined cycle plants to be evacuated and, in addition, to support the powering of the High Velocity Trains.
- 2. Integration of renewable energies and demand side management.** As operator of the electricity system REE maintains the commitment to optimise the efficiency of the electricity system as a whole, integrating the maximum production of renewable energy and introducing initiatives for efficient demand side management.

3. Control of emissions. As a responsible energy company, REE maintains the commitment to the maximum reduction of emissions derived from its activities: use of SF₆, fuel consumption (vehicles), electricity consumption and its indirect emissions.

INVESTMENT IN NEW ELECTRICITY INFRASTRUCTURES -EN6-

Amongst the objectives of the «Transmission Grid Planning (2007-2016)» approved by the Ministry of Industry, Tourism and Commerce (MYTIC), is the one to try to diminish the global environmental impact. In fact, the planning is directly related to other national plans on energy and the environment, such as the Renewable Energies Plan (2005-2010) or the Spanish Climate Change and Clean Energy Strategy, Horizon 2012. Also, for its definition it has considered the Strategic Infrastructure and Transmission Plan (2005-2020) (PEIT) that backs a change towards more sustainable and environmentally compatible modes of transmission.

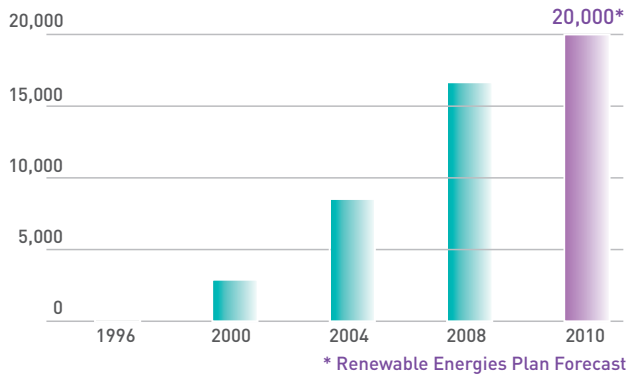
REE has assumed their responsibility to undertake the mandate of investment for the improvement and expansion of the grid without reducing the environmental compliance requirements and thus fulfil the Infrastructure Planning 2008-2016, approved by the Government in 2008. Proof of this is the number of projects, during 2008, for which the environmental processing has begun.



	Processing initiated in 2007	2008
Initial Document ⁽¹⁾	21	116
Environmental Document ⁽²⁾	2	52
Total initiated	23	168

*(1) Initial Document: is the first document corresponding to the Environmental Impact Evaluation process.
 (2) Environmental Document: «summarised Environmental Impact Study». Should the project need to be submitted to EIA procedure, it would act as the Initial Document.*

Evolution of installed wind power energy in Spain (MW)



INTEGRATION OF RENEWABLES -EN6-

REE works to integrate into the electricity system the greatest possible amount of energy generated from renewable sources that is compatible with the security of the system. In 2006 REE started up the Control centre for renewable energies (CECRE), turning Spain into the first country in the world to have all the wind farms of over 10 MW connected to a control centre.

DEMAND SIDE MANAGEMENT -EN6-

REE is driving diverse strategies of demand side management destined to influence the way energy is consumed, so the desired changes in the demand curve are produced: reduction of consumption in peak hours and displacement of the consumption to valley hours. The advancement of these strategies greatly contributes to energy efficiency and the reduction in the greenhouse gases.

The work of REE basically consists of knowing and analysing the profile of the electricity demand, as well as to participate in diverse research projects and working groups and to promote communication actions directed towards the dissemination of consumption efficiency and energy saving. These aspects are described in detail in chapter 4.



CONTROL OF EMISSIONS

The main emissions directly derived from REE activities are those of sulphur hexafluoride (SF₆), a gas used as an insulator in switches and shielded substations. In March 2008, REE signed an agreement with the Ministry of the Environment for the reduction of these emissions in the electricity sector, along with the Grouping of Manufacturers of Electrical Equipment Goods, SERCOBE and UNESA.

The Agreement is within the activities covered in the “Plan of Urgent Measures” contemplated in the Spanish Climate Change and Clean Energy Strategy, Horizon 2007-2012-2020. With this agreement a commitment is undertaken to save emissions by means of putting in place diverse measures of which the following are noteworthy: adoption of good practices with respect to the control and handling of gas, information to the users on behalf of the manufacturers, installation of equipment which fulfils certain rates of emission, information to the authorities of the necessary data for the drawing up of the SF₆ emissions inventory and development of research in the matter.

The work of REE in relation to SF₆ is carried out within the framework of this agreement. During 2008 an internal working group was created “Integral Improvement of the SF₆ Management. Emission Reduction”. At the moment a complete revision of SF₆ management is being carried out (inventory, control of emissions and management of the gas at the end of its useful life), with the purpose of identifying the possible areas of improvement and to define emission reduction objectives. **-EN 18-**

EVOLUTION OF SF₆ INSTALLED AND RECOVERED (kg)

	2006	2007	2008
SF ₆ installed	129,600	172,767	175,250
Gas reused -EN 18-	429	484	1,705*

* This year the amount has been very high due to the works that were carried out on two shielded substations. (Would equate to avoiding the emission of 40,749 tonnes of CO₂). **-EN18-**

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GREENHOUSE GAS EMISSIONS (t OF CO₂ EQUIVALENT) -EN 16-

	2006	2007	2008
Direct emissions			
SF ₆ Emissions ⁽¹⁾	57,542	76,708	83,769
Emissions associated to the use of fleet vehicles ⁽²⁾	1,423	1,932	1,995 ⁽⁴⁾
Indirect emissions			
Emissions associated to electrical energy consumption ⁽³⁾	4,600	5,487	5,481
Total emissions -EN16-	63,565	84,127	91,245

OTHER INDIRECT EMISSIONS (t OF CO₂ EQUIVALENT) -EN17-

	2006	2007	2008
Emissions due to losses from electricity transmission ⁽⁵⁾	1,188,580	1,292,630	1,335,164

(1) Taking potential global warming during 100 years of 23,900. Source IPPC (Intergovernmental Panel on Climate Change: 4th assessment report). The losses are calculated taking a % of the losses over the total installed. [2% has been used for the calculation, which is a very unfavourable criteria, REE is currently working with the MIMAM, in the Volunteer Agreement Framework to define a process for a more adjusted calculation of the emissions in accordance with the IPCC criteria.

(2) Source used for the calculation: GHG Protocol initiative.

(3) Conversion factor source used for the calculation: International Energy Agency 2006 (corresponding to Spain 2005, mixed generation) . Data for 2006 and 2007 does not correspond to the 2007 annual report; given that only those centres with electricity meters have been taken into account. The actions carried out to reduce vehicle and electricity emissions are contemplated for in the consumption section **-3.10, EN18-**

(4) 69,970 km more have been driven than in the previous year.

(5) A part of the energy generated by companies does not reach the consumer but is lost in transmission. Loses are related with the situation of generation points with respect to the consumption and this is very difficult to reduce. (Amongst the causes for the increase in the transmission losses in 2008 we also find: the increase in demand (1%), the increase in exports (95%) and the increase in the peak-valley ratio). However REE are working to identify and improve those factors which depend on their management (even though the reduction is very small). We consider this information of relevance, in the same way as the emissions associated to electrical energy consumption, CO₂ is not emitted during REE activities as they take place at the different energy generation points. To calculate it the emission factor of the AIE has been used, corresponding to Spain (2005) for mixed generation. (The application of this factor explains the variations in relation to the data provided in the 2007 annual report).

It is estimated that during 2008 there has been a reduction in emissions of 150 tonnes of CO₂ equivalent owing to some of the consumption reduction initiatives such as holding meetings via videoconference (75.2 t) or transporting employees on the company bus (75.5 t). **-EN18-**

The emissions of gases that damage the ozone layer can be considered irrelevant as they only affect those associated to leaks originating in equipment with R-22, which are minimum due to their adequate maintenance. Additionally, it is estimated that the replacement of this equipment for others whose gases do not damage the ozone layer will be completed during 2009. **-EN19-**

The main actions carried out by TDE (Bolivia) in this area are oriented towards the annual maintenance and control of all its vehicles ensuring they do not surpass the allowable limits of emission of combustion gases (CO y HC) established by Law. The results of the control of emission of gases (CO y HC) showed that 30 vehicles were below the limits of gas emissions and only 2 vehicles surpassed the limits, subsequently removed for the fleet of company vehicles.

In the scope of the fight against climate change and improvement of the living conditions of people, special mention must be made regarding the program currently being developed by TDE in relation to renewable energies, oriented to promoting the access to and use of clean energies in cities of the rural area of Bolivia. Amongst the projects developed the following stand-out: definition of the first wind-power map of Bolivia, the design of a wind farm pilot project and the elaboration of studies of design of hydro-electric micro-plants.



Consumption management and energy efficiency

REE considers it fundamental to know and reduce its basic consumption, as an important area of improvement in its environmental commitment. Implementing energy efficiency and savings measures translates into an energy saving that is expected will be able to be quantified in the upcoming years. **-EN5-**

BASIC CONSUMPTION INDICATORS AT RED ELÉCTRICA

	2006	2007	2008
CONSUMPTION OF RAW MATERIALS (kg) -EN1-			
Auxiliary materials			
Oil consumption ⁽¹⁾	41,242	38,575	71,820
Regenerated oil (%) ⁽²⁾ -EN2-	82.8	82.6	85.0
Fungible materials ⁽³⁾			
Paper consumption (printing and photocopies)	87,011	67,745	67,086
Paper consumption (kg /employee)	63.0	48.0	37.5
% Printing FSC ⁽⁴⁾	-	-	100
Paper consumption (publications)	66,166	73,173	78,478
% Publications FSC	-	44.3	46.0
DIRECT ENERGY CONSUMPTION. FUEL CONSUMPTION (JOULES) -EN3-			
Petrol	$6,10 \cdot 10^{11}$	$5,92 \cdot 10^{11}$	$6,94 \cdot 10^{11}$
Diesel	$1,89 \cdot 10^{13}$	$2,59 \cdot 10^{13}$	$2,67 \cdot 10^{13}$
Total fuel ⁽⁵⁾	$1,96 \cdot 10^{13}$	$2,65 \cdot 10^{13}$	$2,74 \cdot 10^{11}$
INDIRECT ENERGY CONSUMPTION. ELECTRICAL ENERGY CONSUMPTION (JOULES) ⁽⁶⁾ -EN4-			
Headquarters ⁽⁷⁾	$2,65 \cdot 10^{13}$	$2,67 \cdot 10^{13}$	$2,99 \cdot 10^{13}$
Tres Cantos ⁽⁷⁾	$4,99 \cdot 10^{12}$	$5,65 \cdot 10^{12}$	$5,94 \cdot 10^{12}$
Extra peninsular systems ⁽⁷⁾	$2,86 \cdot 10^{12}$	$2,83 \cdot 10^{12}$	$3,39 \cdot 10^{12}$
Branches	$0,77 \cdot 10^{13}$	$1,20 \cdot 10^{13}$	$1,08 \cdot 10^{13}$
Total electrical energy consumption	$4,20 \cdot 10^{13}$	$5,01 \cdot 10^{13}$	$5,00 \cdot 10^{13}$

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WATER CONSUMPTION (m³) -EN8-

Headquarters	11,850	8,240	18,161 ⁽⁸⁾
Headquarters m ³ /employee	14.2	12.5	1.9 ⁽⁸⁾
Centres	12,245	10,846	10,351
Centres m ³ /employee	38.5	27.5	25.2

INICIATIVES FOR REDUCING PAPER CONSUMPTION 2008**Paper savings (kg)**

Travel requests processed via IT system	75
Christmas greeting cards processed in electronic format	555
Publication of annual reports in electronic format, published on the web and provided to shareholders on a USB	24,886 ⁽⁹⁾
Reduction (starting January 2008) of the number of paper copies of the Environmental Impact Studies to be presented to the different organisms.	⁽¹⁰⁾

INICIATIVES FOR REDUCING FUEL CONSUMPTION -EN7-**Ahorro de combustible (litros)**

Holding meetings via videoconferences	28,057 ⁽¹¹⁾
Company bus for transportation of employees	28,190.25 ⁽¹²⁾

(1) REE is 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. The increase in consumption for 2008 is associated to the activities carried out to make transformers suitable and the repair of breakdowns.

(2) Regenerated oil in relation to the total oil used in the transformer maintenance activities.

(3) Within fungible material the information on paper consumption is considered relevant. Work is being carried out in different lines of reduction.

(4) Paper certified in accordance with the FSC (Forest Stewardship Council) which ensures efficient forestry use to conserve forests. 100 per cent of the paper used for envelopes, letters and printer are FSC.

(5) 5,895,555 km carried out in 2006, 6,765,393 km in 2007 and 6,835,363 km in 2008.

(6) Data varies with respect to those published the previous year (except those related to the headquarters and CECORE) as only the data for those centres that are equipped with meters has been included. **-3.10-**

(7) These are working centres with special characteristics as electricity control centres are found there, which work 24 hours a day and have special energy consumption (approximately 30% of the total, which would equate to $1.09 \cdot 10^{13}$ J in 2008).

(8) 2008 is the first year in which the water consumed from the well is included, and that is used exclusively for watering the gardens (the ratio per employee, therefore, would not correspond to a true increase in the consumption per person. The true ratio would be 10.76 m³/employee).

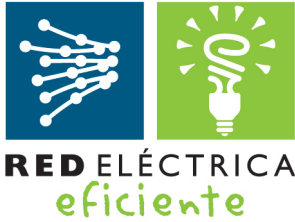
(9) This savings will be reflected in the 2009 data.

(10) It is not possible to provide the savings in kg as the number of sheets in an environmental impact study is extremely variable. (An average study would be of approximately 500 sheets). The change has gone from delivering 7 or 8 paper copies to delivering 2 or 3.

(11) Number of videoconferences by average distance not travelled (average obtained from the distances to the different work centres) by average fuel consumption (0.08 l/km).

(12) 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 the buses (consumption of 0.33 l/km) with the fuel that 110 employees (bus users) would consume if they were to use their personal vehicles to make the same journeys.

The water consumed in Red Eléctrica's facilities is obtained from different sources: municipal water mains, cisterns and rain water collection tanks (in the Northern Regional Offices and many substations,



for sanitary use, for irrigation and fire fighting systems). During 2008 the normalisation of the facilities of REE has been carried out, it is planned to install rain water collection tanks in all new substations. **-EN 10-**

WATER WITHDRAWAL BY SOURCE (% OF TOTAL) **-EN8-**

	2006	2007	2008 *
Municipal water mains	95.8	91.6	68.6
Wells	3.5	7.2	30.7
Cisterns	0.6	1.2	0.6

* The change in percentage is derived fundamentally from the inclusion of water consumed from the well at the Company headquarters.

SPECIAL INITIATIVES ORIENTED TOWARDS THE REDUCTION IN CONSUMPTION

“Mobility Week” Campaign -EN7, EN18- : coinciding with European mobility week, a contest on sustainable mobility took place and a draw was held, amongst those with the correct answers, the winner receiving a bicycle.

“Let’s share a car” Campaign -EN7, EN18- : This was the winning proposal of the 2007 “Green Suggestion Box” contest. During 2008 a space on the company’s intranet has been developed which allows users with similar work schedules and home addresses to organise themselves into groups in order to share vehicles to travel to work.

Eco-advice Campaign -EN7, EN18- : awareness campaign regarding the efficient use of natural resources directed towards the employees of Red Eléctrica (posters, messages and news articles on the company’s intranet). Information is also available in the educational area of the company’s corporate website.

SOLIDI project -EN5, EN18- : an innovative project to integrate photovoltaic solar energy at the Company’s Head Office. During 2008 the feasibility study to cover the interior patio with a pergola was carried. According to the study the design is viable, from a structural point of view, although new designs are being studied to solve problems of shade in one of the facades of the patio.

Spanish Energy Efficiency Technological Platform -EN5, EN6, EN18- : participation in this platform whose aim is technological innovation in the development of new techniques, products and services which contribute to the energy efficiency.

Red Eléctrica Eficiente -EN5, EN7, EN18- : Red Eléctrica Eficiente is a “brand name” supported by a working group which will serve as umbrella to combine the activities oriented towards energy efficiency (which are currently being developed individually) and to promote new actions for improvement. This initiative tries “to label” or “brand name” all those projects or activities the company is currently carrying out or which promote energy efficiency.

Waste management



During Red Eléctrica's activities two types of waste are generated, which are separated, stored and managed in the most effective way, in accordance with the legal requirements and contamination prevention criteria.

The waste generated by maintenance activities are essentially related to the following activities:

- ◀ Adaptation of facilities. Equipment repair, substitution of obsolete switchgear, battery replacement, improvements in accident prevention systems etc. The numerous works carried out regarding this over the last two years explain the growth in residues associated to those activities.
- ◀ Accident prevention. Although accidents are infrequent, accidental oil spillage provides a large amount of waste due to the use of containment measures (using absorbent material) and cleaning up the affected areas.
- ◀ Routine maintenance tasks. Used oils, vegetation waste from maintenance of the security corridors, septic tank waste, etc.

Due to the nature of all these activities it is very difficult to foresee the amount of waste that will be generated, it must however be mentioned that they are related with the facilities in service whose volume has increased considerably in the recent years. Although it is also difficult to speak about waste minimisation objectives, REE reduces them as much as possible, for example regenerating transformer oil (407t in 2008).

The main lines of work are focused on the improvement of the waste management process, trying to segregate as much as possible, looking for the best options amongst our suppliers and promoting best practices through Training and awareness programmes.

WASTE GENERATED DURING MAINTENACE ACTIVITIES

	Amounts Managed (kg)			Type of management
	2006	2007	2008	
NON HAZARDOUS WASTE -EN22-				
Mud from septic tanks	514,412	178,868	73,149	Treatment/elimination
Scrap Metal	998,545	1,876,311	1,372,185 ⁽¹⁾	Recycling
Inert waste ⁽²⁾	-	-	1,634,100	Elimination/recycle
Paper and cardboard	73,405	78,652	76,565	Recycling
Toner	3,434	186	311	Recovery
Wood	42,455	58,380	124,688 ⁽³⁾	Assessment/elimination
Vegetable waste	-	-	- ⁽⁴⁾	Incorporation into land/ valorisation/elimination
Non-hazardous electrical and electronic waste	473	230	542	Recycling
Plastics	188	0	0	Recycling
Vegetable cooking oils	2,550	4,370	5,020	Valorisation
Non-hazardous waste total	1,169,371	2,195,197	3,286,559	
HAZARDOUS WASTE -EN22, EN24-				
Used oil	168,730	95,470	156,978	Regeneration/valorisation
Oil water mix	0	110,960	41,694 ⁽⁵⁾	Regeneration/valorisation
Earth impregnated with hydrocarbons	14,253	161,151	161,127 ⁽⁵⁾	Elimination
Absorbent matter, filtering matter, cleaning rags, protection clothes contaminated with hazardous substances.	59,287	371,184	2,235 ⁽⁵⁾	Valorisation/elimination
Transformer with PCBs	0	2,413	46,834 ⁽⁶⁾	Elimination
Oils with PCBs	0	520	82,874 ⁽⁶⁾	Elimination
Lead batteries ⁽⁷⁾	1,611	1,438	582	Lead recovery/elimination
Nickel/cadmium accumulators	2,070	10,960	2,548	Recovery/elimination
Batteries	89	114	34	Recycling/elimination
Hazardous electrical and electronic waste	0	269	108,169 ⁽⁸⁾	Recycling/elimination
Florescent tubes	539	410	388	Recycling
Recipients containing hazardous substances	1,113	1,604	985	Recycling/elimination
Aerosols	-	5	14	Elimination
Silica gel	733	285	444	Elimination

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Non-halogenated solvents	35	325	0	Regeneration
Watery cleaning liquids	0	50	200	Elimination
Paint waste	183	0	0	Valorisation
Isolating material (fibreglass or asbestos)	-	8,680	0	Elimination
Laboratory chemical products containing dangerous products	-	8	75	Elimination
Hazardous waste total⁽⁷⁾	248,643	765,846	605,181	

(1) The massive production of scrap is directly related to the upgrading of facilities campaign which is being carried out.

(2) Inert wastes were not shown in previous years because the model for obtaining data was being defined.

(3) These wastes basically correspond with the pallets used for the transport of new equipment. The increase is due to the great quantity of equipment that has been installed for the improvement and upgrading of the facilities.

(4) Most of them have been given to their owners or brought into the plot of land, hindering the possibility of providing a global figure despite the availability of the information on some negotiations.

(5) The production of these wastes is linked to the accidents that took place in 2008 (oil spillages): water and oil, contaminated and absorbent lands mixed together. These wastes also correspond with the upgrading of containment systems of oil collecting pits that has been carried out.

(6) They correspond to equipment managed at the end of their useful life. Not included in the inventory, however, the administration was aware of them. The increase in this type of wastes is connected with the changes of switchgear for the upgrading of the facilities.

(7) Contrary to what had happened in previous years, the management of 1,300 kg of lead batteries in 2006 and 1,100 kg in 2007 was incorporated.

(8) A great deal of equipment has been substituted for new switchgear. Apart from the increase in the amount of replaced equipment, the change in their management should be underlined: equipment that had been managed as scrap in previous years started to be managed as hazardous wastes due to the presence of oil and to the fact that their complete draining was difficult to achieve. This change in management can also be observed in the increase in environmental costs assigned to the waste management.





Regarding management of TDE, the following actions are worth noting:

- ◀ Distribution of bags for the temporary storage of solid wastes for vehicles.
- ◀ Improvement of the final disposal of the following wastes: dielectric oil with PCB content, fluorescent tubes (stored in containers until finding an environmentally suitable final solution).

The wastes generated in construction activities are 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 documentation control. The verification of the fulfilment has been intensified during the last year due to the contracting of the supervision of broader-ranging works to external companies, which therefore means that a works environmental technician is present practically on a permanent basis.

WASTE GENERATED DURING CONSTRUCTION

Non-hazardous waste

Evacuation surpluses.

Forest waste.

Rubble.

Paper and cardboard.

Plastics.

Wood.

Scrap.

Solid urban waste.

Hazardous waste

Paint waste.

Absorbent material and rags contaminated with dangerous substances.

Earth impregnated with hydrocarbons.

Recipients containing dangerous substances.

Other environmental actions



MANAGEMENT OF EQUIPMENT WITH PCBS -EN26-

REE has inventoried 16 ⁽¹⁾ transformers contaminated with PCB, all with concentrations less than 500 ppm. A plan exists to ensure decontamination of all equipment prior to 1 January 2011. In 2008 a power transformer in the Vis substation was decontaminated ⁽²⁾.

ACCIDENT PREVENTION

Amongst potential environmental accidents which may occur during the activities carried out by REE, the most significant (due to frequency and potential consequences) are fires due to line failure and oil spills in substations. It is worth noting that thanks to the application of the appropriate preventive measures, this occurs on very few occasions and its consequences are usually not significant owing to the application of adequate intervention procedures in the event these accidents occur.

(1) Last year, inventory data regarding 21 transformers with PCB was provided. It has been confirmed that 2 of them were not property of Red Eléctrica (> 500ppm). Another 3 were decontaminated during 2008.

(2) For its part, TDE has defined a procedure to store the PCB contaminated oil under environmentally safe conditions.

ACCIDENTS (number)

	2006	2007	2008
Fire caused by line failure	1	7	1 ⁽¹⁾
Fire caused by substation failure	0	2	1 ⁽²⁾
Leaks and spillages of hydrocarbons derived from the use of machinery ⁽³⁾ -EN23-	5	2	3
Leaks and spillages of oil due to failure in filling the transformer -EN23-	1	0	0
Leaks and spillages of oil and hydrocarbons during maintenance, handling or storing of machinery -EN23- ⁽⁴⁾	10	7	2 ⁽⁴⁾
Explosion in measurement transformers (fire and oil spill) -EN23-	4	6	0
Oil leak on the hydraulic section of the cable -EN23-	0	1	0
Assorted explosions and accidents leading to SF ₆ leaks	-	1	1 ⁽⁵⁾

(1) Despite taking place in the "Domingo Rubio Marsh" natural reserve and the proximity to LIC, there were no serious consequences arising from it. 400m² of bushes were burned in a blaze.

(2) The explosion of a terminal occurred in a power transformer causing a fire in the machine. The principal environmental consequences were as follows: a great column of smoke (one and a half hours), generation of some 30,000 kg of waste of the water-oil mixture type (the oil and the water used in the extinction process which gathered in the pit of the machine, indicating the correct functioning of the preventive measures) and approximately 50,000 kg of contaminated gravel and earth, as a consequence of the oil that fell near the machine due to the explosion and that was not collected in the pit.

(3) In this kind of accidents the spilled volumes are really very small, approximately 10 litres in all.

(4) One of them resulting from the breakdown of a measurement transformer, with consequences of little importance: 1m³ of contaminated gravel that was managed as waste. The second accident consisted of the massive oil leak due to the breakdown of a power transformer: approximately 2.000 litres of oil were spilled, they partly ended up in the collection container and another portion was gathered by absorbent material. Due to the saturation of the container (of insufficient capacity) there was a leak to the drainage network of the substation, which had to be blocked to stop the spillage. A great quantity of contaminated earth and absorbent material and water-oil mixture, which are managed as wastes, was produced. As a result of this accident a complete upgrading of the spillage collecting system of the power machines in the substation has been programmed.

(5) Explosion of a phase of a switch.

Fire prevention measures -EN13, EN14-

In the fight against forest fires REE adheres to the following fundamental working procedures:

- ◀ **Suitable maintenance of the facilities** (predictive, preventive and corrective, if necessary) is carried out. Pruning, selective felling and cutting back of vegetation for clearing the safety corridors and maintenance of the appropriate safe distances are carried out.
- ◀ **Collaboration agreements** with the different autonomous communities (at the moment with Andalusia and Castilla-La Mancha). The objective of these agreements is the identification of high risk areas, the establishment of work regulations regarding the conservation of vegetation, as well as the establishment of action protocols in the event of forest fires near the electricity lines: the exchange of cartography and the streamlining of administrative processes.

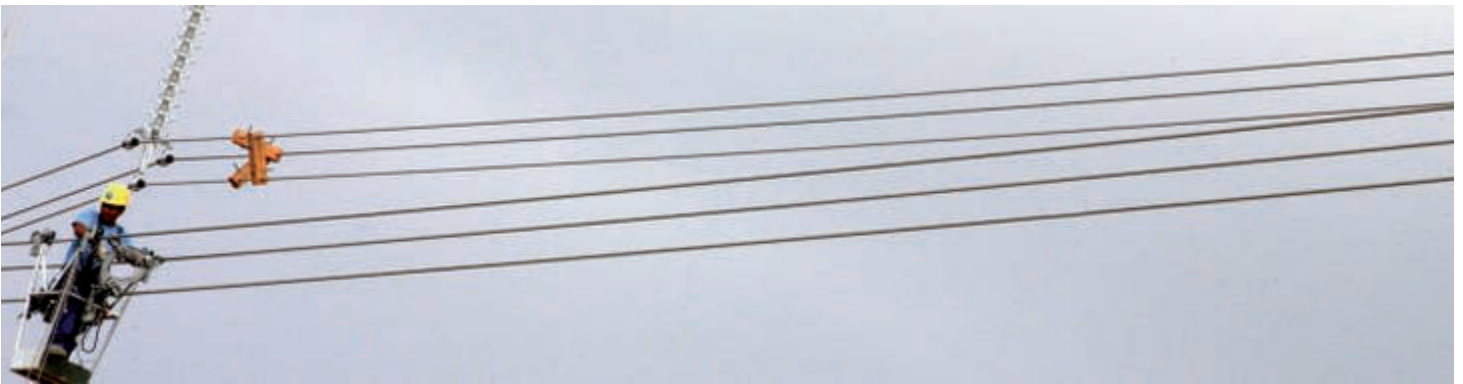
- ◀ **Special forest fire prevention** days designed for forestry agents, SEPRONA agents, Environmental council technicians and firemen. Its purpose is to present our facilities and practices regarding fire prevention and to provide procedures for tackling forest fires in the vicinity of an electricity line.
- ◀ **Volcano Project (R+D+i):** This is carried out in collaboration with Iberdrola, ADIF and INECO. Its objective is the prevention of forest fires, by means of the development of an evaluation methodology and the prevention of conflict between electricity lines and railway networks with their surroundings, throughout their life cycle.

Preventive measures for leaks and spills -EN26-

In this scope the most important measures are the following:

- ◀ Preventive and corrective maintenance of equipment containing oil.
- ◀ The adoption of good working practices (for the handling of equipment and possible contaminants on impermeable surfaces).
- ◀ The existence of absorbent materials, to be used in case of accidents.
- ◀ A system of spillage contention for equipment containing dangerous substances.

During 2008 spillage contention systems were installed on eleven power machines (with large amounts of oil) and 6 auxiliary transformers (with low amounts of oil).





PROTECTION OF THE SOCIOECONOMIC ENVIRONMENT AND CULTURAL HERITAGE

Protection of historical heritage

During 2008 the archaeological supervision has been performed during the movement of earth for construction works for 10 lines and 2 substations. The following activities are noteworthy:

- ◀ L/Senmenat-Vic-Bescanó: An area archaeological interest next to works being carried out has been marked out, so that it is not affected by the activities going on in the vicinity.
- ◀ L/ Pesoz-Salas: With the aim of protecting «Castro de Perluces», a modification of the project was made to change the positioning of a tower. Also, at the request of the Principality of Asturias, a study regarding effects to heritage might have regarding the access to one of the towers.
- ◀ L/Penagos-Gueñes: Complementary archaeological works for the opening of a new access in the vicinity of «la cueva de Cobrantes» took place.
- ◀ Spanish peninsula-Balearic Island interconnection: In addition to the environmental impact study, a sub-aquatic survey has been performed in order confirm the nonexistence of archaeological remains on the seabed.

Monitoring of electric and magnetic fields

REE, conscious of the social unrest that electric and magnetic fields provoke, stays updated in relation to all the innovations generated in this respect. For this reason, it is subscribed to an international information service, ELF Gateway, which practically on a daily basis informs their clients of all the new features that appear world-wide, by means of electronic mail.

Thanks to the intensive programme carried out over recent years by REE to find out the values generated in our facilities, we can confirm that these values comply with those recommended by the Council of Europe (values obtained are less than those recom-



mended for the general public in places where they remain for a considerable length of time: 5 kV/m for electric field and 100 μ T for the magnetic field). Despite this, we maintain a high commitment to the population, dealing with public consultations and collaborating with institutions and the Administration.

In January 2008, the results of the research project “Currents induced in the human body by electromagnetic fields of industrial frequency” were presented. As a result, a calculation model of the density of current induced by external fields inside the organism has been obtained. During 2008 the second phase of the project began, which consists of adapting the model for application in real work situations for the personnel potentially subjected to the live elements.

Actions taken against noise contamination

During 2008 work has been carried out on the standardisation of substation design. In this standardisation, the requirements have been defined so that, from the point of view of engineering, the installation of acoustic screens is considered, if necessary, around the transformer banks (facilities which originally, due to its location, did not require noise reduction measures. Now, due to changes in circumstances, generally by city-planning developments, they may now have become a nuisance and therefore require corrective measures).

In TDE noise measurements in the substations have been taken, registering an average daily L_{eq} value of 57.98 dB (A), a value below that established by law (the maximum permissible limit per day is 68 dB (A)).

Other relevant activities

Amongst the activities carried out to protect the socioeconomic environment, noteworthy are the applied measures to diminish the effects on vineyards (D.O. Rueda) during the L/Tordesillas-Segovia construction. Works were planned so as to not interfere with in the agricultural work, use of light machinery to use the paths of the vineyards as accesses and the carrying out of manual excavations, hoisting and hanging of lines.

General aspects of environmental management

STAKEHOLDER RELATION

The correct environmental management is not possible without a fluid communication with all the interested parties.

Internal communication

During 2008, 8.66% of the employees have received specialised environmental training (3.34% in 2007), both in on-line courses and classroom based courses, for a total 2,277 hours. Additionally, numerous awareness campaigns have been carried out with the aim to contribute to improving environmental habits in daily work and family life of each employee.

By means of the «Green Suggestion Box» initiative, proposals from employees about sustainable practise at home and at work are collected (83 proposals in 2008). The winning proposal for 2007, «Let's share a car», is already underway.

Leisure activities were also developed related to raising environmental awareness of the employees, such as the visit to the GREFA facilities with 60 participants (of which 23 were children) and the flora and fauna recognition workshop in Caleruega (Burgos), organized by the corporate volunteer work group in collaboration with the Oxígeno Foundation.

External communication

La principal vía de difusión de la información al exterior es la page web, (www.ree.es). En ella se puede encontrar toda la información ambiental relevante, además de las principales publicaciones en materia de sostenibilidad (memoria ambiental e informe de responsabilidad corporativa). The main channel of communication for the external diffusion of information is the website, (www.ree.es). This channel of communications provides all the environmental relevant information, as



well as the main publications regarding sustainability (environmental and corporate responsibility reports).

The public enquiries and complaints can be made through the new «Dígame» service or via electronic mail –Green Suggestion Box–, mambiente@ree.es. During 2008, 216 environmental enquiries were received via the «Dígame» service (36.8% of the total), with a response level of 94.44%, and 14 via the Green Suggestion Box. Regarding complaints, 27 were received via the «Dígame» service (13.71% of the total), with a response level of 85.2%, and 6 via the Green Suggestion Box.

On the other hand, Red Eléctrica actively participate in numerous working groups, congresses and debate forums of an environmental nature which constitute an important channel for networking, exchanging experiences and learning. In addition, it collaborates with a large number of prestigious companies who work in the field of protection and environmental awareness and which are detailed in chapter 5. During 2008 the «Green Table», a dialogue platform with ecological groups to share and contrast points of view and expectations, was created.

Regarding the relationship that TDE maintains with its stakeholders, noteworthy are their programmes for environmental education for rural schools and the construction of two tanks for the secure storage of dry cell batteries and batteries consumed in the city of Cochabamba (a total of 28 kg per year).

Suppliers

Red Eléctrica consider their suppliers and contractors to be a vital link in the development of their services and for that reason extend their commitment with the environment to each one of them as an integral part of their working team.

The data regarding qualified suppliers with environmental evaluation is included in chapter six, Responsibility towards society.

Also, starting this year, all the companies that wish to be qualified for services deemed to have a risk of contamination which from the environmental point of view is categorised as high (in accordance with Red Eléctrica's environmental classification criteria for suppliers) are obliged to be in possession of a civil liability insurance with coverage of environmental damages.

SANCTIONS AND FINES -EN28-

During the course of the year a total of twelve cases were resolved with a fine (and in some cases, indemnification and reversal costs), two of which date from 2006, three from 2007 and seven from 2008.

CASES RESOLVED WITH FINES AND THE COST OF THE SAME (euros)⁽¹⁾

Infringement Committed	2006	2007	2008
Construction of path without authorisation	1,688	100	-
Lack of maintenance for vegetation	-	541	992 ⁽²⁾
Unauthorised felling and pruning	7,486 ⁽³⁾	100	1,372
Unauthorised occupation of common land	-	200	-
Fire due to line discharge	-	91	-
Unauthorised spanning of water way	-	240	-
Obstruction of water way	-	-	-
TOTAL COST	9,174	822	2,364

(1) The cases resolved are recorded in the year in which they are initiated, therefore the data of the series change in relation to those reported in the 2007 report.

(2) The amount corresponds to 5 cases..

(3) The amount corresponds to 6 cases.



ENVIRONMENTAL COSTS (euros) -EN30-

	2006	2007	2008
INVESTMENTS	6,293,732.62	2,086,624.86	5,078,780.39
Engineering and construction of new facilities	6,293,732.62	2,086,624.86	5,078,780.39
COSTS	9,321,594.39	15,359,789.82	17,213,041.92
Environmental Management System	7,365.73	12,131.82	10,775.00
Preventive and corrective measures for facilities in service	7,489,289.72	13,791,959.98	14,782,548.01
Contamination prevention	305,488.98	430,610.98	428,203.75
Fire prevention	6,664,040.20	12,654,662.30	12,712,352.85
Protection of birdlife	225,921.67	194,255.84	682,533.20
Environmental improvements on facilities	188,903.42	403,132.54	402,414.24
Electromagnetic field and noise management	34,515.34	3,095.16	2,163.97
Waste management	70,420.11	106,203.16	554,880.00
Research and development	355,327.92	283,641.08	496,108.42
Training and communication	451,197.98	408,741.33	711,919.10
Training and environmental awareness	38,130.00	19,476.16	41,814.95
Communication	413,067.98	389,265.17	670,104.15
Environmental taxes and levies	16,820.04	37,232.61	270,719.39
Expenses on personnel dedicated to environmental activities	1,001,593.00	826,083.00	940,972.00
INVESTMENT AND ENVIRONMENTAL COSTS			
Environment Investment / Total investment in the transmission grid (%)	1.22	0.35	0.82
Environmental costs / Total operating costs (%)	2.03	2.11	2.77

Environmental programmes

2008 PROGRAMME

Action areas	Compliance rate
Improvement in the environmental management system and processes	
Portal for inventory and environmental information management of Red Eléctrica's assets:	
Development of 2 new computer applications for the environmental management.	50 % ⁽¹⁾
Improvement in the design of new substations: Integration of environmental criteria in the engineering substation standardisation -EN26-	100 %
Revision of the environmental criteria of the construction process. -EN14, EN26-	20 % ⁽²⁾
Environmental Inventory	
Updating of the environmental inventory of Red Eléctrica's assets:	
60 substations and incorporation of environmental criteria on road maps for line maintenance	⁽³⁾
Biodiversity: preservation of birdlife -EN14-	
R+D+i projects for conservation of nature: birdlife.	100 %
Reduction of accidental spillage risk -EN26-	
Actions to improve substations for the prevention of ground contamination: activities scheduled for 18 power machines; 16 auxiliary machines; 8 fuel tanks; 5 machines with leaks; 9 on ground cleaning; 19 on storage and waste and equipment management; 2 on adequateness of the waste storage area and 7 on compressors.	40 % ⁽⁴⁾
Emission control improvement - EN18-	
Improvement in the integral Management of SF ₆ . Reduction of emissions.	50 % ⁽⁵⁾
Consumption control -EN7-	
Creation of the Group «Red Eléctrica eficiente» (REe).	100 %
Relation with stakeholders	
Supplier environmental awareness:	
e+5 training for qualified suppliers with level 4 and training of works supervisors and managers.	⁽⁶⁾
Environmental awareness of the interested parties: SEPRONA. -EN14-	100 %
Encouraging good environment practises. -EN7-	56 % ⁽⁷⁾
Global Compliance	56 %

(1) The development of one of the tools planned will be done in 2009. (It has not been included in the environmental programme because the work to be performed is primarily related to the IT tool/computer program)

(2) The works have been started, however they will continue in 2009 due to the magnitude of the process to be reviewed

(3) Moves to the 2009 Programme.

(4) It has not been possible to address all the actions. Will continue in 2009.

(5) The works have been started, however they will continue in 2009 (once the works related to the signed Volunteer Agreement begin).

(6) Supplier training has been cancelled. Other alternatives will be used. The training of works supervisors and managers will move forward with the review of the construction process.

(7) Some actions pending completion in 2009.

2009 PROGRAMMES

Action areas

Improvement in the environmental management system and processes -EN14, EN26-

Revision of the environmental criteria of the construction process.

Environmental Inventory

Updating of the environmental inventory of Red Eléctrica's assets .

Biodiversity: preservation of birdlife -EN14-

R+D+i projects for conservation of nature: birdlife.

Reduction of accidental spillage risk -EN26-

Actions to improve substations for the prevention of ground contamination.

Emission control improvement -EN18-

Control and compensation of emissions in Red Eléctrica.

Consumption control -EN7-

Efficiency Improvements in consumption of natural resource.

Relation with stakeholders

Integration with the environment of substations in service.

Encouraging good environment practises. -EN5, EN7, EN18-

Environmental awareness of the interested parties:

Agreement with the Generalitat de Catalunya for prevention of forest fires. -EN14-

Environmental awareness of suppliers.

Main Environmental Indicators.

Subsidiary companies

KEY ENVIRONMENTAL INDICATORS TDE

Environmental objectives	2006	2007	2008
Compliance with the environmental programme (percentage)	100	98	99
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 ⁽¹⁾ (kW h)	1,100,280	825,865	841,724
Total electricity consumption ⁽¹⁾ (Joules) -EN4-	3,9.10 ¹²	2,9.10 ¹²	3,0.10 ¹²
Electricity consumption ⁽¹⁾ (kWh/employee)	9,169	6,940	6,734
Total water consumption ⁽²⁾ (m ³) -EN8-	11,309.2	13,185	15,992
Water consumption ⁽²⁾ (m ³ /employee)	94	111	128
Total fuel consumption of fleet vehicles ⁽³⁾ (litres)	119,190	142,618	119,240
Fuel consumption of fleet vehicles ⁽³⁾ (l/car)	3,222	4,074	3,974
Performance of fleet vehicles (litres consumed/100 km)	6.0	6.6	5.6
Fuel consumption of electricity generators in substations. (litres)	680	36	376
Total fuel consumption (Joules) -EN3-	4,4.10 ¹²	5,3.10 ¹²	4,4.10 ¹²
Greenhouse gas emission			
Direct emissions - fuel consumption - (t of CO ₂ equivalent) ⁽⁴⁾	324	385	323
Indirect emissions - derived from electricity consumption - (t of CO ₂ equivalent) ⁽⁵⁾	591	443	405
Total emissions (t of CO ₂ equivalent) -EN16- ⁽⁴⁾	914	829	728
Waste generated (amounts managed) kg -EN22-			
Non-hazardous			
Municipal waste	15,045	11,219	17,402
Plastic waste	656	324	401
Paper waste (cardboard, newspapers, magazines)	2,145	2,030	2,638

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Hazardous	2006	2007	2008
Cartridges and printer toner ⁽⁶⁾	105	193	165
Dry cell batteries and batteries	282	25	9
Sanitary goods and out-of-date medicine	2.1	2	5
Miscellaneous solids impregnated with dielectric oils	120	33	6
Accidents (oil and fuel spills) -EN23-			
Total number of environmental accidents	None	None	None
Training and environmental awareness training			
Percentage of employees who have received training in environmental matters	92	100	93
Number of external people who have received information in environmental areas during project execution.	783	1,176	0 ⁽⁷⁾
Environmental communication with interested parties			
Number of environmental enquiries	3	1	3
Number of environmental complaints	1	-	0
Sanctions and fines -EN28-			
	0	0	0
Environmental costs and investment -EN30-			
Environmental investment (USD)	9,426	-	0
Environmental investment / Total investment (%)	0.05	-	0
Environmental costs (USD)	30,258	41,663	64,263
Environmental costs / total costs (%)	0.3	0.4	0.9

(1) Data from Headquarters, regional centres of Valle Hermoso, Potosí, Oruro, Santa Cruz and the warehouse at La Maica.

(2) Data from the public main 10,287 m³ well 5,705 m³. Used in gardens and toilets.

(3) The fleet has a total of 30 vehicles.

(4) In the 2007 report, there is an error in this data.

(5) Source for calculation: International Energy Agency 2006. Data for Bolivia, mixed generation.

(6) The unit of measure is pieces.

(7) No projects were executed this year.

KEY ENVIRONMENTAL INDICATORS REDESUR

Environmental objectives	2006	2007	2008
Compliance with the environmental programme (percentage)	86	89	100
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 (kW h)	130,846	135,814	150,009
Total electricity consumption (Joules) -EN4-	4.7·10 ¹¹	4.9·10 ¹¹	5.4·10 ¹¹
Electricity consumption (kWh/employee)	8,723	7,989	7,143
Total water consumption (m ³) -EN8-	1,149	1,020	1,006
Water consumption (m ³ /employee)	76.6	60.0	59.2
Total fuel consumption of fleet vehicles (litres)	3,475	3,060	824
Fuel consumption of fleet vehicles (l/car)	1,390	1,530	412
Fuel consumption of electricity generators in substations. (litres)	996	768	1.353
Total fuel consumption (Joules) -EN3-⁽¹⁾	1.6·10 ¹¹	1.4·10 ¹¹	8.0·10 ¹⁰
Greenhouse gas emission			
Direct emissions - fuel consumption - (t of CO ₂ equivalent) ⁽¹⁾	12.1	10.3	5.9
Indirect emissions - derived from electricity consumption - (t of CO ₂ equivalent) ⁽²⁾	27.0	28.0	29.7
Total emissions (t of CO ₂ equivalent) -EN16-⁽¹⁾	39.0	38.3	35.6
Waste generated (amounts managed) kg -EN22-			
Non-hazardous			
Municipal waste	693	639	604
Paper waste (cardboard, newspapers, magazines)	-	41	90
Hazardous			
Cartridges and printer toner	17.7	11.5	0.5
Dry cell batteries and batteries	0.5	0.9	5.5
Sanitary goods and out-of-date medicine	-	2.5	1.5
Miscellaneous solids impregnated with dielectric oils	27	27.6	53.5
Accidents (oil and fuel spills) -EN23-	0	0	0

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	2006	2007	2008
Training and environmental awareness training			
Percentage of employees who have received training in environmental matters	35	35	39
Environmental communication with interested parties			
Number of environmental enquiries	0	1	0
Number of environmental complaints	0	1	0
Supplier / subcontractor environmental behaviour			
Number of suppliers	10	10	11
Percentage of suppliers / contractors with SGMA certified ISO 14001	1	1	1
Sanctions and fines -EN28-			
	0	0	0
Environmental costs and investment -EN30-			
Environmental Investment	0	0	0
Environmental costs (USD)	-	38.000	-
Environmental costs / total costs (%)	-	2,5	-

(1) In the 2007 report, there is an error in this data.

(2) Source for calculation: International Energy Agency 2006. Data for Peru, mixed generation.

08

Annexes

Report Parameters

PROFILE, SCOPE AND COVERAGE -3.1, 3.2, 3.3-

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 2008 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 (edition 2006 -G3-), edited by the Global Reporting Initiative (GRI) and for the fifth consecutive year it **has been checked in accordance with the standards AA1000**.

In keeping with the requirements of the G3, the team responsible for defining the contents has paid special attention to the stakeholders, integrating the majority of their proposals with emphasis on the contributions received from bodies and entities that disseminate and evaluate Corporate Responsibility.

With regards **to the coverage**, this report includes complete information about the activities and results of the Group's main activity: the electrical business in Spain, Red

Eléctrica de España, SAU (REE) which constitutes the major part of the company's turnover, 93%. In addition, the contribution of the international activities has continued to improve, especially TDE (Bolivia) and to a lesser degree the company REDESUR (Peru) which is participated in with 33.7%, a small company (18 employees) for which the most relevant indicators are shown. **-3.5, 3.6, 3.7, 3.11-**

Additionally, this report gathers information on some of the actions and results which prove the commitment of the organisation with the compliance of and support for human rights and labour rights. 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.

It should be added that this report is completed with the publication of Red Eléctrica Group's Corporate Governance Report and Annual Report which includes the Group's Corporate Management Report, and are complemented with the information published on the website (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 information systems used to provide the data and the results included in this report are subjected to different internal and external control, supervision and auditing processes. The contents of this report have been checked by an independent auditing firma and the corresponding verification process is included at the end of this chapter. The verification process comprises 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** have been subjected to an **external audit** and are published in greater detail in the company's Annual Report and Environmental Report for 2008. **-3.9-**

Red Eléctrica have followed the protocol established by the GRI and has submitted its self-evaluation to 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 maximum level of application A+.

GRI application level (G3)

	C	C+	B	B+	A	A+
Self evaluation (REE)						
External evaluation Independent Consultant						
GRI evaluation						

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PERFIL

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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. (19)

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.

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Notas de la tabla de indicadores GRI

- (1) *Not applicable. No direct effect on the ecosystems due to water consumption.*
- (2) *Not applicable. These emissions are not generated directly.*
- (3) *Not applicable. Red Eléctrica has no dumping activities associated with productive processes.*
- (4) *Not applicable. No water tipping takes place.*
- (5) *Not applicable. No products exist.*
- (6) *No impacts are considered other than those indicated in EN3, EN4, EN16 and EN17*
- (7) *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 Principles Compact and Human Rights in carrying out its activities whether they be carried out by its own personnel or subcontracted personnel.*
- (8) *All employees have been informed of and trained using the ethical code on ethical principles which must rule their daily activity, in which are specifically included the criteria and procedures to be carried out to comply strictly with human and labour rights. Another of the aspects on which employees have been trained is the policy and measures of anti-corruption, especially in those organizational units involved.*
- (9) *In 2008, no complaints or incidents associated with discrimination were recorded.*
- (10) *The activities carried out by the company are characterised for being intensive in highly qualified human capital making it highly unlikely for there to appear any problems related with human rights, such as child and forced labour, or freedom of association. In addition the management system certification based on the SA8000 standard verifies that these human and labour rights are guaranteed.*
- (11) *No incidents related to the infringements of the rights of the indigenous people have been registered.*
- (12) *No contributions have been made to any political parties.*
- (13) *No legal claims exist related to acts taken against the competition, anti-monopolistic legislation and monopolistic practices.*
- (14) *In 2008 the Generalitat de Cataluña imposed an 11 million euro sanction on Red Eléctrica de España, as a result of the interruption of electricity supply in Cataluña occurred 23 July 2007, sanction which is provisioned and appealed before the Court of Justice.*
- (15) *No se ha registrado ningún incidente significativo vinculado al incumplimiento de la regulación legal o de los códigos voluntarios relativos a los impactos de los productos y servicios en la salud, y la seguridad durante su ciclo de vida.*
- (16) *Not applicable. The products of Red Eléctrica are exempt from labelling.*
- (17) *Red Eléctrica does not have any campaigns for advertising or commercial purposes.*
- (18) *No claims have been filed with regards to infringements of customers' rights to privacy or the theft and loss of personal data.*
- (19) *Not withstanding that indicated in paragraph S08 above, no significant fines have been imposed due to breach of laws and provisions regulating the supply and use of products and services*

United Nations Global Compact -4.12-



The Red Eléctrica Group has considered, as a whole, to be adhered and support the United Nations Global Compact. The Board of Directors and senior management team consider this initiative as a high value proposition for the defence of Human rights, respect for the Environment, committed support for the social advance in all its aspects and the fight against corruption.

Red Eléctrica is founder member of the Spanish Global Compact Association (ASEPAM) and annually presents the Progress Report, like TDE do. The reports can be consulted on the Spanish Global Compact website (www.pactomundial.org). For the Group, supporting the Global Compact and keeping its commitments with its principles represents a key cornerstone when developing and implementing Corporate Responsibility policies.

ASPECTS GLOBAL COMPACT PRINCIPLES - DIRECT 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, S01**
2. Companies will ensure that their companies are not involved in any infringement of human rights. **HR1-2, HR8**

Labour rights

3. Companies will support freedom of association and the effective acknowledgement of the right to collective bargaining. **HR5, LA4, LA5**
4. Companies will support the eradication of all types of forced labour or labour carried out under coercion. **HR7, HR1-3**
5. Companies will support the eradication of child labour. **HR6, HR1-3**
6. Companies will support the abolition of discrimination at work and in occupation. **HR4, LA2, LA13, LA14, HR1-2, EC5, EC7, LA3**

Environment

7. Companies will maintain a preventive approach that favours the environment. **4.11-12, EC2, EN26**
8. Companies will encourage initiatives to promote greater environmental responsibility. **EN2, EN5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30 EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4**
9. Companies will favour the development and diffusion of technologies that respect the environment. **EN2, EN5-7, EN10, EN18, EN26-27, EN30**

Anti-corruption

10. Companies will work towards eradication of corruption in all its forms including bribery and extortion. **S02-S05**

The Millennium Development Goals in the Red Eléctrica Group

The Red Eléctrica Group has an active role in the achievement of the Millennium Development Goals (MDG) promoted by the United Nations through the numerous actions of corporate responsibility in the social and environmental context that it has been developing over the last seven years.

During 2008 the Group has continued to work in order to reach significant improvements relating to the following: eradication of poverty, universal primary education, sexual equality, infant mortality, improvement of maternal health, advances in HIV/AIDS, sustainability of the environment and the promotion of a world association to favour development.

Among the initiatives implemented to support the fulfilment of these aims and to help attain a more equitable and sustainable world, it is necessary to highlight the cooperation with the non-governmental organization for the development, Help in Action (Ayuda en Acción), to contribute to the advancement of Goal N°2: Achieve universal elementary education. This is an educational project designed to improve the educational infrastructure in Peru (Lambayeque and Cajamarca) which allows boys and girls to attend the primary education centre in ideal conditions of hygiene and safety.

Additionally, TDE, the Bolivian subsidiary is developing a programme together with IFC (International Finance Corporation) to promote the access and use of renewable energies in rural populations in Bolivia, therefore contributing to the achievement of Goal N°7: Guarantee the sustainability of the environment and more specifically to improve the life of the inhabitants of marginal areas. In the first stage of the project, the factors that influence the use of the different energy sources, the situation and condition of the communities, as well as the social and cultural factors and the outcome of the various programmes tackled by government organisations and NGOs have been established.

These projects are completed with other actions described in the chapter responsibility towards society, epigraph support to the community.

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

Our commitment towards the reduction in the use of paper has driven us to integrate all the information regarding the activity of the company in the 2008 fiscal year into only one document which is accompanied by the legal documentation (corporate governance report and annual consolidated accounts). All these reports are being published exclusively in electronic format.

In addition, we have published, in paper format, a summary report with all the most relevant aspects of the 2008 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 global helpdesk Dígame.

Publishing the documents in electronic format has represented a savings of 21 tonnes of paper, with an estimated reduction of the environmental impact of:



◀ 294 trees



◀ 38 tonnes in CO₂ equivalent



◀ 1 million litres of water

Verification Report



VERIFICATION REPORT

SCOPE

SGS ICS Ibérica (ahead SGS) has carried out, commissioned by Red Eléctrica de España (ahead REE), an independent verification of the document INFORME DE RESPONSABILIDAD CORPORATIVA 2008

The scope of the verification includes the text and data contained in the reference document; not including the information and/or data referenced and not introduced in the document

INDEPENDENCE

The information contained in the verified document and its elaboration is the sole responsibility of REE. SGS has not participated nor advised in the elaboration of the verified document, only participating as independent verifier, checking the adequacy of the document content. The content of this Report of Verification and the opinions contained in it is the sole responsibility of SGS.

VERIFICATION

Methodology and verifier team

The methodology used was the one developed by SGS for the Verification of Sustainability Reports, this consists on audit procedures according to ISO 19011 and verification mechanisms according GRI Guidelines (G3) 2006 and AA1000 Assurance Standard (2008), these include:

- Interviews with the personnel responsible for data obtaining and preparation
- Documents and records review (internal and public ones)
- Verification of data and its validation with the sources

Particularly, for this verification the data of the economic area were assessed against the certification of the annual accounting audit carried out by Price Waterhouse Coopers

An appropriate evolution and achievement of 2008 commitments have been valued by verification team. Those are described in INFORME DE RESPONSABILIDAD CORPORATIVA 2007. Annex to INFORME DE RESPONSABILIDAD CORPORATIVA 2008 related GRI Indicators are related. Those are all verified, showing not mistakes or significant missing indicators once the review has been done.

Verification team is composed by SGS staff

- D^a María Belén de Rábago Gómez
- D^a Lourdes Carabias
- D. Francisco Javier García-Consuegra

Verification team was assembled based on their knowledge, experience and qualifications for the accomplishment of this task



VERIFICATION REPORT

Assessment of AA1000AS principles:

The Corporate Responsibility Report has been assessed in accordance with Assurance Standard AA1000AS. REE Corporate Responsibility Report applies AA1000AS principles of Materiality, Completeness and Responsiveness, thereby guaranteeing the quality and credibility of the data and information it gives.

- **Materiality:** REE Corporate Responsibility Report gives balanced and fair information about environmental, social and economic issues.
- **Completeness:** REE ensures that the identification of material issues and their relation to the stakeholders for whom they are material is fair and balanced in the report.
- **Responsiveness:** REE provides systematic responses to important and relevant issues, and communicates this information to stakeholders without any misstatement.

We have reviewed the degree of progress and fulfilment of the CR commitments for 2008 described in the 2007 Corporate Responsibility Report, as well as REE stakeholder-related actions.

Appendix of the 2008 Corporate Responsibility Report, regarding GRI indicators, lists the verified indicators, showing no mistakes or significant indicators were missing once the review had been conducted.

IMPROVEMENT AREAS

- Information about subsidiary company indicators TDE & REDESUR is not lined with REE Spanish results
- Report should show evolution about projects with long term vision, for example SOLIDI PROJECTS

STRONG POINTS

- I+D+I Strong increase of investment during 2008 (+60, 7%) focus in environmental care and working conditions
- CECRE operatively, object about increasing renewable energy sources integration, especially wind energy. About last one, is integrated to electric energy production from the total generated in Spanish wind farm with a individual installation power over 10MW
- E-voting in General Shareholder Meeting has increased participation form 53186 in 2007 to 64670 in 2008 , what represent a 21, 6% rise in e-voting
- Increase results of Dow Jones Sustainability Index about Risk Management from 70 to 92 between 2006 y 2008 (performance indicators)
- About society, sustainability projects are used as a social and economical dinamization and reactivation tools for small villas in economic depression to develop employment in those areas
- Sensitisation and training about responsible use of energy for young people in Spanish villas



VERIFICATION REPORT

- Deloitte Reconnaissance Report on 25th of February of 2009 about Best International Practiques for internal control

CONCLUSIONS

Based on the verification carried out, the SGS verification team considers the following:

- INFORME DE RESPONSABILIDAD CORPORATIVA 2008 – REE, contains reliable information and data, these are a coherent representation of the activities and its results for the period reflected in the document, which has been elaborated according to the requirements of Sustainability Reporting Guidelines G3 2006 from Global Reporting Initiative (GRI), and AA1000 Assurance Standard (2008).
- The GRI Application Level declared by REE (A+) is appropriate
- REE has implemented management systems to identify and respond to social, economic and environmental impacts of its activities, including identification and answer to stakeholder views

María Belén de Rábago
Madrid, 23 de abril de 2008
SGS ICS Ibérica, S.A

Internal control model of Financial Reporting

The new business community environment demands from companies ever increasing commitments regarding the protection of the interests of its shareholders, clients, employees, creditors, suppliers and the society as a whole.

These new demands, take form, amongst other aspects, in the establishment, on behalf of the companies, of specific measures to reinforce the confidence in the information of all type that is provided externally-

Red Eléctrica, within this context, carried out in the 2007 fiscal year the «Revision of its Internal Control of Financial Reporting» project. The aim of this Project was to obtain improvements in the efficiency and security of the company's economic-financial information drafting process, as well as to be one step ahead in anticipation of the new regulatory requirements regarding internal control and corporate governance, adopting voluntarily the best international practices, amongst others those set out by the Sarbanes-Oxley Act.

The reference framework used by Red Eléctrica in the definition of its Internal Control of Financial Reporting System is that set out in the *Internal Control Integrated Framework*, Published by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. This system is characterised by the existence of a set of components associated to aspects such as; internal control environment, establishment of objectives, identification of events, evaluation and response to risks, control activities, information and communication, and the supervision of the model. All these aspects as a whole allow the adequate functioning of the System.

This model has been operative since 2008 and has been submitted to an external evaluation by the external consultants, concluding that Red Eléctrica maintains, in all the significant aspects, an effective internal control system for the generation of financial information.



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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 on the generation of the financial information included in the Consolidated Financial Accounts of Red Eléctrica Corporación, S.A. and Subsidiaries ("the Company") at 31 December 2008. 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 on the generation of the 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. A financial reporting internal control system is designed to provide reasonable assurance on the reliability of the financial information in accordance with the accounting principles and standards applicable to it. A financial reporting internal control system 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 2008 the Company maintained, in all material respects, an effective internal control system on the generation of financial information included in the Consolidated Financial Accounts and this internal control system is based on the rules and policies defined by Company management.

DELOITTE, S.L.

Jesús María Navarro

25 February 2009

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Red Eléctrica works on selecting the most legible typographical font for their publications. The typographical font DIN has been used for the texts in this report.