

**Corporate**  
Responsibility  
Report  
2011

On the road  
to sustainable  
energy



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# Letter from the Chairman

## DEAR READER

I have recently assumed the presidency of Red Eléctrica with the aim of continuing to work on the path towards excellence and corporate responsibility that has characterised the way in which the activities of the Company have been carried out throughout the years.

As you may know, my presence in Red Eléctrica is not new. As a member of the Board of Directors since 2008 I have had the opportunity to follow its evolution very closely, and my commitment is to continue strengthening the foundations that guarantee the growth expectations set by the Company.

On this occasion, I have been bestowed the honour of presenting in this report the results of the 2011 fiscal year, which are the result of the fine effort of the excellent people that make up this Company to which I am now incorporated as Chairman.

I would also like to take advantage of this opportunity to give recognition to my predecessor, Luis Atienza, whose outstanding management has placed the Company in a great position to be able to take on the great challenges of this decade.

In this fiscal year, the Company has obtained highly satisfactory results and has once again fulfilled its commitment to the shareholders and investors, with a growth in profits and in dividend per share which have surpassed the objectives that were initially set.

*José Folgado takes over from  
Luis Atienza in the role of  
Chairman of Red Eléctrica.*



The fiscal year's results have exceeded the average annual growth of last the five years: net turnover increased by 17% with respect to 2011, EBITDA by 21% and the annual results grew 18%, reaching 460 million euros. In addition, the Company has concluded the acquisition process of transmission assets that began ten years ago.

My commitment is to continue strengthening the foundations that guarantee the growth expectations set by the Company.





This growth in the financial results comes as a result of the remarkable investment programme being carried out and the efforts being made by the Company to improve operating and financial efficiency. The investment programme is geared towards ensuring that the objectives set out in the electricity infrastructure plan are met, a plan whose ultimate objective is to guarantee a high quality, safe and efficient electricity supply for consumers.

In 2011, investment in the transmission grid represented a total of 819 million euros and was primarily focused on enabling the evacuation of the new installed generation, to facilitate the powering of the new high speed train routes, to provide support for the distribution networks and, above all, to strengthen international interconnections.

In this fiscal year we have commissioned more than 1,700 km of electricity line circuit, noteworthy amongst these infrastructures is the electricity connection between the Spanish peninsula and the Balearic Islands, a project of enormous significance that is fundamental in assuring and improving the reliability of the electricity supply in the Balearic archipelago.

The Spanish electricity system is evolving towards a new model which is more sustainable, based on security of supply, competitiveness, efficiency and respect for the environment. It is a model in which electricity will play an increasingly important role as an energy vector in taking advantage of renewable energies, increasing energy efficiency and in the fight against climate change. This represents a significant challenge for Red Eléctrica in the search for technical solutions for system operation and in the development of demand-side management strategies that contribute to making the operation of the electricity system more efficient.

In this respect, throughout 2011 the Company continued working towards furthering an improved integration of renewable energies into the electricity system, which allows demand to be covered by intermittent energies without the security and the quality of the supply being affected.

Our Control Centre of Renewable Energies, CECRE, is a world reference in the safe integration of renewable energies. This centre has allowed a new record of demand coverage to be established, when on 6 November last year, wind energy covered 59.6% of the peninsular demand. This data, ratified through international recognition, has allowed us to feel sure that we are well-prepared to face, with guarantees, the challenges of the future energy mix.

We are setting the foundations for how information technologies could be applied to the complete set of grids and how the system as a whole could benefit. Smart grids, as they are known, will play a very important role over the coming years and, therefore, we are already working on their implementation.

With respect to our business management, in 2011 we received the European Award for Management Excellence, from the EFQM (European Foundation for Quality Management), without a doubt the most important international award in the field of business excellence. It represents a recognition of which we can all feel extremely proud, as we are the first large Spanish company to have received it.

But despite all these activities, we cannot assume that everything has already been done. We must continue growing not only to guarantee the correct operation of the electricity system but also to continue creating value for our shareholders. For this reason, in the future, our strategy will be carried out with a focus on excellence in our operations and with a clear orientation towards quality and security of supply and to the sustainability of the energy model.

In this respect, our investment plan follows the trajectory established in previous years and our business management shall be carried out with a focus on operational efficiency and financial strength. We must continue to concentrate on the solid and sustainable creation of value for the shareholders maintaining a pay-out per dividend in line with the growth of the Company's results.



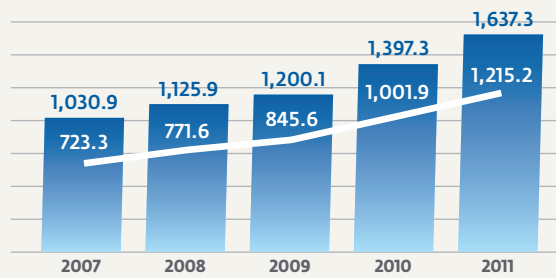
José Folgado Blanco

**Chairman**

# Key Financial Figures

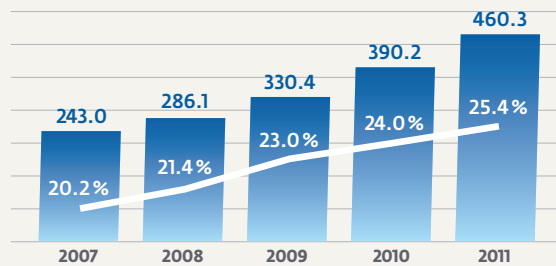
## Consolidated net turnover (€ million)

Consolidated net turnover  
EBITDA



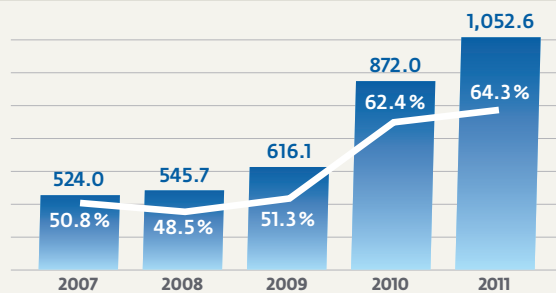
## After tax results (€ million)

After tax results  
Return on Equity (ROE)  
(Net income/Net equity)



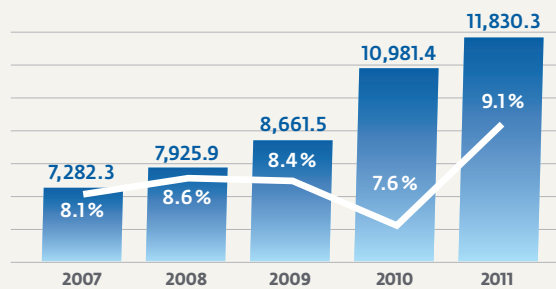
## Cash-flow after tax (€ million)

Cash-flow after tax  
Cash-flow/ Turnover



## IGross fixed assets (€ million)

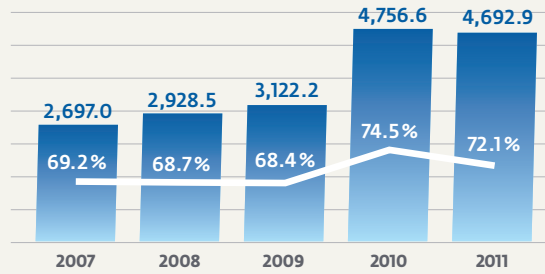
Gross fixed assets  
Return on Assets (ROA) after tax  
(EBIT/Net assets)



### Net financial debt

(€ million)

■ Net financial debt  
— Net financial debt/  
Net financial debt  
+ Net equity



### Dividend per share

(euros)

■ Dividend per share  
— Consolidated pay-out



### Transmission grid

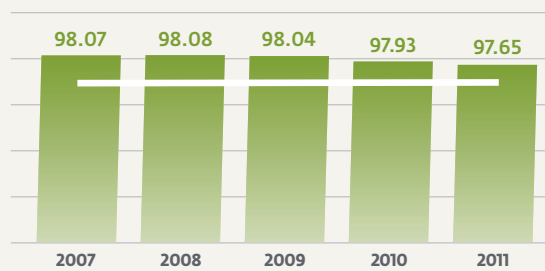
■ Kilometres of circuit  
— Substation bays



### Grid availability

(percentage)

■ Availability index  
— Reference value  
(R.D. 1995/2000): 97 %



### Workforce

(number of people)

■ Red Eléctrica Group  
■ Workforce in Spain

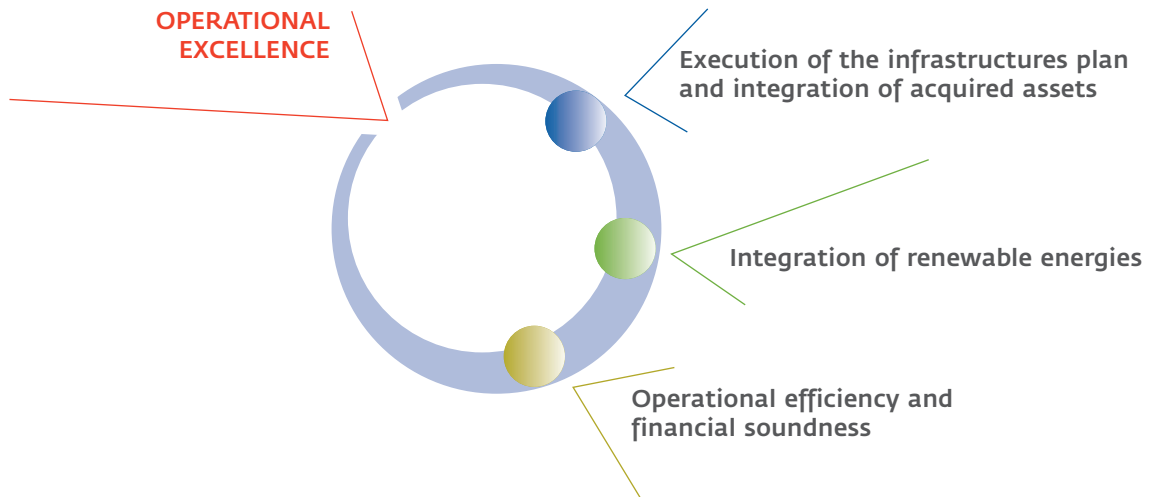




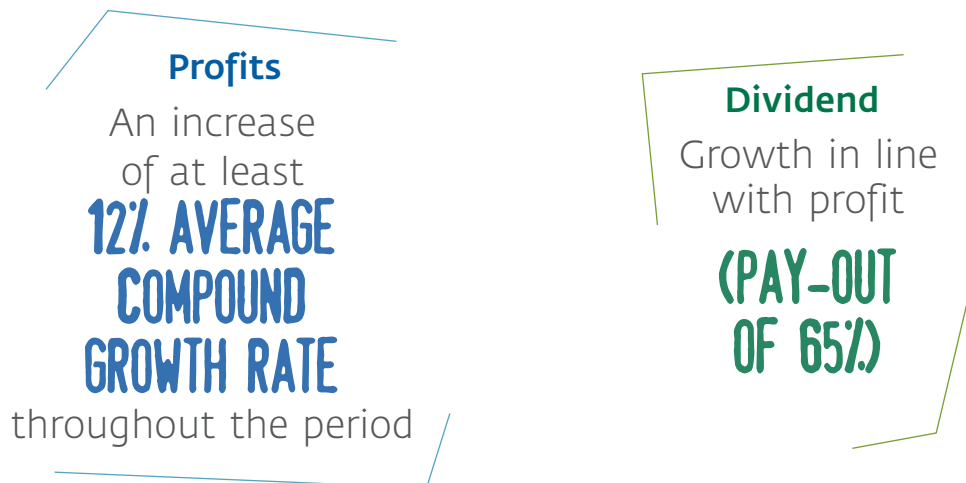
## Strategic Plan 2011-2015

The strategic plan is developed with a focus on operational excellence and with a clear orientation towards service quality and security of supply.

### Key strategic lines



### Financial objectives 2012-2015



# 1

## Company Profile



Can you imagine your life with no electricity?  
Our mission is to ensure you are never without it,  
**24 hours a day 365 days a year.**

## Red Eléctrica, cornerstone of a sustainable energy future

Red Eléctrica de España, S.A. established in 1985 under the provision of Law 49/1984 of 26 December was the first company in the world exclusively dedicated to the transmission of electricity and the operation of the electricity system. Law 17/2007 confirmed these functions and also granted it the function of sole transmission agent, an activity that it carries out under a regime of exclusivity. **-2.1-2.6-**

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

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

Red Eléctrica Corporación, as parent company of the Group, is quoted on the Spanish Stock Exchange and forms part of the select IBEX 35 index with a weighting of 1.39% at the close of 2011.

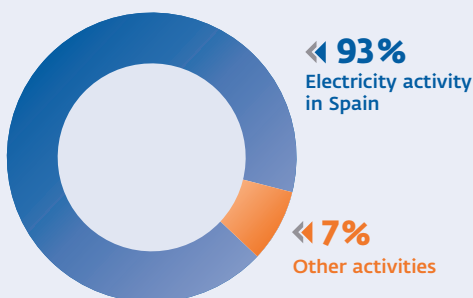
More than  
**40,000**  
kilometres  
of electricity  
lines in Spain

**1,800**  
employees  
in the Group

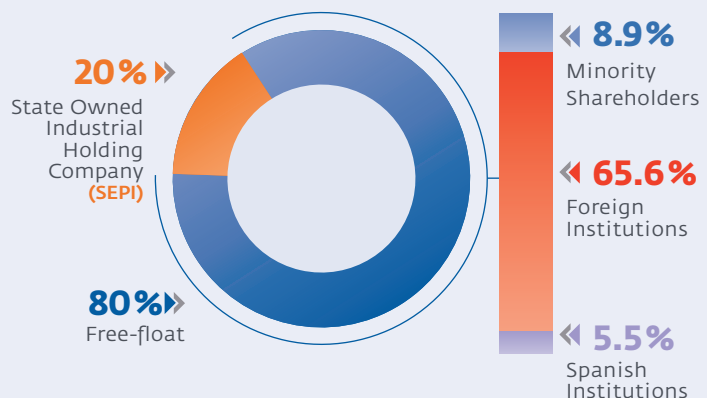
### Key factors of our corporate management

- ◆ Independence from the other electricity system agents.
- ◆ Neutrality, efficiency and transparency.
- ◆ Commitment to sustainable development.
- ◆ Corporate management excellence.
- ◆ Organisation based on people.

### Distribution of the net consolidated turnover 2011



### Shareholder structure 31.12.2011



## Electricity Activities in Spain

-2.2-2.5-2.7-

### Electricity system operator

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

### Sole transmission agent and grid manager

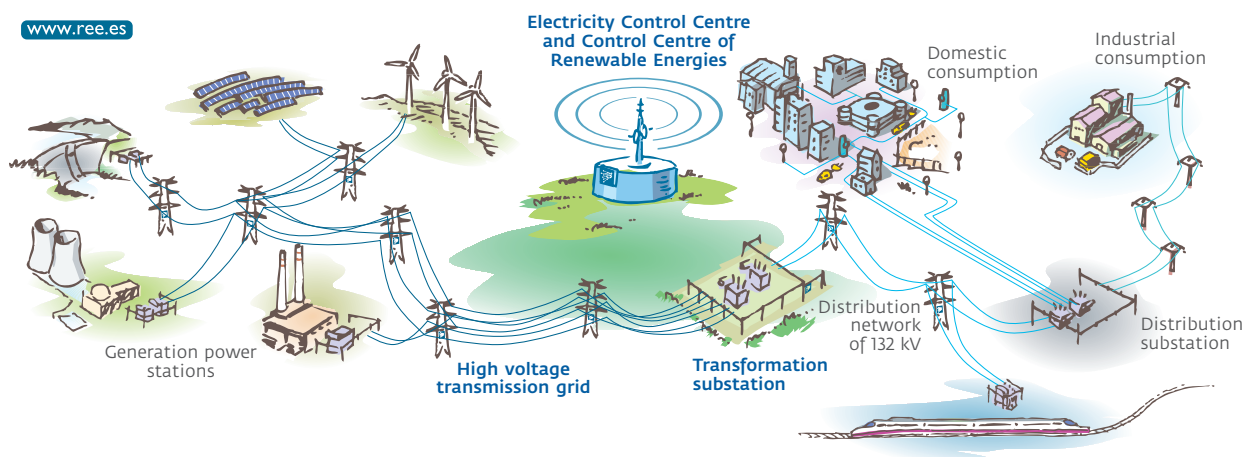
Red Eléctrica, in its role as manager of the high voltage grid, acts as the sole transmission agent, carrying out this function under a regime of exclusivity, and is responsible for the transmission of electricity from the generation points to the areas of consumption. In addition, it has the responsibility of developing, extending and maintaining the transmission grid under homogenous and coherent criteria.

Furthermore, it is responsible for managing the transmission of energy with external systems and guaranteeing grid access to third parties under equal conditions. Red Eléctrica is the owner of the entire Spanish high voltage grid, a grid with more than 40,000 km of lines at the close of 2011.



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

[www.ree.es](http://www.ree.es)



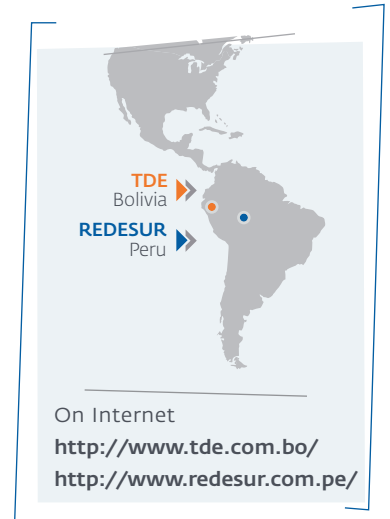
## International Activity **-2.2-2.5-2.7-**

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

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

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

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



## Management Structure (as at 31 December 2011) **-2.3-**

### Red Eléctrica Corporación, S. A.

Chairman and CEO **Luis Atienza Serna**

### Red Eléctrica de España, S. A. U.

#### General Management team - Business divisions

General Manager of Finance and Administration **Esther Rituerto Martínez**

General Manager of System Operation **Alberto Carbajo Josa**

General Manager of Transmission **Carlos Collantes Pérez-Ardá**

#### Senior Management team

Director of Legal Services **Rafael García de Diego Barber**

Director of Human Resources **José García Moreno**

Director of Regulation **Luis Villafruela Arranz**

Director of Corporate Responsibility and Institutional Relations **Antonio Calvo Roy**



## Key Figures -2.8-

### Main data of the Red Eléctrica Group

#### Key consolidated figures

(€ million)

	2007	2008	2009	2010	2011
Net turnover	1,030.9	1,125.9	1,200.1	1,397.3	1,637.3
Gross operating profit (EBITDA)	723.3	771.6	845.6	1,001.9	1,215.2
Net operating profit	243.1	286.1	330.4	390.2	460.3
Cash-flow after tax	524.0	545.7	616.1	872.0	1,052.6
Net financial debt	2,697.0	2,928.5	3,122.2	4,756.6	4,692.9
Net equity	1,202.8	1,336.5	1,439.2	1,624.6	1,813.5
Total assets	5,315.0	5,813.3	6,201.6	8,283.9	8,765.5
Total investments	727.8	635.1	758.7	2,308.8	844.3
Number of employees <sup>(1)</sup>	1,468	1,594	1,679	1,763	1,800

#### Long-term financial ratings <sup>(5)</sup>

Moody's

A2 A2 A2 A2 A2

Standard & Poor's

AA- AA- AA- AA AA-

#### Sustainability indexes (global rating)

Dow Jones Sustainability Indexes

76 71 74 73 76

FTSE4Good y FTSE4GoodIBEX

Incorporated in 2008.

#### Certifications

Quality: ISO 9001

Environment: ISO 14001

Occupational Health and Safety: OHSAS 18001

First group within the Spanish electricity sector to hold the joint certification for all the activities of the Group– held since 2004.

### Information on the electricity activity in Spain

#### Red Eléctrica de España, S.A.U. <sup>(2)</sup>

	2007 <sup>(3)</sup>	2008	2009	2010 <sup>(3)</sup>	2011
Adjusted turnover (€ million)	1,010.3	1,095.8	1,157.2	1,340.8	1,579.0
Investments (€ million)	720.3	632.2	753.3	2,306.2	836.6
Electricity lines (kilometres of circuit)	33,665	34,319	34,750	38,395	40,133
Substations (bays)	3,042	3,162	3,385	4,607	4,854
Transformer capacity (MVA)	58,459	62,859	66,259	72,432	74,920
Optical fibre grid (km of cable)	21,300	23,146	24,286	26,085	27,277
Number of employees <sup>(4)</sup>	1,317	1,443	1,523	1,618	1,633

#### Corporate Responsibility Certifications

SA 8000

Certified since 2005.

EFR 1000

Certified since 2009.

RS 10

Certified since 2009.

(continued on next page)



## Key

Figures -2.8- (continued)

### Data related to the international electricity activity

#### Red Eléctrica Internacional <sup>(4)</sup>

	2007	2008	2009	2010	2011
Number of employees	10	11	4	4	4
<b>TDE (Bolivia)</b>					
Net turnover (€ million)	20.9	23.9	26.6	28.9	28.8
Investments (€ million)	7.4	2.9	5.4	2.1	4.8
Electricity lines (kilometres of circuit)	2,189	2,190	2,190	2,190	2,190
Substations (bays)	22	22	23	23	24
Number of employees	119	120	121	123	128
<b>Corporate Responsibility Certifications</b>					
SA 8000	Certified since 2007.				
RS 10	Certified since 2009.				

#### REDESUR (Perú)

A company in which it holds a 33.75% stake

	2007	2008	2009	2010	2011
Net turnover (€ million)	9	8	10	11	10
Investments (€ million)	0	0	0.5	0.3	0.1
Electricity lines (kilometres of circuit)	532	532	533	534	534
Substations (bays)	11	11	11	11	11
Number of employees	17	17	19	19	19
<b>Corporate Responsibility Certifications</b>					
RS 10	Certified since 2009.				

(1) Includes all the companies which form part of the scope of consolidation.

(2) Red Eléctrica de España, S.A.U. includes data of Red Eléctrica Corporación.

(3) In 2007, the acquisition of 5% of REN for 98.8 million euros is included in the investments for that year. In 2010, the acquisition of assets on the Balearic Islands and the Canary Islands is included in the investments of that year.

(4) Includes 4 employees of Red Eléctrica Corporación.

(5) Subsequent to the closing of the 2011 fiscal year and owing to the fact that the rating of the Kingdom of Spain was lowered by two notches, Standard & Poor's lowered by one level the rating -going from AA- to A+.

# 2

## Corporate Governance



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

## Rules of Governance applied by the Company -4.6-4.7-4.8-4.9-

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

### New initiatives introduced in 2011

#### Articles of Association and Regulation of the General Shareholders' Meeting

- ◆ Adaptation to the new legal requirements as set out in Law 12/2010, of 30 June, and in Royal Legislative Decree 1/2010, of 2 July, that approves the revised text of Capital Companies Law, approved in the General Shareholders' Ordinary Meeting in April 2011.
- ◆ Commencement of a new revision process of the Articles of Association and the Regulation of the General Shareholders' Meeting to adapt them to the legislative modifications regarding corporate governance matters approved in the 2011 fiscal year, in particular, Law 25/2011, 1 of August. It will conclude with the approval of the Board of Directors to be raised at the next General Shareholders' Meeting.

#### Regulation of the Board of Directors

- ◆ Revision of the contents to adapt them to the legislative modifications approved during 2010 and 2011. The Corporate Governance and Responsibility Committee has drafted a proposal for modification that shall be submitted to the Board for approval, with the necessary technical adjustments. This will take place once the statutory rules are published that set out the new regulatory standards of the Corporate Governance Annual Report and of the new Annual Report regarding Board member remuneration.

#### Succession Plan for the Chairman of the company

- ◆ On 27 October 2011, following a practice of corporate governance which is evermore extended in the international scope, the Board of Directors approved the Succession Plan for the Chairman of the Company, oriented towards the appointment of a new Chairman being carried out in an ordered and efficient manner and in a way that does not affect the execution of the usual activities of the Company.

#### Internal Code of Conduct on the Securities Market

- ◆ Update of the Internal Code of Conduct on the Securities Market to adapt it to the new company structure of the Group, as well as to include the change in new of the Appointments, Remuneration and Corporate Governance Committee to the Corporate Governance and Responsibility Committee. This was approved by the Board of Directors in June 2011.

#### The Company's Rules of Governance as at 31 December 2011

- ◆ Articles of Association.
- ◆ Regulation governing the General Shareholders' Meeting.
- ◆ Regulation governing the Board of Directors.
- ◆ Succession plan for the Chairman of the Company.
- ◆ Internal Code of Conduct on the Securities Market.
- ◆ Procedure for proxies, voting and information by remote means at the General Meeting (in reference to the General Shareholders' Meeting held in 2011).
- ◆ Code of Ethics.
- ◆ Shareholders' Electronic Forum operating regulations.

More information at [www.ree.es](http://www.ree.es):

**Complete Corporate Governance report**  
**Company's Corporate Governance regulations**

(continued on next page)

(continued)

**Code of Ethics**

- ◆ Approval of the Annual Report of the Ethics Manager corresponding to 2010, which mentions the actions carried out by the Company to disseminate the scope and management procedures for consultations and complaint procedures regarding reported incidences of breaches of said code. Similarly, it includes the consultations and reported incidents received by the Ethics Manager and their resolution.
- ◆ Elaboration of the Plan for driving ethical management 2010-2012 and beginning a revision and improvement process of the Code of Ethics that is hoped to be concluded in the 2012 fiscal year.

**Procedure for proxies, voting and information by remote means at the General Shareholders' Meeting**

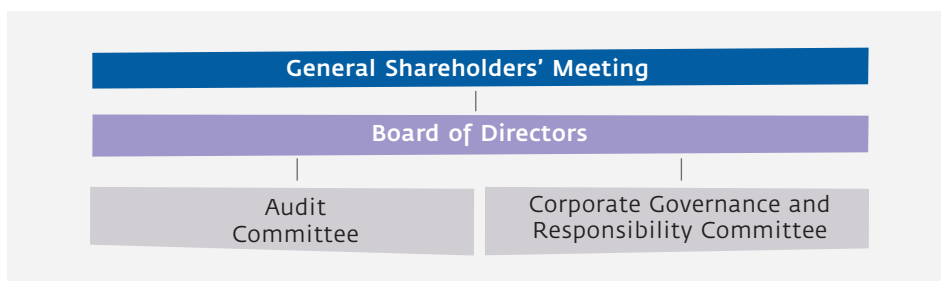
- ◆ Approval, in February 2011 by the Board of Directors, of the regulations regarding distance voting and proxies, and the right to information via electronic means for the General Shareholders' Ordinary Meeting corresponding to the 2010 fiscal year.

**Shareholders' Electronic Forum Operating Regulations**

- ◆ These regulations were approved on 24 February 2011 by the Board of Directors. The Shareholder's Electronic Forum has been made available on the corporate website ([www.ree.es](http://www.ree.es)) to facilitate communications between the shareholders of the Company when the General Shareholders' Meetings of the company are held.

**OF THE 58**  
 recommendations  
 regarding  
 the Unified Code  
 of Good  
 Governance,  
 Red Eléctrica  
**FULFILS 52,**  
 1 partially fulfilled,  
 1 explained and  
 4 are non-applicable

## Governance Structure of the Organisation -4.1-



### General Shareholders' Meeting -4.4-4.10-

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

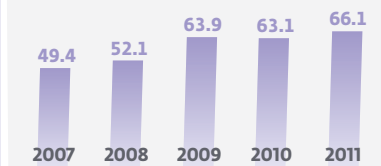
As part of our commitment to the principle of transparency and the right to participate, in 2011 the communication and information systems via electronic means continued to be improved, noteworthy is the new Shareholders' Electronic Forum, the presence in social networks and the transmission of the Meeting in audio-visual format with simultaneous translation in English.

In addition, the electronic voting system implemented by Red Eléctrica in 2005 has continued to be made available, thanks to which in the meeting held in 2011, 664 shareholders - holders of 208,839 shares -exercised their voting rights or delegated them electronically.

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

- ◆ Any individual or legal person may participate in the shareholding of the Company, as long as the total of their direct or indirect holding in the Company capital does not exceed five percent (5%) of the capital, nor exercise voting rights in excess of three percent (3%). Under no circumstances may these shares be pooled for any purpose whatsoever.
- ◆ In the case where individuals who carry out activities in the electricity sector and those individual or legal entities who, directly or indirectly, hold more than five percent (5%) of the capital, they may not exercise more than one percent (1%) voting rights in the Company.
- ◆ The special system is maintained for the State Owned Industrial Holding Company (SEPI) who must hold, in all cases, at least ten percent (10%) of the capital.

**General Shareholders' Meeting percentage of attendance**



**Attendance data General Shareholders' Meeting 2011**

(% over capital)

Physical attendance	20.5
By proxy	45.4
Electronic voting	0.15
<b>Total</b>	<b>66.05</b>

**Corporate Governance practices applied by Red Eléctrica regarding the General Shareholders' meeting**

- ◆ No minimum number of shares required to be able to attend the Meeting.
- ◆ Separate voting on each one of the matters submitted for approval at the Meeting.
- ◆ Board of Directors remuneration submitted for approval at the Meeting.
- ◆ Promoting the participation of shareholders in the Meeting via the implementation, since 2005, of an electronic voting system.
- ◆ Creation of a specific section on the corporate website with all the relative information regarding the Meeting.
- ◆ Live broadcast of the Meeting via Internet, with simultaneous translation in English.
- ◆ Creation of the Shareholders' Electronic Forum.
- ◆ Presence in social networks.



**Board of Directors -4.1-4.2-4.3-**

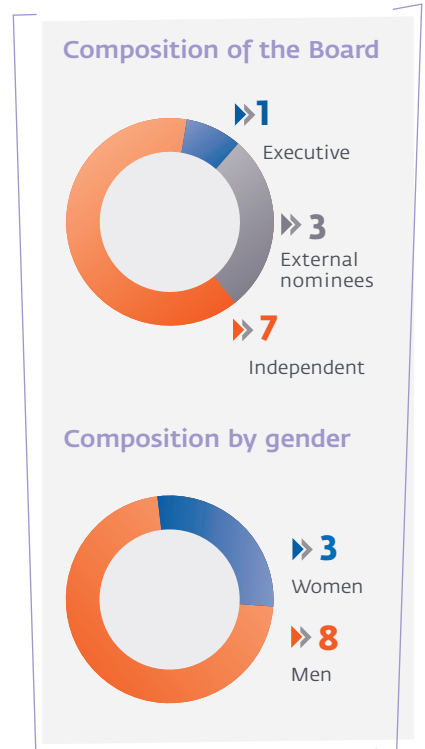
Red Eléctrica has a reduced, diverse, active and efficient Board, composed of eleven members of recognised professional distinction and with extensive experience. In 2011, eleven sessions were held, with a 94% attendance.

The Board members will hold their offices for a four-year period, in accordance with the Articles of Association. The limit on the mandate of the independent Board members, in accordance with the Unified Code of Corporate Governance, has been set at twelve years in the Board Regulations. The remaining Board members can be re-elected indefinitely by the General Shareholders Meeting.

The cessation of the independent directors should not be proposed before the end of the statutory period for which they were appointed, except where there is sufficient cause and following a prior report by the Corporate Responsibility and Governance Committee.

The Chairman of the Board is also the chief executive officer of the Company and is responsible for senior management, administration and full representation of the Company. Notwithstanding the aforementioned, the Board of Directors, in the Board Regulations, has reserved for itself the non-delegable responsibilities and competencies which it regards as strategic.

In addition, the Chairman of the Board is subject to specific controls by the Board of Directors, from which he should seek subsequent approval for urgent decisions he may take, or, as the case may be, request prior authorisation for them. The committees also have an effective function of control of social management in their respective areas of competency.



**Key corporate governance practices applied by Red Eléctrica regarding the Board of Directors**

- ◆ Reduced Board of Directors composed of eleven members.
- ◆ Majority of independent board members, 64%.
- ◆ Gender diversity, 27% women on the Board.
- ◆ Existence of a Corporate Governance and Responsibility Committee.
- ◆ Majority of independent members on the Board of Directors committees.
- ◆ The Board committees are presided over by independent board members
- ◆ Annual self-evaluation of the Board of Directors.
- ◆ Strict regulation regarding the responsibility of the Board members, as well as of due diligence and loyalty.

**Reduced Board**

**Majority of independent Board members**

**27% women on the Board,**  
average of 10.6% regarding Ibex 35 in 2010



## Main Developments 2011

Apart from other matters which are addressed below, noteworthy is the approval of the aforementioned Succession Plan of the Chairman of the Company, as well as the approval of the Company Equality Policy.

Said policy will be developed by implementing, throughout the organisation, the corresponding internal procedures and a Comprehensive Equality Plan. Both of these will be subject to continuous monitoring and evaluation.

### Audit Committee -4.1-

The powers, organisation and functioning of the Audit Committee are governed by the Articles of Association and by the Board Regulation, which are adapted to the current legislation and the recommendations set out in the Unified Code.

This committee is composed of three external Board members, two of whom are independent, and the committee is chaired by an independent female Board member. In 2011, the Audit Committee met on ten occasions during which there were no incidents of non-attendance, nor proxies exercised.

In the Annual Report of activities of the Audit Committee, that forms part of the Corporate Governance Annual Report, the activities carried out during 2011 are detailed.

### Corporate Governance and Responsibility Committee -4.5-

The structure, composition and functions of the Corporate Governance and Responsibility Committee are governed by the Articles of Association and the Regulation of the Board.

Assigned to this Committee are the competencies related to the designation and the cessation of Board Members and Senior Management, with their remuneration, with the fulfilment of the duties of the administrators and whilst respecting the principles and rules of corporate governance and the Corporate Responsibility Policy.

This Committee is composed of four Board members, three of which are external and one executive. Of the three external, two are independent and one is Chairman of the Committee. In 2011, the Corporate Governance and Responsibility Committee met on eleven occasions during which there were no incidents of non-attendance, nor proxies exercised

In the Annual Report of activities of the Corporate Governance and Responsibility Committee, that forms part of the Corporate Governance Annual Report, the activities carried out during 2011 are detailed.

All Board members are external  
Independent Chairwoman  
Majority of the Board members are independent  
The presidency is held by a woman

Majority of the Board members are external  
Independent Chairman  
Majority of the Board members are independent

It also includes, on a yearly basis, a specific report regarding gender diversity that it raises before the Board for its approval, which is published on the corporate website: [www.ree.es](http://www.ree.es).

### Self-evaluation of the Board -4.10-

The process of self-evaluation of the Board of Directors, its Committees and its Chairman is carried out annually. By express decision of the Corporate Governance and Responsibility Committee, the self-evaluation process is carried out with the support of expert external advisers (KPMG), which provides it with a more objective and independent external vision.

The conclusions of the KPMG report regarding the results of the evaluation carried out show the high level of commitment of the Board members, their pride of belonging and their commitment to excellence in the management of the Company and with the permanent incorporation of best practices regarding corporate governance. The same report contemplates specific opportunities for improvement in the practices of the Board of Directors, noteworthy amongst which are those related to the strengthening of communication with shareholders and investors in general, the strengthening of the role of the independent Board members regarding Board matters, or the role of the Board in the definition and the monitoring of the risk control policy.

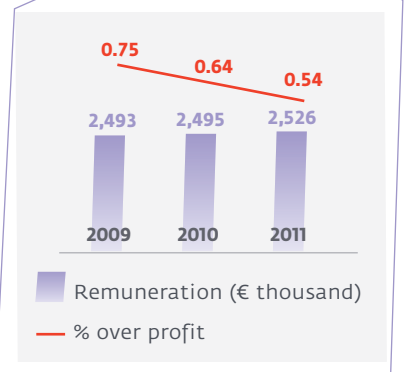
### Remuneration Policy of the Board of Directors and of the Senior Management -4.1-4.2-4.3-4.5-LA13-

#### Board of Directors

During 2011, the total remuneration accrued by the members of the Board of Directors of the Parent company, reached 2.526 million euros.

#### Main characteristics of the Board remuneration policy

- ◆ Complete transparency and publication regarding the breakdown of the individual remuneration received by each Board member.
- ◆ A maximum statutory limit exists for the remuneration of the Board members.
- ◆ The remuneration of the Board of Directors and the report on the Remuneration Policy of the Board of Directors are submitted for approval by the General Shareholders' Meeting as two separate and independent points in the agenda of the day.
- ◆ The global amount of the remuneration of the Board of Directors has remained without change since 2007.
- ◆ Linked to the performance of the Company and with the continuous reduction of its weighting in relation to the results of the Company.
- ◆ Remuneration aligned with the long term interests of the Company and the shareholders.



## Senior Management

During 2011, remuneration and contributions to life insurance and pension plans for senior executives of the Company amounted to 966,000 euros and 57,000 euros, respectively (957,000 euros and 30,000 euros, respectively, in 2010). In addition, these executives have contributed 34 thousand euros to the collective life insurance-savings plan linked to their retirement, which was charged to remuneration pending from previous years.

## Board Members Portal

The Board Members Portal is an innovative project which went live in January 2010 with the objective of applying new technologies in the day-to-day work of members of the Board of Directors and the Committees.

This application is under permanent revision to keep it updated and with the purpose of improving it in every aspect possible. In 2011, technical improvements and the increase of information regarding the Company have been undertaken, being a useful tool which is valued by the Board members.

## Conflicts of Interests -4.6-

- ◆ Board members shall abstain from attending and participating in deliberations that affect matters in which they may have a vested interest, whether directly or indirectly.
- ◆ Board members shall communicate any situation of conflict of interest whatsoever that may conflict with the interests of the Company, and in the event of conflict, he/she will abstain from intervening in the process to which the conflict is related.
- ◆ External nominees shall disclose to the Board any situation whatsoever of conflict of interests between the Company and the shareholder that has proposed his/her appointment when it affects matters that are submitted to the Board, and shall abstain from participating in the adoption of the corresponding agreements.

# Risk Management -1.1-1.2-4.9-4.11-

## Management Approach

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

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

The risk management system of the Red Eléctrica Group complies with the ISO 31000 standard: Principles and directives.

Material risks to the Group are considered those related to:

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

### Risk management and control bodies

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



## Main Risks of the Red Eléctrica Group

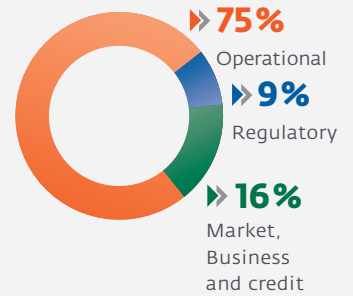
**Regulatory:** The most relevant risks are considered due to the fact that the main activities of the Group are subject to regulation.

**Market:** Correspond to the variations of the situation of the financial markets in relation to prices, interest and currency exchange rates, credit conditions or other variables that may affect the financial costs in the short, medium and long-term.

**Business and credit:** The characteristics of the revenues regarding activities related to electricity transmission and the operation of electricity systems, as well as the financial soundness of the agents of said systems; determine a risk level that is non-relevant regarding the main activities of the Red Eléctrica Group.

**Operational:** Derived fundamentally from the activities they have been assigned within the electricity system, the care for and protection of the natural environment and the coverage of financial needs within a progressively complicated financial environment. Owing to the fact that 75% of Red Eléctrica's risks are concentrated in this category, the tables on the following page detail the key operational risks, as well as the impacts analysed and the actions carried out to reduce or mitigate these.

Risk structure



More information:  
**Corporate Governance Report**  
**Annual Accounts Report**  
**Audit Committee Annual Report**

## Risk of Fraud and Corruption -SO2-SO4-

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

In addition, the processes of Red Eléctrica are integrated in structured systems in compliance with the international reference standards (ISO 9001, ISO 14001 and OHSAS 18001) and their design includes controls to mitigate or reduce the main risks associated thereto, amongst which include the risk of fraud and corruption. In addition to these processes, two specific systems are in place: internal control on financial reporting (based on the North American Sarbanes-Oxley Act), and internal control on operation (based on the SAS 70 standard). These processes and systems are constantly subjected to systematic internal and external audits.

Those processes considered susceptible to risk of fraud and corruption are audited by means of a periodic internal audit, and in which it incorporates specific verification tests regarding this risk. Several of these processes involve all the units of the company.

## Key impacts and actions regarding operational risks

### Risks related to energy supply

#### Key impacts

- ◆ Equipment failure in facilities.
- ◆ Saturation of the existing facilities,
- ◆ Precarious state of the facilities acquired on the Balearic and Canary Islands.
- ◆ Grid demand to attend to the electricity system needs.

#### Key actions

- ◆ Emergency equipment and procedures.
- ◆ Periodic inspections of equipment and systems.
- ◆ Preventative and predictive maintenance programmes.
- ◆ Performing maintenance works on live facilities,
- ◆ Renovation programme and improvement of facilities (MAR Project).
- ◆ Increase of power transfer capacity of lines and increase in transformer capacity.
- ◆ Improvement of grid meshing and increase in the construction of facilities to deal with the Electricity Infrastructures Plan approved by the Government.
- ◆ Development of works regarding international interconnections.
- ◆ Installation of the submarine interconnection cable between the Spanish peninsula and the Balearic Islands.

### Risks related to climate change -EC2-

#### Key impacts

- ◆ Reduction in rainfall (less control capacity from hydroelectric production).
- ◆ Increase in temperatures (increase in the summer peak demand and decrease in the winter peak; increase in the production of solar energy and reduction in the transmission capacity of the high voltage lines).
- ◆ Changes in wind currents (variations in the wind power generation profiles and interruptions in supply).
- ◆ SF<sub>6</sub> Emissions.

#### Key actions

- ◆ Climate change strategy.
- ◆ Development of system operation tools (CECRE).
- ◆ Construction of new transmission lines for the evacuation of renewable energy.
- ◆ Strengthening of international interconnections.
- ◆ Development of demand-side management initiatives (interruptibility service, measures to achieve a more efficient consumption profile, and initiatives for the implementation of the electric vehicle).
- ◆ Development of research and innovation projects: new resources for system operation, new solutions for the transmission grid, new IT tools for emergency situations, smart demand management and development of new technologies focused on the 20/20/20 objective of the European Union.
- ◆ Voluntary agreement with the Environmental Ministry and entities of the electricity sector for the reduction of SF<sub>6</sub> emissions.

### Risks related to management and employees

#### Key impacts

- ◆ Motivation of staff to reach company objectives.
- ◆ Adaptation of occupational health and safety risk prevention.
- ◆ Fraud and corruption.

#### Key actions

- ◆ Application of the staff appraisal system.
- ◆ Development programmes for technicians and directors.
- ◆ Work-life balance policy and implementation of a management system.
- ◆ Contracting of young employees with potential.
- ◆ Maintenance and improvement of the structured risk prevention system in accordance with the OHSAS 18001 standard.
- ◆ SA 8000, EFR 1000 certifications and internal audits.
- ◆ Implementation of the Code of Ethics, the complaints reporting system and the auditing system.

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### Environmental and social risks

#### Key impacts

- ◆ Deterioration of the environment and biodiversity.
- ◆ Electricity line fire.
- ◆ Delays in the construction of authorised facilities due to social rejection.
- ◆ Integration into the community.

#### Key impacts

- ◆ Application of strict environmental criteria in all phases of planning, development and maintenance of facilities.
- ◆ Biodiversity actions and strategy.
- ◆ ISO 14001 Certification.
- ◆ Development of fire prevention plans and research projects.
- ◆ Actions to strengthen relationships with the community and support for rural development.

### Actions carried out in 2011

An independent review was performed by the consultant Ernst & Young of the risk management system regarding the criteria established in the ISO 31000 standard on principles and directives. As a result, the consultant concluded that Red Eléctrica's risk management system meets the principles set out in the said standard.

During 2011, actions to improve the operational risks have continued, mainly with the commissioning of the new facilities that strengthen the meshing of the transmission grid both on the Spanish peninsula as well as on the Balearic and Canary Islands.

### Materialised Risks in 2011

Transmission grid facilities are constantly exposed to possible events that may be caused by third parties as well as by meteorological phenomenon.

Nevertheless, during the last fiscal year, the control systems have functioned satisfactorily, and proof of this is that the transmission grid availability index in 2011 was 97.65%.

In addition, the Company has insurance policies that limit the potential impact of these events on the annual accounts.

### Improvements in the Comprehensive Risk Management System during 2011

During 2011, a new methodology was designed which complements the already existing one, and that improves the manner in which risks are assessed.

This improvement to the risk management model drills down into the quantitative assessment of risks, as it makes it possible to perform a greater degree of analysis of the risk level due to the fact that a greater amount of information is available for its classification and processing.

### Challenges 2011-2013

- ◆ Improvement in the methodology of risk assessment with the incorporation of the statistical processing of historical data series.
- ◆ Extension in the degree of coverage of comprehensive risk management to 100%.
- ◆ Deployment throughout the entire organisation of the IT tool which supports the comprehensive risk management system.
- ◆ Extension of the general procedure for comprehensive risk management and control with the introduction of improvements regarding the definition of the roles of the participants in the process, conflict of interest management related to the application of the risk management system in the event that it occurs and the implementation of new channels of communication.

### Performance Indicators

Management indicators	2007	2008	2009	2010	2011
Degree of coverage of risk management (%) <sup>(1)</sup>	82.0	83.0	92.1	96.2	97.6
Improvement of the average weighted value related to risks in comparison to previous year <sup>(2)</sup>	0.79	0.90	0.75	0.95	0.94
<b>External evaluation (DJSI) (0-100)</b>	84	92	87	62	70

(1)  $(Risks\ addressed / risks\ detected) * 100$ .

(2)  $Average\ weighted\ value\ year\ n / value\ average\ weighted\ year\ n-1$ .  
DJSI: Dow Jones Sustainability Indexes.

# 3

## Management Approach



The aim of the Red Eléctrica Group is to consolidate itself as a **sustainable, ethical and responsible company**, integrated into society, caring for all its stakeholder groups and being a reference in the markets in which it operates.

## Sustainable Management Focus

Red Eléctrica's orientation towards sustainable development is made evident at a strategic level, the quest for excellence and responsibility in the development of its activities being one of the four basic strategies of the company.

### Key milestones 2011

- ◆ Red Eléctrica's candidacy for the European Award for Business Excellence EFQM, in which it obtained an award in the concept of excellence "Taking Responsibility for a Sustainable Future".
- ◆ Creation of the Red Eléctrica Corporate Responsibility professorship for the management of sustainable organisations was done with the aim of supporting the education given at the Escuela Técnica Superior de Ingenieros Industriales de Madrid in matters concerning corporate social responsibility and other fields of interest to both parties. Agreement with the Universidad Politécnica de Madrid.
- ◆ Development of 50 corporate responsibility projects (with a degree of fulfilment of 87%).
- ◆ Updating of the study of the prioritisation of activities and other matters related to corporate responsibility (materiality analysis).
- ◆ Progress in the development of a methodology for the evaluation of the return associated to corporate responsibility management.
- ◆ Maintaining presence in the key Sustainability Indexes.
- ◆ First place amongst the companies that make up the IBEX 35 as per studies carried out by corporate responsibility observatories.
- ◆ Renewal of the SA 8000 Certification and continuation of the RS 10 Certificate.
- ◆ Over 40 collaborations in corporate responsibility matters: exchange of experiences, dissemination activities, working groups, publications and benchmarking studies.

### The Quest for Excellence

In 1999, Red Eléctrica decided to adopt the excellence management model of EFQM (European Foundation for Quality Management) as a complementary element to improve the way in which it manages the company. This standard is a reference in the quest for leadership, creativity and competitiveness, both at a national and international level.

After ten years of excellence in management, ratified by the acknowledgements and awards obtained (European Seal of Excellence 500+ in 2003 and the Príncipe Felipe award for Business Excellence in the Industrial Quality category in 2005), Red Eléctrica de España decided to present its candidacy for the European Award for Business Excellence EFQM 2011 competing in management and results not only in the national but also in the international scope.



Award in the concept of excellence «Taking Responsibility for a Sustainable Future».

The decision to present its candidacy for this award represented a major challenge, as it is the first time that Red Eléctrica were to be evaluated by a group of European expert evaluators with respect to the new version of the EFQM model 2010. In this new version, social responsibility becomes more important, in such a way that the criteria regarding company results now has a weighting of 10% versus 6% in the prior version. Currently, the concept of excellence «Taking Responsibility for a Sustainable Future» implies being actively responsible for the conduct and activities of the organisation and managing its impact on the community in general.



After this evaluation, Red Eléctrica has continued to improve its results in the management of excellence and has reached 650 points. Additionally, it was one of the finalists and obtained an award in the concept of excellence «Taking Responsibility for a Sustainable Future» for its efforts carried out in the area of corporate responsibility management. In addition to the award, the EFQM has acknowledged REE as holder of a good practice in the category in which they won and in another 2 categories «Achieve Balanced Results» and «Adding Value for Customers»



### Quality Management System

Since 2000, Red Eléctrica has had a corporate quality management system implemented. This management system is based on and has been developed in parallel with the international standards in this matter.

A process management system is implemented in the framework of this system which includes all the activities managed in the company. The system also incorporates a bespoke methodology that has been considered as best practice amongst national companies. The management system is composed of 217 processes, whose fundamental characteristics have been defined (scope, responsibilities, standardisation, products, etc.), and of control and monitoring elements.

The evaluation and monitoring of the quality management system is carried out by means of dashboards in which the key indicators of the Company are set out, allowing the on-going improvement of the processes and their alignment with the strategic objectives established.

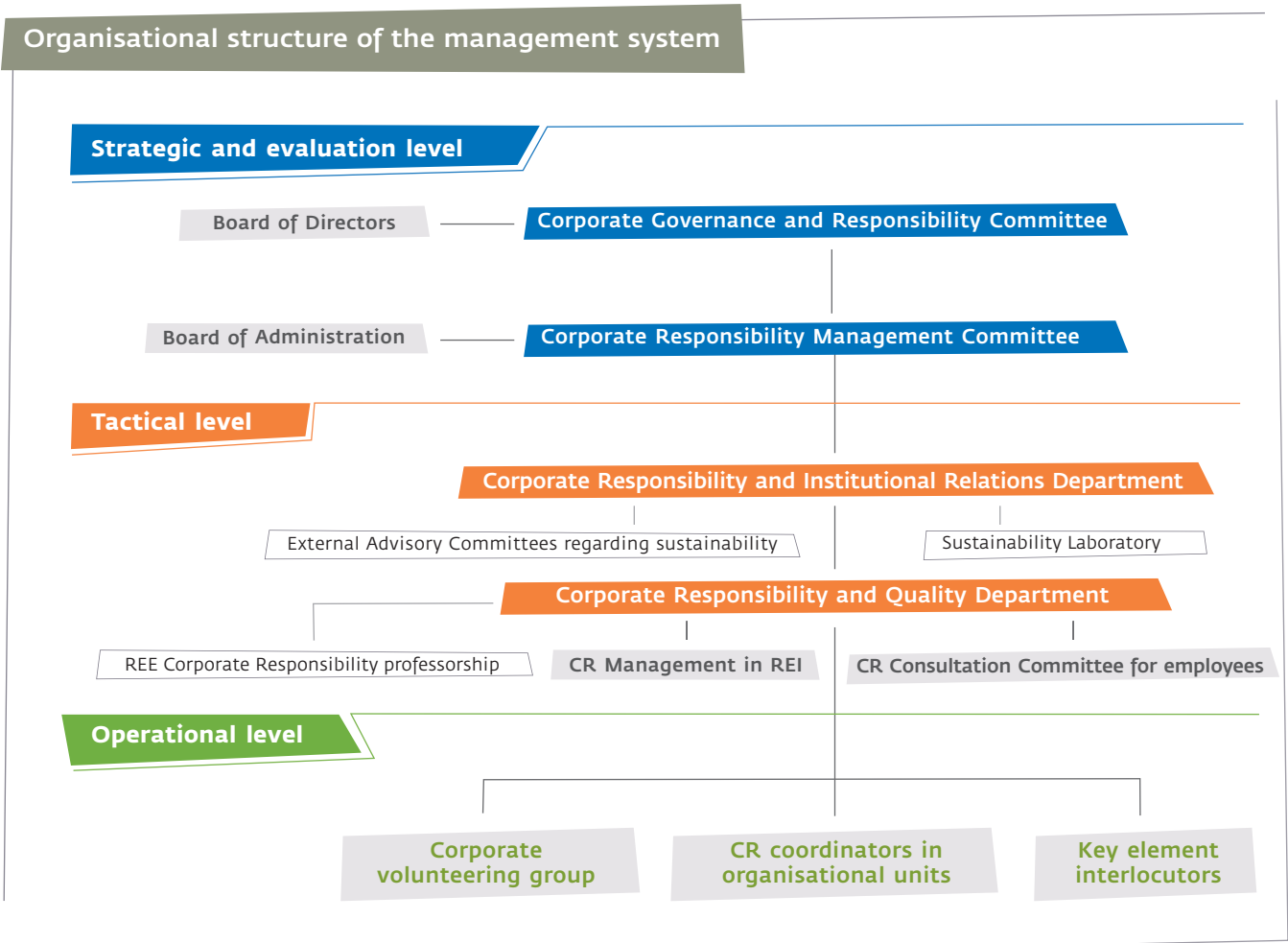
To ensure the correct functioning of the quality management system, all its activities have been certified in accordance with international standards, establishing certification processes for those activities for which it has been deemed necessary as a result of legal or statutory requirements (inspection service of electricity measurements), or to improve the efficiency of key processes of the Company (calibration of measurement equipment).

## Corporate Responsibility Management

Red Eléctrica's corporate responsibility forms part of the Company's strategic plan and the key activities it carries out. This is the base on which the Corporate Responsibility Policy and the management system of a transversal nature were defined. Said system is constituted by a set of structural elements regarding management, temporary deployment, monitoring, evaluation and dissemination which guarantee an appropriate management of significant economic, social and environmental impacts of Red Eléctrica's activities and services on its stakeholders.

On Internet:  
**Corporate  
Responsibility Policy**

### Organisational structure of the management system



## Planning

Planning is carried out based on a multi-year plan, called PlanCorp 5x7, which contemplates the seven axes of action for each of the five aspects (areas of action), defined to facilitate the integration and systematisation of practices regarding corporate responsibility matters. The annual planning and deployment of the associated activities is drafted according to the medium-term planning established.



## Corporate responsibility programme 2011

Aspect	Project name	Fulfilment (%)	Criticality
CORPORATE GOVERNANCE AND STRUCTURAL	Materiality analyses of corporate responsibility.	100	◆
	Method for determining the guidelines for acceptance of gifts by employees <sup>(1)</sup> .	NA	◆
	Adaptation of the articles of association of the Company to the requirements of the new legislation of listed companies.	100	◆
	Communication from the Corporate Governance and Responsibility Committee and the company areas with CR competency.	100	◆
	Action guide regarding prevention of corruption <sup>(2)</sup> .	NA	◆
	Knowledge update programme for the Board Directors regarding the company.	100	◆
	Updating of the Code of Ethics and improvements in its implementation.	100	◆
	Crime prevention plan in the company.	100	◆
TECHNICAL-ECONOMIC	Integration of the management of payment of expenses that do not require a purchase order in the IT and management systems.	100	◆
	Development of an impact assessment model of CR on the management of tangibles and intangibles.	15	◆
	R&D&I Project: Twenties (progress).	100	◆
	Participation in the drafting of European grid codes: Generators' requirements.	100	◆
	Collaboration in the drafting of a road map for the European Grid of the future: Supergrid 2050.	100	◆
	Monitoring of suppliers regarding CR 2011 matters.	90	◆
	Drafting of a code of conduct for suppliers.	80	◆
	Proposal for the optimisation of the number of sustainability evaluation agencies to whom information is provided and the incorporation into indexes.	100	◆
	Re-engineering of the excellence system.	100	◆
	Presenting of the company's candidacy for the European Business Excellence Award.	100	◆
ENVIRONMENTAL	Drafting, approval and dissemination of the climate change strategy.	90	◆
	Inventory of Red Eléctrica's emissions.	70	◆
	Methodology for calculating the CO <sub>2</sub> not emitted into the atmosphere due to availability of the transmission grid.	100	◆
	REE Forest.	100	◆
	Environmentally efficient printing.	50	◆
	Energy efficiency in buildings.	100	◆
	Energy efficient substation.	50	◆
	Birdlife conservation projects.	92	◆
	Vulcano Project.	100	◆
	Biodiversity corridor in the Turia Natural Park.	100	◆
	Landscape integration of buildings.	100	◆
	Renovation and patrimonial value of the existing farm house/grange near the future Manzanares substation <sup>(3)</sup> .	NA	◆
	Training of maintenance staff regarding SF <sub>6</sub> matters.	30	◆
	Design of a new format of the environmental section of the external corporate website.	20	◆
	Integration of environmental criteria in the supplier qualification process.	20	◆
Obtaining of the AENOR Energy Management Certificate for the Head Office.	100	◆	

Criticality: ◆ Critical ◆ Convenient ◆ Complementary

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Aspect	Project name	Fulfilment (%)	Criticality
INTERNAL-SOCIAL	UniveRSEdad for entrepreneurs: Project for the education of employees' children.	75	◆
	Occupational health and safety project: RED Segura.	100	◆
	Progress in the work-life balance measures. Days without school.	100	◆
	Collaboration with companies and foundations that integrate people with disabilities.	100	◆
	Professional growth and talent development programmes. CR Training.	90	◆
	Awareness programmes regarding Internet security.	100	◆
	Training and shadowing of technical coordinators in order to improve internal communication practices and style.	100	◆
	Promotion of sporting activities.	100	◆
EXTERNAL-SOCIAL	Stakeholders' bulletin.	100	◆
	Improvement analysis of the recognition system of external stakeholder groups.	5	◆
	Updating of the external web section regarding CR. <sup>(3)</sup>	NA	◆
	Prevention of high voltage electricity accidents affecting society. <sup>(4)</sup>	NA	◆
	Management plan for the development of the Third Sector.	85	◆
	Carrying out of the actions defined in the Business Clients and Agents Improvement Action Plan 2011-12.	84	◆
	Promotion of the new 2.0 communication channels in order to improve dialogue with stakeholder groups.	50	◆
	New IT dashboard for monitoring social and institutional relations.	100	◆
	Communication strategy with environmental agencies.	100	◆
	REE institutional and social map.	100	◆
	Management of institutional visits.	100	◆
	Evaluation of the needs, expectations and satisfaction level of REE's stakeholder groups.	92	◆
Corporate volunteering projects.	100	◆	

Criticality: ◆ Critical ◆ Convenient ◆ Convenient

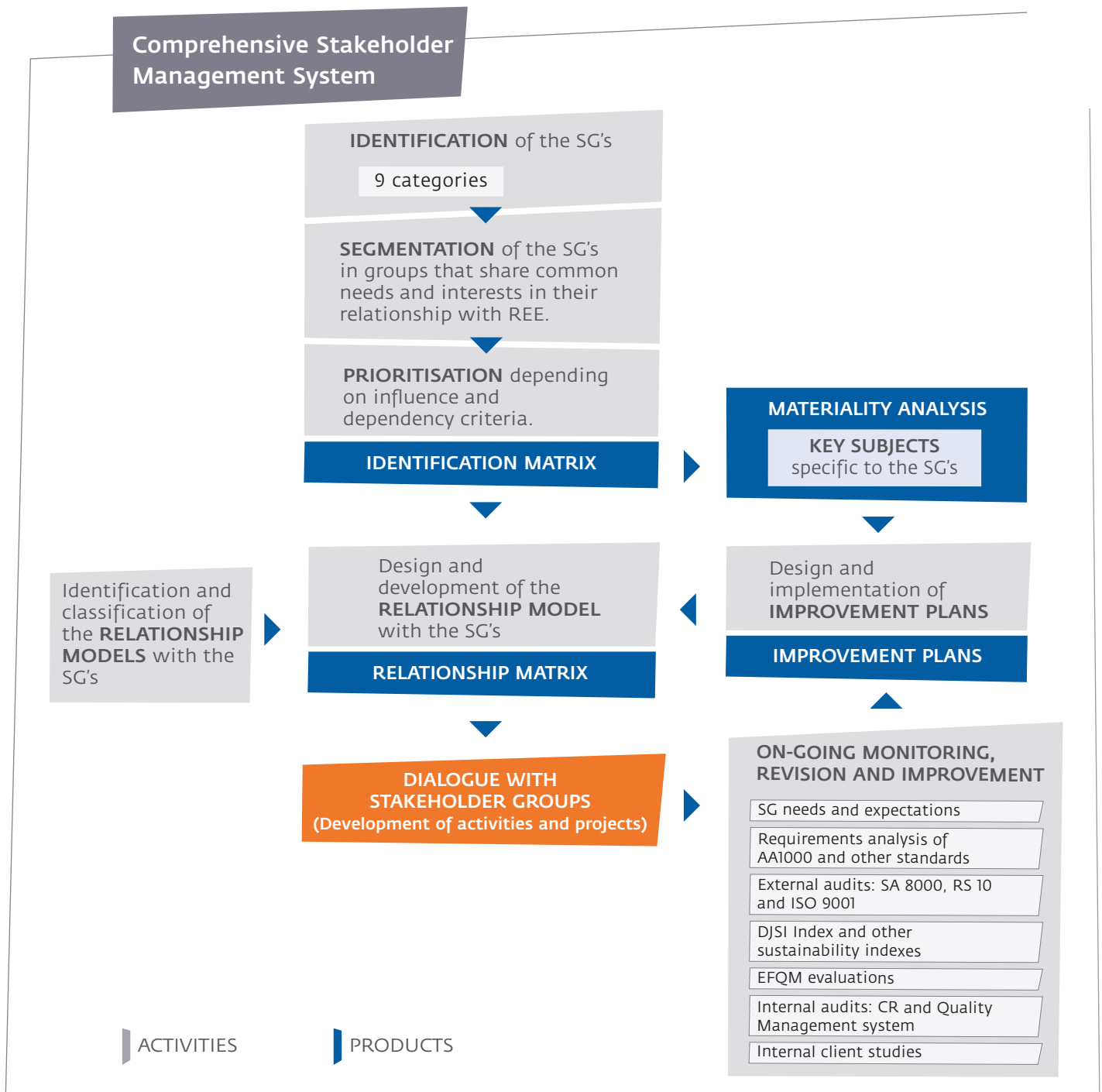
Note: The level of criticality associated with each project is defined based on the degree of fulfilment of the following criteria: a) contribution to the strategic objectives of the company, b) alignment with the corporate responsibility strategy and policy (contribution to sustainable development), c) contribution to the improvement of the relations and creation of value for stakeholders and d) relevance of the project (provisional scope, number/diversity of beneficiaries, strategic relevance for CR management).

- (1) Project not carried out as it was considered necessary to evaluate if its objective would be covered by the future Guide for the Prevention of Corruption.
- (2) The Prevention Plan regarding the criminal responsibility of the Company was developed during 2011, however, considering that the Guide for the Prevention of Corruption could be affected by the definitive version, it was considered appropriate to postpone this project until 2012.
- (3) Throughout 2012 and 2013 an improvement project of the corporate website will be carried out, and therefore it has been considered appropriate to coordinate the update of contents of the corporate responsibility section with the general redesign of the website.
- (4) Postponed until 2012 due to the non-availability of the necessary resources for its development in 2011.
- (5) Collaboration project between REE and the competent public administrations (Community of Castilla-La Mancha and the Manzanares council) that has been delayed due to the change of government, both in the autonomous community and the municipality that took place in 2011. It is expected that this project can be carried out in 2012.

The degree of fulfilment of the 2011 programme was 87.2%. The degree of fulfilment of the programme is calculated, as of 2011, in accordance with a new formula, which integrates weighting criteria based on the criticality of each project.

### Stakeholder Management System -4.15-4.16-

The management system for stakeholder groups (SG's) is a key component in Red Eléctrica's corporate responsibility, oriented towards the generation of shared value, mutual trust and reputation. Consequently, as of 2004, it counts on a comprehensive stakeholder management system which is reviewed and improved on an on-going basis. The key elements of this system are shown in the following diagram:



Stakeholder groups matrix and key topics -4.14-4.16-

Stakeholder group	Priority	Key topic
<b>1. Shareholders and investors</b>		
Institutional	◆	•Evolution of the share value and dividend pay-out.
Minority shareholders	◆	•Transparency in the information, ethical behaviour in the business management and sustainable results.
<b>2. Clients and regulatory bodies</b>		
Regulatory entities	◆	•Providing a reliable, efficient, impartial and independent service. •Transparency of information. •Development of optimal regulatory models. •Implementation of best practices and effective solutions in anticipation of future challenges.
Clients and market agents	◆	•Fulfilment of transmission grid planning. •Excellence, leadership and innovation in management and service delivery. •Customer attention, dialogue and efficient management of incidences and claims. •Professional, impartial, transparent and confidential management.
<b>3. Employees</b>	◆	•Remuneration in agreement with their commitment, performance and fulfilment of objectives. •Job security, equality of treatment and the work-life balance. •Training and professional development. •Guarantee of occupational health and safety. •Ethical and responsible, social and environmental behaviour for the company.
<b>4. Suppliers</b>	◆◆◆	•Fulfilment of contractual commitments and payment. •Transparent and impartial ethical conduct. •Stability and projection of long-term relations.
<b>5. Partners</b>	◆◆	•Fulfilment of project commitments. •Transparent and ethical behaviour. •Excellence, reputation and leadership.
<b>6. Social</b>		
Ministries, autonomous communities, confederations...	◆	•Fulfilment of legislation. •Infrastructure development according to territorial ordinance and in accordance with the lesser social and environmental impact option. •Transparency in management and actions in the event of incidents and accidents. •Creation of employment and wealth.
City councils	◆	•Transparency in the information regarding the development of infrastructure and the involvement of the community. •Activities regarding corporate citizenship. •Development of social and environmental actions of positive impact on the community.
Business associations and organisations	◆	•Participation in knowledge development that will lead to the improvement of competitiveness business fabric and in the development of society. •Contribution of reputational value.
Educational and research centres	◆	•Economic support and business experience transfer. •Collaboration in training programmes (end of degree projects, creation of professorships, work place-ment intern programmes, etc.). •Development of joint projects for the generation knowledge and innovation. •Contribution of reputational value.
Unions	◆	•Participation in the management of the company, influence capacity in decision making. •Ease of free association and direct dialogue with management. •Fulfilment of the legislation and the collective bargaining agreement. •Continuity of the business project and capacity to create employment.
Financial analysts	◆	•Transparent, timely and relevant economic and strategic information.
Environmental groups	◆	•Fulfilment of environmental legislation. •Activities above and beyond legislation and true fostering of environmental values. •Collaboration in the development of environmental projects. •Transparency in the information regarding the Company's environmental actions.
NGO's and Foundations	◆	•Fulfilment of legislation, the Universal Declaration on Human Rights and other international conventions. •Collaboration in social development projects. •Corporate ethical actions and transparency of information. •Availability of a quality electricity service and at the lowest possible cost.
Society in general	◆	•Activities of corporate citizenship. •Security of the facilities and minimisation of the environmental impacts of the activity.
<b>7. Press and the media</b>	◆	•Availability of relevant, precise and timely information. •Quick response to enquiries and requests.
<b>8. Subsidiaries of the Group</b>	◆	•Permanent dialogue channels. •Access to knowledge, experience and best practices of the parent company.
<b>9. Markets / Sectors</b>	◆	•Exchange of information and best practices via working groups, forums, etc. •Carrying out benchmarking studies.

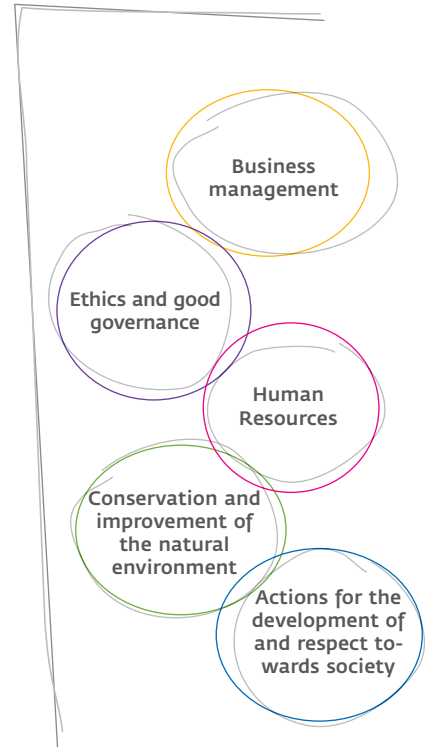
Priority (P): high ◆ medium ◆ low ◆

### Study of the prioritisation of activities and other matters related to social responsibility (materiality analysis) -3.5-

This study, updated in 2011, was undertaken to provide an efficient response to matters of special importance to the Company, in line with the opinion of its stakeholders. The results obtained will allow future corporate responsibility projects to be prioritised in line with both internal and external interests.

To carry out this study, Red Eléctrica first identified the important aspects in meeting the challenges of the electricity sector and the impacts generated by the Company's activity on the environment, society and the business sector. The 44 key issues identified were divided into five categories: **business management, ethics and good governance, human resources, conservation and improvement of the natural environment, actions for the development of and respect towards society.**

In a second phase, the importance of these issues was quantified through evaluation surveys directed towards internal and external stakeholder groups, who were also asked to incorporate other relevant matters not included in the study. The prioritisation matrix that follows shows the eight issues which the study revealed as essential. Red Eléctrica's responses to these issues are developed on throughout this report.



### Prioritisation matrix -4.14-

#### Relevance for stakeholder groups



## Key tools for managing the relationship with stakeholder groups

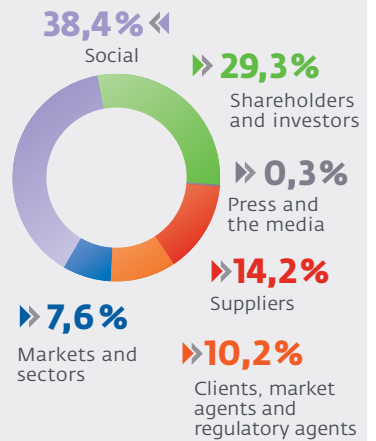
One of the high-priority areas for Red Eléctrica is the development of relationship frameworks that facilitate an open, systematic and transparent dialogue with stakeholder groups, which makes it possible for an increased awareness of their needs and expectations and for these to be addressed. Some of the relationship tools used by Red Eléctrica to foster an active dialogue with their stakeholder groups are described below.

### Attention service for external stakeholder groups, DÍGAME

Red Eléctrica's DÍGAME stakeholder attention service went live in 2008 with the objective of ensuring that requests coming from external stakeholder groups are dealt with.

The staff of the DÍGAME service centralise the reception, registration, resolution and closing of all the consultations received via the diverse channels made available to external stakeholder groups (mainly telephone, electronic mail and forms which are available on their website). This service functions in a coordinated manner with the specific existing channels that already exist.

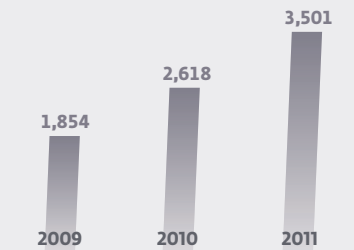
#### Usage of the DÍGAME service per stakeholder groups, 2011



#### Acknowledgements:

DÍGAME: considered best practice by the *Club de Excelencia en Gestión (CEG)*. Best Management Practices 2010, published in 2011.

#### Evolution of consultations processed via the DÍGAME service

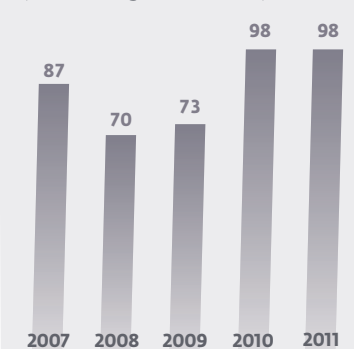


## Satisfaction Surveys

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

In 2011, the satisfaction surveys of the following stakeholder groups were carried out: institutional investors, minority shareholders, suppliers and social groups. In the internal scope, employees have been consulted on aspects related to internal communication, recruitment, selection and incorporation process of new employees, psychosocial risks and the experience of presenting the candidacy for the EFQM European Business Excellence Award.

#### Management of stakeholder groups (DJSI rating/evaluation)





### Global Indicators regarding Stakeholders' Satisfaction Surveys

	2007	2008	2009	2010	2011
Overall degree of satisfaction	7.7	7.7	7.6	7.7	8.1
Degree of satisfaction of the quality of services	7.8	7.6	7.5	7.6	7.9
Image and reputation	8.3	8.3	8.1	8.2	8.2
Responsible and ethical member	8.2	8.2	8.1	8.0	7.9
Development of corporate responsibility	8.0	8.0	8.0	7.8	7.5
Periodic dissemination of information	7.6	7.6	7.6	7.8	7.9

The breakdown of the data by stakeholder group is shown in the «Responsibility towards society» chapter.

### Sustainability Laboratory

This is a transversal dialogue tool, in which diverse areas of the company jointly work on the design, development, monitoring and measurement of activities aligned with sustainability to drive the integration of the Company's activities in the territory where they are carried out and to improve the company's reputation.

Throughout 2011, work has been carried out on redesigning the management system of the Laboratory with the purpose of facilitating the development of projects of social value, that harmonise the needs of the territory with the principles of action of the Company through management that involves social agents, local communities and administrations. The goals pursued are:

- ◆ Contribute to the implementation of sustainability in management and the activities of the Company.
- ◆ Bring about that the agreements of the Company with the stakeholder groups contemplate and include the different sustainability dimensions.
- ◆ Facilitate the common approach of the economic, social and environmental areas of the Company through a multidisciplinary working group.
- ◆ Develop a management system that measures the impact and the performance of the commitments agreed on with stakeholder groups by means of sustainability indicators.

## Monitoring, Evaluation and Improvement

### Internal control of corporate responsibility management

The aim of the evaluation of the Corporate Responsibility Management System (CRMS) is to try to guarantee the efficiency and coherence of the results with its established strategies, objectives and policies, as well as with the commitments that the organisation voluntarily undertakes.

Internally, as of 2005, Red Eléctrica has counted on a **Corporate Responsibility Global Balance Scorecard**, in which the key management indicators are established regarding each one of the five action areas, and which constitutes the main evaluation and monitoring tool regarding policy compliance and fulfilment of the activities and projects programme.

The **corporate responsibility financial statement** is a tool designed to provide a financial statement of the CR activities carried out by Red Eléctrica. In 2011, the total monetary value of these activities reached 25.6 million euros, an amount that represents 1.6% of the net turnover and 5.6% of the net profit of Red Eléctrica.

### Corporate responsibility financial statement summary (€ thousands)

2011	Structural and corporate governance	Technical-economic	Environmental	Social internal	Social external
Innovative	65.0	5,658.0	0.0	1,789.0	320.0
Under way	181.6	184.1	776.0	853.5	656.6
Mature	116.3	1,870.0	4,482.0	1,663.0	6,946.6
<b>Total</b>	<b>363.0</b>	<b>7,712.1</b>	<b>5,258.0</b>	<b>4,305.6</b>	<b>7,923.3</b>

*Note: The innovative character is included amongst the criteria that need to be fulfilled by an action to be included in the corporate responsibility financial statement. Since all innovative activities do not fall within the same degree, a three level classification system has been established, based on the degree of maturity. Thus, innovative practices are those considered pioneering, the practices under way are those that are in the consolidation process, whereas the mature ones are already consolidated in the Company's culture and aligned with the day to day activities of the business.*

In 2011, Red Eléctrica has continued orienting its efforts towards the development of a **methodology to evaluate and to quantify the return** that the corporate responsibility management represents, as a part of the continuous improvement objective with respect to measuring its activities and achieving a balance regarding CR matters.

In addition, corporate responsibility management is submitted to annual **internal audits**. Currently, the audit corresponding to 2011 is being carried out, whereby once concluded and the executive report is available, it will be published on the corporate website. In the Annex of this document, the report corresponding to the audit performed in the first quarter of 2011 is included.

## External Evaluation

The performance level of Red Eléctrica within the scope of corporate responsibility is submitted for continual analysis and evaluation by evaluating agencies, investment banks, certifying entities, and opinion organisations. The results obtained represent one of the main sources of valuable information for learning about management models and their on-going improvement.

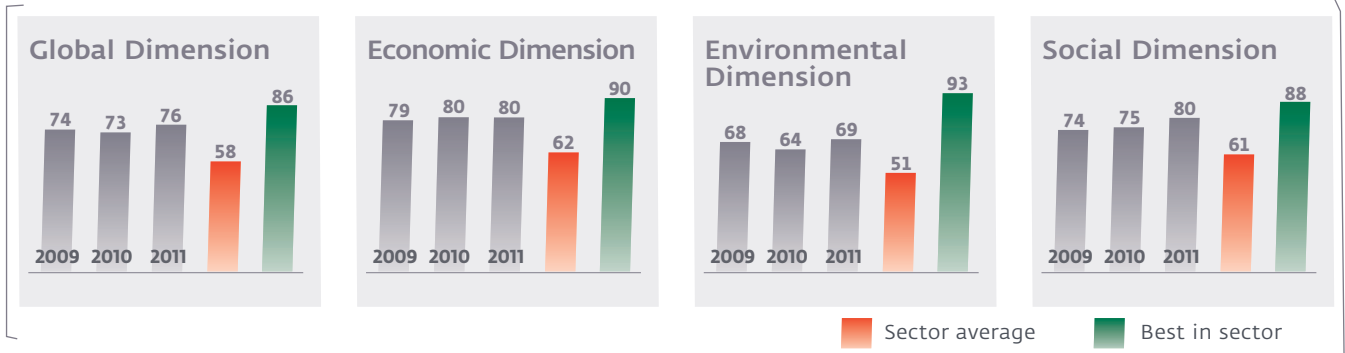
Regarding evaluation by certifying entities, the degree of alignment of the corporate responsibility management systems of the companies of the Group with the RS 10 technical specification (Social Responsibility Management System) is evaluated by AENOR through yearly audits. In 2011, the second monitoring audit was performed and all the companies of the Group maintained their certification.

In addition, Red Eléctrica de España and TDE have held the SA 8000 standard (social responsibility) certificate since 2005 and 2007 respectively. Both have successfully passed the half-yearly audits corresponding to 2011.

*The **RS 10 technical specification** establishes the requirements that the social responsibility management system should meet. Regarding stakeholders, the RS 10 certification verifies compliance with the requirements of social responsibility towards the owners, shareholders and partners, towards employees (including the requirements on non-discrimination, forced labour, child labour and freedom of association and negotiation), towards clients, users and consumers, towards suppliers of products and services (including the promotion of social responsibility principles in the supply chain), towards competitors, towards the public administration, society and towards the environment.*

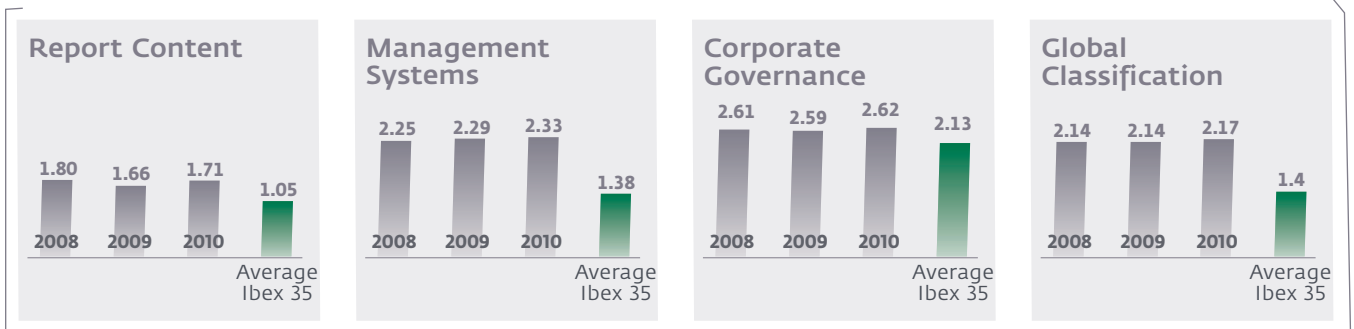
*The **contents of the SA 8000 standard** are based on the national legislation, the international instruments regarding human rights and the ILO conventions. The standard establishes the social responsibility requirements to be fulfilled by the Company for the identification, management and control of social aspects related to employees as well as to suppliers, including worker's rights, the working conditions at the work centre and the management systems. The certification according to SA 8000 guarantees the fulfilment of social responsibility criteria regarding child labour, forced labour or under coercion, occupational health and safety, freedom of association and right to collective bargaining, non-discrimination, disciplinary measures, working timetable and remuneration.*

Evolution of the Dow Jones Sustainability Indexes evaluation

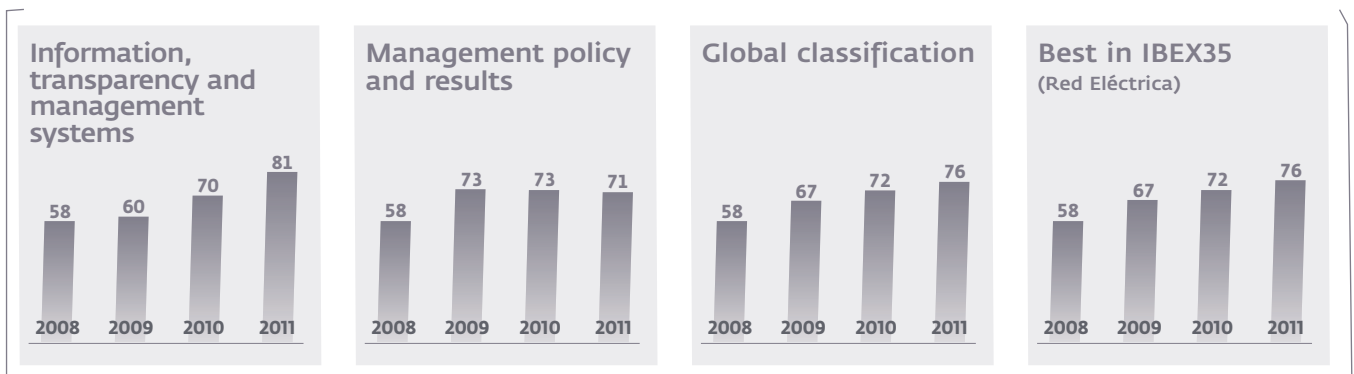


Evaluation by Corporate Responsibility Observatories

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



Evolution of the results of the «Responsibility: Culture, policies and practices of IBEX 35 companies» study. RSE Observatory



## Recognition and Awards -2.10-

Sustainability Indexes	
 <b>Dow Jones Sustainability Indexes</b> <small>Member 2011/12</small>	<b>Dow Jones Sustainability Index World:</b> Included in the DJSI World for the sixth successive year, obtaining a score of 76 points.
 <b>FTSE4Good</b>	<b>FTSE4Good:</b> Permanence in the FTSE4Good Index and FTSE4Good IBEX since 2008. Achieved a score in 2011 of 4.5 out of a maximum of 5.
 <b>Ethibel Excellence</b>	<b>Ethibel Excellence:</b> Included since 2008.
 <b>Aspi Eurozone</b>	<b>Aspi Eurozone:</b> Included in the index in 2011.
 <b>STOXX ESG Leaders Indices</b>	<b>STOXX ESG Leaders Indices:</b> Included in the index in 2011.
 <b>Kempen SNS SRI</b>	<b>Kempen SNS SRI:</b> Permanence in the index since 2004.
 <b>ECPI Ethical EMU Equity</b> <small>Sense in sustainability</small>	<b>ECPI Ethical EMU Equity:</b> During 2011, Red Eléctrica has formed part of the ECPI Ethical EMU Equity Index.
Business Banks	
 <b>GS Sustain</b> <small>Investment Banking Sustainable Solutions</small>	<b>Goldman Sachs Sustain:</b> Included since 2008. Selected amongst the four best European companies regarding sustainability in 2011, obtaining the maximum score (96/130).
 <b>Triodos Bank</b>	<b>Triodos Bank:</b> Placed first, reaching maximum scores in the areas of governance and social. (2010)
Corporate Responsibility Observatories	
 <b>Observatorio CSR</b> <small>Observatorio de Responsabilidad Social Corporativa</small>	<b>CSR Observatory:</b> First position amongst IBEX 35 companies for the sixth successive year.
 <b>Observatorio RSE</b> <small>Observatorio de Responsabilidad Social de las Empresas</small>	<b>RSE Observatory (Responsabilidad Social de las Empresas):</b> First position amongst IBEX 35 companies in five editions.
Reputation Monitors	
 <b>merco</b> <small>Monitor Empresarial de Reputación Corporativa</small>	<b>Monitor Empresarial de Reputación Corporativa (Spanish corporate reputation monitor):</b> Companies: ranked 26. Most responsible companies: ranked 19. Leaders: ranked 20. People: ranked 22.
Awards and Distinctions	
 <b>EFQM</b> <small>Excellence Award for Europe</small>	<b>European Award for Business Excellence (EFQM):</b> Award in the concept of excellence «Taking Responsibility for a Sustainable Future».
 <b>International Sustainability and Development Award</b> <small>Premio Internacional Sostenibilidad y Desarrollo</small>	<b>International Sustainability and Development Award:</b> First place in the large corporations' category for management excellences in the three scopes of sustainability (2010).
 <b>sam</b> 2012 bronze class	<b>SAM Sustainability Yearbook 2012:</b> Distinction «Bronze Class». REE is amongst the 16 best companies in the utilities sector.
 <b>Oekom Research</b> <small>Corporate Responsibility</small>	<b>Oekom Research:</b> Obtained B «Prime» rating granted by Oekom.
 <b>BEST IN CLASS</b> <small>environmental and social performance STOREBRAND SRI</small>	<b>Storebrand Investments SRI:</b> Selected as one of the 14 leading companies in its sector. Distinction «Best in class».
 <b>Informe Reporta</b>	<b>Informe Reporta:</b> Red Eléctrica occupied the 3rd position in 2011 and the 1st position in 2010.
 <b>Asociación Española de Accionistas Minoritarios de Empresas Cotizadas</b>	<b>Spanish Association of Minority Shareholders of Listed Companies (AEMEC):</b> 2009 AEMEC Award for the "Best Minority Shareholder Initiative".
 <b>Cámara de Comercio de Barcelona</b>	<b>Cámara Oficial de Comercio, Industria y Navegación de Barcelona:</b> Honourable mention in acknowledgement of the completeness and clarity of the information made available to shareholders and to the market.

## Exchange of Experiences -SOS-

Dissemination of the sustainable management principles and participation in the design of the current and future corporate responsibility trends constitute voluntary commitments adopted by the company. Therefore, Red Eléctrica participates in actions of external dissemination and the exchange of experiences with the business fabric as well as with diverse social agents, noteworthy amongst which are research and educational centres and organisations that promote corporate responsibility. The most noteworthy actions are set out below:

### Exchange of best practices and experiences

#### Corporate Responsibility best practices

- ◆ **CR management system:** ESKOM, Ayuntamiento de Madrid, Televisión Española, Adif, SGAE.
- ◆ **Ethical management system:** Ayuntamiento de Madrid. Supermercados Dia, SGAE.
- ◆ **Stakeholder groups management system:** Metro de Madrid. Fundación ONCE, Cajamar, Asociación de Servicios Laborales San Prudencio, Fundación Chandra, Unión Profesional, Endesa, Expansión, Cámara de Comercio e Industria de Madrid, Grupo Mahou-San Miguel, SMA, Fundación La Caixa, Ayuntamiento de Meco, Sociedad Azucarera Larios.
- ◆ **Best corporate governance practices:** Instituto de Consejeros-Administradores; SGAE.
- ◆ **CR organisation and dissemination:** Tragsa.
- ◆ **Quality, environmental and prevention management system:** Enagás, Iberia.
- ◆ **Benchmarking management system:** Foro de Excelencia del Club de Excelencia en Gestión.
- ◆ **Benchmarking regarding best CR practices:** companies distinguished in sustainability monitors and rankings.

#### Corporate Social Responsibility-dissemination and support

- ◆ **Universidad de las Islas Baleares:** REE's commitment towards society.
- ◆ **Escuela de Organización Industrial:** Corporate Responsibility Management.
- ◆ **Red Española de Desarrollo Rural:** drafting of sustainability reports in compliance with GRI (Global Reporting Initiative).
- ◆ **Cámara de Comercio e Industria de Madrid:** Corporate volunteering.
- ◆ **Fundación Entorno:** Red Eléctrica's ethical management.
- ◆ **Red Española del Pacto Mundial:** connection between the ISO 26000 and the 10 principles of the Global Compact.
- ◆ **Red Española del Pacto Mundial:** SRI practices: perspective of the investors and companies.
- ◆ **Universidad de Alcalá-Cátedra RSC:** Impact of the Sustainable Economy Law on corporate reporting.
- ◆ **Fundación Carolina:** X Meeting of Young Latin American Leaders.
- ◆ **Club de Excelencia en Sostenibilidad:** Responsible Management of Human Resources.

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### Collaboration with research and educational centres

- ◆ **Corporate Responsibility and Sustainability professorship:** Telefónica/UNED.
- ◆ **REE Corporate Responsibility and Sustainability professorship:** Escuela Superior de Ingenieros Industriales, Universidad Politécnica de Madrid.
- ◆ **Masters in Corporate Social Responsibility, Social Accounting and Auditing:** Universidad de Barcelona/CIES.
- ◆ **Corporate Responsibility directors' study group:** Escuela Superior de Administración y Dirección de Empresas (ESADE).
- ◆ **Corporate Responsibility experts' committee:** Instituto de Estudios Superiores de la Empresa (IESE).

### Working groups

- ◆ **CSR-TSO working group:** European TSO companies.
- ◆ **Socially Responsible Excellence:** Club de Excelencia en Gestión.
- ◆ **Social impact of the sector:** Asociación Española de la Industria Eléctrica (UNESA).
- ◆ **Sustainable Management Committee:** Asociación Española de la Calidad (AEC).
- ◆ **Corporate Responsibility and Sustainable Development:** Fundación Entorno.
- ◆ **CTN 165 Ethics Plenary Committee:** Asociación Española de Normalización (AENOR).
- ◆ **Working group AEN/CTN165 GTI Socially Responsible Financial Products:** Requirement for investment products: Asociación Española de Normalización (AENOR).

### Participation in studies and publications

- ◆ **Multi-sectorial study on the status of CR in large corporations in Spain:** Club de Excelencia en Sostenibilidad.
- ◆ **Accessibility guide for companies:** Club de Excelencia en Sostenibilidad.
- ◆ **Research study «Corporate Volunteering in Spain 2010»:** Observatorio del Voluntariado Corporativo.
- ◆ **Guide for the identification, measurement and management of environmental impacts within the framework of sustainability reports:** Fundación Cointegra.
- ◆ **Sustainability management code:** Fundación Privada Garrotxa Líder.
- ◆ **Best Management Practices Report:** Club de Excelencia en Gestión.

### Commitment with external initiatives -4.12-

Global Compact (2002)	<a href="http://pactomundial.org">pactomundial.org</a>
Caring for Climate (2007)	<a href="http://unglobalcompact.org">unglobalcompact.org</a>
European Alliance for CSR (2006)	<a href="http://csreurope.org">csreurope.org</a>
Carbon Disclosure Project (2008)	<a href="http://cdproject.net">cdproject.net</a>
Ibero-American Charter for Sustainable Management (2007)	<a href="http://fundibeq.org">fundibeq.org</a>

## Participation in Sectorial Organisations and Entities -4.13-

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

- ◆ **ENTSO-E (European Network of Transmission System Operators for Electricity).**  
Red Eléctrica is founding member.
- ◆ **CIGRE (Consejo Internacional de Grandes Redes Eléctricas).**  
Red Eléctrica holds the position of President and Secretary of the Spanish Committee.
- ◆ **EI (Instituto Eddison Electric).**
- ◆ **IESOE (Interconexión Eléctrica del Suroeste de Europa).**  
Red Eléctrica holds the position of Secretary.
- ◆ **OME (Observatorio Mediterráneo de la Energía).**
- ◆ **TSO-International Comparison.**
- ◆ **VLPGO (Very Large Power Grip Operators).**  
Red Eléctrica held the position of President until October 2010 and as of that date has held the position of Vice-President.

## Future Actions

The results obtained in the study regarding prioritisation of activities and other matters relevant to corporate responsibility (materiality analysis) will allow a revision of the activities that are being carried out to be made, compare the concerns of the stakeholder groups with those of the company and, as result, act in a more sustainable, ethical and responsible way. Thus, throughout 2012 an evaluation of the action axes will be carried out of each one of the five action areas, through which the corporate responsibility is managed, with the aim of improving the channelling of efforts and resources towards the alignment of future projects with the aspects considered high-priority by stakeholder groups.

The corporate responsibility programme is elaborated considering the requirements detected through external evaluations, benchmarking studies and the communication mechanisms available to stakeholder groups, and in accordance with the planning established in the PlanCorp 5x7.

Corporate Responsibility Programme 2012

Aspect	Project name	Criticality
CORPORATE GOVERNANCE AND STRUCTURAL	Definition and design of the information system regarding CR and excellence: indicators, projects and relevant information.	◆
	Internal audit of the CRMS in subsidiaries and training of company staff in this matter.	◆
	Evaluation of the compatibility of the PlanCorp with the results of the study of prioritisation of activities and other elements relevant to CR.	◆
	Carry out a corporate materiality analyses on matters related to human rights.	◆
	Update of the Code of Ethics and improvements in its implementation (Phase II).	◆
	Implementation of the Crime prevention plan in the Company.	◆
	Knowledge update programme for Board members regarding the Company.	◆
	Update of the control mechanisms for the detection and management of legally relevant documentation and information.	◆
	Consolidation of the dialogue channels between the company and proxy advisors.	◆
	Action guide regarding corruption prevention.	◆
TECHNICAL - ECONOMIC	Development of a CR impact evaluation model in the management of tangibles and intangibles (Phase II).	◆
	TWENTIES: Integration of renewable energies (R&D).	◆
	Improvement of the prediction model regarding wind and solar energy that is produced (R&D).	◆
	Operational Security NC.	◆
	Operational Planning & Scheduling NC.	◆
	Load Frequency Control and Reserves NC.	◆
	Establishment of a dialogue platform with the main CR agencies that can help to improve the understanding of REE's CRMS and of the performance indicators.	◆
	Analyses of the ESG (Environmental, Social and Governance) parameters considered key by the SRI (Socially Responsible Investment) funds.	◆
	Design of a billing portal for suppliers.	◆
	Implementation of a dialogue platform with suppliers (Code of Conduct).	◆
	Improvement in the inclusion of CR criteria in the supplier qualification process.	◆
	Sustainable and responsible procurement management dashboard	◆
	Excellence management dashboard.	◆
	Improvement of the leadership management process.	◆
Improvement of processes in the Transmission department.	◆	
Revision and improvement of the management process regarding client and market agent needs and expectations.	◆	
ENVIRONMENTAL	Inventory of REE emissions (Spain).	◆
	Methodology for the calculation of emissions and compensation of corporate activities.	◆
	REE Forest.	◆
	Energy control systems at work centres.	◆
	Environmentally efficient printing.	◆
	Energy audits at work centres.	◆
	Analytical research for the design of a possible mobility plan for REE regarding the transportation of employees.	◆
	Birdlife conservation projects.	◆
	Biotransporte Project: Biodiversity corridors.	◆
	Restoration of the Ses Salines coastal sand dunes.	◆
	Actions to be carried out in the S'Albufera Natural Park (Balearic Islands).	◆
	Elaboration of supplier map based on their carbon, water and waste footprints.	◆
	Environmental cost-benefit project of the Spanish peninsula-Mallorca interconnection.	◆
Landscape integration of buildings.	◆	

Category: ◆ Critical ◆ Convenient ◆ Complementary

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Corporate responsibility programme 2012 (continued)

Aspect	Project name	Criticality
INTERNAL-SOCIAL	Occupational health project: Health management.	◆
	Advances in the work-life balance measures. Family support.	◆
	Programme for the improvement of talent and professional growth. CR Training for employees.	◆
	Programmes for internal integration, communication and participation.	◆
	Awareness regarding the importance of security in communications over the Internet.	◆
	Promotion of sporting activities which facilitate a healthy lifestyle and integration.	◆
	Implementation of tele-training. Supply of a tele-training system, definition of a protocol regarding its use and application in REE.	◆
	Design of elements for the internal awareness and dissemination of CR.	◆
EXTERNAL-SOCIAL	Redesign of the CR section of the external website.	◆
	Prevention of high voltage electricity accidents that may affect society.	◆
	Update and improvement of the Stakeholder Group Guide.	◆
	Development of a plan for the evaluation of needs, expectations and degree of satisfaction of stakeholder groups.	◆
	Satisfaction survey of internal users of the DÍGAME service and design of a plan for the improvement of DÍGAME 2012-2013.	◆
	Draft of a guide regarding compensatory measures and the social impact of REE projects.	◆
	Design of an institutional collaboration model with the municipalities in which REE has significant assets.	◆
	Design and development of a new external website that will allow the challenges of the electricity system to be disseminated.	◆
	Projects for the conservation of ethnological patrimony.	◆
Improvement actions in the Cabriel natural park.	◆	

Category: ◆ Critical ◆ Convenient ◆ Complementary

## 4

## Technical and Economic Responsibility

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

The commitment we undertake in the performance of these functions drives us to work towards achieving a sustainable energy model and to constantly create value for stakeholders.



## Working towards the Achievement of a Sustainable Energy Model

Electricity has become an essential resource in our day-to-day life and an energy vector in the **fight against climate change**.

In Red Eléctrica we work to ensure that today's electricity and that of the future be **safe, efficient and environmentally sustainable**.

### 20/20/20 Commitment

The energy system is evolving towards a new, more sustainable model based on security of supply, competitiveness, efficiency and respect for the environment. All this is oriented towards achieving the goals of the European energy strategy against climate change for 2020: a reduction of 20% in greenhouse gas emissions, an increase of 20% in energy efficiency and a 20% share of renewable energies in the final consumption (generation mix).

In this new model, electricity will play an even more important role as an energy vector in the fight against climate change and in taking better advantage of renewable energies. This poses a great challenge for Red Eléctrica in the search for technical solutions for system operation and in investments in the grid that contribute to making a smarter and more efficient electricity system.

**20%**  
reduction in  
greenhouse  
gas emissions

**20%**  
increase in  
energy  
efficiency

**20%**  
share of  
renewable  
energies

#### Global challenges

- ◆ Quality and security of supply.
- ◆ Reduction in energy dependency.
- ◆ Energy saving and efficiency.
- ◆ Promoting renewable energies.
- ◆ Development of the internal energy market.
- ◆ Development of interconnections.
- ◆ Reduction of emissions.

#### Red Eléctrica Actions

- ◆ Development of a transmission grid which is both meshed and robust.
- ◆ Development and strengthening of interconnections.
- ◆ Technical solutions for system operation for the safe integration of renewable energies.
- ◆ Development of demand-side management measures.
- ◆ Smart grids and solutions for the electric vehicle.
- ◆ Participation in projects regarding super grids.
- ◆ Technological innovation.



## Quality and Security of the Electricity Supply -EU6-

In Red Eléctrica, we work on the planning and construction of the grid of the future and in the installation of the facilities required to meet the current needs of the Spanish electricity system. This year, we have commissioned more than 1,700 km of electricity circuit lines in Spanish territory and 2,700 MW of transformer capacity.

Amongst the projects completed during the year, noteworthy is the direct current link between the Spanish peninsula and the Balearic Islands, known as the Rómulo project. This link will improve the reliability and quality of the Balearic Islands' electricity supply and will allow for an increase of competition in the electricity generation market on the Islands.

### Grid planning -EU10-EU23-

Current energy planning, as reflected in the document, "Planning in the electricity and gas sectors, 2008-2016. Development of the transmission grids", was approved by the Spanish parliament in May, 2008. Following a new review of energy planning begun at the end of 2009, the Ministry of Industry in June 2011 published a first draft of the document, "Planning in the electricity and gas sectors, 2012-2020. Development of the transmission grids". In September and October of the same year, meetings were held with the different autonomous communities, as stipulated by Royal Decree 1955/200.

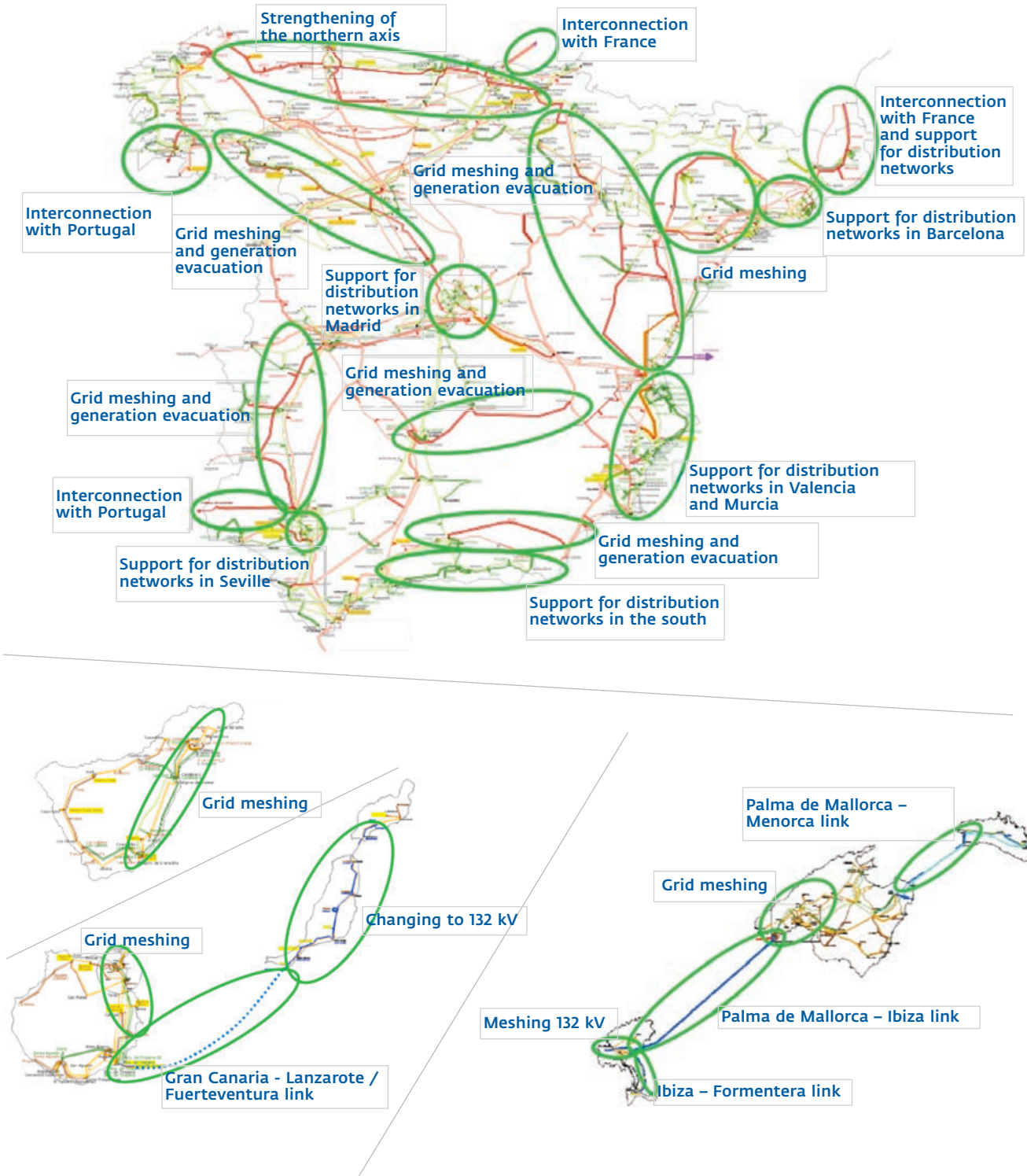
The document contains, amongst other topics, the new developments in the energy transmission grid foreseen for 2020. The basic goal of these new developments in the grid is to increase the guarantee and security of supply. For this reason, the most noteworthy actions are mainly oriented toward structural strengthening of the grid, improving grid node meshing and creating new power transmission axes.

The aim is to facilitate the evacuation of new renewable energy, to facilitate the powering of the new high-speed train lines, to support the utility distribution networks and to strengthen international interconnections in order to increase the electricity exchange capacity with our neighbouring countries, which gives us greater security of supply and allows us to take better advantage of renewable energies.

### Main actions for the transmission grid in the 2020 horizon

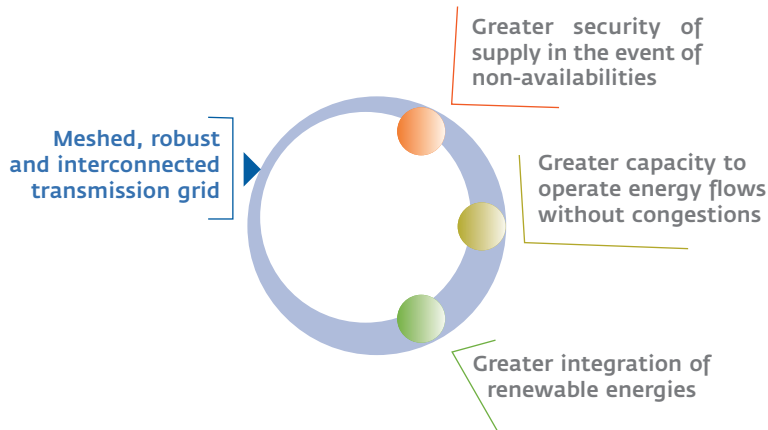
(Draft of the document: "Planning in the electricity and gas sectors, 2012-2020.

Development of the transmission grids")



## Grid development -EU4-

During 2011 the investment of Red Eléctrica has continued to be focused on the development and structural strengthening of the transmission grid with the aim of guaranteeing the security of supply and facilitating the evacuation of the new installed generation.



### Main actions in 2011

- ◆ Interconnection with the Balearic Islands.
- ◆ Progress on the interconnection with France.
- ◆ Connection of the northwest area with the central plateau, which will facilitate the evacuation of wind power generation from Galicia and the improvement of the connection with Asturias.
- ◆ Development of the Transmancheago electricity axis, which will strengthen the connection between Levante and the central area of Spain.
- ◆ Development of the grid that connects Aragón with Levante.

2011 has represented an investment of 819 million euros (not including advances) as a result of Red Eléctrica's constant aim to anticipate the needs of its clients and of the consumers. In the whole of the Spain, we have commissioned 1,738 km of circuit, 247 new substation bays and 2,700 MVA of additional transformer capacity, which has allowed us to establish a transmission grid that at the end of 2011 has more than 40,000 km of line, close to 5,000 substation bays and almost 75,000 MVA of transformer capacity. The following projects finished in 2011 are noteworthy:

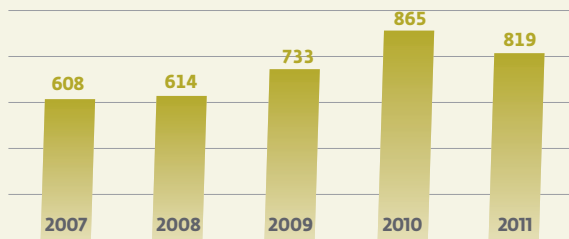
- ◆ Interconnection of the Iberian peninsula with the Balearic Islands- 488 km of circuit.
- ◆ 400 kV Aparecida-Tordesillas line and 353 km of circuit.
- ◆ 400 kV Fuendetodos-Mezquita line and 160 km of circuit.
- ◆ 400 kV Soto-Penagos line and 183 km of circuit.

**38,805**  
Kilometres  
of overhead  
line

**586**  
Kilometres  
of submarine  
cable

**742**  
Kilometres  
of underground  
cable

**Investment in the transmission grid**  
(€ million)



**Key actions in the development phase**

- ◆ Connection of the northwest zone of Spain with the central zone.
- ◆ Progress on the development of the Transmanche axis in order to improve the connection between the central plateau and the Mediterranean coast.
- ◆ Improvement of meshing to strengthen the grid in the entire area of northern Spain.
- ◆ Development of the Almaraz-Guillena axis.
- ◆ Mallorca-Ibiza interconnection, which will facilitate an improved and more reliable electricity supply to the consumers of these islands.
- ◆ Progress on the interconnection with France.

**Spanish peninsula-Balearic Islands Interconnection - (Rómulo Project)**

This link is the first submarine interconnection in direct current for the transmission of electricity that exists in Spain. The project represents the largest investment made by Red Eléctrica in one single project and whose execution is a milestone of world reference due to its extraordinary nature and technical complexity.

This interconnection has entailed the laying of two cables of 237 km, plus a third return cable to increase the availability of supply, at a maximum depth of 1,485 metres below sea level, which makes it the second deepest electricity line in the world. The interconnection works in direct current, reducing the energy losses in transmission and facilitating the bidirectional control of the energy flow.

This link shall represent an important cost saving for the Spanish electricity system, as it allows the more expensive insular generation to be complemented, with energy coming from the Spanish peninsula, and will improve the reliability and quality of the electricity supply of the Balearic Islands' system.

In the execution of the project, the maximum respect for the natural surroundings has been sought at all times. With this as an objective, a route was chosen that avoids archaeological sites, minimises the impact on protected flora and fauna, as well as the possible adverse effects on the tourism and fishing sector.



More information: [www.ree.es](http://www.ree.es)

**Peninsular and extra-peninsular transmission grid -EU4-**

	2007	2008	2009	2010	2011
Km of circuit of 400 kV	17,134	17,686	17,977	18,765	19,622
Km of circuit of 220 kV	16,457	16,558	16,698	17,352	18,218
Km of circuit of 150-132-110 kV	75	75	75	280	295
Km of circuit of <110 kV				1,998	1,998
<b>Total km of circuit</b>	<b>33,665</b>	<b>34,319</b>	<b>34,750</b>	<b>38,395</b>	<b>40,133</b>
Substation bays of 400 kV	1,004	1,055	1,114	1,185	1,241
Substation bays of 220 kV	2,034	2,103	2,267	2,652	2,820
Substation bays of 150-132-110 kV	4	4	4	47	52
Substation bays of <110 kV				723	741
<b>Total substation bays</b>	<b>3,042</b>	<b>3,162</b>	<b>3,385</b>	<b>4,607</b>	<b>4,854</b>
<b>Transformer capacity (MVA)</b>	<b>58,372</b>	<b>62,772</b>	<b>65,797</b>	<b>72,220</b>	<b>74,920</b>

### Service quality of facilities -EU28-

The quality service indicators during 2011 show the good performance of the transmission grid, which is evaluated based on the availability of the facilities that comprise it and of the interruptions in supply owing to incidents in the grid. The global indicators regarding continuity of supply (ENS and AIT) show a high level of quality in the service supplied, registering values considerably lower than those of previous years and in relation to reference values established in the current legislation - set at 15 minutes. These values are equally favourable when compared to international benchmarks of European transmission companies.

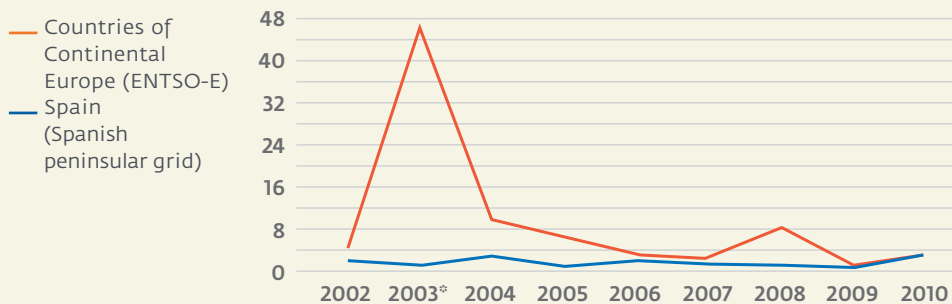
#### Service quality indicators

	2007	2008	2009	2010	2011
Grid availability (%)	98.07	98.08	98.04	97.93	97.65
Energy not supplied (ENS) (MWh)	552	574	437	1,552	272
Average interruption time (TIM) (minutes)	1.111	1.147	0.914	3.135	0.560

Grid availability, which measures the time that each line has been out of service for different reasons (principally for preventive maintenance or causes other than maintenance, such as construction of new facilities or factors external to the grid) has been slightly lower than in previous years, due to non-availabilities which occurred for reasons other than maintenance, which have accounted for 72% of the unavailability index during the year.

Amongst the measures we have taken to maintain our quality standards, of note is an ambitious plan to modernise and improve transmission lines on the islands, the Mejora de Activos de la Red (MAR- Grid Asset Improvements), which counts on an investment of 132 million euros in the Canary Islands and 160 million euros in Balearic Islands.

**Average Interruption Time (AIT)**  
(minutes)

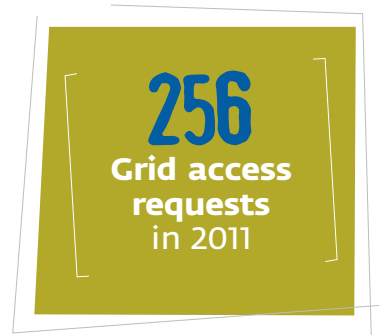


\* Includes power outage occurred in Italy in September 2003. Source: ENTSO-E

## Transmission grid access

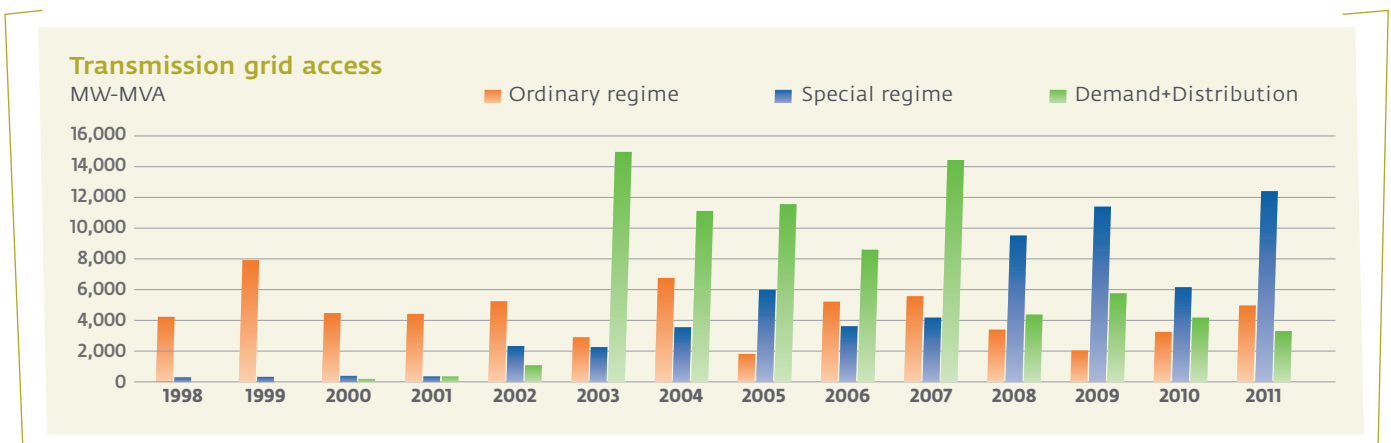
During 2011, Red Eléctrica has continued to manage the procedures for access and connection to the transmission grid and to evaluate the acceptability of access to the distribution grid, with transparency and equality for the agents that plan to incorporate their facilities into the electricity system, not only for generators but also for distributors or consumers.

During the year, there was an increase in the total number of requests received (both in the number and in the associated power), which amounted to 256 requests for access with direct connection to the transmission grid. In relative terms, the most significant increase has been in the special regime, which doubled this year with respect to 2010, with 220 requests received for a total of 12,329 MW for facilities with a direct connection to the transmission grid. On the other hand, there has been a notable increase in the special regime generation with a planned connection to the distribution grid, which Red Eléctrica must evaluate. During 2011, 162 requests have been processed, with a total power of 2,769 MW.



Red Eléctrica continues to carry out tasks of coordination with the autonomous communities, in order to achieve a more harmonic management and development of the grid.

Under the ordinary generation regime, it is worth noting the appearance of important projects for large photovoltaic plants that are not requested as special regime (with a total power of 2,000 MW). As for demand access (distributors and consumers), it has been lower than in recent years for new projects. However, there have been numerous revisions of previously filed requests, so it continues to be an important area. The following graph shows the trend of access requests received in recent years, with an expected connection to the transmission grid.





## International Interconnections

Having a greater capacity for electricity exchange with our neighbouring countries is key to a greater security of supply in Spain and to enable better advantage of renewable energy to be taken, as well as the development of the internal energy market. For this reason, the interconnection with Europe is one of the greatest challenges for the Spanish electricity system in the years to come.

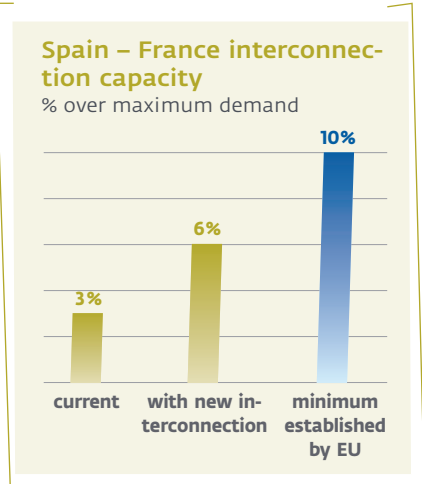
In this regard, the **INELFE Project** (Electricity Interconnection between Spain and France), begun in 2008 and scheduled to be commissioned in 2014, will allow us to double our current exchange capacity with Europe, reaching 6% of the maximum Spanish demand.

This 70 km-long interconnection has been classified by the European Union as having priority interest. Its technical characteristics, the fact that it will be entirely underground, together with the construction of a tunnel in the section that crosses the border, as well as a system of direct current which requires the construction of two converter stations, make the project a technological challenge of the highest degree. During 2011, work continued on obtaining the prior administrative permits required for a project of this magnitude and excavation has begun on the tunnel at La Junquera.

As for interconnection with Portugal, work is proceeding on the **Portugal Norte interconnection project**, whose goal is to strengthen the connection between Galicia and northern Portugal. During 2011, work has been carried out on the preliminary permitting procedures and on the selection of lands. This project is expected to be concluded in 2015.



More information:  
[www.inelfe.net](http://www.inelfe.net)



### SUPER GRIDS

The ambitious goals established for 2020 and the EU's 2050 road map both imply an increasing development of electrification and of the super grids, defined as grids with a high capacity of power transmission over long distances and which can balance the fluctuations inherent to many renewable energies. The European super grid will also extend to the Mediterranean Basin. Red Eléctrica participates actively in working groups within ENTSO-E, and in other industrial initiatives and associations (Friends of the Supergrid [FOSG], MEDGRID, Desertec Industrial Initiative [Dii]), which nowadays define the scenarios, the hypotheses and the design of what could be the super grid.

Two perspectives can be discerned amongst the analyses and proposals: one in the medium to long-term (with horizons of 10-15 years), which is oriented to specific results and is very much related to conventional grid planning; and another, more long-term, which consists of analysing the perspectives and evaluating the technical-economic interests of the infrastructures which allow much higher exchange capacities.

It would be worth noting that, looking to the medium term, Red Eléctrica is currently building infrastructures for direct current, with a high degree of technological innovation (the Vic-Baixas electricity interconnection with France or the interconnection cable with the Balearic Islands). This would represent, on one hand, the opportunity to gain experience in the construction and operation of this type of infrastructure and, on the other hand, it could represent the first building blocks in the construction of the super grid.

## Integration of Renewable Energies

As in past years, throughout 2011 we continued working to achieve a greater integration of renewable energies into the electricity system, which allows the coverage of demand to be made with intermittent energies without affecting the security and quality of supply.

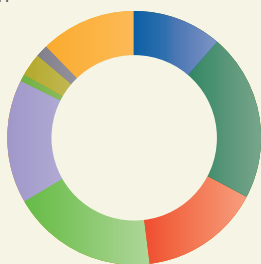
This year, electrical energy production in the Spanish peninsular system stood at about 255,000 GWh, of which 33% was produced by renewable sources. For yet another year, the important contribution of wind energy to the coverage of demand stands out, as it accounted for more than 15% of the total. This places wind energy in third place amongst the types of energy produced, behind nuclear and combined cycle energy.

Similarly, 6 November saw a new historical maximum in wind energy's contribution to demand coverage, as it reached practically 60% of demand on that day.

On the other hand, in compliance with the regulations currently in force, during this year the process was initiated by which special regime facilities larger than 1MW, or which belong to a group of facilities with more than 1 MW of power must send information in real-time to the Control Centre of Renewable Energies (CECRE) regarding their energy production. This measure has increased the degree of information and monitoring of production of the renewable energy facilities, principally photovoltaic.

In order to make it possible to operate an electricity system with such a high penetration of renewable energies under secure conditions, the control and supervision work carried out by the Control Centre of Renewable Energies (CECRE) is fundamental. In this sense, CECRE will continue to be a pioneer control centre and a global reference.

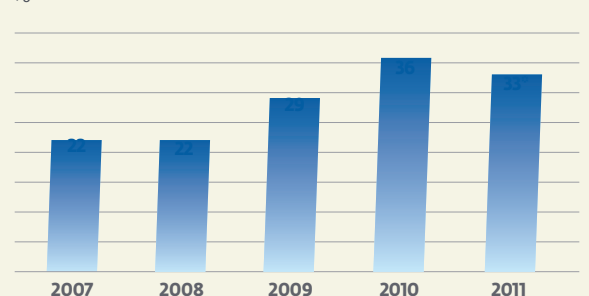
### Electricity demand coverage (Generation mix) 2011



(1) Excludes pumped storage generation.  
 (2) Includes fuel/gas and non-renewable thermal.

- ▶ 11% Hydroelectric <sup>(1)</sup>
- ▶ 21% Nuclear
- ▶ 15% Coal
- ▶ 19% Combined cycle
- ▶ 16% Wind
- ▶ 1% Solar thermoelectric
- ▶ 3% Solar photovoltaic
- ▶ 2% Renewable Thermal
- ▶ 12% Cogeneration and others <sup>(2)</sup>

### Renewable energies in demand coverage %



\* The decrease in relation to 2010 is due mainly to less hydroelectric generation.

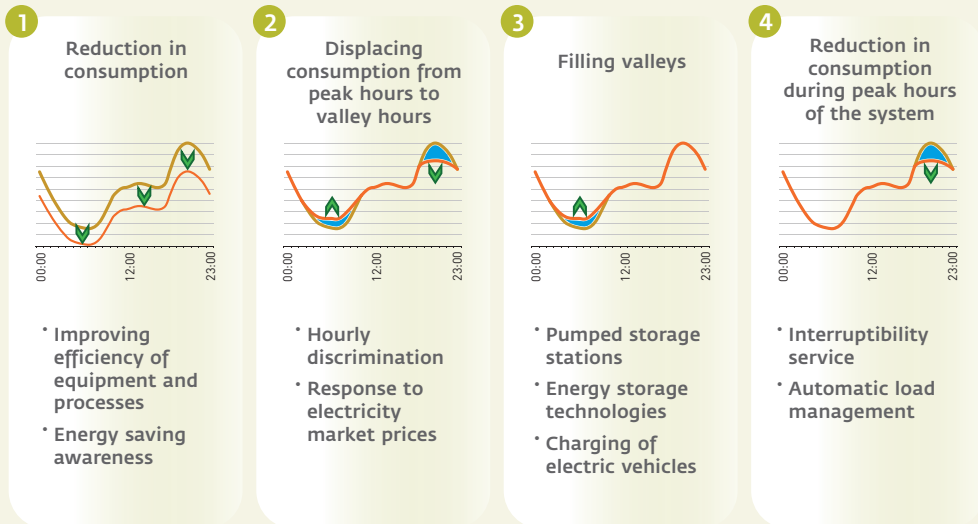
## Energy Efficiency -EU7-

Red Eléctrica promotes, from within the electricity sector, demand-side management strategies designed to meet the target of energy efficiency included in the European commitments regarding energy matters.

The current behaviour of demand in our electricity system, which is a reflection of how our society consumes, is characterised by significant differences in demand between peak hours and valley hours. During valley hours, a large part of the capacity of generation facilities is not used and, in the case of the wind energy facilities, this can even lead to a loss of energy.

For this reason, it is necessary to achieve a more balanced profile of demand throughout the different hours of the day and year, with more flexibility, in order to achieve a better integration of renewable energies and so improve the overall efficiency of the electricity system.

### Challenges in energy efficiency and demand-side management solutions



### On the road to a Smart Grid

The electricity system as a whole must evolve in order to respond to the challenges posed, through a greater flexibility in electricity supply and a change in the traditional train of thought, where electricity is not just a product which is consumed but the system agents should be capable of associating this product with the services demanded by end users.

In this context, the evolution towards a smart grid is a key element for success in responding to these challenges. "Smart grids have an essential role in the process of transforming the functionality of the present electricity transmission and distribution grids so that they are able to provide a user-oriented service, supporting the achievement of the 20/20/20 targets and guaranteeing high security, quality and economic efficiency of electricity supply in a market environment". (ENTSO-E).

In order to achieve energy efficiency and the sustainability of the electricity system, at Red Eléctrica we continue to work in different areas which are detailed below, which will also contribute to preparing the electricity system for the deployment of the smart grid.

### Monitoring demand in industrial and service sectors

During 2011, in the area of improving knowledge of electricity demand, we have continued the system of monitoring demand in the industrial and service sectors, which allows us to have a relatively precise estimation of the behaviour of the different sectors of activity. This information permits us to propose and evaluate specific demand-side management actions for each sector and is also an efficient tool to analyse demand performance in exceptional and one-off situations.

### Managing industrial demand

This is achieved through the interruptibility system provided by large industrial consumers through a contract with Red Eléctrica which consists of the reduction of energy demanded from the grid, at the request of the system Operator. At the start of the electricity season, on 1 November 2011, the System Operator had 156 consumers that provided the service, 142 of them in the peninsular system, 13 on the Canary Islands and 1 in the Balearic Islands, for a total interruptible power of between 2,000 MW and 3,700 MW.

Amongst the actions taken during the year, of note is the improvement of the IT application through which the providers of this service can visualise in real-time, exclusive to the consumption of their facility, the information relative to the provision of the service.

### The electric vehicle

The electric vehicle represents a new electricity consumer, which however can become an ally that can lead to a more efficient operation of the system, reducing the vast differences that are registered between the periods of higher and lower electricity consumption, and facilitating the integration of renewable energies.

### Efficient system

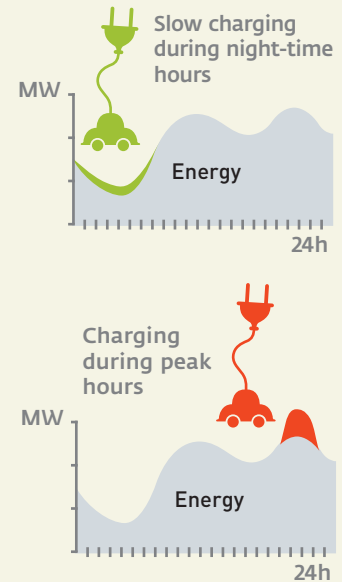
Slow charging during night-time hours will allow for greater efficiency in the electricity system, as it moves the charging to the valley hours, when consumption is lower.

In addition, recharging during night-time hours offers the possibility of optimising electricity infrastructures, and increasing the integration of renewable energies whose production is stopped when there is insufficient demand to incorporate them into the system.

### Inefficient system

If the charging is done during daytime peak hours, the demand curve will show an even greater difference between the periods of greater and lower electricity consumption.

This will require an over sizing of the generation and transmission facilities and will increase CO<sub>2</sub> emissions, as a greater contribution from thermal power stations will be necessary during peak hours.



At Red Eléctrica, we are working to face this new challenge and to seize the opportunity it offers as a tool for efficiency in the system. The principal lines of work are currently oriented towards participation in different research projects on this topic, notably the Cenit Verde project, in which 20 companies and a large number of universities and technological centres are participating.

In addition, we are carrying out awareness and dissemination campaigns, amongst which noteworthy is the development of a simulator regarding the impact of charging electric vehicles on the demand curve (available on the website [www.ree.es](http://www.ree.es)); and participation in working groups. Furthermore, we have acquired an electric car for use by employees and we are pioneers in the installation of charging points at our facilities. We already have nine charging points in Madrid, Seville and Valencia.

### Other actions

We are also taking other actions, such as participating in technological platforms on energy efficiency and in numerous international working groups, notably the Very Large Power Grid Operators Association (VLPGO). At the same time, we are organising informative workshops for awareness and debate regarding the use of new technologies that serve demand-side management such as smart meters, new storage systems and the smart management of electric vehicle charging.

## Innovation and Technological Development -EU8-EC9-

In 2011, we approved the Innovation and Technological Development Plan, whose fundamental goal is to establish the framework for action of the technological strategy of Red Eléctrica de España for the 2012-2016 period.

In the international arena, of note is our participation in the updating of the Research and Development Plan of ENTSO-E: "European Grid: Towards 2020 Challenges and Beyond" and our leadership of the recently created working group "Monitoring and Knowledge Sharing", which shall define the compliance indicators of this plan and its contribution to achieving the objectives of the energy policy of the European Union.

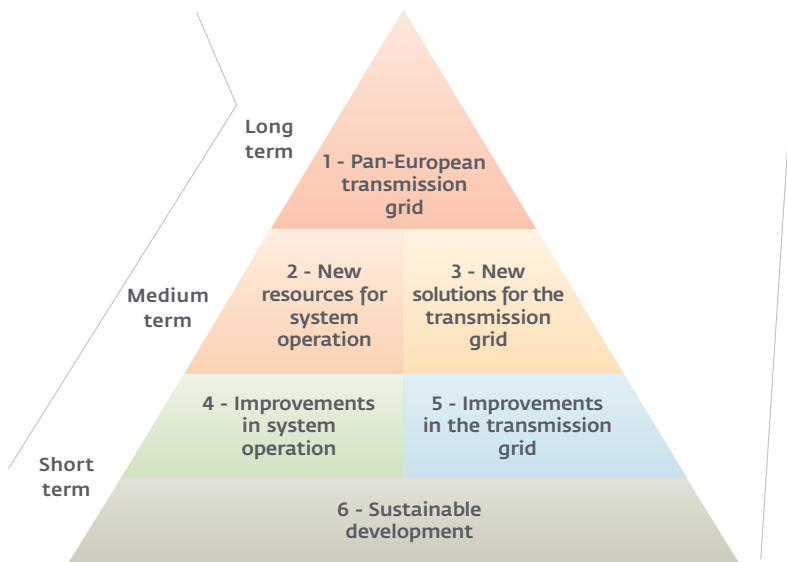
In addition, we participate in the concerted European initiative, GRID+ Supporting the development of the European Electricity Grids Initiative (EEGI), whose goal is to provide the necessary support to the EEGI team in designing a coordinated R&D+i road map for transmission and distribution grids, that will contribute to achieving the European Union's objectives for energy policy for the year 2020.

**56**  
Active projects in 2011

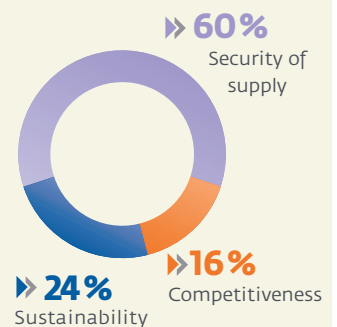
**7.2 M€**  
in R&D+i in 2011

**40,322**  
hours in projects, involving 9.8% of the workforce

### Key actions



### Research expenditure structure by energy policy axis



### R&D+i expenditure

	2007	2008	2009	2010	2011
R&D+i expenditure (€ million)	4.63	7.01	6.78	5.02	7.22
% over regulated revenues	0.45	0.66	0.61	0.39	0.47
Nº of projects	56	62	64	64	56



### Most relevant projects

<b>ATLAN</b>	Development of an IT application for substation documentation and configuration.	Concluded in 2011.
<b>Mobile transformer</b>	A prototype emergency transformer with 200 MVA transformer capacity whose major innovation is the incorporation of NOMEX as the key insulation component of the equipment.	In progress.
<b>GAD</b>	Active Demand-Side Management.	Concluded in 2011.
<b>CONSOLIDA</b>	Improvement of electricity generation obtained from thermo-solar technology.	Concluded in 2011. Project linked to national programmes.
<b>VULCANO</b>	Methodology for risk evaluation and prevention of fires and conflicts of coexistence between electricity lines and railway system power lines.	Concluded in 2011. Project linked to national programmes.
<b>VERDE</b>	Research and development of the technologies required for the en masse introduction of the electric vehicle in Spain.	In progress. Project linked to national programmes.
<b>PRICE</b>	Smart Demand Management.	In progress. Project linked to national programmes.
<b>European projects</b>		
<b>TWENTIES</b>	Integration of renewable energies.	In progress. Project spearheaded by Red Eléctrica.
<b>ANEMOS PLUS</b>	Electricity system operation with high penetration of wind energy.	Concluded in 2011.
<b>MERGE</b>	Impact of the electric vehicle on the European electricity grid.	Concluded in 2011.
<b>OPTIMATE</b>	Platform for the simulation of new market mechanisms.	In progress.
<b>PEGASE</b>	Definition of Pan-European operation platforms and applications.	In progress.



## Twenties Project

The objective of the Twenties Project (*Transmission system operation with large penetration of Wind and other renewable Electricity sources in Networks by means of innovative Tools and Integrated Energy Solutions*) is to make significant progress in demonstrating and implementing new technologies that make a definite contribution to achieving the 20/20/20 objective of the European Union for the year 2020 as regards the integration of renewable energies.

The common pattern of such technologies is that, having practically completed the stage of research and development, they are still not available in the market in a standardised form and their implementation is very scant or in some cases, non-existent.

This project, that began officially in April 2010 and will finalise in 2013, is the most ambitious of the Research Framework programmes of the European Union, with a total budget in excess of 58 million euros and a requested financing of over 32 million euros.

Amongst the 26 partners involved, noteworthy are the TSO's of Belgium (ELIA), Denmark (ENERGINET.DK), France (RTE), Holland (Tennet) and one of the four German TSO's (50HzT), and promoters of renewable energies such as IBERDROLA (Spain) and DONG (Denmark).

Besides leading the project, Red Eléctrica is also responsible for the practical demonstration of two technologies: a FACTS (*Flexible Alternating Current Transmission System*) device, which can vary the direction of current flow in an electricity line, in order to accommodate more renewable energy from a given area; and an RTTR (Real Time Thermal Rating) which consists of developing models and algorithms which can calculate in real-time the transmission capacity of an overhead electricity line based on its real temperature. The main advances in 2011 have consisted of drafting of the technical specifications and the execution of the projects for the devices.

More information: <http://www.twenties-project.eu>

## Creating Value for our Stakeholders

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

In 2011, the Company achieved highly satisfactory results, confirming its expectations of profit growth and profitability ratios.

### Evolution of the key economic figures

Consolidated net turnover for the 2011 fiscal year reached just over 1.637 billion euros, representing a growth of 17.2% with respect to the previous year. Approximately half of this increase is due to the acquisition of transmission assets; the rest corresponds primarily to the remuneration associated to new facilities commissioned.

The gross operating profit (EBITDA) reached just over 1.215 billion euros, signifying a growth of 21.35% with regard to 2010. The increase in EBITDA comes motivated by the increase of the net turnover and a containment of the operating costs that have increased by 5%, in spite of the greater volume of assets to operate and to maintain.

The after tax result grew to 460.3 million euros which represented an increase of 18% on that achieved during the previous fiscal year.

Investments carried out by the Group during the 2011 fiscal year reached 844.3 million euros. Of these investments, 818.9 million euros correspond to the development of the national transmission grid as compared to 865.4 million euros invested in 2010, without taking into account the transmission assets acquired from the utility companies during 2010.

The net financial debt of the Red Eléctrica Group on 31 December 2011 reached just under 4.692 billion euros, 1.3% less than that at the end of 2010. 78% of the net debt of the Group is fixed rate until maturity, whereas the remaining 22 % is variable rate.

On 31 December 2011, the net equity of the Red Eléctrica Group reached just over 1.813 billion euros, representing an increase of 11.6% with respect to 2010. This increase is due mainly to the results obtained during the fiscal year partly compensated by the distribution of the 2010 results and the interim dividend corresponding to 2011.



## Economic value generated and distributed -ECI-

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

### Economic value generated and distributed (Group)

(€ million)

	2007	2008	2009	2010	2011
<b>Economic value generated (EVG)</b>	<b>1,065.6</b>	<b>1,160.7</b>	<b>1,239.2</b>	<b>1,441.9</b>	<b>1,677.6</b>
Net turnover	1,030.9	1,125.9	1,200.1	1,397.3	1,637.3
Other net profit and loss <sup>(1)</sup>	40.1	34.8	39.1	44.6	40.3
<b>Economic value distributed to stakeholders (EVD)</b>	<b>(705.8)</b>	<b>(792.2)</b>	<b>(798.6)</b>	<b>(981.6)</b>	<b>(1,133.9)</b>
Employees: Personnel costs	(92.6)	(93.9)	(104.2)	(112.7)	(128.8)
Company: Taxes on profits	(118.5)	(128.9)	(130.7)	(170.3)	(223.4)
Investment in the community	(2.7)	(2.7)	(2.1)	(7.5)	(8.4)
Suppliers: Other operating expenses <sup>(2)</sup>	(243.9)	(283.8)	(277.3)	(308.4)	(312.9)
Shareholders: Dividends <sup>(3)</sup>	(146.9)	(172.8)	(199.8)	(253.6)	(299.3)
Other capital providers: Net financial costs	(107.2)	(110.1)	(84.5)	(129.1)	(161.1)
<b>Retained economic value (EVR)</b>	<b>359.8</b>	<b>368.5</b>	<b>440.6</b>	<b>460.3</b>	<b>543.7</b>
Reserves	96.1	113.3	130.6	136.6	161.0
Repayments and depreciations <sup>(4)</sup>	263.7	255.2	310.0	323.7	382.7

Note: Data obtained from Consolidated Annual Accounts

(1) Includes: other operating income/Net results obtained via equity method/results from disposal of non-current assets (divestitures)/Capital subsidies/Other deferred incomes transferred to the fiscal year's results/Works performed by the Company on its assets.

(2) Supplies and other operating costs (excluding investments in the community).

(3) Includes the interim dividend and complementary dividend.

(4) Includes: Repayments / Depreciations (Includes mainly provisions for deterioration in asset value).

## Direct economic impacts

(€ million)

	2007	2008	2009	2010	2011
<b>Shareholders</b>					
Dividend per share (euros)	1.0871	1.2797	1.4781	1.8751	2.2124
Dividend over net consolidated profit (pay-out) (%)	60.5	60.5	60.5	65.0	65.0
<b>Clients (Group)</b>					
Net turnover	1,030.9	1,125.9	1,200.1	1,397.3	1637.3
Total investments	727.8	635.1	758.7	2,308.8	844.3
<b>Suppliers (purchases) <sup>(1)</sup> -EC6-</b>					
REE Spain	1.038	902	687	781	1.371
TDE Bolivia	6.0	4.8	4.5	3.7	7.5
<b>Employees (Group)</b>					
Total salary expenses <sup>(2)</sup>	92.6	93.9	104.2	112.7	128.8
REE Spain	85.7	90.0	97	105.1	120.7
REI Spain	1.6	0.5	0.4	0.4	0.4
TDE Bolivia	2.8	3.0	3.7	3.9	4.2
Rest <sup>(3)</sup>	2.5	0.4	3.1	3.3	3.5
<b>Capital providers (Group)</b>					
Financial expenses	111.4	117.2	91.2	104.3	155.3
Reserves	932.3	1,066.0	1,168.6	1,352.3	1,541.3
<b>Company (Group)</b>					
Tax on earnings	118.5	128.9	130.7	170.3	223.4
REE Spain	113.8	121.7	138.5	170.8	185.7
REI Spain	2.1	3.2	-11.8	0.6	20.0
TDE Bolivia	1.4	4.3	1.2	1.8	2.4
Rest <sup>(3)</sup>	1.2	-0.3	2.8	-2.9	15.3
<b>Subsidiaries <sup>(4)</sup> -EC4-</b>					
REE Spain	12.3	12.9	13.7	18.4	11.4
REI Spain	0.0	0.0	0.0	0.0	0.0
TDE Bolivia	0.0	0.0	0.0	0.0	0.0
Rest <sup>(3)</sup>	0.0	0.0	0.0	0.0	0.0
<b>Investments in the community <sup>(5)</sup></b>	<b>2.7</b>	<b>2.7</b>	<b>2.1</b>	<b>7.5</b>	<b>8.4</b>

(1) Purchase orders executed.

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

(3) Includes the rest of the Company's subsidiaries and consolidation adjustment.

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

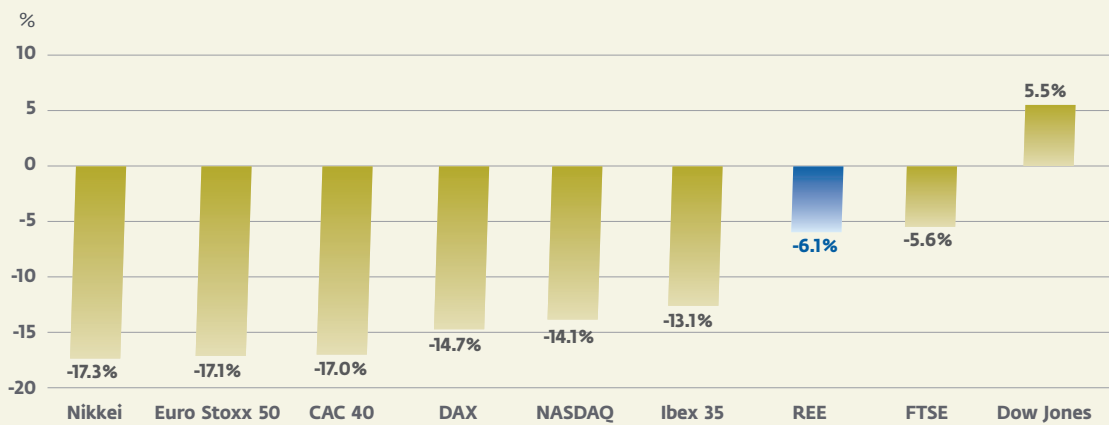
(5) Strengthening of ties with the community and actions regarding commitment towards society.

## Stock Market performance

The year 2011 has been disappointing from the point of view of stock market performance, which has reflected the economic reality of the world over the last twelve months. The year was marked in large part by the sovereign debt crisis in Europe, where the solvency problems of the peripheral countries in the Euro zone have been transferred to the countries of the Monetary Union, in the form of lower growth. But the difficulties have extended around the world and topics such as economic stagnation, unemployment, trade wars, or natural catastrophes have taken a leading role in the year that recently ended.

In the yearly performance of the principal global indicators, red figures (negative) have taken precedence. The most important European markets fell, from the 5.5% fall of the FTSE in the UK, to the 16.7% fall in Paris. The losses have also extended to the Asian markets. Japan's Nikkei fell 17.3% in 2011. Nonetheless, amongst the international markets there have been notable exceptions, the most significant case being the U.S. Dow Jones, which rose 5.5% in the year. The IBEX 35, meanwhile, has presented a negative balance for the second consecutive year, falling 13.1% in 2011.

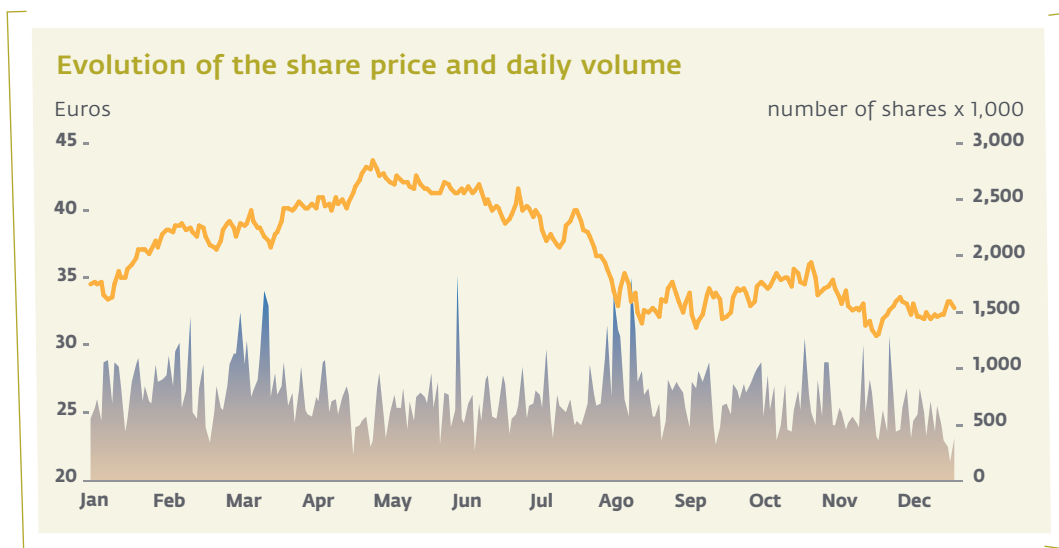
Evolution of Red Eléctrica and the key Stock Market indexes - 2011



In this context, Red Eléctrica's share price was unable to avoid the negative conditions of the stock markets and fell 6.1% during the year. However, this decline has been less than that of the IBEX 35 and also less than that suffered by the majority of the European continental indices.



In 2011, as a whole, 286.5 million shares were traded, which represents a multiple of 2.12 of the share capital of the Company. Cash sales totalled 10.642 billion euros. The volume of shares traded in 2011 increased with regard to the previous year, with 220.6 million shares traded - representing a cash figure totalling 7.668 billion euros.



### Principal Stock Exchange Indicators

	2007	2008	2009	2010	2011
<b>Total number of shares</b>	135,270,000	135,270,000	135,270,000	135,270,000	135,270,000
<b>Number of outstanding shares</b>	108,216,000	108,216,000	108,216,000	108,216,000	108,216,000
<b>Face value of the share (euros)</b>	2	2	2	2	2
<b>Share price (euros)</b>					
Maximum	45.14	46.00	39.80	40.755	43.89
Minimum	27.81	26.80	26.85	27.930	30.24
Average	34.97	38.51	32.68	34.730	37.13
Close	43.24	36.00	38.82	35.200	33.06
<b>Market capitalisation at close of fiscal year (euros)</b>	5,849.1	4,869.7	5,251.2	4,761.5	4,472.0
<b>Earnings per share (EPS) (euros)</b>	1.80	2.12	2.45	2.90	3.42
<b>Share price/EPS (PER) (number of times)</b>	24.06	16.98	15.84	12.14	9.66

## Dividend distribution

Red Eléctrica maintains the commitment to maximise value for its shareholders, offering on the one hand an attractive profitability per dividend and, on the other contributing to the revaluation of the share through an efficient management of its business.

In 2011, the payment to shareholders, in the form of a dividend, increased by 18% with regard to the previous year. The gross dividend proposed at the General Shareholders' Meeting to be allocated to the 2011 fiscal year is 2.2124 euros per share. On 2 January 2011, a gross interim dividend of 0.6764 euros per share was paid out, leaving 1.536 euros per share pending, as part of a complementary gross dividend for the 2011 fiscal year, and whose payment will be executed in July 2012.



## International activity

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

In 2011, TDE maintained a sustained investment rhythm in the Bolivian electricity market, starting the execution of five projects, with an investment of 9.6 million dollars. All the projects underway are part of Expansion Plan of the National Interconnected System approved by the Bolivian authorities

The first of these, the enlargement of the Chimoré 230 kV substation, has been concluded and was commissioned on 18 December 2011, 124 days before the date agreed with the regulator. The rest of the projects are in execution and are expected to be concluded during the first half of 2012, complying with the dates foreseen and agreed. Furthermore, TDE has completed the studies and design of four projects, which have been formally presented to the authorities and will require an investment of 5.6 million dollars.

During 2011, the Company's profits have risen. Increased revenues from energy transmission, combined with an appropriate cost management, produced an increase of 5.7% in gross operating income EBITDA over the previous year, to 26.55 million dollars. Similarly, operating income (EBIT) rose 8% over the 2010 figure. Finally, Ordinary Gross Cash Flow (FCBO) reached 25 million USD, which will allow the Company to finance new investments in enlarging the transmission grid during the next term.



[www.tde.com.bo](http://www.tde.com.bo)

The quality of service for clients and of the electricity system has been reflected in very good results, as in 2011, an excellent level of performance regarding reconnection systems was maintained, with an effectiveness of 98% in those incidents which can be technically reconnected within the Sistema Troncal Interconectado (STI). Additionally, it is worth noting that during the management of the service, the transmission system transported 6,433.38 GWh and consumption was 6,301.85 GWh, with a power transmission loss of 2.04 %.

Amongst the noteworthy events in the management of REDESUR during 2011, special mention should be made to the refinancing of the loan to REDESUR from BBVA Continental, which has made it possible to extend the financing term to 10 years at a fixed rate. Furthermore, interconnection agreements have been signed with the mining company MINSUR and with the solar energy generation company TACNA Solar, for the development of interconnections with the Los Héroes substation in Tacna. Negotiations for interconnection are advancing with the Quellaveco mining company. Finally, activity has begun with the MILPO mining company to modify a 4 km stretch of the route of the Socabaya-Moquegua line, at the request of that company.

Concerning the economic activity, in 2011 REDESUR obtained excellent economic results: recording 14.2 million dollars in net turnover and an EBITDA of 10.32 million dollars, 3.3% higher than the previous year's results. With regard to profit after taxes, this reached 3.83 million dollars, which is a value similar to the one obtained in the previous year.

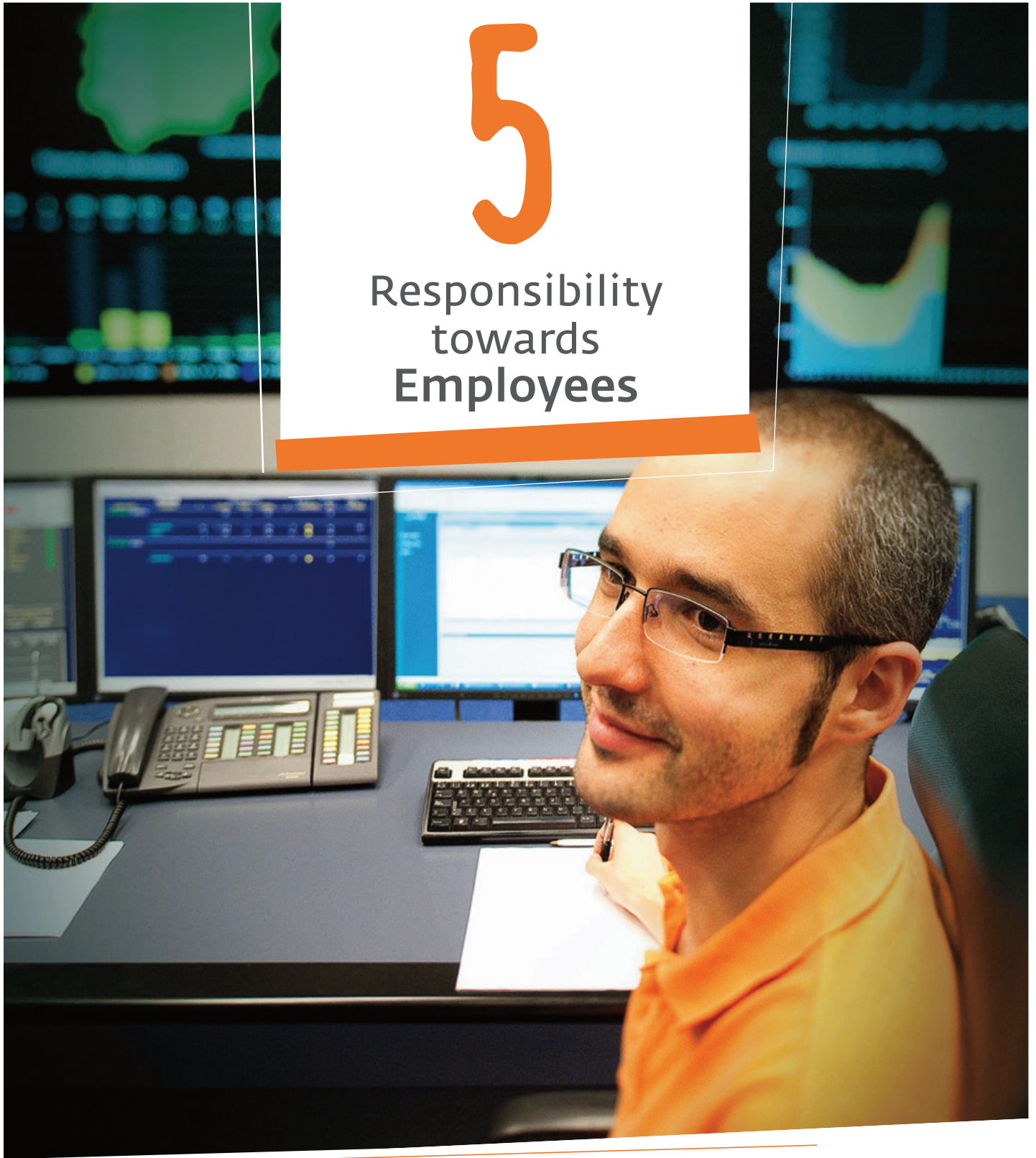
During 2011, REDESUR showed excellent quality standards in the operation of the system, which allowed a grid availability ratio of 99.72% to be attained regarding its transmission grids, an improvement of 0.7% regarding the availability ratio figure in 2010. Similarly, as in previous years, no power outages attributable to REDESUR occurred, which continues to make it the Company of reference in Peru's energy transmission sector.



[www.redesur.com.pe](http://www.redesur.com.pe)

# 5

## Responsibility towards Employees



The professionals of Red Eléctrica constitute one of the **strategic assets of the Company**. In accordance with the values of the Company, the management of the people who work in the Company is addressed in a socially responsible manner, **applying management policies that guarantee fair and equal treatment** and that promote integration into the corporate project and their professional development.

## The satisfaction and development of people

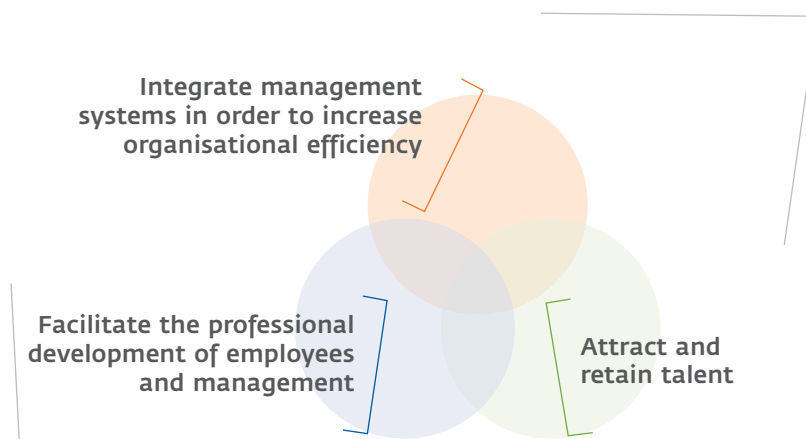
Red Eléctrica's commitment

For Red Eléctrica, people are the pillar on which its **service vocation to society and the commitment to sustainability and ethical responsibility** is based on, and which prevails in the execution of its activities.

## People Management Model

Red Eléctrica has a strategic human resources plan which facilitates the achievement of business goals in an atmosphere of commitment and good social climate. In 2011, the activities have been focused on the advancements in the process of implementing the new People Management Model, which is based on competencies and whose central idea is to facilitate alternatives in professional development, within an objective and transparent framework where professionals can reach high levels of skilled competence and satisfaction.

### General scheme of the model



### Global challenges

- ◆ Organisational efficiency.
- ◆ Attracting and retaining talent.
- ◆ Creation of stable and quality employment.
- ◆ Workers' rights.
- ◆ Health and safety.
- ◆ Training and development.
- ◆ Non-discrimination.
- ◆ Promoting the Work-Life balance.

### Main actions of Red Eléctrica

- ◆ New People Management Model.
- ◆ Sustained path of employment growth (more than 300 new incorporations in the past five years).
- ◆ Fluid dialogue with social, collective bargaining representatives and committees.
- ◆ Risk prevention policy and certified management system (OHSAS 18001).
- ◆ Continuous training programme and corporate school.
- ◆ Equality policy and plan.
- ◆ Red Concilia Project.



The changes which this new Model introduces respond to the expectations put forward by employees and executives, and to the organisation's strategy. The Model integrates practices related to professional classification, management by competencies, selection, training, evaluation, development and the remuneration model. The implementation and start-up process for all these changes has been accompanied by a communication plan to improve the understanding, objectivity and transparency of the new management systems. Amongst the actions taken within the framework of this plan, noteworthy are the presentations made to employees at each work centre.

During 2011, as was planned, we activated the systems of performance evaluation, remuneration review and professional development; and the existing employment policy was reviewed to adapt it to this new model.

Similarly, we held several working sessions with Company executives and employees to identify the necessary competencies model, evaluate the functioning and the implementation of the new systems and identify opportunities for future improvement. The development of this new model will continue during 2012, a year in which we expect to finalise the renewal of employee self-service and the review and improvement of the competencies model, incorporating new technical skills into it.

## Creating Stable and Quality Employment

### Employment evolution

The workforce of the Red Eléctrica Group has continued on the path of sustained growth begun in 2002 with the acquisition of transmission assets. REE's acquisition at the end of 2010 of transmission assets in the Balearic Islands and the Canary Islands, the need to make significant investments in the transmission grid foreseen in the 2008-2016 Infrastructure Plan approved by the Spanish government, and the growth of the activity of the international subsidiaries of REI have required an increase of 1.7% in the workforce of the Red Eléctrica Group.

### Workforce composition

The vast majority of the people who make up the Red Eléctrica Group are in Spain (91%). From a geographical point of view, 48% of the workforce is decentralised in order to offer a service that is tight-knit and adapted to the needs of the different autonomous communities and local organisms, while the other

### Key employment indicators

#### SPAIN (REE+REC)

Workforce (nº employees)	1,633
Percentage of women	22.7
Average age (years)	41
Average length of service (years)	12.3
Undesired external turnover (%)	0.9
Total turnover (%)	2.5
Creation of net employment (nº)	15

#### BOLIVIA (TDE)

Workforce (nº employees)	124
Percentage of women	16.1
Average age (years)	43
Average length of service (years)	14.5
Undesired external turnover (%)	1.6
Total turnover (%)	1.6
Creation of net employment (nº)	1

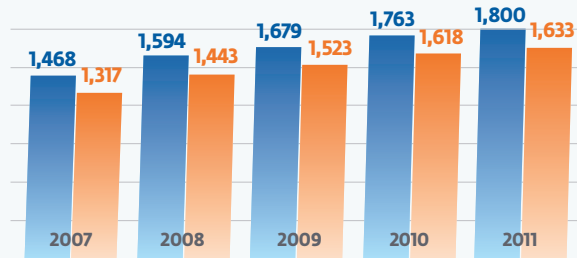


52% of the workforce offers services of a centralised nature, guaranteeing general coherence in company practices in a diversity of areas: development of the transmission grid, environmental management, quality, etc.

The average age of the workforce in Red Eléctrica de España is 41 years of age, with the largest number of employees being between the ages of 26 and 35 and making up 37.5% of the total workforce. On the other hand, approximately 53% of the workforce has a wider age range between 36 and 55 years of age, whilst those over 55 years of age account for 8.7%. This group would be eligible to retire in the next five or ten years according to the current Spanish legislation. **-EU15-**

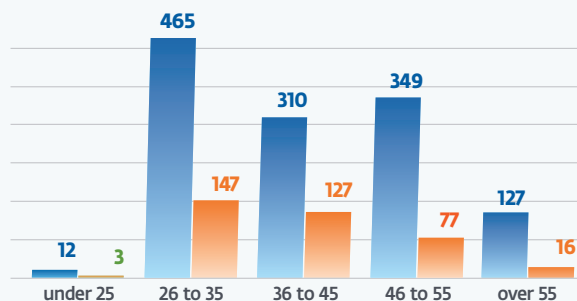
**Workforce evolution**  
(number of employees)

Red Eléctrica Group  
REE + REC

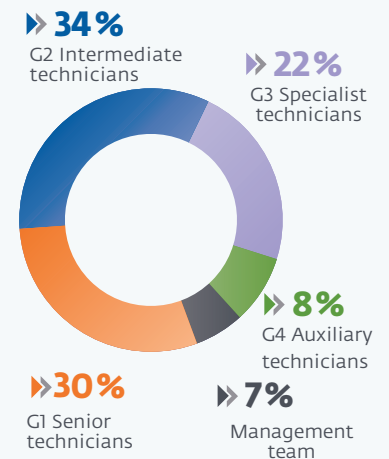


**Workforce distribution by age group and gender**  
(31/12/2011)

Men  
Women



**Workforce structure by professional group**  
(REE + REC)



**Stable employment -LA2-**

In Red Eléctrica we define our workforce needs in accordance with the principles and values of a responsible business management. For that reason, the sizing of the required workforce is rigorously determined, based on criteria of sustainability and efficiency, in order to guarantee the development of corporate strategies and to comply with the objectives that arise from them. As a result of this focus, the Group can manage the incorporation of new employees who have the intention of remaining with the Company, through permanent contracts.

Creating employment that is stable and of quality has a positive effect on the sense of belonging of the professionals of the Group and strengthens their commitment to the corporate project. As a consequence of this high level of

Excellent indicators of stable employment

Permanent contracts of almost

**100%**

Average length of service of over

**12 years**

commitment, undesired turnover is extremely low (barely 1% in Spain and 1.6% in Bolivia) and the average length of service is over 12 years in both countries.

### Breakdown of employees by type of employment, contract, region and gender (2011) -LA1-

	Spain (REE + REC)		Bolivia (TDE)		Peru (REDESUR)	
	Men	Women	Men	Women	Men	Women
Employees with permanent contract	1,259	369	104	20	12	7
Employees with temporary contract	4	1	4	0	0	0
Permanent contracting (%)	99.7	99.7	96.0	100	100	100
Part-time contracting (%)	0	0	4	0	0	0
Workers from temporary employment agencies	5	7	0	0	0	0
Interns	8	11	22	2	6	1

### Turnover indicators by gender and professional group (2011) -LA2-

	Spain (REE + REC)				Bolivia (TDE)				Peru (REDESUR)			
	nº people leaving		turnover rate (%)		nº people leaving		turnover rate (%)		nº people leaving		turnover rate (%)	
	M	W	M	W	M	W	M	W	M	W	M	W
Less than 25 years of age	0	0	0.0	0.0	0	0	0.0	0.0	0	0	0.0	0.0
26 to 35 years of age	8	3	1.7	2.0	0	0	0.0	0.0	0	0	0.0	0.0
36 to 45 years of age	10	2	3.2	1.6	1	0	3.8	0.0	1	1	20.0	50.0
46 to 55 years of age	17	0	4.9	0.0	0	1	0.0	12.5	0	0	0.0	0.0
Over 55 years of age	1	0	0.8	0.0	0	0	0.0	0.0	0	0	0.0	0.0
<b>Total turnover</b>	<b>36</b>	<b>5</b>	<b>2.9</b>	<b>1.4</b>	<b>1</b>	<b>1</b>	<b>1.0</b>	<b>5.0</b>	<b>1</b>	<b>1</b>	<b>8.3</b>	<b>14.2</b>

### Employment management

One of the missions of the Human Resources Department is to provide the Company with the human capital necessary to attain the strategic objectives of the business by identifying, selecting and integrating the right people and subsequently monitoring them. To reach this goal and to also achieve the maximum commitment and retention of talent, the principles and directives of the employment policy are the framework for a transparent and objective employment management process, based on the following criteria for action:

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

To foster internal rotation and development of our workforce, Red Eléctrica offers its professionals the opportunity to apply for vacancies that arise, by publishing the current job offers on the corporate portal **miRED**. As regards external recruitment of candidates, we do this through the “**Trabaja con nosotros**” (Work With Us) service, which is available on the corporate website and on digital employment platforms. In addition, we participate in employment fairs and forums to capture the interest of different external groups and to promote our brand image and recognition as a company that offers employment. As for local recruitment procedures, almost 100% of the people employed, including the management team, are recruited in their home countries. **-EC7-**

In addition, we develop educational cooperation programmes. Noteworthy among them is **PRACTICA**, a scholarship programme to promote cooperation between the education and business sectors, which offers internships to students or recent graduates to facilitate their entry into the Company.



#### New contracting by age, sex and region (2011) -LA2-

	Spain (REE + REC)			Bolivia (TDE)			Peru (REDESUR)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Less than 25 years of age	5	1	6	0	0	0	0	1	1
26 to 35 years of age	30	9	39	2	1	3	1	0	1
36 to 45 years of age	8	1	9	0	0	0	0	1	1
Over 45 years of age	2	0	2	1	0	1	0	0	0
<b>Total contracting</b>	<b>45</b>	<b>11</b>	<b>56</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>3</b>

Similarly, we continue to seek new ways of integrating people with disabilities into the workforce. In this context, we have participated in employment fairs in Madrid and Barcelona in 2011.

#### Remuneration model

Within the framework of the new People Management Model, during 2010 and 2011, we have revised the remuneration policy of the companies of the Group, to align it with the organisational model and the model of professional development, so as to have a more efficient people management system which permits economic recognition of both the management and technical careers. Said policy is based on the criteria of justice, fairness, competitiveness, transparency, differential recognition of superior performance and development.

The definition and management of the remuneration policy is done whilst keeping in mind the needs of the different units which comprise the organisation, thanks to the participation of managers in the Remuneration Policy Group, which advises the Human Resources Department in the management of these matters.

The Remuneration Model consists of a fixed remuneration within wide salary bands and an extraordinary bonus scheme which recognises the most distinguished contributions.

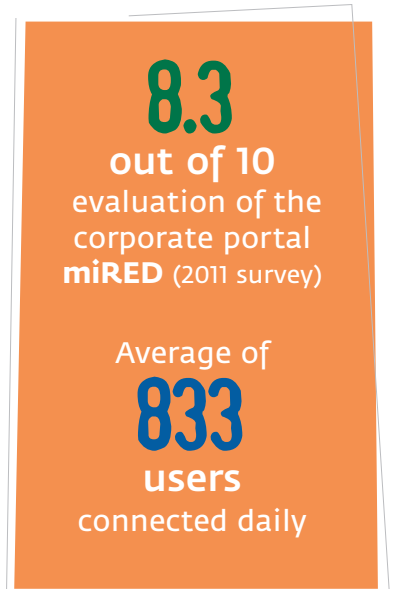
As a result of the remuneration policy and its responsible application, the salaries of all the people in the Red Eléctrica Group broadly exceed the established legal minimums. The salaries of employees of the Group in Spain are three times higher than the established minimum legal salary, whilst those of the employees in Bolivia are six times higher and those of employees in Peru, five times higher. **-EC5-**

### Internal communication

An open and constant dialogue with employees is the basis for internal communication in Red Eléctrica and is an essential tool for improving the working climate, promoting the integration of people and increasing their pride in belonging to the Company.

In order to achieve this dialogue, Red Eléctrica uses different channels and internal communication actions which permit the dissemination of company goals and at the same time, the collection of information.

At the start of 2011, all the people who work at Red Eléctrica had the opportunity to evaluate the management of internal communication through a survey. With this questionnaire, 40.3% of the workforce evaluated the compliance of the internal communication policy as a tool for the development of work activity, for motivation and retention of the workforce, with an average overall evaluation of 6.8 points. Throughout 2012, as a result of the analysis of the results obtained, actions for improvement will be carried out.



#### Main communication actions

- ◆ Communication plans for corporate projects.
- ◆ Promotion of activities outside work.
- ◆ Sporting activities.
- ◆ Work, social and entertainment communities.
- ◆ Ideas contest.
- ◆ Induction and integration plans.
- ◆ Social climate and commitment survey.
- ◆ Service satisfaction surveys.

#### Main channels of communication

- ◆ Corporate portal miRED.
- ◆ Employee helpline (RH2000).
- ◆ Employee self-service.
- ◆ Quarterly Magazine "Entrelíneas".
- ◆ Activity follow-up interview.
- ◆ Groups focused on the analysis of diverse situations.

The miRED corporate portal continues to be the keystone of internal communication. The high degree of employee participation results in a continued increase

in the number of communities, therefore increasing the exchange of information and strengthening relationships amongst its members. Thanks also to the interest of the content managers, it is possible to update and renew the different sections. This year, the Occupational Health and Safety, Environment and Corporate Responsibility areas have been redesigned to include new functionalities.

## Internal communication plan

### Main communication plans 2011

- ◆ **Strategic Plan:** 24 presentations in the different work centres.
- ◆ **New People Management Model:** presentations to the entire workforce.
- ◆ **Red Segura:** Awareness campaign regarding occupational health and safety.
- ◆ **Factor Humano:** Presentation of the brand that encompasses the actions and projects developed by human resources.
- ◆ **Health and psychosocial risks campaign.**
- ◆ Mission and Vision of the Organisation.

Each year, communication plans are designed for specific projects, developed by specific units, and whose goal is the global dissemination of the Company's strategies, policies and objectives.

On the other hand, the Company's Social Plan promotes the integration of employees through activities which are already well established, such as those developed in "Red en familia" ("Family network"), with the children of employees: the children's painting contest, the photography contest or the parties for children. We also have meetings for the management team, such as the "Meetings with the president," in which answers are provided to strategic matters.

In 2011, noteworthy was the start of computer security workshops, whose goal is to raise awareness amongst the employees of Red Eléctrica and their children about the risks of using the Internet without the proper safety criteria. The focus is on the use of new technologies by adolescents and pre-adolescents.

The promotion of sports by sponsored team sporting activities continues to attract participants. Nearly half the workforce takes part in one of the 39 sports offered, which permits the integration of the workforce on a social level through entertainment activities outside business hours.

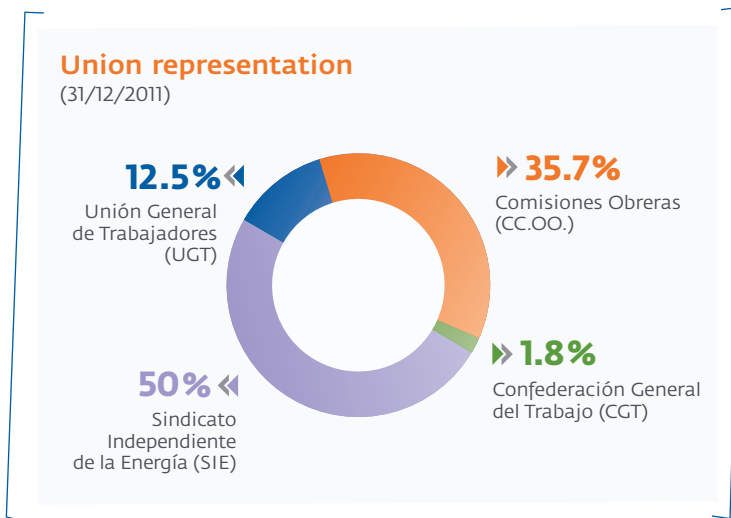


### CANAL RH2000

In 2011, the Human Resources area received and dealt with 10,628 consultations from employees, interns, retired staff and collaborators. This service is managed by the Fundación Juan XXIII, an organisation that works with people who have some type of disability.

## Employer / Employee Relations -HR5-

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



Therefore, the IX Collective Bargaining Agreement, which is in force until 31 December 2012, represents the legal framework based upon which Red Eléctrica commits itself to comply with values such as equal opportunity, personal development, the Work-Life balance and non-discrimination in all activities related to people management. This agreement, which applies to 100% of the workforce, with the exception of the management team, contains the possibility of excluding certain people from its area of application. This exclusion is voluntary for the employee who accepts the proposal. During 2011, the percentage of persons excluded was 1.3%. -LA4-LA6-

### Internal channels of communication for social representation

- ◆ Specific area in the miRED corporate portal.
- ◆ Physical information boards installed in common areas.

Red Eléctrica has worker representation in the majority of the work centres and an Inter-Centre Committee consisting of eleven members. The social representation participates in the Health and Safety Committee (through the delegates responsible for prevention) as well as in different committees and other mechanisms for dialogue, such as the Work-Life Balance Working Group or the Psychosocial Risk Observatory. The committees which had the most activity during 2011 were:

**Social Affairs Committee:** Agreement on the rules of management regarding financial assistance for employees who have in their charge an immediate or close family member with a minimum recognised disability of 66%.

**Parity Committee for Vigilance and Interpretation of the Collective Bargaining Agreement:** Various meetings were carried out in order to analyse



the content of specific articles in the IX Collective Bargaining Agreement.

**Parity Committee for Monitoring the Application of the Flexibility System:**

Several meetings, as established in the IX Collective Agreement, in order to evaluate and manage the flexibility system in Article 20 of said agreement.

**Parity Committee on Equality:** Meetings to monitor the actions established in the Company's Equality Plan regarding selection, contracting, promotion, training, remuneration, communication and raising awareness of equality and the Work-Life balance.

**Committees with social representative involvement -LA6-**

- ◆ Geographic Mobility Committee.
- ◆ Training Committee.
- ◆ Occupational Health and Safety Committee. **-LA9-**
- ◆ Social Affairs Committee.
- ◆ Parity Committee for Vigilance and Interpretation.
- ◆ Parity Committee on Equality.
- ◆ Parity Committee on Professional Classification.
- ◆ Committee for the monitoring of the Flexible Working Schedule System.
- ◆ Working Group regarding the Work-Life balance.
- ◆ Psychosocial Risk Observatory.

Social representation, as set out in the IX Collective Bargaining Agreement, has the right to access documentation made available to shareholders, in particular the balance sheet, income statement, and annual report of the Company. Additionally, they are granted the competency of issuing reports prior to the execution of organisational changes adopted by the Company. **-LA5-**

With respect to TDE, we have continued to maintain a fluid dialogue by holding periodic meetings between management and workers' representatives. One the most notable results of these meetings has been the speed and consensus in the signing of the collective bargaining agreement which made it possible to implement the salary increase as established by the Bolivian government.

## Occupational Health and Safety

### Prevention management system

As part of the commitment to the safety of people in the workplace, all the companies in the Red Eléctrica Group have the OHSAS 18001 certification as a tool that guarantees the appropriate implementation of the Occupational Health and Safety Policy. This management model promotes a preventive culture at all levels of the organisation and a commitment to continuous improvement.

In order to guarantee compliance with said policy, the Company has its own prevention service and an Occupational Health and Safety Committee comprised of six members from the company and six prevention delegates, representing 100% of the employees. Amongst the functions of this Committee is the analysis of the evolution of the occupational health and safety indicators and the resolution of consultations from employees. As such, it constitutes a basic element of participation and improvement of prevention. In 2011, this committee met on four occasions. **-LA6-LA9-EU16-**

Within the integrated prevention system, Red Eléctrica verifies the safety conditions defined through the commitment and leadership of the management team and the implication of the different stakeholder groups. In 2011, we have reviewed and updated the Occupational Health and Safety Policy and the regulations, with the consensus and participation of executive management, the organisational units involved and the Occupational Health and Safety Committee.

Under the Red Segura ("Safe Network") brand, various communications and awareness-raising actions have been undertaken, directed at the entire workforce. Noteworthy among them are the creation of new communication channels and the redesign of the Red Segura section on the corporate portal, in order to facilitate access to the documentation on safety matters which any person in the company may need.

### 2011 Results

One of the most important aspects of occupational risk prevention continues to be the control of the accident rate. For this, we have strict systems for risk identification, control and management, as well as other tools designed to minimise incidents and accidents in the execution of the Company's activities. With these systems and tools, we have attained very low accident levels in recent years. However, the index of frequency and severity of accidents at REE stood, respectively, at 3.96 and 2.21 in 2011, due to the unfortunate fatal accident which occurred when a helicopter crashed during a maintenance inspection of electricity lines.



### Main projects for improving risk prevention (2011)

- ◆ Integration and reinforcement of training in occupational safety within the general training plan.
- ◆ Preparation and establishment of a corporate application (PRER) for safety management and monitoring, which interacts with suppliers and with the corrective action management programme.
- ◆ Execution of self-protection plans for facilities, with special emphasis on GIS-type armoured facilities.
- ◆ Integration of safety certifications within the new people management model.
- ◆ Improvement of the training system for occupational safety.

With regard to our contractors, all those who work at Red Eléctrica facilities and work centres are approved and qualified from the point of view of occupational risk prevention. The occupational risk prevention service carries out an exhaustive monitoring of their activity in executing of the works. As a result of these actions, the accident control indices of contractors are below the average indices of comparable companies.

During 2011, 4,312 safety inspections were carried out (5% more than in 2010) in order to identify deviations from the development of processes and define associated improvements. **-EU16-**

These inspections serve, amongst other things, as a basis for measuring the performance of the suppliers who perform tasks at REE facilities. The results of said inspections, grouped by homogeneous activities, allow the activity of each supplier to be compared. The evaluation and measurement of said contractors is done according to the criteria established in a standardised document and in which the following elements are taken into account:

- ◆ The accident rate of each contractor.
- ◆ A comparison with their counterparts.
- ◆ The activities of each contractor's prevention service.
- ◆ Efficiency in the assigned corrective actions.
- ◆ Personnel fluctuations in the project. **-EU18-**

With respect to TDE, the indicators measuring the accident rate continue to be very low. The benchmarking study of 61 Bolivian companies, in which we participated in 2011, showed that our indicators are positive compared to those of the other companies. Nonetheless, in order to improve our indices, we have to intensify the monitoring and management of our contractors.

**4,312**  
Safety  
inspections,  
5% more than in  
2010

## Occupational Health and Safety indicators -LA7-

### Spain (REE+REC+REI)

#### Occupational Health and Safety (parent company)

	2007	2008	2009	2010	2011
Average workforce	1,311	1,379	1,493	1,584	1,666
Hours worked	2,266,644	2,373,524	2,565,436	2,678,350	2,777,528
Accidents with sick leave (serious/minor)	0/11	0/10	0/12	1/17	0/10
Fatal accidents	0	0	0	1	1
Days lost due to accidents <sup>(1)</sup>	195	352	156	6,268	6,128
Accident frequency rate	4.85	4.21	4.69	7.09	3.96
Serious accident rate	0.23	0.15	0.11	2.34	2.21
Incidence rate	8.39	7.25	8.05	11.99	9.14
Absenteeism rate	3.04	2.28	2.51	2.12	2.30

#### Occupational Health and Safety -EU17- (Contractors REE)

Average workforce	2,590 <sup>(2)</sup>	3,139	3,183	3,447	3,371
Hours worked	4,403,145	5,336,236	5,410,526	5,860,778	5,731,042
Accidents with sick leave (serious/minor)	7/103	2/124	15/100	11/117	9/91
Fatal accidents	1	0	0	1	1
Days lost due to accidents <sup>(1)</sup>	9,256	7,705	8,066	9,282	8,496
Accident frequency rate	27.13	23.61	21.25	22.01	17.62
Serious accident rate	2.26	1.44	1.61	1.58	1.59
Incidence rate	42.86	40.14	36.12	37.13	36.88

#### TDE

Accidents with sick leave	3	1	0	0	2
Fatal accidents	0	0	0	0	0
Days lost due to accidents	215	9	0	0	7
Serious accident rate	11.38	7.44	0	0	1.48
Incidence rate	0.82	0.04	0	0	5.20
Absenteeism rate	0.19	0.39	0.21	0.11	0.13

#### Occupational Health and Safety (Contractors TDE)

Accidents with sick leave	-	-	2	0	4
Fatal accidents	-	-	0	0	0
Days lost due to accidents	-	-	63	0	25
Accident frequency rate	-	-	10.12	0	1.26
Serious accident rate	-	-	0.23	0	7.28

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

Serious accident rate = number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked.

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

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

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

Serious accident (REE) = those classified as serious by each doctor that issued the sick leave certificate + those for sick leave over 90 days + those that lead to actions from the labour authority.

(1) 6,000 working days recorded per each fatal accident y 4.500 por incapacidad permanente total.

(2) Based on hours worked.

Note: Of the 11 accidents with sick leave at REE, seven involved men and four, women. At TDE, all were men. Among the contractors, both at REE and at TDE, all the accidents involved men. At the subsidiary REDESUR, there has been no accident of either own personnel or contractors. The absenteeism rate stood at 2.5%.

## Training -LA8-

In the prevention of occupational risks, we regard as fundamental the continued working practice as a factor of the improvement and analysis of prevention aspects. The knowledge acquired and broadened, is made public and transmitted to stakeholder groups in sessions for updating experiences regarding safety, during which we take the opportunity to review risk evaluation in each job, and making this information available to all employees.

This year, the training programme on this matter had 1,071 participants who dedicated a total of 8,224 hours to it. Of the total number of hours, 47% was devoted specifically to training in electricity risks. Noteworthy are the 383 hours dedicated to the management team so that they could strengthen their leadership in this area.

Some 97.8% of the hours consisted of face-to-face training and all the accident and incidents which occurred were analysed within the process for keeping training update as foreseen in the Training plan.

## Health care prevention and monitoring

The year 2011 was marked by the joint development of actions within the framework of health monitoring, as well as campaigns for preventive health care in general. Noteworthy is the new evaluation of psychosocial risk prevention, in which participation was 14% higher than the last one carried out in 2006. This survey, which is carried out every five years, is included in the Occupational Risk Prevention Plan. In light of the final conclusions, a psychosocial risk prevention plan was developed, which includes different measures and actions for improvement.

### Main actions in health prevention and promotion during 2011

- ◆ Evaluation of psychosocial risk prevention.
- ◆ Development of a psychosocial risk prevention plan that includes different measures and actions for improvement.
- ◆ Conferences on the prevention of prostate and breast cancer, in cooperation with the Spanish Cancer Association.
- ◆ Monthly publication of health tips for preventing prostate cancer, on the miRED portal.
- ◆ Educational workshops on healthy eating habits.
- ◆ Screening tests for early detection of colon cancer for persons over 50 years old.

The continued collaboration with the Spanish Cancer Association (AECC) has enabled several conferences on cancer prevention to be held, which registered a high level of attendance.

With respect to TDE, we have implemented a comprehensive pilot programme of health care prevention and promotion. Amongst the activities which make up the programme is the primary care of employees with different pathologies, medical check-ups to prevent high-risk illnesses and to promote health activities. To develop this programme, we have instituted a twice-monthly visit by a professional doctor to the main office, which has made it possible to reduce absenteeism, as it avoids employees' having to leave the premises for medical appointments.

### Medical service indicators -LA8-

Red Eléctrica de España	2007	2008	2009	2010	2011
Medical check-ups	802	1,011	1,097	1,010	1,143
Doctors' consultations	1,422	1,443	1,167	1,170	1,002
Vaccinations	230	269	352	312	240
Temporary incapacity consultations (TI)	135	122	139	145	193
<b>TDE (Bolivia)</b>					
Medical check-ups	121	45	121	44	131
Doctors' consultations	359	431	353	436	268
Vaccinations	0	0	0	0	0
Temporary incapacity consultations (TI)	17	25	26	10	16

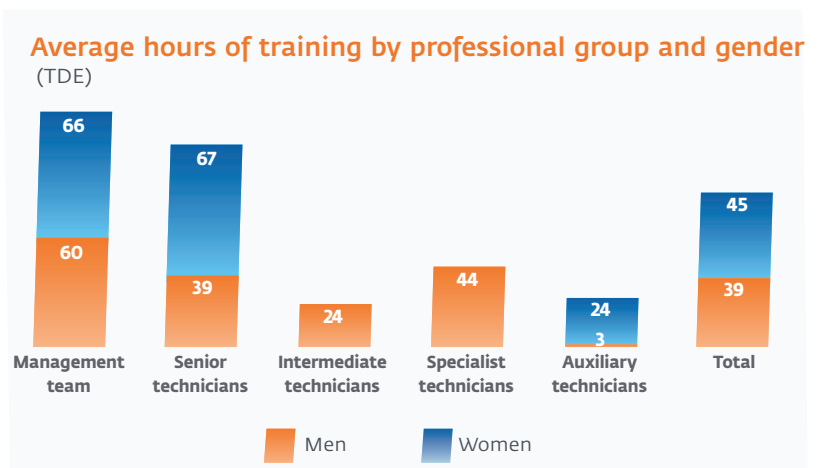
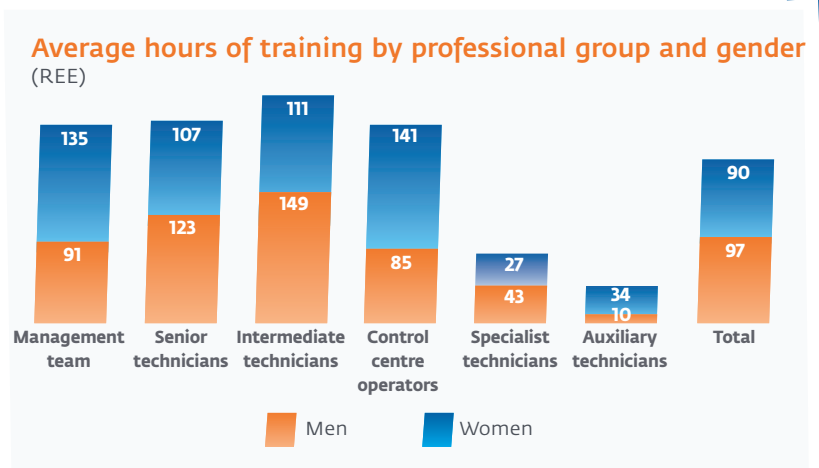


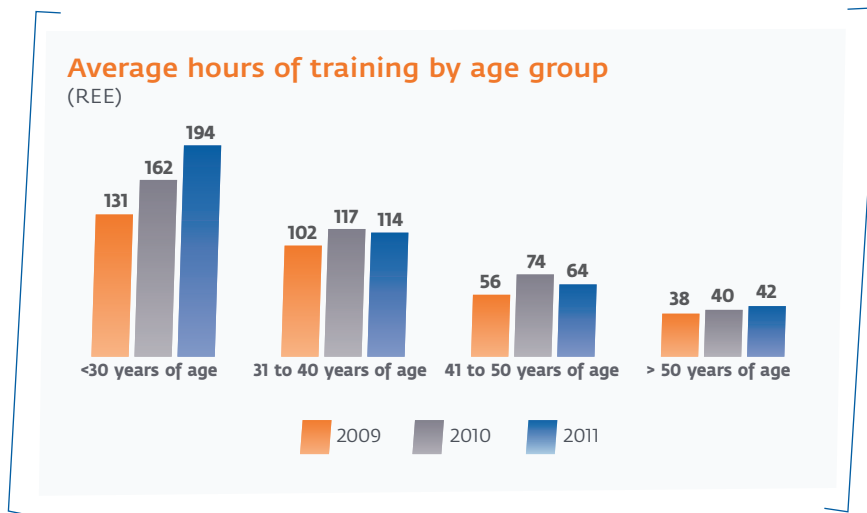
## Training and Education -LA10-

Professional development is one of the strategies of growth and differentiation of Red Eléctrica. Since the Company's founding, we have maintained a firm commitment to the promotion of the talent of our personnel, through annual and multi-annual plans which guarantee the Company's leadership as a TSO.

During 2011, we maintained the investment in training hours with respect to the previous year, with 154,715 training hours (928 courses). This important effort focused largely on specialised technical training to meet the needs generated by the significant growth in the workforce and the uniqueness of Red Eléctrica's activities. Similarly, special attention was paid to the occupational health and safety programmes, IT and new technologies, quality, as well as languages, which this year accounted for 31,844 hours of training.

Over  
**154,000**  
Hours of training  
**928**  
Courses managed  
in 2011





In addition, we have continued to work on the induction and integration plan for new employees and on the programmes to develop management capabilities. In these, significant efforts were made to translate the corporate values of Red Eléctrica into guidelines of desired behaviour, both among the technical workforce and the corresponding line managers.

Of note is the promotion of a specific training plan regarding matters related to the Work-Life balance and equality. The plan seeks to develop a committed leadership style in which the management team becomes involved as manager of these matters and facilitates a culture of equality, in accordance with the legal framework in force and the Equality Plan approved by the Company.

To this end, different training and development actions have been undertaken, noteworthy amongst which is the FOCO Project, which is structured into monographic workshops about the aforementioned objectives and their impact on executive management.

### Continual improvement

The progressive implementation of the new people management model during 2011 shows a commitment to talent development. Its design as a global system covers all the people management tools, including professional development and training. Within this global improvement project, in 2011 the dictionary of competencies for non-management personnel was revised and updated.

All this signifies that Red Eléctrica has tools for change management that differentiate it from the rest of the market, owing to its forward-looking and pro-active stance in the current environment, which is marked by the need for flexibility in management models, especially where human resources are concerned.

## Training and education indicators -LA10-

REE+REC	2007	2008	2009	2010	2011
Training hours	102,926	118,126	144,497	162,290	154,715
Employee training hours	92,509	110,807	124,293	151,669	154,715
Training hours for interns (operation internship grant programme)	10,417	7,319	20,204	10,621	0
Hours per employee*	71	81	84	99	96
Employees in training (%)	97	100	100,8	97	95
Hours given with own resources (internal and virtual)	31,765	35,616	34,654	72,826	28,482
Number of courses managed	774	759	954	861	928
Investment in training/ total personnel costs (%)	6.4	6.5	7.6	7.0	7.0
Investment per employee (euros)**	4,217	4,473	4,969	4,760	4,192
Training during working hours (%)	75	82	85	64	79
<b>TDE (Bolivia)</b>					
Training hours	7,705	4,883	6,870	8,569	4,913
Hours per employee*	65	41	56	70	40
Employees in training (%)	94	72	80	88	90
Investment in training / total personnel costs (%)	2.9	1.7	2.0	2.4	1.6
Investment per employee (euros)	630	403	623	721	569
<b>REDESUR (Peru)</b>					
Training hours	193	249	370	412	2 3 4
Hours per employee*	13	15	21	91	6 5
Employees in training (%)	94	32	89	95	9 5
Investment in training/ total personnel costs (%)	5.0	3.0	3.0	3.4	4 . 4
Investment per employee (euros)	-	578	622	817	1,171

(\*) Over the average workforce.

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

## Knowledge management: Red Eléctrica Corporate School (ECRE) -EU14-

In 2011, the two training schools at Red Eléctrica were consolidated: the Operations School and the Maintenance School. Sharing the same goal of providing technical training to the Red Eléctrica workforce, they have made important investments in staff and in cutting-edge technological equipment.

From this unique vision, the Red Eléctrica Corporate School (ECRE – Escuela Corporativa de Red Eléctrica) was born, as an internal training centre designed specifically for the training needs of Red Eléctrica as transmission agent and operator of the electricity system.

We have invested in different types of equipment for protection, measurement and communication which progressively will become part of the content of the training units. This will provide the practical component which is essential to the qualification of the technicians to whom the training is directed.

The school's catalogue includes courses with university recognition, notably the REE-ICAI specialist course on system operation, a joint initiative between Red Eléctrica and the Universidad Pontificia de Comillas.

In addition to highly-focused technical training, the human factor is very much taken into account as a basic element for making professional development possible. For this reason, actions are planned around different skills, with twice-yearly programmes on these subjects which facilitate the recycling of knowledge of control centre operators on these matters.

From the business perspective of the maintenance of transmission infrastructures, ECRE manages and organises training for transmission grid maintenance technicians, in order to assure their maximum qualification and professional updating. This allows for an optimum level of conservation of facilities and avoids possible non-availabilities. This training is conceived both for the training of new employees as well as for the continuous training and recycling of knowledge of the rest of the technicians.

From this perspective, ECRE certifies the personnel from other companies that work at Red Eléctrica facilities, and establishes criteria for qualification and specific competencies for some of the most critical activities. This initiative is aimed at reducing the occupational risks derived from these kinds of jobs and at improving the quality and efficiency of line and substation maintenance.



Red Eléctrica Corporate School (ECRE) in Tres Cantos (Madrid)

### ECRE core objectives

- ◆ Train new employees to perform operation, transmission and maintenance functions on the electricity system.
- ◆ Offer a knowledge-update programme for technicians in different functions of the Company.
- ◆ Provide training services to companies in the electricity sector in the areas of competency of Red Eléctrica.
- ◆ Provide training to technicians from other countries.

During 2010-2011, two training technicians in occupational risk prevention were accredited, in order to strengthen the educational process in matters related to occupational safety and to integrate it into the mechanism of technical training of the professionals of REE.

ECRE currently has a postgraduate training programme on high-voltage facilities, which is given in collaboration with the Industrial Engineering School of the Universidad Pontificia Comillas (ICAI), and is recognised as a university master's degree. The programme covers the design, construction and maintenance of high-voltage electricity facilities.

### Red Eléctrica Corporate School

#### Main actions in the area of system operation

- ◆ Holding simulations of putting the service back on line, where Red Eléctrica's leadership takes centre stage and which guarantees the qualification for action in emergency situations. This activity includes theoretical and practical training on the simulation tool (OTS) and features the participation of operation personnel from Red Eléctrica and from the Spanish electricity generation and distribution companies.
- ◆ Updating of simulator equipment with a replica of the Centre for the Control of Renewable Energies (CECRE). This meant a new investment in technological equipment, which added value to the school.
- ◆ Providing training in the operation of high-voltage electricity systems to different international groups that request them from the school.
- ◆ Training new personnel, as a result of the incorporation of assets on the Balearic Islands and Canary Islands.

#### Main actions in the business scope of transmission infrastructures

- ◆ Training of engineering, construction and maintenance technicians of the transmission grid, in order to guarantee their maximum qualification and professional updating.
- ◆ Technical training in the prevention of occupational risks, environmental protection and quality.
- ◆ Promoting and consolidating the use of new technologies in training: 3D simulators, RTDS, SOL, etc.
- ◆ Accreditation of REE maintenance technicians for the handling of SF<sub>6</sub> gas, according to the new European regulations.
- ◆ Accreditation of personnel from other companies who work at REE facilities.
- ◆ One of ECRE's goals is to continue incorporating specific training about energy operation and transmission, both in a virtual and tutored format, through its own bespoke courses.

During the 2010-2011 period, a 3D simulator for substations was launched, oriented to training and retraining in different tasks. In this way, the students' behaviour can be analysed from a technical and occupational health and safety point of view. This tailor-made development will lead to greater quality and efficiency in training and, as a result, in the qualification of personnel. Similarly, training began in the principal concepts and behaviour of the electricity system, as part of a programme designed with a practical focus, through the use of the real-time RTDS simulator.

## Performance evaluation -LA12-

Red Eléctrica's performance evaluation system focuses on facilitating the professional development and advancement of the organisation's employees. The performance evaluation system has been redesigned within the framework of the new people management model to integrate it into the new organisational and competencies model.

This new system has been developed whilst keeping in mind the opportunities for improvement identified by the organisation's professionals, both management and technical personnel, and those identified in the ongoing improvement processes of business excellence, within the framework of the EFQM.

Within the change management process inherent to these improvements, an **intensive communication plan was undertaken to inform the entire workforce** about the new competencies model and evaluation system. This was done through the internal digital channels and by means of presentations at the different work centres, in order to ensure the transparency of the professional development and evaluation mechanisms. Also, in order to facilitate the correct application of the system, relevant training courses were held in which the entire management team of Red Eléctrica participated.

The performance evaluation system is applied annually to all the professionals of the organisation. Since 2011, **the professional performance of each employee is evaluated** from a threefold approach: the degree of development of competencies corresponding to their post and the level of professional progress; the degree of contribution to the objectives and the activities of their organisation; and the degree of commitment to the business project, to the organisation and to the employee's own professional development. This new system also incorporates two new stages in the process: planning and follow-up; which facilitate communication, progress and professional development.

To **make the system more objective and to guarantee that homogeneous evaluation criteria are being applied** and during 2011 for the first time, calibration committees were set up in each department, to provide validation and consensus regarding the evaluations performed. These committees are made up of the evaluating management team of each one of the organisational departments of the Company.

The continuous process of performance management culminates with a personal interview in which each department head shares with each one of his/her collaborators the results of their evaluation. Based on these, the most appropriate individual plans for the development of competencies can be identified.



## Equal Opportunities, Diversity and the Work-Life Balance

Red Eléctrica demonstrates and expresses its commitment to the principles of equality and non-discrimination, both in its corporate responsibility policy and in the different collective bargaining agreements which have governed labour relations.

The Equality Plan was approved by the Company and the social representation in 2009 and can be renewed annually. It contains a series of positive actions to promote true and effective equality between men and women in the Company, in the areas of employment (selection, promotion and contracting), training, remuneration and communication. These actions are subject to monitoring, both by Company management and by the social representation, through the Parity Committee on Equality.

During 2011, the Board of Directors approved the Equality Policy, which contains the principles and directives in matters of equality, as well as the commitment and strategic focus of Red Eléctrica in this scope, through a process of continuous improvement. At the same time, it approved the General Procedure for Equality Management, whose objective is to establish the functional criteria for the equality management model at Red Eléctrica.

As an extension to the equality seal which was awarded in 2010 by the Health, Social Services and Equality Ministry, Red Eléctrica has continued to develop the commitments contained in the documentation required to obtain this seal. In this regard, during 2011 we have actively participated in specific forums on this topic as well in the mass media.

### Equal opportunity in employment

The 30% growth in the number of women in the workforce in the last five years is evidence of Red Eléctrica's commitment to contracting women. The applications received are evaluated in accordance with criteria of non-discrimination and gender equality, which in 2011 resulted in an equal opportunity index when contracting of 0.95%, reflecting a balance in the criteria for evaluating the candidates.

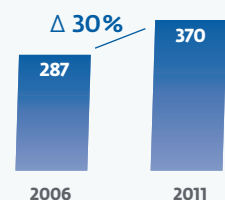
### Equal opportunity in professional development

The percentage of women in positions of responsibility at the company continues to rise, going from 16.2% in 2010 to 17.6% in 2011.



Equality seal

#### Evolution in the number of women in REE



#### Evolution in the percentage of women in management positions



### Workforce distribution by gender and professional group -LA13-

REE	2007			2008			2009			2010			2011		
	M	W	% W	M	W	% W	M	W	% W	M	W	% W	M	W	% W
Management team	83	14	14.4	85	15	15.0	86	16	15.7	88	17	16.2	89	19	17.6
G1 Senior technicians	226	116	33.9	271	138	33.7	287	146	33.7	328	157	32.4	328	158	32.5
G2 Intermediate technicians	397	67	14.4	422	84	16.6	452	92	16.9	470	88	15.8	466	88	15.9
G3 Specialist technicians	272	1	0.4	282	4	1.4	296	5	1.7	336	9	2.6	349	9	2.5
G4 Support staff	48	93	66.0	46	96	67.6	46	97	67.8	32	93	74.4	31	96	75.6
<b>Total</b>	<b>1,026</b>	<b>291</b>	<b>22.1</b>	<b>1,106</b>	<b>337</b>	<b>23.4</b>	<b>1,167</b>	<b>356</b>	<b>23.4</b>	<b>1,254</b>	<b>364</b>	<b>22.5</b>	<b>1,263</b>	<b>370</b>	<b>22.7</b>

TDE	2007			2008			2009			2010			2011		
	M	W	% W	M	W	% W	M	W	% W	M	W	% W	M	W	% W
Management team	21	3	12.5	20	4	16.7	21	3	12.5	25	3	10.7	25	3	10.7
G1 Senior technicians	37	4	9.8	38	4	9.5	37	5	11.9	34	7	17.1	35	7	16.7
G2 Intermediate technicians	27	0	0.0	27	0	0.0	28	0	0.0	27	0	0.0	27	0	0.0
G3 Specialist technicians	12	0	0.0	12	0	0.0	12	0	0.0	11	0	0.0	11	0	0.0
G4 Support staff	6	9	60.0	6	9	60.0	6	9	60.0	6	10	62.5	6	10	62.5
<b>Total</b>	<b>103</b>	<b>16</b>	<b>13.4</b>	<b>103</b>	<b>17</b>	<b>14.2</b>	<b>104</b>	<b>17</b>	<b>14.0</b>	<b>103</b>	<b>20</b>	<b>16.3</b>	<b>104</b>	<b>20</b>	<b>16.1</b>

### Relationship between base salaries for men and women -LA14-

REE+REC	2007	2008	2009	2010	2011
Management team	1.01	1.02	1.01	0.99	0.99
G1 Senior technicians	1.05	1.11	1.11	1.10	1.09
G2 Intermediate technicians	1.07	1.11	1.10	1.08	1.08
G3 Specialist technicians	1.15	1.10	1.05	1.02	0.98
G4 Support staff	0.98	1.08	1.07	1.03	1.04
<b>Total</b>	<b>1.05</b>	<b>1.11</b>	<b>1.11</b>	<b>1.06</b>	<b>1.05</b>

### Other equality indicators

	REE+REC			TDE		
	2009	2010	2011	2009	2010	2011
In recruitment <sup>(1)</sup>	1.6	1.1	1.0	1.0	0.5	1.5
Voluntary improvement <sup>(2)</sup>	1.0	1.2	1.2	-	-	-
Promotion <sup>(3)</sup>	0.0	0.9	1.5	0.0	0.0	3.1

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

(2) Number of women with voluntary improvement/total number of women/total employees with voluntary improvement/total workforce.

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

M: Men      W: Women

## Protection against gender-related violence

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

### Principal measures taken against gender-related violence

- ◆ Medical, legal and economic support (economic aid of 600 euros per month for a maximum of six months).
- ◆ Flexibility in working timetables, authorised leave, holidays, unpaid leave, preference given in transfers to other localities or work centres as requested by the victim and insofar as it is necessary for his/her normal return to work.
- ◆ Publications related to the topic made available on the internal communication channel miRED.

## Protection against moral and sexual harassment and sexual discrimination

The current Guide to actions for protection against moral and sexual harassment and sexual discrimination, approved in 2008, responds to current legislation (Statutory Law 3/2007, 22 March) and to the ethical commitment of Red Eléctrica. This guide, included within the health and safety policies of Red Eléctrica, aims to achieve a work environment based on relationships of respect and mutual interest amongst people.

### Key measures contained in the Moral and Sexual Harassment and Sexual Discrimination Guide

- ◆ Periodic evaluation of psychosocial risks and studies of the social climate.
- ◆ Dissemination of actions undertaken in this area.
- ◆ Design and implementation of training programmes aimed at avoiding situations of harassment.
- ◆ Specific training in evaluation of situations of harassment, for people that take part in the action process.

## Integration of those with disabilities

This year, we have continued to strengthen our commitment to the integration of people with disabilities, through different actions. The number of people with disabilities on the workforce has been increased by one (for a total of seven people at the end of 2011) and we continue to apply alternative exceptional measures, regarding the acquisition of goods and services through special employment centres. During 2011, we exceeded the amount required by law (the equivalent of almost two people with disabilities).

In addition, we have taken part in the V Fair for employment of people with disabilities in the Community of Madrid and in the I Fair for Disability and Employment in Barcelona, where Red Eléctrica was awarded one of the distinctions of the Innova disCapacidad Awards organised by disJob, in recognition of the Company's efforts on behalf of the integration into the workplace of people with disabilities.

**Key measures implemented regarding the integration of people with disabilities**

- ◆ Approval by the Board of Directors of a guide for the integration of people with disabilities.
- ◆ Acquisition of goods and services from specialised employment centres.
- ◆ Participation in employment fairs for people with disabilities (Madrid and Barcelona in 2011).
- ◆ Agreement with the Social Services Committee on a series of norms for granting aid to employees who have under their direct charge a relative with a second degree of blood relation or affinity.
- ◆ Collaboration with the Fundación Adecco in the development of social and occupational integration programmes for relatives of employees.
- ◆ Collaboration with the Fundación Apsuria and the Fundación Juan XXIII in the development of programmes to promote the social and occupational integration of people with disabilities.

These measures are complemented by collaboration with different organisations that promote the social and occupational integration of people with disabilities, such as the Fundación Adecco, the Fundación Apsuria and the Fundación Juan XXIII, with which we have contracted different services from their special employment centre, and with whom we collaborated on the construction of a new hall, as part of the enlargement of their facilities.

**Work-Life Balance**

The implementation of a new internal strategy in Work-Life balance and the development of specific measures based on the needs of employees are for Red Eléctrica, a fundamental pillar in human resources management, as this incorporates a management quality criteria.



The Work-Life balance, understood as a management tool, represents an improvement in business productivity, an increase in performance and a fair professional development with equal opportunities.

Red Concilia is the name of the project which, since 2009, we have developed regarding the Work-Life balance. Since then, and especially during 2011, all its management bodies and those responsible for them have strengthened their positions in order to construct the principles of the project and to reach the objectives proposed.

The Work-Life Balance Committee met at the end of October to study the progress of the measures implemented between 2010 and 2011 and to hear new proposals. The social element showed its interest and satisfaction and new actions were proposed, to be developed jointly.

To detect new needs and evaluate the degree of knowledge and satisfaction of the Work-Life Balance Guide drafted in 2010, a new survey was designed, and was included in the evaluation of psychosocial risks carried out in April of 2011. The results were positive, showing once again the degree of satisfaction of the personnel with Red Eléctrica's actions in the area of the Work-Life balance. The importance of continuing communication campaigns regarding the existing measures was reaffirmed, as was the need to seek new measures which are within the reach of all employees.

In order to make the Work-Life balance strategy equally effective for everyone, it is without a doubt necessary that all employees and people managers are familiar with the internal philosophy and the associated measures.

During 2011, as part of the Comprehensive Work-Life Balance Plan, and in order to support the publication of the Work-Life Balance Guide from the previous year, a specific Work-Life balance module was included in the training programme for the management team. During the entire month of November, department and project managers updated their knowledge of the existing Work-Life balance measures and the criteria for applying them.

In addition, the Integration Plan, which was designed to improve knowledge of the Company and to facilitate the integration of new employees, includes a training session to communicate the philosophy regarding the Work-Life balance and to make the measure known.

On the corporate portal miRED, a communication tool within reach of the entire workforce, news items and reports about the Work-Life balance are published periodically which allow the Company to position itself with respect to the rest of society.

### New Work-Life Balance measures

The studies carried out in 2010 regarding the needs of people with school-age children, who occasionally have holidays which are working days, have given rise to "Days Without School", an initiative which offers different entertainment activities for children whilst their parents are working. Due to the acceptance and the comments received from the children who visited Micrópolix and the Planetarium on 25 February and 15 April, respectively, the result of the actions taken has been gratifying and successful.

Another activity developed in 2011, as part of the Company's initiatives to bring work and family life closer together, was the "Parents' Open Doors Day" for the parents of employees. During one morning, we invited a group of employees and their parents to take part in a series of events which demonstrated the activities of Red Eléctrica and their importance for society. In addition, they were able to visit the work areas.

These two actions have definitely been added to the range of existing measures and allow the list to be larger and more varied each year.

**Maternity/Paternity leave (M/P) 2011 -LA15-**

	Spain (REE + REC)		Bolivia (TDE)	
	M	W	M	W
Employees with the right to M/P leave (nº)	62	38	0	0
Employees who have taken M/P leave (nº)	62	38	0	0
Reincorporations at the end of M/P (nº) (2)	62	36	NA	NA
Employees with M/P leave who remain on the workforce (%) (1)	100	100	NA	NA

(1) Employees that return to work following M/P leave and continue working during the 12 months following their reincorporation. Data at year end.

(2) The difference between the number of reincorporations of women with respect to those which have taken advantage of leave is due to the fact that 2 women have taken unpaid leave to look after their children.

**Work-Life balance measures (measures which improve upon current legislation)**

**Flexible working timetables**

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

**Authorised leave and unpaid leave**

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

(continued)

## Work-Life balance measures (measures which improve upon current legislation)

### Disabled/Dependent Family

- ◆ Reduction of 7%, 10% or 12.5% and up to a maximum of 50% of working day for the direct care of a family member, immediate or close acquaintance.
- ◆ Permission to accompany an immediate family member with a minimum of 66% disability for medical appointments.
- ◆ Creation of a fund of 90.000 euros per year for economic aid to employees with families, immediate or close family, in their direct care and with a recognised disability of more of 66%.

### Social benefits and products <sup>(1) (2)</sup>

#### -EC3-LA3-

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

### Support during Maternity and Paternity

- ◆ Improvement of legislation regarding a reduced working day in order to take care of children: an additional year to the age limit established by law (9 years in the case of children) and reduction of 7%, 10% or 12.5% and up to a maximum of 50% of the working day due with a flexible weekly application to be agreed on between the Company and the worker.
- ◆ Paternity leave for birth, fostering or adoption. This will be for 3 days, or 5 in the case of having to travel, in addition to the 13 days leave established by current legislation.
- ◆ Guarantee of 100% of the social benefits paid out by the Company in all cases where the reduction of the working day is to look after children.
- ◆ Extension of paid maternity leave as of week 38 of pregnancy until giving birth.
- ◆ Attendance to prenatal testing and childbirth preparation, if they take place during working hours.
- ◆ Breastfeeding allowance. Reduction of one hour a day, which may be divided into two half hour sessions, or taken as a whole. Also can be taken cumulatively.
- ◆ Allowance of 1,500 euros for adoption, birth or fostering, for mothers and fathers on lesser salaries.

### Services <sup>(2)</sup>

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

### Events and activities <sup>(2)</sup>

- ◆ Red en familia. (Family network) Environmental and entertainment activities for the entire family.
- ◆ Subsidised sports activities.
- ◆ Childbirth gift.
- ◆ Children's parties.
- ◆ Children's painting competition.
- ◆ Days without School
- ◆ Parents' Open doors day for the parents of employees.

(1) Benefits applied to the entire workforce, irrespective of the type of contract.

(2) Some of these services and activities are available depending on the work centre.



## Corporate Volunteering

"EnREDando" is a corporate voluntary work group which was founded in 2005 with the aim of extending and promoting the collaboration of employees of Red Eléctrica in solidarity activities which respond to the needs, problems and interests of society and the environment. The volunteers who participate in the initiatives driven by EnREDando have, as a common interest, the improvement of the current situation, and to act combining their efforts on ever more ambitious projects.

### Actions 2011

#### Trading Bullets for Cameras "Cambiamos balas por cámaras"

EnREDando launched the campaign, "Trading Bullets for Cameras," to collect all types of video, photographic and computer material, to help young people in the area of Gulu (Uganda) who are affected by the war, to have a future alternative by creating a photography school.

The project, launched by members of the NGO AIPC-Pandora, in collaboration with the NGO HYPHEALS, was a great success, thanks to the large number of material donations received during the campaign.

#### Changing Their Lives with Music "Cambiamos sus vidas con música"

Red Eléctrica, through the corporate volunteering group, has made a donation of 5,000 euros to the Vasudeva Yoga School, a social organisation, for a solidarity project for teaching music, singing and dance to children with disabilities at a school in India. The project has two aspects: therapeutic, because it can help children to improve their speech, mobility and coordination; and occupational, because it can offer an opportunity to the children to earn a dignified living as musicians, singers or dancers, entertaining the local people, as well as for the thousands of pilgrims and tourists who visit the region each year.

#### Sixth Annual Fair Trade Campaign

For the sixth straight year, EnREDando organised a fair trade market, in collaboration with the development organisation SETEM, in order to contribute to eradicating poverty in developing countries. Thanks to the participation of a total of 233 people, between employees and collaborators, the sales of food, handicrafts and cosmetic products reached **3,589 euros**.

#### Solidarity Christmas Gift Campaign

For the second consecutive year, Red Eléctrica employees had the chance to voluntarily donate the equivalent of a corporate Christmas gift to a solidarity project. On this occasion, they also had the option of contributing individually by donating a sum of money to a bank account opened for this purpose. The amount collected (1,845 euros) was handed over the Fundación Apsuria to help with the construction of a residence in Alcobendas for children and young people with disabilities and with other projects of this association.

#### Flag Day

During the month of November, members of the volunteer group participated in the annual Red Cross Flag Day in Madrid, a 100 year-old event which allows the organisation to collect funds for different projects. On the day, the Red Eléctrica table obtained a total of **764.77 euros**.

#### Charity auction

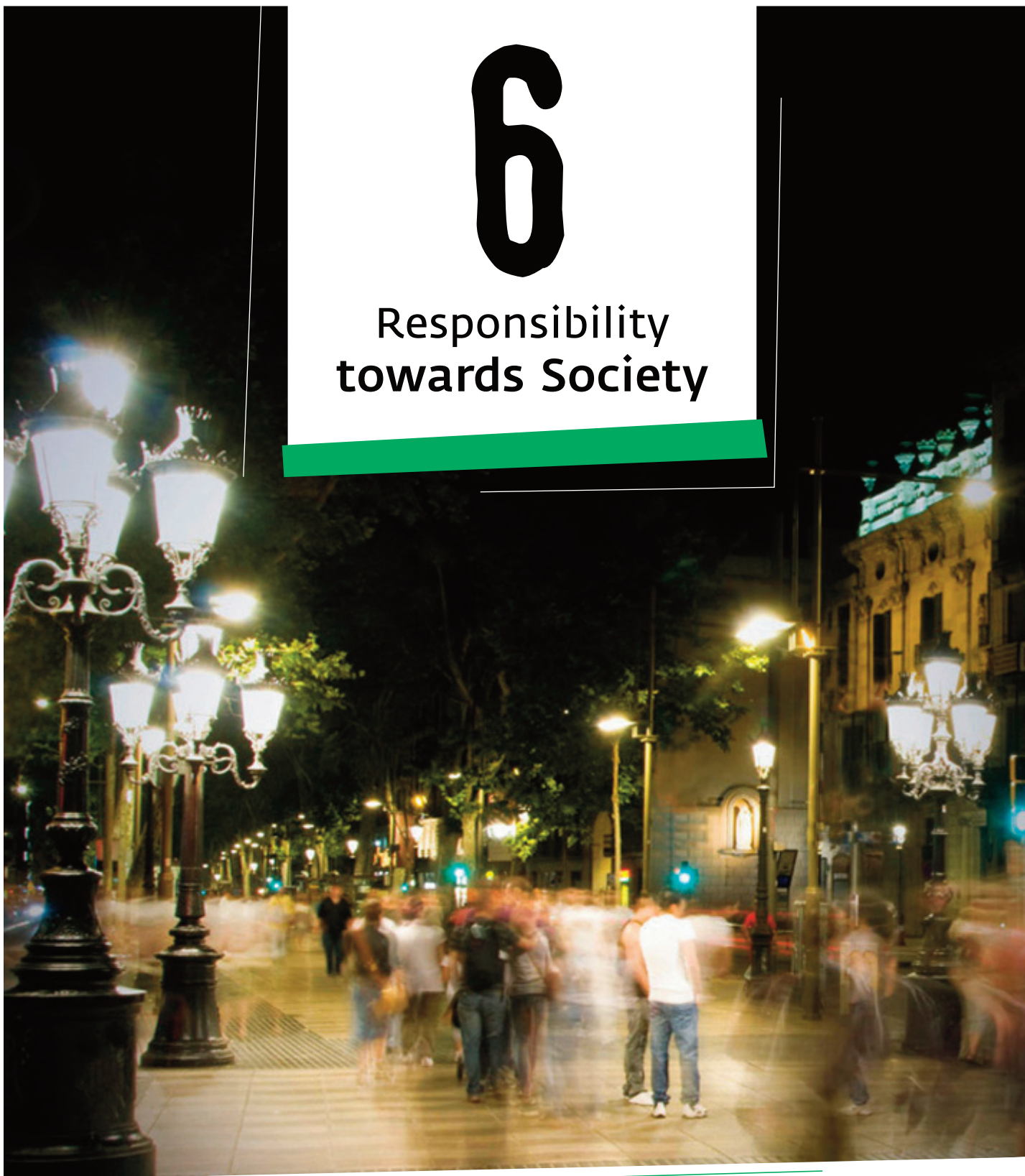
Continuing with the initiative launched the year before, the corporate volunteering group organised a charity auction to collect funds to help children and young people with disabilities under the care of the Fundación Apsuria. The collection totalled **4,787 euros** thanks to the bidding by employees.

#### Blood donations

The medical service organised two blood donation campaigns at the work centres, in which it received **73 blood donations**.

# 6

## Responsibility towards Society



The commitment of Red Eléctrica towards society is built on a **fluid and transparent dialogue** with stakeholder groups and in the establishment of a **relationship based on trust** with the communities in which they carry out their activities. **-4.16-4.17-**

The basis of the confidence that Red Eléctrica seeks in its relationship with shareholders, investors, clients, suppliers and society in general lies in the sustainable creation of value and the constant quest for a fluid, transparent close dialogue, beyond the mere fulfilment of legal obligations.

### Global challenges

- ◆ Stakeholder dialogue.
- ◆ Integration within the community.
- ◆ Social commitment.

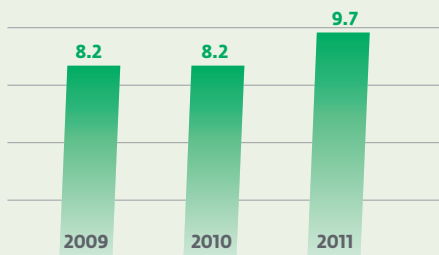
### Red Eléctrica Actions

- ◆ Transparency and independence in all actions.
- ◆ Permanent dialogue with stakeholder groups.
- ◆ Cooperation agreements
- ◆ Strengthening ties with local communities..
- ◆ Social action plan.

## Shareholders and investors

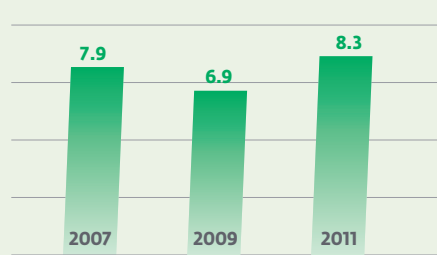
### Evaluation of minority shareholders' surveys

(satisfaction level 0-10)



### Evaluation of financial analysts' surveys

(satisfaction level 0-10)



Biennial studies.

### Shareholder Relations Office

Through this office all shareholders' consultations are responded to by means of a personalised attention service. In addition, the participation of the shareholders in the General Meeting by electronic means has continued to be promoted, along with the live broadcasting of the Meeting via Internet (in English and Spanish) and via mobile devices, as well as the implementation of the shareholders' electronic forum. Similarly, we have continued applying, for a seventh consecutive year, the system of electronic voting, through which 664 shareholders voted electronically in 2011.

## Investor Relations Department

The management team of the Company has continued to hold numerous meetings and presentations in the main financial markets of Spain, Europe, the United States and Australia. In 2011, 334 meetings with analysts and investors were held in 20 important financial markets. These were for both fixed income (40) and variable income (282). Additionally, for the first time meetings (12) were held with institutional investors to explain the Company's corporate governance policy.

## Corporate website

In the specific section of shareholders and investors on the corporate website, Red Eléctrica reports information regarding relevant events of the Company at the same time as it is communicated to the markets. In 2011, this section received 207,689 visits.

### Channels of communication

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

## Key indicators

	2007	2008	2009	2010	2011
Shareholders and investors section on the web (number of visits)	153,224	160,959	175,646	207,873	207,689
Shareholders' Office (visits attended to)	1,517	1,032	932	966	1,495
Shareholders' Helpline and email (enquires attended to)	1,278	1,267	958	1,273	1,067
Documentation sent (number)	5,807	5,651	5,306	5,779	5,777
Identification of shareholders (number registered)	3,813	3,949	4,099	4,216	4,338
Institutional investor and analyst meetings (number)	218	277	300	314	334
Quorum of attendance at the Shareholders' Meeting (%)	49.4	52.1	63.9	63.1	66.1

# Clients, Market agents and Regulatory bodies

## Profile of Red Eléctrica's clients

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

**Regulatory organisations:** such as the Ministry of Industry, Tourism and Trade, the National Energy Commission and the main energy departments of the various autonomous communities. They are responsible for regulating the activity of Red Eléctrica, as well as to evaluate its management and to remunerate its services.

**Electricity market agents:** generators, traders and consumers connected to the transmission grid, as well as other participants in the electricity system: such as agents (producers, distributors or consumers) that request access to the grid, the managers of the distribution grid, the Operator of the Iberian Energy Market (OMIE), the operators of neighbouring electricity systems and suppliers of the interruptibility demand-side management service.

**Other groups** that request Red Eléctrica manage their transmission facilities (local operation and maintenance), or to carry out adaptations or changes to the routes of high voltage lines.

### Products and services provided by REE -PR3-2.2-

- ◆ Planning and development of the transmission grid.
- ◆ Grid access management.
- ◆ Management of disconnections and works in transmission grid facilities.
- ◆ Management of information for the electricity market in the daily scheduling horizon.
- ◆ Economical dispatching of ordinary regime generation in the SEIE.
- ◆ Management of the system's adjustment services markets.
- ◆ Management of international energy exchanges.
- ◆ Guaranteeing the security of supply in a state of emergency, alert or when putting a facility back on line.
- ◆ Real-time operation of the electricity system.
- ◆ Information and verification of power measurements.
- ◆ Technical information regarding operation.
- ◆ Demand-side management interruptibility service.
- ◆ Peninsular settlements of the System Operator and of the SEIE.
- ◆ Billing and collection from generators of access tariffs. New service in 2011.
- ◆ Maintenance of non-owned electricity facilities and adaptations or changes to the routes of high voltage lines requested by third parties.

SEIE: *Insular and Extra-peninsular Electricity Systems.*

## Dialogue: key to the efficiency and quality of the service provided

Red Eléctrica counts on various tools that allow a close working collaboration with regulatory organisations and agents of the system. Amongst the improvements continually carried out on these tools, noteworthy in 2011 was the implementation of new web functionalities and content and the organisation of new working groups for the exchange of experiences on key aspects.

### Main relationship channels

- ◆ Public website with information in real-time and full contents: [www.ree.es](http://www.ree.es) and [www.esios.ree.es](http://www.esios.ree.es)
- ◆ Website for market agents (<https://sujetos.esios.ree.es>) and specific information systems (SIMEL, SCE, SIL) to exchange information about the electricity market in accordance with established legal and regulatory requirements.
- ◆ Periodic technical publications and permanent information.
- ◆ Hotlines for incidents and emergencies of the electricity control centres, 24 hours a day, 365 days a year.
- ◆ Specific email addresses to deal with customer consultations and the exchange of information.
- ◆ Stakeholder attention centre. (DÍGAME).
- ◆ Complaint and incident management system for market agents.
- ◆ Satisfaction surveys and identification of requirements and expectations.
- ◆ Technical committees for the development or modification of operational procedures.
- ◆ Communication forums regarding specific processes and courses in the Operation School concerning electricity markets directed towards market agents.
- ◆ Active participation in study and standardisation committees and technical working groups.
- ◆ Presence in organisations, entities and sector associations both nationally and internationally.
- ◆ Coordination and participation in benchmark studies and exchanges in best practices.
- ◆ Organisation of visits to the control centres and facilities of the Company.

### Key improvements implemented in 2011

- ◆ Development of the e-sios web app for iPhone, iPad and other mobile devices (April 2011).
- ◆ Publication on the market agents' website and on the e-sios public website of the relation of specific email addresses to manage the different requests related to the providing of services (October 2011).
- ◆ New functionality in the demand-side management system for interruptibility (SG-SCECI) that allows the suppliers of this service to access information in real-time (December 2011).
- ◆ New courses in the Operation School, one regarding demand settlements and another on the interruptibility process.
- ◆ Winding up of the working group for improvements in the management of power measurements, led by Red Eléctrica (April 2011).
- ◆ Improvement of corporate website content regarding grid access and the connection of new facilities.
- ◆ Implementation of a new electronic billing service (April 2011).



## Transparency and independence as system operator

Red Eléctrica identifies transparency and independence as manager of the Spanish electricity system as one of the critical factors of its success. This principle is adopted within the culture of the organisation and the development of processes and activities, especially those related to the service provided to clients and market agents.

For the development of its activity as operator of the electricity system, it counts on an **operational code of conduct** that allows the necessary independence, neutrality, transparency, confidentiality, ethics and objectivity in the development of the inherent functions of system operator to be guaranteed.

The compliance with this code is submitted to an annual audit, whose results are reported to the National Energy Commission and the Ministry of Industry, Energy and Tourism.

In relation to its **obligations regarding information**, Red Eléctrica must publish the results of the markets or system operation processes, guaranteeing at all times the confidentiality of sensitive information made available by market agents. The aggregation and publication criteria for this information is set out in operation procedure nº 9.

In order to fulfil the legal requirements regarding information, Red Eléctrica has developed the market agents' website, with secure access by means of security certificate (<http://sujetos.esios.ree.es>), and the e•sios public website (<http://www.esios.ree.es>).

From the time both websites went live, numerous actions regarding the improvement of content and functionality have been implemented. In 2011, a satisfaction survey was carried out that allowed market agents and the public in general to evaluate - in the strictest of confidence - the quality of these websites, and to contribute comments regarding aspects to be improved or new contents to be included. The result of this study was published on both websites.

Complementarily to these measures and with the intention of guaranteeing the transparency of its activities, in 2008 Red Eléctrica started up an ambitious project of the analysis and revision of certain processes and results associated with the activity of system operation. In the development of this project standard **SAS 70 (Statement on Auditing Standards No 70)** was taken as a reference, which was replaced by SSAE-16, developed by the American Institute of Certified Public Accountants (AICPA). Red Eléctrica was the first TSO in Europe to voluntarily implement this internal control standard.

### Awards and recognitions 2011

Red Eléctrica was amongst the three companies nominated for the **«Energy Transparency Award» (ETA)** recognition awarded by the Florence School of Regulation to those organisations most outstanding for their support for transparency in European energy markets.

Red Eléctrica was selected for best practices in the category **"Adding value for customers"** in the European Award for **Business Excellence (EFQM)**.



In 2011, the Company underwent, for the third consecutive year, a rigorous external revision of this system. In all cases, the evaluators concluded that Red Eléctrica maintains, across the board, an effective internal control system on the areas subject to analysis.

### Satisfaction surveys

Since 2000 and with a biennial periodicity, Red Eléctrica has carried out evaluation surveys regarding satisfaction, in addition to the requirements and the expectations of its clients and market agents. An external consultant is involved in the development of these studies with the objective of guaranteeing the independence and the confidentiality of the process.

From the results obtained, the action improvement plan to be developed in following years is designed. Red Eléctrica reports in detail to the participants in the study, not only the results obtained but also the improvement plan.

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

	2002	2004	2006	2008	2010
Overall degree of satisfaction	7.77	7.79	7.77	7.64	8.02
Degree of satisfaction regarding the quality elements	7.50	7.30	7.38	7.36	7.60
Degree of satisfaction of services supplied	7.08	7.00	7.01	7.19	7.80
Customer service	7.51	7.51	7.77	7.39	7.46
Evaluation of the improvement actions undertaken as a result of the previous survey	7.40	6.43	6.47	6.80	6.18

\* Biennial studies.

The Improvement plan 2011-2012, derived from the latest study carried out in 2010, contemplates 25 actions. These actions are oriented towards the improvement of internal efficiency in the providing of services, the strengthening of transparency in management and the development of communication channels that help to provide an in-depth knowledge of the needs and expectations of the clients and market agents. The global degree of fulfilment of this plan is 83% and will conclude at the end of 2012.

In 2011, the second satisfaction survey of clients and agents of the insular electricity systems (Balearic Islands and Canary Islands) was concluded. The improvement plan derived from the analysis of the results of this study focuses on the improvement of the dissemination of information in relation to the insular electricity systems in the improvement of specific services, or the development and consolidation of new relationship channels (holding of various specific forums with the main clients and agents, with a commitment of continuity). The global degree of fulfilment of these actions is 86% in the Balearic Islands' system and 80% in the Canary Islands' system. Both will conclude at the end of the 2012.

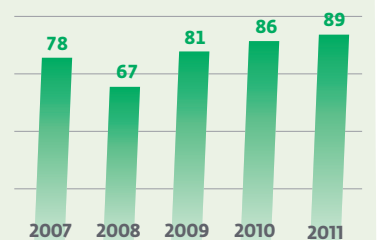
### Survey evaluations

Global satisfaction (0-10)



Biennial studies.

### DJSI qualification relations with customers (0-100)



DJSI: Dow Jones Sustainability Indexes

Also, in 2011 TDE carried out a customer satisfaction survey regarding electricity transmission services in the national interconnected system. From the results it is possible to highlight that the score awarded by the clients of the wholesale electricity market is 82.8%, equivalent to a perceived high level of quality. In comparison to 2009, there was a slight reduction in this value, due to the modifications in the structure of the market and by the change in the managers of nationalised companies that represent more of 30% of those surveyed overall.

REDESUR also carries out biennial surveys regarding the quality of service provided to clients, and obtained a global evaluation of 78% in the 2009 survey.

### Incidents and claims management

Red Eléctrica maintains criteria defined for the suitable treatment of claims related to the services it offers and the impact of its activities and facilities on the environment.

Claims related to the ancillary services market of the system and the scheduling of international exchanges, managed by the system operator are handled directly via the application "Incidents and Claims Management" which is available to all market agents on the e-sios website. In addition to managing their claims in a secure environment, the market agents can consult the state of their claims and obtain historical data of the same.

In addition, Red Eléctrica publishes on the aforementioned website periodic reports regarding identified incidents, the management of the claims received and the solutions adopted. The publication of this information responds to a request on behalf of electricity market agents in the consultation process carried out on the SAS 70 internal control process

### Key indicators

	2007	2008	2009	2010	2011
Number of claims regarding operational activities	19	31	44	70	3 <sup>(1)</sup>
Claims per 1,000 GWh of energy managed in the ancillary services of the system	0.95	1.75	1.84	2.52	0.13
Percentage of claims resolved	100	100	100	100	100

(1) The number of claims estimated in 2011 has reduced significantly with respect to 2010. The reason for this very important reduction has been the implementation in the e-sios system on 5/10/2010 of an automating of the mechanism for the reassignment, in real-time, of secondary control reserve (contemplated in the current operating procedure 7.2). Subsequently on 20/12/2010, an additional improvement was implemented to extend the term available to request this reassignment of the assigned secondary control band, in the cases where the commitment of band reserve committed for a control zone finds itself reduced, or even cancelled, by a direct action of the system operator as necessary to guarantee the security of the electricity system.

## Suppliers

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

The volume of purchasing contracts during 2011 was 1.371 billion euros (76% more than in 2010). Of this volume, noteworthy is almost 423 million euros corresponding to construction contracts awarded within the framework of the agreements that Red Eléctrica has with other electricity companies, compared to 89 million euros in 2010.

During 2011 purchasing contracts were awarded to 1,409 suppliers, compared to 1,408 in 2010, which clearly shows the concern of the Company to maintain a high diversification in its purchasing channels.

92% of the purchases in 2011 were awarded to suppliers with head offices in Spain, which demonstrates the Company's continued backing for driving the socioeconomic scope of the country. **-EC6-**

In TDE, the volume of purchases reached 7.5 million euros, with 80% of the contracts awarded going to local suppliers.

**1,409**  
suppliers  
with purchases  
awarded  
in 2011

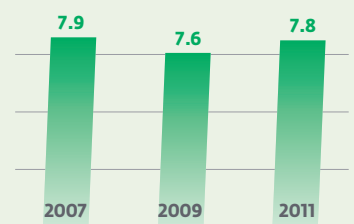
**92%**  
of the contracts  
awarded were  
in Spain

**1.371**  
billion euros  
in purchases  
in 2011

### Main improvements implemented in 2011

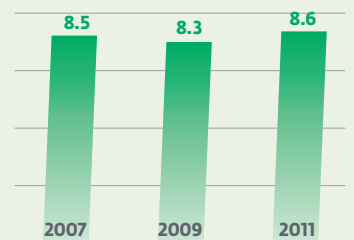
- ◆ During 2011, the Dédal project continued to be developed, made up of various initiatives with different planning and specific objectives. All of them are geared towards improving the efficiency of purchasing processes and that affect the rest of the areas of the Company.
- ◆ Control on the provision supplies of the Company has been increased, going from 132 in 2010 to 460 in 2011, structured according to levels of criticality and demands in the qualification.
- ◆ Control has improved in the sub-contracting process, having gone from managing 2,839 in 2010 to 3,832 in 2011.
- ◆ Implementation of the new management system for purchases and contracts (PORA), that allows the operation, traceability and communication with the various areas of the Company and with the suppliers to be optimised, as well as integrating the qualification process of the aforementioned.
- ◆ Implementation of the new supplier qualification system (CALPRO) that allows the qualification processes of future suppliers of REE to be systematized and made more streamlined.
- ◆ Implementation of the new process for scrap metal removal and disposal (ECHA), allowing its control to be increased.
- ◆ Drawing up of the draft for a Suppliers' Code of Conduct.

### Evaluation of goods and services suppliers' survey (satisfaction level 0-10)



Biennial studies.

### Evaluation of capital finance suppliers' survey (satisfaction level 0-10)



Biennial studies.

### Key indicators REE (Spain)

	2007	2008	2009	2010	2011
Number of suppliers with purchases during 2011 (nº)	1,279	1,365	1,382	1,408	1,409
Qualified suppliers (nº) <sup>(1)</sup>	466	492	538	667	3,312
Qualified suppliers with environmental evaluation (nº) <sup>(2)(4)</sup>	202	218	231	304	1,050
Qualified suppliers with occupational health and safety evaluation (nº) <sup>(2)</sup>	182	187	197	259	967
Average payment term of suppliers (days)	-	119	92	85	78
Consultations dealt with by ASA (nº) <sup>(3)</sup>	-	-	-	-	440
Consultations dealt with via DÍGAME (nº)	-	23	231	243	496

(1) In 2011, the standardisation of the qualified supplier-product or supplier-service binominal was carried out. This deals with binomials contemplated for critical and relevant supplies.

(2) With the new definition of the standard list of supplies the environmental evaluation and prevention of the same have been re-evaluated.

(3) Data obtained as of 18/10/2011. Encompasses external and internal consultations relative to the management of the Procurement department.

(4) A revision is being carried out by the Company's Environment department of those supplies which affect the environment.

### Key indicators TDE (Bolivia)

	2007	2008	2009	2010	2011
Qualified suppliers	79	118	143	149	149
Qualified suppliers with environmental evaluation	64	103	138	144	144
Qualified suppliers with occupational health and safety evaluation	64	103	138	144	144
Qualified suppliers with qualification in social responsibility <b>-HR2-</b>	26	65	95	101	122

### Dialogue with suppliers

With the purpose of improving the efficiency in the relation with suppliers, the Department of Suppliers and Procurement Management has been created. One of the projects driven by this unit in 2011 was the commissioning of a specific channel of attention named ASA (attention and support regarding the provision of supplies), whose objective is to organise and improve communication with both suppliers and the technical areas of the Company.

#### Main channels of communication

- ◆ Consultation and claims management service: telephone and email.
- ◆ Specific area on the corporate website: [www.ree.es](http://www.ree.es)
- ◆ Presence in associations and working groups.
- ◆ Quality agreements.
- ◆ Alliances.
- ◆ Meetings.
- ◆ Satisfaction surveys and identification of requirements.
- ◆ Informative training sessions.
- ◆ RePro qualification system.
- ◆ Publication of tenders in the DOUE (EU Official Journal) and the BOE (Official State Journal).

Throughout 2011 there were 564 requests from companies requesting qualification that were dealt with, (33% more than in 2010).

The Company continues backing a model of qualification based on supplier-product or supplier-service binomials, that is to say, a supplier can be qualified for one or several supplies of the Company, which means that a supplier can generate one or several qualification binomials.

### Corporate Responsibility -HR2-HR5-

Red Eléctrica maintains the commitment to promote a responsible behaviour in its supplier chain. Amongst the advances made in this matter during 2011, noteworthy is the drawing up of the rough draft of a code of conduct for suppliers, whose objective is to transfer the values of integrity, responsibility and sustainability of Red Eléctrica to its supply chain. This code will be disclosed in 2012.

In addition, the development of a new model of systematized monitoring of suppliers has begun, through which the evaluation process of supplier behaviour in their relation with Red Eléctrica will improve.

Whilst this model is developed, work has continued on the fulfilment of quality principles and corporate responsibility on the part of the suppliers in the works that Red Eléctrica has underway. During 2011 there were 204 evaluations carried out (68% more than in 2010), that included a total of 90 suppliers, and noteworthy is that no evidence of a breach related to attributes of corporate responsibility was identified.

Similarly, work has continued on the monitoring and strengthening of data collection regarding corporate responsibility of the suppliers in the RePro database, which allowed us to have, at the end of 2011, information from 3,791 suppliers. This implies having corporate responsibility data from 609 suppliers in the Red Eléctrica database.

## Press and the Media

### Red Eléctrica as the central axis of the electricity system

For yet another year, to strengthen and improve the relationship with the mass media has been a main objective of the information policy of the Company to present the activity of Red Eléctrica in the operation of the electricity system, the transmission of electricity and financial management. For this reason, work has continued driving the direct contact with the media through meetings, not only national but also regional, so that they are aware of the main projects of Red Eléctrica.

On the other hand, and in line with previous years, Red Eléctrica has maintained its effort to extend and improve the digital content of the website that is made available to media.

More than  
**25,000**  
visits

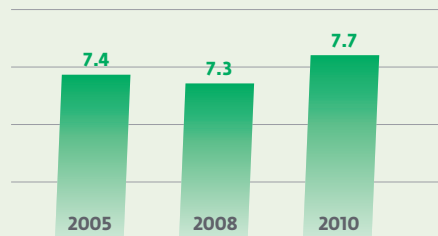
**256,937**  
pages visited  
in the digital  
version of the  
*Entrelíneas*  
Magazine

### Key communication indicators

	2007	2008	2009	2010	2011
<b>News about Red Eléctrica published</b>	<b>10,879</b>	<b>6,924</b>	<b>7,981</b>	<b>8,537</b>	<b>7,355</b>
National press	4,625	2,894	2,202	2,433	1,831
Regional press	6,254	4,030	5,779	6,104	5,524
<b>Information published</b>					
Press releases	37	47	46	51	56
Press conferences and meetings	25	26	32	38	30
Interviews and statements	121	99	138	178	147
<b>On-line Press Room</b>					
Number of visits	89,447	125,576	235,572	288,274	291,950
Pages consulted	357,640	1,153,387	1,841,109	2,241,233	1,924,617

### Evaluation of mass media survey

(satisfaction level 0-10)



Biennial studies.

## Meetings with the press: Grid improvements and the execution of the investment plan

The importance of the interconnection project between the Spanish peninsula and the Balearic Islands has resulted, from the point of view of the relationship with the media, in a specific communication plan which visits with professionals from the media to the laying of the cable and to the converter stations was combined with informative, written and audio-visual material.

Also informative sessions and press conferences have been organised to present the MAR project (Grid Asset Improvement) to the press and media of the Canary Islands and the Balearics Islands. This project has, as an objective, the integration and improvement of the insular transmission facilities that were acquired from Endesa in July 2010, a fact that consolidates the role of Red Eléctrica as operator and sole transmission agent of the electricity systems of both archipelagos.

In addition, the regional press was invited to the inaugurations of strategic facilities of the transmission grid, such as the Penagos (Cantabria), Cártama (Andalusia) and Bescanó (Catalonia) substations.

## Digital content: Greater presence on the Internet

Also, incorporated in the Press Room of the website is content regarding the most important project of the Company over the coming years, **the new interconnection line with France**. Similarly, work has continued on improving the Entrelíneas Magazine especially in its digital format (with complementary information, graphical and multimedia contents) and presence has been increased in the social networks of Facebook and Twitter.

### Main channels of communication

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



## Social Environment

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

In 2011, communication tools and the promotion of relations have continued to be strengthened; noteworthy amongst which is the increase in corporate web content and functionality and the development of numerous initiatives aimed at strengthening relations with the community and those geared towards social commitment.

### Key indicators

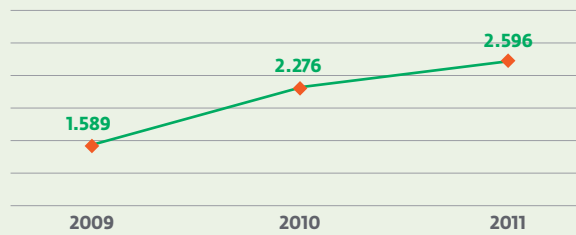
	2007	2008	2009	2010	2011
<b>Qualification index DJSI Rating: Social Dimension (0-100)</b>					
Commitment with stakeholder groups	87	70	73	98	98
Social communication	82	80	100	93	97
Corporate citizenship and philanthropy	85	87	87	24	68
<b>Surveys. Satisfaction level (0-10) *</b>					
Councils	7.3	-	5.9	-	5.5
Social environment of the activity	7.5	-	6.8	-	7.3
Educational and research centres	7.7	-	8.3	-	8.1
Financial and business analysts	-	-	7.8	-	8.3
Unions	-	-	4.7	-	6.8
Business organisations and associations	8.5	-	8.9	-	9.7
Environmental groups	5.5	-	7.5	-	7.5
NGO's/Foundations	7.7	-	8.4	-	8.1

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

### The corporate website: A key communication tool

The Company's corporate website (www.ree.es) maintains the vocation of improving and disseminating information to all its stakeholder groups regarding the essential aspects of the Spanish electricity system, the activities carried out by Red Eléctrica as system operator and manager of the transmission grid, as well as all the information related to the Company with criteria of transparency and continual improvement. In 2011, the website received more than 2.5 million visits coming from over one hundred countries and over 68 million pages were visited.

**Annual evolution of the corporate website**  
(millions of visits)



The policy of transparency of the Group is also made evident in the website of TDE (Bolivia), [www.tde.com.bo](http://www.tde.com.bo) that offers a wide range of information on the Company and the Bolivian electricity sector. In 2011 this website received more than 24,000 external visits, 5% more than in the previous year.

**Most noteworthy contents and services in 2011**

- ◆ Real-time demand curve for CO<sub>2</sub> emissions and the wind power production curve available to consult via mobile devices.
- ◆ New daily electricity balance with breakdown of the generation coming from the facilities included in the special regime.
- ◆ New specific sections regarding the Balearic Islands' and Canary Islands' electricity systems.
- ◆ Information regarding the noteworthy projects of the Company, such as the connection of the Spanish peninsula with the Balearic Islands (Rómulo Project) or the new interconnection with France, as well as its activities regarding biodiversity.
- ◆ New web platform for the interruptibility demand-side management service.
- ◆ Improvement in the content of the section on grid access and the connection of new facilities.
- ◆ Publication of relevant information in English.
- ◆ Informative area on the website regarding the mobile exhibition "A Highway Behind the Wall Socket" and other complementary information on responsible consumption.
- ◆ Publication of a simulator for charging of the electric vehicle that shows the effect of the incorporation of electric vehicles on the electricity system.
- ◆ Publication of a microsite to present its brand: "Red Eléctrica Eficiente".
- ◆ New web platform for the electronic billing service for clients.
- ◆ Increasing its presence in social networks through the corporate profiles in Facebook, Twitter, YouTube and Picassa.

## Contribution to the Community

Red Eléctrica permanently analyses the social and environmental needs of the surroundings in which their projects are executed, and maintain their facilities with the aim of establishing ongoing relationship strategy that contributes to the benefit of the community.

This strategy is based on the promotion of institutional and social relations, transparency in its activities, the quest for cooperation agreements, the dissemination of information regarding the operation and needs of the electricity system; and the participation in projects and activities that primarily foster the rational use of energy and sustainability in development.

In agreement with this criteria, during 2011 Red Eléctrica carried out more than 400 activities that respond to the demands of the social stakeholder groups of the Company and to which it set aside resources of more than 8 million euros.

### Contribution to the community 2011

Group data (€8.4 million)

» 40%

Social commitment actions

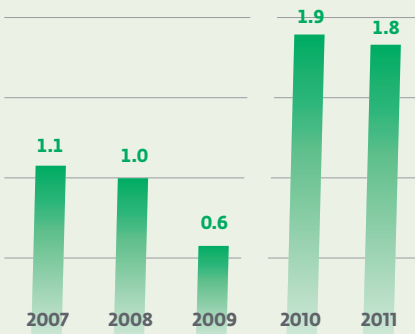


» 60%

Strengthening of ties with the community

### Investment in the community

(% over net profit)



As of 2010 the calculation method for this indicator was revised.

### Stakeholder groups: Beneficiaries of the actions

» 22%

Educational, research and cultural centres

» 9%

Business organisations and associations

» 12%

Social and environmental entities

» 29%

Councils

» 24%

Parliaments and public administrations

» 4%

Others

## Strengthening ties with the community -EC8-S01-

Red Eléctrica carries out an open and participative strategy of information and contact with its social and institutional stakeholder groups with the aim of establishing relations of trust and collaboration with the community that allows it to:

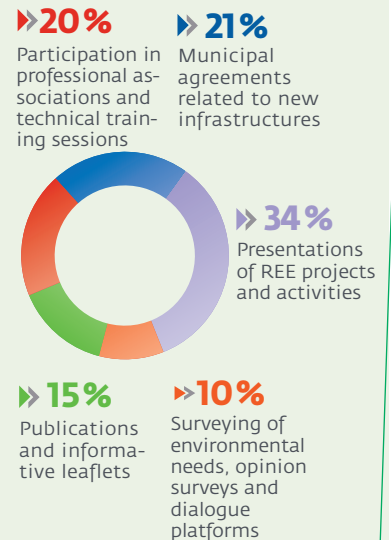
- ◆ Integrate the presence of the Company in the social, environmental and institutional fabric of the territories where the projects are implemented.
- ◆ Explain and disclose the need for the projects and prove the suitable response to the demand for information from society.
- ◆ Maintain informative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

In 2011, 266 activities were carried out, amongst which noteworthy is the holding, in Red Eléctrica's Control Centre of Renewable Energies, of eight training sessions regarding electricity infrastructures and their environmental impact. These sessions were attended by more than one hundred technical representatives of all the State administrations with responsibilities in environmental impact assessments.

Similarly, in 2011 on the occasion of commissioning numerous essential facilities of the electricity system, such as the substations of Penagos (Cantabria), Bescanó (Catalonia), Torrent (Valencia) and Cártama (Andalusia), and on the occasion of development of the electricity interconnection project between the Spanish peninsula and the Balearic Islands, Red Eléctrica carried out an intensive dissemination activity of institutional and social relation. Noteworthy are the visits made to the works concerning the laying of the interconnection cable in the bay of Calviá (Palma de Mallorca), in which more than one hundred representatives took part from the central, Balearic and Valencian administration, from the Parliament and the Senate and from other institutions related to the scope of electrical energy.

In addition, Red Eléctrica has continued publishing numerous publications with the purpose of contributing to the study and knowledge of the Spanish electricity system and as a key communication tool with its stakeholder groups. In 2011, 39 publications were published, of which a good number were published in a printed version, and which are distributed free. All are accessible in electronic format on the corporate website, with a volume of almost half a million visits in 2011.

### Strengthening ties with the community (266 activities)



## Social commitment

The commitment of Red Eléctrica towards society forms an essential part of its corporate responsibility and it is carried out through a programme of social action whose activities are defined in a constant dialogue with stakeholder groups. This programme analyses and responds to the requests for collaboration of social organisations and promotes relations with the organisations of the Third Sector who carry out projects that merge with the social objectives of the Company.

## Social action

The programme carried out in 2011 includes more than 140 actions, developed in areas that Red Eléctrica establishes as high-priority in its social programme: the promotion of sustainability and energy efficiency and the contribution to cultural and educational projects. Also, Red Eléctrica considers that its social commitment must be evident in actions that support scientific activity and others of philanthropy promoted by social organisations.

Amongst the **actions that promote energy efficiency**, noteworthy is the support of Red Eléctrica for energy efficiency in La Raya, a project promoted by the European Association of Territorial Cooperation Duero-Douro, in which the Company participates collaborating on the carrying out of energy audits in 107 municipalities of Salamanca and Zamora and in the dissemination of the importance of said efficiency in the operation of the electricity system.

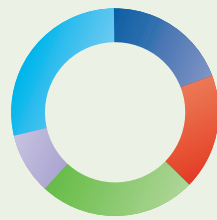
In this scope, and with a special focus on education, Red Eléctrica has continued collaborating with various science museums to **promote education regarding energy** of the citizen, especially of students. This collaboration is carried out through the **mobile exhibition "A Highway Behind the Wall Socket"** that shows, in an interactive way, how the electricity system works and how it is possible to consume electricity in an efficient and responsible way. In January 2011, this exhibition finished its stay in the Parque de las Ciencias in Granada, then moved on to the Casa de las Ciencias in Logroño for four months and in June it was located in the Museo de la Ciencia in Valladolid.

Within the framework of this exhibition and, as a complement to it, a wide-ranging collaboration programme has been carried out with the Ministry of Education and the Regional Body for Energy of the Junta de Castilla y León for the educational support of secondary school students by means of the organisation of visits to this exhibition. Through this initiative, more than 4,200 students, of 38 municipalities of the community, have visited the exhibition.

### Social investment structure

» 28%

Support for local and regional communities



» 19%

Energy efficiency and sustainability

» 18%

Philanthropy

» 10%

Support for cultural and social activities

» 25%

Education, science and dissemination

**4,200 STUDENTS**  
from 38 municipalities of Castilla y León have visited the exhibition **"A Highway Behind the Wall Socket"**

On Internet:  
**Interactive exhibition "A Highway Behind the Wall Socket"**

Similarly, Red Eléctrica has collaborated on other educational and scientific projects (more than 50 projects in 2011), amongst which noteworthy is the support for students training in Master's courses or specialisation in more than 25 schools and universities by means of visits to the Company's electricity control centres.

### Support for local and regional development

The support for a sustainable rural development constitutes a priority action in the social responsibility of Red Eléctrica. During 2011, a special effort was made in the support of local communities; in particular to the fishermen's guilds affected by the development of the electricity interconnection project between the Balearic Islands and the Spanish peninsula. In addition, the Company has collaborated on improvement projects in various municipalities amongst which noteworthy are the agreements of the Spanish Rural Development Network which promotes corporate responsibility in the SMEs that work in local and rural surroundings.

Within the framework of these activities, Red Eléctrica has created the **Sustainability Laboratory**, a transversal tool whose operation favours the synergy of the different areas from the Company (economic, social and environmental areas) through a working group to promote relations with stakeholder groups and facilitate the identification, selection and development of those actions and projects of greatest value than can facilitate the integration of the Company into society.

Throughout 2011, the laboratory has led to the development of 19 collaborative projects with the local communities, in which 22 organisational units of the Company have participated. With respect to the territorial scope of the projects, 5 have had a national character, 9 at an autonomous regional level and 5 have been of local and provincial character.

Altogether, the projects carried out:

- ◆ Favour and drive social participation as a basis for progress, well-being and sustainable development.
- ◆ Foster the conservation of environmental and cultural values.
- ◆ Foster education and training.
- ◆ Seek support for underprivileged groups.
- ◆ Favour sustainable rural development.

**19**  
**PROJECTS\***  
of significant social value  
Beneficiaries: neighbourhood associations, local populations, educational centres, local SMEs, public administrations, NGOs, local development groups

*\*Some of these projects are detailed in the conservation of biodiversity section of this report.*

## Red Eléctrica in Bolivia

The presence of TDE in society is consolidated each year as a Company with a vocation of service and support towards society, culture, education and business management. During 2011, work had continued supporting national and regional permanent training events for trade union institutions aimed at driving development, such as the Bolivian committees of the CIER (Commission of Regional Electricity Integration) or CIGRE (International Council on Large Electric Systems). In addition, noteworthy is the support to the III Forum of Business Social Responsibility, "Co-responsibility and alliances for development: One decade of lessons learned and evolution of the RSE".

In the **scope of education**, TDE has continued developing the programme "Together We Transmit Energy", an educational programme that again benefitted more than 9,000 children and young people this year belonging to 90 schools from rural areas neighbouring the facilities of the Company. Also, the collaboration agreements with universities (8 in 2011) and the promotion of energy education through the Electricity Interactive Centre to which numerous educational institutions go every year to reinforce their students' knowledge of electricity. **-EU24-**

Amongst the projects to **promote culture**, noteworthy is the continued support for music with the organisation of two national festivals in the auditorium of the TDE facilities and the support for literature and history with the edition of the book "*Por los Caminos del Tiempo. Bolivia Precolombina*" (*Through the Passages of Time. Pre-Columbian Bolivia*), in collaboration with the Alcide d'Orbigny Natural History Museum, whose objective is the dissemination of Bolivian history and culture and the importance of its conservation.

## Red Eléctrica in Peru

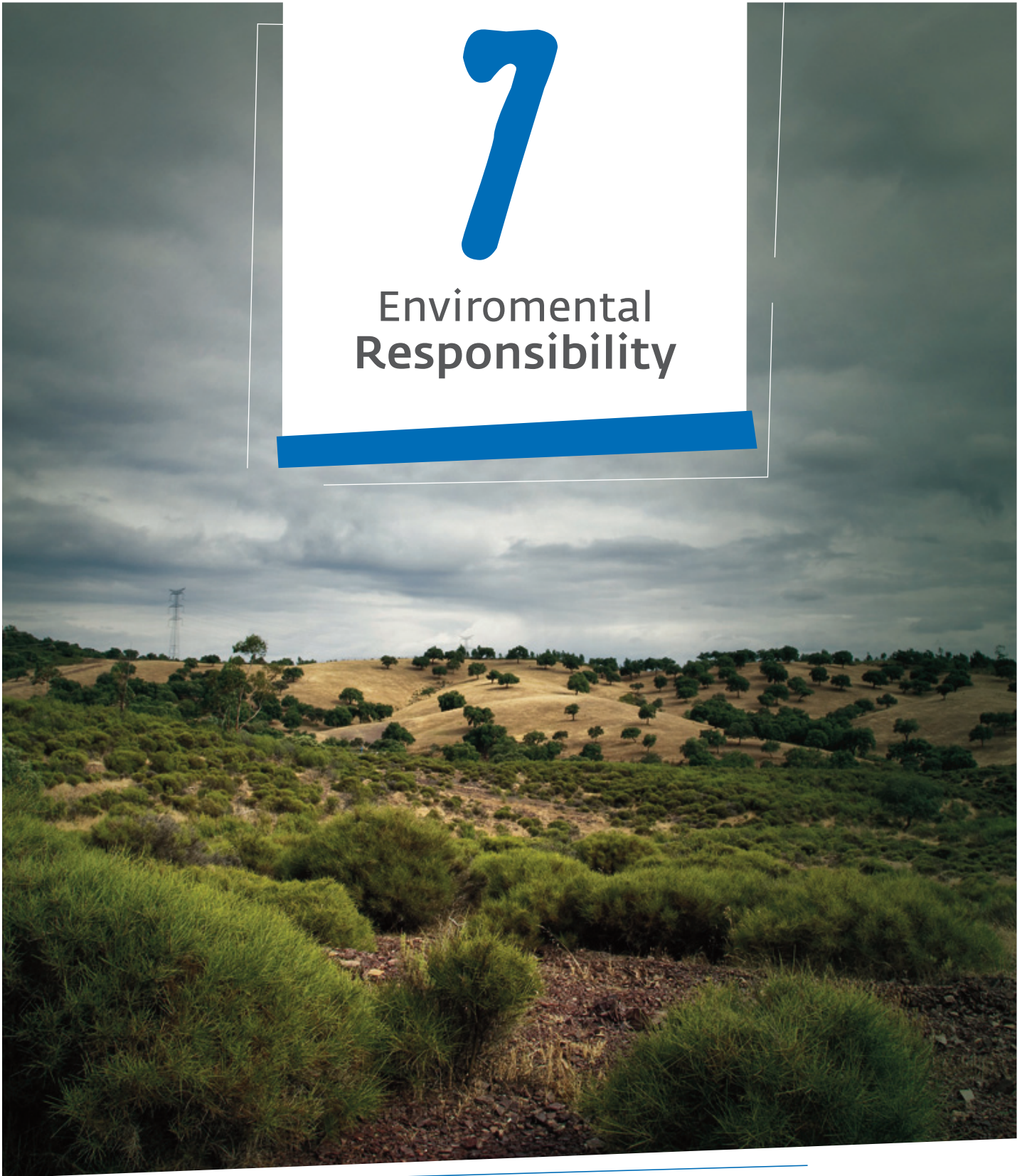
The social activity of REDESUR has continued for yet another year oriented mainly towards the **improvement of education** of the students of the centres located in the vicinity of its electricity facilities. This is carried out through the Uralán Fund, managed by REDESUR and the Compañía de Jesús, with a grant of 55,000 dollars in 2011. These resources have allowed the lines of work undertaken in previous years to be continued with and to develop new activities, amongst which noteworthy is an improvement project of green areas, that has consisted of the installation of an irrigation system and the planting of trees in 3 educational institutions, the installation of 23 pieces of computer equipment and the manufacture of 72 chairs with recycled wood from cable spools.

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



# 7

## Environmental Responsibility



Respect for the **natural environment and the conservation of biodiversity** are key elements of our business management.

## Red Eléctrica and the Environment

All our activities are carried out in conformance with strict environmental criteria in agreement with the principles established in our environmental policy.



### Global challenges

- ◆ Make facilities compatible with their surroundings.
- ◆ Assure the protection and conservation of biodiversity.
- ◆ Contribution in the fight against climate change.
- ◆ Energy saving and efficiency.
- ◆ Prevention of contamination.

### Red Eléctrica actions

- ◆ Selecting routes and locations for facilities of least impact. Establishing preventive and corrective measures.
- ◆ Development of a biodiversity strategy: protection of flora and fauna, fire prevention and conservation projects.
- ◆ Definition of the climate change strategy and the action plan for the reduction of emissions.
- ◆ Defining measures for efficiency and the reduction of basic consumption.
- ◆ Defining preventive measures against spillages of hazardous substances and the suitable management of waste.

## Environmental management

Red Eléctrica has implemented in all the companies of the Group an **environmental management system** certified according to the standard UNE-EN ISO 14001:2004 (activities and facilities located in Spain, Bolivia and Peru) and registered, since October 2001, in the EU Eco-Management and Audit Scheme (EMAS) for the activities and facilities located in Spain.

In agreement with its environmental management system, Red Eléctrica identifies and evaluates all those aspects derived from its activities that can interact with the environment and produce some type of impact. The main effects are linked mainly to the presence of the facilities (electricity lines and substations), as well as to construction and maintenance works.

Thanks to the application of preventive measures and to the development of the activities according to best environmental practices, the potential effects are reduced and the resulting impacts are insignificant or acceptable. In the cases in which the environment is affected, the most suitable corrective measures are applied so as to mitigate them or to compensate them.

The details regarding the objectives, goals and degree of fulfilment of the 2011 environmental programme and the new programme for 2012, as well as other complementary aspects to this environmental section, can be consulted at:

[ree.es](http://ree.es) **Environmental Report**

In order to be able to carry out a continuous improvement of environmental performance and processes, Red Eléctrica annually defines an environmental programme in which the different objectives derived from the various strategies of the Company and the specific work actions are defined. The fulfilment of REE's environmental programme in 2011 was 59.4% (1), and in TDE and REDESUR the fulfilment was 99% and 98% respectively.

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

## Environmental criteria in all phases of grid development

The best mechanism so that the impacts on the environment are minimal is the suitable selection of the location of infrastructures. For this reason, REE makes a concerted effort to study the territory and to coordinate with the main stakeholder groups to define and agree the locations of the substations and the route to be taken by the lines.

### Transmission grid planning phase

- ◆ **Environmental revision of future projects** before being included in the initial proposal that is sent to the Ministry of Industry for the drafting of the energy planning.
- ◆ **Collaboration with the Ministry of Industry** in the strategic environmental evaluation process of the Electricity Infrastructure Plan.
- ◆ **Participation of stakeholder groups** in the strategic environmental evaluation process by means of the presentation of feedback and concerns. **-EU19-**
- ◆ **Collaboration with the autonomous communities** in the development of the regional electricity infrastructure plans that allow that which has been planned to be implemented into the territory, by reserving the necessary rights of way to corridors for its development. **-EU19-**

### Project definition phase **-EU19-EN14-**

- ◆ **Environmental evaluation of all projects**, informing and requesting the conformity of the competent environmental administration, even in projects that are not subject under law to an environmental impact evaluation procedure.
- ◆ **Definition of the solutions of least environmental and social impact** in the routes for the new lines and substation locations, with the agreement of the

(1) The environmental programme addresses objectives covering all environmental lines of action. Their implementation involves a large number of organisational units and represents a significant allocation of financial and technical resources. This coupled with the multiannual nature of many of the goals, makes the full compliance of the programme extremely difficult.

administrations concerned (national, regional and local) and the NGOs, before initiating the environmental impact evaluation procedure.

- ◆ **Consideration in the final solution of the project of those concerns formulated by the interested parties during the environmental impact evaluation procedure, or clear justification in the case of non-consideration.**
- ◆ **Definition of the preventive and corrective measures to apply in later phases.**

During 2011, the permitting procedures for 30 projects began and environmental authorisation has been obtained for another 28 projects. In Bolivia (subsidiary TDE), and within the framework of the environmental regulations of the country, the corresponding environmental licenses for 9 new projects were obtained.

### Facility construction phase

- ◆ **Environmental vigilance programmes** for the supervision of preventive and corrective measures and the definition of new measures where necessary.
- ◆ **Supervision of all environmental requirements in the works carried out by contractors.** In 2011, the environmental work certification process that increases the weighting of the environmental variable in the evaluation and remuneration of their work was implemented.

In 2011, the environmental supervision of 100% of the construction works in substations and 95% of line works were carried out (including the modification works of existing lines). The contracted environmental supervision, whose objective is to intensify the monitoring, has covered 66% of works underway.

### Maintenance phase

- ◆ **Definition and application of environmental requirements** in maintenance tasks.
- ◆ **Environmental vigilance programme** in the first years of service of new facilities.
- ◆ **Periodic inspections of facilities** to verify the fulfilment of the established standards.
- ◆ **Application of environmental improvement actions** identified during monitoring and their consideration in the maintenance programmes.

During 2011 the detailed supervision of 142 substations took place, having checked, since 2008, 60% of the total, including the acquired insular assets at the end of 2010. The results of these supervisions have allowed environmental improvement activities related to the waste storage areas, leakage containment systems, the refurbishment of septic tanks and the re-contouring of slopes to be identified.

## Biodiversity

Biodiversity conservation is a basic principle within Red Eléctrica's environmental policy and corporate business strategy. In 2011, we strengthened our commitment by approving the biodiversity action guide that sets out the basic strategy for the Company to follow and the essential lines of work for the next four years.

### Key axes of the biodiversity strategy

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

### Red Eléctrica's facilities and biodiversity <sup>(a)</sup>

The facilities of REE are distributed throughout the national territory, forming a meshed transmission grid, whose objective is to join together the energy generation points with the areas of consumption.

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

In the cases in which it is not possible to avoid sensitive areas, certain effects can be produced on the flora and fauna. Red Eléctrica initiates all the necessary preventive and corrective measures to reduce the possible impacts. It even establishes environmental improvement actions to improve the biodiversity in those areas in which its facilities are located. Both the impacts (potential or real) as well as the measures taken are described throughout this chapter.

In 2011, some 4.25 km of lines were commissioned within an area of Red Natura, 0.5% of those installed during the year. Of the 40,233 km of existing line in the Spanish territory, just 15% are in protected areas, occupying 0.12% of the total area of Red Natura. In Bolivia approximately 47 km of line is in protected areas.



### Presence of facilities in Red Natura zones -EN11-

(Peninsular system)

	2009 <sup>(1)</sup>	2010 <sup>(1) (3)</sup>	2011 <sup>(1) (3)</sup>
Km of line in SAC / total km of line (%)	13.70	13.40	12.97
Km of line in SPAs / total km of line (%)	10.90	11.40	11.17
Surface area of lines in SAC/Total surface in SAC on the Spanish peninsula <sup>(2)</sup> (%)	0.12	0.12	0.11
Surface area of lines in SPAs / Total surface in SPAs on Spanish peninsula (%)	0.12	0.12	0.12
Number of Substations in SAC / Total Substations (%)	11.70	6.60	6.46
Number of Substations in SPAs / Total Substations (%)	9.50	5.60	5.45

### Presence of facilities in Red Natura zones 2011 -EN11-

(Insular systems)

	Balearic Islands	Canarias Islands
Km of line in SAC / total km of line (%)	7.96	9.24
Km of line in SPAs / total km of line (%)	6.96	8.24
Surface area of lines in SAC/Total surface in SAC <sup>(2)</sup> (%)	0.12	0.06
Surface area of lines in SPAs / Total surface in SPAs (%)	0.16	0.09
Number of Substations in SAC / Total Substations (%)	1.79	3.92
Número de subestaciones en ZEPA/Total subestaciones (%)	1.79	3.92

SAC: Special Areas of Conservation; SPA: Specially Protected Areas for birds.

(1) To calculate the 2009 ratios the database of Red Natura 2000 published in 2008 was used, for the 2010 calculation the database published in 2009 was used. For the 2011 calculation the database published in 2011 was used

(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 actual occupation in the case of the towers.

(3) For the calculation of the 2010 data the mapping of commissioned facilities was updated, the slight variations with respect to the previously used mapping were more significant in the calculation of ratios related to substations.

### Protection of fauna <sup>(a)</sup>

The alteration of the habitat of certain sensitive species during the construction works of our facilities and the risk of birds colliding with the grounding cables that protect the lines from electrical discharges during storms is our main potential impacts on birdlife. -EN12-

#### Measures to avoid the possible alteration of habitats -EN14-

- ◆ Elaboration of prior studies to determine the presence of sensitive species in the vicinity of works.
- ◆ Exhaustive monitoring of works by specialised personnel.
- ◆ Fencing off of work areas for the protection of certain species.
- ◆ Light and sound contamination studies.
- ◆ Stoppage of works during periods of breeding, nest building and the raising of young: biological stoppages.

#### Main activities 2011 biological stoppages

- ◆ Stoppage in two electricity towers from April to July due to the presence of two nests of Bonelli's Eagles (*Hieraaetus Fasciatus*). A vulnerable species according to the National Catalogue of Endangered Species. -EN15-
- ◆ Restricted works from 1 March to 31 July in the construction of a line due to the presence of an Egyptian vulture (*Neophron percnopterus*). A species in danger of extinction according to the IUCN Red List. -EN15-
- ◆ Works related to the construction of two lines restricted from 1 February to 31 July by the presence of birds of prey and from 15 February to 15 August by the presence of the Egyptian vulture (*Neophron percnopterus*).

**Measures to avoid the possible risk of bird collisions -EN14-**

- ◆ Marking of grounding cables by means of devices that increase their visibility (bird flight diverters).
- ◆ Monitoring and evaluation of the effectiveness of the bird safety devices during the first years of installation and identification of new risk points (environmental vigilance programme).
- ◆ Analysis of accidents detected in live facilities and collaboration with the different administrations in the identification of areas that must be marked.
- ◆ Study of the behaviour of the species that could collide with the lines: bird-flight mapping.
- ◆ Investigation for the prevention of the effects on fauna: design of a bird-collision detector.

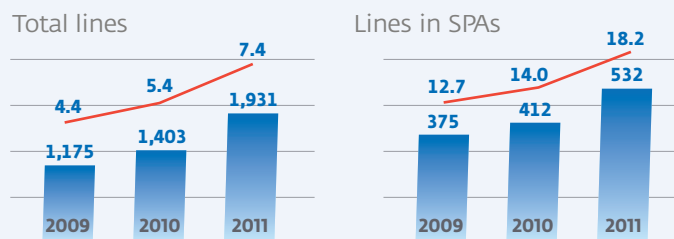
**Main activities 2011**

- ◆ Marking of **528 km of line**, of which 429 km is new line and 99 km of line in service.
- ◆ Developing a **bird-flight map** in collaboration with the Estación Biológica de Doñana.
- ◆ Preparation of a **predictive model of risk areas** areas for bird collisions with high voltage electricity lines in the Valencia region, in collaboration with the Universidad Miguel Hernández de Elche and la Generalitat Valenciana. Project 2011-2012.
- ◆ Development of a **device capable of detecting collision** and sending a signal to a mobile device, allowing the bird involved to be quickly located and moved to a specialised recovery centre. The tests will continue in 2012. R&D+i project.
- ◆ Testing of a **model of nesting deterrent for storks** which is scheduled to finish in 2012. These are being tested for effectiveness in 18 towers located in Andalusia and Castilla y Leon.

More information: [www.ree.es](http://www.ree.es)

**Facilities marked with bird safety devices -EN14-**

■ Lines marked (km)  
— % over total lines



*It is important to clarify that it is not necessary to mark 100% of the lines that pass through SPAs as not all the species of birds present in these areas are susceptible to colliding with the cables. At this moment an indicator that better reflects the needs of marking is being worked on (for its calculation the areas where species at risk of collision exist shall be considered, whether they be in SPAs or not) and it is along this very line in which work is taking place through various research projects.*



**Accidents detected involving bird collisions in 2011 -EN12-**

Species affected	Nº of birds killed	Nº of birds injured
Golden Eagle ( <i>Aquila chrysaetos</i> ) <sup>(1)</sup>	2 <sup>(4)</sup>	3 <sup>(5)</sup>
Great Bustard ( <i>Otis tarda</i> ) <sup>(2) (3)</sup>	2 <sup>(6)</sup>	-
Griffon Vulture ( <i>Gyps fulvus</i> ) <sup>(1) (3)</sup>	2	-
Little Bustard ( <i>Tetrax tetrax</i> ) <sup>(1)</sup>	1	-
Stone-curlew ( <i>Burhinus oedicephalus</i> ) <sup>(3)</sup>	1	-

- (1) Species classified as almost threatened according to IUCN Red List -EN15-
- (2) Threatened species under the IUCN Red List -EN15-
- (3) Vulnerable species according to the National Catalogue of Endangered Species. -EN15-
- (4) Accidents identified during the environmental vigilance programme of a recently constructed line. The appropriate corrective measures shall be determined upon completion of the programme. The rest were detected in lines in service.
- (5) Birds transferred to bird recovery centre.
- (6) The lines where these accidents have been identified have been incorporated into the line-marking programme.

**Mapping of bird-flight paths**

**Objectives:** To identify the routes more frequented and used by those birds who are more sensitive to collide with electricity lines in its regular flight movements.

**Pilot project:** During 2011, a pilot project was carried out in Andalusia and Extremadura, which was developed in the following phases:

- ◆ Identification of focal species.
- ◆ Capture of relevant information.
- ◆ Analysis and processing of data.
- ◆ Development of a prototype Geographic Information System (GIS).

**Geographical scope:** This shall be replicated throughout the Spanish peninsula, the Canary Islands and Balearic Islands. In 2012, also expected to join the GIS are the communities of Castilla-La Mancha, Castilla y Leon, Murcia, Valencia and the Canary Islands.

**Project duration:** 2010-2014.

**Collaboration:** For the elaboration of the prototype, work has continued with the Estación Biológica de Doñana (CSIC), the Junta de Andalucía and the Junta de Extremadura and the consulting agency CLAVE (technical assistance). It is anticipated that more collaborators will be added as the project progresses.

## Protection of flora <sup>(a)</sup>

The effect on flora during the construction works of facilities, the effect by felling and pruning for the maintenance of the safety corridors and the risk of fire are the main potential impacts of the activities of Red Eléctrica on flora. **-EN12-**

The application of suitable preventive and corrective measures during the construction phase of facilities is key to minimise and to even avoid effects on flora.

### Most frequent preventive and corrective measures **-EN13-EN14-**

- ◆ Compacting land at the base of towers, increasing the height of towers, access modification and/or small displacements to minimise the felling of certain specimens.
- ◆ The signage and marking of habitats so as to avoid them being affected. This is used to protect priority habitats or areas of vegetation of interest or specific specimens.
- ◆ Relocation of some species, consisting of the transplanting of tree specimens affected by works to other areas which are unaffected. During 2011, 20 oaks were recovered from the Galapagar substation works and 4 olive trees in the Tabernas substation.
- ◆ Lifting or removal by boom crane, a technique that minimises the opening of access routes and working areas. This is used in places where vegetation is heavy or it has some kind of protection.
- ◆ Hanging/laying cable by hand or helicopter, which reduces the need for opening corridors to lay cable.
- ◆ The use of special construction techniques. In 2011, noteworthy is the construction of 8 towers by helicopter (earth movement works, civil works, and assembly process) for the 220 kV/Benahadux-Tabernas line to avoid the opening of access routes of significant gradient and length in areas with the presence of flora in danger of extinction.
- ◆ Restoration of affected work areas: slope stabilisation, contribution of topsoil, hydro sowing or planting of specimens.
- ◆ Establishment of accompanying measures in the case of protected areas being affected. In 2011, noteworthy was the case of Parque Natural de Armañón, crossed by the Penagos-Güeñes line. Whilst not affecting any tree specimen, the area was found to be in an extremely degraded state, a series of accompanying measures were established, amongst which are the fencing-off and the clearing of an area (3 km), and auger drilling and planting of acorns in 6 hectares of forest.

### Impacts on flora produced in 2011 and measures applied **-EN12-**

- ◆ **Pruning of oaks:** strict control carried out on the pruning process to reduce the number of affected specimens. It was necessary to request authorisation from the relevant authorities and the activities took place in the presence of environmental agents of the area.
- ◆ **Pruning of indigenous flora** (oaks and chestnuts) for the opening of access corridors and platforms. Application of numerous measures for the minimisation of this pruning: use of existing corridors, minimisation of the space occupied by platforms and the use of a helicopter for cable laying.
- ◆ **Effects on sites of community importance** (Directive 92/437ECC) by the implementation of 19 towers located in areas of natural vegetation. Elaboration of previous studies on the affected habitats in which it was concluded that high value vegetation was not affected (very little or insignificant effect as it dealt with high-priority habitats with an extensive representation in the area).
- ◆ **Outbreaks of fire** in the Parque Natural de Los Alcornocales. This did not affect any tree, just scrubland was burned.

## Fire prevention -EN14-(a)

The prevention of wild fires is an important matter for Red Eléctrica. During 2011, we drafted a Forestry management policy in which the work criteria of the Company has been reviewed and improved and the objectives to be reached in this matter have been formalised.

### Main actions

- ◆ **Adequate definition of the safety corridors of the lines.** The safety corridor is defined in the project stage of new facilities. As a result of the new policy it has been determined that for the forest lines said definition is based on the detailed data of vegetation collected through optical methods of remote sensing and LIDAR (*Laser Imaging Detection and Ranging*).
- ◆ **Predictive maintenance.** Inspection and yearly revision of all facilities using various methodologies: by foot, from the air and LIDAR flight technology, that allows the very precise identification of vegetation that encroaches on the cables thus failing to maintain the safety distance.
- ◆ **Preventive maintenance.** Based on the development of forestry works (clearance, pruning and felling) whose objective is the maintenance of safety distances between the vegetation and the facilities, thus making this process fundamental in reducing fire risk to the maximum.
- ◆ **Preventive measures** during construction works and the modification of facilities, based on plans for fire prevention adapted to each work. The stoppage or restriction of the tasks at times of high fire risk or the application of specific measures (water tanks in the vicinity of works, specialised backpacks, "spark guards" on machinery, etc.) in the cases of high risk are some of the key measures applied.
- ◆ **Collaboration with the administration responsible** in the development for measures and strategies for fire fighting and prevention.
- ◆ **Training and awareness** by means of holding special days with forestry agents, SEPRONA and environmental technicians of the administration regarding electricity lines and fire fighting and prevention.
- ◆ **Research Projects**, amongst which noteworthy are "Modelling of the growth of forest masses" and the Vulcano Project (concluded in 2011).

### Noteworthy aspects in fire prevention

- ◆ The number of fires involving REE facilities remains low. During 2011, there were three fires involving electricity lines resulting in scrubland burning and in one case 2 hectares containing eucalyptus burned. In no case can the consequences be classed as having been severe.
- ◆ Red Eléctrica does not use chemical methods for the treatment of the safety corridors.
- ◆ Minimal impact on the species involved in the maintenance of corridors: respect for scrubland and small slow-growing tree species, minimising actions on protected species (only pruning) and the re-vegetation of degraded areas.
- ◆ Collaboration agreements for fire fighting and prevention with the regions of Andalusia, Castilla-La Mancha and Aragon. Target for 2012: signing of 10 new agreements with other communities.



On Internet:  
[Vulcano Project](#)

## Contribution to biodiversity conservation <sup>(b) (c)</sup>

In addition to working on reducing the effects generated by Red Eléctrica's activities, we actively contribute to the conservation of biodiversity in Spain, leading or participating in various projects and conducting dissemination and training activities.

For Red Eléctrica it is essential to work in collaboration with the various administrations and prestigious organisations regarding environmental matters (NGOs, universities, etc.). During 2011, we signed 11 new collaboration agreements in addition to the current 22 from previous years. At this point we are carrying out conservation work in 11 autonomous communities.

### Projects 2011

#### Reintroduction of Bonelli's eagle (*Hieraetus fasciatus*) on the island of Majorca.

Vulnerable species according to the National Catalogue of Endangered Species. **-EN15-**

#### Programme for the reintroduction of the Black vulture (*Aegypius monachus*) in Catalonia.

Vulnerable species according to the National Catalogue of Endangered Species and classified as almost threatened according to the IUCN red list. **-EN15-**

#### Improvement of Steppe bird habitats in Andalusia.

#### Use of electricity towers as biodiversity catalysts in Andalusia.

#### Project LIFE+ Conservation and management in special protection areas for Steppe birds in Andalusia.

#### Support programme for the conservation of the Brown bear (*Ursus arctos*) and Cantabrian Capercaillie (*Tetrao urogallus cantabricus*).

Both species in danger of extinction according to the National Catalogue of Endangered Species. **-EN15-**

#### Study of the state of the population of the Stone-curlew (*Burhinus oedicnemus distinctus*) and threats to its conservation on the island of Gran Canaria.

Vulnerable species according to IUCN red list. **-EN15-**

#### Census of the population of Houbara Bustard (*Chlamydotis undulata*) on the islands of Fuerteventura and Lanzarote in its pre-reproductive, reproductive and post-reproductive phases.

Species in danger of extinction according to the National Catalogue of Endangered Species and vulnerable according to the IUCN red list. **-EN15-**

#### Installation of a platform for the Osprey (*Pandion haliaetus*) in an electricity tower in Andalusia.

Vulnerable species according to the National Catalogue of Endangered Species. **-EN15-**

(continued on the following page)

Projects 2011 (continued)

Installation of an aviary for White Stork (*Ciconia ciconia*) in GREFA installations

Installation of nesting boxes for Common Kestrels (*Falco tinnunculus*) in electricity substations in Catalonia.

Installation of nesting boxes for Soprano Pipistrelle bats (*Pipistrelus pygmaeus*) in the Parque Natural del Turia in Valencia.

The Red Eléctrica Forest: restoration of highlands of Cinchado and Pilar de la Brama forests in the Parque Natural de Los Alcornocales -EN13-

Centre for Migration and Global Change.

Last of the compensatory measures associated with the REMO Project, second submarine cable between Spain and Morocco.

(\*<sup>2</sup>) All these projects are part of the **Sustainability Laboratory**: collaboration with communities. The aim is to achieve a better balance between the interests of social and environmental agents and the permanent presence of the Company in the territory through the development of programmes and projects that promote sustainability.

**THE RED ELÉCTRICA FOREST -EN13-**

Started in 2009, it is an ongoing project associated to the compensation of emissions. This compensation shall be carried out by means of planting trees with the aim of recovering a deteriorated natural area.

Each year we help create a forest on public land in a different area of Spain. This project contributes to the development of local economies, as the works are carried out by local companies or groups

In 2011, the project was carried out in the highlands of Cinchado and Pilar de la Brama in the Parque Natural de Los Alcornocales (Cadiz). 144 hectares (ha) of forest have been restored through reforestation with Cork Oaks (122 ha), selective thinning out and trimming of Cork Oaks (9 ha) and transformation of eucalyptus specimens in Acebuchal (13 ha). In addition, it is planned to create a fire break around the perimeter to help protect from fires.

**Results obtained:**

- ◆ Trees planted: 73,200 Cork Oak (*Quercus suber*) and 2,000 Olive trees (*Olea europea*).
- ◆ Emissions compensated: estimated at 21,960 t CO<sub>2</sub>, if we only consider trees planted without considering the set of actions carried out in the highlands. (Note: The estimate takes in account an average of 300 kg of CO<sub>2</sub> per tree throughout its life-cycle).
- ◆ Benefits to local communities: creation of the equivalent of 1,000 days of paid work, participation of 100 students, 40 volunteers with families and 40 students from the professional training school Forestal de Medina Sidonia, who have gained hands-on experience during the works

With this project, REE joins the UN campaign "Plant for the Planet", namely the Ardilla Project, sponsored by that organisation to connect the various natural areas of the peninsula.

More information: [www.ree.es](http://www.ree.es)



## Climate Change and Energy Efficiency

In 2011, Red Eléctrica decided to formalise their commitment to the fight against climate change by approving the Climate Change Strategy, which sets out the main lines of work of the Company, and that is accompanied by an Action Plan in setting the objectives and specific actions to be developed in the coming years.

### Main axes of the climate change strategy

- ◆ Integration of renewable energies..
- ◆ Backing for energy efficiency at all levels: Red Eléctrica eficiente
- ◆ Reduction of greenhouse gas emissions.
- ◆ Protection of forested areas: fire prevention and promoting reforestation projects.
- ◆ Development of adaptation projects for climate change.
- ◆ Extension of the commitment towards stakeholder groups.

### Principal lines of work

The first relationship of Red Eléctrica with climate change is due to their status as transmission agent and operator of the electricity system. In this sense, the main lines of work of the company in order to achieve the European 20/20/20 goals regarding climate change are: the development of transmission infrastructures and solutions for system operation geared towards the integration and utilisation of renewable energies, as well as promoting demand-side management initiatives aimed at increasing energy efficiency. These lines of work are developed in Chapter 4 of this report: Technical and Economic Responsibility. **-EN6-**

Moreover, in 2011 Red Eléctrica began working with the consultant ERF and Institut Cerdà in the project **Management of new climate risks in electricity transmission facilities**. Its aim is to analyse the potential risks to electricity infrastructure associated with changes in certain climate parameters, identify actions to address these risks and assess the benefits which would result in a proactive adaptation policy rather than subsequent reactive measures. **-4.11-**

In addition, Red Eléctrica has committed to **control and to reduce the emissions derived from its activities**.



### "Red Eléctrica eficiente"

The brand "Red Eléctrica eficiente" distinguishes all those actions that promote a better use of energy and resources. Encompassed within the framework of this brand are not only demand-side management initiatives and other technical projects related directly to its activity as operator of the electricity system, but also measures for the reduction of basic consumptions in the daily activities and the carrying out of different awareness and communication campaigns.

## Emissions inventory

Red Eléctrica drafts its emissions inventory taking as a base the methodology of the GHG Protocol.

### Greenhouse gas emissions

(t CO<sub>2</sub> equivalent)

	2009	2010	2011
SF <sub>6</sub> emissions <sup>(1)</sup>	65,764	61,500	66,741 <sup>(8)</sup> ▲
Associated to the use of auxiliary generator units <sup>(2)</sup>	no data	27	21 ▼
Associated to the use of fleet vehicles	2,437	1,690 <sup>(6)</sup>	1,563 <sup>(9)</sup> ▼
<b>Total direct emissions</b> (Scope 1)	<b>68,201</b>	<b>63,217</b>	<b>68,325</b>
Associated to electrical energy consumption <sup>(3)</sup>	3,881	3,654 <sup>(7)</sup>	4,265 <sup>(10)</sup> ▲
Derived from losses in transmission <sup>(4)</sup>	861,859	723,540	800,530 <sup>(11)</sup> ▲
<b>Total indirect emissions</b> (Scope 2)	<b>865,740</b>	<b>727,194</b>	<b>804,795</b>
<b>Totals -EN16-</b>	<b>933,941</b>	<b>790,411</b>	<b>873,120</b>
<b>Emissions compensated by planting trees</b> <sup>(5)</sup>	<b>-2,430</b>	<b>-30,900</b>	<b>-21,960</b>

(1) Taking GWP to 100 years: 22,800 (Source IPCC, Intergovernmental Panel on Climate Change: 4th assessment report).

(2) These have been incorporated in the inventory for the first time. This does not deal with relevant emissions. (The auxiliary generator units work in emergency conditions).

(3) The peninsular emission factor calculated by REE is used that takes into account the generation mix of every year and associates to each generation technology an emission factor in agreement with the values set out in the Renewable Energies Plan in Spain 2005-2010.

(4) These losses are related to the location of the generation points in relation to those of consumption, with the amount of energy demanded in the year, with the generation mix of the year (percentage of each generation technology in the total energy generated), international exchanges and the shape of the demand curve. Virtually none of these factors are controllable by REE, so therefore it is very difficult to reduce them. Nevertheless, REE works to identify and improve those aspects in which it can have an influence (development and meshing of the transmission grid, adequate maintenance and operation of the electricity system, use of increasingly sophisticated materials etc). We consider it relevant to provide this data although in the case of emissions associated with the consumption of electrical energy, CO<sub>2</sub> is not emitted during REE's activities as it takes place in the different electricity generation points. In order to calculate the losses in CO<sub>2</sub> an emission factor calculated by REE is used.

(5) During the whole life-cycle of the tree. The equivalent used: 1 tree = 300 kg of CO<sub>2</sub> during its life. The calculation is solely for orientation purposes as only the newly planted trees are considered and not the rest of the protection and improvement works of the existing vegetation.

(6) Value corrected with respect to that indicated in the 2010 report.

(7) As of 2010, the emissions derived from the consumption of energy in the main regional offices work centres are included. This data was not included in the last fiscal year. For this reason the data differs from that published in the 2010 report.

(8) The net emissions of SF<sub>6</sub> increase due to the commissioning of new facilities, but the emission ratio, as one can see throughout this chapter, is reduced.

(9) In addition it is necessary to consider that there has been an increase in the number of km. In 2010, 5,888,712 km was covered and in 2011 this total was 7,017,999 km.

(10) In spite of the reduction of electricity consumption, emissions have increased, as in 2011 the emission factor is greater than that in 2010, mainly due to the increase in the contribution of coal in the generation mix (increasing from 8% to 15%) and to the reduction of hydroelectricity (reducing from 16% to 11%).

(11) The increase of the emissions is due to the increase of the emission factor.

During 2011, we carried out a review and adjustment of the direct emissions inventory (Scope 1) and indirect (Scope 2), which will continue during 2012. In addition, we began the first phase for the calculation of other indirect emissions (Scope 3) by means of the carbon footprint study associated with the value chain (suppliers of goods and services).

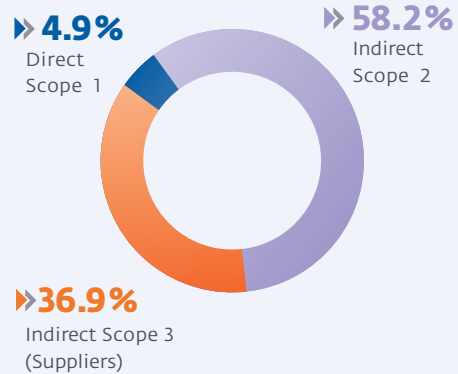
In this first phase, 1,379 companies were analysed (representing 100% of expenditure on goods and services), with emissions of about 510,700 t CO<sub>2</sub> equivalent, which represents an average intensity of 372.4 t CO<sub>2</sub>/million euros. Amongst the study's conclusions noteworthy are the following: **-EN17-**



- ◆ The sectors contributing most to the carbon footprint of suppliers are the manufacture of equipment and components (53% of the footprint) and construction of facilities (41.5%).
- ◆ 90% of the total emissions of providers are attributed to only 52 companies and only 10 of them account for 70% (representing 61% of total expenditure on goods and services).
- ◆ Subsequent works to be performed will focus on sectors and companies identified as most relevant.

### Direct emissions (Scope 1)

- ◆ Fixed combustion: derived from the use of fuels in auxiliary generator units (according to the estimates and calculations carried out, they could be excluded from the inventory as they represent less than 2% of total emissions).
- ◆ Mobile combustion: those derived from fuel consumption by fleet vehicles.
- ◆ Fugitive Emissions: SF<sub>6</sub> gas leaks (used as insulation in switches and armoured substations) and leakage of refrigerants (air conditioners at the facility, yet to be calculated).



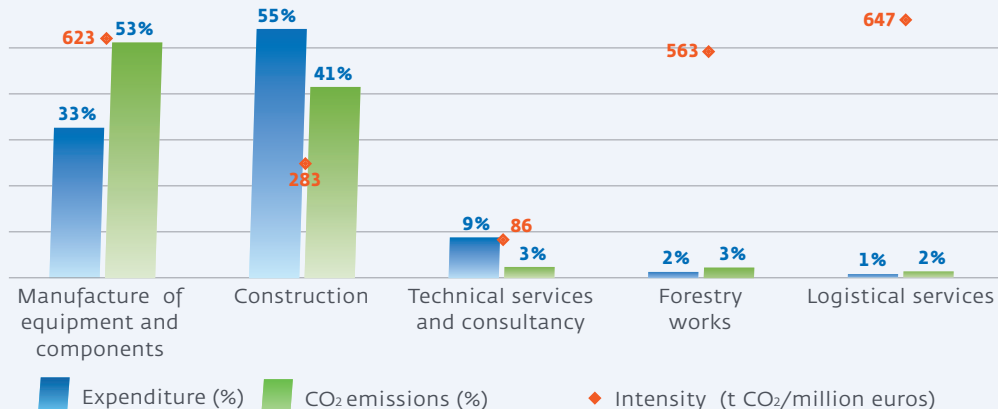
### Indirect emissions (Scope 2)

- ◆ Electricity consumption in the facilities.
- ◆ Emissions derived from energy losses in the transmission grid. Said losses represent the energy which, despite being generated by companies, does not reach the distribution network.

### Indirect emissions (Scope 3)

- ◆ Study of the carbon footprint associated with the value chain.

### Contribution by suppliers per sector to the carbon footprint



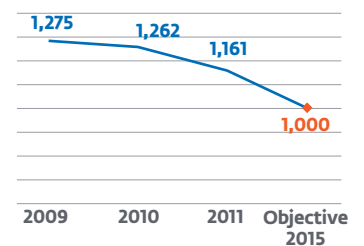
## Control of SF<sub>6</sub> emissions

The main direct emissions derived from the activities of Red Eléctrica are those of sulphur hexafluoride (SF<sub>6</sub>), which in terms of CO<sub>2</sub> represents 97.7% of the total of the direct emissions calculated.

### Management of SF<sub>6</sub>

	2009	2010	2011
SF <sub>6</sub> installed (kg)	203,036	211,255	245,415 <sup>(1)</sup>
Emissions of equipment in service (kg) <sup>(2)</sup>	2,590	2,667	2,850
Average emission rate (%)	1.275	1.262	1.161
Emissions derived from accidents (kg)	294	30	76
<b>Total emissions (kg)</b>	<b>2,884</b>	<b>2,697</b>	<b>2,927</b>

### Average rate of emission



(1) Increase in the number of facilities, especially armoured (SF<sub>6</sub> insulated).

(2) Different emission factors based on the age of the installed equipment have been applied for the calculation of the leaks

### Measures for the reduction of SF<sub>6</sub> emissions -EN18-

- ◆ Implementation of a new procedure for the control, inventory and management of SF<sub>6</sub> gas. Amongst its objectives is to achieve the highest possible recycling of the gas and thus avoid managing reusable gas as waste, this will avoid unnecessary emissions from incinerated gas.
- ◆ General and skilled training of all personnel involved in the management of the gas.
- ◆ Plan for the replacement of management equipment and measuring equipment for SF<sub>6</sub> with more efficient equipment.
- ◆ Improvements in the detection of leaks: purchasing of new equipment for this purpose

### Saving of emissions associated with the Equipment Renovation Plan <sup>(1)</sup> EN18-

	t CO <sub>2</sub> annual savings	Year predicted for project completion
Management equipment <sup>(2)</sup>	450	2014
Measuring equipment <sup>(3)</sup>	1,000	2012

(1) These savings will not be reflected in the SF<sub>6</sub> inventory, as the calculation of emissions is carried out on the basis of rates of emissions of equipment.

(2) The reduction of emissions is derived from its greater extraction capacity, that avoids amounts of SF<sub>6</sub> remaining in bottles and drained equipment.

(3) The reduction is achieved thanks to the fact that the new equipment allows the recovery of the gas used in the analysis, whereby this gas is not released into the atmosphere.

As legal requirements associated with the management of SF<sub>6</sub> gas are not very strict, in 2008 REE signed a **voluntary agreement** with the Ministry of the Environment, the Electrical Manufacturers Association (SERCOBE) and the Spanish Electricity Industry Association (UNESA), for the reduction of the emissions of sulphur hexafluoride in the electricity sector.

To monitor compliance, annual meetings are held between those signing up to the agreement, in which additionally they share information about progress in this area.

In addition, REE has joined the research project of EPRI (Electric Power Research Institute) regarding SF<sub>6</sub>.

## Energy efficiency

Increased energy efficiency is critical to reducing emissions. As a key player within the electricity system, we consider those efforts to reduce electricity consumption as most important.

### Main actions -EN5-EN7-EN18-

- ◆ **Reducing electricity consumption in substations.** Following the completion of a prior study, we have identified improvements in climate control equipment, lighting in buildings and the switchyards of substations and power transformers, which will be launched in the coming years.
- ◆ **Reducing electricity consumption in the work centres.** Establishment of the efficiency standards and planning of the implementation of energy management systems in all buildings during the 2011-2015 period (in 2011, this has been installed in 12 centres) as well as conducting energy audits in all work centres (in 2011, 4 centres were audited).
- ◆ **Efficiency in the IT systems.** Replacement of equipment for more efficient models (renewal of screens, PCs and servers) and implementation of an infrastructure for the management of all work stations and computer servers will continue in 2012. These measures will provide an estimated savings of 17,760 kWh per year.
- ◆ **Mobility measures.** Acquisition of more efficient fleet vehicles (41% of the fleet has an A energy rating), company buses, video conferencing (73% of the rooms have this option), and identification of free parking spaces with neon signs (LED) in the head office. The estimated fuel saving of 63,740 litres, which is about 170 t CO<sub>2</sub> equivalent.
- ◆ **Employee awareness.** Awareness campaigns on the efficient use of resources, information regarding the electric vehicle as part of World Energy Efficiency Day, photography contest regarding efficient transportation means within the framework of the European Sustainable Mobility Week and promoting the purchasing of electric bicycles through the adding a subsidy and a special offer negotiated by the company with the manufacturer.

Red Eléctrica has obtained the Energy Management System Certificate for its head office in accordance with the UNE 16001 standard

### Measures implemented in 2011 in the construction of four buildings (Cártama, Mesón, Casaquemada and Zamora)

- ◆ Electricity: Control system that allows lighting systems to be adjusted to the real occupation of the area, as well as a control system that optimises the use of natural light.
- ◆ Water: Dual flush cisterns and aerator taps.
- ◆ Mobility: charging points for electric vehicles.
- ◆ Insulation: According to the technical code of the building.
- ◆ Renewable Energies: Collection system, storage of low temperature solar energy for supply of sanitary hot water.
- ◆ Energy management systems: Real-time electricity consumption meters and those for water supply.
- ◆ Green areas: Landscape gardening with low water consumption vegetation: indigenous shrubs, aromatic and ground-covering plants.

In addition works have also been carried out on the adaptation of some of the existing work centres, of note is the Aragon work centre, in which improvements in the climate control and lighting systems and in insulation were carried out. In addition, it has been equipped with solar panels for sanitary hot water.

#### Direct energy consumption. Fuel consumption (litres) \* -EN3-

	2009	2010 <sup>(1)</sup>	2011
Diesel	884,022	616,289	563,664
Petrol	21.872	16,597	22,260
Average consumption (l/100 km) <sup>(2)</sup>	10.1	10.75	8.35▼
Diesel for auxiliary generator units	-	9,597	7,375
<b>Total fuel</b>	<b>905,894</b>	<b>642,483</b>	<b>593,299▼</b>

#### Indirect energy consumption. Electricity consumption (kWh) \* -EN4-

Head Offices (Moraleja+Albatros) <sup>(3)</sup>	8.388,424	8,456,236	8,602,621
Tres Cantos <sup>(3)</sup>	1,621,481	1,652,587	1,649,509
Extra-peninsular systems <sup>(3)</sup>	1,096,601	1,152,442	1,080,814
Regional head offices	2,808,981	2,626,034	2,414,235
Work centres: main regional offices <sup>(4)</sup>	-	3,272,732	1,650,920
<b>Total consumption of electrical energy</b>	<b>13,915,487</b>	<b>17,160,031</b>	<b>15,398,099▼</b>

#### Indirect energy consumption. Transmission grid losses (kWh) \* -EN4-

<b>Transmission grid losses</b>	<b>3,090,008,000</b>	<b>3,398,038,000</b>	<b>2,890,000,000▼</b>
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(1) Data corrected with regard to those published in 2010.

(2) This ratio is based on the average of the different types of vehicles. The data used for internal analysis is broken down by vehicle type.

(3) These are working centres with special characteristics due to the fact that electricity control centres are found there, which work 24 hours a day and have a special energy consumption. As a result of the energy audit carried out in 2007 at the Head Office, it is estimated that the consumption at the control centres represents approximately 30% of the total consumption.

(4) Since 2010, the data regarding the electricity consumption registered at the main regional offices (work centres) is collated, and it is included in this year's report for the first time.

(\*) According to the criteria defined by GRI, these indicators shall be provided in Joules. Owing to the fact that it is an infrequently-used unit of measure and it makes the analyses of the data complicated, the values are provided in kWh (electricity) and in (l) litre (fuel), which are frequently-used units of measure and that make it easier for stakeholders to understand the data. Nonetheless, the following summary table is provided in **Joules** for key data.

Total fuel consumption	3,35 · 10 <sup>13</sup>	2,37 · 10 <sup>13</sup>	2,18 · 10 <sup>13</sup>
Total consumption of electrical energy	5,0 · 10 <sup>13</sup>	6,1 · 10 <sup>13</sup>	5,5 · 10 <sup>13</sup>
Total consumption transmission grid losses	1,11 · 10 <sup>16</sup>	1,22 · 10 <sup>16</sup>	1,04 · 10 <sup>16</sup>

1 kWh = 36 · 10<sup>5</sup> Joules; 1 litre of diesel = 37 · 10<sup>6</sup> Joules; 1 litre gasoline = 34 · 10<sup>6</sup>, 1 l de gasóleo = 37 · 10<sup>6</sup> Joules

## Compensation of emissions

Within the action plan against climate change we have set as an objective the **compensation of at least 20% of our direct emissions**. In this sense, "The REE Forest" project (described in the biodiversity section) has this aim.

It is estimated that with the trees planted in 2011, 21,960 t CO<sub>2</sub> will be compensated for throughout their life, which **represents a compensation of 32% of the direct emissions** in 2011.

The amount of compensated emissions since the project began in 2008 is 55,300 t CO<sub>2</sub>. **-EN18-**

Also noteworthy, is that in 2011 we have adhered to, by signing an agreement with the Junta de Andalucía, the **Sistema Andaluz de Compensación de Emisiones (SACE - Andalusian Emission Compensation System)**, a voluntary framework through which companies undertake the commitment to audit, reduce and if necessary compensate for their emissions. The works associated with these commitments will be implemented as of 2012.

At the end of 2011, "The Red Eléctrica Forest" had compensated more than 55,000 tonnes of CO<sub>2</sub> since the project began.

## Other Environmental Actions

In addition to working to improve energy efficiency, we consider it essential to be aware of and reduce other basic consumptions as a key improvement area of our environmental performance. For this reason, we work on the implementation of measures aimed at the efficient use of these resources.

### Main measures 2011

- ◆ **Water saving:** Remodelling of the garden at the head office entailing the replacement of the lawn with indigenous plants and gravel, which will allow us to significantly reduce the amount of water used for garden watering purposes. In addition, the new substations have a rainwater collection tank for the watering of gardens and for use in fire-fighting actions.
- ◆ **Paper saving:** Replacement of the documentation filing system with a new system with improved features that will help to significantly reduce the consumption of paper. In addition, we have implemented the paperless classroom for our training activities (equipping classrooms with PC tablets), that has represented a paper saving in 2011 of 535 kg.

## Basic consumption indicators in REE

### Consumption of raw materials -EN1-

	2009	2010	2011
Oil consumption (kg) <sup>(1)</sup>	41,480	73,065	46,320
Regenerated oil (%) <sup>(2)</sup> -EN2-	71	94	90,3
Paper consumption (printing and photocopying) (kg)	86,091	71,044	67,563
Paper consumption (kg /employee) <sup>(3)</sup>	46.1	36.55	34.77▼ <sup>(5)</sup>
FSC Printing/Ecological brand (%) <sup>(4)</sup>	100	100	100
Paper consumption (publications)(kg)	49,960	64,640	44,203
FSC paper in publications (%) <sup>(4)</sup>	25	42	100

### Water consumption -EN8- (m<sup>3</sup>)

Head Office <sup>(6)</sup>	22,508	18,083	17,969▼
Head Office (m <sup>3</sup> /employee) <sup>(6)</sup>	26.4	20.4	22.0
Work centres <sup>(7)</sup>	38,761	53,159	46,871▼

(1) REE activities are not organised as a conventional productive process therefore the total consumption of raw materials is not calculated. As indicative data, information on oil used in maintenance is included, as this is the auxiliary material of highest environmental relevance.

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

(3) The number of employees includes REE personnel interns, collaborators and temporary employment agency workers.

(4) Paper with ecological seal/certified in accordance with the FSC (Forest Stewardship Council) which guarantees that it is obtained from a sustainable origin and ensures efficient forestry is used to conserve forests. 100 % of the paper for stationery also meets FSC standards

(5) The decrease in paper consumption is due to saving measures, including the increase of scanning of documents for logging and distribution (5% reduction on the previous year).

(6) Water consumption at the head office includes water consumption used for watering of grounds. The consumption ratio per employee increased in 2011 owing to the remodelling of the parking and the gardens, and in which water has been consumed. **The real consumption ratio per employee at the offices would be 9.5 m<sup>3</sup>** (in 2009 it was 11.52 m<sup>3</sup>) and in 2010 it was 10.32 m<sup>3</sup>).

(7) The ratio per person is not provided, since the use of the water at the work centres is not bound exclusively to the activities of offices. The data is corrected with respect to that of the past year as there was an error.

The water consumed in Red Eléctrica's facilities is obtained from different sources: municipal water mains (37.1%), wells (53%), cisterns (9.7%) and rain water collection tanks (0.2%) in the Northern Regional office and many substations, for sanitary use, for watering grounds and fire fighting systems).

### -EN8-EN10-

Additionally, during 2011, a study was carried out jointly with Trucost and the local partner Climate Strategy & Partners, regarding water consumption in the Company's value chain, which analysed 1,300 suppliers (100%). For 2011, global consumption was approximately 30,200,000 m<sup>3</sup>, of which water used directly by providers was only 6% (the rest is consumed in turn by its suppliers).

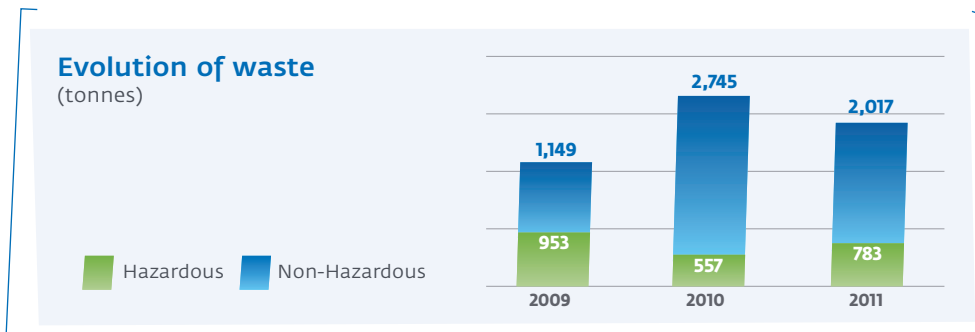
The activities associated to construction and the manufacturing of equipment, represent 88% of the water consumption of suppliers and within these sectors, just 5 companies are responsible for 50% of this consumption.

## Waste management

During the different activities carried out by Red Eléctrica different types of waste are generated that are segregated, stored and managed in the most suitable way.

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

- ◆ Common preventive or corrective maintenance tasks: servicing, changing of parts, changing of oil, etc.
- ◆ Adaptation of facilities: works to improve facilities to adapt them to REE standards, renewal of obsolete switchgear, and improvement in accident prevention systems, etc.
- ◆ Action against accidents: although not common, accidental oil spillages represent a significant amount of waste arising from the use of containment measures (absorbents), cleaning of affected areas (earth impregnated with hydrocarbons) and emptying of the containment tanks (oil-water mix).



Given the nature of these activities, it is very difficult to establish objectives for the reduction of the total amount of waste. However, variations do occur from one year to the next (in 2011 a reduction of more than 500 tonnes was registered with respect to the previous year) due to different causes that are explained in the various table footnotes.

In some cases it is possible to establish criteria for the reutilisation of materials, like power transformer oil (430 tonnes of oil regenerated in 2011) and SF<sub>6</sub> gas (the gas is analysed and if it meets the technical characteristics required it is reused). But in general the main actions in this field are aimed at improving waste management: minimising risks (e.g. progressive replacement of silica gel impregnated with cobalt for a silica gel without hazardous components), trying to segregate to the maximum; looking for the best management options



(establishing a collection system of Ni-Cd accumulators, adapted to the CMS (Comprehensive Management System)), carefully selecting the best suppliers and promoting best practice through training and awareness (the reduction of and swift response to accidents).

**Non-hazardous waste -EN22-**

(amounts managed kg)

	2009	2010 <sup>(1)</sup>	2011	Type of management *
Septic tank sludge	230.000	371.410	413.236 <sup>(1)</sup>	T/R
Scrap metal	312.226	No data <sup>(2)</sup>	No data <sup>(2)</sup>	R
Inert waste	321.298	61.650 <sup>(3)</sup>	170.970 <sup>(1)</sup>	E
Paper and cardboard	68.061	68.376	115.747 <sup>(4)</sup>	R
Toner <sup>(5)</sup>	81	66	8	RR
Wood	12.129	14.760	30.460	R
Waste vegetation <sup>(6)</sup>	6.550	34.030	24.940	<sup>(6)</sup>
Electrical and electronic waste	2.965	35.251	46.413	R
Plastics	2.245	1.152	3.107	R
Glass	No data	No data	760	R
Vegetable cooking oils	3.680	4.060	2.040	R
Alkaline batteries/without mercury	0	0	28	R
<b>Total non-hazardous waste</b>	<b>952.685</b>	<b>556.725 <sup>(3)</sup></b>	<b>782.769</b>	

T= Treatment. R= Recycle. E= Elimination. RR= Reutilization.

(1) Increases due to the completion of works of improvement and adaptation of assets to the standards of Red Eléctrica.

(2) Data not available until the implementation of the IT application for the controlling and monitoring of the disposal of waste metal is concluded, currently being implemented.

(3) Data updated with respect to 2010 to include efforts made during the last days of the year.

(4) In 2011, a paper documents clear out and reduction campaign was carried out, associated with the EFQM Excellence Award for which REE presented its candidacy.

(5) The waste management of toner corresponds to the supplier and maintainer of the printers. Data shown corresponds to only those units purchased directly by Red Eléctrica..

(6) Were not taken into account in calculating the total non-hazardous waste. This is not a representative value, since most of this waste was delivered to the owner or incorporated into the ground. The table includes only the waste delivered to the waste management company.

**Hazardous waste -EN22-EN24-**

(amounts managed kg)

	2009	2010	2011	Type of management *
Used oil	174,538	187,758	152,256 <sup>(1)</sup>	R - V
Oil with PCB	5,674	66,675	0 <sup>(1) (3)</sup>	R - E
Oil/water mix	60,140	533,863	240,673 <sup>(2)</sup>	V
Diesel/water mix	0	2,120	705	V
Transformers and equipment with PCBs	33,960	180,655	45,205 <sup>(3)</sup>	V - E
Electrical and electronic waste: equipment containing oil	355,317	1,219,789	716,708	V
Electrical and electronic waste: other		12,579	78,487	V
Nickel/cadmium accumulators	20,946	44,723	100,355 <sup>(4)</sup>	R
Lead batteries	378	1,468	3,805	R
Earth impregnated with hydrocarbons	480,322	478,864	648,138	E
Containers that have contained hazardous substances	9,251	5,785	8,217	V
Absorbent matter and other <sup>(5)</sup>	5,980	2,728	16,630	V
Silica gel and other inorganic chemical products	570	3,196	489	V
Non-halogenated solvents	0	69	0	V
Halogenated solvents	0	16	0	V
Water-based cleaning liquids	0	0	114	V
Paint waste	53	43	201	V
Insulation material (with or without asbestos)	80	45	2,439 <sup>(6)</sup>	V-E
Laboratory chemical products	420	50	437	V
Gases in pressurised containers	762	4,078	126	V
Waxes and used grease	0	9	0	V
Antifreezes	0	0	1,055	V
Fluorescent lighting tubes	818	297	702	R
Batteries	95	5	21	E
<b>Total hazardous waste</b>	<b>1,149,305</b>	<b>2,744,814</b>	<b>2,016,763</b>	

R= Recycle. V= Valuation. E= Elimination

(1) Decrease in the insulating oil due to the fact that the equipment is handed over to the waste manager in one piece at the end of its useful life, in other words without a prior drainage of the oil contained..

(2) Decrease in the water-oil mix due to the increase in recent years of the number of containment systems for leaks and spillages for auxiliary and power transformers which have already been adapted to the standards of Red Eléctrica, and which do not require emptying prior to their adaptation.

(3) Decrease owing to the plan for elimination/decontamination of transformers, equipment and PCB oil completed in 2010. The quantities now produced come from the removal of airtight equipment which ends up contaminated at the end of its useful life. **-ENI-**

(4) Increase in Ni-Cd accumulators is due to two factors, one owing to the campaign launched in 2009 to adapt to the use of a Comprehensive Management System for their collection and removal and secondly, due to the replacement plans due to the end of its useful life.

(5) Includes absorbents, filtering materials, cleaning cloths and protective clothing contaminated with hazardous substances. The increase in 2011 is due to the greater use of absorbent material in the renewal and improvement actions of facilities and to supplying said material to facilities that did not have this material available already. Therefore it is now being increasingly used by staff as a preventive measure during maintenance work.

(6) Increase in material containing asbestos due to the conditioning / replacement of existing fibre cement cladding roofs of old relay huts.

\* The total amount of waste which has been recycled is estimated at 29.1%.The waste related to PCBs is managed outside of Spain (representing 2.2% of the total hazardous waste). **-EN24-**

The waste generated in **construction activities** is managed by the contractors. REE communicates the requirements to them so that this management is adapted through environmental specifications, and its fulfilment is reviewed during works supervision visits and by controlling associated documentation. Control is evermore exhaustive due to the intensification of activities regarding environmental supervision of works.

### Waste generated during construction activities

#### Non-hazardous waste

- Excavation surpluses
- Concrete surpluses
- Concrete surpluses
- Paper and cardboard
- Plastics (containers and wrapping)
- Wood
- Scrap waste
- Solid urban waste
- Septic tank sludge

#### Hazardous waste

- Absorbent matter and cloths contaminated with hazardous substances
- Earth impregnated with hydrocarbons
- Recipients that have contained hazardous substances
- Paint waste

Regarding the waste management at TDE, noteworthy is that for the first time the dielectric oil waste was managed through authorised waste managers for its recycling (3,100 litres) and also 2,391 fluorescent tubes were handed over for their suitable disposal. These residues had accumulated in the facilities of the company whilst waiting to determine the correct mechanism for their management.

## Protection against leaks and spillages

Thanks to the application of preventive measures and to the best practices in the works, significant spillages do not take place. Minor spillages, whose consequences are smaller thanks to the intervention procedures, are recorded although these types of spillages do not affect the soil or groundwater.

### Key measures to prevent effects on soil and groundwater due to spillages:

- ◆ Preventive and corrective maintenance of the equipment containing oil.
- ◆ Spillage containment systems for equipment containing hazardous substances, which prevent a possible spillage from affecting the soil.
- ◆ Best practices regarding works (manipulation of equipment and pollutants on impermeable surfaces).
- ◆ Definition of procedures and equipping the facility with the adequate means to be used in the event of an accident (primarily absorbent material).

### Accidents occurred -EN23-

#### Construction activities

	2009	2010	2011
Leaks and spillages of oil when filling a transformer	0	0	0
Leaks and spillages of oil and hydrocarbons resulting from minor breakdowns during the use of construction machinery	2	4	39 <sup>(1)</sup>

#### Maintenance activities

Leaks and spillages of oil and hydrocarbons during the use and maintenance of substation equipment	13	18	22
- Leaks in power transformers	-	5	4 <sup>(2)</sup>
- Explosion of metering transformers	-	9	1 <sup>(3)</sup>
- Other	-	4	17 <sup>(3)</sup>
- Oil leaks in underground lines	1	0	0

#### Total recorded

**16**      **22**      **61 <sup>(4)</sup>**

(1) Accidents of minor importance related to the breakage of hoses of the machinery used for construction, or minor spillages occurred during decanting and temporary storage. The increase is due to an improved register and monitoring of construction related accidents.

(2) The oil spilled goes directly to the containment tanks (preventive measure). In some cases a small amount expelled by pressure may contaminate the gravel surrounding the transformer, but it is managed as waste.

(3) These include accidents of different characteristics (oil leaks in equipment undergoing maintenance, minor fuel or oil spillages during decanting, etc.), but none of them can be considered serious. Normally a small surface area of the substation gravel gets contaminated (in practically all cases between 1-3 m<sup>2</sup>, only twice has the contamination been somewhat greater 15-16 m<sup>2</sup>) but at no time were the soil or groundwater affected.

(4) The increase in the number of accidents recorded is due to the intensification of environmental monitoring, as much in works as in the facilities undergoing maintenance.

## Socioeconomic Scope and the Landscape

The power supply is a basic resource to the extent that is present in both economic activities and the daily life of citizens. But in addition to meeting a service essential to the functioning of society, the investment in the development of infrastructures that ensures the power supply also has a positive impact on production and employment <sup>(1)</sup>.

However, together with this economic relationship, electricity infrastructures also cause some effects of a social nature, that in the case of electricity transmission infrastructures do not represent a significant change in the way of life of the communities. In any event, Red Eléctrica works to ensure that the cases in which this might occur are minimised. **-S09-EU22-**

### Actions regarding the construction of the Spanish peninsula – Balearic Islands electricity link

In order to minimise the potential drawbacks of this project on the resources on which the local economic activities are based, from 15 April to 15 October, the works associated to laying the interconnection cable of Spanish peninsula-Balearic Islands were stopped in the area of the Santa Ponsa beach to avoid interference with tourism and traditional fishing activities in the bay.

### Land occupation **-S09-EU20-EU22-**

Of all the infrastructures constructed and managed by Red Eléctrica, only the substations represent a total and irreversible occupation of land, since it is not possible to make its presence compatible with other uses. The occupation of land as a result of the construction of a line is limited to the placement of the feet of the towers, since the land surface over which the conductors transport electricity is subject to a right of way easement during the useful life of the installation.

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

It is worth noting that farming and livestock activities are compatible with the lines, allowing all kinds of agricultural crops to be grown under them and the free movement of the machinery necessary for its management. Incompatible uses are fundamental conditions to be avoided when establishing corridors for future lines and determining the location of substations.

(1) *Impacto Macroeconómico de la inversión en infraestructuras de transporte eléctrico. ("Macroeconomic impact of the investment in electricity transmission infrastructures") Luis Perez, Jaime Sanaú and Isabel Sanz. Fundear 2010.*

Besides the economic compensations, other measures are carried out in order to reduce to the maximum the effects on land owners: **-S010-**

- ◆ Avoid the opening of new access routes, taking full advantage of the existing ones or crossing open lands where possible.
- ◆ Carry out minor modifications to the project, mutually agreeable with the land owners, so as to avoid effects on enclosures, irrigation channels, espaliers, etc., by means of on-the-spot agreements for the repositioning of electricity towers.
- ◆ Restoration of all damage caused to the properties and access routes during works or, indemnification should the need arise.
- ◆ Restoration of the zones affected by the works: de-compacting and re-sowing in pasture and crop lands, restitution of roads in urban areas, etc.
- ◆ Other measures for the improvement of the surroundings of affected areas. For example, in 2011 rocks were gathered and removed from the soil on lands next to the Cerrato substation to be used in the construction of the elevation platform of this substation. In addition, in those specific areas of land, where the removal of the rocks has led to a reduction in the level of the land, this has been compensated for by the addition of replacement topsoil. This measure improves the quality of the land and removes rocks, which helps to reduce rabbit populations who live amongst them.

### Visual impact **-S09-S010-**

In order to reduce the visual impact of lines and substations to the maximum possible, Red Eléctrica puts in place various measures, of which the following are noteworthy::

- ◆ Locating of facilities far from the population nuclei, areas inhabited by people and zones of high landscaping value.
- ◆ Design of the routes to pass through flatter areas, avoiding passing through medium-level and higher points
- ◆ Design of the facilities and execution of the works so that earthworks are minimised.
- ◆ Selection of the height of the electricity towers taking into consideration landscaping criteria.
- ◆ Dismantling of infrastructures no longer used. In 2011, two sections of lines, totalling 50 km, have been dismantled.
- ◆ Restoration of affected areas: work and storage areas, the base of electricity towers, slopes, etc. **-EN13-**

### Main actions in 2011

#### Landscaping integration of 10 substations

- ◆ Restoration of slopes (coconut meshing, three-dimensional meshing, hydro sowing and planting of flora).
- ◆ Planting of flora in the surroundings of the substation, on some occasions so as to form a screen of vegetation.
- ◆ Adaptation of the colour of the gravel used
- ◆ Construction of special walls (dry stone walls in Majorca) or concealment of concrete walls.

#### Landscaping integration of buildings

- ◆ Definition of the specific characteristics of substation buildings in accordance with the different regions of Spain.
- ◆ Research project with the University of Las Palmas oriented to the study of the landscape of each island in order to establish the criteria and specific technical requirements of the substations in relation to each territory.

## Protection of the archaeological and ethnological patrimony

During 2011, archaeological supervision was carried out at sites that involved construction works of 25 lines and 7 substations - with permanent presence of an archaeologist in 80% of the cases. Additionally, Red Eléctrica carries out the paleontological supervision in the areas where it is foreseeable that these kinds of sites may exist.

### Protection of the archaeological-ethnological patrimony. Actions 2011

#### 400 kV Salas-Grado line

Archaeological supervision during civil works and the opening of accesses. The works affect the Camino Real in La Mesa, an inventoried and protected path, whereby special measures must be applied for its use (surface protection). Also trenches and machine-gun posts of the Civil War were found, which have been inventoried by the archaeologist and have been cordoned off for their protection during the works.

#### 220 kV Arenas de San Juan substation

During the archaeological supervision, 12 silos and a plantation were discovered, probably from a vineyard. As for the silos, these were circular-shaped pits, with an average depth 0.40 m reaching in some cases 0.70 m, and in which ceramic and lithic ceramic material was documented as well as animal bone remains. Taking into account the results obtained during the excavation, it was concluded that they were storage silos that were silted up, probably during the Late Bronze or Early Iron age. The silos were dug and the works continued.

#### Submarine-land connection of the electricity interconnection between the Spanish peninsula and the island of Majorca

An archaeological sampling and test-pit excavation was carried out by professional divers and archaeologists, in accordance with the criteria set out by the General Directorate of Patrimony.

At an archaeological level, the results of the aforementioned test-pits and sampling was negative as the original seabed, that may contribute to the cultural heritage, is located well below the depth foreseen for the project and will not be affected by the project works required.

The archaeological excavation has allowed the process of formation of the sedimentary deposit of the area affected by the project to be documented. The non-existence of archaeological remains in the area and the fact that marine deposits existing prior to the construction of the port are not affected has been confirmed.

#### 400 kV Litoral-El Palmar line

Restoration works were performed on the prehistoric site of Barranco de la Viuda (Lorca, Murcia). The works were focused on the remains of an ancient wall discovered during the archaeological excavation in 1999. The objective sought was the consolidation of the damaged elements, the restitution of destroyed structures and the application of preventive measures.



## Monitoring of electric and magnetic fields -PRI-

Thanks to the preventive measures that are applied in the design of the facilities, the levels of electric and magnetic fields stay below levels recommended by the European Union Council. These levels are set out in the EU Official Journal 1999/519/CE and limit exposure values for the general public in sites where they may remain for a period time at 5kV/m for the electric and 100 µT for the magnetic field. The most important measures are:

- ◆ Construction of double circuits and transposition of phases in lines.
- ◆ Increasing the height of towers, thus increasing the safety distances.
- ◆ Establishing the minimum distance of electricity lines from population nuclei and isolated houses.

In order to verify that our facilities are below exposure limits, REE carries out an exhaustive measurement plan which was developed as follows:

- ◆ 2004: Measurements in 1,100 proximity points (in the vicinity of which were schools, hospitals, houses or industrial areas). All measurements provided results in accordance to the EU recommendation.
- ◆ 2005: Measurement in 37 substations to evaluate the level of exposure of the workers and to verify the compliance with the European Directive of minimum health and safety requirements regarding electromagnetic fields (2004/40/EC). All the magnetic field values and 92% of the electric field values were below the reference levels (500 µT and 10kV/m).
- ◆ 2006: Measurements were taken at various points at facilities acquired from other utility companies located near population nuclei and also at locations near lines that were repowered during that year, complying with the recommended values in all the cases.

Having demonstrated the compliance of facilities and installations with the European recommendations, as of 2007 the measurements carried out have been in relation to consultations or claims. In 2011, measurements have been carried out on the following facilities:

- ◆ Section 456-457 of the 400 kV Galapagar-Moral line in the municipality of Galapagar.
- ◆ Vicinity of tower 173 of the 220 kV Arganda-Loeches line, due to the fact that the end of line tower was displaced 3 metres and it now comes near to a residential area.
- ◆ Section 317-318 of the 220 kV Mercedes-Júndiz line, upon request of the City Council of Vitoria.
- ◆ Parking at Decathlon at Xanadú. By request of the Shopping Centre. (440 kV Morata-Villaviciosa and Moraleja-Villaviciosa lines).

In all cases, the values were well below those recommended.

Moreover, though our facilities comply with the European recommendation, and social unrest on this issue has dropped significantly (thanks to the research and dissemination work of the scientific community and international organisations), it is of paramount importance to remain abreast of progress and innovations regarding this aspect and to actively participate in working groups and in research projects on this matter. For this reason, Red Eléctrica is subscribed to an international information service, ELF Gateway, which keeps its clients informed via email, almost on a daily basis, on the most recent developments regarding EMF that occur at a world-wide level and we maintain close contact with different entities and associations.

# General Aspects of the Environmental Management

## Sanctions and fines -EN28-

During 2011, 10 sanctions were resolved with a fine.

Infringements committed (euros)	2009	2010	2011
Lack of maintenance of vegetation	300	100 <sup>(3)</sup>	551
Unauthorised felling and pruning	720	1,067 <sup>(4)</sup>	16,875
Unauthorised construction of a path	500	-	-
Fire due to line discharge	-	13,923 <sup>(5)</sup>	-
Abandonment of material/fire risk	2,735 <sup>(1)</sup>	-	-
Unauthorised works in police area	90,15	-	-
Obstruction of water way	-	300	2,100
Activities with high probability of soil contamination	-	1,050 <sup>(2)</sup>	-
Archaeology	18,900 <sup>(3)</sup>	-	-
<b>Total cost</b>	<b>23,245</b>	<b>16,440</b>	<b>19,526</b>

(1) The quantity corresponds to 2 cases.

(2) The quantity corresponds to 5 cases. The sanctions were due to the fact of the delay in the presentation of 5 preliminary ground reports (documentation required by the administration to the industrial establishments/companies for the evaluation of the contamination hazard in the locations that they occupy).

(3) Case solved in 2011.

(4) The quantity corresponds to 2 cases solved in 2011.

(5) The quantity corresponds to 3 cases, 2 of solved them in 2011.

## Suppliers

In 2011, REE identified a total of 224 suppliers whose contracted activity can generate a direct impact on the environment. These are mainly construction activities, vegetation treatment and maintenance of equipment in substations. 55% of these suppliers have a management system documented or certified by a third party.

However, Red Eléctrica includes the environmental requirements that contractors must meet in the contractual documentation for the development of the works and carries out an exhaustive monitoring to verify that these are met. In this sense, for construction activities (susceptible to generate environmental impact), an environmental certification of works has been implemented, as indicated at the beginning of this chapter.

In addition, during 2011 the first part of the carbon and water footprint studies of the totality of REE suppliers was carried out, that has allowed the most significant services and suppliers in these areas to be identified and that will serve as a starting point for future works.

## Environmental expenditure

Environmental expenditure (euros) **-EN30-**

	2009	2010	2011
<b>INVESTMENTS</b>	<b>4,427,760</b>	<b>6,277,588</b>	<b>7,027,749</b>
Engineering and construction of facilities <sup>(1)</sup>	4,427,760	6,277,588	7,027,749
<b>Expenditure</b>	<b>13,651,980</b>	<b>18,866,105</b>	<b>20,394,545</b>
Development of methodology and systems <sup>(2)</sup>	10,028	325,886	45,086
Environmental studies and analyses <sup>(3)</sup>	-	112,383	142,121
Environmental actions in facilities in service	11,666,853	16,079,834	18,272,125
Contamination prevention <sup>(4)</sup>	642,311	870,686	727,892
Protection of biodiversity <sup>(5)</sup>	10,439,651	13,969,817	15,851,286
Climate change <sup>(6)</sup>	-	171,677	874,348
Energy efficiency and savings in resources <sup>(7)</sup>	-	111,039	181,086
Waste reduction and management	584,891	956,615	637,513
<b>Research and development</b>	<b>600,472</b>	<b>618,489</b>	<b>319,172</b>
<b>Training and communication</b>	<b>281,766</b>	<b>575,264</b>	<b>416,753</b>
Environmental training and awareness programmes	38,941	18,782	27,743
Communication <sup>(8)</sup>	242,825	556,481	389,009
<b>Environmental taxes and levies</b>	<b>17,084</b>	<b>18,139</b>	<b>23,186</b>
<b>Expenditure of personnel dedicated to environmental activities</b>	<b>1,075,778</b>	<b>1,136,111</b>	<b>1,176,103</b>

(1) Environmental impact studies carried out on all projects, application of preventive and corrective measures, measures, environmental supervision at facilities under construction and application of environmental improvement measures.

(2) Certifications, audits, environmental consultancy.

(3) Cartographic management (mapping).

(4) Adaptation of facilities, repair of equipment, analysis, etc

(5) Fire protection, line marking, bird nesting deterrents, management of nests, felling, pruning and clearing of vegetation, landscaping adaptation of facilities in service.

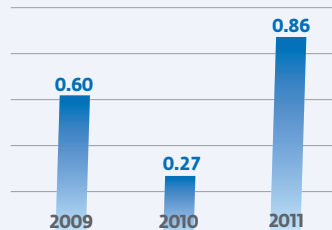
(6) The REE Forest, replacement of equipment containing R-22.

(7) Installation of meters, activities of Red Eléctrica eficiente

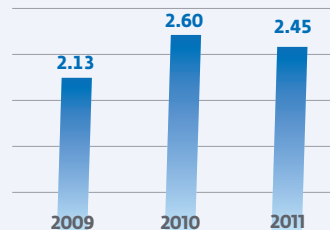
(8) Affiliations, congresses, informative leaflets, stands in fairs, publicity in magazines, collaboration and sponsorships agreements.

### Environmental investment and expenditure (%)

Environmental investment/  
total investment in the grid



Environmental expenditure/  
operating costs



## Main environmental indicators TDE in 2011

Environmental objectives	2009	2010	2011
Compliance with the environmental programme (%)	95.6	99.0	99.3
<b>Effect on protected areas.</b>			
<b>Impact on Biodiversity</b>			
Km of line constructed in protected spaces/ km of line constructed (%) <sup>(1)</sup>	0	2.2	0
<b>Consumption of natural resources</b>			
Total electricity consumption <sup>(2)</sup> (kWh) <b>-EN4-</b>	887,218	893,974	861,031
Electricity consumption <sup>(2)</sup> (kWh/employee)	7,098	7,152	6,888
Total electricity consumption (Joules) <b>-EN4-</b>	3.1*10 <sup>12</sup>	3.2*10 <sup>12</sup>	3.1*10 <sup>12</sup>
Total water consumption <sup>(3)</sup> (m <sup>3</sup> ) <b>-EN8-</b>	14,677	14,308	15,688
Water consumption <sup>(3)</sup> (m <sup>3</sup> /employee)	117	114	131
Fuel consumption of fleet vehicles <sup>(4)</sup> (litres)	129,891	126,205	118,349
Fleet vehicle consumption (l/100 km)	17.7	16.6	16.9
Fuel consumption of auxiliary generator units in substations (litres)	535	296	200
Total fuel consumption (litres) <b>-EN3-</b>	130,426	126,501	118,549
Total fuel consumption (Joules) <b>-EN3-</b>	4.8*10 <sup>12</sup>	4.7*10 <sup>12</sup>	4.4*10 <sup>12</sup>
<b>Greenhouse gas emissions</b>			
Direct emissions-fuel consumption (t CO <sub>2</sub> equivalent) <sup>(5)</sup>	352.1	341.6	320.1
Indirect emissions-derived from electricity consumption (t CO <sub>2</sub> equivalent)	469	473	455
Total emissions (t CO <sub>2</sub> equivalent) <b>-EN16-</b>	821	814	776
<b>Waste generated</b> (amounts managed) (Kg) <b>-EN22-</b>			
<b>Non-hazardous</b>			
Municipal waste	9,621.4	7,260.6	18,338.0
Plastic waste	439.4	413.0	384.0
Paper waste (cardboard, newspapers, magazines)	1,411.3	1,477.0	1,388.0
<b>Hazardous</b>			
Printer cartridges and toner (pieces)	141.0	191.0	127.0
Dry cell batteries and batteries	12.5	9.2	67.5
Sanitary goods and out-of-date medicines	4.2	0.9	13.3
Miscellaneous solids impregnated with dielectric oils	20.5	489.5	2.0
Dielectric oils			2,480.0
Fluorescent lighting tubes			478.2
<b>Accidents</b> (oil and fuel spillages) <b>-EN23-</b>			
Total number of environmental accidents	1	0	0
Number of environmental accidents – Oil spillages	1	0	0
Number of environmental accidents – Fuel spillages	0	0	0
Number of environmental accidents – Other accidents	0	0	0

(continued on the following page)

**Main environmental indicators TDE in 2011** (continued)

	2009	2010	2011
<b>Training and awareness programmes (environmental training)</b>			
% Employees who have received training or information in environmental matters	100	100	100
Number of external persons who have received information in environmental matters during the execution of projects	268	0 <sup>(6)</sup>	352
<b>Environmental communication with interested parties</b>			
Number of environmental consultations	3	4	0
Number of environmental claims	0	0	0
<b>Supplier/subcontractor environmental behaviour</b>			
Number of suppliers	16	19	26
% Suppliers/contractors with SGMA certified ISO 14001	0	0	0
<b>Sanctions and fines</b>	0	0	0
<b>Environmental expenditure and investment</b>			
Environmental investment (USD)	0	0	0
Environmental investment /total investment (%)	0	0	0
Environmental expenditure (USD)	95,213	153,023	109.399
Environmental expenditure/total expenditure (%)	0.77	1.23	0.79

(1) In 2010, the demand coverage study and thematic maps were carried out and the lines of TDE and the protected areas of the country were put in digital format.

(2) Data obtained from the head office, regional centres of Valle Hermoso, Potosí, Oruro, Santa Cruz and the warehouse of the Maica.

(3) Data obtained from public mains network and well, used in gardens and services

(4) The fleet of vehicles is composed of 30 vehicles. .

(5) The emission factor for Bolivia has been adjusted

(6) No projects were carried out.

## Key environmental indicators REDESUR

### Environmental objectives

Compliance with the environmental programme (%)

2009

2010

2011

100

97.3

98.0

### Effect on protected areas.

#### Impact on Biodiversity -EN11-

Km of lines constructed in protected spaces/km of lines constructed (%)

0

0

0

### Consumption of natural resources

Total electricity consumption (kWh) -EN4-

156,385

163,719

161,402

Electricity consumption (kWh/employee)

6,516

6,822

4,891

Total electricity consumption (Joules) -EN4-

5.6\*10<sup>11</sup>

5.9\*10<sup>11</sup>

5.8\*10<sup>11</sup>

Total water consumption (m<sup>3</sup>) -EN8-

1,278

1,474

2,066

Water consumption (m<sup>3</sup>/employee)

53

61

63

Fuel consumption

of fleet vehicles (litres) <sup>(2)</sup>

4,794

4,186

1,857

Fuel consumption of auxiliary generator

units in substations (litres)

948

908

493

Total fuel consumption (litres) -EN3-

5,742

5,094

2,350

Total fuel consumption (Joules) -EN3-

2.1\*10<sup>11</sup>

1.9\*10<sup>11</sup>

8.7\*10<sup>10</sup>

### Greenhouse gas emissions

Direct emission-fuel consumption

(t CO<sub>2</sub> equivalent)

15.5

13.7

6.3

Indirect emissions-derived from electricity consumption

(t CO<sub>2</sub> equivalent) <sup>(3)</sup>

53.6

56.2

55.4

Total emissions (t CO<sub>2</sub> equivalent) -EN16-

69.1

69.9

61.7

### Waste generated (amounts managed) (Kg) -EN22-

#### Non-hazardous

Municipal waste

660.5

568.5

560.0

Paper waste (cardboard, newspapers, magazines)

137.0

175.0

75.0

#### Hazardous

Printer cartridges and toner and chemical

product containers

12.0

24.0

8.5

Dry cell batteries and batteries

0

0.6

1.0

Sanitary goods and out-of-date medicines

0

3.5

2.3

Miscellaneous solids impregnated with dielectric oils

85.0

143.0

224.1

### Accidents (oil and fuel spills) -EN23-

0

1

0

### Training and awareness programmes (environmental training)

% Employees who have received training in environmental matters

54

50

42

### Environmental communication with stakeholders

Number of environmental consultations

0

1

1

Number of environmental claims

0

0

0

### Supplier/subcontractor environmental behaviour

Number of suppliers

11

11

11

% Suppliers/contractors

with SGMA certified ISO 14001

1

3

2

### Sanctions and fines

-

-

0

### Environmental expenditure and investment

Environmental expenditure (USD)

45,000

-

-

Environmental expenditure/total expenditure (%)

2.8

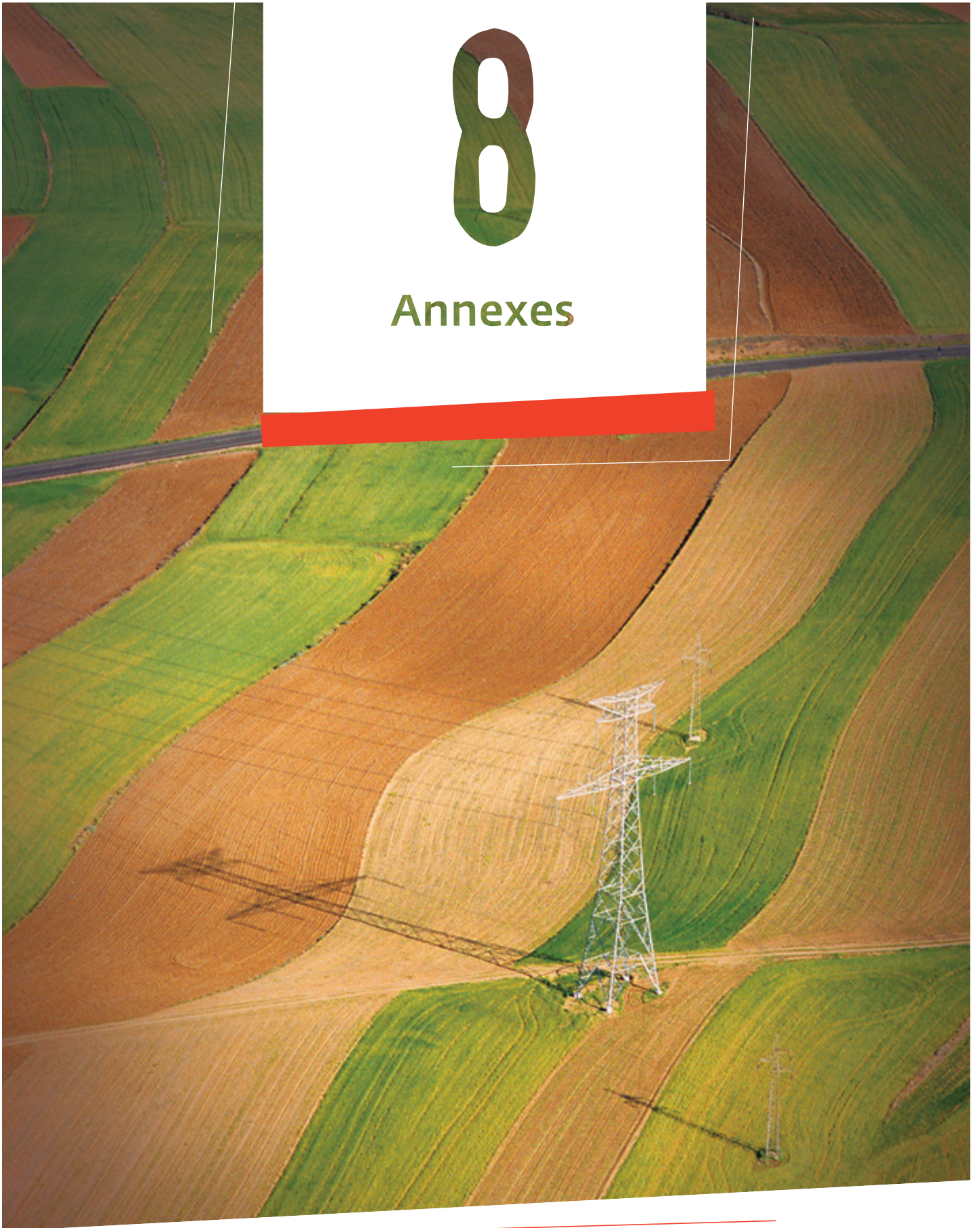
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# 8

## Annexes



## Report Parameters -3.1 to 3.11-

### Profile, scope and coverage

The present corporate responsibility report collates relevant information on the social, environmental and economic impacts of the Red Eléctrica Group during the 2011 fiscal year, and for some indicators, the evolution over the last five years. This report which Red Eléctrica **has been publishing every year since 2002**, has been drawn up and validated in accordance with the recommendations of the **Guide for drafting sustainability reports (G3, version 3.1, 2011)** and **Electric Utility Supplement** (2009 edition) edited by the Global Reporting Initiative (GRI) and for the eighth consecutive year it **has been verified in accordance with the AA 1000 Standard**.

Its content is complemented with the following information:

- ◆ Editing and publishing of the Corporate Responsibility Report and of the consolidated annual accounts of the Red Eléctrica Group, which includes the Management Report regarding the Group's businesses.
- ◆ Editing and publishing of the Environmental Report.
- ◆ Extensive content on the corporate website ([www.ree.es](http://www.ree.es)).

### Materiality

Following the materiality study (revised in 2011) and information obtained through the framework of relations with stakeholder groups, the information presented in this report seeks to provide a complete response regarding the most relevant topics in order to address the challenges of the electricity sector and the impacts generated by the activity of the Company on the environment, society and the business fabric.

### Participation of stakeholder groups

The corporate responsibility report has been prepared in collaboration with different areas of the Company and, in order to improve its content, the proposed improvements received through the consultation carried out on nearly 50 representatives of different stakeholder groups have been taken into account. In addition, it is worth noting for yet another year that the noteworthy contributions received from corporate responsibility observatories, rating agencies, evaluation and dissemination organisations have been taken into account.

## Coverage

This report includes complete information regarding the management approach, activities and results of the Group's main activity: the electricity business in Spain through Red Eléctrica de España, S.A.U. (REE) which represents 93% of the Group's consolidated net turnover.

Regarding the rest of the Group's activities (integrated in its subsidiary Red Eléctrica Internacional), included is the relevant non-detailed information of the main company: TDE (Bolivia). This company has been publishing since 2010 a specific Corporate Responsibility Report following the GRI guide with the maximum GRI application level A+. This report can be consulted on its corporate website: [www.tde.com.bo](http://www.tde.com.bo).

Regarding the other companies, the most relevant indicators of the company REDESUR (Peru), participated in 33.7%, are shown and are complemented by their Progress Report 2009-2010 (published in 2011), which presents extensive information on their performance regarding sustainability matters and the Global Compact principles. This report can be consulted on its corporate website: [www.redesur.com.pe](http://www.redesur.com.pe). Our goal is to continue including relevant indicators about the activities integrated into the international subsidiary.

Additionally, this report outlines the actions and results that show the organisation's commitment regarding compliance with and support for human and labour rights. In line with this, two columns have been included in the list of GRI indicators with the aim of cross-referencing those GRI indicators that are equivalent to the Global Compact principles and provisions of the ISO 26000.

In general, information relevant to previous reports has not been reformulated. It is possible that some data regarding previous fiscal years may have been updated, and in which case, the update is justified in the corresponding section.

For any clarification and additional information regarding this publication or regarding the report validation and verification, please refer to the list of contact addresses provided at the end of the report.

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### Independent verification -3.13-

The contents of this report have been verified by an independent auditing firm and the corresponding verification report is included at the end of this section. The verification process is based on the following milestones:

- ◆ Verification of the process used to draw up the Corporate Responsibility Report based on the AA 1000 AS standard.
- ◆ Verification and classification of the degree of compliance with the G3 guide (version 3.1) proposed by the Global Reporting Initiative.

Furthermore, the **economic and environmental data** has been subjected to an **external audit** and is published in greater detail in the company's annual accounts and Environmental Report for 2011.

Red Eléctrica have followed the protocol established by the GRI and has submitted its self-evaluation for verification by SGS. This was finally confirmed by the auditing firm as A+. Similarly, the report has been revised by the GRI, which awarded it with the A+ application level.



# Index of GRI Indicators -3.12-

## PART 1. STRATEGY AND PROFILE

### 1. ESTRATEGY AND ANALYSIS

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
1.1	Statement from the most senior decision-maker of the organization.		6.2	4
1.2	Description of key impacts, risks, and opportunities.		6.2	24

### 2. ORGANIZATIONAL PROFILE

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
2.1	Name of the organization.			11
2.2	Primary brands, products, and/or services.			12, 104
2.3	Operational structure of the organization.		6.2	13
2.4	Location of organization's headquarters.			172
2.5	Number of countries where the organization operates.			12-13
2.6	Nature of ownership and legal form.			11
2.7	Markets served			12, 104
2.8	Scale of the reporting organization.			14
2.9	Significant changes during the reporting period regarding size, structure, or ownership.			(note 33)
2.10	Awards received in the reporting period.			43

### 3. PREPORT PARAMETERS

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Report profile</b>				
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3.2	Date of most recent previous report (if any).			157
3.3	Reporting cycle (annual, biennial, etc.)			157
3.4	Contact point for questions regarding the report or its contents.			171
<b>Scope and coverage of the report</b>				
3.5	Process for defining report content.			37, 157
3.6	Boundary of the report			157
3.7	State any specific limitations on the scope or boundary of the report .			157
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.			157
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.			157
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement			157
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.			157
<b>GRI content index</b>				
3.12	Table identifying the location of the Standard Disclosures in the report.			160
3.13	Policy and current practice with regard to seeking external assurance for the report.		7.5.3	159, 173

(continued on next page)

**Index of GRI Indicators** (continuation)

**4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Governance,</b>				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.		6.2	18
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		6.2	20
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.		6.2	20
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		6.2	18
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		6.2	21-22
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		6.2	23
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.		6.2	17
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.		6.2	17
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		6.2	17
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		6.2	22
<b>Commitment with external initiatives</b>				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	P7	6.2	24, 133
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	P7	6.2	45, 170
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.		6.2	46
<b>Participation of stakeholders</b>				
4.14	List of stakeholder groups engaged by the organization.		6.2	36
4.15	Basis for identification and selection of stakeholders with whom to engage.		6.2	35
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		6.2	35, 101
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.		6.2	37, 101

(continued on next page)

Index of GRI Indicators (continuation)

**PART 2. MANAGEMENT APPROACH**

Profile	Disclosure	Descripción	RC Report page
<b>Economic dimension</b>			
<b>DMA EC</b>		Economic performance	50-71
		Market presence	50-71
		Indirect economic impacts	50-71
		Availability and reliability	50-64
		Demand-side management	59-64
		System efficiency	59-64
		Research and development	62-64
		Plant decommissioning	170, (note 23)
<b>Environmental dimension</b>			
<b>DMA EN</b>		Materials	143
		Energy	138
		Water	(note 1)
		Biodiversity	126-129
		Emissions, effluents and waste	134, 143
		Products and services	(note 7)
		Compliance	151
		Transport	(note 9)
		Overall	152
<b>Social dimension: labour practices and work ethics</b>			
<b>DMA LA</b>		Employment	73-100
		Labor/management relations	80-81
		Occupational health and safety	82-86
		Training and education	87-92
		Diversity and equal opportunity	93-99
		Equal remuneration for women and men	93-94
<b>Social dimension: human rights</b>			
<b>DMA HR</b>		Investment and procurement practices	(note 10)
		Non-discrimination	(note 13)
		Freedom of association and collective bargaining	(note 13)
		Child labor	(note 13)
		Prevention of forced and compulsory labor	(note 13)
		Security practices	(note 13)
		Indigenous rights	Corporate Responsibility Policy is in place 32
		Assessment	(note 13)
		Remediation	(note 13)
<b>Social dimension: society</b>			
<b>DMA SO</b>		Local communities	116
		Corruption	25
		Public policy	44
		Anti-competitive behavior	Does not apply to Red Eléctrica as it is the sole transmission agent and operator in Spain.
		Compliance	Corporate Responsibility Policy 32
		Disaster/Emergency planning and response	(note 29)
<b>Social dimension: responsibility for products</b>			
<b>DMA PR</b>		Customer health and safety	104-108
		Product and service labelling	(note 19)
		Marketing communications	(note 20)
		Customer privacy	106
		Compliance	106
		Access	51-56
		Provision of information	120

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**PART 3. PERFORMANCE INDICATORS**

**ECONOMIC**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Economic performance</b>				
EC1	Direct economic value generated and distributed.		6.8, 6.8.3, 6.8.7, 6.8.9	66
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	P8	6.5.5	26, 133
EC3	Coverage of the organization's defined benefit plan obligations.			99
EC4	Significant financial assistance received from government.			67
<b>Market Presence</b>				
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	P1, P4	6.4.4, 6.8	78
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. .		6.6.6, 6.8, 6.8.5, 6.8.7	109
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	P6	6.8, 6.8.5, 6.8.7	77
<b>Indirect economic impacts</b>				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or <i>pro bono</i> engagement.		6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	117
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		3.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9	62-74

**ENVIRONMENTAL**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Materials</b>				
EN1	Materials used by weight or volume.		6.5, 6.5.4	140, 143
EN2	Percentage of materials used that are recycled input materials.		6.5, 6.5.4	140
<b>Energy</b>				
EN3	Direct energy consumption by primary energy source		6.5, 6.5.4	138
EN4	Indirect energy consumption by primary source.		6.5, 6.5.4	138
EN5	Energy saved due to conservation and efficiency improvements.	P8	6.5, 6.5.4	137
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	P8, P9	6.5, 6.5.4	133
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	P8, P9	6.5, 6.5.4	137
<b>Water</b>				
EN8	Total water withdrawal by source		6.5, 6.5.4	140
EN9	Water sources significantly affected by withdrawal of water.		6.5, 6.5.4	(note 1)
EN10	Percentage and total volume of water recycled and reused.		6.5, 6.5.4	(note 2)

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**Index of GRI Indicators** (continuation)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Biodiversity</b>				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	P8	6.5, 6.5.6	126
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	P8	6.5, 6.5.6	126-129
EN13	Habitats protected or restored.	P8	6.5, 6.5.6	129, 132
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	P8	6.5, 6.5.6	123-130
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		6.5, 6.5.6	128-131
<b>Emissions, effluents and waste</b>				
EN16	Total direct and indirect greenhouse gas emissions by weight.		6.5, 6.5.5	134
EN17	Other relevant indirect greenhouse gas emissions by weight.		6.5, 6.5.5	134
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	P7, P8, P9	6.5, 6.5.5	136-139
EN19	Emissions of ozone-depleting substances by weight.		6.5, 6.5.3	(note 3)
EN20	NOx, SOx, and other significant air emissions by type and weight.		6.5, 6.5.3	(note 4)
EN21	Total water discharge by quality and destination.		6.5, 6.5.3	(note 5)
EN22	Total weight of waste by type and disposal method.		6.5, 6.5.3	142-143
EN23	Total number and volume of significant spills.		6.5, 6.5.3	145
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		6.5, 6.5.3	143
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		6.5, 6.5.4, 6.5.6	(note 6)
<b>Products and services</b>				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P7, P8	6.5, 6.5.4, 6.6.6, 6.7.5	(note 7)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		6.5, 6.5.4, 6.7.5	(note 8)
<b>Compliance</b>				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		6.5	151
<b>Transport</b>				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		6.5, 6.5.4, 6.6.6	(note 9)
<b>Overall</b>				
EN30	Total environmental protection expenditures and investments by type		6.5	152

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**Index of GRI Indicators** (continuation)

**SOCIAL: LABOR PRACTICES AND DECENT WORK**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Employment</b>				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.		6.3.10, 6.4, 6.4.3	76
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.		6.3.10, 6.4, 6.4.3	76-77
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations..		6.4, 6.4.3, 6.4.4	99
LA15	Return to work and retention rates after parental leave, by gender.		6.3.10, 6.4, 6.4.3, 6.4.4	98
<b>Labor/management relations</b>				
LA4	Percentage of employees covered by collective bargaining agreements.	P1, P3 6.4.4, 6.4.5, 6.3.10	6.4, 6.4.3, 80	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	P3	6.4, 6.4.3, 6.4.4, 6.4.5	81
<b>Occupational health and safety</b>				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	P1	6.4, 6.4.6	81
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	P1	6.3.10, 6.4, 6.4.6	84
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	P1	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	85
LA9	Health and safety topics covered in formal agreements with trade unions.	P1	6.4, 6.4.6	81
<b>Training and education</b>				
LA10	Average hours of training per year per employee by gender, and by employee category.	P1	6.3.10, 6.4, 6.4.7	87
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings..	P1	6.4, 6.4.7, 6.8.5	87
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	P1	6.3.10, 6.4, 6.4.7	92
<b>Diversity and equal opportunity</b>				
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	P1, P6	6.3.7, 6.3.10, 6.4, 6.4.3	22, 94-95
<b>Equal remuneration for women and men</b>				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	P1, P6	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4	94

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**Index of GRI Indicators** (continuation)

**SOCIAL: HUMAN RIGHTS**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Investment and procurement practices</b>				
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	P1, P2	6.3, 6.3.3, 6.3.5, 6.6.6	(note 10)
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	P1, P2	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6	110-111
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P1	6.3, 6.3.5	(note 12)
<b>Non-discrimination</b>				
HR4	Total number of incidents of discrimination and corrective actions taken.	P1, P6	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3	(note 11)
<b>Freedom of association and collective bargaining</b>				
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	P1, P3	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5, 6.6.6	80, 111
<b>Child labor</b>				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	P1, P2, P5	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6	(note 13)
<b>Prevention of forced and compulsory labor</b>				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measure to contribute to the elimination of all forms of forced or compulsory labor.	P1, P2, P4	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6	(note 13)
<b>Security practices</b>				
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	P1	6.3, 6.3.5, 6.4.3, 6.6.6	(note 12)
<b>Indigenous rights</b>				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken..	P1	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	(note 14)
<b>Assessment</b>				
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	P1	6.3, 6.3.5, 6.4.3, 6.6.6	(note 35)
<b>Remediation</b>				
HR11	Number of grievances related to human rights filed, addressed and resolved through formal, grievance mechanisms.	P1	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	(note 36)

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**SOCIAL: SOCIETY**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Local communities</b>				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.		6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	117
SO9	Operations with significant potential or actual negative impacts on local communities..		6.3.3, 6.8	146
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		6.3.3, 6.8	147
<b>Corruption</b>				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	PI0	6.6, 6.6.3	25
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. .	PI0	6.6, 6.6.3	(note 12)
SO4	Actions taken in response to incidents of corruption.	PI0	6.6, 6.6.3	25
<b>Public policy</b>				
SO5	Public policy positions and participation in public development and lobbying.	PI-10	6.6, 6.6.4, 6.8.3	44
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		6.6, 6.6.4, 6.8.3	(note 15)
<b>Anti-competitive behavior</b>				
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		6.6, 6.6.5, 6.6.7	(note 16)
<b>Cumplimiento normativo</b>				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		6.6, 6.6.7, 6.8.7	(note 17)

**SOCIAL: PRODUCT RESPONSIBILITY**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Customer health and safety</b>				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.	PI	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	149
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	(note 18)
<b>Product and service labeling</b>				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	104
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	(note 19)
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9	107

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Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Marketing communications</b>				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		6.7, 6.7.3, 6.7.6, 6.7.9	(note 20)
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		6.7, 6.7.3, 6.7.6, 6.7.9	(note 20)
<b>Customer privacy</b>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		6.7, 6.7.7	(note 21)
<b>Compliance</b>				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		6.7, 6.7.6	(note 22)

**ELECTRIC UTILITY SECTOR-SPECIFIC SUPPLEMENT**

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
<b>Organisational Profile</b>				
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.			(note 23)
EU2	Net energy output broken down by primary energy source and by regulatory regime.			(note 23)
EU3	Number of residential, industrial, institutional and commercial customer accounts.			(note 24)
EU4	Length of above and underground transmission and distribution lines by regulatory regime.			53-54
EU5	Allocation of CO2e emissions allowances or equivalent, broken down by carbon trading framework.			(note 25)
<b>Economic Dimension</b>				
EU6	Management approach to ensure short and long-term electricity availability and reliability.	P7, P9	6.3.3, 6.5.3, 6.5.4, 6.5.5, 6.5.6, 6.7.8, 6.8.3, 6.8.6	51
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	P8, P9	6.3.3, 6.5.3, 6.5.4, 6.5.5, 6.7.5, 6.7.8, 6.8.6	59
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	P9	6.8.6	59-64
EU9	Provisions for decommissioning of nuclear power sites.			(note 23)
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.			51 (note 26)
EU11	Average generation efficiency of thermal plants by energy source and regulatory regime.			(note 23)
EU12	Transmission and distribution losses as a percentage of total energy.			(note 27)
<b>Environmental Dimension</b>				
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas	P7	6.5.6	(note 28)
<b>Social Dimension</b>				
EU14	Programs and processes to ensure the availability of a skilled workforce	P6	6.4.6, 6.4.7	90
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region			75
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	P1	6.3.3, 6.3.5, 6.4.6, 6.6.6	82

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**Index of GRI Indicators** (continuation)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	RC Report page
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.			84
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	P1	6.3.3, 6.3.5, 6.4.6, 6.6.6	83
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development.			123
EU20	Approach to managing the impacts of displacement			(note 34)
EU21	Contingency planning measures, disaster/emergency management plan and training programs, and recovery/restoration plans.	P7	6.5.3, 6.7.8	(note 29)
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.			146
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.			51
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services			120
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.			(note 30)
EU26	Percentage of population unserved in licensed distribution or service areas.			(note 31)
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.			(note 32)
EU28	Power outage frequency.			55
EU29	Average power outage duration.			55
EU30	Average plant availability factor by energy source and by regulatory regime.			(note 23)

**Notes to the GRI indicator table**

- (1) EN9. Not applicable. The water consumed is obtained from authorised water withdrawal points - therefore, in general, no direct effect exists on water sources. Only in the case of the well at the Head Office has the withdrawal been exceeded by 5,000 m3. The corrective measures have already been defined and applied to reduce the consumption.
- (2) EN10. In some buildings rain water is used. At the time of this report, there are no water recycling and re-use systems..
- (3) EN19. These can be considered irrelevant, with the exception of those associated to the use of air conditioning systems with R22. Losses are minimal owing to the fact that they undergo adequate maintenance. Additionally, a plan is in place for their complete replacement which is foreseen to be completed in January 2015.
- (4) EN20. Not applicable. These emissions are not generated directly by the activities of the Company.
- (5) EN21. Not applicable. The Company has no dumping activities associated with productive processes.
- (6) EN25. Not applicable. Pluvial water dumping from substations (which is the only water dumping associated to the activities of REE that takes place) does not affect water resources nor the associated habitats.
- (7) EN26. Not directly applicable. The initiatives regarding demand management and integration of renewable energies already set out in EN6 could be considered under this aspect.
- (8) EN27. Not applicable. Red Eléctrica does not commercialise products.
- (9) EN29. The transport of materials and people are not considered significant impacts. The impacts considered are those indicated in EN3, EN4 and EN17
- (10) HR1. The document of Red Eléctrica on general contracting conditions (available on the company website) establishes in section 19 referring to Corporate Responsibility, the respect for the Global Compact Principles and Human Rights when carrying out its activities whether they be carried out by its own personnel or subcontracted personnel.
- (11) HR4. In 2011, no claims or incidents associated with discrimination were recorded.
- (12) HR3, HR8 and SO3. All employees of the Group have been informed of and trained in the Code of Ethics principles which must govern their daily activity, in which are specifically included the criteria and procedures to be carried out to comply strictly with human and labour rights. Additionally, the newly incorporated staff is given the Code of Ethics along with all rest of the induction documentation. Another of the aspects on which employees have been trained is the policy and measures of anti-corruption, especially in those organisational units most involved.
- (13) HR6 and HR7 The Red Eléctrica Group activities are carried out in accordance with the principles established by the CR policy, which establishes a commitment to ensure freedom of association of the workers to unions and the right to collective bargaining and the eradication of forced labour or under coercion, amongst others. Compliance with the CR policy is guaranteed in all the companies of the Group through the certification in compliance with the RS 10 Guide, and according to the SA 8000 in REE and TDE. With respect to suppliers,



## Notes to the GRI indicator table ( continuation)

- the general contracting conditions implies the acceptance of the CR policy and the Global Compact principles. Monitoring of suppliers includes the possibility of their removal from the qualified supplier list due to breach of these conditions. Furthermore, the authorisation system regarding subcontracting ensures effective control of the supply chain that even goes beyond the direct supplier.
- (14) HR9. There is no record that any incident related to infringements of the rights of the indigenous people has occurred.
- (15) SO6. No contributions have been made to any political parties.
- (16) SO7. No legal claims against the Red Eléctrica Group have been registered related to acts taken against free competition, anti-monopolistic legislation and monopolistic practices.
- (17) SO8. On June 22, 2010 an electricity incident occurred at the Majadahonda substation, owned by Iberdrola Electricity Distribution, S. A. U. and Red Eléctrica de España, S. A. U., which affected several towns in the northwest of the Community of Madrid. the General Department of Industry, Energy and Mines of the Community of Madrid, processed a sanction proceeding against Red Eléctrica de España, which led to the resolution of 10 November 2011, whereby it was fined €1,000,000 for breach of Article 61. a) 9 of Electricity Sector Law 54/1997, of 27 November. Red Eléctrica de España, considering it was not responsible for this incident, has filed an appeal with the administrative appeals chamber of the Supreme Court of Madrid against said administrative ruling that is in progress. No significant incidents linked to the breach of regulations or voluntary codes were recorded related to the impact of the products and services on health and safety during their life cycle.
- (18) PR2. There has been no significant incident registered linked to the non-compliance with the legal regulation of the voluntary codes related to the impacts of the goods and services on health and safety during its life cycle.
- (19) PR4. Not applicable. The products of Red Eléctrica are exempt from labelling.
- (20) PR6, 7. Red Eléctrica does not carry out any campaigns for advertising or commercial purposes.
- (21) PR8. No complaints have been filed with regard to infringements of customers' rights to privacy or the theft and loss of personal data.
- (22) PR9. Notwithstanding that set out in the previous SO8 note, in 2011, no significant fines have been imposed due to breach of laws and provisions regulating the supply and use of products and services.
- (23) EU1, 2, 9, 11, 30. Not applicable. All the activities of the Group are related with the transmission of electricity and with the operation of the electricity systems, but not with the generation of electricity.
- (24) EU3. In Red Eléctrica, clients are regarded as market agents. As at December 2011, 722 market agents were registered in the System Operator's information system.
- (25) EU5. Not applicable. The rights regarding CO2-equivalent emission quota do not apply to power transmission activities.
- (26) EU10. As the electricity system operator and transmission agent, this indicator has been interpreted as the planning of the grid in accordance with the 2008-2016 Infrastructures Plan.
- (27) EU12. The losses attributable to the transmission grid during 2011 are estimated to be 1.1% over the transmission demand.
- (28) EU13. Due to preventive and corrective measures applied, the facilities of REE do not entail a sufficiently significant loss of biodiversity to require the establishing of compensation zones. The effects generated are minimal, although in some cases very specific measures were established such as the planting of trees or habitat restoration. The comparison of the compensation of habitat with the area affected is not applicable as the effects on the original habitat are minimal.
- (29) EU21. The management of contingencies which may occur in the company is included as part of the processes defined by Red Eléctrica. These processes are set out in a series of regulatory documents that establish the actions to be carried out in the event of any operational emergency. In turn, they are complemented by other regulations that cover the whole spectrum of possible contingencies that may affect the environment, accidents and incidents of significant severity which involve people, or those actions to be carried out in the event of a pandemic outbreak or the evacuation of buildings and facilities of the Company. In addition, the Company has an action plan in the event of contingencies regarding the electricity system, called Power Service Restoration Plan, which details the actions needed to restore the power supply under safe conditions for the system. The Company also has a specific training centre called the Operation School, which prepares technicians that work in the electricity control centre by means of recovery and restoration of the power service simulations.
- (30) EU25. In 2011, no fatal injuries or casualties involving company assets have occurred amongst the citizens.
- (31) EU26. Red Eléctrica does not carry out distribution activity, only high voltage transmission.
- (32) EU27. Not applicable. Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
- (33) 2.9. There have been no significant changes relating to size, structure and ownership of the organisation.
- (34) EU20. Red Eléctrica facilities do not cause any type of displacement.
- (35) HR10. Maintaining certifications regarding corporate responsibility (RS 10, SA 8000 and EFR) implies that compliance with the requirements set out by the standards regarding human rights is evaluated and certified periodically (annually for RS 10 and EFR, semi-annually in the case of SA 8000) for all activities carried out in the work centres of the companies of the Group.
- (36) HR11. The main mechanism which is used by Red Eléctrica is the Code of Ethics and the associated channels of enquiries and claims. Furthermore, the DÍGAME service, as the recipient of external stakeholder requests, channels any complaints in the CR field. In 2011 there were not any claims or any complaints regarding human rights.

**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.**

## United Nations Global Compact -4.12-

All the companies that make up the Red Eléctrica Group adhere to the United Nations Global Compact. Their activities seek to back this international project and seek to consolidate it, as they all consider this initiative a high value proposition for the defence of human rights, protection of the environment, support for the social development, respect for workers' rights and the fight against corruption.



TDE, REDESUR and Red Eléctrica de España, founder member of the Spanish Global Compact Association, annually presents the Progress Report, which includes the main actions carried out in relation to the principles. These reports are available on the Spanish Global Compact website ([www.pactomundial.org](http://www.pactomundial.org)). In 2011 the Global compact introduced the differentiation programme, oriented to classifying the progress reports of the participating companies based, on one hand, on the degree of implementation of the principles and, on the other, on the degree of transparency.

The 2010 Progress Report of Red Eléctrica de España has been published under the GC Advanced qualification, granted to companies that implement and communicate best practices related to the integration of the 10 Principles in their management. Red Eléctrica de España has actively collaborated with the Spanish Global Compact Network during 2011 through its participation in the seminar on responsible investment "Responsible investment practices: the perspective of investors and companies" as well as in the conference on "Transparency and dialogue with stakeholder groups, key to the connection between ISO 26000 and the 10 Principles of the Global Compact".

### Global Compact aspects and principles

#### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should ensure that they are not complicit in human rights abuses.

#### Condiciones laborales

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses will ensure the elimination of all forms of forced and compulsory labour.
5. Businesses will support the effective abolition of child labour.
6. Businesses will support the elimination of discrimination in respect of employment and occupation.

#### Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses will undertake initiatives to promote greater environmental responsibility.
9. Businesses will encourage the development and diffusion of environmentally friendly technologies.

#### Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

## Contact -2.4-3.4-

For any consultation, opinion or suggestion about this report, please contact:



This report is only published in electronic format.

This report shows complete information regarding the activity of the Company during the 2011 fiscal year and is complemented by the legal documentation (Corporate Governance Report and Consolidated Annual Report). All these documents are published, for a fourth consecutive year, exclusively in electronic format, in line with our commitment to reduce the use of paper.

In addition, we have published, in paper format, a summary report with all the most relevant aspects of the 2011 fiscal year. This document and those previously indicated are available on the corporate website: [www.ree.es](http://www.ree.es).

Nevertheless, if for any reason someone cannot access the electronic format version, they may request the delivery of a printed copy of the PDF format by contacting the Dígame Stakeholder Attention Centre.

This English version is a translation of the original and authentic Spanish text found in the "INFORME DE RESPONSABILIDAD CORPORATIVA DE RED ELÉCTRICA 2011", originally issued in Spanish. In the event of discrepancy, the Spanish-language version shall prevail.

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# Verification Report



## VERIFICATION REPORT

### SCOPE

**SGS ICS Ibérica, S.A.** (hereafter **SGS**) has performed, at the request of **Red Eléctrica Corporación (REC)** hereafter) an Independent Verification of the document **Corporate Responsibility Report 2011**. The scope of the investigation includes the text and data in the reference document, but it does not include the information and / or referenced data and not entered in the document.

### INDEPENDENCE

The information contained in the verified document and its preparation is responsibility of **REC**.

**SGS** has not participated or advised in the preparation of the verified document. **SGS** only acts as an Independent Verifier, and checks the accurately of the contents. The content of this Verification Report and the opinions contained therein are the sole responsibility of **SGS**.

#### Policy Independence, Impartiality and Integrity

**SGS ICS** recognizes the importance of an Evaluation which is absolutely impartial and independent from the management systems of its Customers. It is therefore **SGS ICS** aim to ensure the maintenance of such impartiality and independence at all levels: strategic and political decisions concerning the Assessment and Certification. To that end, several controls have been established.

Steering Team Members and Team Tester should be guided by the following rules:

- a).- They are absolutely prohibited from participating in the Process of Verification / Certification of an Organization if during the two years preceding the date of their possible roles have provided any related consulting service.
- b).- They are forbidden from commenting on their activities with any other member of **SGS ICS** staff not directly involved in the process of Certification of an Organization, as it is incorporated in the Confidentiality Agreement / No Broadcast signed at the beginning of the job, unless the Organization particularly specified otherwise.

The appointment of Members of the Evaluation Team will take into account possible conflicts with current or past jobs. Those who have or

have had employment as consultants or employees of the same in the last two years, or have family in the first or second degree leadership positions within that Organization, will not be appointed as Evaluation Team members.

In the event that any **SGS** company has performed any consulting work related to an Organization wishing to obtain a Certificate from **SGS ICS**, **SGS ICS** Assessors involved in the process may not belong to that company.

All Assessors, Auditors and Technical Experts being staff or subcontractors on behalf of **SGS ICS**, must sign the Confidentiality Agreement / No Diffusion. This agreement requires the concerned person to declare before taking charge of the Assessment of any commercial or other kind interest that might have on the audited Organization. It also undertakes to maintain confidentiality.

Advisory Committee Members **SGS ICS** to make decisions regarding Certification or Assessment are governed by the same rules as the Audit Team.

Recognizing the importance of ensuring that the Management of **SGS ICS** has no financial interests in products or services that may be assessed, **SGS ICS** requires its Managers to the statement of any other economic or financial activity besides those directly related to his work at **SGS ICS**.

Also **SGS ICS** staff has committed to the observance of a Conduct Code which can be resumed as follows:

- Do not give in to pressure from Clients in one area of our business in order to obtain positive treatment in another area.
- Do not accept a duty or position in the company of a Competitor or Client, except in the exercise of their functions in **SGS**.
- Do not have any interest in a Supplier, Customer or Competitor of **SGS**, except in the case of publicly traded securities, and to an



## VERIFICATION REPORT

extent which can not significantly influence or create undue dependence.

- Do not accept an office or employment outside of **SGS** without having obtained prior authorization.
- Do not accept any personal benefit for themselves or their relatives, which might influence or appear to influence their opinion or shares when exercising their functions to **SGS**.
- Do not obtain personal advantage of business opportunities from **SGS**, and do not use ownership or company resources for personal purposes.
- Refrain from disclosing any confidential fact that they might have knowledge in the exercise of their functions.

**SGS ICS** has full authority over its Evaluation and Certification activity and this activity is absolutely independent of any other activity into the **SGS** companies in Spain.

**SGS ICS** is committed to properly analyze any new activity to assess their impact in meeting the requirements of ENAC.

### VERIFICATION

#### Methodology and Equipment Controller

It has been used Verification Methodology established by **SGS ICS**, which consists of procedures according to ISO 19011 Audit and Verification mechanisms according to GRI Guidelines: G3 3.1 (2011), the Electricity Sector Supplement (2009) and the Standard AA1000 Assurance Standard (2008), among these are:

- Interviews with staff responsible for obtaining and preparing data.
- Review of documents and records (both internal and public).
- Testing and validation of data with the sources themselves.

In particular, in this Verification economic area data were evaluated in accordance with the Certification Audit of annual accounts of the Company, carried out by an independent external auditor.

There has been reviewing the degree of progress and achievement of Corporate

Responsibility commitments for 2011, raised in the **Corporate Responsibility Report 2010**.

An addendum to the **Corporate Responsibility Report 2011**, there are references to GRI ratio, relating to the checked values. Any mistake or significant absence have been noticed after our review.

The team consisted of Staff Verifier of SGS:

**D. Fco.-Javier G<sup>a</sup>.-Consuegra y Zamorano**  
**Ms. Carmen Manresa Bollain**

This was configured based on their knowledge, experience and qualifications to perform this task.



## VERIFICATION REPORT

### AREAS FOR IMPROVEMENT

- \* It is considered appropriate to include an organization chart that allows a better visualization of the organizational and operational structure of **REC**.
- \* It would be suitable for future use, consider expanding the benchmarking to allow in your environment properly place the information provided by **REC**.
- \* It should be studied to include computer links (link's) in **REC's Corporate Responsibility Report 2011**, to facilitate access to information contained in other documents.
- \* If any of the stakeholder analysis and reporting of the information want be done, would be a good practice to include identification for each tables and figures.
- \* For future cases, could expand the information on some environmental values of the previous years so that trends can be established. The same happens in some other parameters.
- \* It would be desirable to include indicators' information for measuring the effectiveness of CECRE.
- \* It could be considered to quantify the well water used.
- \* Also could contemplate, water recycling as a possible area for improvement, especially in certain environments or include the reasons when it was not considered necessary to do so.
- \* You should consider the activities and reductions achieved, especially in emissions associated with personnel's transportation.
- \* It could report on activities already underway on the valuation RC Providers.
- \* Indicator SO8 be developed in the next CR report and this one should mention that commitment.
- \* In the calculations of CO<sub>2</sub> emissions, it should allow construction activities too.

### STRENGTHS

- \* Continue the development of research Projects with the Social and Environmental CSR Chair at the Polytechnic University of Madrid.
- \* In 2011 an updated *Prioritization of activities and other issues relevant to Corporate Responsibility Study (analysis of materiality)*, in order to respond effectively to issues of particular importance for **REC** nowadays.
- \* **REE** has continued with the development of its Management System, multi-year CSR (PLANCORP 5x7), defining 5 vectors structural in each 7-axis to facilitate the integration and systematization of the responsibility practices corporate.
- \* The implementation of the Integrated Risk Management.
- \* **REC** has a wide array of interest groups adequately identified and segmented.
- \* During 2011 it has continued increasing the operability of CECRE (Centre for Renewable Energy Control).
- \* It must be highlighting the awards and recognitions in the latest European EFQM:
  - European Rating: 650 points. 2011 Finalist
  - Prize: "Taking responsibility for a sustainable future."
  - Best practices: "Achieving balanced outcome" and "Adding Value for Customers".
- \* It must be highlighting the activities that are being carried to the definition of a Income of Corporate Responsibility and its impact on business.
- \* In 2011 it had 56 projects ongoing R & D & i (national and international). Each of them has a tracking sheet and issued a monthly report to the Committee on R & D & i.





## VERIFICATION REPORT

### Evaluation of compliance with the principles of AA1000AS

The **Corporate Responsibility Report 2011** has been assessed following the principles of AA1000AS Assurance Standard. The application of the principle of RELEVANCE, COMPLETENESS AND RESPONSE CAPABILITY provides the Corporate Responsibility Report REC credibility and quality of information provided.

- Materiality or Significance.- the **Corporate Responsibility Report 2011** of REC provides a fair and balanced representation of important points about economic performance, social and environmental.
- Completeness.- REC has mechanisms and systems that allow you to meet the expectations of Interest Groups and identify information of relevance to include the **Corporate Responsibility Report** of REC.
- Response Capability.- REC has effective processes to manage and report the answer to the expectations of its Stakeholders.

REC has implemented management systems to identify and reply to the social, economic and environmental impacts of their activities, including identify and response to the points of view of interested parties.

F.-Javier G<sup>a</sup>.- Consuegra y Zamorano  
17 March 2012  
SGS ICS Ibérica, S.A.

### CONCLUSIONS

Based on its verification, the Verification Team from **SGS ICS** considers that:

- The **CORPORATE RESPONSIBILITY REPORT 2011** of REC contains reliable information and data that consistently represent activities and results for the period reflected, and has been prepared in accordance with the requirements of the Guide for Preparing G3 3.1 Sustainability Reporting 2011 Global Reporting Initiative (GRI), the Electricity Sector Supplement (2009) and the AA1000 Assurance Standard (2008)
- The GRI Application Level declared by REC: **(A +)** is appropriate.
- After the assessment, the Assessment Team confirms that the level of assurance according to AA1000AS 2008 is Type 2 Level Moderate, coinciding with the type and level of the work requested by REC to **SGS ICS**.

## Executive Summary of the Annual Code of Ethics Management Report

The objective of Red Eléctrica's Code of Ethics is to present the set of principles and recommendations regarding behaviour, whose assumption and application contributes to an ethical and responsible management in the development of the activities of the companies of the Group, and in the relations established with the different stakeholder groups.

Any employee of the Group or person of a stakeholder group has the possibility to report suspected breaches of the Code of Ethics that may be detected in any of the companies of the Group or committed by any of its employees. The complaints are submitted preferably via electronic means, using a specific channel on the website of each company of the Group, through which they are transmitted electronically, in a confidential manner, to the Ethics Manager.

A specific procedure is implemented for the management of enquiries and complaints regarding the Red Eléctrica Group for the purpose of regulating and systematizing the use of said channel. This procedure is computerised and ensures the confidentiality of complainants.

During 2011, response has been given to enquiries and complaints, in most cases in reference to the scope of the commitments contained in the Code of Ethics and standards of behaviour when faced by specific situations.

As for how infringements of the Code of Ethics are handled, of the complaints received and processed by the Ethics Manager, three required resolution, in relation to the principle of respect for colleagues and respect for legality.

During 2011 we continued with the plan for development and improvement of the Code of Ethics. The Executive Committee for corporate responsibility has recently drafted a proposal for updating the Code of Ethics, which shall be communicated to stakeholders to obtain their evaluation of the proposal.

The Board of Directors of the parent company of the Group approved on 24 November 2011 the Company's Crime Risk Prevention Plan to prevent offences with social repercussions from being committed, as a result of the approval of Statutory law 5/2010, 22 June, of the Penal Code Reform, which introduces the criminal responsibility of the legal entities or individuals into the Spanish legal scope. A control and supervisory body has been created, of which the Ethics Manager is a member, and that has amongst its competencies the periodic supervision of the control and risk prevention systems regarding criminal offences, with the goal that the main risks of this nature be identified, managed and adequately reported.

Those complaints received by the Ethics Manager through its complaint channel by means of which aspects with criminal repercussions are identified will be forwarded to the control and supervisory body so that they may initiate and manage the investigation.

## Internal Control System over Financial Reporting

Since 2008, the Red Eléctrica Group counts on, as part of their internal control systems, an Internal Control System over Financial Reporting (hereinafter SCIIF) in order to respond to the demands that are required related to the reliability and transparency of the process associated to reporting financial information.

The SCIIF implemented in Red Eléctrica involves the entire Organisation through the implementation and regular monitoring of the functioning of different controls within the financial reporting scope.

The SCIIF currently in force in the Red Eléctrica Group has its origin in a project for voluntary improvement carried out in 2007. The SCIIF resulting from this project, together with its updated control mechanisms, has been subject to review by an independent third party since 2008. To this effect, the report corresponding to 2011 is included as an annex to this annual report.

Red Eléctrica's SCIIF is aligned with the regulatory standards of reference in the field of internal control (including those relating to the "COSO framework") and with the regulatory developments related to internal control matters in the national scope. The recommendations included in the 'Report on Internal Control over financial Reporting' prepared by the Working group on Internal Control over financial reporting of listed companies constituted by the National Securities Market Commission (CNMV), which uses the COSO framework as a reference, defines a set of principles and best practices, grouped into 5 components which are deployed across 16 indicators.

For greater detail and understanding of Red Eléctrica's SCIIF can be consulted via the Annual Corporate Governance Report at [www.ree.es](http://www.ree.es) or [www.cnmv.es](http://www.cnmv.es). The Governance report, in compliance with the Sustainable Economy Law 2/2011, paragraph 61a, 4 March, includes a description of the main characteristics of internal control and risk management systems in relation to the process associated to issuing financial reporting.



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*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

#### INDEPENDENT EXAMINATION REPORT RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Red Eléctrica Corporación, S.A.:

We have examined the effectiveness of the system of internal control over the process of financial reporting (ICFR) contained in the consolidated financial statements of Red Eléctrica Corporación, S.A. and Subsidiaries ("the Red Eléctrica Group") at 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Red Eléctrica Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Red Eléctrica Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting 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. The limitations inherent to any system of internal control over financial reporting 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.

Red Eléctrica Group management is responsible for maintaining the system of internal over financial reporting and evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2011, Red Eléctrica Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Red Eléctrica Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation.

DELOITTE, S.L.



Jesús María Navarro  
28 February 2012



# Executive summary of the internal audit



*Report by the Internal Audit and Risk Management Department*

## **EXECUTIVE SUMMARY OF THE INTERNAL AUDIT OF THE CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM AT RED ELÉCTRICA DE ESPAÑA (2010)**

### **Objective and scope**

To verify the Corporate Responsibility Management System for the activities conducted by Red Eléctrica de España during the year 2010, to see whether the requisites of the SA 8000 and RS 10 standards, and those of the organisation itself, are suitably implemented and efficient.

### **Methodology**

The methods used to carry out this audit were: interviews with personnel that perform a function within the system, visits to work centres, examination of evidence, and a review of public documents and internal and external registers of public domain. This audit has required a commitment of 180 hours, during which 16 working meetings were held.

### **Conclusions**

The Corporate Responsibility Management System is suitably implemented.

### **Anomaly detected**

The SA 8000 standard is not available in a prominent and readily visible place at Red Eléctrica's facilities.

### **Strengths**

1. On 2 December, 2010, Red Eléctrica received the equality seal which is awarded by the Ministry of Health, Social Policy and Equality. REE is one of the six IBEX 35 companies which have been awarded the seal of excellence in equality policies.
2. Red Eléctrica has presented its candidacy for the European Award for Business Excellence (EFQM 2011).
3. A new people management model has been implemented at Red Eléctrica, whose objectives are: the integration of the people management system, improvement of organisational efficiency, enabling professional development and salary advancement of people, monitoring to ensure internal equality, competitive remuneration, as well as attracting and retaining the most valued professionals.
4. Within the Board Members' Portal of the Company's Intranet, on the main page for accessing the portal, a corporate responsibility section has been created, to which all the Board members have access.
5. Creation of the employees' consultative council for corporate responsibility comprised of nine employees from different organisational units, with the goal of disseminating corporate responsibility within the Company.
6. General Procedure GN 18 "Management of Institutional and Social Relations" was approved, with the aim of regulating the process of designing, managing and implementing Red Eléctrica's external institutional and social relations plans and programmes.
7. During the month of May, 2011, new editions of the Functions Manual and the Processes Manual were approved.

*Report by the Internal Audit and Risk Management Department*



8. While this audit was underway, the survey of psychosocial risks was carried out among employees.
9. Training sessions on health have been held for employees.

**Observations and areas for improvement**

1. Increase efforts to contract people with disabilities for the workforce of Red Eléctrica.
2. Carry out a closer monitoring of the corrective actions registered in the corresponding corporate system.
3. No evidence was presented of periodic evaluations of compliance with applicable legal requisites (this situation was detected in the external audit carried out by AENOR in September, 2010).
4. Update general procedure GQ02 "Management of anomalies and corrective and preventive actions," to include the corporate responsibility management system in its scope of application.
5. Update the indicators corresponding to the new external social aspect as well as the Report on the Methodology of the Comprehensive Corporate Responsibility Dashboard.
6. The monitoring of projects defined in the annual corporate responsibility programme, are formalised in writing (paper copy) by those responsible. It is recommended that this monitoring be systemised in an electronic format.
7. Promote the use of the GRIN corporate application for systemising and strengthening the management of stakeholder groups.
8. Update the Corporate Responsibility Manual, in line with the new external social aspect and the observations in the latest external audit report of the SA 8000 standard.
9. In the DEDI corporate application, the tasks or actions to be carried out should be specified, and an expected date set, for resolving complaints regarding the impact of facilities.

Madrid, 26 May, 2011

Beatriz Cordero Márquez  
Internal Auditor

Manuel Sánchez Gómez  
Head of the Internal Audit and Risk  
Management Department



**Published by:**

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Red Eléctrica works on selecting the most legible typographical font for their publications. The typographical font FEDRA SANS has been used for the texts in this report.