

CORPORATE RESPONSIBILITY REPORT 2012

Towards a sustainable energy future

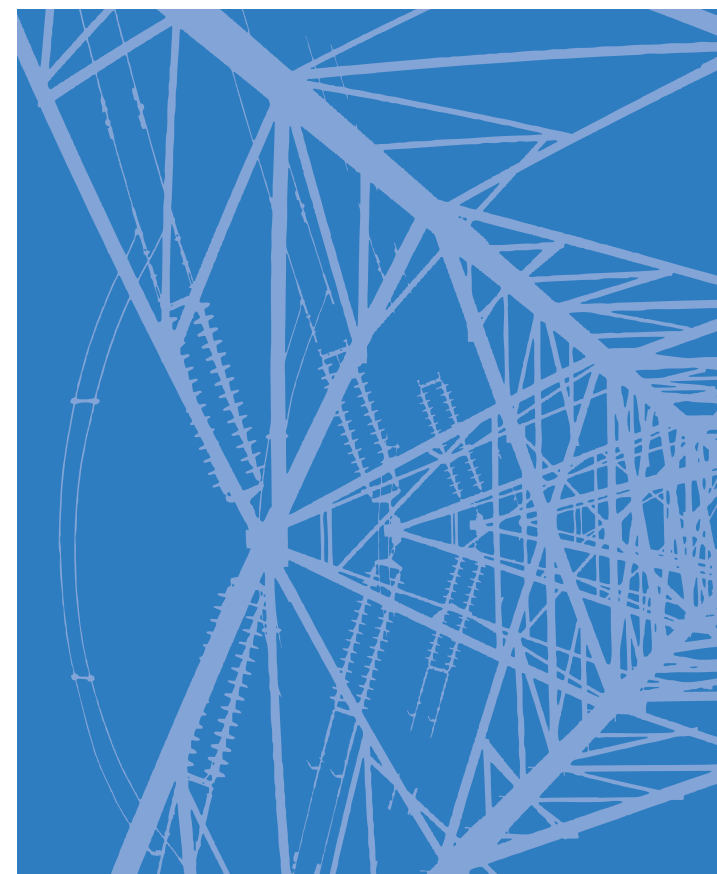


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- Challenges
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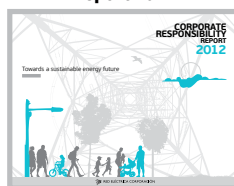


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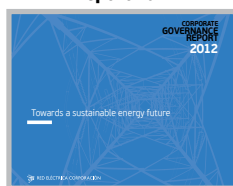
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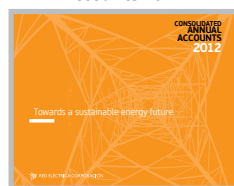
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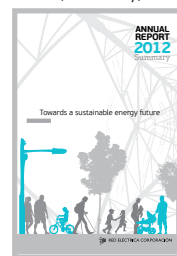
Corporate Governance Report 2012



Consolidated Annual Accounts 2012



Annual Report 2012 (Summary)



MORE INFO

Click on the info symbol to access videos and other Company documents which might be of interest.



More info
All Red Eléctrica info can be found at:
www.ree.es

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José Folgado

Chairman of Red Eléctrica Corporación

“Red Eléctrica has demonstrated its strength by growing 6.9% in 2012”

What is your opinion on the current situation of the electricity sector in Spain?

In my opinion, we face two problems that weaken it: first, the huge tariff deficit accumulated over the years, that the government is trying to reduce through a series of regulatory measures and, secondly, the external dependence of our country regarding energy, close to 80% and well above that of other EU countries. Although the increasing integration of both renewable and nationally produced energy with own resources has enabled this to be reduced, this dependence is primarily responsible for the external imbalance of the Spanish economy, which has become, in recent years, one of the highest in the world in relative terms and is undoubtedly the main factor limiting progress.

How have these regulatory measures affected Red Eléctrica?

Clearly Red Eléctrica has not been immune to the austerity measures being undertaken in the electricity sector to address the inefficiencies created years ago. The payment of remuneration derived from the commissioning of facilities has been postponed one year; 2012 revenues were reduced by 45 million euros, as a result of linking remuneration to the net value of non-amortised assets, and the CPI is substituted for core inflation at constant tax rates as the new index for updating of our revenues. The effects of these measures require us to go even further down the path of operational efficiency, which is one of the permanent objectives of our Company.

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“The investment plan for the period 2013-2017 is consistent with the current economic environment and foresees investments of around 550-600 million euros a year.”

>> Do you think the pace of investment will continue in the years to come if the decline in electricity demand continues?

The fact that, nowadays, we have a surplus of installed capacity is not an obstacle to continue advancing with grid planning in the medium and long term. We must be aware that economic recovery would very quickly consume surpluses and that infrastructure development processes involve a long maturation period, between 8 and 10 years from the planning phase to the commissioning phase. I am convinced that the new 2014-2020 planning, which is in the drafting process, will take into account the new scenarios that arise, and will facilitate the transformation of the Spanish energy system so as to enable us to reduce dependence on foreign energy and meet the 2020 targets set by the European Union.

After having spoken about planning, let's take a look back and analyse the 2012 results. Which milestones particularly stand out from the point of view of business management?

To set the stage, it is important to highlight that

the financial results for the year have been marked by the previously discussed regulatory changes, meaning that the results were lower than initially forecasted. Even so, Red Eléctrica has been able to show steady growth throughout 2012, with a 6.9% increase in the financial results for the year compared to the previous year.

I would also like to highlight that our investment effort has continued to focus on the development and structural strengthening of the transmission grid. A total of 672 million euros has been invested to improve security of supply, help integrate renewable energy and provide an efficient and competitive electricity market.

Another milestone that I think is important to highlight is that in December the electricity interconnection between the Spanish peninsula and the Balearic Islands, fully operational since the middle of the year, covered a constant 25% of the energy consumed in the connected Islands, easily surpassing the original objectives regarding the quality, security of supply and cost savings for the system.



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“I am particularly proud of the progress we have made regarding equality, due to the sustained growth in the number of women, not only on the Board of Directors and in management positions, but also in the team of professionals who make this Company what it is today”.

>> As an energy company, what would you highlight regarding the Company’s performance in the field of sustainability?

I think we are making a significant effort to integrate renewable energies, which are undoubtedly essential to reduce Spain’s energy dependence and reduce the emission of pollutant gases or, in other words, to contribute to the European Union 2020 targets. Sustainability, nevertheless, is not limited solely to the field of economics or the environment; we can also speak of corporate governance and social sustainability. Red Eléctrica is moving forward in all these aspects.

Which specific measures are these advancements based on?

I am particularly proud of the progress we have made regarding equality. The Company has experienced a steady growth in the number of women, not only on the Board and in management positions, but also in the team of professionals who make this Company what it is today. Regarding corporate governance, this year we have fulfilled all the recommendations of the Unified Code of Good Governance that apply to us. To this, we add the numerous measures we carry out regarding the conservation of biodiversity. I am not speaking of a personal perception, but of something that is recognised by leading sustainability indexes.

We have been present in the Dow Jones Sustainability Indexes since 2005 and in October our Company was ranked as the best company in the utilities sector by the FTSE4Good index.

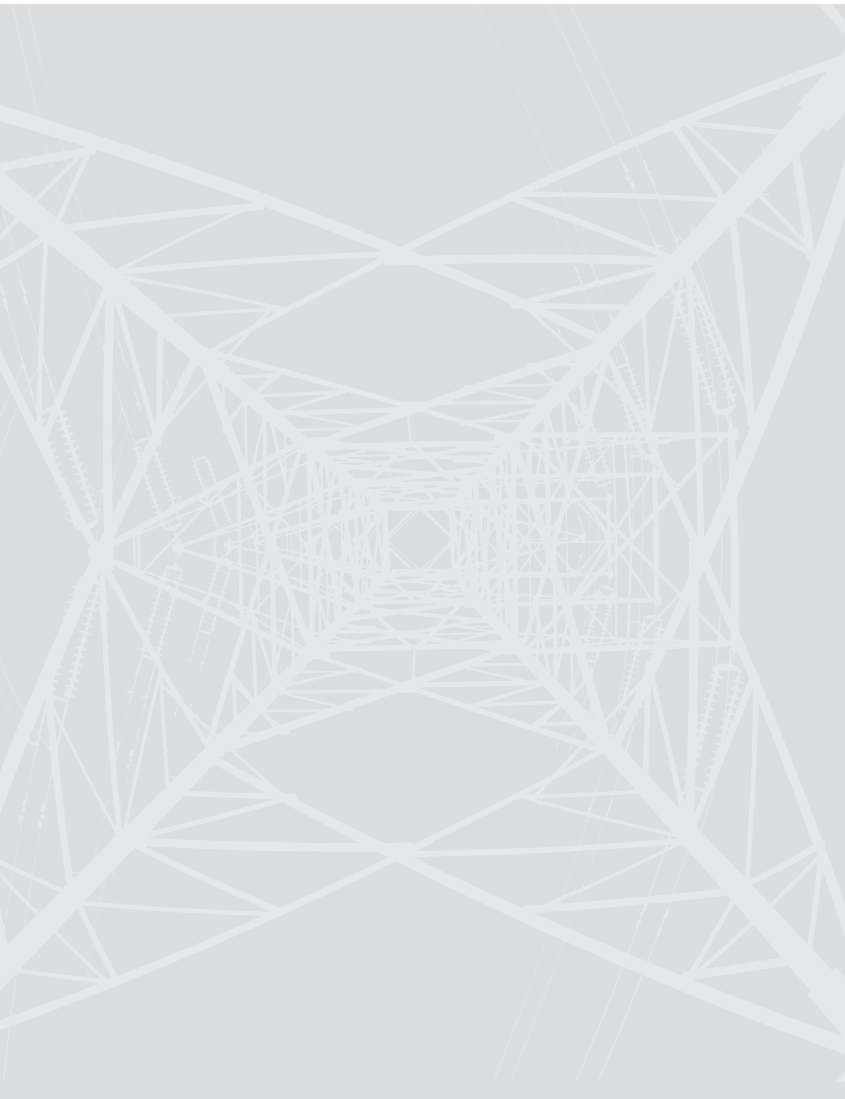
Looking to the future, what will be the high priority grid developments in the coming years?

The investment plan for the period 2013-2017 is consistent with the current economic environment and includes investments of between 550 and 600 million euros a year. Investment in the Spanish peninsula will amount to between 425 and 450 million euros per year; this figure includes international interconnections. Additionally, an estimated investment of 125-150 million euros a year will be earmarked for the interconnections in the Islands, which will improve security of supply and reduce costs in the system as a whole.

What are the energy challenges facing us?

We must strive for greater electrification of the country, ensure security of supply, which demands further development of grid meshing, both on the Spanish peninsula and in the Islands, and reach a level of interconnection with the rest of Europe of at least 10% of the installed capacity.

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“We will maintain a dividend growth in line with profit, with a payout of 65%. We will continue to focus our efforts on creating shareholder value.”



- » But, we must also back energy storage and drive projects for technological innovation to address the major challenges, such as smart grids and supergrids, without forgetting the need to foster energy efficiency measures aimed at a more rational use of electricity.

But undoubtedly, the most important challenge is to ensure that energy becomes the driver for technological development, increased economic activity and job creation and is no longer a limiting factor for growth.

To conclude, let’s return to economic matters. What is Red Eléctrica’s dividend policy in the context of the crisis?

We will maintain a dividend growth in line with profit, with a payout of 65%. As it could not be any other way, we will continue to focus our efforts on creating shareholder value. All this whilst maintaining a solid capital structure, improving our financial soundness and working on guaranteeing security of supply with quality and efficiency. ♦



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Key figures for the 2012 fiscal year [2.8]

KEY INDICATORS

Financial data (Group data in million euros) €	2010	2011	2012
Consolidated net revenue	1,397.3	1,637.3	1,755.3
Gross operating result (EBITDA)	1,001.9	1,215.2	1,299.1
Net operating result (EBIT)	688.5	843.8	859.9
After-tax profit	390.2	460.3	492.3
Operating cashflow after taxes	872.0	1,052.6	1,022.3
Net financial debt	4,756.6	4,692.9	4,872.5
Net equity	1,624.6	1,813.5	1,991.5
Total assets	8,283.9	8,765.5	9,215.2
Total investments	2,308.8	844.3	705.8
Dividend per share	1.8751	2.2124	2.3651

Social	2010	2011	2012
Red Eléctrica de España workforce	1,618	1,633	1,646
Women (%)	22.5	22.7	22.7
Women in management positions (%)	16.2	17.6	19.4
Women on the Board (%)	27.3	27.3	36.4
Training per employee (hours)	99	96	71
Investment in training/personnel costs (%)	7.1	7.0	5.2
Accident frequency rate	7.09	3.96	5.34
Serious accident rate	2.34	2.21	0.27
Absenteeism rate	2.27	2.30	2.17
Contribution to the community (€ million)	7.5	8.4	4.1

CREDIT RATING (31.12.12)



MOODY'S



STANDARD & POOR'S

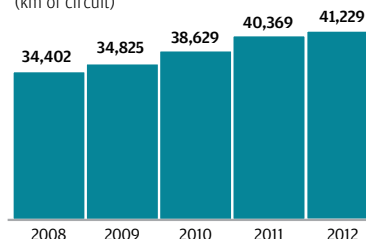
Both agencies value the strong strategic position of Red Eléctrica, its solid financial profile and adequate liquidity.

Environmental indicators

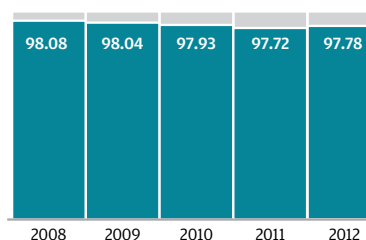
	2010	2011	2012
Environmental investment (€ million)	6.3	7.0	5.1
Environmental expenditure (€ million)	18.9	20.4	16.4
Km of line in Red Natura/total km of line (%)	16.0	15.4	15.0
Km of line in SPAs/total km of line (%)	11.4	11.2	10.9
Km of line marked with bird-flight diverters	1,403	1,931	2,330
Average SF ₆ emission rate	1.26	1.16	0.99
Direct emissions (t of CO ₂ equivalent)	63,190	68,304	77,355
Indirect emissions (t of CO ₂ equivalent)	727,194	804,814	880,011
Non-hazardous waste (t)	556.7	782.8	1,531.0
Hazardous waste (t)	2,744.8	2,016.7	2,046.5

Business indicators

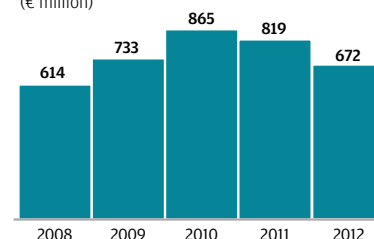
Transmission grid (km of circuit)



Quality of service (% grid availability)



Investment in the grid (€ million)



Integration of renewables (% of demand)



INTERNATIONAL SUSTAINABILITY INDEXES

Dow Jones Sustainability Indexes	2011	2012	Sector average 2012	Sector best 2012
Global rating	76	79	61	87
Economic dimension	80	79	65	92
Environmental dimension	69	77	54	89
Social dimension	80	81	63	93

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Challenges

RED ELÉCTRICA IS CONTRIBUTING TO MAKING THE OBJECTIVES OF ENERGY POLICY AT THE EUROPEAN LEVEL A REALITY. THESE OBJECTIVES ARE BASED ON COMPETITION, THROUGH THE DEVELOPMENT OF A SINGLE ENERGY MARKET, AND ON SUSTAINABILITY, THROUGH ENERGY EFFICIENCY, INNOVATION AND THE USE OF RENEWABLE ENERGY, RESULTING IN WHAT IS KNOWN AS THE 20/20/20 COMMITMENT. THEY REFLECT THE NEED TO REDUCE DEPENDENCE ON FOREIGN ENERGY AND MEET THE CHALLENGE OF FIGHTING CLIMATE CHANGE.



“Consolidation of the electricity highway model at European level implies transformation of the Spanish electricity system”

“Electricity highways make it possible to transport energy obtained from renewable sources over long distances, for example, solar power from North Africa, or wind power from the northwest of Norway or Scotland to Central Europe, and even may allow variations in renewable generation to be regulated also over a long distance. For example, Norwegian hydroelectric power could help to regulate variations in renewable generation in Germany or Spain.

In this context, I consider it important to highlight that the consolidation of the electricity highway model at a European level will imply the transformation of the Spanish electricity system into a ‘transit system to the North’, which would increase the specific weight of Spain in the European energy sector.”

JOSÉ FOLGADO
Chairman of Red Eléctrica Corporación.



1

Guarantee and security of electricity supply

Investment on the Spanish peninsula in the period 2013-2017 will be around 425-450 million euros per year; this figure includes international interconnections. Additionally, an estimated investment of 125-150 million euros per year will be earmarked for interconnections in the Islands. One of the most important investments of this programme, from the point of view of security of supply and the structuring of the territory, is the Majorca-Ibiza submarine interconnection that will link the two electricity subsystems currently in the Balearic Islands (Majorca-Menorca and Ibiza-Formentera).

2

Strengthening interconnections with Europe

The Spanish electricity system does not reach the minimum level of interconnection, recommended by the European Union, which is 10% of installed capacity. The first step to achieve this is already underway: the new interconnection through the Eastern Pyrenees, foreseen for 2014, will double the existing interconnection level from 1,400 to 2,800 megawatts. But this still leaves a shortfall. Therefore, a new interconnection is being considered for the 2020 horizon, from the Basque country, that would be a submarine link across the Bay of Biscay.

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3

Development of electricity supergrids



The ambitious targets for 2020 and the European Union's 2050 roadmap, require the progressive development of electrification and supergrids, understood as supranational grids of high transmission capacity over long distances. This progressive development can help to balance the fluctuations inherent to renewable energies. Red Eléctrica will play an important role in shaping these electricity highways which will allow the optimum utilisation of renewable marine and terrestrial resources, and will provide support between electricity systems depending on the situation of the generation, the transmission grid and the demand existing in each one of them.

4

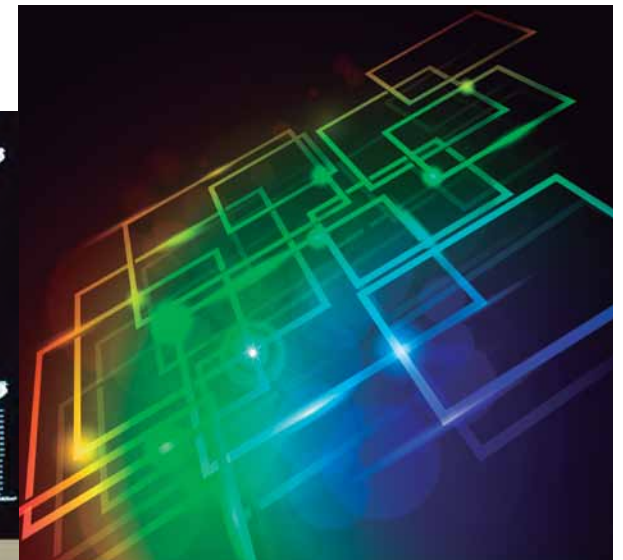
Reduction of energy dependence



Red Eléctrica continues to enhance the functionalities of its Renewable Energies Control Centre and provides new solutions for system operation aimed at integrating these energies, which are difficult to manage under secure conditions. This is making it possible for local energy sources to have an ever-increasing role in the coverage of demand, thereby reducing our dependence on foreign energy.

5

Energy efficiency and smart grids



The electricity system as a whole must evolve to meet the challenges of achieving greater flexibility in the supply of electricity and increases in energy efficiency. Red Eléctrica is driving various demand-side management strategies aimed at addressing these challenges. In addition, we are laying the foundations of what these strategies could do for the electricity system as a whole on implementation of the so-called smart grids that will play a major role over the coming years.



More info
Video of the Control Centre of Renewable Energies (CECRE).

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1

WE ARE KEY TO A SUSTAINABLE ENERGY FUTURE

We act with transparency and independence



GRI indicators reported on in this chapter: 2.1, 2.3, 2.6.



- | | |
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The 10 principles of our business management model

- » Maintain independence from the rest of the electricity system agents.
- » Demonstrate neutrality and transparency.
- » Adopt best practices in good corporate governance.
- » Seek business excellence.
- » Minimise the impact of our activity on the environment, maintaining a firm commitment towards sustainable development.
- » Protect and preserve the natural environment.
- » Offer society a secure, efficient and quality service.
- » Create value for all stakeholders.
- » Promote dialogue, integration and social development.
- » Build an organisation based on people.

Red Eléctrica is the sole transmission agent and operator (TSO) of the Spanish electricity system. The Company carries out its mission with transparency and independence, with the aim of providing a secure, efficient electricity service of maximum quality for society as a whole.

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 abroad.

Additionally, Red Eléctrica Corporación maintains a strategic alliance with its Portuguese counterpart REN for the coordinated development of interconnections between the electricity systems of both countries. This alliance contemplates 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 interconnections between them.

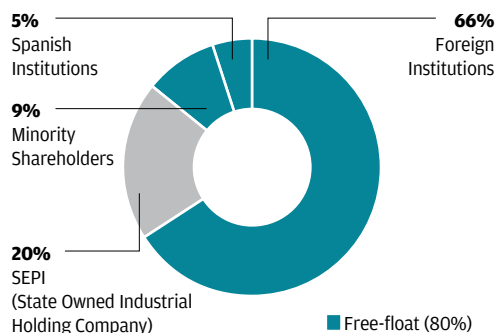
Red Eléctrica Corporación, as parent company of the Group, is quoted on the Spanish Stock Exchange and forms part of the select IBEX 35 index and its weighting in this index was 1.56% at the close of 2012.

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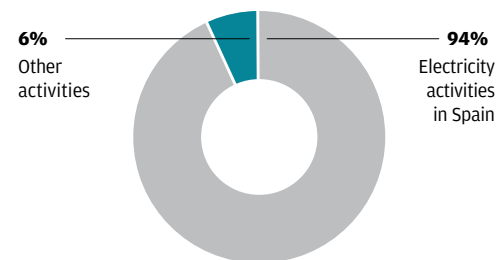
Shareholder structure

31.12.2012



Distribution of the net consolidated revenue

31.12.2012



ELECTRICITY ACTIVITY IN SPAIN

Spanish electricity system operator

Red Eléctrica establishes the forecasts of electricity demand and manages the generation and transmission facilities in real time, constantly ensuring that scheduled generation in power stations matches consumer demand.

Manager of the grid and sole transmission agent

Red Eléctrica, in its role as manager of the high voltage grid, acts as the sole transmission agent and is responsible for the transmission of electricity from the generating power stations to the centres for distribution to consumers, carrying out this function under a regime of exclusivity.

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

Red Eléctrica is the owner of the entire Spanish high voltage electricity grid: an extensive meshed grid with more than 40,000 km of lines.

INTERNATIONAL ACTIVITY

Investment in transmission infrastructures in other countries is channelled through the Peruvian companies integrated into Red Eléctrica Internacional (REI):

REDESUR. This is the Peruvian company, in which REI holds a 33.75% stake, which was awarded the concession for the design, construction and strengthening of the electricity transmission systems in the south of Peru and also responsible for their operation. During 2012, REDESUR's management excellence has enabled it to provide an electricity transmission service of the highest quality (availability rate of 99.76%), improve economic performance (increase of 30% in its net profit) and support development in the areas where it carries out its activities.

TESUR. In July 2010, in conjunction with AC Capitales SAFI, S.A, REI established the company Transmisora Eléctrica del Sur, S.A. (TESUR), in which it holds a 55% stake of the share capital. TESUR is the company awarded the concession for the design, construction and operation of the Tintaya-Socabay transmission line and its associated substations. The construction work of its facilities began in 2012, and commissioning is foreseen for late 2013.

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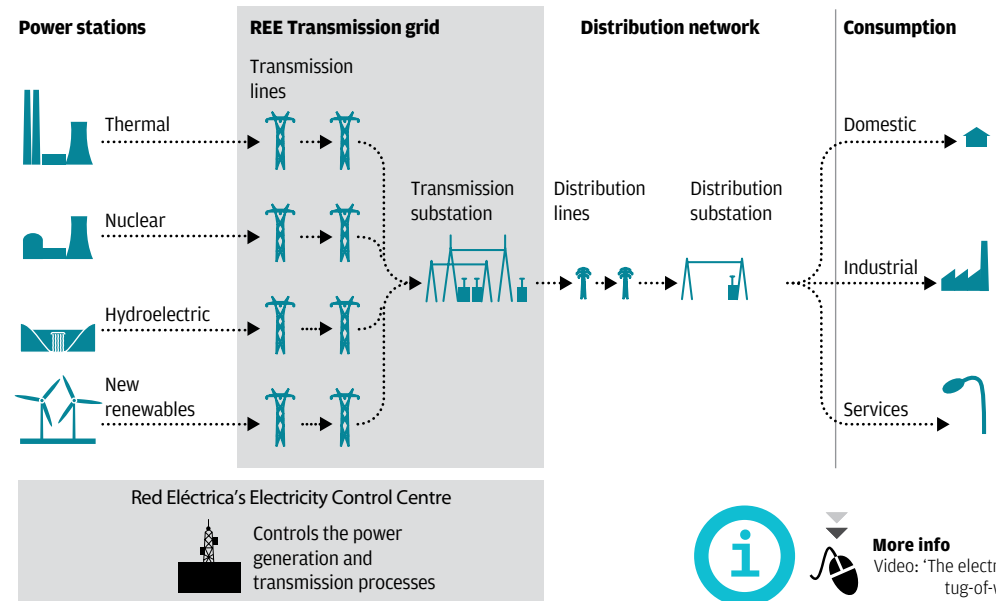
**41,229 KM
OF LINE
AND MORE THAN
250,000 GWH
MANAGED
in 2012**

REA. Red Eléctrica Andina (REA), which is wholly owned by REI, is a company specialised in providing services in high voltage electrical maintenance within the local Peruvian market. During 2012, its activity has focused on providing the maintenance service for the transmission grid of REDESUR.

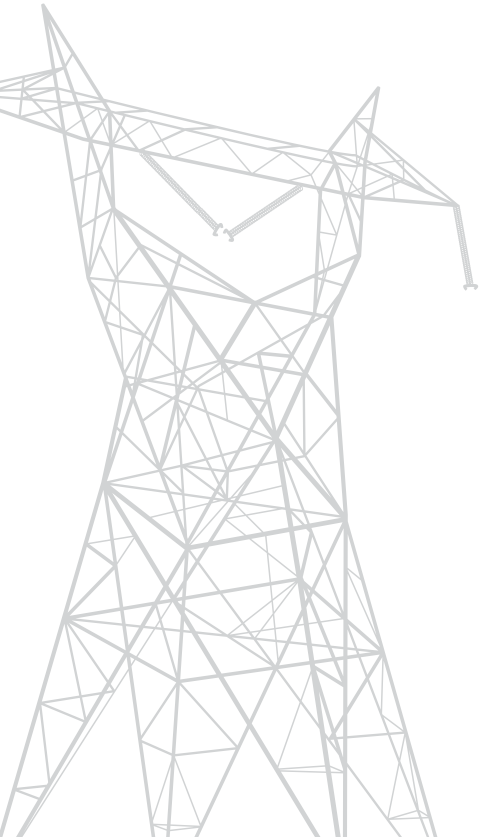
On 1 May 2012, the Bolivian government nationalised the company Transportadora de Electricidad (TDE), a subsidiary of Red Eléctrica in which it had a 99.4% stake. The adequate indemnification is yet to be determined.

How the electricity system works

Red Eléctrica operates the Spanish electricity system in real time and is responsible for the high voltage transmission of electricity



More info
Video: 'The electricity tug-of-war!'

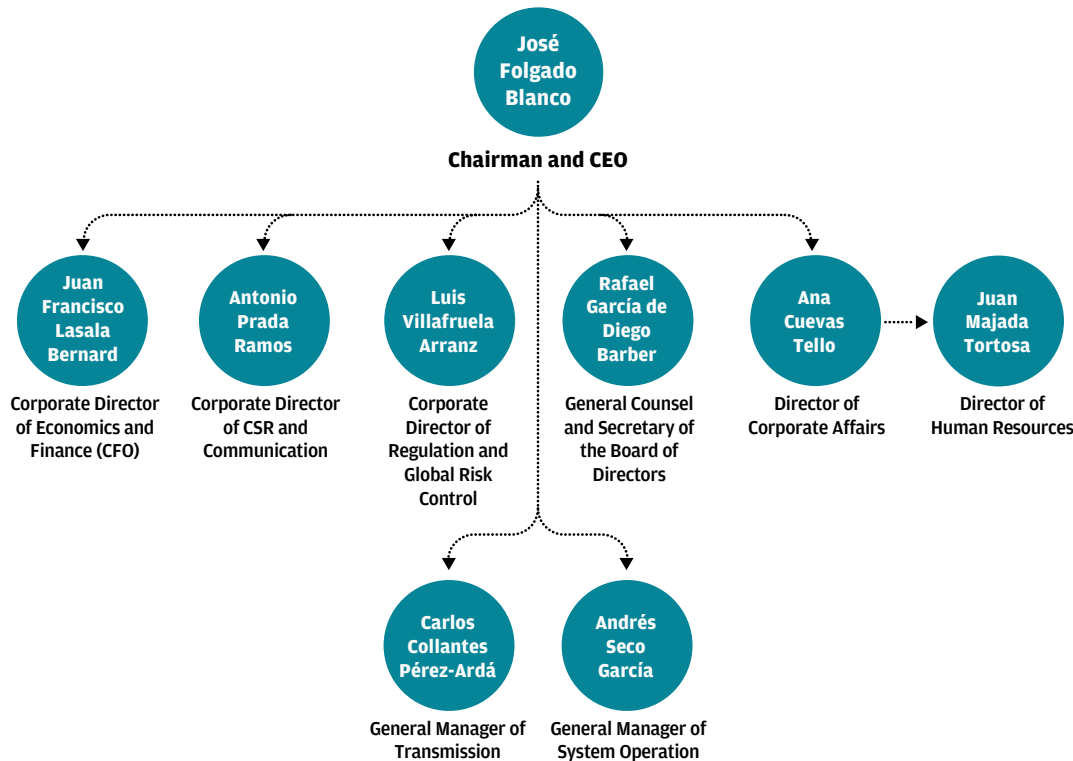


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Management structure [2.3]

Executive Committee



ORGANISATIONAL EFFICIENCY

During 2012, the Company carried out an analysis of its top-level organisational structure, in order to improve the efficiency of its activities and maximise the added value it contributes to society.

This organisational analysis, undertaken in the context of the REE+ project, was addressed in order to meet the strategic challenges faced by the Company and applying efficiency and organisational flexibility criteria, with a focus on providing value for its stakeholders.

The new organisational structure is centred on strengthening the Company’s two core areas of activity, the operation of the system and the transmission of electricity. These are configured as the specific units of the Company’s consolidated model as sole Transmission System Operator (TSO) and as the main axis upon which its mission is carried out.

The rest of the top-level organisational units are configured as departments of a strategic and corporate nature, for the efficient development of the Company’s core activities. In this regard, and among the most important aspects, the economic and financial management and control functions are consolidated and strengthened, in order to reinforce the profitability, efficiency and added value of the Company’s decisions, as well as those matters related to stakeholder management and the strengthening of the Company’s commitment in this area.

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2

WE ADOPT BEST PRACTICES REGARDING GOOD CORPORATE GOVERNANCE MATTERS

Transparency is a strategic objective of our business management model



GRI indicators reported on in this chapter:
 1.2, 4.1, 4.2, 4.3, 4.4, 4.5,
 4.6, 4.7, 4.8, 4.9, 4.10,
 4.11, LA13, SO2, SO4, EC2.



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REE had fully complied, at 31 December 2012, with the applicable corporate governance recommendations contained in the Unified Code of Good Governance applicable in Spain. This compares favorably with 2011, when Recommendation 44 had only been partially fulfilled and Recommendation 54 unfulfilled.

RULES OF GOVERNANCE APPLIED BY THE COMPANY [4.6-4.7-4.8-4.9]

The corporate governance rules are the object of continuous modification to improve the Company's good governance practices and to achieve greater information transparency for the markets.

New for 2012

Articles of Association and Regulation of the Annual General Meeting

The Annual General Meeting, held on 19 April 2012, approved the changes in the Company Articles of Association and the Regulations of the General Meeting, to adapt them to the legislative changes in corporate governance approved during 2011, and in particular, Law 25/2011, of 1 August, which includes partial reform of the Law of capital-based companies regarding the exercising of certain rights of shareholders of listed companies. In the case of the Company Articles of Association, it also eliminated the content that was unsuitable following the approval of the new Arbitration Law 11/2011, of 20 May, regulating institutional arbitration, along with the consideration of the Board of Directors to submit possible conflicts to the courts and tribunals, especially due to the existence of Mercantile Courts with judges who are specialised in this area.

The approved changes to the Company Articles of Association and Regulations of the General Meeting have been communicated to the National

Securities Market Commission (CNMV) and filed with the Mercantile Registry.

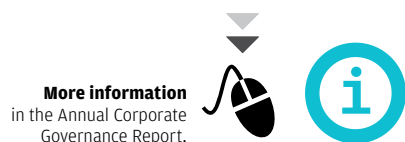
Regulation of the Board of Directors

During 2011 and 2012, the Regulations of the Board of Directors have undergone a thorough review by the Corporate Governance and Responsibility Committee, to adapt them to the legislative changes approved during 2010 and 2011, after the Annual General Meetings held on 13 April 2011 and 19 April 2012 approved the changes in the Company Articles of Association and the Regulations of the General Meeting, to adapt them to the multiple legislative changes. Starting in May 2012, a broader analysis of the Regulations of the Board of Directors was begun, to incorporate international best practices in the area of corporate governance.

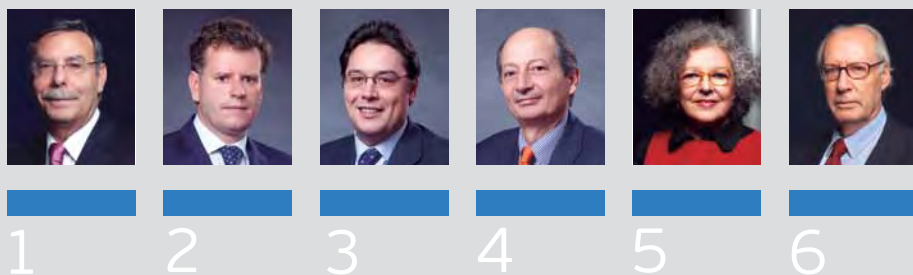
Internal Code of Conduct on the Securities Market

At the meeting held on 26 July 2012, the Board of Directors approved changes to the Internal Code of Conduct in the Securities Markets, expressly to take into account certain periods prior to the presentation of Group results, during which trading with Company securities had been prohibited for certain people in the organisation who have access to those results.

The updating of the Internal Code of Conduct in the Securities Markets has been registered with the CNMV.



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THE COMPANY'S CORPORATE GOVERNANCE STRUCTURE

Board of Directors

Advancing in the adoption and implementation of the best international recommendations on good corporate governance matters is a strategic objective in the business management of the Company. To this end, Red Eléctrica has a reduced, diverse, active and efficient Board of Directors, composed of eleven Members, all of recognised professional distinction and with extensive experience.

CHAIRMAN AND CEO

1. José Folgado Blanco

EXTERNAL NOMINEE DIRECTORS PROPOSED BY SEPI

2. Alfredo Parra García-Moliner

Member of the Corporate Responsibility and Governance Committee.

3. Francisco Ruiz Jiménez

4. Fernando Fernández Méndez de Andés

Member of the Audit Committee.

EXTERNAL INDEPENDENT DIRECTORS

5. María de los Ángeles Amador Millán

Member of the Audit Committee.

6. Miguel Boyer Salvador

7. Rui Manuel Janes Cartaxo

8. Paloma Sendín de Cáceres

Chairwoman of the Audit Committee.

9. Carmen Gómez de Barreda Tous de Monsalve

Member of the Corporate Responsibility and Governance Committee.

10. Juan E. Iranzo Martín

Chairman of the Corporate Responsibility and Governance Committee.

11. María José García Beato

SECRETARY OF THE BOARD

Rafael García de Diego Barber

Non-Director.

The Company's rules of governance

(as at 31 December 2012)

- » Articles of Association.
- » Regulations governing the Annual General Meeting.
- » Regulations 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 (referring to the Annual General Meeting held in 2012).
- » Shareholders' Electronic Forum Operating Regulations (referring to the Annual General Meeting held in 2012).
- » Code of Ethics.

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Corporate governance practices applied regarding the Annual General Meeting

- » No minimum number of shares required to be able to attend the Meeting.
- » Representation on the Board by any person, without the need to be a shareholder.
- » 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 the 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.
- » Shareholders' Electronic Forum.
- » Dissemination via social networks.

GOVERNANCE STRUCTURE OF THE ORGANISATION

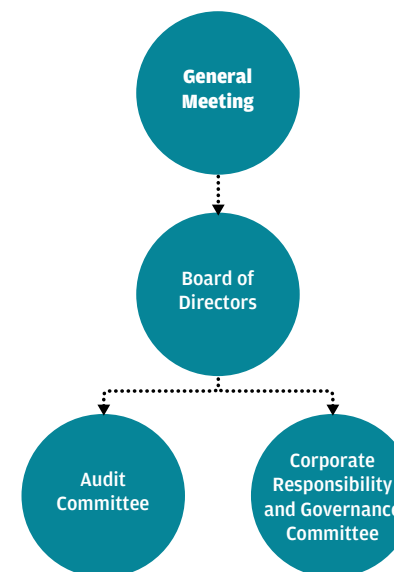
Annual General Meeting [4.4-4.10]

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

As part of our commitment to transparency and the right to participation, in 2012 we continued to improve the communication and information systems via electronic means, among which noteworthy are the Shareholder's Electronic Forum, our presence in social networks and the broadcast of the Meeting in audiovisual format via the Internet 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, at the Meeting held in 2012, 440 shareholders - holders of 135,634 shares - exercised their voting rights or delegated them electronically. Among the resolutions adopted by the General Meeting held on 19 April 2012 noteworthy is the ratification for the creation of the new www.ree.es corporate website, which has also been registered in Companies House.

The Company's governance structure [4.1]

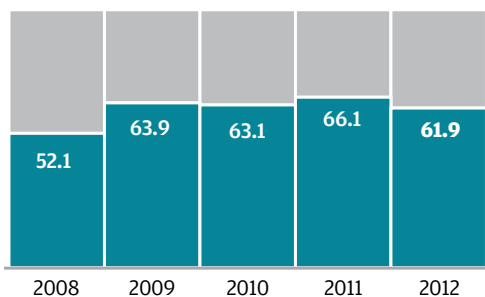


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Key corporate governance practices applied by Red Eléctrica in relation to the Board

- » Reduced Board of Directors composed of 11 Members, as at 31 December 2012.
- » Majority of Independent Board Members, 64%.
- » Gender diversity, 36% women on the Board. 40% of the External Board Members are women.
- » The Committees are composed of a majority of Independent Members and all its Members are External.
- » The Committees are chaired by Independent Board Members.
- » Annual evaluation of the Board, its Committees and the Chairman of the Board by an Independent External advisor.

■ Percentage of attendees at the Annual General Meeting (% over share capital)



In 2012, Royal Decree Law 13/2012 of 30 March was approved, by which some directives are changed, among them Directive 2009/72, of 13 July, which proclaimed the obligatory independence of Transmission Agents and Operators of European Electricity Systems, and which has endorsed the legal limitations on the participation and the voting rights applicable to the shareholders of the Company. This Royal Decree Law has changed the Second Section of the Twenty-Third Additional Regulation and Article 34.1 of Law 54/1997, of 27 November, of the Electricity Sector.

The limits to shareholding established by the new content of the Twenty-Third Additional Regulation of 27 November, of the Electricity Sector, continue to be basically the same as those legally established to date:

» Any individual or legal person may participate, 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.

» For those 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 Parent Company, without prejudice to the limitations set forth in Paragraph 2 of Article 34 of the Electricity Sector Law for generators and traders.

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

Board of Directors [4.1-4.2-4.3]

As at 31 December 2012, Red Eléctrica has a reduced, diverse, active and efficient Board, composed of 11 Members, all of recognised professional distinction and with extensive experience. In 2012, 14 sessions were held, with an attendance of 87.3%.

Each Board Member will hold their office 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 recommendations of 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 Annual General Meeting.

The cessation of 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, by means of the Board Regulations, has reserved for itself the non-delegable responsibilities and competencies which it regards as strategic.

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NEWS FROM 2012

- ▶ Chairman of the Board and CEO, Luis María Atienza Serna, stepped down and also resigned as a Board Member.
- ▶ José Folgado Blanco was appointed as the new Chairman and Chief Executive Officer.
- ▶ Seven new Board Members (four Independent and three Nominees) were appointed.
- ▶ The two Board Committees were renewed; noteworthy was the departure of the Executive Director from the Corporate Governance and Responsibility Committee and the reduction in the number of Members of said Committee from four to three. Both Committees are composed exclusively of External Board Members with a majority of Independent Board Members.

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.

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 while respecting the principles and rules of corporate governance and the Corporate Responsibility Policy.

Audit Committee [4.1]

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

In 2012, the Executive Chairman no longer forms part of the Corporate Responsibility and Governance Committee, which has gone from four to three Members. This Committee is thus now composed of three Board Members, two of which are External, and is chaired by an Independent male Member. In 2012, the Committee met on 20 occasions during which there were neither incidents of non-attendance nor proxies exercised.

This Committee is composed of three External male Board Members, two of whom are Independent, and the Committee is chaired by an Independent female Board Member. In 2012, the Audit Committee met on ten occasions during which there were neither incidents of non-attendance nor proxies exercised.

In the Annual Report of activities of the Corporate Responsibility and Governance Committee, that forms part of the Corporate Governance Annual Report, the activities carried out during 2012 are detailed. Additionally, it annually prepares a specific report on gender diversity that is presented to the Board for approval and is published on the corporate website: www.ree.es.

In the Annual Report of the activities of the Audit Committee, that forms part of the Corporate Governance Annual Report, the activities carried out during 2012 are detailed.

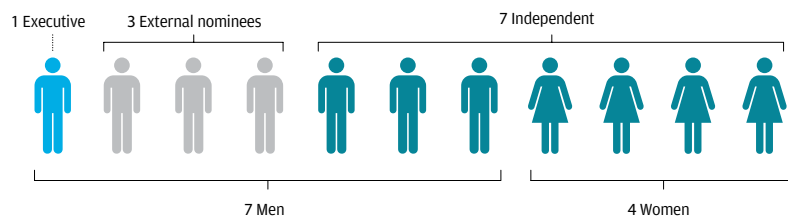
Corporate Responsibility and Governance Committee [4.5]

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

Board self-evaluation [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 Responsibility and Governance Committee, the self-evaluation process carried out in 2011 and 2012 has counted on the support

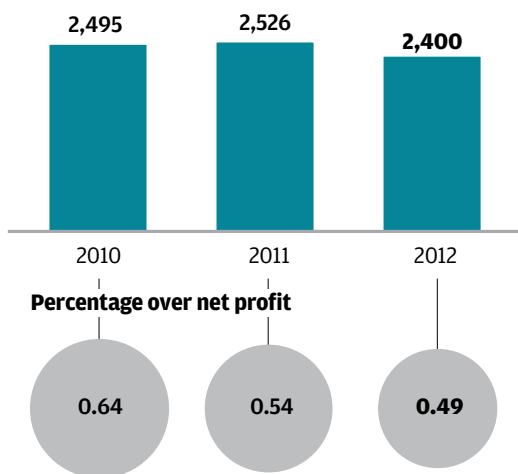
■ Composition of the Board by position and gender [LA13, 4.3]



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■ Remuneration of the Board of Directors

(thousand euro)



of expert External advisers (KPMG), which provides said processes with a more objective and Independent External vision.

Remuneration Policy [4.2-4.5]

Board of Directors

During 2012, the total remuneration accrued by the Members of the Board of Directors of the Parent Company, reached 2.4 million euros, around 5% less than in the previous period.

Senior Management

In 2012, the total remuneration of the senior executives, for all concepts, was 1.023 million euros (1.023 million euros as at 31 December 2011).

During 2012, remuneration of these executives amounted to 996,000 euros (966,000 in 2011) and the contributions to their life insurance and pension plans amounted to 27,000 euros (57,000 euros in 2011).

The main elements and aspects of the remuneration policy of the Board and the Senior Management are described in the Annual Report regarding the Remuneration of Board Members and in the Annual Corporate Governance Report, published on the corporate website www.ree.es.

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 Annual Report regarding the Remuneration of Board Members are submitted for approval by the Annual General Meeting as two separate and Independent topics on the agenda.
- ▶ The overall amount of the remuneration of the Board of Directors remained unchanged from 2007 to 2011. The total remuneration of the Board, for all concepts, was reduced by about 5% in 2012 with respect to 2011.
- ▶ Linked to the performance of the Company and with the continuous reduction of its weighting in relation to the results.
- ▶ Remuneration aligned with the long term interests of the Company and the shareholders.

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■ Remuneration per Board Member

(thousand euro)

	Fixed remuneration	Variable remuneration	Allowance for Board meeting attendance	Committees	Life insurance and pension plan contributions	Other remuneration	TOTAL	Directorship during 2012
José Folgado Blanco ⁽¹⁾	325	245	71	9	-	-	650	Until 8 March Independent Board Member and thereafter Executive Director
María de los Ángeles Amador Millán	-	82	71	29	-	-	182	Entire fiscal year 2012
Miguel Boyer Salvador	-	82	71	-	-	-	153	Entire fiscal year 2012
Rui Manuel Janes Cartaxo	-	82	71	-	-	-	153	Entire fiscal year 2012
Fernando Fernández Méndez de Andrés	-	57	40	20	-	-	117	As of 19 April 2012
Paloma Sendín de Cáceres	-	57	40	20	-	-	117	As of 19 April 2012
Carmen Gómez de Barreda	-	57	40	20	-	-	117	As of 19 April 2012
Juan Emilio Iranzo Martín	-	57	40	20	-	-	117	As of 19 April 2012
María José García Beato	-	7	5	-	-	-	12	As of 29 November 2012
Alfredo Parra García-Moliner ⁽²⁾	-	57	40	18	-	-	115	As of 19 April 2012
Francisco Ruiz Jiménez ⁽²⁾	-	57	40	-	-	-	97	As of 19 April 2012
Luis M ^a Atienza Serna ⁽³⁾	77	55	15	5	4	-	156	Until 8 March 2012
Francisco Javier Salas Collantes ⁽³⁾	-	34	40	-	-	-	74	Until 31 May 2012
Antonio Garamendi Lecanda ⁽³⁾	-	24	31	9	-	-	64	Until 19 April 2012
Rafael Suñol Trepal ⁽³⁾	-	13	10	-	-	-	23	Until 27 February 2012
Arantza Mendizábal Gorostiaga ⁽³⁾	-	24	31	9	-	-	64	Until 19 April 2012
María Jesús Álvarez ^{(2) (3)}	-	24	31	9	-	-	64	Until 19 April 2012
Manuel Alvés Torres ^{(2) (3)}	-	24	31	9	-	-	64	Until 19 April 2012
Non-distributed remuneration due to Board vacancies	-	-	-	-	-	61	61	
Total remuneration accrued	402	1,038	718	177	4	61	2,400	

(1) Received by José Folgado Blanco for time spent on Committees, relating to the period in which he worked as an External Independent Director. (2) Amounts received by *Sociedad Estatal de Participaciones Industriales* (SEPI).

(3) At 31 December 2012, they no longer form part of the Board of Directors of the Company.

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THE TWO BOARD COMMITTEES WERE RENEWED IN 2012

Both Committees are composed exclusively of External Board Members, with a majority of Independent Members

Board Member's Portal

The Board Member's 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, with the purpose of improving it in every possible aspect.

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.

Revision of the management procedures of the Annual General Meeting

In 2012, for the first time, the consultant Deloitte carried out an external review of the management

processes and the results of the votes taken at the Annual General Meeting held on 19 April 2012. This review has served to identify weaknesses and opportunities for improvement regarding the organisation and the development and execution of the General Meeting.

The aforementioned tools are being used to analyse the strengths and in particular, the areas for improvement in the Company, in light of the international standards of corporate governance adopted by the best-known international companies and the practices which are most demanded by leading foreign institutional investors.



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Risk management and control bodies

- » Board of Directors.
- » Audit Committee.
- » Management Committee.
- » Department of Regulation and Global Risk Control (responsible for comprehensive management).
- » All the organisational units.



RISK MANAGEMENT [1.2-4.11]

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).

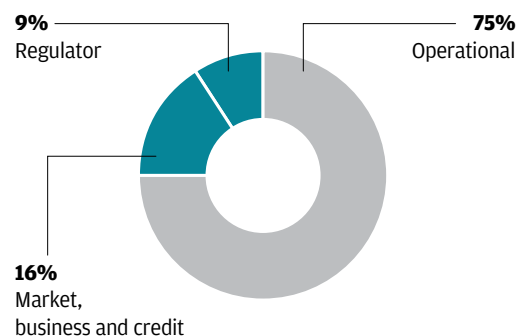
The risk management system of the Red Eléctrica Group complies with the ISO 31000 standard: Principles and directives.

Material risks of the Group are considered those related to:

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

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Risk structure



MAIN RISKS OF THE RED ELÉCTRICA GROUP

Regulatory: considered the highest material risk due to the fact that the main activities of the Group are subject to regulation.

Market: corresponds 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 non-material risk level in 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. Given 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 OF FRAUD AND CORRUPTION [S02-S04]

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 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, among which include the risk of fraud and corruption.

In addition to these processes, two specific systems are in place: one for internal control on financial reporting (based on the North American Sarbanes-Oxley Act), and another for 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 controlled periodically by means of an internal audit, which incorporates specific verification tests regarding this risk. Several of these processes involve all the units of the Company.



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Operational risks

Risk	Relevance	Description and impact	How it is managed
RISK OF POWER OUTAGES	■	<ul style="list-style-type: none"> ▶ Risk of a breakdown/fault occurring in the facilities that may significantly impact on the electricity system, causing power outages on the Spanish peninsula or the Islands. 	<ul style="list-style-type: none"> ▶ Emergency equipment and procedures. ▶ Periodic inspections of equipment and systems. ▶ Preventative and predictive maintenance programmes. ▶ Renovation and improvement plans for facilities. ▶ Improvement of grid meshing and increase in the construction of facilities to deal with the Electricity Infrastructure Plan approved by the State. ▶ Contracting insurance policies to cover possible damages that can be derived from an incident. ▶ Contingency plan.
RISK OF DELAYS IN THE CONSTRUCTION OF ELECTRICITY INFRASTRUCTURE	■	<ul style="list-style-type: none"> ▶ Risk of delays in the start of construction of electricity infrastructure, significantly affecting the security of the electricity supply. 	<ul style="list-style-type: none"> ▶ Contact with relevant competent bodies of various government and environmental agencies. ▶ Collaboration agreements with local councils. ▶ Development of external social activities. ▶ Actions for strengthening ties with the community and rural development support.
ENVIRONMENTAL RISKS	■	<ul style="list-style-type: none"> ▶ Impact on sensitive species and spaces (soil, flora and fauna). ▶ Impact on society due to light and noise pollution. ▶ Risk of fires. 	<ul style="list-style-type: none"> ▶ Application of strict environmental criteria in all phases of planning, development and maintenance of facilities. ▶ Environmental supervision of works. ▶ Strategy and actions for biodiversity. ▶ Development of research projects and fire prevention plans. ▶ Projects for birdlife conservation. ▶ Environmental training courses for field staff. ▶ Establishment of collaboration agreements in the field of environmental protection with the autonomous communities. ▶ Fire protection plans. ▶ Contingency plans.

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Risk	Relevance	Description and impact	How it is managed
RISKS DERIVED FROM CLIMATE CHANGE [EC2]	■	<ul style="list-style-type: none"> ▶ 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 lines). ▶ Changes in wind currents (variations in the wind power generation profiles and interruptions of supply). 	<ul style="list-style-type: none"> ▶ 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 introduction of electric vehicles). ▶ Development of research and innovation projects: new resources for system operation; new solutions for the transmission grid; new 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 SF6 emissions.
RISKS ASSOCIATED WITH THE OPERATION OF THE SYSTEM	■	<ul style="list-style-type: none"> ▶ Risks associated with system operation caused by: <ul style="list-style-type: none"> - Human errors, coordination, or equipment configuration. - Malfunction of telecommunications. - Failure of computer systems that support the activity. 	<ul style="list-style-type: none"> ▶ Strengthening of the transmission grid in certain areas where the situation is precarious. ▶ Power service restoration plans. ▶ Renovation and improvement of facilities plan. ▶ Improvement of telecommunication systems. ▶ Implementation of security mechanisms in information systems used. ▶ Continuous training of operators. ▶ Contingency plans.

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Risk	Relevance	Description and impact	How it is managed
RISKS RELATED TO MANAGEMENT AND EMPLOYEES	■	<ul style="list-style-type: none"> ▶ Lack of motivation of staff to reach Company objectives. ▶ Fraud and corruption. ▶ Accident rate. ▶ Adaptation of occupational health and safety risk prevention. 	<ul style="list-style-type: none"> ▶ Development programmes for technicians and Directors. ▶ Work-life balance policy and implementation of a management system. ▶ Hiring of young employees with potential. ▶ Maintenance and improvement of the structured risk prevention system in accordance with the OHSAS 18001 standard. ▶ SA8000, EFR1000 certifications and internal audits. ▶ Implementation of the Code of Ethics, the complaints reporting system and the auditing system. ▶ Application of the staff appraisal system.

■ Regulatory risks

Risk	Relevance	Description and impact	How it is managed
RISK OF CHANGES IN THE REGULATION	■	<ul style="list-style-type: none"> ▶ Risk of regulatory changes occurring that could negatively impact the remuneration of transmission facilities and/or the remuneration of the system operation activity. 	<ul style="list-style-type: none"> ▶ Dialogue with the Regulator.

■ Market risks

Risk	Relevance	Description and impact	How it is managed
RISK OF INCREASED COSTS OF EQUIPMENT AND RAW MATERIALS	■	<ul style="list-style-type: none"> ▶ Control of the price of equipment and raw materials is a key part of managing important construction and maintenance activities the Company carries out. 	<ul style="list-style-type: none"> ▶ Promote competition. ▶ Increase normalisation and standardisation. ▶ Development of turnkey contracts. ▶ Using coverage instruments.
RISK OF INCREASE IN THE INTEREST RATES	■	<ul style="list-style-type: none"> ▶ Risk of occurrence of shifts in interest rates that could vary from those contemplated in the Company strategic plans. 	<ul style="list-style-type: none"> ▶ Periodic reviews of the interest rates and their impact on the accounts. ▶ Maintenance of the fixed/variable percentages of the financial structure. ▶ Development of a financial risk policy and tools for its management and control.

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Risk	Relevance	Description and impact	How it is managed
UNFAVOURABLE EVOLUTION OF INFLATION	■	<ul style="list-style-type: none"> ▶ Risk of a significant variation in the rate of inflation that could negatively impact on the results and strategies of the Company. 	<ul style="list-style-type: none"> ▶ Monthly adjustments of the CPI forecast.
UNFAVOURABLE CHANGE IN EXCHANGE RATES	■	<ul style="list-style-type: none"> ▶ Although the part of the business managed in non-euro currencies is not very significant, unfavourable variations in exchange rates may cause a negative impact. 	<ul style="list-style-type: none"> ▶ Establishing coverage mechanisms for transactions performed in non-euro currencies. ▶ Development of a financial risk policy and tools for its management and control.
RISK OF TIGHTENING CONDITIONS REGARDING ACCESS TO FINANCIAL MARKETS	■	<ul style="list-style-type: none"> ▶ Negative development of different macroeconomic variables, affecting financial markets, status of the euro and sovereign debt rating. 	<ul style="list-style-type: none"> ▶ Procurement of long-term financing with public funding institutions. ▶ Establishment of new financing mechanisms. ▶ Monitoring of possible situations that may imply a reduction in the rating of the Company.

Business risks

Risk	Relevance	Description and impact	How it is managed
RISKS TO FOREIGN SUBSIDIARIES	■	<ul style="list-style-type: none"> ▶ Various political and economic situations the subsidiaries are exposed to make it necessary that possible losses in the subsidiaries be considered a risk. 	<ul style="list-style-type: none"> ▶ Maintaining good relationships with agencies and organisations where the subsidiaries are located. > High quality standards in the services offered. > Monitoring of regulatory developments and economic evolution.

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2013-2014 challenges

- » Analysis of the improvements to be made to the risk management processes and in the information supplied.
- » Design and implementation of dashboard system for the Group's risk management.

CLIMATE RISK MANAGEMENT IN ELECTRICITY TRANSMISSION INFRASTRUCTURE

Climate change has long-term implications for many areas of economic activity and for society as a whole. Among the most evident are its effects on the energy sector.

Long-term climate change on a local and regional scale, along with extreme climatic episodes (storms, droughts, snowfalls, gales, heatwaves), could affect the functioning of infrastructure. For this reason, REE has produced its first Adaptation to Climate Change Report in collaboration with Institut Cerdà and ERF (Estudi Ramón Folch). The report addresses the management of climatic risks in electricity transmission facilities.

An exhaustive analysis of the existing documentation on climate forecasts and the regulations regarding electricity transmission lines has been carried out, as well as benchmarking on a European scale of projects and initiatives related to its adaptation, especially regarding the field of energy.

In the report, various long-term scenarios are taken into consideration, with forecasts up to the year 2100, taking as variables the frequency of occurrence of different meteorological phenomena and their intensity. Among the scenarios evaluated, the ones taken as a reference are those which reflect the most unfavourable forecasts and which project the most extreme changes.

The analysis has allowed the understanding of how those climatic variables with the greatest effect on the electricity transmission and distribution may evolve over the next century as a consequence of climate change. The degree of certainty of occurrence, as obtained through the climate models, has been evaluated, as has the degree of intrinsic sensitivity of the different elements of the electricity transmission grid.

Based on this evaluation, a set of risks has been identified, which can be grouped into three categories:

- » Direct effect on infrastructure
- » Indirect effect on infrastructure
- » Planning of the electricity transmission grid

In order to minimise the impact of the risks identified, it is necessary that the electricity transmission system be equipped with instruments and strategies to allow its adaptation. For this reason, a proposal has been designed with measures to be included in REE's strategy for adaptation to climate change.

In this way, the strategy establishes the overall directives and lines of action which are set out by means of specific action plans. At each specific moment, these action plans develop, in a timely manner, the priority aspects depending on the

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verification of true trends and the evolution of the projections of the climatic models. In order to carry this out, a continuous monitoring of the evolution of different variables implied in climatic risk is necessary.

Information related to the effects of climate change is dynamic, not static. Over time, new information will be brought into the analysis, which will allow for more detailed and specific climatic scenarios to be available, making it possible to develop new models and, particularly, new points of data collection in order to make more reliable forecasts.

Activities during 2012

- » Development of a new numerical methodology for sorting and positioning of Company risks, taking into account their probability and the whole range of impacts that could affect the Company.

- » Updating of the Risk Management Procedure and analysis of its alignment with the directives set out by ISO 31000.
- » Improvements in the risk management system IT application.

Materialised risks in 2012

- » Nationalisation of TDE, the subsidiary of Red Eléctrica in Bolivia.

Challenges in 2013-2014

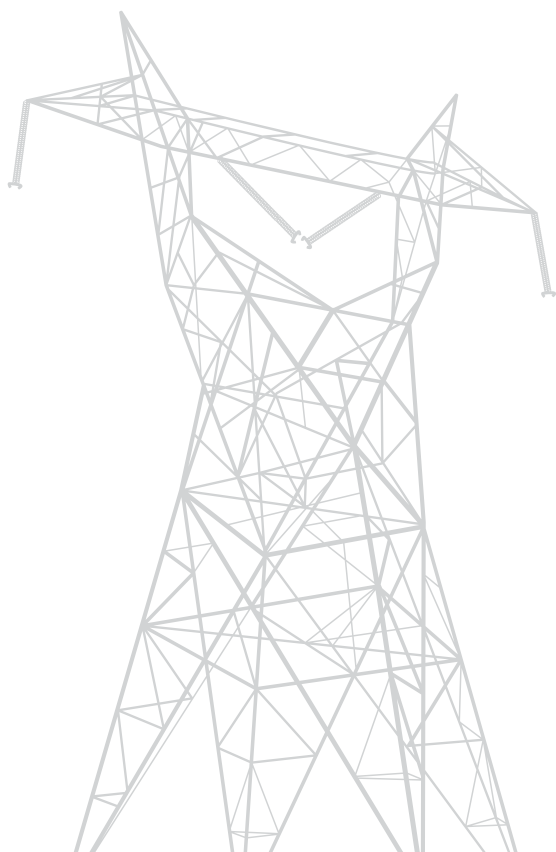
- » Analysis of the improvements to be made to the risk management processes and in the information supplied.
- » Design and implementation of a dashboard system for the Group's risk management.

Performance indicators

(Management indicators)

	2008	2009	2010	2011	2012
Degree of coverage of risk management (%) ⁽¹⁾	83.0	92.1	96.2	97.6	99.0
Improvement of the average weighted value related to risks in comparison to previous year ⁽²⁾	0.90	0.75	0.95	0.94	0.95
External evaluation (DJSI) (0-100)	92	87	62	70	76

(1) (Risks addressed/risks detected) x 100. (2) Average weighted value in year n/average weighted value in year n-1.
DJSI: Dow Jones Sustainability Indexes.



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3

WE WORK WITH A DETERMINED FOCUS ON CORPORATE RESPONSIBILITY AND EXCELLENCE

Leader, utilities sector, according to FTSE4Good index



GRI indicators reported on within this chapter:
2.10, 3.5, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, S05.



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2012 milestones

- » Improvements to ethical management system.
- » Advancements made in translating corporate responsibility criteria to supply chain.
- » Permanence in main sustainability indexes.
- » Inclusion of corporate responsibility in integrated auditing of management systems.
- » Execution of 56 corporate responsibility projects (with a degree of compliance of 82%).

Red Eléctrica Group's objective is to consolidate itself as a sustainable, ethical and responsible company, part of society, attentive to all stakeholders and a reference in the markets in which it operates. Its orientation towards sustainable development is evident at a strategic level, represented by the quest for excellence and responsibility in the performance of its activities. This is one of four basic strategies deployed transversally at an operational level by means of the business management model.

QUEST FOR EXCELLENCE

Since 1999, Red Eléctrica has adopted the excellence management model of the EFQM (European Foundation for Quality Management) in order to achieve ongoing improvement in the management and results of the Company. This standard is a reference in the quest for leadership, innovation and business competitiveness, both at a national and international level. The effort carried out in the quest for excellence has been recognised through the awards and acknowledgements received. In 2003, Red Eléctrica obtained the European Seal of Excellence 500+, a seal which it has renewed

biennially, repeatedly improving the score obtained in the previous evaluation. In 2005, the Príncipe Felipe Award for Business Excellence was received in the category Industrial Quality, and in 2011 it decided to present its candidacy for the first time for the EFQM European Award for Business Excellence. The Company obtained the award in one of the eight categories of the excellence model: 'Taking responsibility for a sustainable future'. In addition, Red Eléctrica was recognised for best practice in another two categories: "Achieving balanced results" and "Adding value for customers".



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**In 2012,
the corporate
responsibility
POLICY WAS
95,7%
FULFILLED**

QUALITY MANAGEMENT SYSTEM

Red Eléctrica began implementing the processes of the Company's quality management systems based on international standards in 1994. Since 2000, it has achieved a corporate quality management system that encompasses all its processes.

This system, by means of bespoke methodology, includes all activities of the Company through the definition and design of the processes, as well as their control, monitoring, evaluation and improvement. One of the fundamental tools of the system for the evaluation and monitoring of the key processes of the Company, are the dashboards, which allow key indicators of the Company to be established, and the ongoing improvement of processes and fulfilment of the Company's strategic objectives.

All the activities of Red Eléctrica are certified as per international standards. During 2012, the first comprehensive audit of all certified corporate management systems was carried out (quality, environment, occupational health and safety and corporate responsibility).

Additionally, certification processes have been established for those activities for which it has been deemed necessary as a result of legal or statutory requirements (such as the inspection service of electricity measurements), or to improve the efficiency of certain activities (calibration of measurement equipment).

CORPORATE RESPONSIBILITY MANAGEMENT

The corporate responsibility strategy of Red Eléctrica is defined taking as a reference both the Company's strategic plan and the key actions that it carries out, and on which the corporate responsibility policy is defined. The policy contains the principles governing the activities of the Company and the commitments it undertakes and that guarantee a sustainable, ethical and responsible business management. The corporate responsibility management system, of a transversal nature, and the areas of action on which

it is structured are derived from the Company's key actions and are oriented towards the implementation of said policy.

This system consists of a set of structural elements of management, temporary deployment, monitoring, evaluation and dissemination which guarantee the appropriate management of significant economic, social and environmental impacts of Red Eléctrica's activities and services on its stakeholders.

More info
Consult Corporate
Responsibility section of
website.



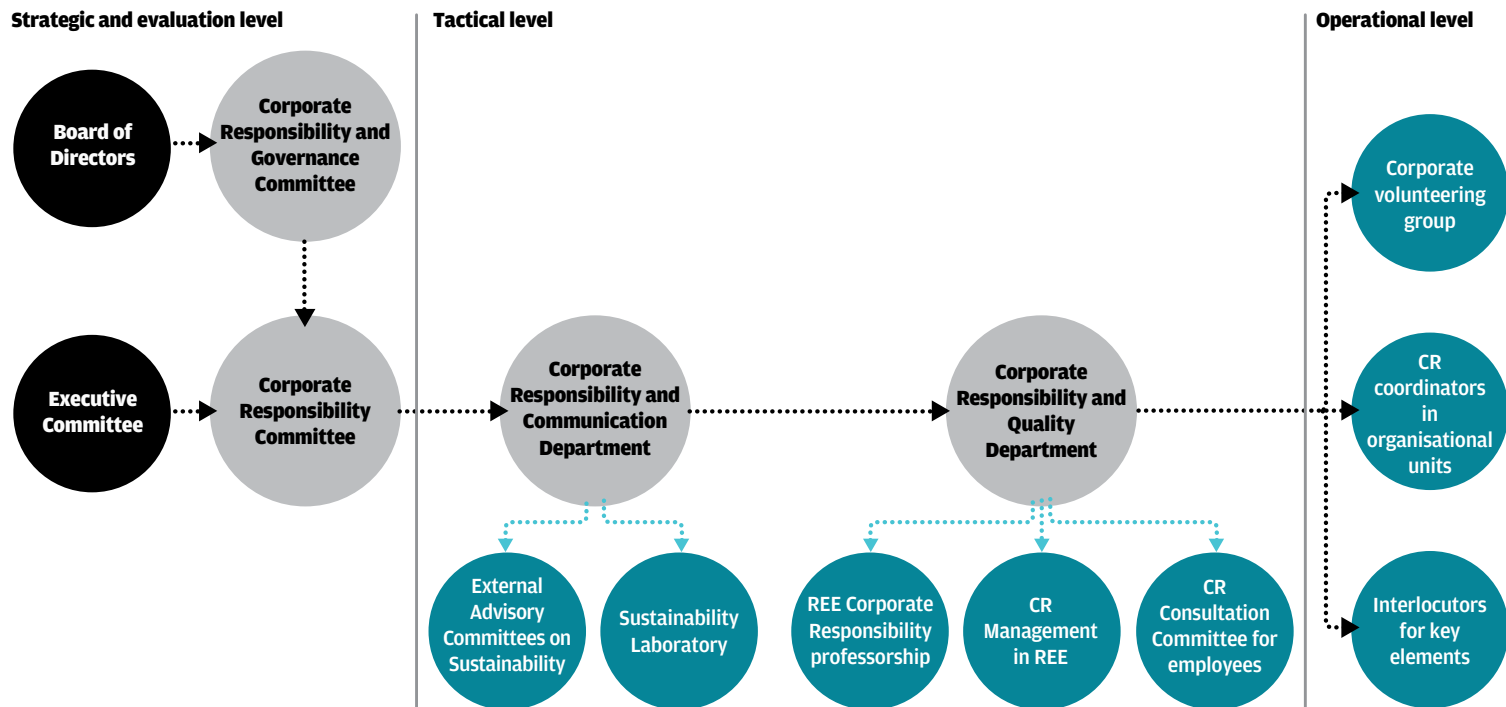
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PLANNING












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 Company carries out the annual planning and deploys the associated activities according to the medium-term planning established.














Organisational structure of the management system


















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








Corporate responsibility programme, 2012

Corporate governance and structural vector	Fulfilment	Criticality
Definition and design of the information system regarding CR and excellence: indicators, projects and relevant events.	100	
Internal audit of the CRMS in subsidiaries and training of Company staff in this matter.	100	
Evaluation of the compatibility of the PlanCorp with the results of the study of prioritisation of activities and other elements relevant to CR.	20	
Carry out a corporate materiality analysis on matters related to human rights.	20	
Update of the Code of Ethics and improvements in its implementation.	90	
Implementation of the crime prevention plan in the Company.	100	
Knowledge update programme for Board members regarding the Company.	100	
Update of the control mechanisms for the detection and management of legally relevant documentation and information.	50	
Consolidation of the dialogue channels between the Company and proxy advisors.	100	
Action guide regarding corruption prevention.	40	
Technical-economic vector		
Development of a CR impact evaluation model in the management of tangibles and intangibles (Phase II).	75	
TWENTIES: Integration of renewable energies (R&D).	90	
Improvement of the prediction model regarding wind and solar energy that is produced (R&D).	80	



















Operational Security NC.	100	
Operational Planning & Scheduling NC.	100	
Load Frequency Control and Reserves NC.	100	
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.	100	
Analysis of the ESG (Environmental, Social and Governance) parameters considered key by the SRI (Socially Responsible Investment) funds.	100	
Implementation of a dialogue platform with suppliers (Code of Conduct).	100	
Improvement in the inclusion of CR criteria in the supplier qualification process.	100	
Sustainable and responsible procurement management dashboard.	100	
Excellence management dashboard.	100	
Improvement of the leadership management process. ⁽¹⁾	0	
Improvement of processes in the Transmission Department.	100	
Design of a billing portal for suppliers.	70	
Revision and improvement of the management process regarding client and market agent needs and expectations.	100	
Environmental vector		
Inventory of REE emissions (Spain).	50	
Methodology for the calculation of emissions and offsetting the effect of corporate activities.	100	














 Criticality:  Critical  Convenient  Complementary

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THE LEVEL OF FULFILMENT OF THE 2012 programme was 82 %

Red Eléctrica Forest.	100	
Energy control systems in work centres.	75	
Energy audits at work centres.	100	
Environmentally efficient printing.	100	
Analytical research for the design of a possible mobility plan from the perspective of the transportation of employees.	100	
Biodiversity projects.	94.4	
Biotransport project: biodiversity corridors.	0.0	
Restoration of the Ses Salines coastal sand dunes.	60	
Actions to be carried out in the S'Albufera Natural Park (Balearic Islands).	30	
Landscape integration of buildings.	100	
Suppliers' ecological footprint.	100	
Environmental cost-benefit project of the Spanish peninsula-Majorca interconnection.	10	
Internal social vector		
Occupational health project: health management.	100	
Advances in the work-life balance measures: family support.	100	
Programme for the improvement of talent and professional growth. CR training for employees.	60	
Programmes for internal integration, communication and participation: awareness regarding the importance of security in communications over the Internet.	75	
Promotion of sporting activities which facilitate integration and a healthy lifestyle.	100	
Implementation of tele-training.	100	

Design of elements for the internal awareness and dissemination of CR.	100	
Scholarships for the young.	100	
External social vector		
Redesign and development of a new external website.	50	
Draft of a guide regarding compensatory measures and the social impact of REE projects.	100	
Design of an institutional collaboration model with the municipalities in which REE has significant assets.	100	
Update and improvement of the Stakeholder Guide.	100	
Development of a plan for the evaluation of needs, expectations and degree of satisfaction of stakeholders.	98	
Satisfaction survey of internal users of the DÍGAME service and design of a plan for the improvement of DÍGAME 2012-2013.	100	
Redesign of the CR section of the external website. ⁽²⁾	0	
Prevention of high voltage electricity accidents that may affect society. ⁽³⁾	0	
Improvement actions in the Cabriel natural park.	75	
Projects for the conservation of ethnological patrimony.	40	
Corporate volunteering projects.	100	

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) The project has been postponed as a result of organisational restructuring and of processes in the Company. (2) In 2012, a project for the improvement of the Company's corporate website was started, whereby it has been considered appropriate to coordinate the updating of the relevant corporate responsibility section with the overall web redesign. (3) Project that will be carried out in 2013 and that is linked to improvement projects in the area of occupational health and safety. The degree of fulfilment of the programme is calculated as of 2011, according to a new formula, which includes weighting criteria depending on the criticality of each project.

Criticality:  Critical  Convenient  Complementary

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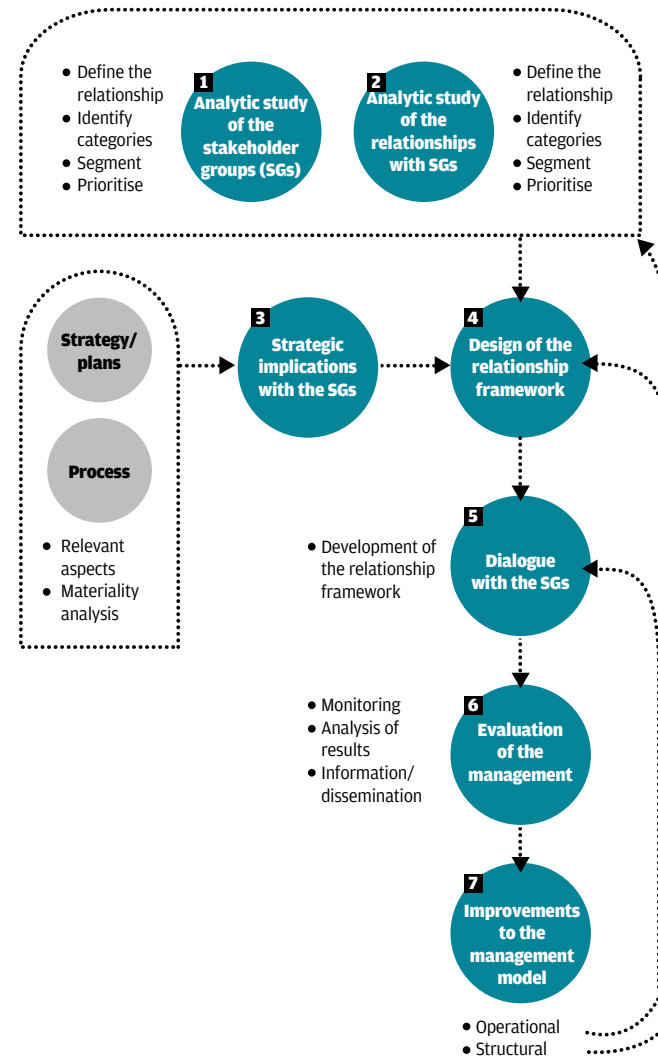
STAKEHOLDER MANAGEMENT SYSTEM [4.15-4.16]

In 2004, Red Eléctrica designed and implemented a management system for stakeholder groups (SG) with the aim of generating shared value and influence in the improvement of the Company's reputation. This system, which is reviewed and improved on an ongoing basis, necessarily requires the identification of the SGs of the Company, as a prior step in determining their concerns and for establishing the appropriate dialogue and communication channels.

During 2012, a review and improvement of the methodology associated with this system was carried out. The result obtained was the updating of Red Eléctrica's Stakeholder Manual. This manual contains the map and inventory of stakeholders, including their segmentation and prioritisation, as well as the units responsible for relationship management. Other important elements of this manual are the framework for relationships, which details the different types of relationships the Company establishes with its stakeholders; and the description of the evaluation and improvement tools of this management system.

The new management model was presented to the units responsible for the relationship with stakeholder groups, in various working sessions, in which 35 people from 21 different units had the chance to learn about and debate in depth the new model and to provide feedback regarding the improvement of the Stakeholder manual. The group of coordinators of Corporate Responsibility and the employee Consulting Council regarding Corporate Responsibility also participated in its validation. Finally, the Corporate Responsibility Committee approved the new edition of the map, the inventory and the prioritisation matrix of the stakeholders.

Stakeholder management system
















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■ Stakeholder groups matrix and key topics [4.14-4.16-4.17]












Priority	Nº	Category	Stakeholder group	Key topics
■	1	SHAREHOLDERS AND INVESTORS	<ul style="list-style-type: none"> • Institutional investors. • Minority shareholders. 	<ul style="list-style-type: none"> • Evolution of the share value and dividend payout. • Transparency, applying best corporate governance practices and risk control.
■	2	REGULATORY BODIES AND PUBLIC ADMINISTRATIONS	<ul style="list-style-type: none"> • Regulator and competent administration • Electricity sector associations both at the national and international level. • Institutional (other Ministries and Public Administrations). 	<ul style="list-style-type: none"> • 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.
■	3	CLIENTS	<ul style="list-style-type: none"> • Generators, distributors, traders, consumers connected to the grid, market subjects, OMIE, neighbouring electricity system operators, interruptibility service providers, client associations, companies that request maintenance and conditioned participants. 	<ul style="list-style-type: none"> • 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.
■	4	WORKFORCE	<ul style="list-style-type: none"> • Employees. • Worker representatives. • Internships. 	<ul style="list-style-type: none"> • 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 of the Company. • Job creation and job opportunities. • Participation in the management of the Company by employee representatives, ability to influence decision-making. • Ease of free association and direct dialogue with management. • Compliance with legislation and the collective bargaining agreement. • Continuity of the business project and capacity to create employment. • Experience in the job/labour market.



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Priority	Nº	Category	Stakeholder group	Key topics
	5	SUPPLIERS AND TECHNOLOGICAL PROVIDERS	<ul style="list-style-type: none"> • Suppliers of goods and services. • Financial capital providers. • Outsourcings. • Temporary employment agencies. • Externalised construction of facilities. • Technological research and development centres. 	<ul style="list-style-type: none"> • Fulfilment of payments and contractual commitments. • Transparent and impartial ethical conduct. • Stability and projection of long-term relations.
	6	SOCIAL	<ul style="list-style-type: none"> • City councils. • Associations and social agents. • NGOs and foundations. • Environmental groups. • Scientific research and educational centres. • Society in general. 	<ul style="list-style-type: none"> • 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. • 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. • 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. • Financial support and transfer of business experience. • Collaboration on training programmes (final degree projects, creating professorships, internship programmes, etc.). • Development of shared projects of knowledge generation and innovation. • Contribution of reputational value. • Availability of a quality electricity service and at the lowest possible cost. • Activities of corporate citizenship. • Security of the facilities and minimisation of the environmental impacts of the activity.

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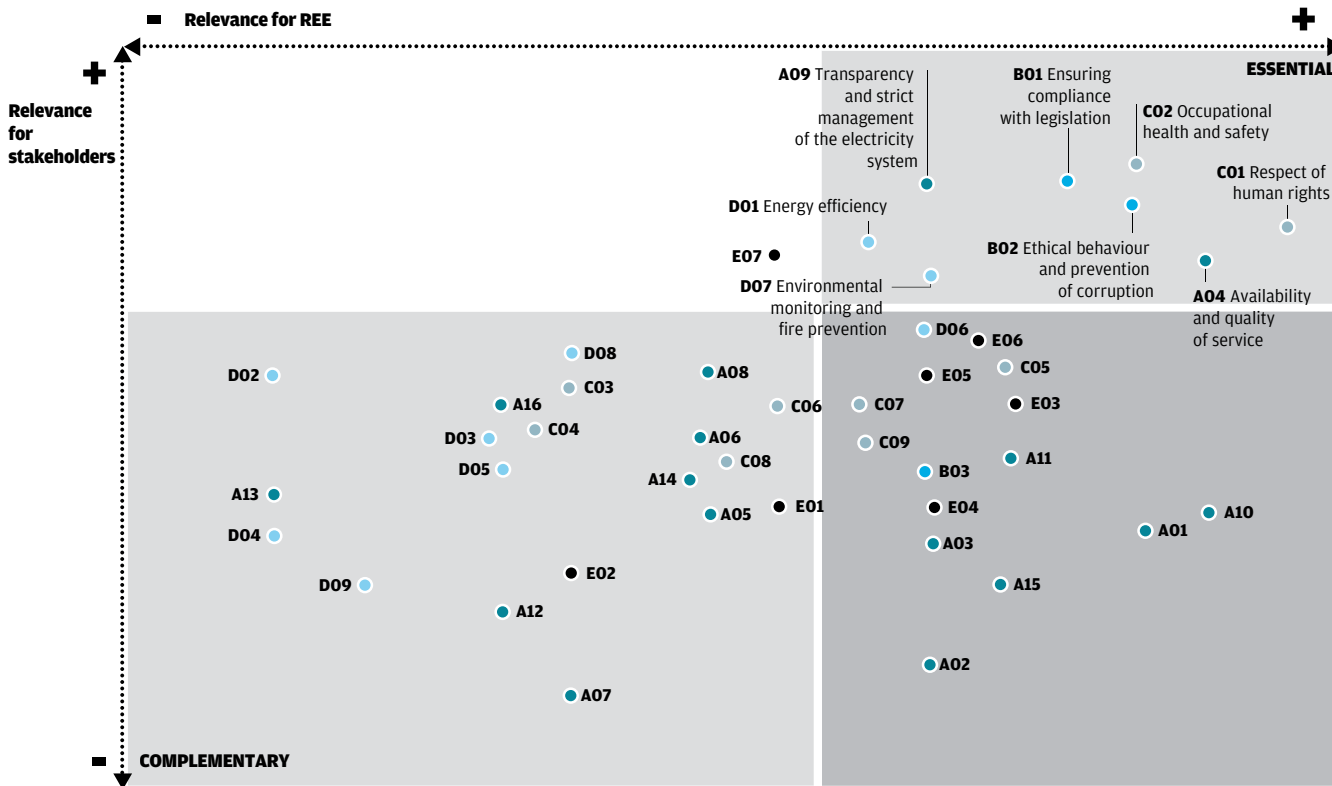
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Prioridad	Nº	Categoría	Grupo de interés
	7	OPINION GENERATORS	<ul style="list-style-type: none"> • Financial analysts. • Indexes and rating & evaluation agencies. • Press and Media.
			<ul style="list-style-type: none"> • Availability of relevant, transparent, precise and timely information (economic, financial, management, social and environmental). • Quick response to enquiries and requests.
	8	BUSINESS SECTORS AND PROFESSIONAL ASSOCIATIONS	<ul style="list-style-type: none"> • Companies of the Group. • Comparable companies. • Companies in other sectors. • Professional and business associations and organisations (promoters of knowledge).
			<ul style="list-style-type: none"> • Permanent dialogue channels. • Access to knowledge, experience and best practices of the Parent Company. • Exchange of information and best practices via working groups, forums, etc. • Carrying out benchmarking studies. • Participation in knowledge development that will lead to the improvement of competitiveness of the business fabric and in the development of society. • Contribution of reputational value.

 Priority:  Critical  High  Medium  Low

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■ Prioritisation matrix



- A Business management
- B Ethics and good governance
- C Human resources
- D Conservation and improvement of the natural environment
- E Actions for the development of and respect towards society

Materiality study [3.5-4.17]

In 2011, a materiality analysis was elaborated in order to identify the most relevant issues based on the characteristics and peculiarities of Red Eléctrica, to address the challenges facing the sector in which it operates and the impacts generated by the activity of the Company in coherence with the opinions of the stakeholders. This analysis made it possible to have a priority matrix of activities and issues that are relevant to stakeholders, taking into account issues that may pose a reputational risk. The answer to the relevant issues is developed throughout this report.

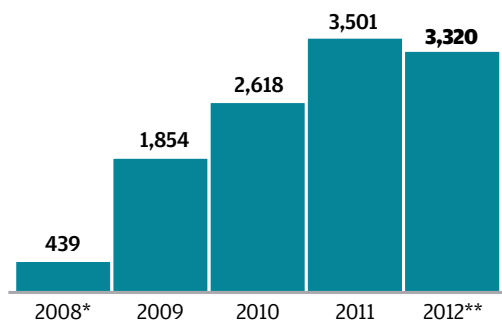
Relationship framework with stakeholders

Red Eléctrica creates relationship frameworks with its stakeholders based on mutual trust and continuous and transparent dialogue, allowing it to meet the needs and expectations of these.

Two of the basic active dialogue tools are the Dígame service and the satisfaction surveys, described as follows:

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Evolution of consultations processed via the Dígame service



* Since July, date on which the service was put in service
 ** The slight decrease is the result of the coming into operation of the ASA service (Procurement Help Desk), which manages almost all requests/consultations received from suppliers

STAKEHOLDER ATTENTION CENTRE, DÍGAME [4.16]

The Dígame service involves the professionalised centralisation of the reception, registration, resolution and closing of all the consultations received via the diverse channels made available to external stakeholders (mainly telephone, electronic mail and forms which are available on the website).

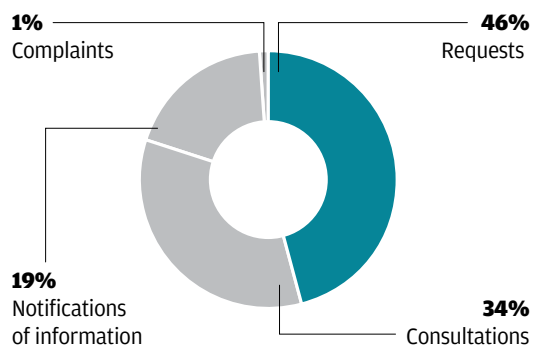
Dígame, put in service by Red Eléctrica in 2008, functions in a coordinated manner with the rest of the specific already available channels in the Company with the ultimate goal of adequately addressing all requests received from external stakeholders.

The ongoing increase in the volume of requests managed requires a major effort in the coordination between the service itself and the other units, both in the training of service operators and in the monitoring and evaluation of its level of quality, among other critical success factors.

In 2012, a revision and improvement project regarding Dígame was carried out. As a starting point, a satisfaction survey of the service was carried out among the units with which it usually collaborates. From the results obtained, together with those of external evaluations (mystery client and audits, primarily), the Dígame 2012-2013 service improvement plan was designed and implemented. Among the 13 actions defined in the plan, noteworthy are the following: updating the contingency plan to provide full coverage of the service, implementation of a programme of meetings with key interlocutors, and the improvement of the dashboard KPIs regarding the monitoring of the quality of service.

The Fundación Juan XXIII, an organisation that works with people with disabilities, currently collaborates with Red Eléctrica in the Dígame service.

Type of solicitudes



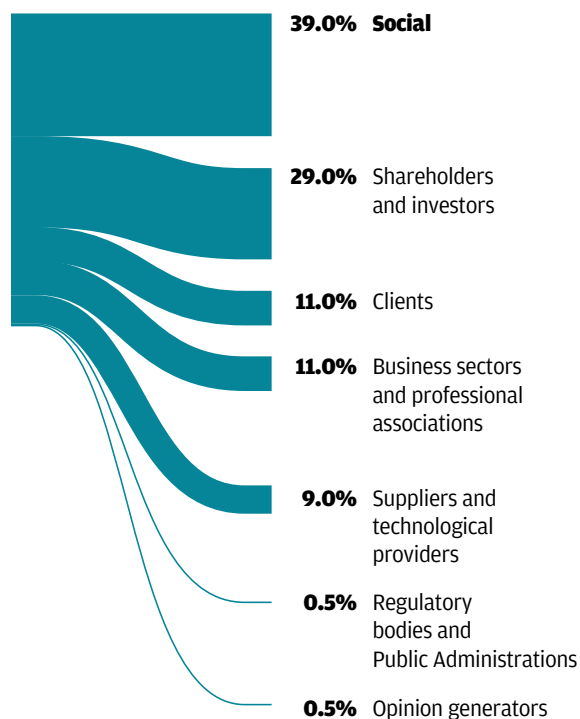
Stakeholder management

(External evaluation)

	2008	2009	2010	2011	2012
Dow Jones Sustainability Indexes (0-100)	70	73	98	98	98
'Dígame' Service was considered best practice by the European Foundation for Quality Management (EFQM) in 2012					

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Stakeholder groups that have used the Dígame service



STAKEHOLDER REQUIREMENTS, EXPECTATIONS AND SATISFACTION STUDIES [4.16]

Since 2000, Red Eléctrica has been identifying the requirements, expectations and satisfaction levels of its stakeholders through systematic studies, including surveys (quantitative analysis) and interviews (qualitative analysis), conducted by an external consultant to ensure confidentiality and validity of the process.

With the results obtained, an analysis is performed that allows specific improvement plans for each stakeholder group to be established.

In 2012, satisfaction studies were conducted on the following external stakeholder groups: minority

shareholders, clients and media. Within the internal scope, numerous studies have been carried out. A working climate study was performed and employees were consulted regarding aspects of the work-life balance model, the internal regulation system, the RH2000 employee attention service, health (risk analysis for diabetes), the Dígame Stakeholder Attention Centre and the outsourcing service of the information systems.

The breakdown of this data by stakeholder group is shown in the chapter, “Committed to Society”.

Global indicators regarding stakeholder satisfaction surveys (Rating 0-10)

	2008	2009	2010	2011	2012
Overall degree of satisfaction	7.7	7.6	7.7	8.1	8.2
Degree of satisfaction of the quality of services	7.6	7.5	7.6	7.9	7.9
Image and reputation	8.3	8.1	8.2	8.2	8.5
Responsible and ethical	8.2	8.1	8.0	7.9	8.1
Development of corporate responsibility	8.0	8.0	7.8	7.5	7.6
Periodic dissemination of information	7.6	7.6	7.8	7.9	7.9

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MONITORING, EVALUATION AND IMPROVEMENT

Internal control of corporate responsibility management

The aim of the evaluation of the corporate responsibility management system is to try to guarantee the efficiency and coherence of the results with the established strategies, objectives and policies, as well as with the commitments that the organisation voluntarily undertakes.

Internally Red Eléctrica counts on a Corporate Responsibility dashboard, 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 the fulfilment of the activities and project programmes.

The corporate responsibility financial statement is a control tool designed to provide a financial statement of the CR activities carried out by Red Eléctrica.

Among the criteria that an action has to fulfil in order to be considered of corporate responsibility is its voluntary nature (which exceeds the legal minimum), its contribution to the long-term sustainability and the improvement of stakeholder relationships, its alignment with the strategy and its innovative nature, among others.

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 underway are those that are in the process of consolidation, whereas the mature ones are already consolidated in the Company's culture and aligned with the day-to-day activities of the business.

The following table includes the economic figures regarding the CR activities, classified by area of action

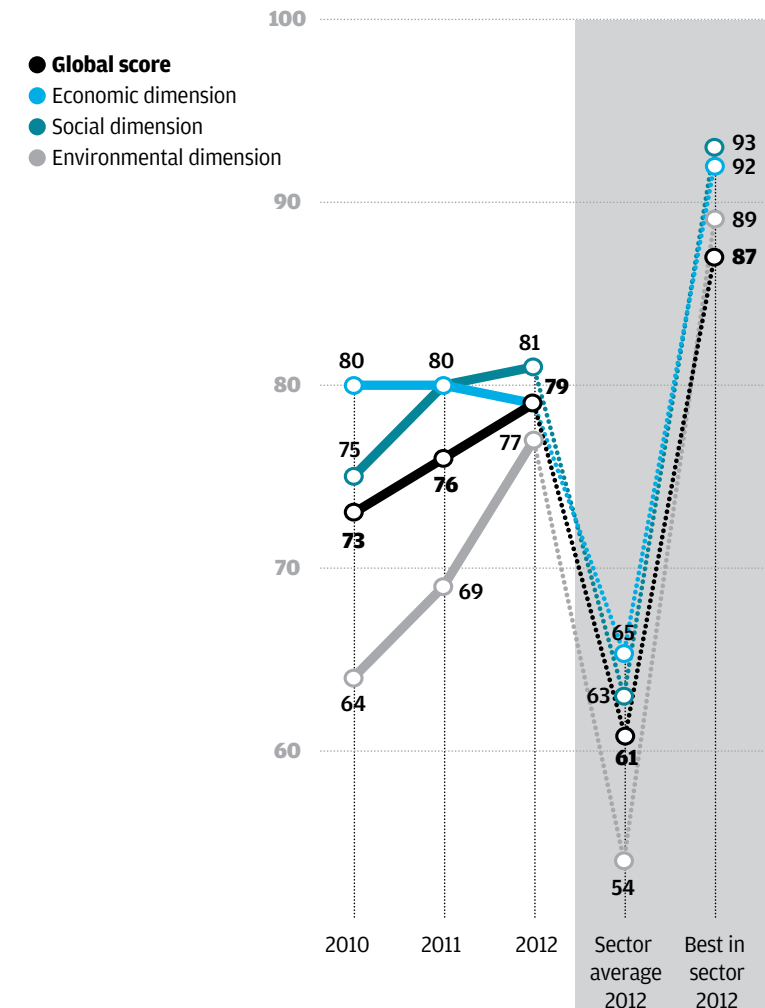
■ Corporate responsibility financial statement summary

(euro)

2012	Structural and corporate governance	Technical-economic	Environmental	Social internal	Social external	Total
Innovative	147,285	5,096,456	0	766,687	0	6,010,429
Underway	85,175	75,972	1,407,196	1,040,240	481,621	3,090,204
Mature	237,634	2,204,708	5,627,309	2,557,493	3,596,381	14,223,525
Total	470,094	7,377,136	7,034,505	4,364,420	4,078,002	23,324,158

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Evolution of Red Eléctrica's rating in the Dow Jones Sustainability Indexes



and by degree of innovation. These amounts include both external and internal costs (calculated based on the average hourly rates and professional group).

In 2012, the total monetary value of the activities amounted to €23.3 million, representing 4.7% of the net profit of the Company. Additionally, the Company has continued to focus its efforts towards the development of a methodology for the assessment and quantification of return (ROI) that

CR management represents, as part of the objective of continuous improvement in terms of measuring and achieving a balance of their performance in corporate responsibility.

Moreover, since 2010, the CR management system has been undergoing regular internal audits. The executive report included in the annex section of this report contains the results of the last audit carried out.

EXTERNAL EVALUATION

The performance level of Red Eléctrica within the scope of corporate responsibility is submitted to continual analysis and evaluation. The results obtained represent one of the main sources of valuable information for learning about management models and their ongoing improvement.

Regarding evaluation by certifying entities, the degree of alignment of the corporate responsibility management systems of the companies of the Group with the international IQNet SR10 standard (Social Responsibility Management System) is evaluated by means of annual audits. Moreover, Red Eléctrica de España has been certified with regard to the SA8000 standard since 2005.

The inclusion of corporate responsibility in the integrated auditing of Red Eléctrica's management systems took place for the first time in 2012, having successfully completed the requirements for both

the renewal of the SR10 certification as well as maintaining the SA8000 Standard.

(Note 1) The international standard IQNet SR10, based on the Spanish RS10 technical specification, which it has substituted since its approval in 2012, establishes the requirements the social responsibility management system must meet. Regarding stakeholders, the SR10 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 corporate responsibility principles in the supply chain), towards competitors, towards the public administration, society and towards the environment.

(Note 2) The contents of the SA8000 standard are based on 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 SA8000 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.








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Recognition and awards [2.10]

Performance regarding corporate responsibility is subjected to analysis by specialised agencies. The following table summarises the evaluation of Red Eléctrica.



Sustainability indexes

	Dow Jones Sustainability World Index	Included in the DJSI World for the seventh successive year, obtaining a score of 79 points.
	FTSE4Good*	Permanence in the index since 2008. Achieved an absolute score of 4.5 out of a maximum of 5, and a relative score of 100 out of a maximum of 100, being ranked as leader in the “utilities” sector.
	FTSE4Good IBEX	Permanence in the index since it was launched in 2008.
	Ethibel Excellence	Included in the index since 2011.
	Aspi Eurozone	Included in the index since 2011.
	STOXX ESG Leaders Indexes	Permanence in the index since 2011.
	Kempen SNS SRI	Permanence in the index since 2004.
	ECPI Ethical Index EMU	During the 2012 fiscal year, Red Eléctrica has been part of the ECPI Ethical EMU Equity index.












Business banks

	Goldman Sachs	Selected among the four best European companies regarding sustainability in 2011, obtaining the maximum score (96/130).
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Corporate responsibility observatories

	CSR Observatory	First position among IBEX 35 companies for the sixth successive year. Pending results of the latest evaluation.
	RSE Observatory	First position among IBEX 35 companies in six editions.

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Reputation monitors


Spanish Corporate Reputation Monitor

Companies: ranked 26th. Most responsible companies: ranked 24th. Leaders: ranked 55th. People: ranked 32nd.

Awards and distinctions


ROBECOSAM Sustainability Awards

Distinction "Bronze Class 2013". REE is among the 9 best companies in the electricity sector.



Oekom

Obtained B "Prime" rating.



Informe Reporta

Red Eléctrica occupied 3rd position in 2012.

*"FTSE Group confirms that Red Eléctrica Corporación has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice."

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EXCHANGE OF BEST PRACTICES AND EXPERIENCES [S05]

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

Corporate Responsibility - best practices

- » CR management system: *Banca Cívica, Transelec.*
- » Stakeholder management system: *Banca Cívica, UPV.*

Corporate Social Responsibility - dissemination and support

- » Ethics Management System: Government Office of Colombia.
- » Multi-year corporate responsibility planning: KPMG.
- » Corporate Responsibility Management System: EOI, AEC, Master at the *Escuela de Ingenieros Valladolid, UIB.*
- » CSR as a springboard platform in crisis situation: *Universidad Rovira y Vigil/Asociación Española de Investigación de la Comunicación.*
- » Assuming responsibility for a sustainable future: EFQM.
- » 'Social capitalism? RSE as a springboard platform

in crisis situations'. *Universidad de Tarragona.*

- » Evolution of corporate management systems: *Colegio de Ingenieros Industriales de Madrid.*
- » 'Managing stakeholders: Dialogue and relationship frameworks'. Corporate responsibility management: *Programa Colombia. Máster Instituto de Empresa.*

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).*

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Working Groups

- » Sustainable Management Committee: *Asociación Española de la Calidad (AEC)*.
- » CTN165 Ethics Plenary Committee: *Asociación Española de Normalización (AENOR)*.
- » Working group AEN/CTN165 GT1 Socially Responsible Financial Products: Requirement for investment products: *Asociación Española de Normalización (AENOR)*.

Participation in studies and publications

- » Catalogue of Energy Efficiency best practices: *Club de Excelencia en Sostenibilidad*.
- » Spain 20.20 TIC (ICT) and sustainability: *Club de Excelencia en Sostenibilidad*.
- » Guide for cultural diversity management in companies: *Club de Excelencia en Sostenibilidad*.
- » Best practices for employment in the rural world: *Red Española de Desarrollo Rural/REE*.

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. Among 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.
- » EEI (Edison Electric Institute).
- » IESOE (Interconexión Eléctrica del Suroeste de Europa). Red Eléctrica holds the position of Secretary.
- » 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.
- » Med-TSO (Association of the TSOs of the Mediterranean basin). Red Eléctrica is founding member.












Future actions

The corporate responsibility programme is developed taking into consideration the requirements identified through external evaluations, benchmarking studies and the available mechanisms of communication with stakeholders, and in accordance with the planning established in the PlanCorp 5x7. In 2013, the new multi-annual planning will be developed, based on the PlanCorp 2008-2012.










































■ Commitment to external initiatives [4.12]

	Initial membership date
Global Compact	2002
Caring for Climate	2007
European Alliance for CSR	2006
Carbon Disclosure Project	2008












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Corporate responsibility programme, 2013

Corporate governance and structural vector	Criticality	Environmental vector	
Review and updating of multi-annual corporate responsibility planning.		Verification of the emission calculation methodology and REE emissions inventory.	
Review and updating of corporate responsibility management system.		Red Eléctrica Forest.	
Carry out a corporate materiality analyses on matters related to human rights.		Energy control systems at work centres (Phase II).	
Update of the Code of Ethics and improvements in its implementation.		Energy audits at work centres (Phase II).	
Knowledge update programme for Board members regarding the Company.		Awareness in energy efficiency based on the demand curve.	
Update of the control mechanisms for the detection and management of legally relevant documentation and information.		Birdlife conservation projects.	
Implementation of the Annual General Meeting audit procedure.		Biotransport project: Biodiversity corridors.	
Amendment of Board Regulation to adapt it to legislative changes in corporate matters, and incorporation of best practices in good governance matters.		Restoration of the Ses Salines coastal sand dunes.	
Adaptation of the Annual Report on Directors' Compensation to best good governance practices.		Actions to be carried out in the S'Albufera Natural Park (Balearic Islands).	
Guide on actions regarding corruption prevention.		EU <i>Life+</i> programme and SEO/BirdLife's <i>Conéctate a la Red Natura</i> .	
Technical-economic vector		Calculation of the ecological footprint of the value chain. Revision of the procedure for critical suppliers.	
TWENTIES: Integration of renewable energies (R&D).		Environmental cost-benefit project of the Spanish peninsula-Majorca interconnection.	
Improvement of the prediction model regarding wind and solar energy produced (R&D).		Implementation of a mobility plan for the Head Office.	
Project CARS (Agile, Responsible and Safe Driving).		Internal social vector	
Participation projects in the definition of European Grid codes.		Training programme on corporate responsibility for employees.	
Improvement of the information provided to sustainability agencies and SRI funds.		Initiatives to raise awareness of the importance of safety and integrity of people in the use of online tools.	
Implementation of the billing portal for suppliers.		Promotion of sports activities to foster the integration of employees outside the workplace.	
Development and implementation of an anti-fraud system for financial reporting within the Internal Control System for Financial Reporting.		Dissemination and awareness campaign of the new elements of ethical management.	
Development of a corporate model for monitoring of suppliers.		Actions to promote the employment of people with disabilities.	
Study and definition of 'local purchases' concept for Red Eléctrica.		Actions for prevention and health promotion.	
Analysis and improvement of corporate process for claims management.		Advancement in work-life balance measures.	
Implementation of the 2013-2014 client improvement action plan.			

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Improvement projects in the area of job security. • Design communication and awareness elements regarding electrical hazards associated with medium voltage systems. • Development of an occupational health and safety dashboard to improve monitoring of accident rates for both Company employees and suppliers.	
Design and implementation of new equality indicators.	
External social vector	
Relationship protocol with municipalities.	
Support for local and regional communities through collaborative projects with municipalities that reflect the corporate commitment to social and environmental problems.	
Design of a strategic communication plan regarding sustainability.	
Redesign and development of a new corporate website (2012-2013).	
Educational project, "A highway behind the wall socket", Seville.	
Stakeholder satisfaction surveys.	
Implementation of improvement plan for Dígame service.	
Corporate volunteering projects.	

Criticality:  Critical  Convenient  Complementary

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4

QUALITY, EFFICIENT MANAGEMENT AND SUSTAINABLE DEVELOPMENT

We work towards making
the challenge of a sustainable
energy model a reality



GRI indicators reported
on within
this chapter:
EU4, EU6, EU7, EU8,
EU10, EU23, EU28, EU29,
EC1, EC4, EC6, EC9.



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Global challenges

- » Quality and security of supply.
- » Reduction in energy dependence.
- » Energy saving and efficiency.
- » Promotion of renewable energies.
- » Development of the internal energy market.
- » Development of interconnections.
- » Reduction of emissions.

Our response to these challenges

- » 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.
- » Fostering demand-side management measures.
- » Smart grids and solutions for electric vehicles.
- » Participation in important projects regarding supranational supergrids.
- » Technological innovation.

Electricity has become the energy vector of the 21st century.

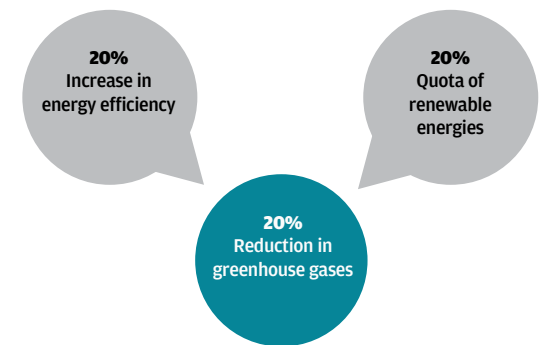
The technological development of its new uses makes it ever more present in our day-to-day lives and better tailored to the needs of developed societies. Furthermore, due to the diversity of primary energies and technologies that allow its generation, electricity represents the key element to progress towards a more sustainable energy model.

THE PILLARS OF THE ENERGY POLICY at a European level are based on competition through the development of a single market and on sustainability through energy efficiency, utilisation of renewable energies and innovation, resulting in the commitment known as 20/20/20. These energy objectives respond to the need for reducing dependence on foreign energy and meeting the challenge of fighting climate change.

Electricity grids are the essential elements that facilitate the achievement of these commitments. It will be necessary to develop large supranational grids that are highly interconnected, which can guarantee the stability of the electricity supply in systems with increased penetration of renewable energies.

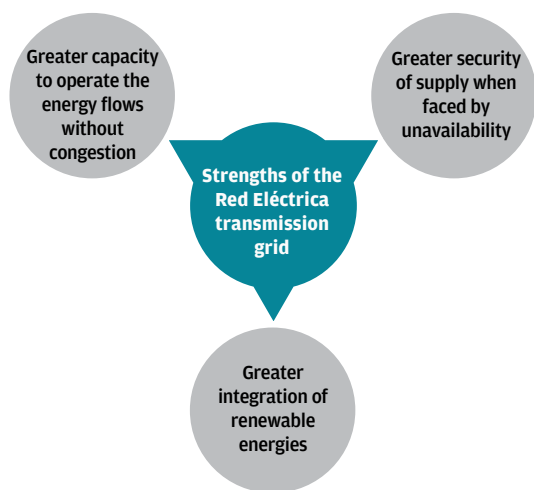
Red Eléctrica is successfully contributing to the realisation of this challenge. Thus, during 2012, we continued investing in the development of electricity infrastructure, in as far as possible making them compatible with the environment, and implementing new technical operating solutions. These will allow renewable energies to be taken greater advantage of and will provide a more efficient operation of the electricity system.

■ Pillars of the energy policy for 2020



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■ Strengths of REE's transmission grid



QUALITY AND SECURITY OF ELECTRICITY SUPPLY [EU6]

Red Eléctrica, as transmission agent and system operator, is responsible for contributing to making energy policy objectives viable with regard to a secure, efficient and sustainable electricity supply.

We are thus working on developing a transmission grid that is ever more meshed, robust and better interconnected with our neighbouring countries, so that it can provide greater transmission capacity and the highest level of quality of service to all consumers.

Planning the transmission grid [EU10-EU23]

Current energy planning is reflected in the document “Planning for the energy and gas sectors, 2008-2016. Development of the transmission grids,” approved by the Council of Ministers in May 2008; and in the annual programmes of November 2010 (ITC Order 2906/2010) and of January 2013 (the resolution of 27 December 2012).

In December 2009, Red Eléctrica, as the operator of the system and manager of the transmission grid, requested the start of a new planning process from what was then the Ministry of Industry, Tourism and Commerce (MITYC).

This process, begun in 2010, was suspended by Royal Decree Law 13/2012, which in its Article 10, “Planning of the electrical energy transmission grid,” which requests a new proposal for the transmission grid, separate from the process reflected in Royal Decree 1955/2000:

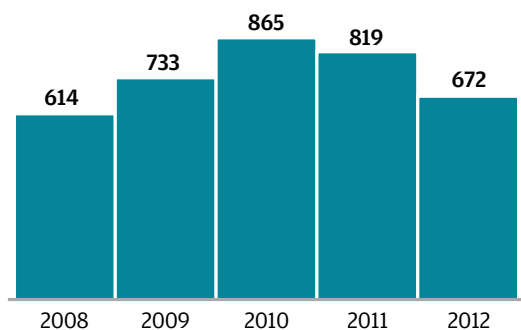
“The System Operator will submit to the Ministry of Industry, Energy and Tourism, before 30 June 2012, a proposal for planning of the transmission grid, based on the current macroeconomic scenario and the most probable forecast and the expected development of demand and generation, both in the ordinary regime and the special regime. The proposal submitted will have among its objectives the minimisation of costs in transmission activity and in the electricity system as a whole.” In accordance with said Royal Decree, Red Eléctrica sent to the Ministry, on 29 June 2012, the document entitled “Planning in the electrical energy transmission grid for the period 2013-2022”.

On 5 December 2012, through the publication in the BOE (Official State Gazette) of IET Order 2598/2012, a new planning process was initiated for the 2014-2020 horizon and the processes begun previously were abandoned.

The aforementioned Royal Decree Law 13/2012, Article 10, Points 2 to 4, suspends the concession of administrative approvals, the issuance of favourable reports, in the case of transmission facilities authorised by autonomous communities, and actions that are unnecessary for international connection. All these suspensions will remain in effect until a new planning is approved. However, administrative authorisation could be granted, on an exceptional basis, to those facilities that could pose an imminent risk to the security of supply, or a negative economic impact on the electricity system should they not be constructed.

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Investment in the transmission grid
(million euro)



In this context, the actions planned to increase exchange capacities with France and Portugal are considered priority and are continuing as planned.

Transmission grid development [EU4]

In 2012, the investment efforts of Red Eléctrica continued to focus on the development and structural strengthening of the transmission grid. This grid strengthening, in addition to improving security of supply, is also helping to integrate renewable energies and to provide an efficient functioning of the electricity market and foster competition within it.

In this fiscal year, 860 kilometres of new lines and 188 new substation bays were put into service. Additionally, transformer capacity was increased by 4,820 MVA.

During 2012, the most significant actions carried out regarding the transmission grid, per geographical area, were the following:

- » **Northern zone.** In order to strengthen the transmission grid in Asturias, Cantabria and the Basque Country, construction has continued on the northern axis. The Cicero 220 kV substation was put into service and the enlargement of the Vitoria 400/200 kV substation took place as part of the developments for the high-speed train.
- » **Galicia.** Grid meshing work continued in the region. During 2012, the principal axis of the connection with Castile and Leon, consisting of the Trives-Aparecida and the Aparecida-Tordesillas (400 kV) lines, was put into service.

» **Catalonia.** Strengthening of the transmission grid has continued with 27 switchgear bays of 220 kV being put into service at the Gramanet, Palau and La Espluga substations and several existing substations were enlarged.

» **Aragon.** This year, the Calamocha-Mezquita service line was put into service, to improve the meshing of the transmission grid and to support distribution in the Teruel area, as well as to facilitate the development of the high-speed train. The Fuendetodos-Maria line was also put into service, to reinforce the meshing of the transmission grid in south and central Aragon.

» **Central zone and Extremadura.** Construction work is very advanced on the 400 kV Tordesillas-Galapagar-S.S. Reyes axis, to improve the meshing between the communities of Castile and Leon and Madrid. The Castile and Leon section is finished and work is continuing in the Community of Madrid.

» **Andalusia.** Progress has been made on the supporting works for the 220 kV grid in the Seville area, from the 400 kV grid. Additionally, the Tabernas-Benahadux line was put into service and at the end of the year, the Caparacena-Fargue line. Together, they account for more than 100 kilometres of circuit.

» **Levante.** Activities to strengthen the grid in this area have continued, with the commissioning of the new Catada-Valle Del Carcer, Bernat-Valldigna

More info
Video: 'New electricity line between Spain and France: a key infrastructure and technological challenge'.



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THE NEW INTERCONNECTION with France will double the exchange capacity from 1,400 to 2,800 megawatts

Characteristics of the interconnection project with France

- » This is a 400 kV direct current line that will increase the exchange capacity from 1,400 to 2,800 megawatts.
- » With a length of 65 kilometres, it will be entirely buried through means of a trench system and its chosen route will make use of existing infrastructure whenever possible.
- » Two converter substations are to be constructed, one at each end of the line: Santa Llogaia (Spain) and Baixas (France), through which the transformation from direct to continuous current shall be carried out, and vice versa. Construction work on these substations is underway and the civil works have been completed.
- » A tunnel (8.5 km long and 3.5 metres in diameter) will house the cables in the stretch that crosses the Pyrenees. To date, 47% of the route has been completed.

and Bernat-Catadau lines, along with the new substations at Sax, Bernat, Peñarubia and Santa Pola, as well as the enlargements of Catadaui and Carril.

- » **Balearic and Canary Islands.** Work continued on the reinforcement of the transmission grid meshing to improve safety and quality of electricity supply on the Islands.

Spanish peninsula-Balearic Islands electricity interconnection

The electricity interconnection between the Spanish peninsula and the Balearic Islands, after an exhaustive testing stage, has, since August 2012, been running under normal operation. The Iberian system provides the equivalent of 15% of the electricity consumed in the Islands and improves the reliability of electricity supply of the Balearic Islands' system.

In the first months of full operation, the electricity link has already demonstrated, on various occasions, its effectiveness in stabilising the Balearic Islands electricity grid when faced with incidents, such as on 30 August, 13 September and 14 November 2012. ON these days, storms on the island of Majorca triggered faults in different lines, causing frequency variations that were offset thanks to the interconnection with the peninsula.

International interconnections

For an efficient operation of the Spanish electricity system, it is essential to strengthen international

interconnections. Having a greater electricity exchange capacity with our neighbouring countries provides greater security of supply and a better use of renewable energy.

In the case of Spain, the need for investment to strengthen interconnections is very important, as we have a very limited degree of interconnection with Europe. In this regard, strengthening interconnections and, in particular, the new interconnection line with France is the top priority in the development of the transmission grid.

New interconnection with France

This new interconnection axis will double the existing capacity of electricity exchange between Spain and France, which will result in greater security and stability of the two electricity systems.

The interconnection is a project which has been declared of European interest and is funded by the European programme EEPR (European Energy Program for Recovery). The new line, whose commissioning is scheduled for 2014, will be the first European grid interconnection to have been put in service in 30 years.

During 2012, all the necessary permits and administrative proceedings required for the project were completed, and work has continued to advance on the construction of the line.

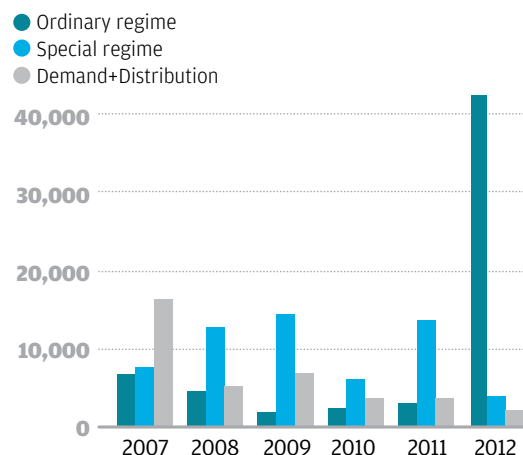
Interconnection with Portugal

During 2012, work progressed on the southern axis (Andalusia), which is scheduled for commissioning

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■ Transmission grid access requests received

(MW/MVA)



■ Service quality indicators [EU28, EU29]

	2008	2009	2010	2011	2012
Grid availability (%)	98.08	98.04	97.93	97.72	97.78
Energy Not Supplied (ENS) (MWh)	574	437	1,552	259	113
Average Interruption Time (AIT) (minutes)	1.147	0.914	3.135	0.535	0.238

during 2013. At the same time, the administrative proceedings continued for the new northern interconnection (Galicia-Oporto). With these interconnections the objective of reaching a commercial exchange capacity with the neighbouring country of 3,000 MW continues to be the aim.

Transmission grid access

During 2012, Red Eléctrica continued to manage the procedures for access and connection to the transmission grid (and to assess the acceptability of access to the distribution grid), with transparency and equality for agents planning to

incorporate facilities into the electricity system: generators and distributors and consumers.

In 2012, there was a decrease in the total number of requests received (but not in associated power), amounting to a total of 206 access requests for direct connection to the transmission grid.

Demands for access (distributors and consumers) from new projects has been moderate compared to recent years, although numerous revisions of previously initiated access requests (particularly with regard to changes in conditions of consumption) have been incorporated.

■ Peninsular and extra-peninsular transmission grids [2.8, EU4]

	2008	2009	2010	2011	2012
Km of circuit (400 kV)	17,727	18,019	18,792	19,671	20,104
Km of circuit (220 kV)	16,600	16,732	17,565	18,412	18,836
Km of circuit (150-132-110 kV)	75	75	280	295	295
Km of circuit (<110 kV)			1,991	1,991	1,994
Total km of circuit	34,402	34,825	38,629	40,369	41,229
Substation bays (400 kV)	1,057	1,118	1,189	1,253	1,319
Substation bays (220 kV)	2,113	2,280	2,662	2,819	2,941
Substation bays (150-132-110 kV)	4	4	47	52	52
Substation bays (<110 kV)			723	741	741
Total substation bays	3,174	3,402	4,621	4,865	5,053
Transformer capacity (MVA)	62,772	65,547	71,170	73,220	78,050

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2012 [EU4]
Overhead lines
 39,886 km
Submarine cable
 602 km
Underground cable
 741 km

Regarding access for special regime generation (both for connection to the distribution network as well as the transmission grid), there has been a moderate increase in the number of access requests as well as associated power in recent years as a consequence of the current regulatory environment. However, the management level associated with the incorporation of revisions of access requests filed and initiated in previous years is maintained.

Objectives of the MAR project

- » Adapt the grid infrastructure of the Islands to the quality standard on the Spanish peninsula.
- » Address the deficiencies of the existing transmission grid.
- » Integrate the assets acquired into Red Eléctrica's control systems.
- » Apply a specific maintenance plan for the improvement of the transmission grid.

The most significant aspect in 2012 was the increase of access requests in the scope of the ordinary regime, mainly due to the appearance of large photovoltaic power stations. Thus in 2012, there were 144 access requests received (more than 10 times the number received in 2011), totalling 42,410 MW for facilities with direct connection to the transmission grid.

acquired from the electricity companies, especially those on the Islands, to the Company's quality standards, Red Eléctrica is carrying out an ambitious plan, begun in 2011, to modernise and improve the facilities.

SERVICE QUALITY OF FACILITIES [EU28]

The quality service indicators during 2012 showed a notably higher performance regarding the figures of last year. In this sense, the global indicators regarding continuity of supply (ENS and AIT) show a high level of quality in the service supplied provided by the facilities, registering values lower than those of previous years as well as 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.

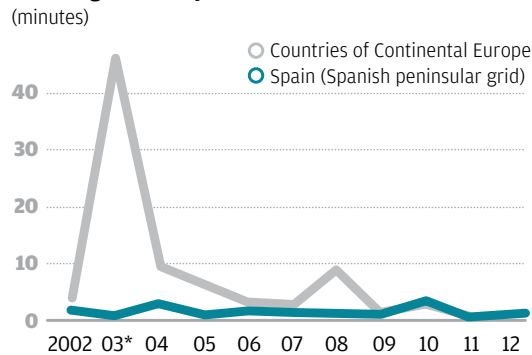
This project represents a programme of actions to be carried out in the period 2011-2015, with an estimated budget of 132 million euros in the Canary Islands and 160 million in the Balearic Islands.

It should be emphasised that in the Canary Islands in 2012, thanks to the intense work done on the maintenance and renewal of the transmission grid, the quality of supply indexes has been stabilised at values well below the average registered in previous years despite the high number of disconnections carried out. New adjustments, resulting from the coordination study of the protection systems of the Tenerife electricity system, have also been implemented, significantly improving reliability when confronted by incidents.

MAR Project (Mejora de Activos de Red - Grid Asset Improvements)

With the aim of adapting the integration of the assets

Average Interruption Time (AIT)

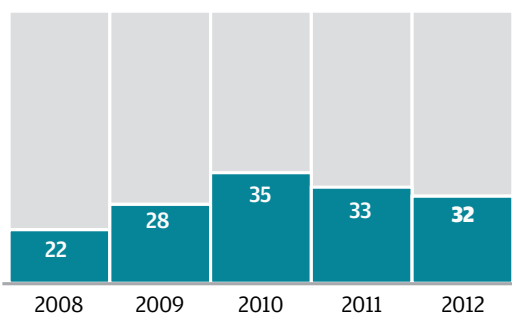


TIM = ENS/Average power of the system. * Includes power outage occurred in Italy in September 2003. Source: ENTSO-E, Spain REE

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■ Demand coverage by renewables

(%)



INTEGRATION OF RENEWABLES

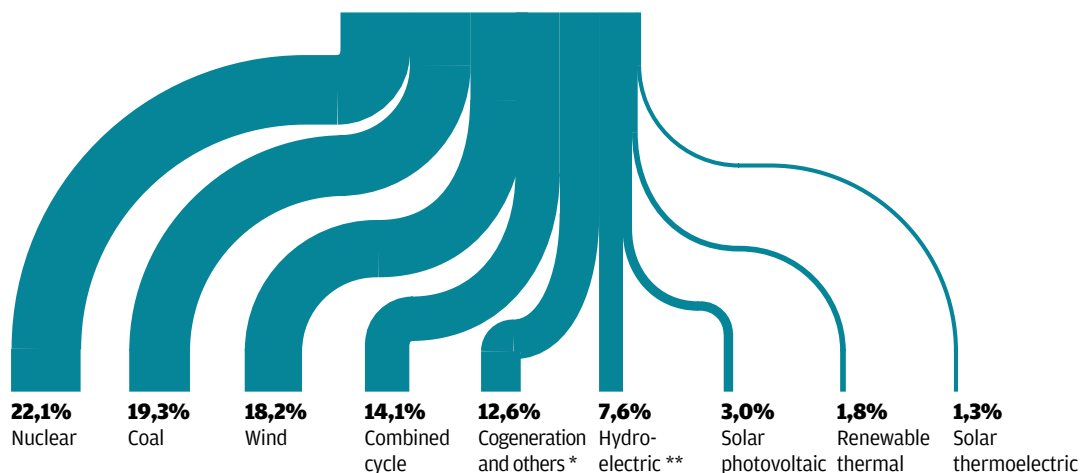
Red Eléctrica, following the path initiated in previous years, has continued to work in order to achieve increasingly better integration of renewable energy into the electricity system, reducing CO₂ emissions into the atmosphere and allowing the coverage of demand to be performed with intermittent energies without the security and quality of supply being affected.

The CECRE (Control Centre of Renewable Energies) continues to be a pioneer and world reference in the monitoring and control of renewable energy. Its functioning has made it possible for renewable energies to have represented 32% of the overall energy production in the peninsular electricity system in 2012.

For yet another year, the important role of wind power generation must be mentioned; its contribution surpassed all-time records: 64% of the demand coverage on 24 September; and 16,636 MW of instantaneous wind power reached on 18 April. The annual production of wind power represented almost 18%, which places this technology in third place in terms of participation of the different types of energy in demand coverage, only behind nuclear energy and just behind coal. Also, in the months of November and December, wind generation was the technology with the greatest contribution to total energy production in the Spanish peninsular system, reaching 21.3% and 23.9%, respectively.

■ Electricity demand coverage in 2012 (Generation mix)

(%)



* Includes fuel/gas and non-renewable thermal.

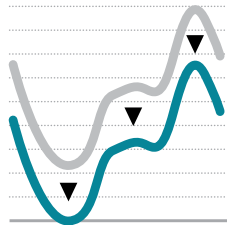
** Includes hydroelectric from ordinary and special regime. Excludes pumped storage generation.

Additionally, in 2012, with the aim of achieving a greater participation of the special regime in demand coverage, manageability tests were performed that allow special regime facilities that successfully pass to obtain the “manageable” accreditation. After completion of the aforementioned tests, manageable power on the Spanish peninsula electricity system was increased by 1,008 MW.

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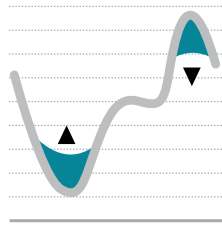
■ Demand-side management strategies

(Daily electricity consumption profile)



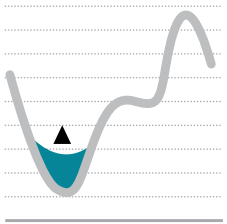
1 Reduction in consumption

- Improvements in the efficiency of equipment and processes
- Energy saving awareness



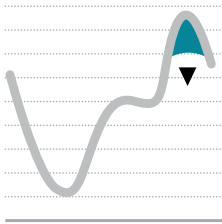
2 Displacement of consumption from peak hours to valley hours

- Hourly discrimination
- Active participation of demand in the markets



3 Filling valleys

- Pumped storage
- Future energy storage technologies
- Electric vehicles



4 Reduction in consumption during peak hours of the system

- Interruptibility service
- Automatic load management

ENERGY EFFICIENCY AND DEMAND-SIDE MANAGEMENT [EU7]

In Red Eléctrica we continue to work actively in the development and dissemination of demand-side management measures aimed at making the sustainable targets, set by the European Union in its energy strategy for 2020, viable.

In this regard, the demand-side management initiatives are aimed at promoting the sustainable use of energy in order to contribute to the reduction of pollutant emissions, integration of renewable energy and a greater efficiency for the electricity system as a whole.

Among these initiatives, noteworthy are those measures aimed at achieving a more balanced consumption profile, in order to flatten the demand curve and facilitate greater flexibility in demand.

Smart grid

The electricity system as a whole must evolve in order to respond to the challenges posed regarding greater flexibility in electricity supply, as well as a change in the traditional train of thought whereby electricity is not just a product which is consumed, but more importantly that all participants in the system 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 of success in responding to these challenges.

During 2012, Red Eléctrica took part in several initiatives carried out in this area. On the one hand,

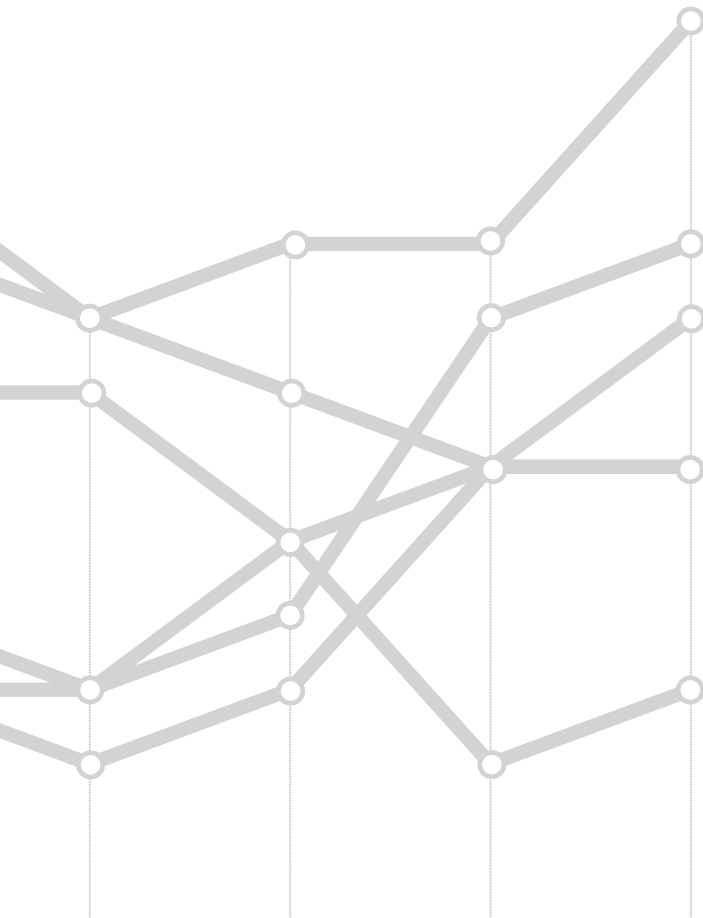
it was part of a working group regarding the smart grid, managed by the National Energy Commission, along with the main participants of the sector. In this group, Red Eléctrica contributed to the consensus of the national electricity sector about the move towards the intelligent grid of the future, providing the system operator's viewpoint. On the other hand, the Company was also appointed representative of ENTSO-E in the European Commission's working group on smart grids (Smart Grid Task Force), specifically in the group of experts that has drawn up regulatory recommendations for the European Commission itself.

Furthermore, in this context of evolution towards the smart grid, Red Eléctrica continues to research and develop new models and technologies that enable the rapid incorporation of demand-side management measures in the electricity sector.

Noteworthy during 2012 was the **AGREGA Project**, led by Red Eléctrica, with the participation of the Basque energy entity, EVE (*Ente Vasco de la Energía*). This project aims to carry out a pilot experience that shows the technical possibility of having a product to respond to demand through the aggregation of consumption in the medium-sized industry sector and which could be used in an efficient, reliable and simple manner by the system operator, in a competitive market context.

In the area of residential demand, Red Eléctrica is one of the partners in the consortium carrying

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out the PRICE Project, which seeks to make a demonstration of the smart grid in *el corredor del Henares* (an area near Madrid). This project involves the installation of 200,000 smart meters. Its final goal is to develop a standard solution which assures the optimal integration of the electricity generation distributed, the demand, renewable energy, and the introduction of the electric vehicle in a generalised manner.

Finally, in the context of the demand-side management agreement of the International Energy Agency, Red Eléctrica has participated in several areas of research, in which the following have been analysed: “Standardisation of error savings calculations”, “Competitive energy services” and “Integration of distributed generation energy sources”.

Monitoring demand in industrial and service sectors

During 2012, in the area of improving knowledge regarding electricity demand, Red Eléctrica has given continuation to the system, initiated in 2009, for monitoring demand in the industrial and service sectors, broken down by activities. This system provides hourly information of more than 35% of the total demand, which makes it possible to have a relatively precise estimation of the behaviour of the different sectors of activity. Additionally, it represents an efficient tool to analyse demand performance in exceptional and one-off situations.

Interruptibility service

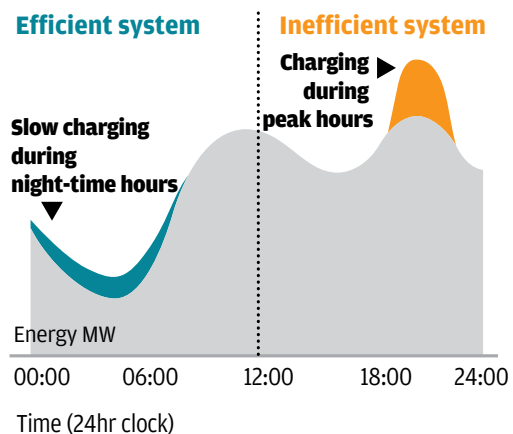
The demand-side management interruptibility service, provided by large industrial consumers that comply with regulatory requirements and have a contract formalised with Red Eléctrica, consists of the reduction of energy demanded from the grid at the request of the System Operator in accordance with pre-established values. At the start of the electricity season, on 1 November 2012, the System Operator had 146 consumers that provided the service, 132 of them in the peninsular system, 13 on the Canary Islands and one in the Balearic Islands, for a total interruptible power of between 2,000 MW and 3,600 MW.

During 2012, Red Eléctrica continued its commitment to continuous improvement in the management of the interruptibility service and in communications with the providers of this service by means of the development and launching of the Interruptibility Service Continuous Improvement Plan. Specifically, this plan has consolidated a stable relationship framework with the associations representing providers of this service: the Association of Large Energy Consumers (AEGE) and *Grup de Gestors Energetics de Catalunya* (GGE).

For 2013, one of the challenges is the implementation of demonstration projects in collaboration with industrial demand that will generate knowledge about how demand-side capabilities can enable a greater participation in the services of the system operation.

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Diagram of the charging system for electric vehicles



Profiling services

At present, the majority of the households in our country do not have smart meters and, as a result, they do not have hourly measurement. However, in the electricity market all energy is charged on an hourly basis.

For that reason, it is necessary to estimate the behaviour, on an hourly basis, of those consumers who do not have hourly measurement. To make this estimation, the so-called “settlement profiles” are used. They assign a behaviour type to demand, depending on the power contracted and the voltage levels (access tariffs).

Since 2011, following the mandate of the Ministry of Industry, Energy and Tourism, Red Eléctrica draws up these settlement profiles, which are used as a reference to settle in the market the energy used by consumers who still do not have smart meters reporting on an hourly basis. In compliance with this mandate, Red Eléctrica has drawn up a proposal of profiles to be used during 2013.

Electric vehicles

The introduction of electric vehicles will represent a substantial change in the patterns of mobility for our society. Moreover, it can become an ally to operate the system more efficiently, facilitating the integration of renewable energies, if and when the charging takes place in valley hours.

To improve the efficiency of the electricity system, it is very important that the electricity demand shifts to the hours of less consumption (valley hours), and that is when the slow charging during night-time hours of the electric cars can play a key role in the flattening of the demand curve.

Within this field, during 2012, Red Eléctrica participated in several projects and initiatives related to the introduction of electric vehicles, such as the **DOMOCELL project** or the **CENIT VERDE project**. Additionally, it also takes an active role in various working groups and dissemination initiatives in order to prepare the system operation for the introduction of this new type of demand.

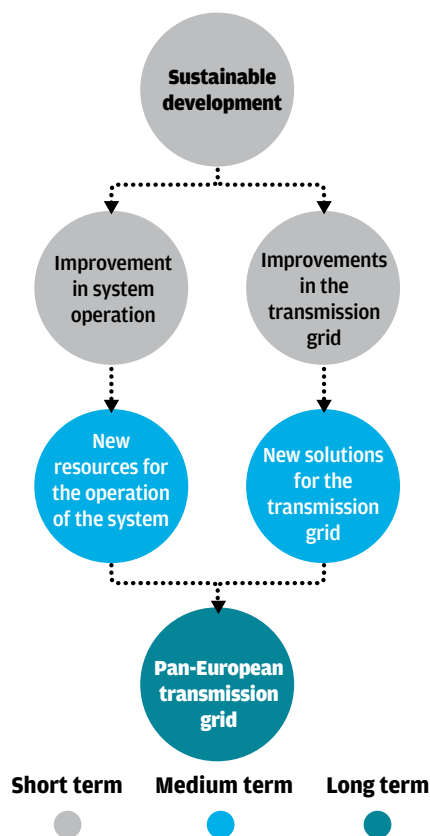
Other activities

Red Eléctrica has participated in 2012 in the Association of Large Electric Operators Association (GO15), a voluntary initiative made up of the largest power grid operators, which represents over 60% of electricity demand in the world.

The vision shared by all participants in the GO15 initiative consists of undertaking leadership and acting as a catalyst in the transition of the electricity sector towards the electricity grid of the 21st century. Specifically, with respect to demand-side management actions, of note is the participation in the joint project regarding plug-in electric vehicles (*Proyecto Conjunto Sobre Vehículos Eléctricos Enchufables*).

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Key actions



TECHNOLOGICAL DEVELOPMENT AND INNOVATION [EU8-EC9]

In 2012, the implementation of the Innovation and Technology Development Plan commenced, whose main objective is to establish the framework for action of the technology strategy of Red Eléctrica for the period 2012-2016. The key actions into which this plan is divided for the coming years are those that appear in the “Key actions” graph:

The plan also aims to represent a qualitative leap in the dissemination of R&D+I activities, both internally and with regard to the relevant participants at national and European level.

In the international arena, of note is the Company's participation in ENTSO-E's Research and Innovation Roadmap 2013-2022, which establishes the technological strategy of the European TSOs to meet

the goals of the European Union's energy policy (20/20/20), as well as the Implementation Plan 2014-2016, which sets out the technological actions that should be taken in the next three years within the framework of this plan. Also during 2012, the first monitoring report was published in which compliance with the plan was evaluated. Work is also well advanced on a document for defining the indicators that measure the contribution of R&D+i in achieving the energy policy goals of the European Union.

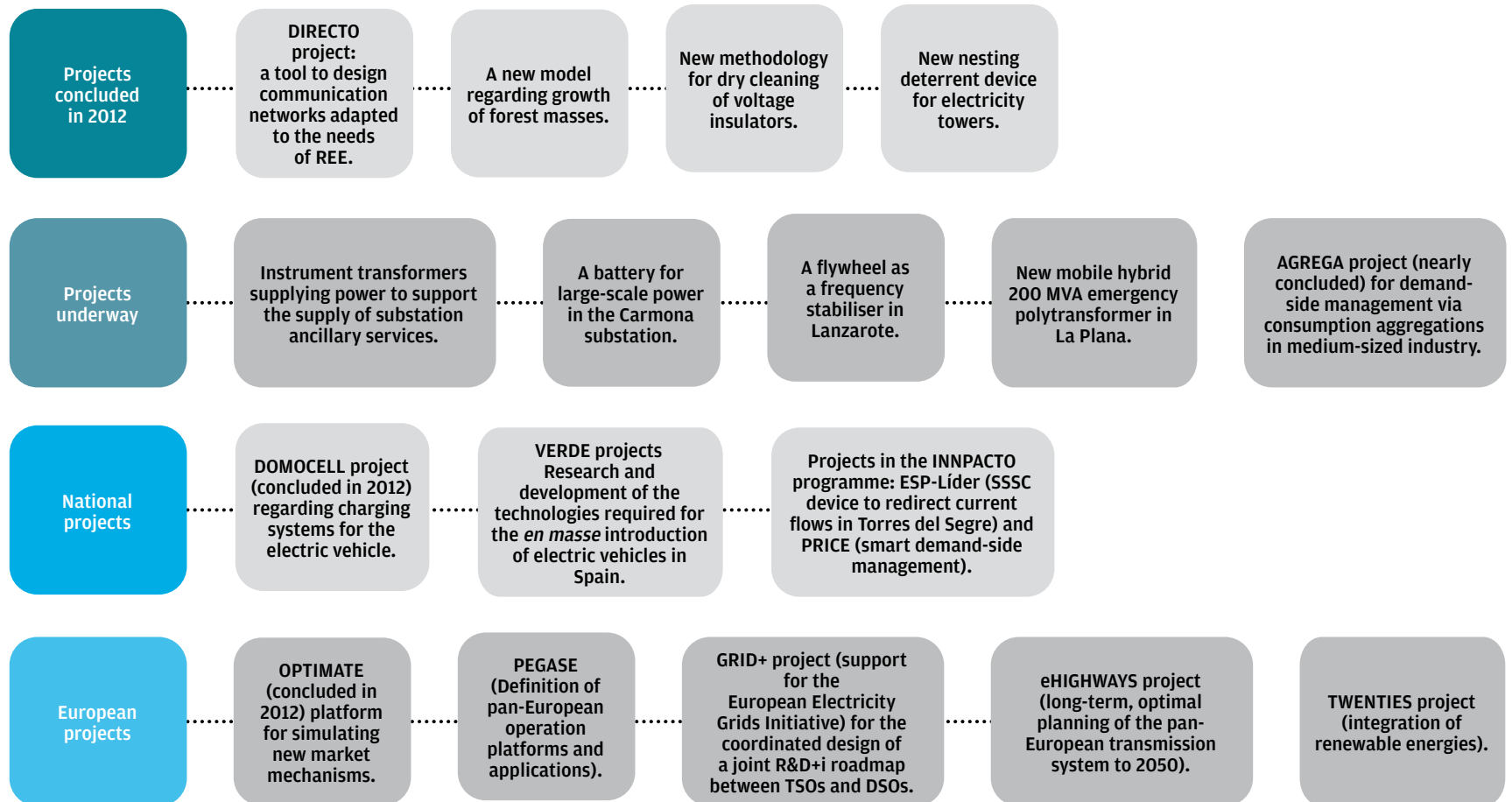
As regards resource allocation, during 2012, a total of 168 technicians collaborated on the R&D+i projects, 10.2% of the Red Eléctrica workforce, dedicating 38,121 hours of work to them. Of these people, 26 are women (15.5%). The cost of the projects is reflected in the following chart.

Cost of projects

	2008	2009	2010	2011	2012
Expenditure on R&D+i (million euro)	7.01	6.78	5.02	7.22	7.64
% of regulated income	0.66	0.61	0.39	0.47	0.46
Number of projects	62	64	64	56	50

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Relevant R&D+i projects



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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 regarding the integration of renewable energies, and especially, in wind power, both offshore as well as large onshore wind farms.

The common pattern of such technologies is that, having practically completed the research and development stage, 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, which 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. Among the 26 partners involved, noteworthy are the TSOs of Belgium (ELIA), Denmark (ENERGINET.DK), France (RTE), Holland (Tennet) and one of the four German TSOs (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 installed in the Magallón substation, which can vary the direction of current flow in an electricity line, in order to accommodate more renewable energy from a given area.

- A RTTR (Real Time Thermal Rating) system for continuous temperature monitoring of the María-Fuendetodos line to determine in real time the transmission capacity of the electricity line based on its real temperature.

More information about the objectives and development of this project can be found on its website:
<http://www.twenties-project.eu>.



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CREATING VALUE FOR OUR STAKEHOLDERS

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

In 2012, Red Eléctrica has been able to show stable growth. The Company achieved sound results, and an important strengthening of its main solvency ratios.

Evolution of the main financial highlights

Consolidated net revenue grew by 7.2% to just over 1.755 billion euros, mainly due to revenues associated with assets commissioned in 2011 and offset by 45 million euros as result of the impact of the measures outlined in the Royal Decree Law 20/2012 of 13 July (which determines that the remuneration of transmission assets in service not amortised will be based on their net worth), and due to the deconsolidation of TDE from the Group following its expropriation.

The **gross operating result (EBITDA)** reached just over 1.299 billion euros, signifying a growth of 6.9% with regard to 2011, reasonably in line with the consolidated net revenue, which demonstrates Red Eléctrica's commitment towards efficiency.

The **after tax result for the year** grew to 492.3 million euros which represented an increase of 6.9% on that achieved during the previous fiscal year.

Investments carried out by the Group during the 2012 fiscal year reached 705.8 million euros. Of these investments, 671.6 million euros correspond to the development of the national transmission grid.

The **net financial debt** of the Red Eléctrica Group as at 31 December 2012 reached just over 4.872 billion euros. Regarding the interest rate, 87% of the net debt of the Group is fixed rate, whereas the remaining 13 % is variable rate.

The **net equity** of the Red Eléctrica Group reached just over 1.991 billion euros, as at 31 December 2012, representing an increase of 9.8% with respect to 2011. This increase is due mainly to the results obtained during the fiscal year partly compensated by the distribution of the 2011 results and the interim dividend corresponding to 2012.

On the other hand, as at 31 December, 2012, the credit ratings awarded by Moody's and Standard & Poor's stood at Baa2 and BBB, respectively.

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Economic value generated and distributed [EC1]

This indicator, calculated according to GRI (Global Reporting Initiative) methodology, collates the generation of economic value of the Red Eléctrica Group and its distribution among the various stakeholders.

■ Economic value generated and distributed (Group)

(million euro)

	2008	2009	2010	2011	2012
Economic value generated	1,160.7	1,239.2	1,441.9	1,677.6	1,802.0
Consolidated net revenue	1,125.9	1,200.1	1,397.3	1,637.3	1,755.3
Other net incomes and losses ⁽¹⁾	34.8	39.1	44.6	40.3	46.7
Economic value distributed to stakeholders	(792.2)	(798.6)	(981.6)	(1,133.9)	(1,177.6)
Employees: personnel costs	(93.9)	(104.2)	(112.7)	(128.8)	(129.1)
Company: tax on earnings ⁽⁵⁾	(128.9)	(130.7)	(170.3)	(223.4)	(188.4)
Investment in the community	(2.7)	(2.1)	(7.5)	(8.4)	(4.1)
Suppliers: other operating expenses ⁽²⁾	(283.8)	(277.3)	(308.4)	(312.9)	(355.4)
Shareholders: dividends ⁽³⁾	(172.8)	(199.8)	(253.6)	(299.3)	(319.9)
Other capital providers: net financial costs	(110.1)	(84.5)	(129.1)	(161.1)	(180.7)
Economic value retained	368.5	440.6	460.3	543.7	624.4
Reserves	113.3	130.6	136.6	161	172.4
Amortisation and depreciation ⁽⁴⁾	255.2	310	323.7	382.7	452.0

Note: Data obtained from Consolidated Annual Accounts.

(1) Includes other operating income/net results obtained via equity method/results from divestment 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) Procurements and other operating costs (excluding investments in the community).

(3) Includes the interim dividend and complementary dividend.

(4) Includes amortisation/depreciation (includes mainly provisions for deterioration in asset value).

(5) In 2012, the effective tax rate was 27.7%, compared with 32.7% recorded the previous year.

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■ Indirect economic impacts

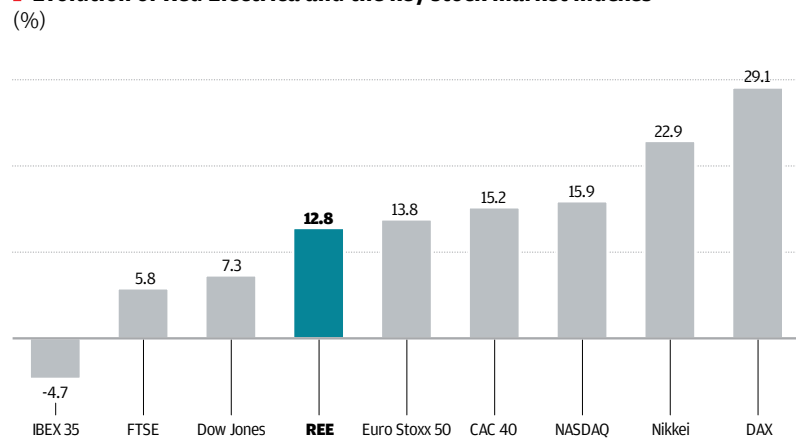
(million euro)

	2008	2009	2010	2011	2012
Shareholders					
Dividend per share (euro)	1.2797	1.4781	1.8751	2.2124	2.3651
Dividend over net consolidated profit (payout) (%)	60.5	60.5	65.0	65.0	65.0
Clients (Group)					
Net revenue	1,125.9	1,200.1	1,397.3	1,637.3	1,755.3
Total investments	635.1	758.7	2,308.8	844.3	705.8
Suppliers (purchases)⁽¹⁾ [EC6]					
REE Spain	902	687	781	1,371	670
Employees (Group)					
Total salary expenses ⁽²⁾	93.9	104.2	112.7	128.8	129.1
Capital providers (Group)					
Financial expenses	117.2	91.2	104.3	155.3	172.8
Reserves	1,066.0	1,168.6	1,352.3	1,541.3	1,716.6
Company (Group)					
Tax on earnings	128.9	130.7	170.3	223.4	188.4
Subsidies ⁽³⁾ [EC4]	12.9	13.7	18.4	11.4	12.6
Investment in the community ⁽⁴⁾	2.7	2.1	7.5	8.4	4.1

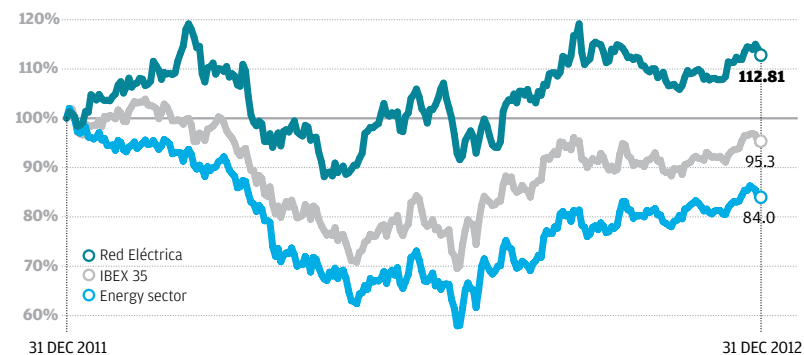
(1) Purchase orders executed. (2) Includes wages and salaries, social security, pension fund contributions and other concepts. Final figures refer to the consolidated Group and include International Financial Reporting Standards (IFRS) adjustments. (3) Capital subsidies and other deferred income transferred to the results. (4) Strengthening of ties with the community and social commitment actions in Spain.

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Evolution of Red Eléctrica and the key stock market indexes (%)



Comparison Red Eléctrica–IBEX 35–Energy sector



STOCK MARKET PERFORMANCE

Overall, 2012 was a positive year from the point of view of the stock market; all the leading world indexes, with the exception of the IBEX 35, closed the year with gains, the most outstanding of them greater than 20%, such as in the German or Japanese markets.

This evolution of the markets has made clear the intensive use of monetary policy as a tool to combat the recession. The economic authorities of the leading world economies have applied expansive policies, expressed mainly through low interest rates and the extension of credit, in order to reactivate their markets.

Given this scenario, the atypical behaviour of our market stands out, as it is the only one among the most important ones to have a negative performance over the past 12 months.

Our country has suffered intensely during the sovereign debt crisis, with an accumulated decline of more than 25% at the beginning of the summer. Later, the decisive action of the European Central Bank and progress in economic matters by the European Union allowed it to recover, ending the year with a decline of 4.7%.

The performance of Red Eléctrica shares has differed substantially from that of the IBEX 35. At year-end, it had a gain of 12.8%, very much in line with the average increase in European markets. The defensive

character of our share has made it a preference of investors during 2012.

Shareholder remuneration

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 2012, the payment to shareholders, in the form of a dividend, increased by 6.9% with regard to the previous year. The gross dividend proposed at the Annual General Meeting to be allocated to the 2012 fiscal year is 2.3651 euros per share. On 2 January 2013, a gross interim dividend of 0.6764 euros per share was paid out, leaving 1.6887 euros per share pending, as part of a complementary gross dividend for the 2012 fiscal year.



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Principal stock market indicators

	2008	2009	2010	2011	2012
Total number of shares	135,270,000	135,270,000	135,270,000	135,270,000	135,270,000
Number of outstanding shares	108,216,000	108,216,000	108,216,000	108,216,000	108,216,000
Face value of the share (euro)	2	2	2	2	2
Daily trading volume (shares)					
Maximum	6,364,008	5,604,900	5,796,441	9,925,190	21,690,186
Minimum	239,541	191,510	186,526	288,027	81,925
Share price (euros)					
Maximum	46.00	39.80	40.755	43.89	39.75
Minimum	26.80	26.85	27.930	30.24	29.00
Average	38.51	32.68	34.730	37.13	34.55
Close	36.00	38.82	35.200	33.06	37.30
Market capitalisation at close of fiscal year (euro)					
	4,869,720,000	5,251,181,400	4,761,504,000	4,472,026,200	5,045,571,000
Earnings per share (EPS) (euro)					
	2.12	2.45	2.90	3.42	3.66
Share price/EPS (number of times)					
	17.02	15.84	12.14	9.66	10.19

STRATEGIC PLAN 2013-2017
Main strategic lines
Operational excellence

- A TSO of international reference
- Progress in improving the grid acquired in 2010 (Islands).
- Continuous improvement in operational efficiency.

Market integration and sustainability

- Optimal level of electrification.
- Development of international interconnections.
- High level of investment in the Islands.
- Adjustment to the investment plan on the Spanish peninsula.

Financial soundness

- Prudent and efficient financing policies.
- Anticipation in covering financial needs.
- Improving solvency ratios.

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5

A QUALIFIED, MOTIVATED, COMMITTED AND INNOVATIVE TEAM

We foster talent, equality, security and stable and quality employment



GRI indicators reported on within this chapter:
EC5, EC7, LA1, LA2, LA3, LA4, LA6, LA7, LA8, LA9, LA10, LA11, LA12, LA13, LA14, LA15, HR5, EU14, EU15, EU16, EU17, EU18.



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Global challenges

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

Our response to these challenges

- » Development of a comprehensive 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.
- » Continuous training programme and corporate school.
- » Risk prevention policy and certified management system OHSAS 18001.
- » Equality policy and plan.
- » Red Concilia project.

The professionals of Red Eléctrica are one of the Company's strategic assets. According to the values of the Company, the management of employees is addressed in a socially responsible manner, implementing management policies that guarantee fair and equitable treatment and promote both professional development and integration into the Company.

OUR ORIENTATION TOWARDS EFFICIENT AND RESPONSIBLE MANAGEMENT

Red Eléctrica has a strategic Human Resources plan which facilitates the achievement of business goals in an atmosphere of commitment and a good social climate. All the activities and projects contained in this plan are based on the principles of efficiency, equal opportunity, the development of possibilities and alternatives for the work-life balance, as well as respect for diversity and the just and individualised treatment of all the professionals who work at Red Eléctrica.

During 2012, work continued on the implementation of the People Management Model, a long-term project that incorporates the practice of Human Resources management (professional classification, management by competencies, selection, training, evaluation, development and remuneration model) and whose final goal is to:

- » Integrate the management systems in order to improve organisational efficiency.
- » Facilitate the professional development of the staff.
- » Attract and retain talent.

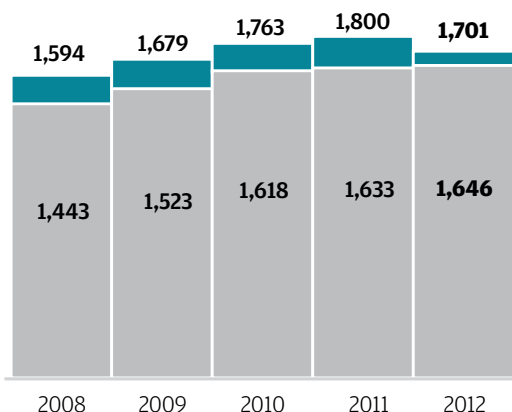
During the past year, as planned, the sections regarding training, evaluation, organisation and management of the employee self-service have been renewed, in order to facilitate all employees' access to the different processes. Progress has also been made in the review and improvement of the competencies model, to incorporate new capabilities of a technical nature.

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Evolution of the workforce

(Number of people)

- Red Eléctrica Group
- Workforce in Spain



SEEKING TALENT AND PROMOTING STABLE, QUALITY EMPLOYMENT

Red Eléctrica de España had, at the end of 2012, a workforce of 1,646 highly qualified people, with an average length of service of 13 years and an average age of 42. The sustained growth trend of the staff in recent years slowed in 2012, with only a slight increase of 0.8% over the previous year. At the Group level, the workforce declined by 5.5% from 2011, as a result of the expropriation of the TDE Bolivia subsidiary, bringing the total to 1,701 people at year-end 2012.

From a geographical viewpoint, 48% of the Red Eléctrica de España workforce is decentralised, in order to offer a service which is both closer and better adapted to the needs of the different autonomous communities and local organisations. The remaining 52% deliver services of a centralised nature, which guarantees the overall coherence in the Company’s practices in different areas (transmission grid development, environmental management, quality, etc.).

Key employment indicators

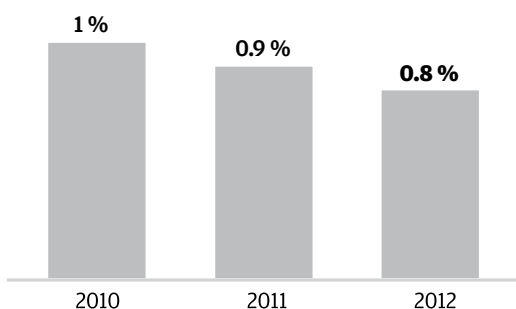
(Data regarding Spain)

	2010	2011	2012
Total workforce	1,618	1,633	1,646
Women (%)	22.5	22.7	22.7
Men (%)	77.5	77.3	77.3
Women in management positions (%)	16.2	17.6	19.4
Creation of net employment (number of positions)	95	15	13
Average age	40	41	42
Average length of service (years)	11	12	13
Undesired external turnover (%)	1	0.9	0.8
Total turnover (%)	1.7	2.5	1.5
Permanent contracts (%)	99.5	99.7	100

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■ **Undesired external turnover index**

(Percentage)



Stable employment strengthens commitment to the corporate project

At Red Eléctrica, we define our workforce needs in accordance with the principles and values of responsible business management. For that reason, the sizing of the workforce is rigorously determined, based on criteria of sustainability and efficiency, in order to guarantee the development of corporate strategies and to fulfil the objectives that arise from them. As a result of this focus, during 2012, 100% of the staff had permanent contracts.

Creating stable, quality employment has a positive effect on the marked sense of belonging of the professionals of Red Eléctrica and strengthens

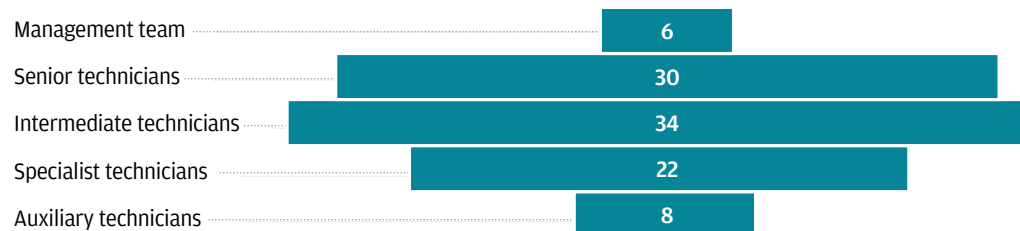
their commitment to the corporate project. As a consequence of this high level of commitment, the undesired turnover rate is very low, barely reaching 0.8% in 2012.

We seek highly qualified, committed, innovative professionals

Having a highly qualified, motivated, committed and innovative workforce is essential for the excellent discharge of the responsibilities assigned to Red Eléctrica, as well as to respond to the important energy challenges of the upcoming years. To this end, we identify, select and integrate the most suitable people, selected in a transparent and objective process based on the following criteria: compliance with labour legislation, equality and

■ **Workforce structure by professional group**

(Percentage over total)



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non-discrimination, transparency, confidentiality, promotion of internal rotation and stability in contracting.

In order to promote internal rotation, Red Eléctrica offers its professionals the chance to opt for vacancies that arise, by publishing the active employment offers on the corporate portal miRED. External recruiting of candidates is done through the *Trabaja con nosotros* - “Work with us” section of the corporate website and on digital employment platforms. In addition, Red Eléctrica participates in employment fairs and forums to generate interest within different external groups and to promote its brand and employer image. On

the other hand, the Company develops educational cooperation programmes, notably PRACTICA, a scholarship programme to promote cooperation between the educational and business sectors, which offers internships to students or recent graduates, in order to facilitate their initiation into the Company. In 2012, a new programme offering 40 additional scholarships, PRACTICA+, was launched.

As for local contracting procedures, although Red Eléctrica has no specific policy for contracting local employees and executives, the vast majority of the professionals, including the management team, are contracted in their home countries. **[EC7]**

PRACTICA+

Is a programme that has granted 40 scholarships to promote the training and employment of young graduates who have been integrated into projects linked to the different business areas of the Company. The conditions and requirements of the announcement have been published by the Foundation SEPI, which has also taken part as a

juror in the selection of the successful candidates. The finance earmarked for these scholarships derives from the budget allocation corresponding to corporate Christmas gifts and events, which demonstrates the Company’s commitment, as a responsible company, to carrying out actions that add value to society.



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Remuneration model

Within the framework of the People Management Model, during the past year the remuneration policy designed in 2011 has been consolidated, based on the criteria of justice, fairness, competitiveness, transparency, and differential recognition of superior performance and development. In addition, the “remuneration panels” have been formalised, as the authority for achieving standardisation and consensus in applying this policy. These panels, in which the Human Resources area and managers from all units participate, are intended to provide greater transparency to the process and to seek fairness in implementing said policy.

On the other hand, salary studies of the policies for remuneration of management and non-management personnel have been carried out, in order to identify both the salaries which are not very competitive with the external market, and which could be subject to offers from the competition; and the salaries which are clearly above the market level, in order to adjust them, insofar as possible.

The remuneration model consists of a fixed remuneration within wide salary bands and an extraordinary bonus in recognition of the most distinguished contributions. The standard starting salary for Red Eléctrica employees is three times that of the local minimum salary. **[EC5]**

Performance evaluation [LA12]

Red Eléctrica’s performance evaluation system is applied annually to all employees and is oriented to facilitating the development and the professional careers of the organisation’s employees, as well as to efficiently managing their performance. It was redesigned in 2010,

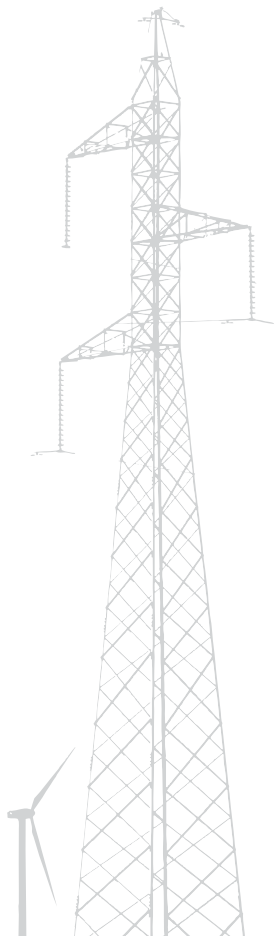
within the framework of the new People Management Model, to integrate it with the new model of organisation and competencies.

During 2012, its implementation was consolidated and the opinions of the evaluators and the employees evaluated were collected. On this basis, a new, more flexible tool was created, which seeks to:

- ▶ Differentiate the evaluation system, according to different groups.
- ▶ Introduce multi-source evaluation to achieve a greater objectivity in the evaluations.
- ▶ Measure the competence of the people, based on the demands of the positions they hold.

In response to one of the improvements proposed by the people evaluated, during 2012 these individuals could provide feedback on the process through an evaluation questionnaire. The analysis of the results will be useful in analysing the quality of the process which has been structured by evaluators, professional groups, advancement levels or organisational units.

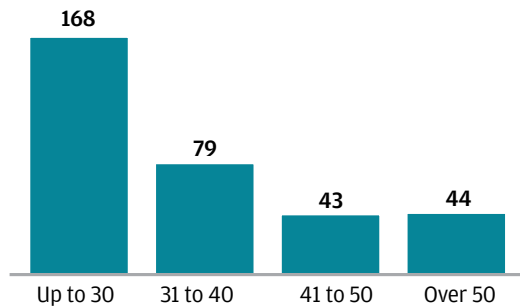
In order to maintain the maximum objectivity in the system and to guarantee that homogeneous evaluation criteria are applied, calibration panels continue to function in each department. These are composed of the evaluating management team in each of the Company’s organisational departments, in order to validate and achieve consensus on the evaluations carried out.



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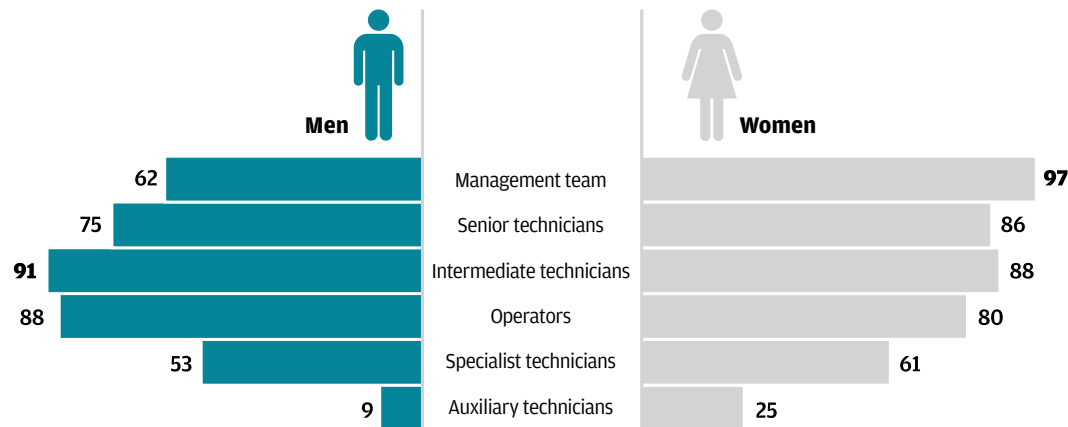
Average hours of training by age

(2012)



Average hours of training

(2012)



KNOWLEDGE MANAGEMENT [LA11]

Backing professional development as a strategy for growth and differentiation

Within the framework of increasingly complex business challenges, Red Eléctrica's training and development plan has the goal of responding to the needs of the organisation and to the expectation of promotion and development of its professionals. The average number of training hours per employee was 71 hours in 2012.

The training plan, which is defined yearly based on the development needs identified, was maintained

during 2012 in line with the previous year before. Of note are the following programmes:

- ▶ **Individual Development Plan (PDI).** Through actions which are agreed to by the employee and the hierarchical supervisor, and using a broad catalogue of didactic resources, this programme seeks to increase the level of the employee's competencies, which translates into a personal improvement and also into a benefit for the units and for the organisation.
- ▶ **Cohesion and integration of teams.** Keeping in mind the distinctive features of the different areas of the Company, cohesion programmes were designed for their specific needs. In 2012, two projects stand out: the one designed to facilitate the integration of people from Endesa into the Red Eléctrica staff in the Balears islands. This consisted of a programme of cultural integration based on real situations and which from the start seeks applicable solutions; and the one developed for 55 people from the Substation Engineering Department, which sought a greater collective commitment to the common goal.

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Red Eléctrica Corporate School (ECRE) [EU14]

During 2012, Red Eléctrica's two technical training schools, the Operations School and the Maintenance School, were merged to create the Red Eléctrica Corporate School (ECRE). In this manner, ECRE becomes the centre specifically designed for the training needs of Red Eléctrica as operator and transmission agent of the electricity system.

ECRE aspires to teach and to learn from experience, through the active participation in internal training, both of the instructors at the school itself, and of the heads and experts of the different company units. The basic objectives of ECRE are:

- » Training new employees to perform the operations and transmission functions of the electricity system.
- » Offering a programme of re-training for technicians in different functions of the Company.
- » Collaboration with other companies in the electricity sector offering specific training services in Red Eléctrica's areas of competence, both at the national and international level.

ECRE provides and manages training for the technicians in the Operations and Transmission general departments, with the goal of guaranteeing their maximum qualification and their professional updating. This training is conceived both for new employees and

for the continuous training and recycling of the rest of the technicians. It includes, apart from the technical content itself, training programmes in labour risk prevention, information systems and technologies, environmental protection and quality

The School includes in its catalogue of courses with university recognition, among which noteworthy is the 'Masters in project, Construction and Maintenance of High Voltage Electricity Infrastructures' and "System Operation Specialist Course REE-ICAI", both joint initiatives between Red Eléctrica de España (REE) and the Universidad Pontificia de Comillas.

In terms of methodologies, the use of new technologies for training purposes is being promoted. In this sense, in addition to the new virtual training platform, there is a tele-training classroom that allows courses to be offered in several work centres simultaneously, thus saving time and travel for students. It is also promoting the use of simulators for the training, as follows:

- » Development of a substations 3D simulator, aimed at the training and retraining of different tasks, analysing the behaviour of students from a technical and occupational health and safety point of view.
- » Development of training regarding the main concepts and behaviour of the electricity system, in a program designed with a fundamental and practical approach, using a real-time RTDS simulator.



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In recent years, significant investments have been made in providing highly qualified professional staff to both manage and provide training, as well as investing in equipment. During 2012, a classroom workshop on protection, control and communication has been equipped, in order to provide training of a fundamentally practical nature.

Additionally, a new training centre Project has been initiated, which will centralise all the Company's training and make it possible to provide practical training to line and substation maintenance specialists. It will also drive training in operations, using a replica of the control centre, and thereby help strengthen REE's leadership position in the ENTSO-E Academy.

ACTIVITIES OF THE RED ELÉCTRICA CORPORATE SCHOOL (ECRE) IN THE BUSINESS AREA OF ELECTRICITY TRANSMISSION AND SYSTEM OPERATION

- » Mock blackstart drills, where Red Eléctrica's leadership takes centre stage, guaranteeing qualification for action in emergency situations. This activity includes theoretical and practical training on the simulation tool (OTS) and includes the participation of REE operation personnel and from the Spanish electricity generation and distribution companies, as well as from the French and Portuguese TSOs.
- » Training in the operation of high-voltage electricity systems for different international groups requesting this collaboration from the school.
- » Accreditation of facilities maintenance professionals for the handling of SF6 gas, for which there are two approved training centres.
- » Accreditation of personnel from other companies who work in Red Eléctrica facilities. This initiative aims to reduce workplace risks arising from this type of work and increase the quality and efficiency in the maintenance of its lines and substations.
- » Incorporation of specific training regarding the operation and transmission of electricity, both in virtual and tutored format through bespoke tailored courses. In 2013, there will be a new platform for virtual training which will represent a significant progress regarding new features and possibilities.



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Main communication actions: internal communication

- » 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.
- » Internal communication area.
- » Quarterly magazine *Entrelíneas*.
- » Activity follow-up interview.
- » Groups focused on the analysis of diverse situations.

■ Working climate survey

(Overall level of satisfaction)

	2006	2009	2012
Overall satisfaction	8.1	8.1	9.3
Pride in belonging	8.1	8.1	9.0

INTERNAL COMMUNICATION

Promoting dissemination and open listening channels is the starting point for implementing the plans and actions of internal communication by means of which Red Eléctrica aims to improve the working climate, promote the integration of people, increase their pride in belonging and contribute to the success of the business objectives.

» **Social climate and commitment survey.** Every three years, Red Eléctrica carries out a survey of all its employees to assess their satisfaction and to establish improvement actions. The most recent one took place in 2012, with a participation of 73% of the workforce, or 13% more than in 2009. The results obtained show a favourable evolution in all aspects with respect to the survey undertaken three years ago, particularly in the improvement in the satisfaction of working at Red Eléctrica, the emotional and rational commitment of the teams to their respective leaders, the respect for the work and the processes established and the knowledge of the functions and responsibilities of each post. The overall evaluation was 9.26 out of 10.

» **Corporate portal miRED.** In order to facilitate the exchange of information among areas and to disseminate the Company objectives, the corporate portal continues to be the key element of internal communication. The collaboration of all the Company units and of the content managers makes it possible to continually publish corporate news and to update the different sections. In 2012, special attention has been given to the areas of Occupational Health and

Safety, Demand-Side Management, Employment and Corporate Volunteering.

» **Canal RH2000.** This channel attends, by telephone and via electronic mail, queries from employees, interns, retirees and collaborators which are related directly to the area of Human Resources. The service, which is managed by the Fundación Juan XXIII, employs people with some type of disability; in 2012, it attended more than 10,000 queries.

» **Specific communication plans.** Each year, communication plans are designed for specific projects which aim to globally disseminate the strategies, policies and objectives of the Company. In 2012, work was done principally in disseminating topics related to the work-life balance and equality, psychosocial risks, occupational health and safety, and suppliers.

» **Social Plan.** In 2012, the Company maintained the annual activities aimed at the participation and integration of the workforce, and at raising awareness of topics of industrial, social or environmental interest. Of note were the 11th annual painting competition for children of employees, the 21st edition of the photography contest, the workshops on computer security and the Open-Door Day for parents of employees. As for the promotion of sports through subsidies for collective sporting activities, during 2012 the number of participants continued to grow, reaching 762 people and 30 sporting groups.

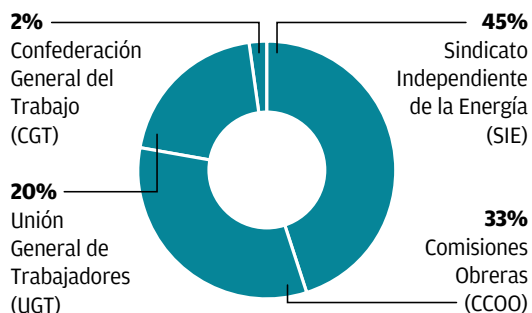
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Company-employee dialogue channels

- » 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 work-life balance.
- » Psychosocial Risk Observatory.

Union representation

(31.12.12)



FREEDOM OF ASSOCIATION, COLLECTIVE BARGAINING AND SOCIAL DIALOGUE [HR5]

The principal regulatory framework for labour relations between Red Eléctrica de España and its workers are the labour laws currently in force and the IX Collective Bargaining Agreement of limited effectiveness (in force until 31 December 2012). On the other hand, there are other agreements between social and company representatives, in different areas, which are also applicable.

The IX Collective Bargaining Agreement constitutes the legal framework by which Red Eléctrica undertakes to fulfil aspects such as equal opportunity, personal development, the work-life balance and non-discrimination in all activities related to people management. The IX Collective Bargaining Agreement was 100% of the workforce, with the exception of the management team, is covered by this Collective

Agreement. None-the-less, the Collective Agreement contains the possibility of excluding certain people from its area of application; this exclusion is of a voluntary nature for the employee who accepts the proposal. At year-end 2012, the percentage of persons excluded was 1.27%. [LA4]

As for worker representation, it should be highlighted that Red Eléctrica has worker representation in the majority of its work centres, as well as an inter-centre committee, composed of 11 members. Worker representatives participate in the Occupational health and Safety Committee (through the delegates responsible for prevention), as well as in other committees and mechanisms for dialogue, such as the working committee for the work-life balance, or the Psychological Risk Observatory.

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OCCUPATIONAL HEALTH AND SAFETY

Committed to an ongoing and continual improvement of occupational health and safety

To ensure an ongoing and continual improvement of the levels of occupational health and safety of employees, suppliers and contractors, Red Eléctrica has a risk prevention strategy that is based on:

- » An occupational health and safety policy based on risk prevention, health monitoring and compliance of legal requirements.
- » The commitment of senior management and the involvement and participation of all relevant stakeholders.
- » A prevention service made up of qualified employees in the different prevention specialties regarding occupational health and safety.
- » An occupational health and safety committee composed of social representatives of all work centres.
- » A prevention system aimed at avoiding or reducing work-related health risks and that includes plans, programmes and tools adapted to all activities.

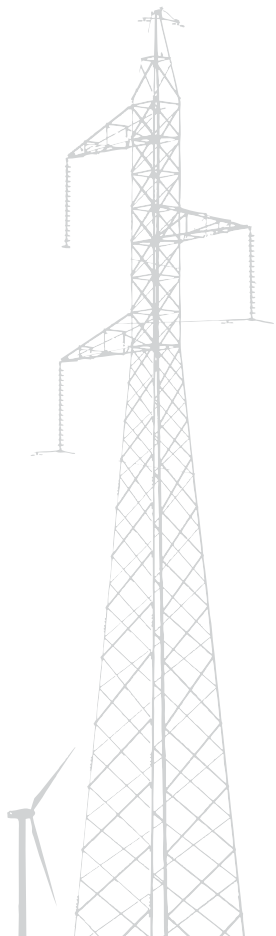
- » Development of plans and programmes for health promotion.
- » Audit of the prevention system according to the requirements of OHSAS 18001:2007.

For a comprehensive management system for occupational health and safety in 2010, a corporate IT application (PRER) for safety management and monitoring was designed, development on this tool continued in 2011 and 2012. During this year, a system for measuring the performance of suppliers in safety matters has been incorporated.

This measurement indicator is obtained in accordance with previously approved evaluation procedure criteria. A module for the verification of compliance with legal requirements as set out in the specification OHSAS 18001 has also been developed.

A management model certified in accordance with OHSAS 18001

Red Eléctrica has been certified in the OHSAS 18001 methodology since 2002. This occupational health and safety management model promotes a preventive culture at all levels of the organisation,



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establishing requirements and obligations that are audited annually. The 2012 audit was successfully passed without any non-compliances being detected.

The need for everyone to participate

[LA6, LA9, EU16]

Improving occupational health and safety in the workplace requires the involvement and participation of all interested parties and one of the principal spaces for dialogue is the Occupational Health and Safety Committee. At Red Eléctrica, this committee is comprised of six members nominated by the Company and six prevention delegates, elected among the worker representatives, which represent 100% of the employees. Among this Committee's functions is the analysis of the performance of occupational health and safety indicators, of accidents which have occurred and the resolution of proposals and queries from employees. As such, it constitutes a basic element of participation and of improvement of prevention. During 2012, this Committee met on three occasions.

Additionally, Red Eléctrica has other channels for participation, such as the internal satisfaction surveys on occupational health and safety, a specific area with related content on the miRED intranet and the direct cooperation of employees in identifying improvement actions or situations which do not conform to established procedures.

Training and raising awareness [LA8]

Red Eléctrica regards training in the prevention of occupational risks as a basic work method for avoiding or reducing work-related health risks. Its principal lines of action are focused on:

- ▶▶ Continual development of safety training programmes as key tools in prevention, especially in jobs where there is electrical risk.
- ▶▶ Designing specific programmes for each post, in function of the risks associated with the different activities.
- ▶▶ Definition of the internal regulations (AM 012) of obligatory adaptation, that is, obligatory training necessary for the performance of the tasks associated with the post.

During 2012, the occupational health and safety training programme was attended by 706 participants with a total commitment of 6,509 hours, of which 30% was geared specifically towards matters regarding electrical risks. The majority of the training hours (98.1%) consisted of face-to-face training and all the accident and incidents recorded were analysed as part of the courses foreseen in the training plan.

Evaluation and follow-up

The systems of evaluation, follow-up, control and measurement of the different aspects of occupational



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■ Key occupational health and safety indicators

(Spain)

	2010	2011	2012
Accident frequency index	7.09	3.96	5.34
Accident severity index	2.34	2.21	0.27
Absenteeism index	2.27	2.30	2.17
Medical check-ups	1,010	1,143	1,157

health and safety are the basis of an optimal management of the prevention system and for directing improvement actions. The principal work lines of Red Eléctrica are based on the following:

- » Verification of safety conditions through three different and complementary figures which assure a correct inspection of the prevention measures: the technicians of the safety service, the safety coordinators and the works supervisors.
- » The use of inspection models which guarantee homogeneous information, regardless of the place, company or the person who carries out the inspection.
- » Identification of situations of risk, or deviations from preventive measures and definition of the corresponding improvements.

During 2012, 13,775 safety inspections were made, more than double the number the year before for a similar level of activity. Additionally, 211 risk notification reports and 887 corrective actions were generated during the course of the year. These actions, apart from establishing a function for control, identification and solution of the deficiencies encountered, serve as a basis for measuring the performance of the suppliers that perform activities at Red Eléctrica's facilities. The results of said inspections are grouped according to homogeneous activities, to allow for a comparison of the activity of each supplier.

Collaboration with our suppliers on risk prevention [EU16-EU18]

Red Eléctrica requires occupational health and safety conditions from its suppliers and contractors, as reflected in:

- » Evaluation of safety elements in choosing suppliers.
- » Safety training for contractors (safety coordinators and works supervisors) in order to guarantee efficiency in prevention, in accordance with the principles applied by Red Eléctrica.
- » Accreditation of the works supervisors of the companies contracted to perform activities classified as being of greatest risk.

Red Eléctrica demands that its contractors and subcontractors certify that their employees have received the necessary training in safety and risk prevention for the activities they are going to perform. Otherwise, they are permitted access to Red Eléctrica's facilities. For the principal activities carried out at Red Eléctrica's facilities, suppliers are required to be directed by a works supervisor accredited in safety by Red Eléctrica's prevention service. In addition, the supplier companies are required to have preventive resources present at all the activities that are carried out at said facilities. The only activities that are exempt from this requirement are auxiliary activities which do not entail risks.

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Principal actions for health promotion and prevention in 2012

- » Monitoring the plan for prevention of psychosocial risks.
- » Conferences on the prevention of skin cancer and cervical cancer, in cooperation with the Spanish Anti-Cancer Association.
- » Monthly publication, on the corporate portal miRED, of health advice for cancer prevention.
- » Conferences on the prevention of musculoskeletal injuries, with massage sessions given by physical therapists.
- » Didactic workshops about healthy life habits.
- » Screening tests for the early detection of colon cancer in persons over 50 years of age.
- » Campaign for the prevention of diabetes, in cooperation with the Public Health Service.
- » Flu vaccination campaign.

In all cases, the supplier should indicate in his safety plan or procedure the specific safety training of those workers included in the same. Subsequently, accreditation will be requested at random from different workers for its verification and control.

Improvements in accident indicators

The control and reduction of accidents is a priority for Red Eléctrica. Construction and maintenance of high-voltage facilities entails the execution of work with associated risks which, without adequate control, can cause serious or very serious accidents. In 2012, very satisfactory accident rates were obtained, both for the Company's employees and for those of suppliers that work at Red Eléctrica's facilities. For the Company's own personnel, the accident frequency index was 5.34 and an accident severity index of 0.27. For the supplier companies' personnel, the accident frequency index was 18.26 and an accident severity index 0.64.

Health prevention and monitoring

The management of occupational health at Red Eléctrica is based on three pillars:

- » Prevention, promotion and monitoring in occupational and general health. Development of health campaigns aimed at preventing the most common illnesses.

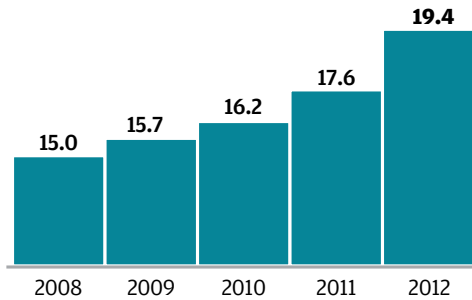
- » Initial and periodic medical examinations, based on specific protocols, according to the risks existing at each post.
- » A Company medical service, with a basic health unit at the Head Office and an agreement with the health insurer Fremap for the outlying centres.

In 2012, the health management system at Red Eléctrica underwent a review aimed at achieving an effective integration of the occupational health and safety areas into the management and planning of the Company's preventive activities. The current situation was analysed and an action plan drawn up which considers health in the widest terms of its definition, as physical, psychological and social wellbeing. The objective is to go beyond, integrating other activities that have a direct impact on peoples' health, especially regarding its psychosocial aspect, and to the promotion of health through the practice of healthy habits. In addition, it includes actions related to the integration of people with different capabilities and activities aimed at promoting the work-life balance in a context of equality.

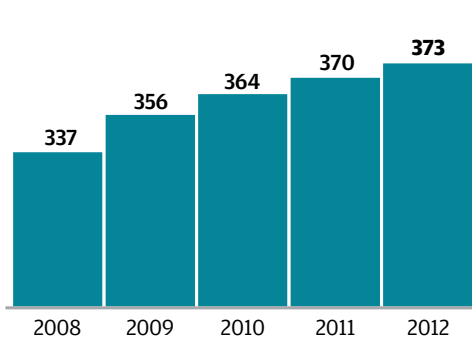
Also during 2012, Red Eléctrica continued its own health monitoring activities, both individual and collective, while developing new health prevention and promotion campaigns and the strengthening of those already underway.

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Evolution of women in management positions
(percentage)



Evolution of women in the workforce
(Nº)



EQUAL OPPORTUNITY, DIVERSITY AND THE WORK-LIFE BALANCE

Red Eléctrica commits to the principles of equality and non-discrimination through its code of ethics, its internal policies and through the different collective bargaining agreements which govern labour relations. This will and commitment are also reflected in the Equality Plan approved in 2009 by the Company and the social representation. This plan contains a series of actions designed to promote real and effective equality between the Company’s men and women, in the areas of employment (selection, promotion and recruitment), training and remuneration, as well as communication actions. The plan, which can be extended annually, is monitored by both Company management and social representation, through the Parity Committee on Equality.

Since 2010, when it was awarded the Equality Seal by the Ministry of Health, Social Services and Equality, Red Eléctrica has continued to develop the commitments acquired and derived from receiving this Seal, as well as those it considers necessary to progress in this area. During 2012, the Company participated actively in specific forums, publicising the measures it has taken, and particularly highlighting the makeup of the Board of Directors of Red Eléctrica Corporación as among the companies on the IBEX 35, it is the one that has the most women (4 of the 11 Board members are women).

On the other hand, during 2012 the Federación de Mujeres Progresistas (Federation of Progressive Women) awarded Red Eléctrica a Special Mention for being a reference business in equal opportunities and for its commitment to the work-life balance among its employees.

Equal opportunity in employment

The sustained growth of women in the workforce and in management positions is evidence of Red Eléctrica’s commitment to equal opportunity in employment. In the last five years the number of women in the workforce has grown 28.2% (291 in 2007, compared to 373 in 2012) and in director positions it grew 50% (14 in 2007, compared to 21 in 2012).

Protection against domestic 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).

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These measures are carried out through:

- » Medical, legal and economic support.
- » Flexibility in working timetables, authorised leave, holidays, unpaid leave, preference given in transfers to other localities or work centres.
- » Publications related to the topic made available on the internal communication channel miRED.

Moreover, in 2012 Red Eléctrica signed a collaboration agreement with the Ministry of Health, Social Services and Equality by which the Company adheres to the initiative 'Businesses' for a society free of domestic violence'. Through this agreement, the Company undertakes to put forth its maximum cooperation to contribute, by every means in their power, to raise awareness about the issues of domestic violence, both internally and externally.

Protection from moral and sexual harassment and sexual discrimination

The existing guide for the prevention of 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 occupational health and safety policies of Red Eléctrica, aims to achieve a working environment based on relationships of respect and mutual interest among people. Among the measures undertaken by Red Eléctrica, of note are the following:

- » Periodic evaluation of psychological risks and studies of the social climate.
- » Dissemination of actions which are carried out in this area.
- » Design and implementation of training programmes aimed at avoiding situations of harassment.
- » Specific training in evaluating situations of harassment for people who take part in the action process.

Integration of people with different capabilities

Red Eléctrica has continued to reinforce its commitment to equality and diversity by directly contracting people with different capabilities. This year, we have incorporated two more such people, so that at the end of 2012, Red Eléctrica had nine people with different capabilities on staff. As a complementary action, we have continued to apply alternative measures of an exceptional nature, surpassing the legal requisites established in the LISMI (Law for the Social Integration of People with Disabilities). In this regard, we have continued to promote the acquisition of goods and services from those companies who employ people with different capabilities. During 2012, we have made purchases and service contracts with the so-called special employment centres, above and beyond that required by law.

In addition, within Red Eléctrica's scholarship programme, in 2012 four of these were awarded to persons with different capabilities, who will be integrated in the Company for a training period of one year.

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These measures are complemented by other initiatives in this field, among them noteworthy are the following:

- » **Employment fairs.** Red Eléctrica has participated in the VI Employment Fair for People with Different Capabilities of the Community of Madrid, and in the Second disCapacidad and Employment Fair in Barcelona. In the latter, Red Eléctrica had a stand to inform this collective about the Company and in this way facilitate that people who have professional profiles in line with the posts available at the Company have an option of working with us.
- » **Help for employees.** Another channel for working in the field of integration is the agreement undertaken by the Social Affairs Committee, about a series of regulations for granting help to employees who have under their charge a relative up to the second degree by affinity or consanguinity (blood relation), and who has a recognised disability of more than 66%.
- » **Family plan.** Cooperation with the Adecco Foundation for the development of social and occupational integration programmes for relatives of employees of Red Eléctrica.
- » **Collaboration with centres of integration** such as the Fundación Randstad and the Fundación Juan XXIII.
- » **Other initiatives.** A day session with the children of employees organised at the occupational

workshops of the Fundación Juan XXIII, aimed at incorporating the concept of disability as one of our cultural values.

Work-life balance

Since the launch in 2008 of the Red Concilia project, Red Eléctrica has worked in the area of the work-life balance in a structured and harmonised fashion, based on a management model of continuous improvement. The final goal is that all the Company's people have the chance to develop their professional careers without the need to renounce their personal and family responsibilities. This is based on the conviction that the people who find a better balance among the different areas of their life (professional, personal and family), also have a better performance and satisfaction within the Company.

To date, Red Eléctrica has implemented more than 40 different measures in the areas of work schedule flexibility, authorised leaves, maternity and paternity, social benefits [LA3], services, disability, dependent family members and events. Each and every one of the measures taken, and their respective results, are communicated through the corporate website miRED, which also publishes, on a quarterly basis, current reports on the work-life balance.

In 2012, a specific survey was launched to evaluate the knowledge, usage and satisfaction of the work-life balance measures implemented, as well as to measure perceptions and culture in this area. The results were satisfactory, with a high participation

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WORK-LIFE BALANCE

The Company has implemented more than 40 measures which allow employees to balance their work and personal life

rate (58%) and an average overall evaluation of the management of the work-life balance above 6 points.

Some of the results obtained were significant and have, on the one hand, led to the creation of the role of “work-life balance collaborators” to get to know the needs of the staff in the outlying work centres, On the other hand, awareness raising actions were developed and directed to the management team, with the objective of making the work-life balance a useful tool for the management of people. As a result, during November, 2012, 90% of the management team took part in specific seminars entitled: *Comunicar para conciliar* “Raising awareness regarding the work-life balance”.

Additionally, thanks to a communication campaign, the role of work-life balance collaborators was re-launched, both in the labour and health areas. This was done in order to make them real intermediaries between the workers and the Company for those personal situations which occasionally go outside the established norms.

As for the measures taken during 2012, of note are the following:

- » The first talk by experts from Vitalia to provide support to people with older or dependent relatives and to make known new facets of aging, thereby obtaining benefits from a good programme of specialised care.

- » Open-Door Day for parents of employees, with a new record of attendance.
- » Days without school. Activities with employees’ children, while their parents carry out a normal day’s work. Last year, the children learned in a playful and relaxed manner, the values which permit and promote social integration of people with different capabilities. The day was developed with the support of the Fundación Juan XXIII. In addition, during school holidays, urban camps were organised in children’s play centres.
- » Takeaway food service. This allows employees to take home some of the dishes included in the set daily menu of the Company restaurant. The number of requests continues to increase, which shows the usefulness of the measure and the satisfaction of the users.

Red Eléctrica’s efforts in recent years in the area of the work-life balance have been recognised in different ways. During 2012, the first audit was held for renewing the certification according to the EFR model. The results have allowed us to position ourselves as a Proactive company, having improved by several points over the first audit.

Red Eléctrica also has won other prestigious social and business awards in the area of the work-life balance, such as the first prize in the Alares National Award for the Work-Life Balance and for Social Responsibility in the category “Large enterprise”, second prize in the Randstad Awards for Work-Life Balance, and the *Federación de Mujeres Progresistas* award.



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EnREDando, the corporate volunteering group of Red Eléctrica, promotes employee collaboration in solidarity actions

ENREDANDO

CORPORATE VOLUNTEERING

EnREDando, the corporate volunteering group of Red Eléctrica, set up in 2005 with the aim of extending the social action of the Company through the promotion and strengthening of the collaboration of employees in solidarity activities that respond to social and environmental needs, problems and interests. Among the various activities carried out in 2012 noteworthy are the following:

- » **Operation kilo-litre campaign.** Collection of food in Red Eléctrica work centres. In 2012 over 3,500 kilos were collected and were distributed to various food banks.
- » **Companies Solidarity Day (DSE).** Participation in this corporate volunteering initiative, organised by Cooperación Internacional and Grupo Antena 3, in which volunteers from several companies carried out the restoration of an ecological path Canencia (Madrid).
- » **Solidarity race.** Red Eléctrica was one of the companies participating in this race whose purpose is the dissemination of the Millennium Development Goals, adopted by the General Assembly of the United Nations.
- » **Solidarity caps collection campaign.** Collection of caps (plastic tops from bottles and containers) aimed at raising funds for medical research and treatment.
- » **Seventh Fair Trade Campaign.** Organisation of a Fair Trade market at Red Eléctrica offices in collaboration with the development organisation SETEM.
- » **Third Charity Auction.** Launched in 2010, this initiative aims to raise funds to help children and young people with disabilities in the care of the Fundación Apsuria.
- » **Flag Day.** Participation in the annual Red Cross Flag Day in Madrid, an event which allows the organisation to collect funds for helping people who are exposed to extreme vulnerability conditions.
- » **Pencil and Paper Campaign (Campaña Lápiz y papel).** Participation in the campaign promoted by the NGO *Madre Coraje* through the delivery of school supplies to support the promotion of adequate education for children from various communities in Peru.

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QUANTITATIVE INDICATORS

■ Breakdown of workforce by type of employment, contract, region and gender [LA1] (Spain)

	2011		2012	
	MEN	WOMEN	MEN	WOMEN
Workforce (nº of people)	1,263	370	1,273	373
Employees with permanent contract (nº)	1,259	369	1,271	373
Employees with temporary contract (nº)	4	1	2	0
Permanent contracting (%)	99.7	99.7	99.8	100
Part-time contracting (%) [LA3]	0	0	0	0
Workers from temporary employment agencies (nº)	5	7	14	14
Interns (nº)	8	11	63	36

■ Breakdown of employees by age and gender [LA2] (Spain)

	2011		2012	
	MEN	WOMEN	MEN	WOMEN
Less than 25	12	3	6	0
26 to 35	465	147	409	134
36 to 45	310	127	359	132
46 to 55	349	77	343	92
Over 55	127	16	156	15
Total	1,263	370	1,273	373

■ New recruitment by age and gender [LA2] (Spain)

	2011			2012		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Less than 25	5	1	6	2	0	2
26 to 35	30	9	39	13	4	17
36 to 45	8	1	9	8	2	10
Over 45	2	0	2	7	2	9
Total recruitment	45	11	56	30	8	38

■ Turnover indicators by age and gender [LA2] (Spain)

	2011				2012			
	Nº of people leaving		Turnover (%)		Nº of people leaving		Turnover (%)	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Less than 25	0	0	0	0	0	0	0	0
26 to 35	8	3	1.7	2.0	6	1.0	1.5	0.7
36 to 45	10	2	3.2	1.6	2	2.0	0.6	1.5
46 to 55	17	0	4.9	0	7	0	2.0	0
Over 55	1	0	0.8	0	5	2.0	3.2	13.3
Total turnover	36	5	2.9	1.4	20	5	1.6	1.3

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■ Maternity/Paternity leave (M/P) [LA15]

(Spain)

	2011		2012	
	MEN	WOMEN	MEN	WOMEN
Employees with the right to M/P leave (nº)	62	38	74	37
Employees who have taken M/P leave (nº)	62	38	74	37
Re-incorporations at the end of M/P leave (nº)	62	36	74	36
Employees with M/P leave who remain on the workforce (%)	100	100	100	100

■ Employees with the possibility of retirement in the next 5 years [EU15]

 (% Spain) ⁽¹⁾

	In the next 5 years 2013-2017	In the following 5 years 2018-2022
Management team	1.5	0.9
Senior technicians	1.2	1.7
Intermediate technicians	0.6	1.3
Specialist technicians	1.0	2.9
Auxiliary technicians	0.2	0.7
Total	4.5	7.6

(1) Considering the age of retirement as the only requirement and estimating it at 65 years of age.

■ Training and education indicators [LA10]

(Spain)

	2008	2009	2010	2011	2012
Training hours	118,126	144,497	162,290	154,715	115,969
Employee training hours	110,807	124,293	151,669	154,715	115,969
Training hours for interns (operation internship grant programme)	7,319	20,204	10,621	0	0
Hours per employee *	81	84	99	96	71
Employees in training (%)	100	100.8	97	95	91
Hours given with own resources (internal and virtual)	32,338	29,008	72,826	28,482	26,820
Number of courses managed	759	954	861	928	711
Investment in training/ total personnel costs (%)	6.5	7.56	7.08	6.97	5.24
Investment per employee (euro)**	4,473	4,969	4,760	4,192	3,503
Training during working hours (%)	82	85	64	79	61

* Over the average workforce. ** (External training cost +travel +cost hr./students+cost hr./teacher+management cost)/average workforce.

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■ Average hours of training by professional group and age [LA10]

(Spain)

	2011			2012		
	MEN	WOMEN	OVERALL	MEN	WOMEN	OVERALL
Management team	91	135	120	62	97	69
Senior technicians	123	107	121	75	86	79
Intermediate technicians	149	111	140	91	88	91
Control centre operators	85	141	93	88	80	87
Specialist technicians	43	27	38	53	61	53
Auxiliary technicians	10	34	23	9	25	21
Total	97	90	99	71	69	71

■ Average hours of training by age group [LA10]

(Spain)

	2009	2010	2011	2012
Up to 30	131	162	194	168
31 to 40	102	117	114	79
41 to 50	56	74	64	43
Over 50	38	40	42	44

■ Occupational health [LA8]

(Spain)

	2008	2009	2010	2011	2012
Medical check-ups	1,011	1,097	1,010	1,143	1,157
Doctors' consultations	1,443	1,167	1,170	1,002	1,012
Vaccinations	269	352	312	240	210
Temporary Incapacity consultations (TI)	122	139	145	193	197
Other medical activities					310

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Occupational Health and Safety Indicators * [LA7] **

(Spain)

	2008	2009	2010	2011	2012	
					MEN	WOMEN
Average workforce	1,379	1,493	1,584	1,666	1,269	373
Hours worked	2,373,524	2,565,463	2,678,350	2,777,528	2,173,403	636,826
Accidents with sick leave (serious/minor)	0/10	0/12	1/17	0/10	3/10	0/2
Fatal accidents	0	0	1	1	0	0
Days lost due to accidents ⁽¹⁾	352	156	6,268	6,128	738	62
Accident frequency index	4.21	4.69	7.09	3.96	5.98	3.14
Accident severity index	0.15	0.11	2.34	2.21	0.34	0.09
Incidence rate	7.25	8.05	11.99	9.14	10.24	5.36
Absenteeism index	2.28	2.51	2.12	2.3	1.13	1.04

Occupational Health and Safety Indicators* [EU17] **

(REE contractors)

	2008	2009	2010	2011	2012
Average workforce ⁽²⁾	3,139	3,183	3,447	3,371	3,510
Hours worked	5,336,236	5,410,526	5,860,778	5,731,042	5,968,624
Accidents with sick leave (serious/minor)	2/124	15/100	11/117	9/91	7/102
Fatal accidents	0	0	1	1	0
Days lost due to accidents ⁽¹⁾	7,705	8,066	9,282	8,496	3,826
Accident frequency index	23.61	21.25	22.01	17.62	18.26
Accident severity index	1.44	1.61	1.58	1.59	0.64
Incidence rate	40.14	36.12	37.13	36.88	31.04

Frequency index = number of work-related accidents with leave of absence per million hours worked. Accident severity index = number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked. Absenteeism index = 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 fatal accident and 4,500 working days per permanent total incapacity. (2) Based on hours worked.

* Provisional data at year end.

** Red Eléctrica does not have any professional work-related illness declared.

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■ Relationship between base salaries for men and women [LA14]

(Spain)

	2008	2009	2010	2011	2012
Management team	1.02	1.01	0.99	0.99	1.10
Senior technicians	1.11	1.11	1.10	1.09	1.11
Intermediate technicians	1.11	1.10	1.08	1.08	1.07
Specialist technicians	1.10	1.05	1.02	0.98	0.99
Auxiliary technicians	1.08	1.07	1.03	1.04	1.03
Total	1.11	1.11	1.06	1.05	1.05

■ Other equality indicators

(Spain)

	2009	2010	2011	2012
Recruitment ⁽¹⁾	1.6	1.1	1.0	1.1
Salary: Voluntary increase ⁽²⁾	1.0	1.2	1.2	1.2
Promotion ⁽³⁾	0.0	0.9	1.5	1.0

(1) Number of women contracted/number of women interviewed/total number contracted/total number of interviews. (2) Number of women with voluntary increase/total number of women/total employees with voluntary increase/total workforce. (3) Number of women promoted/total women/total employees promoted/total workforce. * REE+REC

■ Distribution of workforce by gender and professional group [LA13]

(Spain)

	2008			2009			2010			2011			2012		
	MEN	WOMEN	%W	MEN	WOMEN	%W	MEN	WOMEN	%W	MEN	WOMEN	%W	MEN	WOMEN	%W
Senior technicians	85	15	15.0	86	16	15.7	88	17	16.2	89	19	17.6	87	21	19.4
Intermediate technicians	271	138	33.7	287	146	33.7	328	157	32.4	328	158	32.5	327	160	32.9
Specialist technicians	422	84	16.6	452	92	16.9	470	88	15.8	466	88	15.9	468	87	15.7
Auxiliary technicians	282	4	1.4	296	5	1.7	336	9	2.6	349	9	2.5	360	9	2.4
Support staff	46	96	67.6	46	97	67.8	32	93	74.4	31	96	75.6	31	96	75.6
Total	1,106	337	23.4	1,167	356	23.4	1,254	364	22.5	1,263	370	22.7	1,273	373	22.7

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6

WE SEEK THE TRUST OF SHAREHOLDERS, INVESTORS, CLIENTS AND SUPPLIERS

The Company maintains a transparent, fluid, close-knit dialogue with all stakeholders



GRI indicators reported on within this chapter: S01, EC6, EC8, PR3, HR2, HR3, HR4, HR5, HR6, HR7.



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Global challenges

- >> Dialogue with stakeholders.
- >> Integration into the community.
- >> Social commitment.

Our response to these challenges

- >> Transparency and independence in all activities.
- >> Permanent dialogue with stakeholders.
- >> Collaboration agreements.
- >> Strengthening ties with local communities.
- >> Social action plan.

The basis of the trust 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-knit dialogue, beyond the mere fulfilment of legal obligations.

SHAREHOLDERS AND INVESTORS

Red Eléctrica maintains an open, transparent and close-knit dialogue with its shareholders, investors and the financial community through the Stakeholder Attention Centre and the Investor Relations Department. Similarly, it sets aside a specific section on the Company website which contains relevant information that received 263,475 visits in 2012, 27% more than in the previous year.

Regarding the Annual General Meeting, the line of improvement concerning communication with shareholders started in previous years has been maintained. In this regard, the promotion of shareholder participation in the General Meeting by electronic means has been continued with the

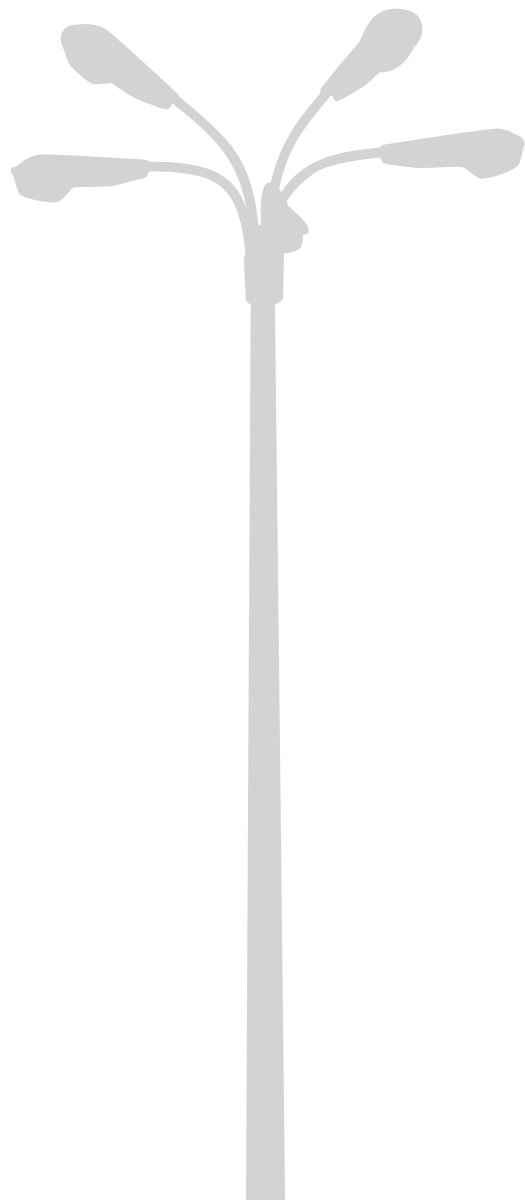
live broadcast of the Meeting on the Internet (in Spanish and in English) and through mobile devices and through the electronic shareholder forum. Similarly, for the eighth consecutive year, the electronic voting system has been used, through which 440 shareholders voted in 2012.

Furthermore, the management team of the Company has continued to hold numerous meetings and presentations in major domestic, European, American and Australian financial forums.

In 2012, there were 581 meetings (540 for variable income, 21 for fixed income and 20 for corporate governance). Additionally, a step further was made

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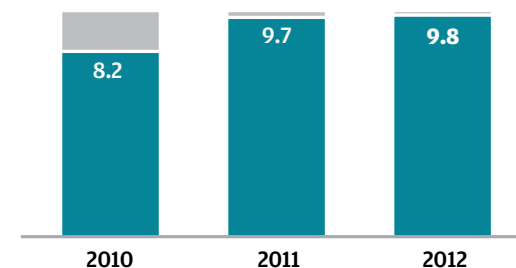
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regarding socially responsible investment and corporate social responsibility, by organising an inaugural workshop with sustainability agencies, the first Sustainability Day, in which they were shown the Company's strategic lines regarding corporate responsibility and its implementation within the areas of the business.

This task and the various actions carried out by the Company in the field of Corporate Responsibility have been recognised by the main sustainability indexes. We have been listed in the Dow Jones Sustainability Indexes since 2005 and, in October 2012, Red Eléctrica was ranked as the best company in the utilities sector in the FTSE4Good Index.

■ Overall satisfaction of minority shareholders
(Satisfaction level 0-10)



■ Key indicators

	2008	2009	2010	2011	2012
Shareholders and investors' section on the website (number of visits)	160,959	175,646	207,873	207,689	263,475
Shareholders' office (visits received)	1,032	932	966	1,495	1,259
Shareholders' attention centre and email (queries handled)	1,267	958	1,273	1,067	1,031
Sending of documentation (number)	5,651	5,306	5,779	5,777	5,086
Identification of shareholders (number of records)	3,949	4,099	4,216	4,338	4,343
Meetings with analysts and institutional investors (number)	277	300	314	346	581
Attendance at the Annual General Meeting (%)	52.1	63.9	63.1	66.1	61.9

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CLIENTS, MARKET AGENTS AND REGULATORY BODIES

Profile of Red Eléctrica's clients

These are those organisations or bodies with which Red Eléctrica establishes a relationship necessary for the supply of its services as operator and transmission agent of the Spanish electricity system. They can be grouped into the following broad categories:

- » Regulatory bodies (mainly the Ministry of Industry, Energy and Tourism, National Energy Commission and the various energy departments of the different autonomous communities). They are responsible for regulating the activity of Red Eléctrica and assessing its management and remuneration for its services.
- » Market subjects (generators, traders and consumers connected to the transmission system) and other participants in the electricity system, such as agents (producers, distributors or consumers) requesting access to the grid, managers of the distribution network, the Iberian Market Operator (OMIE), neighbouring electricity system operators and suppliers of the interruptibility demand-side management service.
- » Other groups, requesting that Red Eléctrica (local operation and maintenance) manage their transmission facilities or adaptations of, or changes to, the route taken by high voltage electricity lines.

Transparency and independence as system operator [PR3]

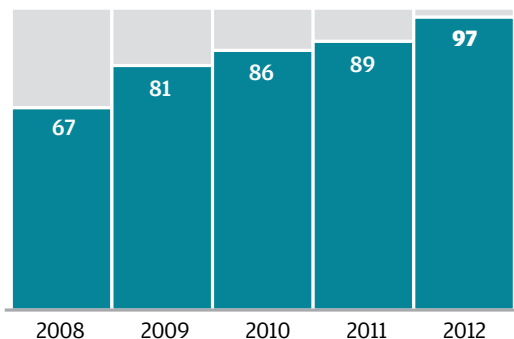
Red Eléctrica bases its success as the Spanish electricity system manager on the principles of transparency and independence, which it applies to all of its processes and activities, especially in the service it provides to its clients and market agents.

Red Eléctrica has an operational code of conduct, audited annually, which guarantees independence, transparency, confidentiality, ethics and objectivity in its roles as operator of the electricity system. Regarding the information that must be published about the results of the markets or processes concerning system operation, Red Eléctrica guarantees the confidentiality of the data provided by market subjects. Operational procedure No. 9 (PO9), contains the criteria by which this information should be added and the frequency with which it is made public and who has access to it.

It also counts on a website with certified access for market participants (<http://sujetos.esios.ree.es>) and the public website *e-sios* (<http://www.esios.ree.es>). Both channels, which undergo continuous improvement, are key tools to ensure compliance with legal reporting requirements.

DJSI rating regarding client relationships

[0-100]



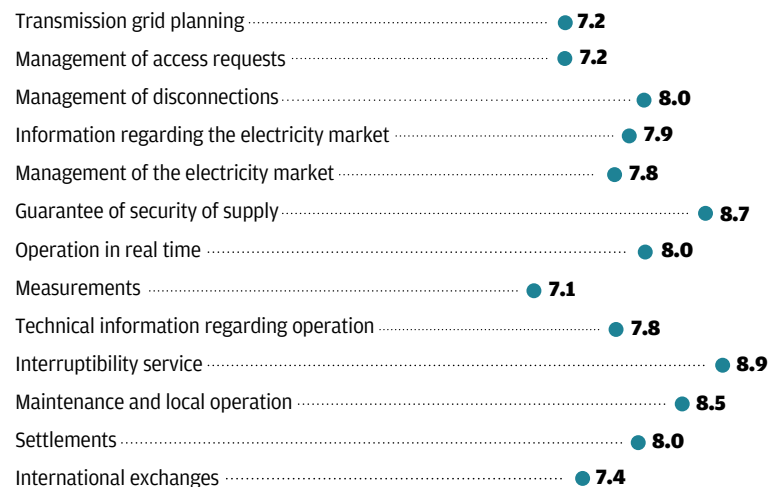
DJSI: Dow Jones Sustainability Indexes.

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■ Satisfaction rating of the services rendered in 2012

[0-10]



■ Global indicators regarding satisfaction of clients and market agents

[0-10]

	2004	2006	2008	2010	2012
Overall level of satisfaction	7.8	7.8	7.6	8.0	8.3
Satisfaction level of the quality elements	7.3	7.4	7.4	7.6	7.9
Satisfaction level of the services provided	7.0	7.0	7.2	7.8	7.9
Customer service	7.5	7.8	7.4	7.5	7.8
Evaluation of the improvement actions undertaken as a result of the previous evaluation study	6.4	6.5	6.8	6.1	7.2

In 2012, Red Eléctrica expanded the publication of information through *e-sios*, following the implementation in May of a new reserve market of additional power for association, and, in August, the new scheduling mechanism in the daily and intraday market, MIBEL, concerning the link between the peninsular electricity system and the Balearic Islands' electricity system. Additionally, the Company, through the working groups of ENTSO-E, is participating and monitoring in detail the implementation of the EU Regulation on the Wholesale Energy Markets Integrity and Transparency (REMIT) and the developments of the future Transparency Regulation.

In addition, Red Eléctrica has continued participating in, and in some cases leading, working groups seeking to increase communication and transparency, such as the Incident Analysis Group, GRAI, which analyses the most relevant incidents, their causes and corrective measures to ensure that these incidents do not happen again. Through said group, different working subgroups are established with the agents to develop rules and technical criteria that are later endorsed as technical regulation. Examples of the latter are the General Protection Criteria, Criteria for the Coordination of Borders, Transmission, Distribution, etc.

Furthermore, in December 2012, the new IESOE Regional Platform for Information regarding the Region was implemented (www.iesoe.eu), in which the Spanish, French, Portuguese and Moroccan electricity system operators publish data regarding

the electricity interconnection use and capacity between these countries. This new platform represents not only an increase in transparency in the region, but also a significant step forward for the implementation of future European transparency regulation in electricity markets.

Complementary to these measures, since 2008 Red Eléctrica has implemented a system of analysis and review of processes and outcomes associated with the activity of system operation, under the standard currently named SSAE-16 (Standards for Attestation Engagements), being the first TSO in Europe to voluntarily implement this internal control standard. This system is annually submitted to rigorous external evaluation. The results of this review in 2012 reflect effective internal control by Red Eléctrica.

Satisfaction surveys

Every two years, starting in 2000, Red Eléctrica has carried out surveys to evaluate the satisfaction, the requirements and expectations of its clients and of market agents. An external consultant participates in the carrying out of these studies, in order to guarantee their independence and the confidentiality of the process. In the 2012 study, 76% of a target sample of 179 clients participated.

Based on the analysis of the results (quantitative and qualitative) obtained, the 2013-2014 Improvement Plan was designed. This plan contains 24 actions, 5 of them focused on improving transparency, 10 on communication and information management and 9 on improving processes and services. In addition, at

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the end of 2012, the “Satisfaction Survey of Clients and Agents of the insular electricity systems (Balearic Islands and Canary Islands)” was carried out. This year it included, for the first time, the evaluation of services associated with energy transmission.

Once the results are analysed, a plan for improvement actions will be drawn up (the same as the insular services). These studies are carried out in accordance with the same methodology defined for the Spanish peninsula, adapting the evaluation questionnaire to the characteristics of the services offered on the Islands.

Management of incidents and claims

Red Eléctrica manages claims related to the services it offers and to the impact of its activities and facilities on the environment, using criteria that are clearly

defined, in order to assure they are handled suitably. The *e-sios* website for market agents contains the Management of Incidents and Claims application, in which claims related to the adjustment services market can be processed directly, along with the scheduling of international exchanges, managed by the system operator. Market agents can also consult the status of their claims and obtain historical information about them.

On this website, Red Eléctrica publishes periodic reports about the incidents identified, the management of claims received and the solutions adopted. The publication of this information responds to a request from market agents in the consultation process associated with the development of the SSAE-16 internal control system.

Claims indicators

	2008	2009	2010	2011	2012
Number of claims regarding operational activities ⁽¹⁾	31	44	70	3	4
Claims per 1,000 GWh of energy managed in the adjustment services markets	1.75	1.84	2.52	0.13	0.21
Percentage of resolution of claims	100	100	100	100	100

(1) The number of claims fell very significantly as of 2011, due to the implementation of the *e-sios* system, starting on 5.10.2010, automating the mechanism for re-assignment, in real time, of the secondary control reserve (as contemplated in the existing operating procedure, 7.2).



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Key indicators

	2011	2012
Number of suppliers with purchases during 2012 (no.)	1,409	1,296
Qualified suppliers (no.) ⁽¹⁾	3,312	4,244
Qualified suppliers with environmental evaluation (no.) ⁽²⁾	1,050	1,204
Qualified suppliers with occupational health and safety evaluation (no.) ⁽²⁾	967	772
Average payment term of suppliers (days)	78	58
Consultations dealt with by ASA (no.) ⁽³⁾	246	1,906
Consultations dealt with via DÍGAME (no.)	496	316

(1) Supplier-product or supplier-service groups contemplated in the Company's management systems.

(2) The supplier master file has undergone data cleansing in 2012.

(3) The ASA service went live in October 2011.

ASA: Procurement Support and Helpdesk Service.

DÍGAME: Stakeholder Attention Centre.

SUPPLIERS

Contribution to local development

Given Red Eléctrica's role in the Spanish electricity sector and its growing geographical presence, the Company has become a dynamic element in the local economy, through its purchasing activities. During 2012, the volume of purchasing contracts reached 670 million euros, which were awarded to 1,300 suppliers, 97% of them with head offices in Spain. **[EC6]**

Dialogue and efficiency in purchasing processes

During 2012, 2,600 new requests for qualification from suppliers were received and processed. As regards subcontracting, 3,400 requests from principal suppliers were processed. In addition, more than 1,900 queries were attended through ASA, the dedicated channel which manages external queries from suppliers, and another 650 through the DÍGAME channel.

As for payment to suppliers, the average time in 2012 was 58 days, well under the legal limit of 75 days established for this year.

Among the improvements in the procurement processes during 2012, noteworthy were: the optimisation of the process of subcontracting suppliers, which speeds matters up and gives the

system more control; similarly, the consolidation of the process of qualifying companies, within the computer tool that supports it; and the cooperation of different areas of the Company in defining the minimum requisites to be evaluated in the qualification process, in order to make it more transparent.

Promoting corporate responsibility

Among the advances made in 2012, of note was the approval and dissemination of the code of conduct for suppliers. This code has become a contractual document, as it is linked to Red Eléctrica's General Contracting Conditions. Additionally, acceptance of and compliance with this code has been made an obligatory requisite in the qualification process for the Company's suppliers.

Meanwhile, a system to record supplier evaluations has been developed that will allow the systemised evaluation of the performance of the supplier with Red Eléctrica within different scopes, including corporate responsibility. In addition, it will allow the monitoring of actions taken as per the evaluations. This system will serve as a starting point for the subsequent development in 2013 of a corporate tool for supplier monitoring.

[HR2, HR3, HR4, HR5, HR6, HR7]

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COMMUNICATION CHANNELS

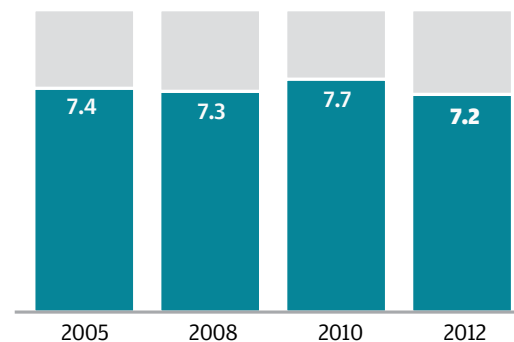
Red Eléctrica as the central axis of the electricity system

Aware of the importance of attending to its stakeholders, and in line with its policy of information transparency, Red Eléctrica reinforces and consolidates its relationship with the Media, both through the dissemination of its activities as the electricity system operator and manager of the transmission grid and by responding to the information needs it detects in the Media.

To this end, the Company has maintained direct contact with the Media through meetings/events, both national and regional, so that they may learn about the principal projects of Red Eléctrica. It has also published new information material in the Press Room on the corporate website, for use not only by communication professionals, but also by those interested in learning about different aspects of the functioning of the electricity system and the elements of which it is made up.

Survey regarding the Media (biennial studies)

[Satisfaction level 0-10]

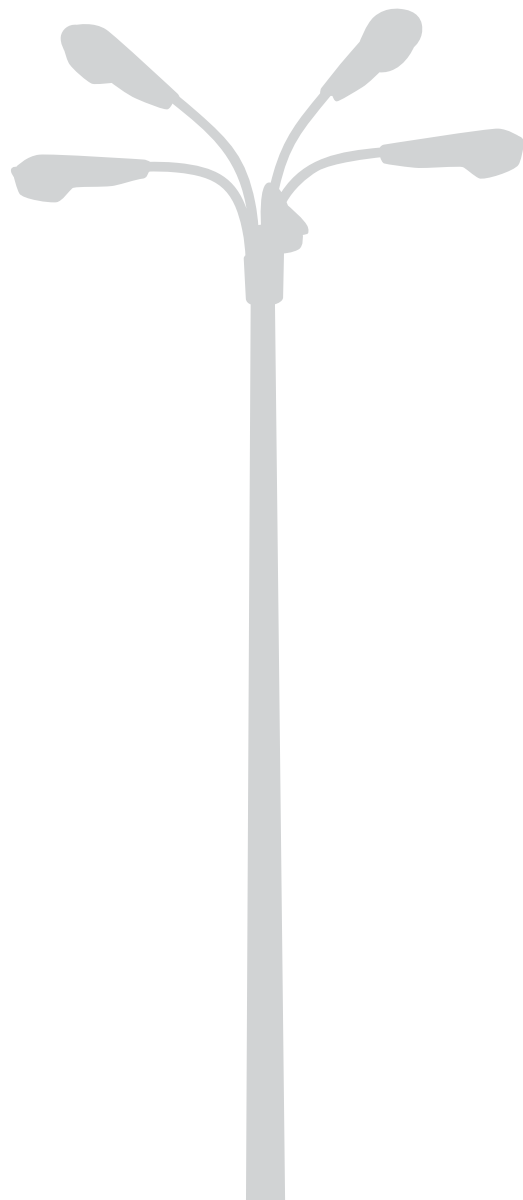


Spain-France electricity interconnection

The interconnection project between Spain and France is one of the most important in the Company's history, both because of the technology used - which makes it unique in the world - and because it is the first line constructed between the two countries for 30 years. For this reason, this has resulted in a specific communication plan, from the point of view of the relationship with the Media. As part of this plan, throughout the year 2012, visits were arranged to the interconnection tunnel and to other project facilities, for national, regional and local news Media, so that they could see first-hand the how the project is progressing and its most significant advances. Similarly, informational material, both written and audiovisual, has been published in the Press Room section of the

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corporate website and disseminated, through this communication channel and in social networks, as well as in the magazine *Entrelineas*.

New content in the Press Room and a greater presence in social networks

Visits to the Press Room during 2012 increased 34% over the previous year, while the number of pages consulted rose 65%. These figures show the growing importance of digital content for communication professionals and the general public. Conscious

of this, during 2012 the Company broadened its content, with the publication of two infographs and a monograph on the importance of international interconnections in the future European electricity system and the situation of Spain's interconnections with its neighbouring countries. In addition, the content of the magazine *Entrelineas* has been improved, in both its print and digital versions. The Company's presence in social networks such as Facebook and Twitter has also been increased, as one more element of its communications strategy.

Key communication indicators

	2008	2009	2010	2011	2012
News about Red Eléctrica published in the Media	6,924	7,981	8,537	7,355	24,283
National press	2,894	2,202	2,433	1,831	6,022
Regional press	4,030	5,779	6,104	5,524	18,261
Information published					
Press releases	47	46	51	56	68
Press conferences and meetings	26	32	39	30	21
Interviews and statements	99	138	178	147	67
Online Press Room					
Number of web visits	125,576	235,572	288,274	291,950	390,745
Web pages consulted	1,153,387	1,841,109	2,241,233	1,924,617	3,175,497

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SOCIAL ENVIRONMENT

Red Eléctrica places in this category the different groups with which it relates in many ways, maintaining within that relationship the principles of transparency and mutual collaboration. During 2012, the Company continued to strengthen the tools for communication and promoting relationships, among which it is worth highlighting the broadening of functional content on the corporate website and the strengthening of ties with the community and social commitment.

The corporate website, a key communication tool

The Company's corporate website (www.ree.es) remains committed to improving and disseminating information to all its stakeholders about the essential aspects of the functioning of the Spanish electricity system, the activity which Red Eléctrica carries out as operator and manager of the transmission grid, and all the information regarding the Company, using the criteria of transparency and continual improvement. During 2012, the website received more than 3,130,000 visits from over 100 countries and more than 77 million pages were

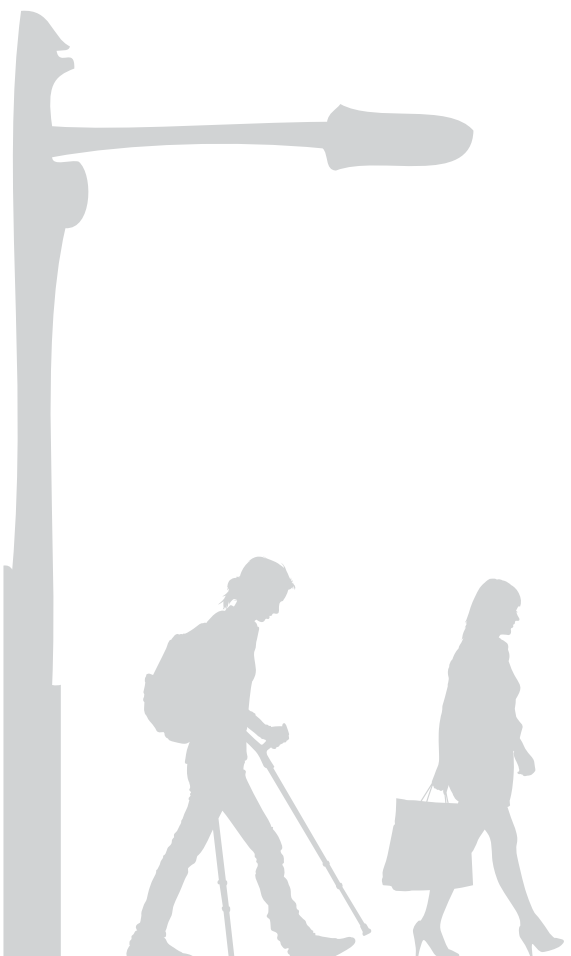
visited. As for the new content included this year, the following should be highlighted:

- » Publication of the *IRE* Index (Red Eléctrica Index), an advanced electricity consumption indicator of large consumers.
- » Electricity demand curves in real time, with CO₂ emissions of the Islands that make up the Canary Islands electricity system.
- » Broadcasting via webcast of the Company's 'Plan for Innovation and Technological Development 2012-2016'. The development of new R&D+i content that includes a contact form. This form is to be used by the scientific community for sending in their collaboration proposals.
- » Publication of the code of conduct for suppliers with a complaint form for the registering and processing of complaints and possible breaches of the code.
- » New section with statistical series regarding the Spanish electricity system.

CONTRIBUTION TO THE COMMUNITY

Red Eléctrica's strategy for contributing to the community is based on promoting institutional and social relations, the transparency of its actions, seeking collaboration agreements, disseminating

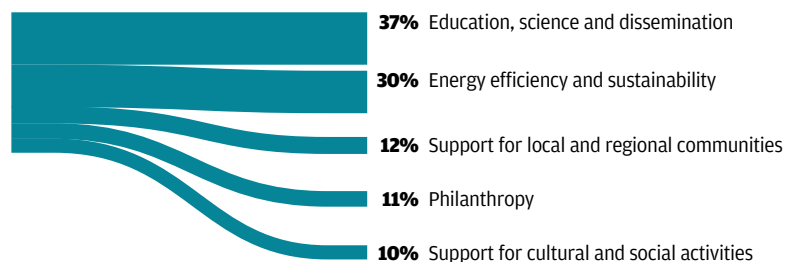
information on the functioning and needs of the electricity system and participating in educational, cultural, philanthropic, sustainability and support for local communities projects and activities.



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Social investment structure

[2012]



In accordance with these criteria, Red Eléctrica in 2012 carried out more than 350 different activities, on which it spent 4.1 million euros (0.8% of its net profit). The amount spent on these activities in 2012 was distributed as follows: 64% went to strengthening ties with the community and 36% to projects of a social nature.

Strengthening ties with the community [EC8, SO1]

Red Eléctrica carries out an open and participative strategy of information and contact with its social and institutional stakeholders 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 provide adequate response to the demand for information from society.
- >> Maintain information 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.

During 2012, 225 institutional activities were carried out, notable among them the signing of agreements with autonomous communities and municipal governments, through which Red Eléctrica makes good its commitment to maximum cooperation with the regional and local authorities with which it has relations due its activity. Similarly, with the commissioning in 2012 of new facilities that strengthen the functioning of the electricity system, such as the Mezquita de Jarque substation or the Benahadux-Tabernas and Fuentodos-María electricity lines, and the start of work on the electricity interconnection between Spain and France, Red Eléctrica has undertaken different actions for the presentation and dissemination of information on these facilities to institutional interlocutors.

On the other hand, Red Eléctrica promotes and encourages knowledge of the electricity system by hosting institutional visits to its facilities. During 2012, 88 visits were organised to the Electricity Control Centre (CECOEL) and to transmission grid facilities, which have involved the presence of a total of 500 people. It is also worth highlighting the eight sessions held to train the State Security Forces in matters of security at electricity facilities, in which close to 400 members of the Civil Guard, National Police and fire fighters from the Communities of Valencia, Castile-and-Leon and Madrid took part.

Similarly, Red Eléctrica has continued making a great effort to produce various publications, as a key element of transparency and communication

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Data regarding the mobile exhibition 'A HIGHWAY BEHIND THE WALL SOCKET'

Period: June 2010-December 2012

- ▶ Four locations: Granada, Logroño, Valladolid and Las Palmas de Gran Canaria.
- ▶ Visits: 215,000 people.

More info
Video of the exhibition
"A Highway Behind the
Wall Socket"



with its stakeholders, and to contribute to increasing knowledge and awareness regarding the electricity system. During 2012, it published 33 publications (statistics on the electricity system, corporate, informational, etc.) of which a good number were published in print editions and distributed free of charge. All are accessible in digital format on the corporate website, where the number of accesses reached more than half a million in 2012.

Social action

Red Eléctrica defines its programme of social action through dialogue with stakeholders. This programme analyses and provides answers to the requests for collaboration from social organisations and seeks and promotes relations with organisations that carry out projects which converge with the Company's social objectives. In the framework of the 2012 programme, numerous actions have been carried out in those areas which Red Eléctrica has established as priority in its social programme: promoting sustainability and energy efficiency, support for local and regional communities and contributing to cultural and educational projects, as well as other philanthropic actions promoted by social organisations.

In 2012, Red Eléctrica signed 27 agreements with different environmental, cultural and local development organisations and entities, to support

the development of projects. Similarly, through sponsorships and cooperation, the Company took part in 30 activities in these same areas.

In education, of note is the support for the education of 921 students in Master's or specialisation courses in more than 25 schools and universities, which was accomplished through visits to the Company's control centres, and its transmission facilities. In this field, it is also worth highlighting the collaboration agreements signed with prestigious universities and educational institutions, such as the Universidad Autónoma de Madrid, through which the Company shows its support for higher education and specialised training, principally in the areas of energy and the environment.

Additionally, Red Eléctrica has continued to collaborate with different science institutions to promote knowledge in the field of energy, particularly among students. This collaboration is undertaken through the mobile exhibition "A Highway Behind the Wall Socket" which, in interactive form, shows how the electricity system works and how energy can be consumed in a more efficient and responsible manner. At the beginning of 2012, this exhibition completed its stay at the Science Museum of Valladolid, and from March to December, was at the Elder Museum in Las Palmas de Gran Canaria, where it received 55,600 visitors.

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7



WE PROTECT BIODIVERSITY, NATURE, AND DEVELOP BEST ENVIRONMENTAL PRACTICES

Dialogue with interested parties is an essential pillar of our vision of sustainable business



GRI indicators reported on within this chapter:
 4.11, EU19, EN1, EN2, EN3, EN4, EN5, EN6, EN7, EN8, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN17, EN18, EN22, EN23, EN24, EN28, SO9, SO10, PRI.



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Global challenges

- >> Make installations compatible with their surroundings.
- >> Ensure the protection and conservation of biodiversity.
- >> Contribute in the fight against climate change.
- >> Energy saving and efficiency.
- >> Pollution prevention.

Our response to these challenges

- >> Selection of routes and locations for facilities that are of least impact. The establishment of 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 an action plan for the reduction of emissions.
- >> Establishment of efficiency measures for the reduction of basic consumptions.
- >> Establishment of preventive measures against spillages of hazardous substances and the suitable management of waste.

Respect for the natural environment, conservation of biodiversity and the implementation of best environmental practices in the development of our activities are key elements of our business management.

WE MAKE OUR FACILITIES COMPATIBLE WITH THE ENVIRONMENT

Red Eléctrica has an environmental management system certified according to the standard UNE-EN ISO 14001 and has been registered since October 2001 in the EU Eco-Management and Audit Scheme (EMAS). In accordance with these systems, Red Eléctrica identifies and evaluates all aspects derived from its activities that can interact with the environment and produce any type of impact.

Our main effects are related to the territory and the landscape through which electricity lines pass. For this, we have made a significant effort regarding the study of the territory and on our coordination with key interested parties in order to define and agree on the locations of substations and the proposed routes of the lines so that these effects are minimised. Additionally, thanks to the implementation of preventive and corrective measures and strict monitoring of environmental criteria in the construction and maintenance works,

the potential effects are reduced and the resulting impacts are compatible or insignificant.

As an area for improvement, in 2012 a new system for identifying facilities with high environmental risk was introduced. Of the 123 substations checked, only seven have been defined as a risk, with the necessary measures for their adaptation having been identified.

To carry out continuous improvement of environmental performance and processes, annually Red Eléctrica defines an environmental programme in which the various objectives derived from the different strategies of the Company are established and specific work actions are defined. The fulfilment of the environmental programme in 2012 was 77.8 %. The details on the objectives, goals and level of fulfilment of the environmental programme and complementary aspects of the information included in this chapter, can be found in the Environmental Report.



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■ Environmental expenditure

	2010	2011	2012
Investment (million euro)	6.3	7.0	5.1
Environmental investment/grid investment (%)	0.3	0.9	0.8
Expenditure (million euro)	18.9	20.4	16.4
Environmental expenditure/operating costs (%)	2.6	2.4	1.8

Comprehensive organisational structure

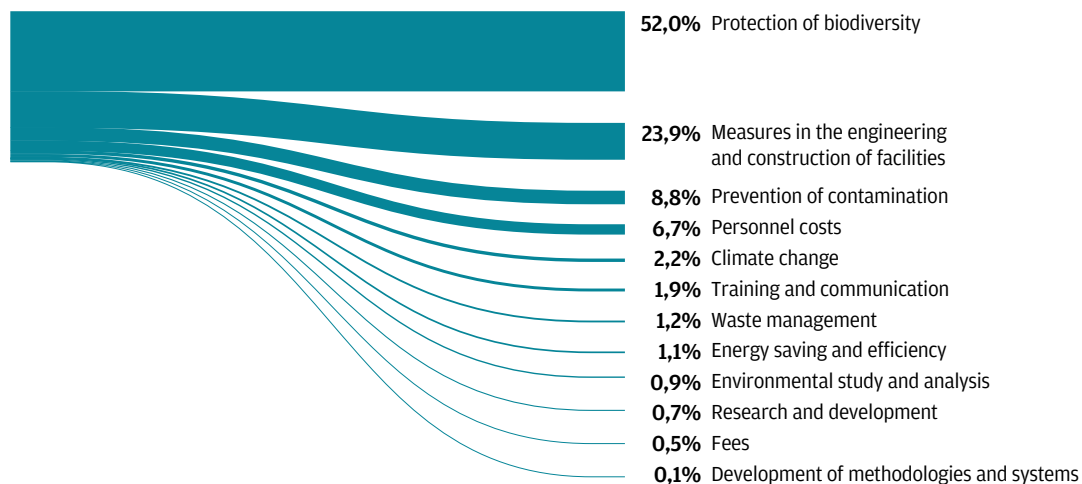
Red Eléctrica's commitment towards the environment begins with senior management, who establish the Environmental Policy and implement the means and the measures to ensure that the environmental requirements are fulfilled. The Chairman, who has the ultimate responsibility in environmental matters, has designated the General Manager for Transmission as a specific

representative for the development of the management system. The implementation of this system is achieved through the participation of all organisational units, in accordance with the established responsibilities and commitment of each of the people working in the Company.

In addition, Red Eléctrica counts on a specific environmental area, which provides technical support to all organisational units in the carrying out of their daily activities. In December 2012, this area consisted of 36 technicians: 17 of them are located in the Head Office and the other 19 are territorial for the environmental monitoring and control of all phases of the implementation of facilities in the areas in which they are located.

■ Structure of environmental expenditure, 2012

(%)



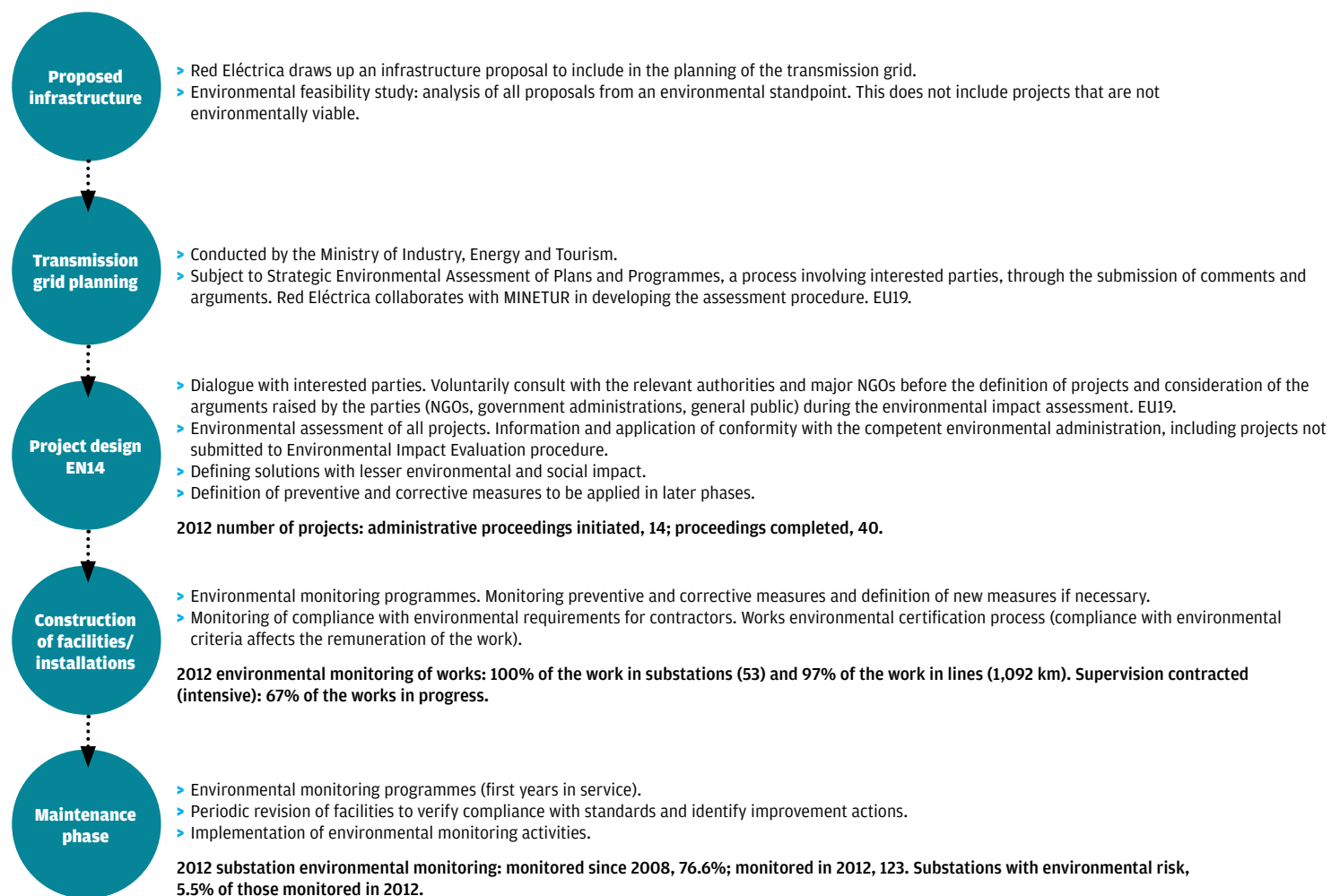
Figures indicating our economic effort

Red Eléctrica dedicates significant resources to the efficient development of its environmental management activities. In 2012, it earmarked more than 21 million euros to these activities, of which 5.1 million were for environmental investments in engineering and the construction of facilities, and 16.4 million for various types of environmental costs.

In the table and graph on this page the evolution of environmental expenditure and the distribution per activities for 2012 is summarised. The complete table of data is published at the end of the chapter in the section on quantitative indicators.

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■ Environmental criteria in all phases of grid development



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KEY AXES OF THE BIODIVERSITY STRATEGY

- ▶ Integrate conservation and sustainable use of biological diversity in the strategic plan of the Company.
- ▶ Establish mechanisms that assure the protection and conservation of environmental values in the activities carried out by the Company, especially in sensitive natural surroundings.
- ▶ Promote a framework of communication and collaboration with stakeholders, increasing the visibility of the Company's commitment towards biodiversity conservation.
- ▶ Improve recognition by the institutions and national and international sustainability indexes.
- ▶ Contribute to and encourage participation in research and educational and awareness projects regarding biological diversity.

More info
Consult the Biodiversity section in the corporate website.



OUR COMMITMENT TO BIODIVERSITY

Biodiversity conservation has always been a basic principle within Red Eléctrica's environmental policy and corporate business strategy. In 2010, we strengthened our commitment through the basic strategy for the Company to follow in this area and an action plan to 2014.

Red Eléctrica's facilities and biodiversity

The facilities of Red Eléctrica are distributed nationwide, as the objective of the transmission grid is to join the energy generation points with the areas of consumption. One of the main criteria when defining the location of new facilities is to those avoid the areas rich in biodiversity, although, in many cases, it is 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 these cases, Red Eléctrica puts into motion all necessary preventive and corrective measures to minimise the possible effects on flora and

fauna, and provides additional environmental improvement actions to improve the biodiversity of the areas in which their facilities are located.

Of the new electricity facilities commissioned in 2012, just 9% of lines (35 km) and no substations were located within Natura 2000 areas. Of the total infrastructure existing at year end, only 15% of lines and 7% of substations are located in protected areas (Natura 2000). Only 0.12% of the total surface area of Natura 2000 is occupied by Red Eléctrica facilities.

We protect both habitats and species during the construction of facilities

The main potential impacts arising from the construction of facilities are the alteration of the habitats of certain species of flora and fauna, and the effect on the vegetation associated with the opening of safety corridors to avoid fires. In 2012, the following significant impacts were identified **[EN12]**:

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BIOLOGICAL STOPPAGES 2012

- ▶ Stoppage of work on 10 towers from 1 March to 31 July due to the presence of Egyptian Vultures (*Neophron percnopterus*)⁽²⁾.
- ▶ Stoppage of works on 23 towers from 1 February to 31 July due to the presence of rock-dwelling raptors.
- ▶ Restriction of activities on the construction of 28 towers from 17 April to 31 May due to the breeding and rearing of Bonelli's Eagle (*Hieraetus fasciatus*)⁽¹⁾.
- ▶ Stoppages from 15 February to 30 September affecting the construction of 133 towers due to the presence of the Black Vulture (*Aegypius monachus*)⁽¹⁾⁽⁴⁾, Griffon Vulture (*Gyps fulvus*), Black Kite (*Milvus migrans*), Golden Eagle (*Aquila chrysaetos*)⁽¹⁾⁽⁴⁾, Egyptian Vulture (*Neophron percnopterus*), Black Stork (*Ciconia nigra*)⁽¹⁾, Short-toed Snake Eagle (*Circaetus gallicus*), Common Buzzard (*Buteo buteo*), Little Bustard (*Tetrax tetrax*)⁽¹⁾⁽⁴⁾ and Great Bustard (*Otis tarda*)⁽¹⁾⁽³⁾.












[EN15]

(1) Vulnerable species under the National Catalogue of Endangered Species. (2) Endangered species according to the IUCN Red List. (3) Threatened species according to the IUCN Red List. (4) Near-threatened according to the IUCN Red List.



- ▶▶ Felling of protected vegetation in SAC: 200 Oaks and 27 Birches. Preventive measures have allowed specimens with a diameter greater than 40 cm not to be affected.
- ▶▶ Impact on protected vegetation occupying towers and access roads (Saltwort - *Salsola papillosa* and Spike Thorn - *Maytenus senegalensis*).
- ▶▶ Felling of unprotected Atlantic native forest of 800 trees with diameters between 10 and 60 cm, and certain specimens, Chestnut, Birch, Ash and Pine.
- ▶▶ Occupation of land qualified as Biosphere Reserve (0.42 ha).
- ▶▶ Exhaustive supervision of felling and pruning works to avoid specific specimens from being affected and the protection of flora.
- ▶▶ Relocating of species, consisting of transplanting tree specimens affected by work in other unaffected areas.
- ▶▶ Hoisting with a boom crane, a technique that minimises the opening of accesses and the need for work sites in highland areas or with abundant vegetation or that is protected.
- ▶▶ Hanging of cable by hand to reduce the need for the opening up of special paths for cable hanging. As a reference, 17 km of cable was hung by hand in 2012.
- ▶▶ Using a helicopter to transport materials, the hoisting and hanging of cables to minimise or avoid the need for earthworks (construction of roads and work sites) and effecting the vegetation. As a reference, over 43 km of cable was hung using a helicopter in 2012.
- ▶▶ Biological stoppages involving the cessation of work during the breeding and nesting season and the rearing of young of certain species.
- ▶▶ Measures for the restoration of areas affected by works, such as recovery of the geomorphology, the levelling off of land, slope stabilisation, supply of topsoil and hydro-seeding and planting of species (including endangered species).
- ▶▶ Making small modifications in the design of the project, in order to minimise the impact on vegetation: compacting of grounds under towers, over-elevation of towers, slight relocations and modification of accesses.
- ▶▶ Signage and marking off of habitats of interest or specific specimens to avoid being affected.

Measures to avoid effects related to construction works [EN13, EN14]

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» Planting projects to offset felling works. In 2012, we have proceeded to reposition stonewalling in 7 hectares of highlands with Holm Oak (*Quercus ilex*), Portuguese Oak (*Quercus faginea*) and other accompanying species to offset felling works conducted in the expansion works of the Galapagar substation.

» Accompanying measures to improve biodiversity in the environment in the area of works. In 2012, noteworthy is the planting of trees not associated with the offsetting of felling works (60 specimens among which are Oaks and Pinyon Pines) and the installation of 12 falcon nests in the towers of a new line.

SPECIFIC ENVIRONMENTAL MEASURES FOR THE NEW FRANCE-SPAIN ELECTRICITY INTERCONNECTION AXIS

The new electricity line interconnection axis with France will be buried underground through a tunnel 8.5 km in length. The construction of a tunnel has specific effects on the natural environment, the most significant being:

- » The alteration of both the surface and groundwater network: channels of flow, drains, water table, etc.
- » The effects on the environment due the occupation of large areas (work sites) and the generation of large amounts of inert material extracted.
- » The effects on soil stability by altering the geology.
- » The high consumption of water and electricity by the machinery used.

To minimise these environmental effects, Red Eléctrica has launched a series of specific measures, additional to those usually provided in the construction of facilities, noteworthy among which are the following:

- » Relocation of the mouth of the tunnel in a previously degraded area (by the construction of the high-speed train) using old platforms and

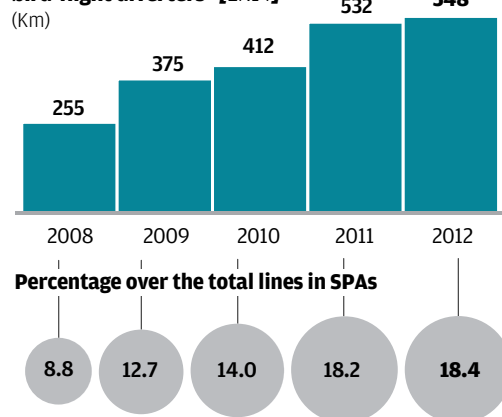
already existing temporary landfills (avoiding new effects on the soil and vegetation).

- » Installation of a closed water circuit for the tunnelling machine, which reduces power consumption and the discharge of contaminated water.
- » Purification surface runoff water and placement of a fine particle retention barrier to prevent rainwater washing materials into the river.
- » Coverage with topsoil layer (from the Santa Llogaia converter station works conversion - part of this project) and the use of hydro-seeding on slopes to reduce the washing away of materials.
- » Reuse of surpluses from excavation work for the AP-9 in France and the restoration of a nearby gravel quarry.
- » Measures to protect important fauna, such as Hermann's Tortoise (*Testudo hermanni*): initial investigation for the collection of specimens and their transfer to the recovery centre. Fencing off of the entire work area to prevent the entry of animals.

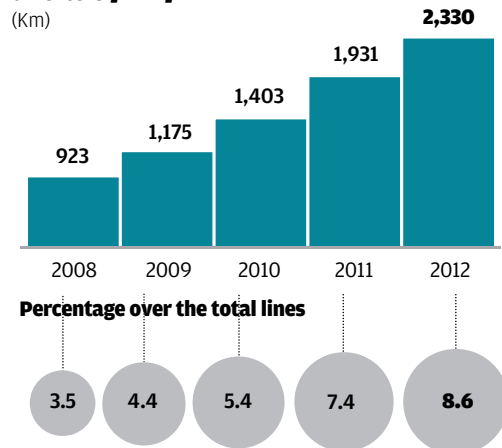


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Marking of lines in SPAs with bird-flight diverters [EN14]



Marking of lines with bird-flight diverters [EN14]



Committed to the protection of birdlife

The main aspect to take into consideration regarding the effects that the facilities of Red Eléctrica have on fauna is the risk of birds colliding with the grounding cables that protect the lines against electrical discharges during storms. It is worth clarifying that it is virtually impossible for electrocution accidents to occur, because the distances between voltage points and the metallic structures of the towers are higher than the wingspan of any bird species existing in Spain. [EN12]

The main measure to reduce the risk of bird collision with electricity lines is the marking of grounding cables with devices to increase their visibility. The steady growth in the number of kilometres marked is evidence of Red Eléctrica's commitment to biodiversity. In 2012, 399 km of lines were marked, corresponding to 201 km of new lines and 198 km of lines already in service.

It is important to note that only those areas where birds are susceptible to colliding with the cables should be marked, which do not always coincide with those declared as SPAs (although this is used as a reference for the calculation of indicators, there are SPAs that protect species not susceptible to collision, so it is not necessary to mark them). In this regard, we are currently working to identify and target the collision risk areas, allowing us to develop an adequate marking programme and define

an indicator that better reflects our performance in this area. To this end, Red Eléctrica carries out the following actions:

- Monitoring and evaluation of the effectiveness of the devices during the first years of life of the installation.
- Analysis of accidents detected in the installations.
- Collaboration with the relevant authorities in the identification of areas to be marked.
- Development of the Bird-Flight Mapping project, to identify those routes most frequented by the species susceptible to collisions. To date geographical information is available for four regions and work is expected to continue in 2013 with four other regions, with the completion of the remainder in 2014.
- Other complementary projects in the various regions. In 2012, the development of the predictive model of risk areas for bird collisions with high voltage electricity lines in the Valencia region was completed.

Additionally in the framework of the research, a collision detector device is being developed, which will quickly allow an injured bird to be rescued and transferred to the corresponding specialised centre for its possible recuperation.

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■ Bird collision accidents detected in 2012 [EN12]

(Number of bird deaths)

Species	
Great Bustard (<i>Otis tarda</i>) ^{(1) (2) (3)}	12
Common Redstart (<i>Phoenicurus phoenicurus</i>) ^{(2) (4)}	2
Stone-Curlew (<i>Burhinus oedicnemus</i>) ^{(2) (5)}	2

(1) Species classified as threatened according to IUCN Red List [EN15]. (2) Vulnerable species according to the National Catalogue of Endangered Species [EN15]. (3) Four of the accidents were identified during the Environmental Monitoring Programme (EMP) on a recently constructed line. The corrective measures will be determined at the end of the EMP. The rest have been detected in lines in service, which have been incorporated into the marking programme. (4) Accidents identified during the Environmental Monitoring Programme (EMP) of a newly built line. The corrective measures will be determined at the end of the EMP. (5) Accidents detected in a specific population study regarding the status of the Stone-Curlew and the threats to its conservation on the Island of Gran Canaria.

BEST PRACTICES IN THE DESIGN AND MAINTENANCE OF SAFETY CORRIDORS

- ▶ We carry out an annual review of all facilities.
- ▶ We try to generate the least impact on the species by trying to: respect small and slow growing bush and tree species, minimising the actions on protected species (pruning only) and carry out the revegetation of degraded areas.
- ▶ No chemical methods used in the treatment of safety corridors.

Fire prevention [EN14]

The prevention of wild fires is an important matter for Red Eléctrica. As a result of the review and improvement of our procedures, in 2011 we drafted a forestry management policy in which the new working criteria of the Company has been defined and the objectives to be reached in this matter have been formalised. Among the preventive actions taken by Red Eléctrica, noteworthy are the following:

- ▶▶ **Adequate definition of the safety corridors of the lines.** The safety corridor is defined in the project stage of new facilities, based on the detailed data of vegetation collected through optical methods of remote sensing and LIDAR (Laser Imaging Detection And Ranging).
- ▶▶ **Predictive maintenance.** Revision of installations using various methodologies: by foot, from the air and LIDAR flight technology and thermography that allow 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, timely pruning and felling) whose objective is the maintenance of safety distances between the vegetation and the installations, thus making this process fundamental in reducing fire risk to the maximum.

- ▶▶ **Fire prevention measures during construction works and the modification of installations.** The stoppage or restriction of the tasks at times of high fire risk, or the application of specific fire-fighting 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 relevant administrations on the development of measures and strategies for fire fighting and prevention.** REE has signed collaboration agreements with the regions of Andalusia, Castile-La Mancha, Aragon and Valencia, and the goal is to establish an agreement of this kind with all autonomous communities/regions.
- ▶▶ **Training and awareness by means of holding special days with forestry agents.** Participation of SEPRONA and environmental technicians of the administration regarding electricity lines and fire fighting and prevention.
- ▶▶ **2012 research projects.** Work has been carried out on the projects, “Modelling of the growth of forest masses” and the “Monitoring system of forest fires in the vicinity of electricity lines”.

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Project of note RED ELÉCTRICA FOREST [EN13]

Annually, Red Eléctrica helps create a forest on public lands in a different area of the Spanish territory. Started in 2009 and ongoing, this project is twofold: to offset Red Eléctrica 's emissions by planting trees and contributing to the conservation of a natural area rich in biodiversity, or the restoration of a degraded natural area. Similarly, this project will also support the development of local economies, as the works are carried out by companies or groups from the area. In 2012, we have worked in three different areas:

- ▶ Sierra de Calasparra (Murcia). Restoration of 18.4 acres of forest in SAC that had burned in 2010. The planting of 21,840 tree and bush specimens: Aleppo Pine (*Pinus halepensis*), Mastic (*Pistacia lentiscus*), Prickly juniper (*Juniperus oxycedrus*), Kermes Oak (*Quercus coccifera*), Oleander (*Nerium oleander*), Albaida (*Anthyllis cytisoides*), Black Hawthorn (*Rhamnus lycoides*) and Rosemary (*Rosmarinus officinalis*), among others. In addition, this project has involved the creation of 765 working days spread across 12 job positions.
- ▶ Calderona Sierra Natural Park (Valencia). Land preparation and hole-digging has taken place for the restoration of 26 acres of burned land. This was repopulated with Aleppo Pine (*Pinus*

halepensis), accompanied by Phoenician Juniper (*Juniperus phoenicea*), Carob (*Ceratonia siliqua*), Prickly Juniper (*Juniperus oxycedrus*), Mediterranean Dwarf Palm (*Chamaerops humilis*) and Wild Olive (*Olea europea ssp. sylvestris*). These works, planned for 2012, were postponed until 2013 due to weather conditions.

- ▶ Robledal del Remendón, in the Armañón Natural Park (Vizcaya). Work has begun on preparing the ground for the restoration of 22.5 acres with English Oak (*Quercus robur*), European White Birch (*Betula alba*) and other accompanying species.

Red Eléctrica Forest data, 09/12

Trees and shrubs planted: **203,520 specimens.**
 Surface area recovered: **410 hectares.**
 Emissions offset: **60,677 t de CO₂ equivalent.**
 Investment: **625,000 euros.**
 Impact on local employment: **3,043 working days.**

This project by Red Eléctrica is part of the *Proyecto Ardilla*, sponsored by the organisation "Plantemos para el Planeta", to connect the various natural areas of the Spanish peninsula.



During 2012, the number of fires involving Red Eléctrica facilities has remained low, registering one case resulting in the burning of scrub and another that affected a reforested area of one hectare. In none of the cases can the consequences be considered as significant.

Contribution to the conservation of biodiversity

Red Eléctrica 's commitment to biodiversity goes beyond the mere reduction of effects caused by their activities. For this reason, it leads or participates in various projects geared towards the conservation of biodiversity, and it conducts dissemination and training activities.

In this sense, Red Eléctrica works in collaboration with the various public administrations and prestigious organisations regarding environmental matters. During 2012, we signed 10 new collaboration agreements, making a total of 38 agreements currently in existence. We have to date worked with 12 autonomous communities/ regions and our goal for 2014 is to have participated in conservation projects in all of them.

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Projects carried out during 2012

- » Recovery Plan for the Golden Eagle (*Aquila chrysaetos*) in Galicia. Vulnerable species according to the national catalogue of threatened and near-threatened species according to the IUCN Red List. **[EN15]**
- » Reintroduction of Bonelli's Eagle (*Hieraetus fasciatus*) to the island of Majorca. Vulnerable species according to the national catalogue of threatened species. **[EN15]**
- » Reintroduction programme for the Black Vulture (*Aegypius monachus*) in Catalonia. Vulnerable species according to the national catalogue of threatened and near-threatened according to the IUCN Red List. **[EN15]**
- » Habitat improvement of Steppe birds in Andalusia, completed in 2012.
- » The using of electricity towers as biodiversity generators in Andalusia, completed in 2012.
- » LIFE+ project. Conservation and management of Special Protection Areas (SPAs) for Steppe birds in Andalusia.
- » Study into the population status of the Stone-Curlew (*Burhinus oedincnemus distinctus*) and threats to its conservation on Gran Canaria. Vulnerable species according to the IUCN Red List, completed in 2012. **[EN15]**
- » Census of the Houbara Bustard population (*Chlamydotis undulata*) on the islands of Fuerteventura and Lanzarote in pre-reproductive, reproductive and post-reproductive stages. Species in danger of extinction under the national catalogue of threatened and vulnerable species under the IUCN Red List, completed in 2012. **[EN15]**
- » Installation of a platform for the Osprey (*Pandion haliaetus*) in an electricity tower in Andalusia. Vulnerable species under national catalogue of threatened species. **[EN15]**
- » The installation of nesting boxes for the Soprano Pipistrelle Bat (*Pipistrelus pygmaeus*) in the Turia Natural Park in Valencia.
- » Red Eléctrica Forest: Sierra de Calasparra (Murcia), Sierra Calderona (Valencia) and the Armañon Natural Park (Basque Country). **[EN13]**
- » Migration and Global Change Centre (last of the compensatory measures associated with the REMO Project, second interconnection cable Spain-Morocco).
- » The installation of nesting boxes for Peregrine Falcons (*Falco peregrinus*) in the Southeast Regional Park, Madrid.

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SOCIOECONOMIC ASPECT AND THE LANDSCAPE

Electricity supply is a basic resource to the extent that is present in both economic activities and the daily life of citizens. In addition to meeting a service essential to the functioning of society, the investment in the development of infrastructure also ensures electricity supply has a positive impact on production and employment ⁽¹⁾.

However, together with this economic relationship, electricity infrastructure also cause some effects of a social nature, that in the case of electricity transmission facilities do not represent a significant change in the way of life of the communities. In the cases where this could occur, Red Eléctrica works to ensure that the cases are minimised.

Land occupation [S09]

Of all the infrastructure 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 right-of-way access 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 right-of-way access, 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 access represent. At present, the percentage of agreements of amicable character is 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", Luis Pérez, Jaime Sanaú and Isabel Sanz. Fundear, 2010.

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Minimisation of impacts on the socioeconomic aspect [SO10]

In addition to financial compensation, other measures are carried out in order to minimise the effects on landowners. In general, these measures are similar to those used for the protection of habitats and vegetation, noteworthy being the following:

- » Avoiding the opening of new accesses, making the most of existing accesses or going cross country whenever possible.
- » Consensual repositioning of towers in situ, in agreement with landowners, so as to avoid effects on boundaries, enclosures, irrigation pipes, trellises, etc.
- » Over-elevation of towers to prevent effects on economic activities. Thanks such a measure in 2012, a recycling plant can now be built below one line.
- » Modification and redesign of drainage systems to prevent flooding in properties adjacent to the substations.
- » Using a boom crane and helicopter for construction works to prevent damage to crops, roads, electricity lines and other existing elements.
- » Restoration of areas affected by works: decompacting and re-sowing in pasturelands and agricultural areas, restoration of roads, walls or any other damage to

properties in urban areas, etc., and, in those cases where it is necessary, payment for damage.

Visual impact [SO9, SO10]

In order to reduce the visual impact of lines and substations to the maximum possible, Red Eléctrica puts in place various other 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 infrastructure no longer in use. In 2012, 18.5 km of line was dismantled.
- » Restoration of affected areas: adaptation of access routes, work sites and slopes, sowing and planting.
- » Landscaped integration of substations. In 2012, adaptation works were carried out on 11 substations.

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RELEVANT ARCHAEOLOGICAL FINDS IN 2012

Roman and Bronze Age remains. Some of the towers of a line currently under construction are located on the edge of the archaeological site of Los Villares de Andújar, which corresponds to the ancient Roman city of Isturgis. Surveys were thus conducted prior to the commencement of work, which produced significant findings: a Roman oven, wall structures, a road and numerous ceramic fragments and tools. In the search for a new location for the tower, remains corresponding to the Bronze Age also appeared. All remains found have been removed (currently their definitive location in pending). To avoid affecting the elements found, one of the planned towers was removed and two were relocated.

Early 20th C. limekiln. This is an ethnological and industrial area protected by the cultural authority of Asturias. Data from the first third of the twentieth century. During the same works, construction remains linked to the Civil War were also found. We proceeded to change the location of the tower and marked the elements to avoid damage.

Visigoth burial ground. During the excavation for the construction of a substation, a Visigoth burial ground was discovered (6th/7th century) and materials from the Emiral period (9th century) were found. These have been inventoried and the bodies removed and their accompanying grave goods (mainly jewellery) and ceramic remains of the ninth century. Everything has been moved to the archaeological museum in Alcira. There have also been various explorations in the area of the substation to avoid affecting other possible elements.

Among the landscaping integration measures, noteworthy is the adaptation of substation buildings to surroundings where they are located. During 2012, seven models were completed: Balearic Islands, Southern Coastal Area, Valley, Highlands, Canary Islands, Mid-Highlands (rural suburban landscape) and Ingenuity (industrial landscape). For their definition, different strategies for harmonisation (taking into account the European Landscape Convention), natural landscaping and camouflage were adopted. The measures include both changes in design as well as in materials and finishes.

Protection of the archaeological-ethnological patrimony

Archaeological patrimony is one of the main aspects to be taken into account in the design and construction of facilities. Before any work can begin it is necessary to perform an archaeological survey, whose intensity and scope are based on the likelihood of the area to house archaeological remains. When the results of the survey are determined, the continued presence of an archaeologist in the earthmoving phase is required.

During 2012, archaeological supervision was carried out on the construction of 10 lines and five substations, with the permanent presence of an archaeologist in 86% of the cases.

Similarly, we have developed a project for the conservation of the *Abrigo de Riquelme* rock art painting in Jumilla (Murcia), a small cave with

paintings listed as World Heritage by UNESCO, which has consisted of the fencing off of the cave to avoid damage and unsupervised viewings, as well as performing a diagnosis of the paints by specialists who have developed proposals for their preservation. The work was completed with the digital edition of a book to be published in 2013.

Monitoring of electric and magnetic fields [PR!]

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 at sites where they may remain for a period time at 5kV/m for the electric and 100µT 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 the facilities are below exposure limits, Red Eléctrica carries out an exhaustive measurement plan which was developed as follows:

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» **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.** Measurements in 37 substations to evaluate the level of exposure of the workers and to verify 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 μ T and 10 kV/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 those requested by interested parties. In 2012, measurements were carried out on the following facilities:












» 220 kV and 400 kV lines crossing the municipality of San Antonio de Benagéber, requested by the said town council.

» 220 kV line crossing Culleredo town hall (A Coruña), requested by an individual.

» 220 kV lines in the vicinity of Alejandría de Tordesillas secondary school (Valladolid), requested by the school itself.

In all cases, the values were well below those recommended.

Moreover, though our facilities comply with European recommendations, 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 worldwide level and we maintain close contact with different entities and associations.

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PRINCIPLES 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 to interested parties.

CLIMATE CHANGE AND ENERGY EFFICIENCY [EN6]

In 2011, Red Eléctrica decided to formalise its commitment to the fight against climate change by approving a specific strategy and action plan which set out the objectives and specific actions to be developed in the coming years. The main lines of work are:

Integration of renewable energies. As transmission agent and operator of the electricity system, the main lines of work of Red Eléctrica in relation to climate change are related to achieving the European 20/20/20 goals. These lines are specified in the development of transmission facilities and operational tools for the integration of renewable energy to generate electricity without emissions. The progress and results of this work are shown in Chapter 4 of this report.

Energy efficiency. The development of demand-side management initiatives aimed at achieving greater energy efficiency, primarily through the development of research projects related to smart grids and the introduction of electric mobility. These initiatives are complemented by actions intended to reduce own energy consumption and create awareness about the efficient use of resources. All of them are included within “Red Eléctrica Eficiente”, a brand that distinguishes all the actions of the Company that promote a better use of energy and resources.

Control and reduction of emissions. Red Eléctrica has assumed its responsibility to control and reduce emissions from its activities. In this regard, it has

also established different ways of working that are described in this chapter.

Offsetting emissions. Red Eléctrica has established, as an objective, the offsetting of at least 20% of its direct emissions. To do so, in 2009 it launched the Red Eléctrica Forest project, which consists of helping to create a forest each year in a different part of the Spanish territory. It is estimated that trees planted in 2012 offset 7% of direct emissions; the rest, in order to meet the target of 20%, is postponed to 2013, as one of the planting projects for 2012 was not possible due to the weather. The amount of emissions offset since the project began in 2008 is about 60,677 tonnes de CO₂. [EN18]

Risk identification. Furthermore, Red Eléctrica, aware that the effects of climate change could in the future affect transmission grid infrastructure, in 2011 launched the study ‘*New climate risk management in electricity transmission infrastructure*’, which ended in 2012. In this study we have identified those climate parameters likely to affect the Company’s facilities and have analysed the risks of potential variations, and some of the actions to address these risks. This work has laid the foundation for a future plan of adaptation to climate change. [4.11-]

The study on the carbon footprint associated with the value chain of Red Eléctrica (goods and contracted services) was completed in 2012. Next

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EMISSIONS INVENTORY

Direct emissions (SCOPE 1)

- ▶ **Fixed combustion:** derived from the use of fuels in auxiliary generator units. In accordance with the estimates and calculations carried out, these emissions could be excluded from the inventory as they represent less than 2% of total emissions. However, it is considered interesting to proceed with its calculation in order to propose possible improvements and targets for its reduction. Although some data has been provided in previous years, inclusion is postponed until the collection of all data is finalised.
- ▶ **Mobile combustion:** those derived from fuel consumption by fleet vehicles.

▶ Fugitive emissions:

- SF₆ gas leaks (used as insulation in switches and armoured substations).
- Leakage of refrigerants in air conditioning units at the facility, in the data collection process for analysis. During 2012, calculations have been done for the Head Offices, control centres and regional offices, representing 286 tonnes of CO₂ equivalent. These will be included in the inventory when the process is completed.

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)

- ▶ Carbon footprint associated with the value chain.
- ▶ Emissions associated with business travel. These were calculated for trips by train and plane.
- ▶ Emissions associated with the transfer of materials between different workplaces (logistics).
- ▶ **Other:** emissions associated with REE events. During 2012, the methodology has been defined and developed, which will become effective in 2013.

year, the work will focus on areas that contribute most to the footprint, such as the manufacturing of equipment and components, and the construction of facilities. Considering that 66% of the total footprint associated with the value chain corresponds to just 10 suppliers, specific actions will be developed to improve the information from these suppliers and finding areas for improvement. **[EN17]**

Emissions

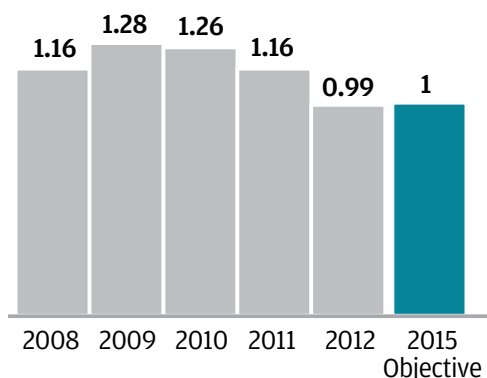
Red Eléctrica prepares its emissions inventory based on the GHG Protocol methodology. Since 2011, it has been conducting a detailed process of identifying emissions and the collation of data will continue throughout 2013. Within the direct emissions that result from the activities of Red Eléctrica, the main ones are sulphur hexafluoride (SF₆), supposing, in CO₂ terms, over 98% of total direct emissions calculated in 2012. Quantitative indicators of emissions are in the tables at the back of this chapter.

Control of SF6 emissions

Although legal requirements associated with the management of SF₆ gas are not very strict, Red Eléctrica works in partnership with public administrations and other bodies in the search for solutions to reduce emissions of this gas. To this end, in 2008, a voluntary agreement was signed with the Ministry of Environment, the Electrical Manufacturers Association (SERCOBE) and the Spanish Electricity Industry Association (UNESA).

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Average emission rate for SF6
(% of emissions over gas installed)



Management of SF6

	2010	2011	2012
SF6 installed (kg)	211,255	245,415	332,541 ⁽¹⁾
Emissions from equipment in service (kg) ⁽²⁾	2,667	2,850	3,301
Average emission rate from equipment in service (%)	1.262	1.161	0.993
Emissions derived from accidents (kg)	30	76	31
Total emissions (kg)	2,697	2,927	3,332
Average emission rate (including accidents) (%)	1.277	1.192	1.002

(1) The growth in installed gas is due to the increased number of facilities, especially armoured (SF6-insulated).
 (2) For the calculation of the leaks, different emission factors based on the age of the equipment installed have been applied. These factors are reflected in the Voluntary Agreement signed by the parties in 2008. Using this method of calculation, savings derived from implemented reduction measures are not reflected in this inventory.

In order to monitor compliance, annual meetings are held between the signatories, which also share information on progress in this area. In addition, Red Eléctrica has joined the research project EPRI (Electric Power Research Institute) on SF₆.

Measures for the reduction of SF₆ emissions [EN18]

- » Existence of a process for the control, inventory and management of SF₆ gas.
- » Education and training of all personnel involved in the management of gas. Red Eléctrica is, as of 2012, an authorised entity to train professionals in the recovery of SF₆ from high voltage commutating equipment.
- » Replacement plan for SF₆ management and measuring equipment, by more efficient equipment. In 2012, the massive plan to renovate measuring equipment was completed (allowing the recovery of the gas used for its measurement, thus avoiding its emission) and represented an estimated saving in emissions of 450 t of CO₂. The renovation plan of management equipment will continue until 2014 and it is estimated that the savings from increased extraction capacity of the new equipment will be 1000 tonnes of CO₂ per year.

- » Improvements in the detection of leaks through the purchase of new pressure meters and an infrared camera for the detection of gases.

Energy efficiency measures [EN5, EN7, EN18]

As a key company within the electricity system, Red Eléctrica considers relevant the efforts to reduce electricity consumption and, thus, the emissions generated by its production. Its lines of work are focused on the implementation of various measures to save electricity and sustainable mobility, noteworthy among which are:

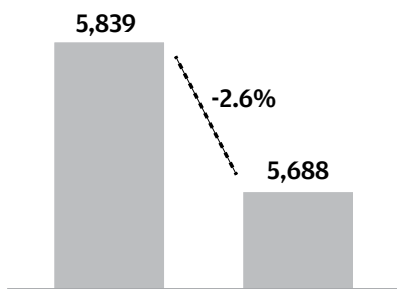
- » **Reduction of electricity consumption in work centres.** Currently, there are two types of actions. On one hand are the measures to improve information on the state of the buildings, for which in 2012 energy management equipment has been installed in 15 centres and energy audits have been conducted in 16 buildings (three in 2011), and on the other, measures to reduce consumption such as the replacement of lighting fixtures and the installation of automatic lighting that shuts down in certain areas when not needed. In 2012, improvements have been carried out in three buildings.
- » **Establishment of a minimum B rating in the construction of new buildings.** In 2012, two new buildings were built, distinguished with the “Red Eléctrica Eficiente” mark and incorporating the criteria regarding design features and facilities to obtain said qualification.

- » **Improved energy management in the Head Office in La Moraleja.** In 2012, the Energy Management System in the Head Office was

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Electricity consumption in Head Office *

(MWh)



* Does not included consumption by the computer/server room.

certified in accordance with the new ISO 50001:2011, replacing the UNE-EN 16001. Under the framework of this system, in 2011 an ‘Improvement Measures Plan’ was established for the period 2012-2019. This year we have implemented measures related to lighting, such as replacing lights, installing light sensors in rooms with natural light and the rationalisation of operating hours of lights in elevators and computer rooms. Additionally, energy management equipment has been installed. The savings achieved through these measures has resulted in approximately 2% of the consumption initially scheduled for 2012 (34.4 tonnes of CO₂ equivalent).

» **Reduction of electricity consumption in substations.** The establishment of the criteria for the permanent shutting down of lighting in open-air substations, unless work is to be carried out on them. Furthermore, a document has been approved regarding lighting criteria for the optimisation of lighting in facilities and its control by remote means.

» **Efficiency in IT systems.** IT equipment has now been replaced with more efficient models (with replacements carried out in 2012, a saving of 55,146 kWh per year is estimated) and work is continuing on changing physical servers for virtual servers with lower energy consumption. Additionally, a platform for the management of the entire set of IT equipment and devices has

been launched that consists of implementing energy efficiency policies regarding the use of equipment (sleep mode for screens, standby mode for the equipment, etc.). It is estimated that these measures have achieved savings of 10% of the total consumption of the equipment. In 2012, we worked on the implementation of this in 60% of the entire set of IT equipment.

» **Mobility measures.** Among the many measures implemented in this regard, noteworthy is the increase in the number of rooms with video conferencing to avoid unnecessary travel (of 143 meeting rooms, 87% now have videoconferencing systems). Moreover, Red Eléctrica offers employees of the Head Office a company bus service that allows an estimated savings in emissions of 76 tonnes of CO₂ equivalent annually.

» **Employee awareness.** There have been awareness campaigns throughout the year and the focus has been on the Sustainable City concept. Noteworthy is the publication and dissemination of the 10 +1 efficient practices panel, “bulb-for-bulb” action (the exchange programme of incandescent light bulbs for those of low consumption), guided tours of ECOBOX (building inspired by concepts of sustainable architecture), the photographic contest associated with mobility week and Energy Sustainability Day organised jointly with the *Colegio Oficial de Arquitectos de Madrid (COAM)*.

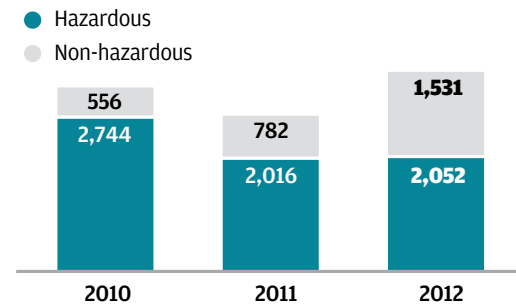


ISO 50001 certification of the Head Office energy management system.

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Waste

(tonnes)



WASTE

During the various activities of Red Eléctrica different types of waste is generated which is segregated, stored and managed in the most appropriate manner. In the maintenance phase of facilities, waste is associated with the following activities:

- >> Standard tasks regarding preventive or corrective maintenance: revisions, changing of parts, oil renewal, among others.
- >> Adaptation of facilities: improvement works in facilities for its adaptation to the standard criteria of REE, obsolete switchgear renewal, improvement in accident prevention systems, etc.
- >> Actions against accidents: although not common, accidental oil spillages are associated with a large amount of waste arising from the use of containment measures (absorbent), cleaning of affected areas (soils impregnated with hydrocarbons) and the emptying of the containment tanks (oil-water mix).

Given the nature of these activities, it is very difficult to predict the evolution of the amount of waste and set targets for its reduction. Therefore, although criteria is established for the reuse of materials - the regeneration of oil from power transformers

(223 tonnes in 2012) and SF₆ gas for reuse, and the reduction of its hazardous nature, ways of working are geared towards improving segregation and the final disposal of waste, looking for the best options from our suppliers and promoting best practices through training and awareness.

The waste generated by construction activities is managed by contractors. For all works there is a Waste Management Plan in which it establishes the management to be carried out in each case, the criteria of minimisation and reuse being of utmost importance (especially important for surpluses from excavation works).

Furthermore, Red Eléctrica includes specific requirements in the contractual work documentation and reviews its fulfilment through supervisory visits and the control of the associated documentation. Said control is becoming more comprehensive, due to the increased activities of environmental supervision of works.

Regarding the waste generated in the workplace, various awareness campaigns have been conducted and progress has been made in the segregation of different types of waste. During 2012, the collection of domestic oil and caps from containers and bottles has been carried out, both are for social purposes.

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PROTECTION FROM LEAKS AND SPILLAGES

Thanks to the implementation of preventive measures, the frequency of leaks and spillages of pollutants associated with the activities of Red Eléctrica is low, and when they do occur they usually have minor consequences, neither affecting the soil nor the groundwater. Among the measures taken to prevent being affected by spillages, noteworthy are the following:

- » Preventive and corrective maintenance of equipment containing oil.
- » Spillage containment systems on equipment containing hazardous substances, which prevent a possible spillage that might affect the soil.
- » Best work practices (handling equipment and pollutants on impermeable surfaces).
- » Definition of action protocols and the provision of materials/means in case of an accident (mainly absorbent material).

During 2102, a new rating system was developed and implemented that allows accident assessment and classification according to their severity: severity (amount spilled and extent affected) and the consequences thereof (hazardous nature of the spilled material and the quality of the surface affected). Under this system, only those accidents which are “unforeseen events that generate unintended consequences” are considered, and there are also two other categories: ‘incidents’, and ‘close calls’. There were no serious accidents in 2012.

SUPPLIERS

Red Eléctrica has identified suppliers whose contracted activity could generate a direct impact on the environment. These correspond to construction activities, the treatment of vegetation and the maintenance of equipment in substations. In 2012, the suppliers of equipment and components whose manufacturing is relevant from an environmental perspective (use of raw materials, water consumption, emissions) have also been contemplated.

In total, 666 providers have been identified regarding environmental risk, for which the establishment of a documented management system, and/or certified by a third party, is required. This requirement is met by 38% of suppliers, a figure which will increase as successive revisions of contracts for services and supplies are carried out.

Furthermore, in the contractual documentation for the development of the activities, the environmental requirements to be met are included (in terms of training and work performance), and a comprehensive monitoring is carried out to ensure that these are met. In this regard, for construction activities (which may generate an environmental impact), the environmental certification process work has been launched, as indicated in the first section of this chapter.

Furthermore, in 2012, studies continued regarding the carbon and water footprint of all REE suppliers, which has helped to identify the most relevant services and suppliers in these areas. In 2013, work will focus on the most relevant suppliers in this area.

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Quantitative indicators

■ Presence of facilities in Natura 2000 areas [EN11] (Peninsular system)

	2010	2011	2012
Km of line in SACs/total km of line (%)	13.4	13.0	12.9
Km of line in SPAs/total km of line (%)	11.4	11.2	10.9
Surface area of lines in Natura 2000/total Natura 2000 surface area on the Spanish peninsula (%) ⁽¹⁾	0.12	0.12	0.12
Number of substations in SACs/total substations (%)	6.6	6.5	6.2
Number of substations in SPAs/total substations (%)	5.6	5.5	5.4

(Insular systems)

Km of line in Natura 2000/total km of line (%)	-	10.6	9.8
Surface area of lines in Natura 2000/total Natura 2000 surface area on the Islands (%) ⁽¹⁾	-	0.08	0.10
Number of substations in Natura 2000/total substations (%)	-	2.8	2.8

SAC: Special Area of Conservation.

SPA: Special Protection Areas for birds (together SACs and SPAs form Natura 2000).

(1) The surface area of lines 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 overhead; there is only actual occupation in the case of the towers.

Note 1: regarding the peninsular system, to calculate the 2010 ratios, the database of Natura 2000 published in 2009 was used; for the 2011 and 2012 calculations, the databases published in 2010 and 2011, respectively, were used.

Note 2: mapping of in-service facilities is improved and updated annually, whereby some variations in calculations not related to the increase or decrease of facilities can be derived.

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Emissions

■ Greenhouse gas emissions [EN16]

 (tonnes CO₂ equivalent)

	2010	2011	2012
DIRECT (SCOPE 1)			
SF ₆ emissions ⁽¹⁾	61,500	66,741	75,974 ⁽⁶⁾
Associated with the use of fleet vehicles	1,690	1,563	1,381
Total direct emissions ⁽²⁾	63,190	68,304	77,355
INDIRECT (SCOPE 2)			
Associated with the consumption of electricity ⁽³⁾	3,654	4,284 ⁽⁵⁾	4,752 ⁽⁷⁾
Derived from transmission losses ⁽⁴⁾	723,540	800,530	875,259 ⁽⁸⁾
Total indirect emissions	727,194	804,814	880,011
Total emissions [EN16]	790,384	873,118	957,366

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

(2) We have excluded the emissions associated with the emergency power generators included in 2010 and 2011 (27 and 21 tonnes of CO₂ respectively) until the collation of all data has been completed.

(3) The peninsular emission factor calculated by REE is used, which takes into account the annual generation mix, and associates an emission factor to each generation technology in accordance 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 on which it can have an influence. Similarly, as is the case for the emissions associated with the consumption of electricity, CO₂ is not emitted during REE's activities, since it takes place at the different electricity generation points. In order to calculate CO₂ losses, an emission factor calculated by REE is used.

(5) Maintenance centres of insular systems have been included (main regional offices) for 2011 and 2012 not included in previous annual reports.

(6) The increase in SF₆ emissions stems from the growth of installed gas for the commissioning of new facilities. However, the emission rate (gas delivered/installed gas) is lower than in previous years.

(7) Increase resulting from a slight increase in electricity consumption and increased emission factor, associated mainly with the greater contribution of coal in the energy mix of the peninsula and low rainfall. The emission factors for the years 2010, 2011 and 2012 (tonnes of CO₂ emitted/MWh generated) were 0.211, 0.275 and 0.297, respectively.

(8) The emissions increase is due both to an increase in transmission grid losses and the emission factor increase.

■ Indirect Emissions SCOPE 3 [EN17]

 (tonnes CO₂ equivalent)

	2011	2012
Emissions associated with business travel	738	827
Emissions associated with internal material transport	869	782
Emissions associated with the value chain	491,653 ⁽¹⁾	190,858 ⁽²⁾

(1) Analysis carried out for 100% of suppliers. Corrected data regarding that published in 2012, after having carried out a consultation process and monitoring of the same. The carbon intensity of the value chain resulted in 359 t CO₂/million euros.

(2) Provisional data regarding a prior analysis of suppliers representing 95% of the volume of orders in 2012. The data will be adjusted after the work forecasted for 2013. Provisional carbon intensity is calculated at 300 t CO₂/million euros. The large reduction in emissions is associated primarily with a significant decrease in the volume of purchase orders compared to 2011.

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Energy consumption indicators
■ Indirect energy consumption: electricity consumption [EN4]

(kWh)

	2010	2011	2012
Head Office (Moraleja & Albatros) ⁽¹⁾	8,456,236	8,602,621	8,788,140
Tres Cantos ⁽¹⁾	1,652,587	1,649,509	1,693,771
Extra-peninsular systems ⁽¹⁾	1,152,442	1,080,814	1,408,343
Regional head offices	2,626,034	2,414,235	2,396,947
Work centres: main regional offices ⁽²⁾	3,272,732	1,719,685	1,713,227
Total	17,160,031	15,466,864	16,000,428

(1) These are work centres with special characteristics in that they include 24/7 electricity control centres with special energy consumption needs. As a result of the energy audit carried out in 2011 at Head Office, it is estimated that consumption at the control centres represents approximately 30% of the total.

(2) Since 2011, insular system maintenance centres have been included. (Not reflected in 2011 report).

Note: Red Eléctrica's indirect energy consumption is equivalent to electricity consumption. The proportion of energy generated for each source type is that which corresponds to the electricity generation mix in Spain (all electricity consumed in Spain comes from the same generation mix). Percentages by source type in 2012 in Spain are detailed on p60 of this report.

■ Summary of energy consumption [EN3, EN4]

 (joules) ⁽¹⁾

	2010	2011	2012
Fuel consumption	2.34x10 ¹³	2.16x10 ¹³	1.91x10 ¹³
Consumption of electricity	6.2x10 ¹³	5.5x10 ¹³	5.7x10 ¹³
Consumption transmission grid losses	1.22x10 ¹⁶	1.04x10 ¹⁶	1.06x10 ¹⁶

1 kWh = 36,105 joules; 1l of diesel = 37,106 joules; 1l of gasoline = 34,106; 1l of gasoil = 37,106 joules.

(1) Total consumption data in joules, according to the criteria defined by the GRI.

■ Direct energy consumption: fuel [EN3]

(litres)

	2010	2011	2012
Diesel	616,289	563,664	498,388
Petrol	16,597	22,260	19,408
Total fuel ⁽¹⁾	632,886	585,924	517,796
Average consumption (litres/100 km) ⁽²⁾	11.1	8.4	8.5

(1) Includes fleet vehicles, mobile cranes and executive vehicles. We have excluded the consumption of the emergency power generators, which were included in 2010 and 2011 to complete the data collection methodology.

(2) This ratio is an average of the different types of vehicles.

■ Indirect energy consumption: transmission grid losses [EN4]

(kWh)

	2010	2011	2012
Transmission grid losses ⁽¹⁾	3,398,038,000	2,890,000,000	2,947,000,000

(1) See Note 4 of emissions inventory. The increase in value in 2012 is related to the growth of the transmission grid, mainly of the facilities that are aimed at generating evacuation points away from the consumer points (the losses grow as the distance increases between points of generation and consumption).

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Basic consumption indicators
■ Consumption of raw materials [EN1]

	2010	2011	2012
Oil consumption (kg) ⁽¹⁾	73,065	46,320	60,472
Regenerated oil (%) ⁽²⁾ [EN2]	94	90	79 ⁽⁴⁾
Paper consumption (printing and photocopying) (kg) ⁽³⁾	71,044	67,563	54,038
Paper consumption (kg/employee)	36	35	27 ⁽⁵⁾
Paper consumption (publications)	64,640	44,203	29,018
FSC paper in publications (%)	100	100	100

(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) Since 2008, all of the paper that has an ecological seal/is certified, is in accordance with the FSC (Forest Stewardship Council). In addition, and in 2012, printers and photocopiers have been modified through the contracting of a company which guarantees compensation of emissions generated in manufacturing and transport.

(4) The decrease in 2012 is due to the installation of a lot of new equipment which must necessarily use new oil.

(5) The decrease in paper consumption is due to different saving measures. These include the implementation of a high performance document filing system (that avoids the handling of paper documents) and a paperless classroom (equipping training classrooms with a Tablet PC).

■ Water consumption [EN8, EN10]

 (m³)

	2010	2011	2012
Head Office ⁽¹⁾	18,083	17,969	10,947
Head Office (m ³ /employee) ⁽¹⁾	20.4	22.1	12.9
Total work centres ⁽²⁾	53,159	48,631	41,586

(1) During 2011, the garden of the Head Office of La Moraleja was remodelled, replacing the lawn for native plants and gravel. Irrigation water consumption was reduced by 39% and this is reflected in 2012 data.
 (2) The ratio per person is not provided, since the use of the water in all of the centres is not bound exclusively to the activities of offices. 2011 data is corrected with respect to that of the past year as there was an error.

Note 1: The water consumed is obtained from: municipal water mains (74%), wells (23.51%), cisterns (2.31%), and rainwater collection tanks (0.13%) in the Northern Regional office and many substations. This is for sanitary use, watering of grounds and fire fighting systems. EN10.

Note 2: In the analysis performed of the water consumption in the supply chain, construction activities and equipment manufacturing have the largest weight in the consumption of our suppliers (representing more than 80%). Estimated total consumption in the value chain in 2011 was 32,290,892 m³ (23,547 m³/million euros). For 2012, for suppliers representing 95% of the volume of purchase orders issued, this figure was 13,317,665 m³ (20,961 m³/million euros).

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Waste management indicators
■ Non-hazardous waste [EN22]

(kg)

	2010	2011	2012	Type of management
Septic tank sludge ⁽¹⁾	371,410	413,236	1,118,660	Recycling and reutilisation
Scrap metal ⁽²⁾	nd	nd	nd	Recycling
Inert waste	61,650	170,970	144,580	Elimination
Paper and cardboard ⁽³⁾	68,376	115,747	211,558	Recycling
Toner ⁽⁴⁾	66	8	32	Reutilisation
Wood	14,760	30,460	42,231	Recycling
Waste vegetation ⁽⁵⁾		24,940	34,153	
Electrical and non-hazardous electronic waste	35,251	46,413	699	Recycling
Plastics	1,152	3,107	7,535	Recycling
Glass	nd	760	75	Recycling
Vegetable cooking oils	4,060	2,040	5,860	Recycling
Alkaline batteries/without mercury	0	28	0	Recycling
Total	556,725	782,769	1,531,230	

(1) The increase for the third consecutive year is associated with the emptying of septic tanks to replace them with watertight septic tanks. These works are part of the adequacy campaign upgrading acquired assets from other companies to REE criteria, begun in 2010.










(2) Data unavailable until IT application for controlling and monitoring of waste metal disposal is fully implemented.

(3) Increase due to addition of new data collection centres.

(4) Toner waste management corresponds to supplier of printers and their maintenance. Data shown corresponds only to those units purchased directly by Red Eléctrica.

(5) These were not taken into account in calculating 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.

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Hazardous waste [EN22, EN24]

(kg)

	2010	2011	2012	Type of management
Used oil	187,758	152,256	433,156 ⁽¹⁾	Regeneration/Valuation
Oil with PCBs ⁽²⁾	66,675	0	426	Valuation / Elimination
Oil/water mix ⁽³⁾	533,863	240,673	466,030	Valuation
Diesel/water mix	2,120	705	0	Valuation
Transformers and equipment with PCBs ⁽²⁾	180,655	45,205	19,906	Valuation / Elimination
Hazardous electrical and electronic waste: equipment containing oil	1,219,789	716,708	353,745	Valuation
Hazardous electrical and electronic waste: other	12,579	78,487	49,070	Valuation
Nickel/cadmium accumulators	44,723	100,355	105,866	Recycling
Lead batteries	1,468	3,805	1,703	Recycling
Soils impregnated with hydrocarbons	478,864	648,138	504,032	Elimination
Containers that have contained hazardous substances	5,785	8,217	7,620	Valuation
Absorbent matter and other	2,728	16,630	9,379	Valuation
Silica gel and other inorganic chemical products	3,196	489	0 ⁽⁴⁾	Valuation
Non-halogenated solvents	69	0	134	Valuation
Halogenated solvents	16	0	5	Valuation
Water-based cleaning liquids	0	114	85	Valuation
Paint waste	43	201	843	Valuation
Insulation material (with or without asbestos) ⁽⁵⁾	45	2,439	9,656	Valuation / Elimination
Laboratory chemical products	50	437	974	Valuation
Gases in pressurised containers	4,078	126	592	Valuation
Waxes and used grease	9	0	0	Valuation
Antifreezes containing hazardous substances	0	1,055	301	Valuation
Fluorescent lighting tubes	297	702	459	Recycling
Batteries	5	24	96	Elimination
Fuel oil and diesel	0	0	1,065	Valuation
Cable with hydrocarbons ⁽⁶⁾	0	0	87,180	Valuation
Total	2,744,815	2,016,766	2,052,323	

(1) Increase derived from the renovation and improvement works in the newly acquired insular assets.

(2) Decrease owing to finishing up of plan to eliminate/decontaminate transformers, equipment, and oil containing PCBs, 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. [EN1]

(3) Increase from campaign launched to empty leak containment systems in power transformers.

(4) Silica gel has been gradually replaced in recent years by another non-hazardous compound.

(5) Increase in 2012 is due to campaign to eliminate roofing of huts housing fire extinguishers (adaptation of insular assets).

(6) One-off management. Cable acquired along with insular assets no longer in use.

Hazardous waste is transported and managed by authorised companies for that purpose. The total amount of waste destined for recycling is estimated at 50%. [EN24]

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Leaks and spillages in 2012 [EN23]

(number)

	Incidents ⁽¹⁾	Accidents ⁽²⁾				
		1	2	3	4	5
Construction	9	0	0	0	0	0
Maintenance	25	0	0	6 ⁽³⁾	0	0

(1) Accidents of minor importance related to breakage of hoses of machinery used for construction, or minor spillages of oil or fuel occurred during decanting and temporary storage.

(2) New classification of accidents depending on severity with a scale of 1 to 5 (1 slight - 5 severe).

(3) In four cases spilled quantities were below 500 litres. The other two were 6000 and 3000 ml of oil, respectively (understanding that not all of the spilled oil affects the soil, since there are containment measures). In neither of the cases were sensitive natural areas affected. On all occasions, the corresponding corrective measures were applied (cleaning and replacement of affected areas and proper management of contaminated material).

History of leaks and spillages [EN23]

(number of incidents and accidents)

	2010	2011	2012
Construction activities	4	39	9
Maintenance activities	18	22	31
Total registered ⁽¹⁾	22	61	40

(1) The increase in 2011 was due to intensive monitoring of the work. The 39 events recorded in construction were incidents of little relevance.

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Sanctions and fines [EN28]

(infringements committed)

	2010	2011	2012
Fire risk: lack of maintenance of vegetation/abandonment of material	200 ⁽¹⁾	2,014 ⁽⁵⁾	90
Unauthorised felling and pruning	1,067 ⁽²⁾	16,875	300
Fire due to line discharge	13,923 ⁽³⁾	3,848 ⁽⁶⁾	-
Obstruction of waterway/unauthorised works in police area	300	3,100 ⁽⁷⁾	-
Activities with high probability of soil contamination	1,050 ⁽⁴⁾	-	-
Total euros	16,440	25,837	390

(1) The quantity corresponds to 2 cases, one of them solved in 2012.

(2) The quantity corresponds to 2 cases.

(3) The quantity corresponds to 3 cases.

(4) The quantity corresponds to 5 cases (due to the delay in the presentation of the preliminary soil reports, documentation required by the administration from the industrial establishments/companies for the evaluation of the contamination hazard in the locations that they occupy).

(5) The quantity corresponds to 6 cases, 5 of them solved in 2012.

(6) The quantity corresponds to 1 case solved in 2012, and includes a sanction and the cost of repair.

(7) The quantity corresponds to 2 cases, one of them solved in 2012.

Note: 10 sanctions were resolved with a fine in 2012.

Environmental expenditure [EN30]

(euro)

	2010	2011	2012
Investments	6,277,588	7,027,748	5,154,305
Engineering and construction of facilities ⁽¹⁾	6,277,588	7,027,748	5,154,305
Expenditure	18,866,105	20,394,545	16,380,072
Development of methodology and systems⁽²⁾	325,885	45,086	25,153
Environmental studies and analyses⁽³⁾	112,382	142,121	200,429
Environmental actions in facilities in service	16,079,834	18,272,125	14,053,007
Contamination prevention ⁽⁴⁾	870,686	727,892	1,890,198
Protection of biodiversity. Landscape ⁽⁵⁾	13,969,816	15,851,286	11,187,670
Climate change ⁽⁶⁾	171,677	874,348	475,360
Energy efficiency and savings in resources ⁽⁷⁾	111,039	181,086	236,043
Waste reduction and management	956,615	637,513	263,737
Research and development	618,485	319,172	147,799
Training and communication	575,264	416,753	402,004
Environmental training and awareness	18,782	27,743	11,590
Communication ⁽⁸⁾	556,481	389,009	390,414
Environmental taxes and fees	18,139	23,186	117,392
Cost of personnel dedicated to environmental activities	1,136,111	1,176,103	1,434,287

(1) Environmental impact studies carried out on all projects, application of preventive and corrective measures, environmental supervision at electricity 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 prevention (inspection of facilities, felling, pruning and clearing of vegetation), line marking with bird-flight diverters, bird-nesting deterrents, management of nests, landscaping adaptation.

(6) Red Eléctrica Forest; replacement of equipment containing R-22.

(7) Installation of meters, energy audits, "Red Eléctrica Eficiente" activities.

(8) Affiliations, congresses, informative leaflets, stands in fairs, publicity in magazines, collaboration and sponsorships agreements.

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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 Red Eléctrica during the 2012 fiscal year and, in the majority of indicators, the evolution over the last five years. This report, which Red Eléctrica **has been publishing every year since 2002** (the previous one corresponding to 2011, was published in March 2012), 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 by 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).

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.

Stakeholder participation

The Corporate Responsibility Report has been prepared in collaboration with different areas of the Company and, in order to improve its content, the matters and proposals brought forth by the different stakeholders is taken into account. In addition, it is worth highlighting 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, SAU (REE), which represents 94% of the Group's consolidated net revenue.

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GRI application level check: Statement



Regarding the previous year, the information on the Bolivian company TDE has been excluded from the scope of this report, due to its expropriation by the Bolivian government, currently pending arbitration for fair compensation. Therefore, following the criteria used for the Consolidated Annual Accounts, it was not considered relevant to provide information by activity or geographic segments of the other activities that together represent only 6% of the net consolidated revenue. In general, no other relevant information has been reformulated with regard to previous reports. It is possible that data regarding previous years may have been updated, in which case, the said updating is justified in the corresponding section.

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.

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.

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 2012.

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.

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GRI INDICATORS [3.12]

PART 1. STRATEGY AND PROFILE

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■ PART 1. STRATEGY AND PROFILE (cont.)

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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.			139
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■ PART 1. STRATEGY AND PROFILE (cont.)

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<i>Governance</i>				
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.		6.2	18, 19, 20, 21
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.		6.2	17
4.3	For organisations 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 organisation's performance (including social and environmental performance).		6.2	20-21
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	16
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	16
4.9	Procedures of the highest governance body for overseeing the organisation'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	16
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.		6.2	20

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GRI INDICATORS (cont.)

PART 1. STRATEGY AND PROFILE (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT (cont.)				
<i>Commitment with external initiatives</i>				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	P7	6.2	24
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	P7	6.2	50, 161
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations which the organisation supports.		6.2	50
<i>Participation of stakeholders</i>				
4.14	List of stakeholder groups engaged by the organisation.		6.2	39, 40, 41
4.15	Basis for identification and selection of stakeholders with whom to engage.		6.2	38
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		6.2	38, 39, 43, 44
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.		6.2	39, 42

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GRI INDICATORS (cont.)

PART 2. MANAGEMENT APPROACH

Profile Disclosure	Description	Comments	CR Report Page
ECONOMIC DIMENSION			
DMA EC	Economic performance		67-71
	Market presence		53-71
	Indirect economic impacts		67-71
	Availability and reliability		53-66
	Demand-side management		53-66
	System efficiency		53-66
	Research and development		64-66
	Plant decommissioning		Note (25)
ENVIRONMENTAL DIMENSION			
DMA EN	Materials		135
	Energy		127
	Water		133
	Biodiversity		113-119
	Emissions, effluents and waste		124-128
	Products and services		Note (5)
	Compliance		137
	Transport		Note (9)
	Overall		137

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GRI INDICATORS (cont.)

■ PART 2. MANAGEMENT APPROACH (cont.)

Profile Disclosure	Description	Comments	CR Report Page
SOCIAL DIMENSION: LABOUR PRACTICES AND WORK ETHICS			
DMA LA	Employment		72-96
	Labour/management relations		82
	Occupational health and safety		83
	Training and education		78
	Diversity and equal opportunity		87
	Equal remuneration for women and men		96
SOCIAL DIMENSION: HUMAN RIGHTS			
DMA HR	Investment and procurement practices		Note (10)
	Non-discrimination		87
	Freedom of association and collective bargaining		82
	Child labour		Note (13)
	Prevention of forced and compulsory labour		Note (13)
	Security practices		Note (13)
	Indigenous rights	Corporate Responsibility Policy is in place	34
	Assessment		Note (13)
	Remediation		Note (13)

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■ PART 2. MANAGEMENT APPROACH (cont.)

Profile Disclosure	Description	Comments	CR Report Page
SOCIAL DIMENSION: SOCIETY			
DMA SO	Local communities		106
	Corruption		25
	Public policy		49
	Anti-competitive behaviour	Red Eléctrica does not have the competition profile; it is the sole system operation and transmission agent in Spain	11
	Compliance	Corporate Responsibility Policy is in place	34
	Disaster/emergency planning and response		Note (32)
	SOCIAL DIMENSION: PRODUCT RESPONSIBILITY		
DMA PR	Customer health and safety		100-102
	Product and service labelling		Note (21)
	Marketing communications		Note (22)
	Customer privacy		100-102
	Compliance		100-102
	Access		53-60
	Provision of information		100-102

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GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
1. ECONOMIC				
<i>Economic performance</i>				
EC1	Direct economic value generated and distributed.		6.8, 6.8.3, 6.8.7, 6.8.9	68
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	P8	6.5.5	27
EC3	Coverage of the organisation's defined benefit plan obligations.			Note (37)
EC4	Significant financial assistance received from government.			69
<i>Market presence</i>				
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	77
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	103
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	76
<i>Indirect economic impacts</i>				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	107
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	64

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PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
2. ENVIRONMENTAL				
<i>Materials</i>				
EN1	Materials used by weight or volume.		6.5, 6.5.4	133, 135
EN2	Percentage of materials used that are recycled input materials.		6.5, 6.5.4	133
<i>Energy</i>				
EN3	Direct energy consumption by primary energy source.		6.5, 6.5.4	132
EN4	Indirect energy consumption by primary source.		6.5, 6.5.4	132
EN5	Energy saved due to conservation and efficiency improvements.	P8	6.5, 6.5.4	126
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	124
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	P8, P9	6.5, 6.5.4	126
<i>Water</i>				
EN8	Total water withdrawal by source.		6.5, 6.5.4	133
EN9	Water sources significantly affected by withdrawal of water.		6.5, 6.5.4	Note (2)
EN10	Percentage and total volume of water recycled and reused.		6.5, 6.5.4	133
<i>Biodiversity</i>				
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	130
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	113-119
EN13	Habitats protected or restored.	P8	6.5, 6.5.6	114-119
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	P8	6.5, 6.5.6	114-117
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	117-119

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PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
2. ENVIRONMENTAL (cont.)				
<i>Emissions, effluents and waste</i>				
EN16	Total direct and indirect greenhouse gas emissions by weight.		6.5, 6.5.5	131
EN17	Other relevant indirect greenhouse gas emissions by weight.		6.5, 6.5.5	131
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	P7, P8, P9	6.5, 6.5.5	124-126
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	134-135
EN23	Total number and volume of significant spills.		6.5, 6.5.3	136
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	135
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.		6.5, 6.5.4, 6.5.6	Note (6)
<i>Products and services</i>				
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)
<i>Compliance</i>				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		6.5	137
<i>Transport</i>				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.		6.5, 6.5.4, 6.6.6	Note (9)
<i>Overall</i>				
EN30	Total environmental protection expenditures and investments by type.		6.5	137

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PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
3. SOCIAL: LABOUR PRACTICES AND DECENT WORK				
<i>Employment</i>				
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.		6.3.10, 6.4, 6.4.3	75, 92
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	92
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	89, 92
LA15	Return to work and retention rates after parental leave, by gender.		6.3.10, 6.4, 6.4.3, 6.4.4	93
<i>Labour/management relations</i>				
LA4	Percentage of employees covered by collective bargaining agreements.	P1, P3	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	82
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	Note (38)
<i>Occupational health and safety</i>				
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 programmes.	P1	6.4, 6.4.6	84
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	95
LA8	Education, training, counseling, prevention, and risk-control programmes 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	94 Note (36)
LA9	Health and safety topics covered in formal agreements with trade unions.	P1	6.4, 6.4.6	82, 84

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Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
3. SOCIAL: LABOUR PRACTICES AND DECENT WORK (cont.)				
<i>Training and education</i>				
LA10	Average hours of training per year per employee by gender, and by employee category.	P1	6.3.10, 6.4, 6.4.7	94
LA11	Programmes 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	78
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	P1	6.3.10, 6.4, 6.4.7	77
<i>Diversity and opportunity</i>				
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	17, 96
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	96

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PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. SOCIAL: HUMAN RIGHTS				
<i>Investment and procurement practices</i>				
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	103
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)
<i>Non-discrimination</i>				
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)
<i>Freedom of association and collective bargaining</i>				
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	103 Note (13)
<i>Child labour</i>				
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	P1, P2, P5	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6	103 Note (13)
<i>Prevention of forced and compulsory labour</i>				
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measure to contribute to the elimination of all forms of forced or compulsory labour.	P1, P2, P4	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6	103 Note (13)
<i>Security practices</i>				
HR8	Percentage of security personnel trained in the organisation'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	103 Note (12)

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Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
4. SOCIAL: HUMAN RIGHTS (cont.)				
<i>Indigenous rights</i>				
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)
<i>Assessment</i>				
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 (15)
<i>Remediation</i>				
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 (16)

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Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
5. SOCIAL: SOCIETY				
<i>Local communities</i>				
S01	Nature, scope, and effectiveness of any programmes 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	107
S09	Operations with significant potential or actual negative impacts on local communities.		6.3.3, 6.8	120, 121
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		6.3.3, 6.8	121
<i>Corruption</i>				
S02	Percentage and total number of business units analysed for risks related to corruption.	P10	6.6, 6.6.3	25
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	P10	6.6, 6.6.3	Note (12)
S04	Actions taken in response to incidents of corruption.	P10	6.6, 6.6.3	25
<i>Public policy</i>				
S05	Public policy positions and participation in public development and lobbying.	P1, P2, P3, P4, P5, P6, P7, P8, P9, P10	6.6, 6.6.4, 6.8.3	49
S06	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 (17)
<i>Anti-competitive behaviour</i>				
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes.		6.6, 6.6.5, 6.6.7	Note (18)
<i>Legislative compliance</i>				
S08	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 (19)

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Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
6. SOCIAL: PRODUCT RESPONSIBILITY				
<i>Customer health and safety</i>				
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.	P1	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	122
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 (20)
<i>Product and service labelling</i>				
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	100
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.		6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	Note (21)
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	101
<i>Marketing communications</i>				
PR6	Programmes 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 (22)
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 (22)
<i>Customer privacy</i>				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		6.7, 6.7.7	Note (23)
<i>Compliance</i>				
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 (24)

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Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
7. ELECTRIC UTILITY SECTOR-SPECIFIC SUPPLEMENT				
<i>Organisational profile</i>				
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.			Note (25)
EU2	Net energy output broken down by primary energy source and by regulatory regime.			Note (25)
EU3	Number of residential, industrial, institutional and commercial customer accounts.			Note (26)
EU4	Length of above and underground transmission and distribution lines by regulatory regime.			56-59
EU5	Allocation of CO ₂ emissions allowances or equivalent, broken down by carbon trading framework.			Note (27)
<i>Economic dimension</i>				
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	55
EU7	Demand-side management programmes including residential, commercial, institutional and industrial programmes.	P8, P9	6.3.3, 6.5.3, 6.5.4, 6.5.5, 6.7.5, 6.7.8, 6.8.6	61
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	P9	6.8.6	64
EU9	Provisions for decommissioning of nuclear power sites.			Note (25)
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.			55, Note (28)
EU11	Average generation efficiency of thermal plants by energy source and regulatory regime.			Note (25)
EU12	Transmission and distribution losses as a percentage of total energy.			Note (29)
<i>Environmental dimension</i>				
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	P7	6.5.6	Note (30)

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GRI INDICATORS (cont.)

PART 3. PERFORMANCE INDICATORS (cont.)

Profile Disclosure	Description	Global Compact Principles	ISO 26000	CR Report Page
7. ELECTRIC UTILITY SECTOR-SPECIFIC SUPPLEMENT (cont.)				
<i>Social dimension</i>				
EU14	Programmes and processes to ensure the availability of a skilled workforce.	P6	6.4.6, 6.4.7	79
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.			93
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	85
EU17	Days worked by contractor and subcontractor employees that participate in construction, operation and maintenance activities.			95
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	85
EU19	Stakeholder participation in the decision-making process related to energy planning and infrastructure development.			112
EU20	Approach to managing the impacts of displacement.			Note (31)
EU21	Contingency planning measures, disaster/emergency management plan and training programmes, and recovery/restoration plans.	P7	6.5.3, 6.7.8	Note (32)
EU22	Number of people physically or economically displaced and compensation, broken down by type of project.			Note (31)
EU23	Programmes, including those in partnership with government, to improve or maintain access to electricity and customer support services.			55
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.			Note (35)
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements, and pending legal cases of diseases.			Note (33)
EU26	Percentage of population unserved in licensed distribution or service areas.			Note (34)
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.			Note (35)
EU28	Power outage frequency.			58
EU29	Average power outage duration.			59
EU30	Average plant availability factor by energy source and by regulatory regime.			Note (25)

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Notes to the GRI indicator table

- (1) 2.9. The most significant change has been the expropriation of the Bolivian subsidiary TDE, which consequently leaves the scope of the Group's consolidated accounts.
- (2) EN9. Not applicable. The water consumed is obtained from authorised water withdrawal points (municipal mains and wells) or from cisterns. Therefore, no direct effect exists on ecosystems.
- (3) EN19. These can be considered irrelevant, with the exception of those associated with 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 with 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-side 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. Section 19 of Red Eléctrica's General Conditions of Contract, referring to corporate responsibility, establishes that the supplier/provider acknowledges that it is aware, accepts and complies with the provisions set out in Red Eléctrica's Supplier Code of Conduct and that it will respect the principles of the Universal Declaration of Human Rights and the conventions that it develops, as well as the recommendations of the ILO.
- (11) HR4. In 2012, 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) HR5, HR6 and HR7. The activities carried out by the Red Eléctrica Group are characterised for being intensive in highly qualified human capital, making it impossible for problems related to human rights, such as child labour and forced labour, freedom of association amongst others. In addition, the SA 8000 certification and certification by AENOR in accordance with the SR10 guide in all companies of the Group, verify that the human and labour rights are guaranteed. In addition, Red Eléctrica de España, in compliance with existing labour laws, recognises the right of association of workers and respects the regulatory scope of collective bargaining agreements as a source of rights and obligations between the parties since this is the nature conferred to it by the current Spanish legislation.
- (14) HR9. There is no record that any incident related to infringements of the rights of the indigenous people has occurred.
- (15) HR10. Maintaining the certifications regarding corporate responsibility matters (SR 10, SA 8000 and EFR) implies that compliance with the requirements set out by these standards on human rights is assessed and certified periodically (annually for SR 10 and EFR, biannually for SA 8000) for all activities carried out in the work centres of the companies of the Red Eléctrica Group.
- (16) HR11. No claims or complaints regarding human rights matters were registered in 2012.
- (17) SO6. No contributions have been made to any political parties.
- (18) 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.
- (19) SO8. In 2012, there were no sanctions and significant fines or non-monetary sanctions for non-compliance with laws and regulations.
- (20) 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.
- (21) PR4. Not applicable. The products of Red Eléctrica are exempt from labelling.
- (22) PR6. Red Eléctrica does not carry out any campaigns for advertising or commercial purposes.
- (23) PR8. No complaints have been filed with regard to infringements of customers' rights to privacy or the theft and loss of personal data.
- (24) PR9. In 2012, no significant fines were imposed due to breach of laws and provisions regulating the supply and use of products and services.
- (25) EU1, 2, 9, 11, 30. Not applicable. All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.

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- (26) EU3. In Red Eléctrica, clients are regarded as market agents. At December 2012, 724 market agents were registered in the System Operator's information system.
- (27) EU5. Not applicable. The rights regarding CO₂ Equivalent Emission Allowances do not apply to power transmission activities.
- (28) 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 Infrastructure Plan.
- (29) EU12. The losses attributable to the transmission grid during 2012 are estimated to be 1.2% over the transmission demand.
- (30) 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, having established in some cases very specific measures, 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.
- (31) EU20 and EU22. Red Eléctrica facilities do not produce any type of displacement.
- (32) 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 the 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 ECRE (the Red Eléctrica Corporate School), which prepares technicians that work in the electricity control centre by means of recovery and restoration of the power service simulations.
- (33) EU25. In 2012, no fatal injuries and casualties involving Company assets have occurred among citizens.
- (34) EU26. Red Eléctrica does not carry out distribution activity, only high voltage transmission.
- (35) EU27. Not applicable. Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
- (36) LA8. Red Eléctrica carries out campaigns on education, prevention, counselling and treatment of diseases for its employees. The community families or members have not been included in these campaigns.
- (37) EC3. The Group has defined contribution plans, which are plans that define the amount of benefit that an employee will receive upon retirement, usually based on one or more factors, such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no obligation, legal or implied, to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits related to the services provided in current and prior years. The contributions are recognised as employee benefit expense when they are due. Other long-term employee benefits include defined benefit plans other than pension plans, such as health insurance, in compliance with the provisions of the current Collective Bargaining Agreement.
- (38) LA5. The social representation, as set out by the IX Collective Bargaining Agreement, has among its competencies the right to access the documents brought to the notice of the shareholders and, in particular, the balance sheet, the income statement and the Annual Report of the Company. In addition, they are given the competency of being able to issue reports prior to the implementation of organisational changes adopted by the Company.

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UNITED NATIONS GLOBAL COMPACT [4.12]

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 consolidate it, as they all consider this initiative a high-value proposition for the defence of fundamental human rights, protection of the environment, support for social development, respect for workers' rights and the fight against corruption.

As signing companies, REDESUR and Red Eléctrica de España, Founding Member of the Spanish Global Compact Association, currently called Red Española del Pacto Mundial, annually presents the Progress Report, which includes the main actions carried out in relation to the Ten Principles. This information is available on the Spanish Global Compact website, www.pactomundial.org, and on the Global Compact website, www.unglobalcompact.org.

In 2011 the Global Compact introduced the Differentiation Programme, aimed at classifying the Progress Reports of the participating companies based, on the one hand, on the degree of implementation of the Ten Principles and, on the other, on the degree of transparency. The "Progress Report of Red Eléctrica de España" has obtained, for the second consecutive year, the 'GC Advanced qualification', granted to companies that implement and communicate best practices related to the integration of the Ten Principles in their management.

Red Eléctrica de España actively collaborated with the Spanish Global Compact Network (*Red Española del Pacto Mundial*) during 2012 through its participation as an 'entity friend' of the CSR-SME initiative, designed to promote the sustainable management of Spanish SMEs, as well as in publications for dissemination of corporate responsibility, such as the special bulletin on socially responsible investment.



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■ 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.

Labour rights

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.

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CONTACT [2.4, 3.4]

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This report is only published in electronic format

This report shows complete information regarding the activity of the Company during the 2012 fiscal year and is complemented by the legal documentation (Corporate Governance Report and Consolidated Annual Accounts).

All these documents are published, for a fifth 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 containing all the most relevant aspects of the 2012 fiscal year. This document and the complete reports are available on the corporate website: www.ree.es.

Nevertheless, if for any reason someone cannot access the electronic format version, they may request the delivery of a printed copy of the PDF format by contacting the **Dígame** Stakeholder Attention Centre.

This English version is a translation of the original and authentic Spanish text found in the “INFORME DE RESPONSABILIDAD CORPORATIVA DE RED ELÉCTRICA 2012”, 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 2012**. The scope of the investigation includes the text and data in the reference document, but it does not include the information and / or referenced data and not entered in the document.

INDEPENDENCE

The information contained in the verified document and its preparation is responsibility of **REC**.

SGS has not participated or advised in the preparation of the verified document. **SGS** only acts as an Independent Verifier, and checks the accurately of the contents. The content of this Verification Report and the opinions contained therein are the sole responsibility of **SGS**.

Policy Independence, Impartiality and Integrity
SGS ICS recognizes the importance of an Evaluation which is absolutely impartial and independent from the Management Systems of its Customers. It is therefore **SGS ICS** aim to ensure the maintenance of such impartiality and independence at all levels: strategic and political, decisions concerning the Assessment and Certification. To that end, several controls have been established.

Steering Team Members and Team Tester should be guided by the following rules:

- a).- They are absolutely prohibited from participating in the Process of Verification / Certification of an Organization if during the two years preceding the date of their possible roles have provided any related consulting service.
- b).- They are forbidden from commenting on their activities with any other member of **SGS ICS** staff not directly involved in the process of Certification of an Organization, as it is incorporated in the Confidentiality Agreement / No Broadcast signed at the beginning of the job, unless the Organization particularly specified otherwise.

The appointment of Members of the Evaluation Team will take into account possible conflicts with current or past jobs. Those who have or have had employment as consultants or employees of the same in the last two years, or have family in the first or second degree leadership positions within that Organization, will not be appointed as Evaluation Team members.

In the event that any **SGS** company has performed any consulting work related to an Organization wishing to obtain a Certificate from **SGS ICS**, **SGS ICS** Assessors involved in the process may not belong to that company.

All Assessors, Auditors and Technical Experts being staff or subcontractors on behalf of **SGS ICS**, must sign the Confidentiality Agreement / No Diffusion. This agreement requires the concerned person to declare before taking charge of the Assessment of any commercial or other kind interest that might have on the audited Organization. It also undertakes to maintain confidentiality.

Advisory Committee Members **SGS ICS** to make decisions regarding Certification or Assessment are governed by the same rules as the Audit Team.

Recognizing the importance of ensuring that the Management of **SGS ICS** has no financial interests in products or services that may be assessed, **SGS ICS** requires its Managers to the statement of any other economic or financial activity besides those directly related to his work at **SGS ICS**.

Also **SGS ICS** staff has committed to the observance of a Conduct Code which can be resumed as follows:

- Do not give in to pressure from Clients in one area of our business in order to obtain positive treatment in another area.
- Do not accept a duty or position in the company of a Competitor or Client, except in the exercise of their functions in **SGS**.
- Do not have any interest in a Supplier, Customer or Competitor of **SGS**, except in the case of publicly traded securities, and to an extent which can not significantly influence or create undue dependence.

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- 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 2012, raised in the **Corporate Responsibility Report 2011**.

An addendum to the **Corporate Responsibility Report 2012**, 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:

- Ms. Carmen Manresa Bollain**
- D. Oswaldo González Cameno**
- D. Fco.-Javier G^º.-Consuegra y Zamorano**

This was configured based on their knowledge, experience and qualifications to perform this task.

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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 desirable for future occasions, consider extending the comparative information (benchmarking) to allow in your environment properly position the information provided by **REC**.
- * Consideration should be given to including more computer links (links) in the **Corporate Responsibility Report 2012** from **REC**, to facilitate access to additional information contained in other documents.
- * When you want to perform a stakeholder analysis and reporting of information, it is good practice to include identification for each of the tables and figures.
- * It would be appropriate to extend more information on the progress made in 2012, in the Pyrenean interconnection with the French electricity system.
- * For future occasions must quantify waste iron and steel, as scrap.
- * The information about the risks of changes / falling demand and regulatory changes that are being made should be expanded, given its strategic nature.
- * It would be appropriate to extend more information about the indicators for measuring the effectiveness of CECRE.
- * In future Corporate Responsibility Reporting, should further information on measures and procedures for calculating electromagnetic fields in new projects and facilities acquired.
- * The range of colors used in some graphics complicates interpretation

STRENGTHS

- * The new format of the **Corporate Responsibility Report 2012** offers better accessibility / readability and understanding for any stakeholder, to allow display full pages.
- * It is also a good practice to format the President's letter that, when it is done in interview format, allows higher precision and understanding, for anyone interested.
- * Continue with development projects of Social and Environmental Research in the Department of **REE** from the Polytechnic University of Madrid.
- * **REE** has continued to develop its management system, multi-year, the RC (PlanCorp 5x7), and 5 vectors defining in each 7-axis, to facilitate integration and systematization of practices in corporate responsibility.
- * The implementation of the Integrated Risk Management, which has a large deployment and monitoring, including details of each of the risks identified and detailed reports to the governing bodies.
- * **REC** has a wide array of interest groups adequately identified and segmented. In addition, during 2012, it has continued to improve identification, classification and prioritization of the issues relating to stakeholders.
- * External assessment is performed by an outside consulting independent firm, the performance of the highest governance body.
- * Highlight activities that are continuing made, on the income statement of corporate responsibility and its impact on the business.
- * In 2012 they have been 50 projects ongoing R & D + i (national and international), representing the largest investment in this concept, for the last five years. Each of them has a tracking sheet and issued a monthly report to the Committee on R & D + i.

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* It is considered a good practice to include in the GRI Indicators Index, the relationship of these with the Global Compact Principles and ISO 26000 Clauses.

* Inclusion in the *Corporate Responsibility Report 2012* of nominal remuneration, broken individual and each and every one of the members of the Board of Directors of the Company is a demonstration of transparency.

* It presents a systematic and detailed analysis of the potential financial implications and other risks and opportunities for the organization's activities due to climate change.

Evaluation of compliance with the principles of AA1000AS

The *Corporate Responsibility Report 2012* 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 2012* 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.

CONCLUSIONS

Based on its verification, the Verification Team from **SGS ICS** considers that:

- The *CORPORATE RESPONSIBILITY REPORT 2012* 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.

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.

- 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**.

Francisco-Javier G^a.- Consuegra y Zamorano
19 March 2013
SGS ICS Ibérica, S.A.

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EXECUTIVE SUMMARY OF THE ANNUAL CODE OF ETHICS MANAGEMENT REPORT 2012

The Code of Ethics of the Red Eléctrica Group addresses the concern of the Board of Directors and of the Management Team of the Red Eléctrica Group to establish the values of the Company, and make both their professionals and other stakeholders fully aware of them. For Red Eléctrica, this Code constitutes a standardising element of the behavioural patterns of Company members in their professional development.

The Company has appointed an Ethics Manager who addresses and answers questions that may arise, and receives, analyses and resolves the different claims made regarding possible breaches of the Code of Ethics. The appointee is Rafael García de Diego Barber, General Counsel and Secretary of the Board of Directors of Red Eléctrica. This post, with a direct channel of dialogue with the Chairman and the Board, is responsible for maintaining the confidentiality of the processes and is responsible for the consolidation, development and continuous improvement of the management of the Code of Ethics in Red Eléctrica.

The revision of the Code of Ethics initiated by Red Eléctrica in 2010 is in its final phase. During this process, the Company has counted on the advice of experts in the field of business ethics, taken into consideration the contributions made by its stakeholders and has adopted best practices in business ethics management. In 2012, the Company approved a Code of Conduct for its suppliers that seeks to inform them of the values of Red Eléctrica, and so that it may act as a guide for them

when carrying out the different activities the Company contracts from them, placing at their disposal the figure of Ethics Manager for collecting and dealing with, in a confidential manner, possible claims and breaches relating to the Supplier Code of Conduct.

The consultations made during 2012 were aimed almost entirely at the interpretation of the commitments contained in the Code of Ethics regarding specific situations, related to the services provided to stakeholders. The claims or reports made not in the scope of the Code of Ethics were referred to the organisational units with the capability of resolving them. The only claim received within the scope of the Code of Ethics was related to the principle of business practices and the Ethics Manager drafted the corresponding action plan which was carried out by the organisational unit involved, with the agreement of the affected party.

In 2012, Red Eléctrica participated in diverse collective actions for the dissemination of ethics in the business arena. It collaborated with Third Sector organisations on drafting reports and was involved in working groups on the development and implementation of codes of conduct in companies. The ethical management of Red Eléctrica has been notably featured in numerous specialised publications as best practice in the field regarding the fight against corruption. Various rating agencies have also highlighted the ethical management of Red Eléctrica as one of the most remarkable aspects of its sustainability policy.

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■ System of internal control over 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 2012, 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.

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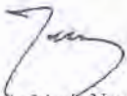
■ System of internal control over financial reporting (cont.)

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 2012, 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
27 February 2013

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■ 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 (YEAR 2011 AND FIRST HALF OF 2012)

Objective and scope

To verify the Corporate Responsibility Management System for the activities conducted by Red Eléctrica de España during the year 2011 and the first six months of 2012, to check whether the requisites of the IQNet SR 10 and SA8000 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.

Conclusions

It can be concluded that the Corporate Responsibility Management System is suitably implemented, with one anomaly detected, as well as observations and improvement aspects that although we understand are not associated to non-compliances of the system; they would improve the efficiency of the system.

Anomaly identified

No evidence was presented of the communication to the Board of Directors of the improvement action plan derived from the satisfaction survey of stakeholders, as defined in the general procedure GN08 Managing external stakeholders.

Strengths

1. Red Eléctrica has won the award for business excellence in the category "Taking responsibility for a sustainable future."
2. The Code of Ethics of REE is under review and the new Ethics Management System is being presented to employees.
3. The Code of Conduct for Suppliers has been drawn up and is pending publication and dissemination.
4. The corporate responsibility section in the internal corporate website "miRED" has been notably improved

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■ Executive summary of the internal audit (cont.)

Report by the Internal Audit and Risk Management Department



Observations and areas for improvement

1. The Company's management model regarding people with different capabilities is being revised, and it is recommended that, following the review, the internal social vector indicators of the corporate responsibility dashboard be updated, and an indicator regarding people with different capabilities be specified. Additionally, we recommend increasing the effort in recruiting staff with different capabilities onto the workforce of REE.
2. Systematize the dissemination of actions to be carried out derived from stakeholder perception surveys, and not wait for the next survey.
3. The IQNet SR 10 standard establishes the need to assess the actual and potential impacts on stakeholders. Partial progress has been made as a report regarding the Materiality Analysis was carried out presenting the analysis of the relevant economic and reputational impacts of Red Eléctrica's Corporate Responsibility on stakeholders.
4. Incorporate corporate responsibility criteria in the qualification process and performance monitoring of the work carried out by suppliers/providers.
5. Strengthen corporate responsibility training for employees and mainly those that perform functions in the management system.
6. The monitoring of projects defined in the annual corporate responsibility programme is formalised in writing (paper copy) by those responsible. It is recommended that this monitoring be systematized in an electronic format.

Madrid, 25 September 2012

Beatriz Cordero Márquez

Internal Auditor

Manuel Sánchez Gómez

Head of the Internal Audit and Risk Management Department

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