

# Annual Report 2011

Summary Document

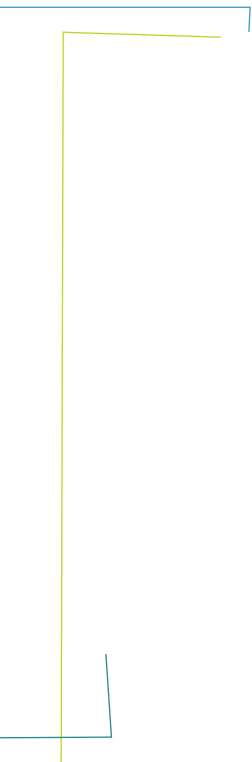
On the road  
to sustainable  
energy



RED ELÉCTRICA CORPORACIÓN

**Annual  
Report  
2011**  
Summary Document





This report is a summarised version of our activities in the 2011 fiscal year. The complete version of the Corporate Responsibility Report, as well as legal information (Consolidated Annual Accounts and Corporate Governance Report) are published solely in electronic PDF format and are available on the corporate website: [www.ree.es](http://www.ree.es).

With this format, which we are publishing for the third consecutive year, we pursue two objectives. On one hand, to improve communication with our stakeholders showing in a simple summarised form the key commitments and results of Red Electrica's corporate responsibility within the economic, social and environmental scope, and on the other hand, applying our policy of reducing environmental impacts, by not publishing the complete documents on paper.

This English version is a translation of the original and authentic Spanish text found in the "INFORME ANUAL – INFORME RESUMEN 2011", originally issued in Spanish. In the event of discrepancy, the Spanish-language version shall prevail.



Should you not be able to access the electronic version for any reason, you may request a printed copy of the PDF document to be sent to you via the DÍGAME information service: **DÍGAME:**

**Stakeholder  
Attention Centre**

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Scope of the summary document:  
**Activity in Spain**



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# Letter from the **Chairman**

## **DEAR READER**

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

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

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



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

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

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



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

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



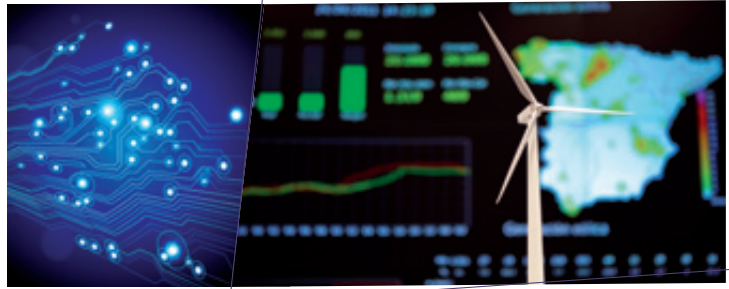


This growth in the financial results comes as a result of the remarkable investment programme being carried out and the efforts being made by the Company to improve operating and financial efficiency. The investment programme is geared towards ensuring that the objectives set out in the electricity infrastructure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

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

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

The Spanish electricity system is evolving towards a new model which is more sustainable, based on security of supply, competitiveness, efficiency and respect for the environment. It is a model in which electricity will play an increasingly important role as an energy vector in



taking advantage of renewable energies, increasing energy efficiency and in the fight against climate change.

This represents a significant challenge for Red Eléctrica in the search for technical solutions for system operation and in the development of demand-side management strategies that contribute to making the operation of the electricity system more efficient. In this respect, throughout 2011 the Company continued working towards furthering an improved integration of renewable energies into the electricity system, which allows demand to be covered by intermittent energies without the security and the quality of the supply being affected.

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

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

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

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

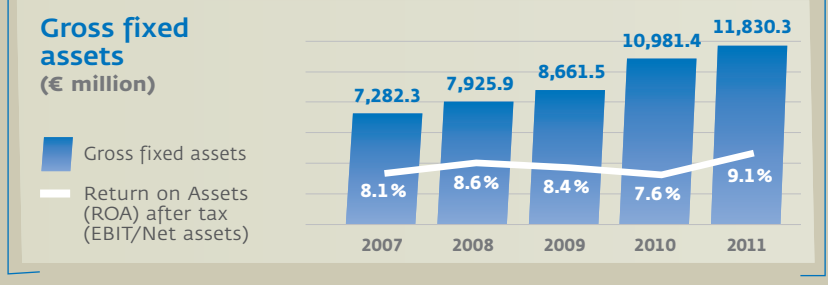
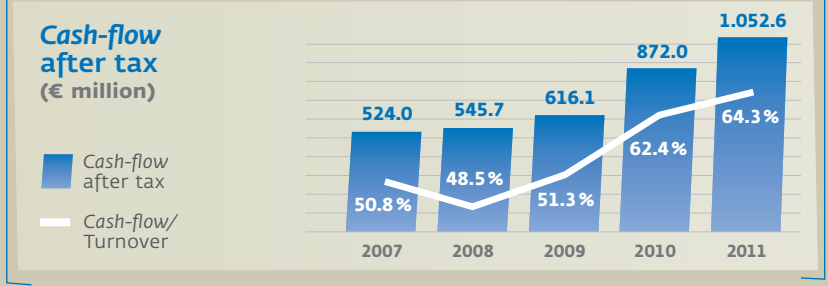
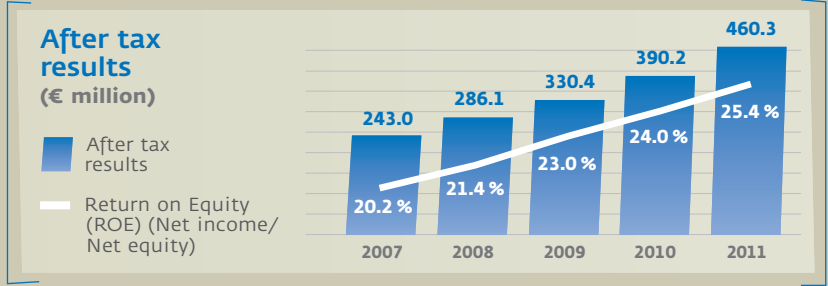
In this respect, our investment plan follows the trajectory established in previous years and our business management shall be carried out with a focus on operational efficiency and financial strength. We must continue to concentrate on the solid and sustainable creation of value for the shareholders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



**José Folgado**  
Chairman

# Key Financial Figures

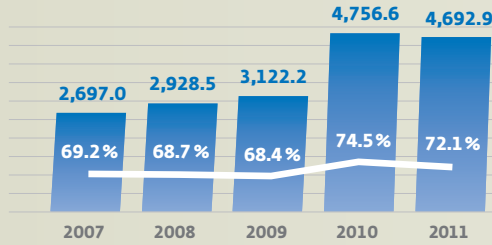
(Consolidated data)



### Net financial debt

(€ million)

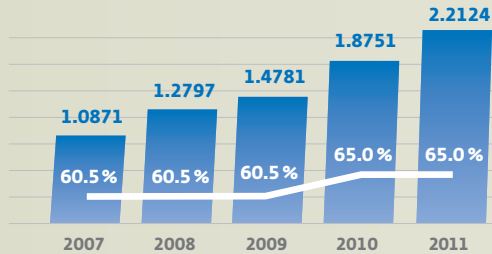
- Net financial debt
- Net financial debt / Net financial debt + Net equity



### Dividend per share

(euros)

- Dividend per share
- Consolidated pay-out



### Transmission grid

- Kilometres of circuit
- Substation bays



### Grid availability

(percentage)

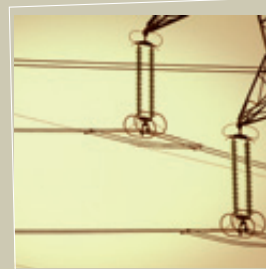
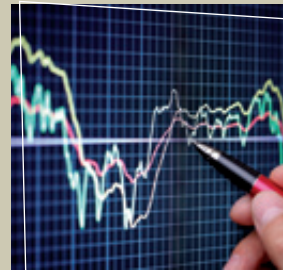
- Availability index



### Workforce

(number of people)

- Red Eléctrica Group
- Workforce in Spain





# 1

## Company Profile

*Red Eléctrica,  
cornerstone of a  
sustainable energy future*

*Can you imagine your life  
with no electricity?*

*Our mission is to ensure  
you are never without it,  
24 hours a day 365 days a year.*

Red Eléctrica is the sole transmission agent and operator of the Spanish electricity system. Its mission is to ensure the global functioning of the system guaranteeing at each moment the continuity and security of supply.

**We approach this mission with a clear orientation towards excellence and sustainable development, which is structured on the following principles:**

- ▶ Adopt the best practices of good governance.
- ▶ Offer a secure and efficient quality service to society.
- ▶ Create value for all stakeholder groups.
- ▶ Generate stable and quality employment.
- ▶ Foster dialogue, integration and social development.
- ▶ Protect and conserve the natural environment.

Since its creation in 1985, Red Eléctrica has undertaken its responsibility as transmission agent and electricity system operator with objectivity, transparency and independence, and has always been guided by a clear directive: to contribute to providing a secure, efficient electricity service of maximum quality for society as a whole.

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

**1,800**  
employees  
in the  
Group







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

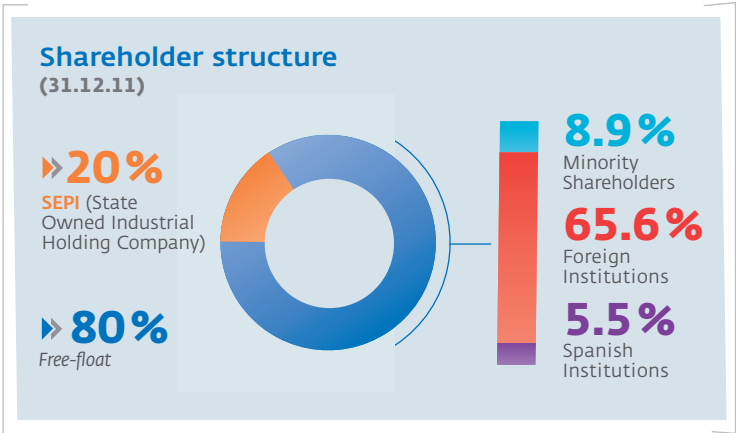
The functions of electricity system operator and transmission agent of high voltage electricity make Red Eléctrica the key player regarding the functioning of the Spanish electricity system. Law 17/2007 confirmed these functions and granted it the function of sole transmission agent, converting it into the exclusive TSO (Transmission System Operator) of the Spanish electricity system.

### Corporate Structure

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 Spain, and Red Eléctrica Internacional, responsible for the Group’s activities internationally.

#### Key factors of our business management model

- ♦ Independence from the remaining electricity system agents.
- ♦ Neutrality, efficiency and transparency.
- ♦ Commitment to sustainable development.
- ♦ Business management excellence.
- ♦ Organisation based on people.



## Core Activities in Spain

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### Electricity System Operator

Red Eléctrica operates the Spanish peninsular electricity system as well as the insular and extra-peninsular systems, assuring at all times the continuity and security of the electricity supply, as well as the correct coordination of the generation and transmission system.

As operator of the system, it is responsible for managing the country's constant balance between consumption and generation, facilitating the integration of renewable energies into the electricity system.

### Sole Transmission Agent and Grid Manager

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

### International Activity

Investment in transmission infrastructures in other countries is channelled through the subsidiaries integrated into Red Eléctrica Internacional: the Bolivian company TDE, of which it owns 99.94 % of its capital and the Peruvian company REDESUR, in which it holds a 33.75 % stake. Similarly, in 2010, the Peruvian company Transmisora Eléctrica del Sur (TESUR) was founded in which Red Eléctrica holds a 55 % stake.

We guarantee  
the functioning  
of the electricity  
system,  
**24 HOURS  
A DAY,**  
365 days a year

Distribution  
of the net  
consolidated  
turnover  
(2011)

» **7%**  
Other activities



» **93%**  
Electricity activity  
in Spain

# 2

## Corporate Governance

*Transparency and good governance are an inherent part of Red Eléctrica's vision, its corporate culture and its business management towards markets and stakeholders.*

The implementation of best practices regarding good governance represents a key strategic objective in our business management.

## Rules of Governance applied by the Company

In order to guarantee the highest level of information transparency regarding its business management and improve its good governance practices, Red Eléctrica continuously revises and updates its rules of corporate governance.

### The Company's Rules of Governance

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

(\* The Code of Ethics has a consultations and claims management system available on the corporate website ([www.ree.es](http://www.ree.es)).



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

## Governance Structure of the Organisation

### General Shareholders' Meeting

Red Eléctrica continues to strengthen its commitment to transparency and best corporate practices in the relationship and communication it maintains with its shareholders.

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



#### Corporate Governance practices applied by Red Eléctrica regarding the General Shareholders' Meeting

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

#### General Shareholders' Meeting (percentage of attendance)



## Board of Directors

The Board of Directors is composed of eleven members of recognised professional distinction and with extensive experience, and with a majority (64 %) of independent Board members.

The Board has two Committees: both presided over by independent Board members.

- ◆ Audit Committee, composed of two independent board members and one external nominee. The committee is chaired by an independent female Board member.
- ◆ Corporate Governance and Responsibility Committee composed of one executive Board member, two independent Board members and one external nominee.

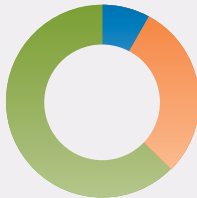
**Reduced Board**

**Majority of independent Board members**

**27% women on the Board**

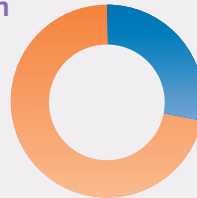
### Composition of the Board

- ▶ **1** Executive
- ▶ **3** External nominees
- ▶ **7** Independent



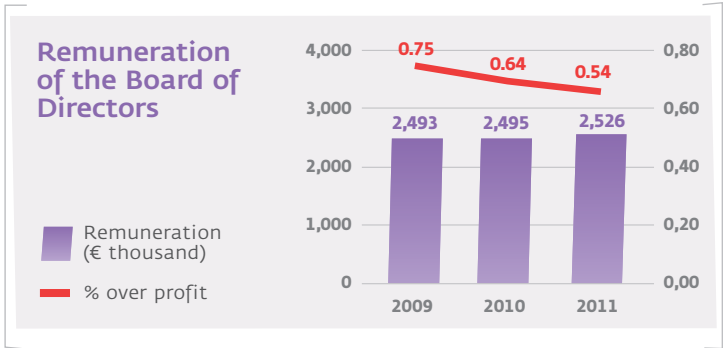
### Composition by gender

- ▶ **3** Women
- ▶ **8** Men



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

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



### Main characteristics of the Board remuneration policy

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

## Risk Management

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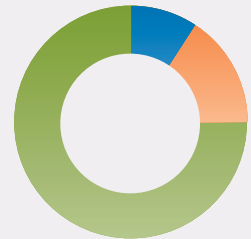
The Red Eléctrica Group has a risk policy that sets out the directives and guidelines for ensuring that material risks, which could affect the objectives and activities of the Group, are systematically identified, analysed and controlled with uniform criteria and within the established risk limits.

The risk management system covers not only the risks associated to internal processes, but also those of the environment in which the Group carries out its activities. Noteworthy is that the risk management system complies with the criteria set out in the ISO 31000 standard regarding risk management principles and directives.



### Risk structure of the Group

- » **9%** Regulatory
- » **16%** Market, business and credit
- » **75%** Operational



### Challenges 2011-2013

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



# 3

## Management Approach



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

Red Eléctrica's orientation towards sustainable development and the quest for excellence in the development of its activities is one of the four basic strategies of the Company.

### The Quest for Excellence

In 1999, Red Eléctrica set out on the road to management excellence with the adoption of the **EFQM (European Foundation for Quality Management)**, model, the main reference for organisations seeking to achieve leadership, creativity and competitiveness. In 2003, Red Eléctrica became the **first company in the Spanish electricity sector to obtain the European Seal of Excellence 500+ points**, renewed in 2009.

After ten years of excellence in management, ratified by the various acknowledgements and awards obtained, Red Eléctrica de España decided to present its candidacy for the European Award for Business Excellence EFQM 2011 competing in management and results not only in the national but also in the international scope.

The decision to present its candidacy for this award represented a major challenge, as it is the first time that Red Eléctrica were to be evaluated by a group of European expert evaluators with respect to the new version of the EFQM model 2010. After this evaluation, Red Eléctrica has continued to improve its results in the management of excellence and **has reached 650 points**.

We adopt commitments, policies, management systems and activities of outstanding value in the scope of corporate responsibility.



**EFQM**®  
Excellence award  
Prize

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

Within the framework of this evaluation, Red Eléctrica obtained the business excellence award in the concept of excellence "Taking Responsibility for a Sustainable Future". In addition, the EFQM has highlighted Red Eléctrica's good practice in management not only in the category in which they won but also in another 2 categories "Achieve Balanced Results" and "Adding Value for Customers"

### Presence in the key sustainability indexes



FTSE4Good

### Corporate Responsibility Management

Red Eléctrica's corporate responsibility forms part of the Company's strategic plan and the key activities it carries out. This is the base on which the Corporate Responsibility Policy and the management system were defined, with the objective of identifying, evaluating and performing the appropriate monitoring of significant economic, social and environmental impacts of Company's activities on its stakeholder groups.

Management tools

Quality  
**ISO 9001**

Environmental  
**ISO 14001**  
**EMAS**

Occupational Health and Safety  
**OHSAS 18001**

Corporate Responsibility  
**SA 8000**  
**EFR 1000**  
**RS 10**



The most noteworthy elements of the Corporate Responsibility Management System are the following:

- ◆ An organisational structure responsible for coordinating and monitoring actions within this scope.
- ◆ A stakeholder management system, oriented towards generating shared value, mutual trust and reputation.
- ◆ An evaluation system of the acquired commitments.

**A Corporate Governance and Responsibility Committee within the Board of Directors.**

## Commitment with External Initiatives

The commitment of the Red Eléctrica Group regarding sustainable development has led it to adopt and to assume the main international agreements in social and environmental matters. Amongst these, noteworthy is the commitment to the Ten Principles of the United Nations Global Compact.



## Key Milestones 2011

- ◆ **European Award for Business Excellence EFQM** in the concept of excellence "Taking Responsibility for a Sustainable Future".
- ◆ Creation of the **Red Eléctrica Corporate Responsibility professorship for the management of sustainable organisations** at the Escuela Técnica Superior de Ingenieros Industriales de Madrid.
- ◆ Development of **50 corporate responsibility projects** (with a degree of fulfilment of 87%).
- ◆ Updating of the **study of the prioritisation of activities and other matters related to corporate responsibility** (materiality analysis).
- ◆ Progress in the development of a methodology for the **evaluation of the return associated to corporate responsibility management**.
- ◆ Maintaining presence in the key **Sustainability Indexes**.
- ◆ **Placed first amongst IBEX35 companies** in the studies of the Corporate Responsibility Observatories.
- ◆ Renewal of the **SA8000 Certification** and continuation of the **RS 10**.
- ◆ **Over 40 collaborations in the dissemination and exchange of experiences** regarding corporate responsibility matters.



A large, stylized blue number '4' is centered within a white rectangular box. The background of the entire page is a silhouette of electrical infrastructure, including insulators and power lines, against a sunset sky with a gradient from purple to orange.

## Creating Value

*Red Eléctrica's  
business management*  
maintains a clear orientation  
towards efficiency and generating  
value on a continual basis.

In 2011, the Company obtained highly satisfactory results and once again fulfilled its commitment to the shareholders and investors. The growth in profits and in dividend per share exceeded the initial objectives established in its strategic plan.



Red Eléctrica's results in 2011 exceeded the average annual growth of last the five years: net turnover increased by 17 % with respect to 2011, EBITDA by 21 % and the annual results grew 18 %.

**460.3**  
million euros  
in net profit, 18 %  
higher than  
in 2010.

**2.2124**  
euros in dividend  
per share, with a  
pay-out of 65 %.

30

## Economic value generated and distributed (Group)\* (€ million)

	2009	2010	2011
<b>Economic value generated (EVG)</b>	<b>1,239.2</b>	<b>1,441.9</b>	<b>1,677.6</b>
Net turnover	1,200.1	1,397.3	1,637.3
Other net income and losses	39.1	44.6	40.3
<b>Economic value distributed to stakeholders (EVD)</b>	<b>(798.6)</b>	<b>(981.6)</b>	<b>(1,133.9)</b>
<b>Stakeholder group</b>			
Employees: Personnel costs	(104.2)	(112.7)	(128.8)
Company: Tax on profits	(130.7)	(170.3)	(223.4)
Investment in the community	(2.1)	(7.5)	(8.4)
Suppliers: Other operating expenses	(277.3)	(308.4)	(312.9)
Shareholders: Dividends	(199.8)	(253.6)	(299.3)
Other capital providers: Net financial costs	(84.5)	(129.1)	(161.1)
<b>Economic value retained (EVR)</b>	<b>440.6</b>	<b>460.3</b>	<b>543.7</b>
Reserves	130.6	136.6	161.0
Repayments and depreciations	310.0	323.7	382.7

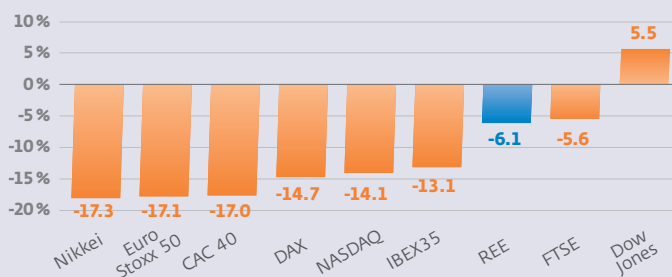
\* Calculated following GRI protocols

## Market Performance

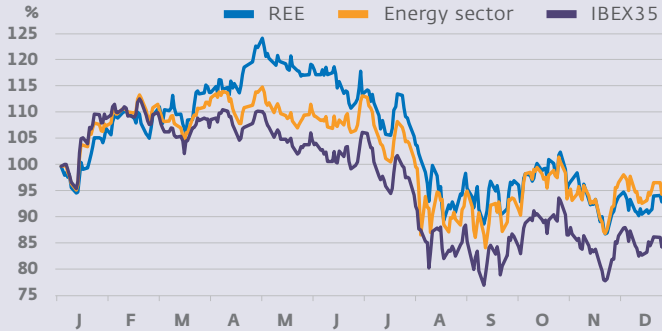
In 2011, Red Eléctrica's share price was unable to avoid the negative conditions of the variable income markets and closed the year at 33.06 euros, registering a fall of 6.1% on the year. However, this decline has been less than that of the IBEX35 and also less than that suffered by the majority of the most relevant international indexes.



### Evolution of the main stock exchanges (2011)



### Comparison between Red Eléctrica, IBEX35 and the Energy sector (2011)



## Strategic Plan 2011-2015

The strategic plan is carried out with a focus on excellence in our operations and with a clear orientation towards quality and security of supply and to the sustainability of the energy model.

### Main strategic lines

Excellence in operations

Carrying out of the infrastructure plan and integration of the assets acquired

Integration of renewable energies

Operational efficiency and financial soundness

## Financial Objectives 2012-2015

- ◆ **Profit** Average compounded growth rate of at least 12% throughout the period.
- ◆ **Dividend** Growth in line with profits (pay-out of 65%).



# 5

## A Sustainable Energy Future

*The responsibility  
of Red Eléctrica*  
is to provide a quality service to society  
through an efficient management, as operator  
of the electricity system, and sustainable  
development of the transmission grid.

Electricity has become an essential requirement in our day-to-day life and an energy vector in the fight against climate change. In Red Eléctrica we work to ensure that today's electricity and that of the future be safe, efficient and environmentally sustainable.

#### Global challenges

- ♦ Quality and security of supply.
- ♦ Reduction in external energy dependency.
- ♦ Energy saving and efficiency.
- ♦ More flexibility in the electricity demand.
- ♦ Promoting renewable energies.
- ♦ Development of the internal energy market.
- ♦ Greater interconnection capacity.
- ♦ Reduction of emissions.



#### Main actions of Red Eléctrica

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



## We work towards achieving a Sustainable Energy Model

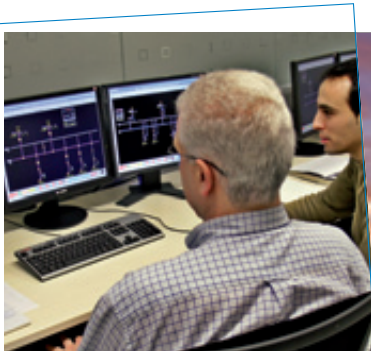
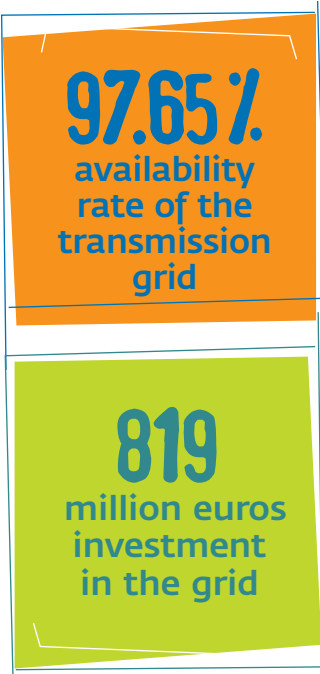
### Commitment with 20/20/20 Objectives

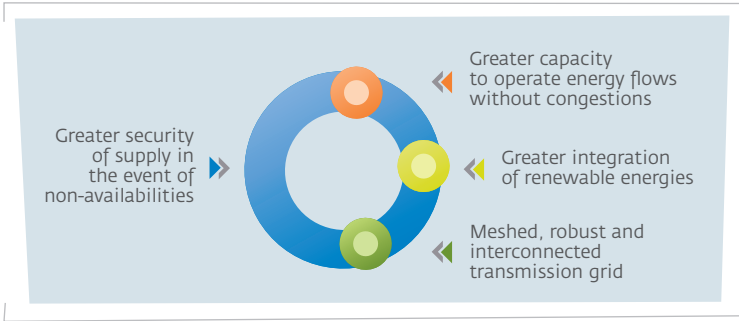
The energy system is evolving towards a new, more sustainable model based on security of supply, competitiveness, efficiency and respect for the environment. All this is oriented towards achieving the goals of the European energy strategy against climate change for 2020: focused on a reduction of 20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

In Red Eléctrica we are working to face this challenge, through the search for technical solutions for system operation and continued investment in the transmission grid that contribute to making the operation of the electricity system more efficient and allow a greater advantage to be taken of renewable energies.

### Security and quality of the electricity supply

One of our core objectives is to guarantee the security and quality of the electricity supply. For this reason, the most noteworthy investments made and activities of

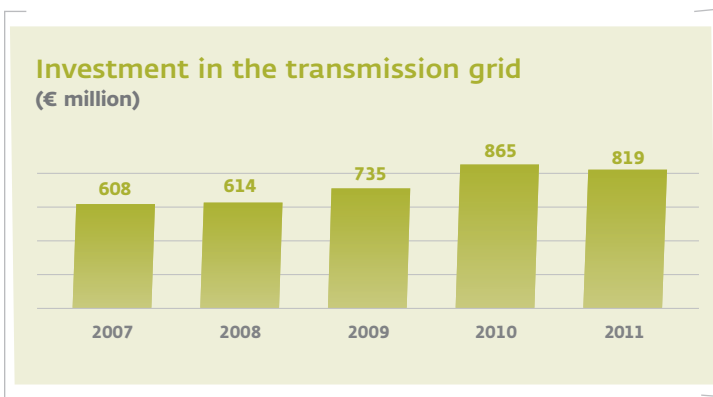




Red Eléctrica during 2011 have continued to focus on the development and structural strengthening of the grid, improving the meshing of the nodes and creating new energy transmission axes.

Transmission grid investments are mainly geared towards enabling the evacuation of the new installed generation, to facilitate the powering of the new high speed train routes, to provide support for the distribution networks and, above all, to strengthen international interconnections.

In 2011, **1,738 km of circuit and 247 new substation** bays were commissioned throughout the entire national territory, which represented an **investment of 819 million euros**.





### Peninsular and extra-peninsular transmission grid

	2007	2008	2009	2010	2011
<b>Km of circuit of 400 kV</b>	17,134	17,686	17,977	18,765	19,622
<b>Km of circuit of 220 kV</b>	16,457	16,558	16,698	17,352	18,218
<b>Km of circuit of 150-132-110 kV</b>	75	75	75	280	295
<b>Km of circuit of &lt;110 kV</b>				1,998	1,998
<b>Total km of circuit</b>	<b>33,665</b>	<b>34,319</b>	<b>34,750</b>	<b>38,395</b>	<b>40,133</b>
<b>Substation bays of 400 kV</b>	1,004	1,055	1,114	1,185	1,241
<b>Substation bays of 220 kV</b>	2,034	2,103	2,267	2,652	2,820
<b>Substation bays of 150-132-110 kV</b>	4	4	4	47	52
<b>Substation bays of &lt;110 kV</b>				723	741
<b>Total substation bays</b>	<b>3,042</b>	<b>3,162</b>	<b>3,385</b>	<b>4,607</b>	<b>4,854</b>
<b>Transformer capacity (MVA)</b>	<b>58,37262,772</b>	<b>65,797</b>	<b>72,220</b>	<b>74,920</b>	

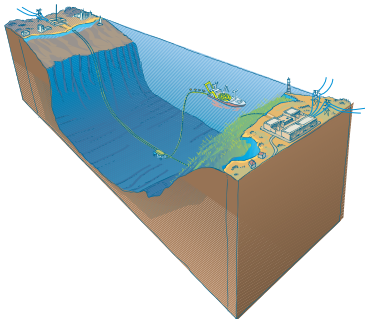
### Service quality indicators

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

## Strengthening of Interconnections

### Interconnection with the Balearic Islands

In 2011, the electricity interconnection between the Spanish peninsula and the Balearic Islands, known as the **Rómulo project**, was concluded. This link is the first submarine transmission interconnection in direct current that exists in Spain and represents the largest investment made by Red Eléctrica in one single project.



Its development has represented a landmark of world reference due to its unique nature and technical complexity as it is a high-voltage submarine connection, 273 km in length that runs at a maximum depth of 1,485 metres, which makes it the second deepest line in the world.

This electricity link is key to guarantee and improve the reliability of the electricity supply of the Balearic Islands' system and, at the same time, allows its integration into the Iberian electricity market, which facilitates the existence of a competitive generation market on the islands.

### Interconnections with France and Portugal

To have a greater electricity exchange capacity with our neighbouring countries is key to obtaining a greater security of supply and to take full advantage of renewable energies.

Therefore, the new electricity interconnection line between Spain and France, whose commissioning is foreseen in 2014, is a high-priority project, as it will allow our present exchange capacity with Europe to be doubled to reach 6 % of the maximum Spanish demand.

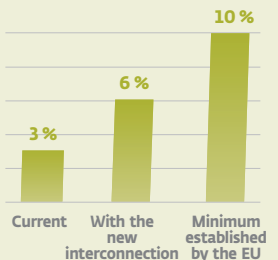
This interconnection, of about 65 km in length, will mainly be underground and, to cross the Pyrenees, a tunnel of 8.5 km shall be constructed. In addition, the installation will be in direct current, which requires the construction of two converter stations at both ends of the line. All these characteristics turn the project into a technological challenge of the highest level.

Regarding the interconnection with Portugal, work is being carried on the Portugal Norte interconnection project, whose objective is to strengthen the interconnection between Galicia and northern Portugal. It is foreseen that this project shall be concluded in 2015 and during 2011 work has taken place regarding the preliminary permitting procedures and land selection.



### Interconnection capacity Spain- France

Percentage over maximum demand



## Integration of Renewables

Throughout 2011, through our Control Centre of Renewable Energies (CECRE), we have continued working towards an improved integration of renewable energies into the electricity system, which allows a reduction of CO<sub>2</sub> emissions into the atmosphere and that demand coverage is covered by intermittent energies without the security and quality of supply being affected.

In 2011, generation coming from renewable sources accounted for 33% of the total production of the electricity system. Noteworthy for yet another was the contribution of wind power generation to demand coverage, 16%, which places it in third position for energy produced, only headed by nuclear and combined cycle.

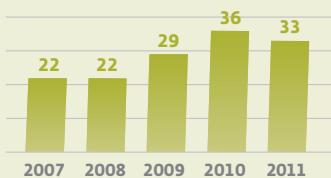
Similarly, on 6 November a new historical maximum in the contribution of wind energy generation to the demand coverage was registered, reaching practically 60% of the demand on that day.

Thanks to our Control Centre of Renewable Energies we continue being world leaders in the integration of clean energies.

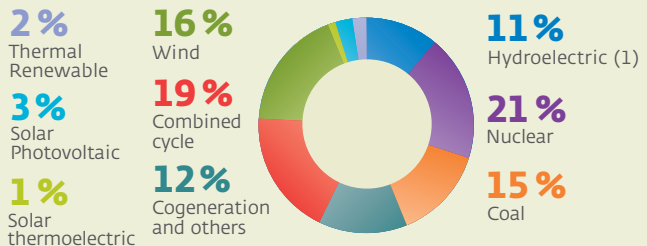
We are world leaders in the integration of renewable energies

In 2011, 33% of the electricity demand was covered by renewable energies

Contribution by renewable energies to demand coverage (%)



Coverage of the electricity demand (generation mix) 2011



(1) Does not include pumped-storage generation.

## Energy Efficiency

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

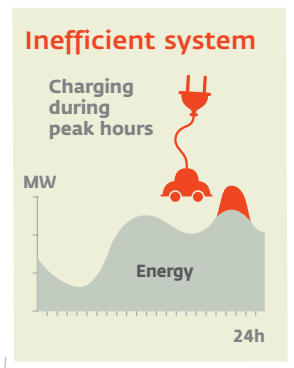
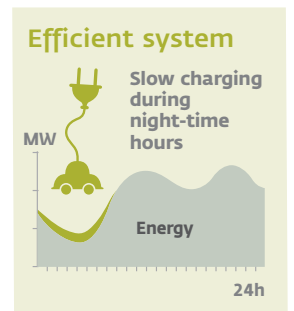
The objective of these strategies is to achieve an increased flexibility in the electricity demand, so as to flatten the consumption curve throughout the various times of the day, that will result in an increase in energy efficiency and will allow better advantage to be taken of renewable energies.

In this context, the evolution towards a smart electricity grid is a key element for success as, it allows system agents to be able to adapt supply to the services demanded by end users, representing significant progress towards a greater flexibility in the electrical supply.

### Backing for the Electric Vehicle

The electric vehicle represents a new electricity consumer which, nevertheless, can become an ally in a more efficient operation of the system, facilitating the integration of renewable energies, as long as the charging takes place during the valley hours of the system.

In Red Eléctrica we are working to face this new challenge and therefore take advantage of the opportunity that it represents, as an efficiency tool, for the electricity system. The main lines of work are oriented at present to the involvement in various research projects regarding this matter, noteworthy amongst which is the CENIT VERDE project in which 20 companies and an important number of universities and technological centres take part.



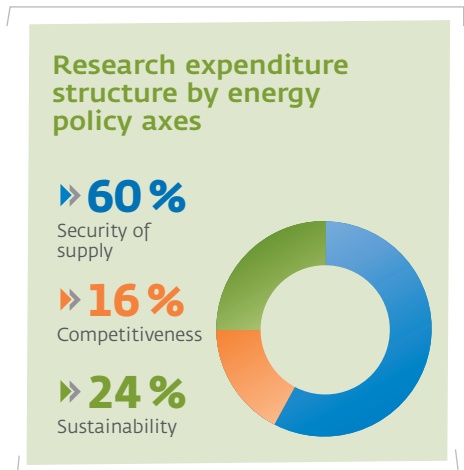
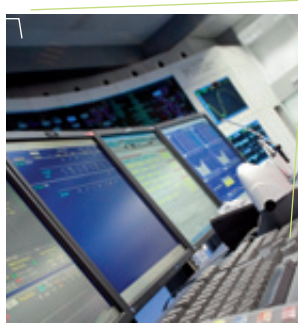
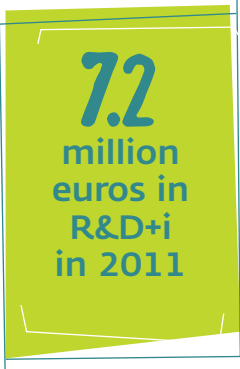


## Technological Development and Innovation

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

Efficiency, security of supply and sustainable development are the axes on which technological innovation is channelled. For this reason, Red Eléctrica participates, both at national and European level, on research projects related to energy efficiency and the safe integration of renewable energies into the system. Similarly, projects of environmental interest are carried out with the aim of making it possible for the electricity systems and the social and natural surroundings to coexist.

In 2011, investment in R&D+i projects reached the 7.2 million euros, distributed across a total of 56 projects, with the workforce dedicating 40,322 hours to the projects.





# 6

## Responsibility **towards** **Employees**

Red Eléctrica's commitment:  
*The satisfaction and  
development of people*

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

#### Global challenges

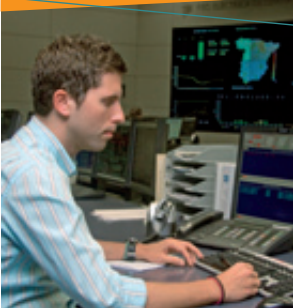
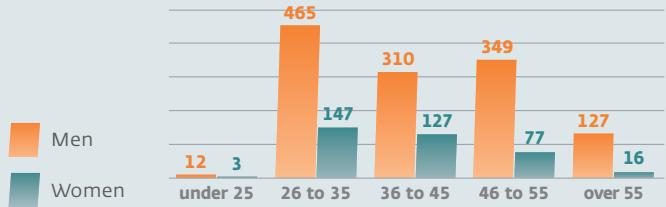
- ♦ Creation of stable and quality employment.
- ♦ Organisational efficiency.
- ♦ Attracting and retaining talent.
- ♦ Workers' rights.
- ♦ Health and safety.
- ♦ Equal opportunities.
- ♦ Training and development.
- ♦ Promoting the Work-life balance.

#### Main actions of Red Eléctrica

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



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



## Creating Stable and Quality Employment

### Sustained growth in employment

In 2011, the workforce of the Red Eléctrica Group increased by 1.7% with respect to the previous year, reaching a total of 1.800 people. In the last five years, 300 people have been incorporated into the Company.

### Employment Policy

The employment policy of the Company assures processes which are both transparent and equal when contracting new employees and foster internal promotion and stable employment.

### Organisational Efficiency

With the aim of promoting human capital and increasing business efficiency, during 2011 the implementation of the new people management model has progressed. This model offers a transparent and objective framework in which employees can reach high levels of satisfaction and professional competency.





## Remuneration Model

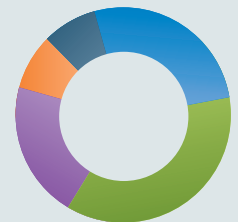
The remuneration model, updated taking into account the new management model, responds to criteria of equality, non-discrimination, transparency and improvement in the possibilities of recognition, as it counts on a fixed remuneration within wide salary bands and a bonus scheme that recognises the most outstanding contributions.

## Internal Communication

Red Eléctrica counts on various tools and multidirectional actions of internal communication to foster trust, improve working conditions and increase employee commitment.

Annually communication plans are designed for specific projects developed by specific units that seek the global dissemination of strategies, policies and objectives of the Company.

### Workforce structure by professional group



- ▶ **7%** Management team
- ▶ **30%** Senior technicians
- ▶ **34%** Intermediate technicians
- ▶ **22%** Specialist technicians
- ▶ **8%** Auxiliary technicians

## Key employment indicators\*

	2009	2010	2011
<b>Total workforce</b>	1,523	1,618	1,633
<b>Creation of net employment</b> (nº of positions)	80	95	15
<b>Average age</b>	40	40	41
<b>Average length of service</b> (years)	11	11	12
<b>Undesired external turnover</b> (%)	1.0	1.0	0.9
<b>Total turnover</b> (%)	1.7	1.7	2.5
<b>Permanent contracts</b> (%)	99.0	99.5	99.7

(\*) Data regarding Spain



## Supporting Social Dialogue

Working relations between the Company and its employees are regulated using the labour regulations currently in force, the IX Collective Bargaining Agreement and other agreements between the social and corporate representation. The IX Collective Bargaining Agreement, in force until 31 December 2012, represents the legal framework based upon which Red Eléctrica commits itself to comply with values such as equal opportunity, personal development, the Work-life balance and non-discrimination in all activities related to people management.

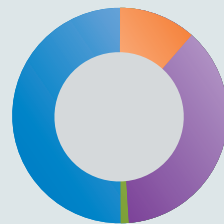
Permanent dialogue between the Company and the social representation is carried out through the various committees and other dialogue mechanisms included in the agreement. The majority of the work centres count on a representation of the workers.

### Committees with social representative involvement

- ♦ Geographic Mobility Committee.
- ♦ Training committee.
- ♦ Occupational Health and Safety Committee.
- ♦ Social Affairs Committee.
- ♦ Parity Committee for vigilance and interpretation.
- ♦ Parity Committee on Equality.
- ♦ Parity Committee on Professional Classification.
- ♦ Committee for the monitoring of the Flexible Working Schedule System.
- ♦ Working group regarding the Work-life balance.
- ♦ Psychosocial risk observatory.

### Union representation (31/12/2011)

- » **50%** Sindicato Independiente de la Energía (SIE)
- » **12.5%** Unión General de Trabajadores (UGT)
- » **35.7%** Comisiones Obreras (CC. OO.)
- » **1.8%** Confederación General del Trabajo (CGT)



## Committed to Occupational Health and Safety

47

Red Eléctrica has an occupational health and safety management system oriented to the prevention and monitoring of health risks for employees and to the development of actions geared towards obtaining an improved quality of life.

During 2011, the Occupational Health and Safety Policy was revised and updated and improvement projects regarding the prevention of risks were developed. In addition, special attention has continued to be paid to accident control and the continuous training of the workers regarding security.



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

### Organisational Efficiency

- ◆ An **occupational health and safety policy** based on prevention and monitoring.
- ◆ A **bespoke prevention service** made up of qualified employees in the different areas of health and safety risk prevention.
- ◆ A **management system** implemented according to the requirements of the **OHSAS 18001** standard.
- ◆ A **training, communication and supervision plan** as keys tools for awareness and continuous improvement.
- ◆ An **evaluation system for occupational risks** that extends to suppliers and contractors.
- ◆ An **occupational health and safety committee** involving social representatives from each one of the work centres.
- ◆ A **permanent medical service** for risk prevention and the monitoring of health.

**8,224** hours training in occupational health and safety in 2011



### Key indicators of Occupational Health and Safety

	2009	2010	2011
Accident frequency rate	4.69	7.09	3.96
Serious accident rate	0.11	2.34	2.21
Absenteeism rate	2.51	2.27	2.30
Medical check-ups	1,097	1,010	1,143

Over  
**154,000**  
hours of  
training and  
928 courses  
managed  
in 2011

### Supporting ongoing training and skills development

Red Eléctrica maintains a constant commitment to the training and professional development of its employees which is embodied in training plans designed to add value and consolidate the standards of excellence in the management of the corporate project.

This commitment is based on the following fields of action:

- ♦ The development of **knowledge, skills and competencies**.
- ♦ Induction programmes **to welcome and integrate** new employees.
- ♦ A specific **training plan regarding the Work-life balance and equality**.
- ♦ The **management and transfer of knowledge** through the new Red Eléctrica Corporate School (ECRE), created in 2011 to integrate together the existing Operation and Maintenance schools. Its aim is to meet the training needs of Red Eléctrica in its role as operator and transmission agent of the electricity system.
- ♦ A **performance management system** that evaluates the performance of 100% of the employees. In order to achieve greater objectivity and ensure uniform evaluation criteria, in 2011 calibration committees were set up per business area: validation bodies and consensus on the assessments made.



### Key training indicators

	2009	2010	2011
Training hours	144,497	162,290	154,715
Hours per employee	84	99	96
Investment per employee (euros)	4,969	4,760	4,192
Investment in training/ personnel costs (%)	7.6	7.1	7.0

The Red Eléctrica Corporate School (ECRE) offer courses recognised by universities

## Promoting Equal Opportunities

The **Equality Plan**, approved by the Company and social representation, contains a number of positive actions to promote true equality between men and women of the Company in the areas of employment, training, remuneration and communication.

In 2011, the Board of Directors approved the Company's Equality Policy, as well as the General Procedure for the Management of Equality.

Also, as a continuation to the granting of the equality seal awarded in 2010 by the Ministry of Health, Social Services and Equality. Red Eléctrica has continued to develop the commitments reflected in the documentation necessary for the granting of said seal.

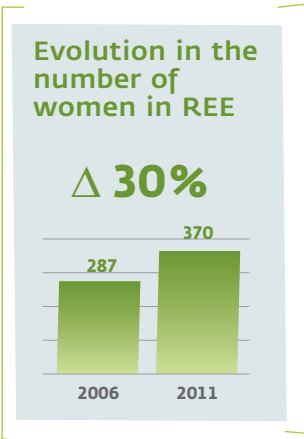


Equality seal

## Equal Opportunities in Employment and in Professional Development

In the past five years the number of women employees has increased by 30 %, which demonstrates the Company's commitment to promoting equal opportunities in employment.

Similarly, the percentage of women in positions of responsibility within the Company has risen from 16.2 % in 2010 to 17.6 % in 2011.



## Integration of people with disabilities

This year we have continued working on the integration of people with disabilities into the workforce and have continued to implement exceptional alternative measures based on the acquisition of goods and services through special employment centres.

### Key measures implemented for the integration of people with disabilities

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

## Facilitating the Work-life balance

51

Red Concilia is the name given, since 2009, to the project developed regarding the Work-life balance. Since then, and especially during 2011, all management bodies and their leaders have strengthened their position to reaffirm the principles of the project and achieve the objectives.

During 2011, as part of the Comprehensive Work-life balance Plan and to support the publication of the "Work-life balance Guide" of the previous year, a specific module on this subject was included in the management team training programme.

Similarly, this year there were two new activities, "Days without school." providing leisure activities for children whilst their parents are working, and "Parents' open doors day" for the parents of employees.

### Work-life balance measures

	Nº of measures
Flexible work schedules	5
Authorised leave and unpaid leave	10
Support during maternity and paternity	7
Disability/dependant family members	3
Social benefits and products	9
Services	7
Events and activities	7
<b>Total</b>	<b>48</b>



## Supporting and driving Corporate Volunteering

Through the corporate volunteer group "EnREDando" various projects of solidarity, humanitarian and sustainable development are carried out and count on the participation of Company employees.

### Main activities organised in 2011

#### ♦ Trading bullets for cameras

Collection of all types of video, photographic and computer material to create a photographic school for young people in the area of Gulu (Uganda) affected by the war

#### ♦ Changing their lives with music

Donation to the Vasudeva Yoga School for a solidarity project for teaching music, singing and dance to children with disabilities in India.

#### ♦ Solidarity Christmas gift campaign

The construction of a residence in Alcobendas for children and young people with disabilities in collaboration with Fundación Apsuria.

#### ♦ Sixth annual fair trade campaign

Organisation of a fair trade market in collaboration with SETEM.

#### ♦ Flag Day

Day to raise funds for various projects of the Red Cross.

#### ♦ Charity auction

A charity auction to collect funds to help children and young people with disabilities that are attended by the Fundación Apsuria .

#### ♦ Blood donations

Blood donation campaigns at work centres .





# 7

## Responsibility towards Society

*The commitment  
of Red Eléctrica*

towards society is built on a fluid and transparent dialogue with stakeholder groups and in the establishment of a relationship based on trust with the communities in which they carry out their activities.

The basis of the confidence that Red Eléctrica seeks in its relationship with stakeholder groups lies in the sustainable creation of value and the constant quest for a fluid, transparent close dialogue.

#### Global challenges

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



#### Stakeholder attention centre

[www.ree.es](http://www.ree.es)  
[digame@ree.es](mailto:digame@ree.es)  
Telephone: +34 91 728 62 15  
Fax: + 34 91 650 45 42

#### Main actions of Red Eléctrica

- ♦ Transparency and independence in all actions.
- ♦ Permanent dialogue with stakeholder groups.
- ♦ Cooperation agreements.
- ♦ Strengthening ties with local communities.



**8.1**  
out of 10  
global  
satisfaction  
level of the  
stakeholder  
groups



## Fostering dialogue with our Stakeholder Groups

### Shareholders and Investors

Red Eléctrica's communication with shareholders and investors is carried out via two departments –the Minority Shareholder Attention Office and Investor Relations Department–, which suitably identify and resolve the concerns and demands for information from these stakeholder groups.

**Satisfaction level**  
(out of 10)  
**9.7 minority shareholders**  
**8.3 financial analysts**

#### Minority Shareholder Attention Office

Through this office all shareholders' consultations are responded to by means of a personalised attention service. In 2011, the participation of the shareholders in the General Meeting by electronic means has continued to be promoted, by means of the live transmission of the Meeting via Internet (in English and Spanish) and via mobile devices. In the Meeting held in 2011, **664 shareholders** voted electronically.

#### Investor Relations Department

The management team of the Company has continued to hold numerous meetings and presentations in the main financial markets of Spain, Europe, the United States and Australia. In 2011, 334 meetings with analysts and investors were held in 20 important financial markets, for the

**12 meetings**  
regarding  
corporate  
governance  
matters  
held with  
institutional  
investors



first time 12 meetings were held with institutional investors to explain the Company's corporate governance policy.

### Corporate Website

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

### Clients, Business Agents and Regulatory Bodies

To ensure the quality and efficiency of service we provide in carrying out our functions, we have various tools such as biennial satisfaction surveys that allow us to be aware of the needs and expectations of clients and other groups that are part of the electricity system.

From the results obtained in the last survey in 2010, we have developed the Improvement Plan 2011-2012, which includes 25 actions geared towards improving internal efficiency in the provision of services, transparency in management and the development of communication channels.

In order to guarantee to our clients independence and transparency as managers of the Spanish electricity system, we have an operational code of conduct that is subject to an annual audit to ensure compliance. Additionally, we also perform an annual audit (under the SAS standard) of the critical areas of system operation.

Similarly, Red Eléctrica has a complaints and enquiries management system related to services offered and the impact of its activities.



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



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

**1.371**  
billion  
euros in  
purchases in  
2011

## Suppliers

Red Eléctrica maintains its commitment to promoting responsible behaviour in their supply chain. Amongst the advances in this area during 2011, noteworthy is the drafting of a code of conduct for suppliers to be released in 2012 whose objective is to translate to its supply chain the values of integrity, responsibility and sustainability of the Company.

Similarly, a specific attention channel to systematize and improve communication with suppliers and technical areas of the Company has been implemented. In addition, a new supplier qualification system was launched that allows the qualification process of future suppliers to be systematized and streamlined..

During 2011 we continued to develop the Dédal project aimed at improving supplier management and increase efficiency in purchasing processes.

## Press and the Media

For yet another year, to strengthen and improve the relationship with the mass media has been a main objective of the information policy of the Company. For this reason, work has continued on driving direct contact with the media through meetings to present the activity of Red

Eléctrica. Effort has continued in increasing and improving digital content on the website.

Noteworthy amongst the conferences organised is the presentation of the interconnection project between the Spanish peninsula and Balearic Islands, which has resulted in a specific communication plan. In addition to the informative materials provided, visits were made to the cable laying areas and to the converter stations.

Additionally, incorporated into the press room of the webpage was content regarding the new **interconnection line with France** and the *Entrelíneas*, magazine has continued to be improved, especially in digital format. Similarly, our presence in social networks has been increased.

## Social Environment

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

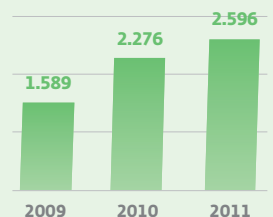
In 2011, communication tools and the fostering of relations have continued to be strengthened; noteworthy amongst which is the increase in the content and functionality of the corporate webpage and the development of numerous initiatives aimed at strengthening ties with the community and those geared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

### The corporate website, a key communication tool

The corporate website of the Company maintains vocation of disclosing and providing all stakeholder groups the essential aspects of the functioning of the Spanish elec-



Annual evolution of the corporate website (millions of visits)



tricity system and the activities that Red Eléctrica performs as operator and manager of the transmission grid.

### Key communication channels with stakeholder groups

**Shareholders and investors**

**Clients, business agents and regulatory bodies**

**Suppliers**

**Press and the media**

**Social environment**

♦ Global stakeholder attention centre: DIGAME Service

- ♦ Free phone service: **900 100 182**
- ♦ E-mail: **accionistas@ree.es** y **relacioninversores@ree.es**
- ♦ Corporate website: **shareholders and investors section**
- ♦ Shareholder's forum
- ♦ Publications: **annual and quarterly reports**
- ♦ Investors' and analysts' meetings
- ♦ Satisfaction surveys
- ♦ Market agents' website: **(SIOS, SIMEL, SCE, SIL)**
- ♦ Public website: **www.esios.ree.es**
- ♦ Working groups and benchmarking studies
- ♦ Satisfaction surveys and identification of requirements
- ♦ Complaint and incident management system
- ♦ Corporate website: **Supplier section**
- ♦ Alliances and quality agreements
- ♦ Publishing of tenders and awarding adjudications in the BOE (Official State Journal) and DOUE\* (EU Official Journal)
- ♦ Satisfaction surveys
- ♦ RePro evaluation system
- ♦ ASA specific channel
- ♦ Electronic mail: **gabinetedeprensa@ree.es**
- ♦ Corporate website: **Press room**
- ♦ Press releases and press conferences
- ♦ Training days
- ♦ Satisfaction surveys
- ♦ Presence in social networks
- ♦ "Entrelíneas" magazine
- ♦ Sustainability Laboratory
- ♦ Dialogue platforms
- ♦ Collaboration agreements with local organisations
- ♦ Corporate website
- ♦ Diverse publications
- ♦ Visits to the facilities
- ♦ Satisfaction surveys
- ♦ Mobile exhibitions at science museums

(\* ) For significant amounts.

## Contribution to the Community

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

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



energy and sustainability in development. During 2011, Red Eléctrica carried out more than 400 activities in this scope that responded to the demands of the Company's social stakeholder groups.

## Strengthening ties with the Community

Red Eléctrica seeks to establish ties with the communities where it is present and therefore it informs and contacts social and institutional stakeholder groups with the aim of establishing relations of trust and collaboration.

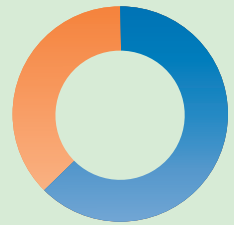
These actions seek the following objectives:

- ◆ **Integrate the presence of the Company in the social,** environmental and institutional fabric in the territories where the projects are implemented.
- ◆ **Explain and disseminate the need for the projects** and provide a suitable response to the demand for information requested by society.
- ◆ **Maintain transparency of information** and facilitate the maximum level information to the community.
- ◆ **Balance the general interests** of the territory with the needs of the project.
- ◆ **Promote the maximum institutional and social consensus** in the implementation of the projects.

### Contribution to the community 2011

Data of the Group  
(8.4 € million)

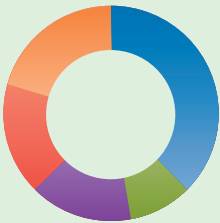
► **40 %** Strengthening of ties with the community



► **60 %** Social commitment actions



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



**34%**

Presentations of REE projects and activities

**10%**

Surveying of environmental needs, opinion surveys and dialogue platforms

**15%**

Publications and informative leaflets

**20%**

Participation in professional associations and technical training sessions

**21%**

Municipal agreements related to new infrastructures

Of the 266 actions carried out in 2011 in this field, noteworthy are the eight training sessions held at Red Eléctrica's Control Centre of Renewable Energies regarding electricity infrastructures and their environmental impact. Also, several visits to various facilities commissioned, as well as to the cable laying works for the Spanish peninsula- Balearic Islands were organised.

### Social Commitment

Red Eléctrica, through its programme of social action, analyses and responds to the requests for collaboration of social organisations and promotes relations with the organisations of the Third Sector who carry out projects that merge with the social objectives of the Company.

**140** actions of a social nature carried out in 2011

Social action programmes focus on implementing projects that contribute to the promotion of sustainability and energy efficiency, cultural and educational development and for the support of local and regional communities. During 2011, around 140 activities in these priority areas have been carried out.

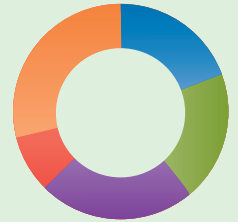
## Noteworthy actions of a social nature

- ♦ **Energy efficiency in La Raya.** Project promoted by the European Association of Territorial Cooperation Duero-Douro, in which Red Eléctrica participates collaborating on the carrying out of energy audits in 107 municipalities of Salamanca and Zamora and in the dissemination of the importance of said efficiency in the operation of the electricity system.
- ♦ **A Highway Behind the Wall Socket.** A mobile exhibition developed by Red Eléctrica to show, in an interactive way, how the electricity system works and how it is possible to consume electricity in an efficient and responsible manner. In 2011, this exhibition was located in the Parque de las Ciencias in Granada, then in the Casa de las Ciencias in Logroño and finally in the Museo de la Ciencia in Valladolid.
- ♦ **Training of students in Master's or specialisation courses** in more than 25 schools and universities by means of visits to the Company's electricity control centres.

### Sustainability Laboratory

Through this tool, Red Eléctrica promotes projects that embrace sustainable criteria that promote progress and welfare of communities. During 2011, this laboratory has led to the development of 19 collaboration projects with society.

### Social investment structure



**19%**

Energy efficiency and sustainability

**18%**

Philanthropy

**25%**

Education, science and dissemination

**10%**

Support for cultural and social activities

**28%**

Support for local and regional communities

Within the framework of this exhibition, an extensive programme for supporting education of secondary school students in collaboration with the Education Ministry and the Regional Energy Authority of Castilla y León have been carried out.



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



# 8

## Environmental **Responsibility**

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

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



Certification  
**ISO 14001**  
for all  
our activities  
and  
facilities

Main actions of Red Eléctrica

Global challenges

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

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



## Caring for the natural environment where our facilities are located

**Environmental supervision of 100% of construction works of new facilities**

In Red Eléctrica we make a significant effort to avoid or to minimise the possible impacts that some aspects derived from our activities may have on the environment. Within the framework of our environmental management system we evaluate all aspects arising from our activities and establish an annual environmental programme to define specific actions for improvement.

To minimise the possible effects of new projects, we conduct a study and coordination process with the interested parties to define and agree on the locations of the substations and the routes for lines and apply strict environmental criteria in all development phases of the transmission grid.

**Grid planning phase**

- ▶ Environmental revision of future projects before being included in the planning.
- ▶ Collaboration with the Ministry of Industry on the strategic environmental evaluation process of the Electricity Infrastructure Plan, in which interested parties are involved.
- ▶ Collaboration with the autonomous communities in the development of the regional electricity infrastructure plans.

**Project phase**

- ▶ Environmental evaluation of all projects for new facilities.
- ▶ Definition of locations or routes of least environmental impact.
- ▶ Consideration of the opinions and comments from interested parties.
- ▶ Definition of the preventive and corrective measures.



- ▶ Supervision of the fulfilment of environmental requirements.
- ▶ Implementation of environmental vigilance programmes to verify the effectiveness of the preventive and corrective measures.

**Construction  
phase**

- ▶ Definition and application of environmental requirements in maintenance tasks.
- ▶ Periodic inspections carried out on facilities.
- ▶ Application of environmental improvement actions.

**Maintenance  
phase**

## Proactively working on Biodiversity Conservation

The conservation of biodiversity is integrated into the Company's strategic plan through the biodiversity strategy and action guide which establish the criteria for prevention and action in this matter.

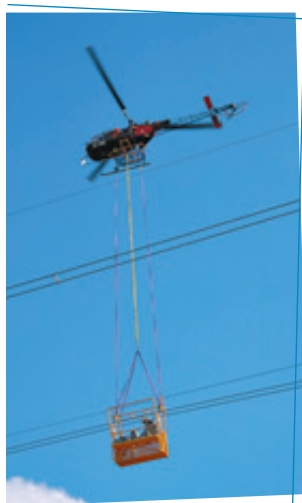
### Red Eléctrica's facilities and Biodiversity

One of the key factors in defining the location of new facilities is to avoid areas rich in biodiversity.



Bird safety device  
(bird flight diverter)

When it is not possible to avoid sensitive areas, we implement the necessary preventive and corrective measures to minimise the impact in the construction and maintenance phases.



### Habitat protection

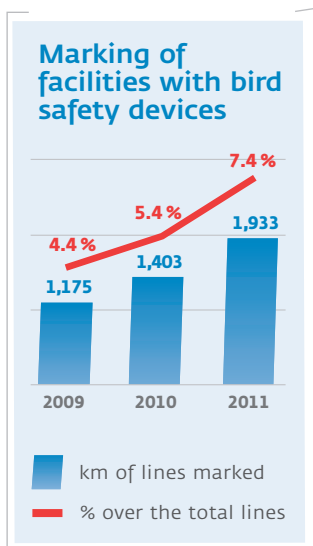
- ♦ Elaboration of prior studies to determine the presence of sensitive species.
- ♦ Signage and marking off of habitats so as to ensure they are not affected.
- ♦ Establishing of accompanying measures in the case where protected areas are affected.

### Protección de la fauna

- ♦ Interruption of works during periods of nest building and the raising of young birds and other species.
- ♦ Behavioural studies regarding species that may collide with lines: mapping bird flight paths and migratory routes.
- ♦ Marking of electricity lines through the use of bird safety devices to avoid bird-flight collisions and the design of a bird-collision detector.
- ♦ Light and sound contamination studies.

### Protection of flora and the prevention of forest fires

- ♦ Hanging cables by hand or by helicopter and boom crane for the electricity towers.
- ♦ Use of special construction techniques in specific cases.
- ♦ Relocation of species of environmental value to other areas not affected by works.
- ♦ Restoration of areas affected by construction activities with indigenous species.



- ◆ Appropriate definition and maintenance of safety corridors for lines and the use of non-chemical methods in the process.
- ◆ Collaboration with the areas of the Administration for the development of fire prevention measures.
- ◆ Development of research projects for the prevention of fires, such as the Vulcano Project. Completed in 2011.

### Other projects that contribute to Biodiversity Conservation

For Red Eléctrica it is essential to collaborate with the different administrations and with prestigious organisations in environmental matters. Therefore, the Company:

- ◆ participates in projects of common interest for the conservation and improvement of biodiversity.
- ◆ develops environmental projects with local communities through the Sustainability Laboratory of the Company.
- ◆ conducts training and awareness activities both in the internal and external scope of the Company.



**11 new  
collaboration  
agreements  
regarding  
biodiversity  
matters**

#### Biodiversity related projects

In 2011, multiple projects were carried out, some examples are:

- ◆ **Reintroduction of Bonelli's Eagle** (threatened species) on the Island of Majorca.
- ◆ **Participation in the LIFE + Conservation project and management of special protection areas for Steppe birds in Andalusia.**
- ◆ **The REE forest:** restoration of 144 acres through reforestation of the highland areas of the Los Alcornocales Natural Park in Cadiz.

## Fighting against Climate Change and working towards improving Energy Efficiency

### The fight against Climate Change

Aware of the importance of our contribution as transmission agent and operator of the electricity system to the development a more sustainable energy model, in 2011 we adopted the **Climate Change Strategy** and its associated action plan.

According to this strategy, our main lines of work to achieve the European energy goals of the 20/20/20 commitment against climate change are:

- ♦ The **development of transmission infrastructures** and the implementation of **system operation solutions** geared towards the integration of renewable energy through our Control Centre of Renewable Energies (CECRE). Also in 2011, the project for the management of new climate risks on the electricity transmission infrastructures was begun.
- ♦ The promotion of **demand-side management initiatives** aimed at achieving **greater energy efficiency**, amongst which the promotion for the deployment of the electric vehicle is noteworthy.
- ♦ **Control of emissions** derived from our activities, with the aim of reducing these by 20 % by 2020. For this, we inventory and reduce emissions of SF6 gas, apply energy efficiency measures and compensate emissions by planting trees through the "REE Forest" Project.



We have installed various charging points for electric vehicles at our buildings.

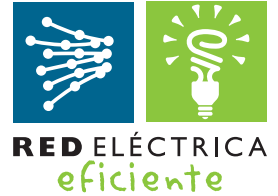


## Energy Efficiency

Increased efficiency in energy consumption is essential and for this reason we consider relevant all efforts geared towards achieving a responsible consumption. Initiatives promoted by the Company in energy efficiency matters are encompassed under the brand "Red Eléctrica eficiente".

### Key actions 2011

- ♦ Reduction of electricity consumption in substations: improvements in transformers, in climate control equipment and in the lighting of buildings.
- ♦ Reduction of electricity consumption in the work centres: Planning for the implementation of the energy management system in all buildings (2011-2015) and carrying out of energy audits.
- ♦ Implementation of efficiency measures in computer systems.
- ♦ Mobility measures: acquisition of more efficient fleet vehicles.
- ♦ Awareness campaigns on energy efficiency and responsible consumption both at an internal and external level.



**Energy Management System certificate according to the UNE 16001 standard for the head office in 2011**



### Measures implemented in the construction of four buildings (Cártama. Mesón. Casaquemada and Zamora):

- ♦ Control system for lighting.
- ♦ Dual flush cisterns and aerator taps.
- ♦ Charging points for electric vehicles.
- ♦ Insulation in buildings.
- ♦ Solar thermal energy for sanitary hot water.
- ♦ Landscaping with low water consumption vegetation.



## Other Environmental Management and Control Actions

### Key measures implemented in 2011

- ♦ Water saving: replacing the lawn of the headquarters with gravel and indigenous plants.
- ♦ Paper saving: modification of the documentation filing system and use of tablets in training

In addition to working to improve energy efficiency, we consider it essential to reduce other basic consumption and to perform multiple management and environmental monitoring actions to ensure respect for the natural environment.

### Waste Management

The waste our activities generate is separated, stored, managed and when possible, reutilised in accordance with legal requirements and to the criteria of contamination prevention.

### Protection against leaks and spillages

Thanks to the application of preventive measures and best practices in the development of our activities and the spillage containment systems of equipment, accidents are infrequent and there is no effect either on soil, nor ground water.

### Protection of the Socioeconomic Environment and the Landscape

Conscious of the relevance of the visual impact of our facilities on the landscape, we make a concerted effort in restoring the zones affected by construction works of facilities and we carry out landscape integration projects of our substations. Similarly, during the construction phase of our facilities, we carry out archaeological and paleontological supervision in all the projects which require it and the necessary preventive measures are established for the protection of cultural patrimony.



**Archaeological supervision of construction works for 25 lines and 7 substations**

## Control of Electric and Magnetic Fields

The preventive measures applied in the design of facilities allow the electric and magnetic field values to be below those recommended by the European Union. Nonetheless, we keep up to date with scientific advances and we develop research projects in this field.

## Relations with Stakeholder Groups

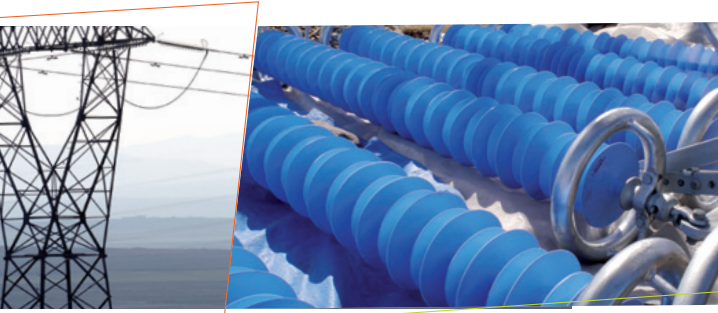
With the aim of guaranteeing good environmental management, we extend our environmental demands to those suppliers whose services may have potential impacts on the natural environment. Additionally we establish an ongoing dialogue with the authorities, local communities, specialised entities, research organisations and environmental groups to find the best measures that can guarantee the respect for the natural environment.



## Key environmental indicators

	2009	2010	2011
<b>Km of line in Red Natura / total km of line (%)</b>	(*)	15.97	15.37
<b>Km of line with marked with bird-flight diverters</b>	1,175	1,403	1,931
<b>Km of lines marked in SPAs/km in SPAs (%)</b>	12.7	14.0	18.2
<b>Direct emissions (t CO<sub>2</sub> equivalent)</b>	68,201	63,217	68,325
<b>Indirect emissions (t CO<sub>2</sub> equivalent)</b>	865,740	727,194	804,795
<b>Average rate of SF<sub>6</sub> emission (%)</b>	1.28	1.26	1.16
<b>Consumption of electrical energy (kWh)</b>	13,915,487	17,160,031	15,398,099
<b>Consumption of fuel (l)</b>	905,894	642,483	593,299
<b>Consumption of paper (kg/employee)</b>	46	37	35
<b>Total non-hazardous waste (kg)</b>	952,685	556,725	782,769
<b>Total hazardous waste (kg)</b>	1,149,305	2,744,814	2,016,763
<b>Environmental investment / total investment in the grid (%)</b>	0.60	0.27	0.86
<b>Environmental expenditure / total operating costs (%)</b>	2.13	2.60	2.45
<b>Nº of autonomous communities with projects or actions regarding biodiversity matters</b>	no data	10	11
<b>Nº of suppliers with environmental management certification (%)</b>	50	55	55

(\*) In 2009: 13.7 % (SAC) 10.9 % (SPA).  
As of this year, these are joined and are known as Red Natura.



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