

GRUPO  RED ELÉCTRICA

## Code of ethics and corporate values



2007



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Since the founding of Red Eléctrica in 1985, activities have been guided by the need to offer the electricity system and citizens the highest quality of service at the lowest possible cost.

This firm commitment is not only with respect to quality, but also with the environment, with health and safety, with employees and contractors, and with all business activities and processes.

Thanks to clear objectives, hard work, commitment and integrity over a period of more than twenty years, the Red Eléctrica Group has established an outstanding reputation. Maintaining this reputation requires attention and continual effort.

Shareholders, clients, suppliers and society in general are demanding higher levels of responsibility from companies every day. Effectively responding to these demands is one of the keys to maintaining the company's reputation. Each member of Red Eléctrica staff can affect this reputation with the relationship they establish in their day-to-day dealings with these groups. Everyone plays a part in maintaining this reputation through demonstrating integrity, responsibility and respect.

The aim of this document *Code of ethics and corporate values* is to outline the Group's values and underlying principles. It should be considered a guide for all professionals of all companies that constitute the Red Eléctrica Group in all business and professional activities related to the Group.

This code applies to all persons within the Group, this includes employees, directors and managers. It is therefore important that everyone read, understand and agree to abide by the code. This code cannot cover all possible situations and does not constitute a rulebook. However, the values and principles that it describes should inspire and be the basis of conduct at all times for all who are part of the Red Eléctrica Group.

With this code, which replaces the earlier *Basic principles for conduct*, the Red Eléctrica Group intends to guarantee ethical conduct in all business activities, going beyond obligatory compliance with national laws. This is only possible if all professionals strictly adhere to these ethical principles and corporate values.

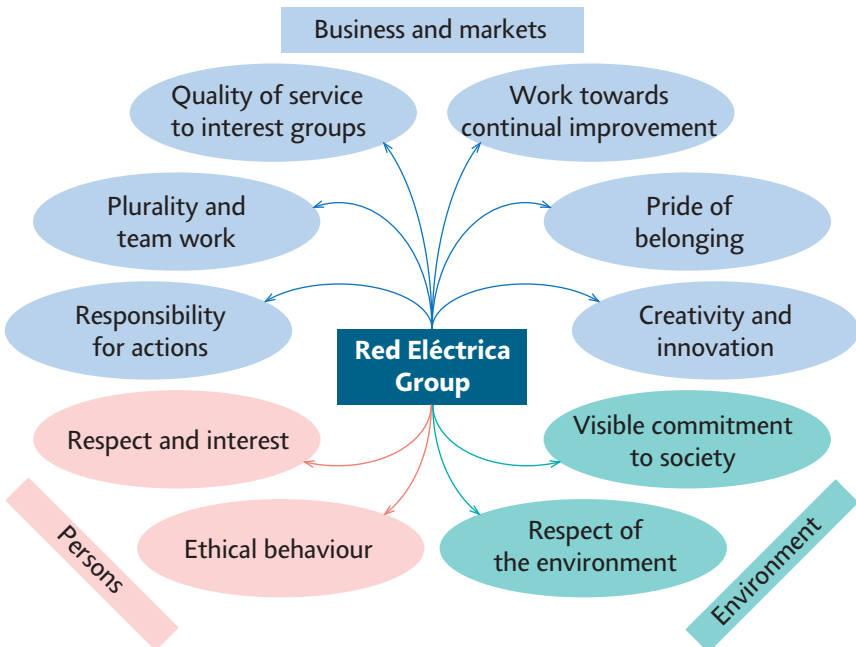
## Corporate values

The Red Eléctrica Group defines corporate values, which should be assumed and applied by all persons within the Group, with the aim of obtaining positive results in technical, economic and management areas of business. This should promote company consolidation and development as well as help to maintain the Group's reputation as a corporation committed to the needs and expectations of its stakeholders.

A common organisational culture, a binding of corporate values, will make it possible to follow strategies and vision of the Group.

## Areas of analysis

The Red Eléctrica Group has established values with the aim of adequately responding to the different areas in which people establish business relationships as professionals. The following chart provides a summary of the areas and the values which the Group intends to cover in this code.



## Description of values

With respect to people:

### 1. Respect and interest

In business relationships respect and courtesy are paramount. Respecting equality, anti-discrimination, anti-harassment policies, dignity and dialogue are key elements in interpersonal relationships. All persons within the company shall treat each other and persons outside the company with respect and dignity in all business dealings.

### 2. Ethical behaviour

In all work-related activities, decision making or participation in decision making, interpersonal relationships as well as compliance with legal obligations, conduct should be honest, transparent, and confidential when the situation so requires.

With respect to the environment:

### 3. Respecting the environment

When human activity causes environmental change there is a need for clear, solid and committed action to ensure that during all processes there is a respect for flora, fauna, the atmosphere and the environment in general. Harmony with the environment is an attainable challenge and it is the obligation of all those who belong to the Red Eléctrica Group to act in accordance with this aim.

### 4. Visible commitment to the society

Responsible organisations who intend to become part of civil society such as the Red Eléctrica Group should always consider social problems and requests for help from governmental and non-governmental organisations.

Companies within the Group should act and develop projects that transparently address social problems and needs to ensure that company development and economic growth is in harmony with the community.

With respect to business and markets:

## 5. Creativity and innovation

Reflection, analysis and initiative to propose and implement new and more efficient, attractive and innovative methods of work when analysing processes and activities are essential for companies within the Group when attracting new business and clients.

## 6. Pride of belonging

Integration in the business project, assuming goals, strategies and policies of all companies within the Group, loyalty, confidence in business dealings and a responsible and committed attitude in defending the interests of the company, enhance standing and portray the company as a united, strong and consolidated enterprise.

## 7. Continual improvement

Commitment to excellence in management requires efficient systems and processes, a continuous search for improvement, identification and application of best practices, internal analysis of results and assessment of company position and evolution within the sector and markets.

Integrated and prioritised management of these activities is the principal channel which will ensure that companies within the Group survive and continue to grow in the sectors in which they operate.

Competence and capability of companies within the Group are the key elements that managers and directors of the Group, as well as employees, should strive to develop, this includes aspects such as further training, identifying best practices and technological advances.

## 8. Quality and service to stakeholders

Stakeholders are groups or entities who are or may be affected by the company's services or activities and whose opinions and decisions affect profits and the reputation of the companies within the Group.

Product development and provision of services should be directed at satisfying the requirements of these stakeholders. This factor is the basis for excellent results and for steady progress in the short-, mid- and long-term.

## 9. Shared vision and goals

Analysing processes and services, integrating market needs, commitment to provision of essential services and sustainable development are key elements for success in companies within the Group. Working together in analysis and design procedures will produce more solid and precise products than if working individually. Teamwork is key.

Tolerance, understanding and development of collective ideas, processes and projects all help to strengthen team integration and establish common ideals with regard to corporate values and achieving Group strategies.

## 10. Responsibility for actions taken

In view of possible reports or consequences of action taken or outcomes of these actions, respect and attention shall be shown and adequate responses provided. A rational and thoughtful analysis of the circumstances provoking these consequences and the provision of a frank, ethical, rapid and committed response will serve to consolidate the reputation and the image of the Group.



## Code of ethics

### Aim

To identify and present a series of principles and recommendations of conduct. Acceptance and application of these principles and recommendations will contribute to the ethical and responsible management of companies within the Group when providing services and products, as well as when establishing relationships with stakeholders.

Strict application of these principles will ensure that profits are obtained in compliance with legislation and in accordance with the reputation and image that the Red Eléctrica Group wishes to portray both internally and externally.

### Scope of application

This document is intended for all persons of the Red Eléctrica group when performing duties in all business activities and when representing the company. This refers to employees, managers and directors.

It applies to companies which are majority owned by the Group, regardless of their geographical location, and in countries where professional services, consultancy or any other activity related to the Group are temporarily being offered.

All persons of Red Eléctrica were invited to participate in the drafting and revision of this code. All persons were also invited to consult the code and provide comments and suggestions prior to its approval. Each person's voluntary adherence to this code implies that they agree with it and are committed to be compliant.

Companies that are not majority owned by the Red Eléctrica Group or where the Group does not hold power to control, the Board of Directors, or any body with similar functions, of such companies will be formally requested to accept this code under the same aforementioned conditions.

### Applicability

This code is a regulating instrument in the sense that it establishes guidelines and outlines basic principles of conduct for the various fields of work in which the persons of the Red Eléctrica group carry out their activities.

The aim of this code is to provide general guidelines to aid decision making for specific situations that Red Eléctrica professionals may encounter.



## Principles

This section outlines the principles and guidelines that Red Eléctrica professionals should follow when performing their duties and responsibilities, in all areas of business and when representing the company.

### 1. How to be recognised as a reliable representative in your sector and comply with prevailing legislation.

All companies within the Group play a fundamental role in the development and consolidation of their sectors. Respect of legislation, integrity, responsibility and transparency are all values that must be adhered to.

Commitments that should be made are:

- **Compliance with legislation**

Commitment to comply with legislation in all areas, and ensure its compliance when work or activities are carried out by third parties, is essential and of utmost importance in order to maintain the Group's reputation and image as a committed and responsible corporate citizen who defends both community and personal development.

- **Integrity, responsibility and transparency**

All persons within the Group agree to carry out their duties and responsibilities respecting the established procedures in their sector. They shall avoid making damaging remarks or pass criticism which may affect stability. This will help the company maintain its image as an integrated corporation that respects clients, suppliers and all other groups with which it maintains relationships.

Persons within the Group promise to be transparent in all their activities.

There is a commitment not to pass on or disclose secret, private or confidential information of parties in markets where the companies of the Group carry out their activities.

### 2. How to create a dignified, open and pleasant work environment

The Red Eléctrica Group considers that the work conditions and safety it offers to workers and personnel in the workplace are of prime importance.

This applies to full- and part-time workers and personnel in all company offices.

Other important aspects to be considered are the health of our staff, respect and equality of opportunity.

Commitments that should be made are:

- **Respect, dignity and non-discrimination**

Those addressed in this code shall show due respect and be courteous to colleagues, stakeholders and third parties with whom they may have dealings as a result of professional activity or duties. The basis of a successful and positive relationship begins with respect of people's dignity, equality of opportunity, dialogue, and the non-existence of discriminatory or disrespectful behaviour.

Working in a free and respectful environment is a right belonging to all staff within the Red Eléctrica Group.

No threats, acts of violence or intimidation of any kind will be tolerated in the workplace.

There shall be no abusive, humiliating or offensive behaviour, whether verbal or physical. Neither will any form of discrimination, harassment due to birthplace, race, gender, age, religion, beliefs or any other personal or group condition or circumstance be tolerated.

- **Health and safety in the workplace**

Health and safety are of prime importance, especially in jobs where people work with electricity or at heights. Each person of the Group should scrupulously comply with rules on prevention of workplace accidents and workplace health and safety regulations, use the proper personal protection gear and adhere to internal rules and practices regarding individual safety in the workplace.

- **Illegal drugs**

On the premises or in the workplace it is strictly forbidden to possess, distribute or consume all types of illegal drugs.

No person will be allowed to work under the influence of alcohol or other drugs.

### 3. How to maintain company services, assets, knowledge and resources.

The Red Eléctrica Group, as a combination of companies with a significant technological component, is fully aware of its corporate responsibilities. Profits depend to a great extent on the reliability and efficiency of services; therefore guiding principles include the proper use, preventive and predictive maintenance, as well as analysis and improvement of the working life of equipment and buildings.

Care, order and the state of all equipment and buildings are important factors that stakeholders consider when evaluating companies within the Group. Incorrect or overuse of resources needlessly increases damage to the environment.

Commitments that should be made are:

- **Protection and use of buildings and equipment**

All persons in the Group are under the obligation of maintaining their workplace and equipment safe and in good working order. Therefore, correct and respectful use of equipment is important. Those in charge of equipment and buildings should be informed of any abnormality, malfunction, unnecessary waste or, as a result of a particular incident, potential risk of accident or injury. This way the workplace can continue to be decent, comfortable and safe.

Everyone will help to keep the premises clean and sufficiently tidy. An untidy workplace or area hampers efficient management of duties and responsibilities.

- **Use of data and information systems**

Use of email and query tools (intranet and internet) should only be used in so much as is necessary for work-related tasks. They shall not be abused or used for personal benefit, or for acts that could affect the reputation or image of the companies of the Group.

They cannot be used to commit illegal acts, breach non-discrimination or workplace harassment rules, or for any other use not related to work activities.

Only authorised persons may access computer systems. No software that may affect the security of the systems shall be installed, used or distributed.

No act allowing computer viruses to infect systems is permitted. No unauthorised copies of computer programmes, both internally developed and those acquired by companies from third parties are allowed.

- **Theft and misappropriation of assets and information**

Each professional should endeavour to safeguard assets and tools which are property of the Red Eléctrica Group or third parties who may be on the business premises. This does not only include protection against non-authorised use, but also against theft and use for illegal or improper purposes and misappropriation.

No object of value owned by the company may be removed, discarded or destroyed, with the exception of organisation groups where it may be a part of their duties.

All information contained in any physical medium (paper, etc.) or electronic medium (intranet or the company computers) is part of the knowledge base and value of the company, and therefore remains the property of the company. Therefore, it may not be sold or passed on to third parties without the authorisation of management responsible for that information. When a person terminates activity with the company, it is not permitted that they take information with them.

#### 4. How to establish Impeccable business relations

All interest groups (shareholders, clients, management, regulators, suppliers, social organisations, etc) are key players when it comes to profits and reputation of the companies of the Group. Relationships should be frank, loyal, respectful and ethical.

The Group's relationships with suppliers and clients are of special importance, given that contact with these groups and the processes and services provided by them is continual. There should be a commitment to provide clients and users with services and products that satisfy their needs and requirements. When deciding to purchase products or services from a supplier, the following factors must be taken into account: quality, cost and how environmentally and socially responsible the company is. For approval, Red Eléctrica will consider the supplier's acceptance of this code.

Commitments that should be made are:

- **Fraudulent practices and deceptive promises**

When dealing with stakeholders, no promise or false statement shall be made when the person who makes it does not have the power to do so.

Stakeholders have the right to receive information that is correct, concrete and timely. All discrepancies or misunderstandings should be resolved in order to maintain fair competition.

- **Bribes, corruption and illegal commissions**

All practices of corruption, bribery or facilitation payments, both active and passive, and whether by act or omission or by creating or maintaining favourable or illicit relationships are prohibited.

Persons of the Red Eléctrica Group promise not to request, accept or offer any form of payment, in cash or otherwise, or any illegal commission when carrying out business transactions, or for any other reason, in the countries where the Group does business or intends to do so.

No money or non-money payments shall be made in the name of the Group to administrative bodies or governments, anywhere in the world with the aim of obtaining a favourable or influential position. Nor shall donations, subsidies or loans that are not transparent be made to political parties.

- **Privacy and data protection**

All information provided by clients and suppliers as well as all personal and business data shall be kept private at all times, with the exception of when it is requested by a judicial authority. Both clients and suppliers are stakeholders essential to the company's survival. Therefore, no information shall be disclosed that might compromise them, undermine their reputation or result in a loss of competitiveness.

- **Responsible monitoring of supplier management**

Goods and services provided by suppliers shall be evaluated fairly and according to previously agreed terms.

If evaluation is unbiased and exact, fair and valid decisions can be taken based on the results of the assessment.

This section deals especially with the monitoring of compliance with environmental requirements, safety in the workplace and respect of human rights by the suppliers when developing products and services for the company.

### 5. How to collaborate in the conservation and improvement of the environment and promote development in society

The Red Eléctrica Group shall collaborate in solving existing environmental and social problems as set forth in corporate responsibility policies.

Practices that avoid polluting, wasting basic resources, harming the environment and global warming and include the care of flora and fauna are essential to business activities.

The company should provide support in areas of social inequality, starvation, natural disasters, etc. in order to help reduce the negative impacts that these issues have on society and thereby gain a reputation as a responsible corporate citizen.

Commitments that should be made are:

- **Rational use of energy and basic resources. compliance with code of good environmental practices**

The persons of the Group shall adopt the principles contained in the Code of Good Environmental Practices. Respect and compliance of this code will ensure that ecological impact is minimised and that there is a rational use of electricity, fuels, paper, printing ink, water and any other material whose consumption harms the earth and its resources.

Should someone become aware of a situation in which there is an inefficient consumption or loss of materials (water, paper, etc) or substances (oils, fuels) or energy, it should be reported to the person responsible for this, especially if this occurs in a process that is not controlled by the company.

- **Collaboration in the development of society**

Wherever possible, persons of the Group are invited to collaborate in the development of society. Active participation will serve to give the company a reputation as an ethical, responsible and decidedly active entity committed to sustainable development.

It is also necessary that these principles also be conveyed to suppliers and partners, with special reference to the Global Compact and commitments deriving from the Universal Declaration of Human Rights and other UN conventions.

## 6. How to avoid conflicts of interest

Conflicts of interest appear when a situation arises where personal or family interests, or interests of people close to employees, managers or directors, differ from those of the company.

All acts and decisions in which a person from the Group participates must be based on the aim of promoting company survival and gaining an impeccable reputation.

Commitments that should be made are:

- **Board memberships and other affiliations**

Persons of the Group may not be members of any Board of Directors, or other body of a similar nature, of any company with whom the Red Eléctrica Group maintains a business relationship. Similarly, no persons of the Group may be a member of a governmental body without previous authorisation by the company. Persons of the Group may work with non-governmental or non-profit organisations providing the position is not used to favour possible collaboration between the companies of the Group and these organisations to the detriment of others.

- **Other employment**

No outside work or provision of services should harm efficiency or productivity of a person's work at the company. No company equipment, buildings or working hours may be used for such purposes. In order to avoid possible conflicts of interest, services should not be provided to any entity related to the electricity sector, nor should business relationships be maintained with companies where there are personal or family interests, without first informing the directors of the company.

- **Confidential information**

Access to confidential or privileged information in the course of work should not be used for personal benefit. Wrongful use could affect the reputation or

financial standing of the company. Where necessary, specific confidentiality agreements shall be signed for each individual project or activity.

Similarly, no stock market transactions based on confidential information may be carried out, or disclosed to third parties for this or any other reason, until the information is made public. The definition of 'privileged information' and guidelines for conduct can be found in the Internal Code of Conduct on the Securities Market. If in doubt, information on this can be found in the section 'Supervisory Body' of the aforementioned code.

Confidential information shall be kept safe and every care should be taken to ensure that no third parties obtain access to it. When confidential information is transmitted by electronic means, it should be encrypted and duly protected.

- **Gifts, loans or invitations**

No gifts, loans (especially to persons and companies related to the activities of the company) or invitations from third parties that could compromise independence or impartiality in business relations or services received are permitted.

- **Holdings in capital or property of the companies**

Persons of the Company should avoid having significant financial interests in companies with whom the Red Eléctrica Group maintains business relations, or is in the process of establishing relations. An interest of 3% of capital or shares in a company can be used as an approximate estimate. If in doubt, contact the directors of the company.

## Identification and handling of breaches and reports of breaches of the code of ethics

The system for receiving and dealing with possible breaches and reports of breaches of the Code of Ethics will be managed by the Ethics Officer in conjunction with the president of the Red Eléctrica Group and the presidents of the Audit, Appointments and Remuneration committees. This person will be appointed by the president of the Company and will act independently. He or she will report to the Management Committee at the end of every financial year in the way and at the times established in the management process.

All employees of the Group and stakeholders have the right to report alleged breaches of the Code of Ethics that they become aware of by any company or employee of any company of the Group.

Reports should be submitted, preferably, by electronic means. In the section «Corporate Responsibility» on the website of each company, there is a channel through which, without the company's knowledge, reports are transmitted by electronic means to the Ethics Officer.

The Officer will analyse the information, request related evidence, and if applicable, forward the report with all the necessary information to the president of Red Eléctrica. If the report concerns a member of the Management Committee or Board of Directors, it will be submitted to the president of the Audit Committee or, if applicable, to the Appointments and Remuneration Committee.

For a report to be accepted and considered valid, it should include the following elements:

- *Names, surnames and national ID number or other valid identification code of person filing the report.*
- *Arguments or valid and clear evidence to support the report.*
- *Name of person or group reported (including the company as a whole).*

This system will ensure that there are no reprisals and that confidentiality is maintained throughout the whole process. The Ethics Officer will sign a confidentiality agreement. If breached, all appropriate actions for damages may be brought against this person before the corresponding judicial authorities.

However, reports that do not include the identity of the person filing the report will also be assessed and processed if the evidence provided and subsequent investigations prove this breach to be real.



## Validity of the code

This document will be periodically revised in order to keep it in line with company needs and changes in relations with the environment and interest groups.

Methods of managing ethics will be revised on a yearly basis with the aim of identifying possible areas for improvement.

Drafted by: Red Eléctrica de España, S.A.  
September 2007

Red Eléctrica works hard to select the most legible font sizes for its publications. The texts in this book were written using the Agilita light font; size 10 and 12.5 line spacing.



This document has been reviewed by the Fundación del Español Urgente (Fundéu)



Red Eléctrica supports sustainable development. This report has been printed on environmentally-friendly unbleached paper and meets standards set by the FSC (Forest Stewardship Council), an organisation that encourages responsible use of forest resources.



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