

2007

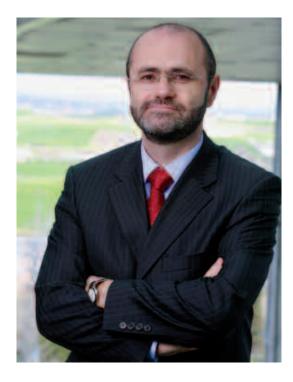


RED ELÉCTRICA DE ESPAÑA

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Dear Readers,

The development of corporate responsibility requires collective action. In this sense, the multilateral dialogue held between the administration, the companies and the public during this year in the different forums has given rise to the creation of the Directorate for Social Business Responsibility. The approval of the Unified Code of Good Governance, The Law for Equality or the debate from different sectors on climate change are other initiatives which transfer a new impetus to the area of corporate responsibility. This social phenomenon, together with what can be learnt by companies is, in my opinion, a new stage in the development of this new company model.

The energy sector is an important player in the strategical fight against climate change. One of these strategies is the promotion of renewable energies which provide the opportunity to reduce contaminating emissions. Our company has a high degree of responsibility in the appropriate development of this energy and we are working hard towards this from the different complementary areas.

Firstly, we have started up a specific control centre for renewable energies, enabling maximum integration into the electricity system in safe conditions, especially for energies which are not so easily managed, as is the case of wind energy. This centre played a vital role and during 2007, 10% of all the national energy was wind generated. Secondly, we have carried out the necessary grid developments required by these energies. These courses of actions are backed up by technological development in the field of renewable energy integration and demand management, in collaboration with the different entities on a national and European environment. On the other hand, we are conscious of the environmental effects produced by our installations. For this reason, we aim to find a balance between environmental preservation and the necessary development of a grid to support the Spanish electrical system and reinforce international interconnection for a safe supply, for the integration of renewable energies, for the supply to the AVE and to encourage competition for the benefit of the consumer. This conviction brings about rigorous environmental studies on all the projects, in the search for the least environmental and social impact.

Similarly, we work on identifying and controlling our emissions and consumptions. On that score, we have recently signed an agreement with the Ministry of The Environment aimed at reducing sulphur hexafluoride, and we have implemented numerous energy efficiency and energy saving measures, such as the responsible use of electricity, acclimatisation, paper etc.

Our responsibility in terms of employment is centred on stability, motivation and continuous training of our professionals, rendering external staff turnover values on a much lower level than those around us, permanent employment contracts are close to 100% and heavy investments are made in training which reaches out to most of our employees every year.

Social dialogue, implementation of systems and programmes which provide maximum levels of occupational health and safety, the application of equality policies and conciliation measures also form part of our preoccupations. This year we have stepped up the challenge of equality by stimulating the recruitment of women, increasing their presence in management posts and maintaining the highest female proportion in the companies in the sector. Similarly, we have spent numerous hours in occupational risk prevention training, rendering low accident rates.

Thereby, we are also convinced that successfully addressing the challenges we are facing means strengthening links with our stakeholders. To do so, in addition to the satisfaction studies we have been carrying out for years on the different groups with whom the company has a relation, we have launched a dialogue platform; a new tool with which we hope to forge ahead in building relations of mutual benefit.

In the area of corporate government, within the policy of continuous evolution of the standards to adapt them to better practices, we have modified our Incorporation Articles, Regulation General Assembly of Shareholders, The Regulation of the Board of Directors and the Procedure on delegation, vote and distance voting, and we have approved an ethical code and the start up of a channel to manage its compliance.

Our interest in advancing in all these questions needs to be linked with the creation of long term sustainable value. We have demonstrated yet again this year that we are a guarantee of operational efficiency and profitability, proof of which is the excellent availability rate on the transmission grid, having gone beyond 98%, and the sustained growth of our economic results.

For the future, our challenge is to continue progressing in all sectors, progressively integrating the implications of corporate responsibility in all the company's processes. We consider the experience developed over the years to be of great importance, but we are conscious that we are in a process of maturing, in a trial and error process, all in all, a long and arduous path.

Once again I would like to express our commitment through the clarity of this report which we are publishing for the sixth consecutive year, and with which we intend to show you, from a transparent and rigorous viewpoint, our performance and results within the corporate responsibility framework.

President of Red Eléctrica de España S.A.

Our company



Red Eléctrica is a key player in the Spanish electrical system. Its mission is to guarantee the global operation through two essential activities; the system operation and the transmission of high voltage electricity

Wellbeing and a guarantee for the future

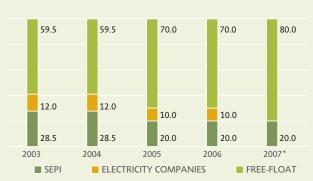
- Independence from the rest of the electrical system operators
- Transparency as a systems manager
- Impartiality in taking decisions
- Committed to sustainable development
- Management excellence
- People-based organisation

Red Eléctrica de España, S.A was set up on 29 January 1985 under the provision of Act 49/1984 of 26 December. This Act created the unified operation of the Spanish electrical system through high voltage grids as a public service provided by the state and managed by a public company. (2.1, 2.6)

Electrical sector Act 54/1997 incorporating the juridical ordinance of European Directive 96/92/EC constituted an important step forward in liberalising the electrical sector by introducing free competition. This act confirms the role of Red Eléctrica as a fundamental part of the Spanish electrical sector operation, since it has the functions of system operator, transmission grid manager and principal carrier in the electrical system.

During 2007 important regulations were approved in energy which have changed several regulatory aspects in the electricity sector. Act 17/2007, of 4 July, modifies the previous act of 1997 to adapt it to Directive 2003/54/EC of the European Parliament and Council of 26 June 2003, on Common Standards for the Domestic Market for Electricity. This act consolidates Red Eléctrica de España as the Spanish TSO (*Transmission System Operator*), by establishing that the system operator is the grid transmission operator. In addition, as the grid transmission operator it will act as the unique carrier and will carry out the activity on an exclusivity basis.

1999 saw an important transformation take place in the company in terms of shareholders and the company itself when it became a private company. Act 17/2007 was to establish new shareholder limitations. Shares in the main company can be held by any individual or company as long as the total of their direct or indirect share capital does not exceed 5% of the social capital or they do not hold more than 3% of the voting rights. This limit is reduced to 1% if those involved carry out activities in the electricity sector or legal entities that hold a stake of more than 5%. At present, Red Eléctrica is listed on the Spanish Stock Exchange and forms part of the selective Ibex 35.



Evolution of the share structure (%) (2.9)





During this period 7 % of the shares in REE in the hands of other electrical companies were sold

Group figures (2.8)

Million euros			NIIF Inform	ation ⁽¹⁾	
Key consolidated figures	2003	2004	2005	2006	2007
Turnover	686.7	738.8	860.2	949.3	1,030.9
Gross operating profit (EBITDA)	439.8	496.4	591.1	651.7	723.3
Net profit	115.8	135.8	162.4	200.2	243.0
Cash-flow after tax	320.9	350.7	429.6	465.6	524.0
Net financial debt	1,914.3	1,845.8	2,779.2	2,644.4	2,697.0
Equity	849.1	876.2	962.9	1,022.0	1,202.8
Total assets	3,399.9	3,477.1	4,657.3	4,818.4	5,315.0
Total Investments	780.3	274.6	755.5	529.6	727.8
Number of employees	1,280	1,286	1,401	1,442	1,468
ong term financial ratings					
Moody's	A2	A2	A2	A2	A2
Standard & Poor's	AA-	AA-	AA-	AA-	AA-
(ustainability indexes (global rating)					
Sustainability indexes (global rating) Dow Jones Sustainability Indexes		57	72	72	76
A STATE A STATE AS		١٢	12	12	/0
Certifications		A	1		
Quality: ISO 9001			electricity sec	tor to hold	
The Environment ISO 14001		t certification ctivities: From			
Occupational Health and Safety. OHSAS 18001					
nformation on the electrical sector in Sp	nain (2.8)				
		FT \			
ed Eléctrica de España (2)	2003	2004	2005	2006	2007(3)
Adjusted turnover (millions euros)	670.3	851.0	743.4	928.7	1,010.3
Investments (millions euros)	776.4	267.3	748.3	518.3	720.3
Electrical cables (kilometres of circuit)	27,551	28,009	33,096	33,503	33,669
Substations (busbars)	1,801	1,928	2,741	2,915	3,042
Transformation capacity (MVA)	32,566	37,216	54,272	56,072	58,022
Optic fibre grid (km of cable)	13,000	13,400	13,400	15,260	21,300
Number of employees	1,031	1,145	1,255	1,284	1,317
RC Certifications					
RC Certifications SA 8000 certificate	First ene	rgy company t	o obtain this ce	ertificate in 200)5
	First ene	rgy company t	o obtain this co	ertificate in 200)5
	First ene	rgy company t	o obtain this ce	ertificate in 200	15
SA 8000 certificate nformation on subsidiaries (2.8)	First ener	gy company t 2004	o obtain this co 2005	ertificate in 200 2006	1
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SA 8000 certificate nformation on subsidiaries (2.8) ted Eléctrica Internacional Number of employees	2003	2004	2005	2006	2007
SA 8000 certificate nformation on subsidiaries (2.8) ted Eléctrica Internacional Number of employees DE (Bolivia)	2003 12	2004 20	2005 20	2006 18	2007 10
SA 8000 certificate nformation on subsidiaries (2.8) Red Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros)	2003 12 19.0	2004 20 18.1	2005 20 19.6	2006 18 20.0	2007 10 20.9
SA 8000 certificate Information on subsidiaries (2.8) Red Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros)	2003 12	2004 20 18.1 7.3	2005 20 19.6 7.2	2006 18 20.0 13.5	2007 10 20.9 7.4
SA 8000 certificate nformation on subsidiaries (2.8) Red Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit)	2003 12 19.0 2.0 1,946	2004 20 18.1 7.3 1,946	2005 20 19.6 7.2 1,962	2006 18 20.0 13.5 1,965	2007 10 20.9 7.4 2,189
SA 8000 certificate formation on subsidiaries (2.8) ed Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars)	2003 12 19.0 2.0 1,946 19	2004 20 18.1 7.3 1,946 19	2005 20 19.6 7.2 1,962 20	2006 18 20.0 13.5 1,965 22	2007 10 20.9 7.4 2,189 22
SA 8000 certificate formation on subsidiaries (2.8) ed Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars) Number of employees	2003 12 19.0 2.0 1,946	2004 20 18.1 7.3 1,946	2005 20 19.6 7.2 1,962	2006 18 20.0 13.5 1,965	2007 10 20.9 7.4 2,189 22
SA 8000 certificate nformation on subsidiaries (2.8) Red Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars) Number of employees RC Certifications on TDE (Bolivia)	2003 12 19.0 2.0 1,946 19 113	2004 20 18.1 7.3 1,946 19 113	2005 20 19.6 7.2 1,962 20 126	2006 18 20.0 13.5 1,965 22	2007 10 20.9 7.4 2,189 22
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SA 8000 certificate nformation on subsidiaries (2.8) Red Eléctrica Internacional Number of employees TDE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars) Number of employees RC Certifications on TDE (Bolivia)	2003 12 19.0 2.0 1,946 19 113	2004 20 18.1 7.3 1,946 19 113	2005 20 19.6 7.2 1,962 20 126	2006 18 20.0 13.5 1,965 22	2007 10 20.9 7.4 2,189 22
SA 8000 certificate nformation on subsidiaries (2.8) Red Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars) Number of employees RC Certifications on TDE (Bolivia) SA 8000 certificate	2003 12 19.0 2.0 1,946 19 113	2004 20 18.1 7.3 1,946 19 113	2005 20 19.6 7.2 1,962 20 126	2006 18 20.0 13.5 1,965 22	2007 10 20.9 7.4 2,189
SA 8000 certificate nformation on subsidiaries (2.8) Red Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars) Number of employees RC Certifications on TDE (Bolivia) SA 8000 certificate REDESUR (Peru) · company with a 33.75 % stake	2003 12 19.0 2.0 1,946 19 113	2004 20 18.1 7.3 1,946 19 113	2005 20 19.6 7.2 1,962 20 126	2006 18 20.0 13.5 1,965 22 118	2007 10 20.9 7.4 2,189 22 119
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SA 8000 certificate nformation on subsidiaries (2.8) ted Eléctrica Internacional Number of employees DE (Bolivia) Turnover (millions euros) Investments (millions euros) Electrical cables (kilometres of circuit) Substations (busbars) Number of employees C Certifications on TDE (Bolivia) SA 8000 certificate EDESUR (Peru) · company with a 33.75 % stake Turnover (millions euros) Investments (millions euros)	2003 12 19.0 2.0 1,946 19 113	2004 20 18.1 7.3 1,946 19 113	2005 20 19.6 7.2 1,962 20 126	2006 18 20.0 13.5 1,965 22 118 9 0	2007 10 20.9 7.4 2,189 22 119 8.6

(1) In 2004 and 2005, as a consequence of the implantation of the International Financial Reporting Standards (NIFF), neither the staff nor the investments of Red Eléctrica Telecomunicaciones (Albura) are included, as this is considered available for sale. This company was sold in 2005.
(2) In 2005 information on Inalta was included. 2006 saw the merger due to the absorption by Red Eléctrica de España.

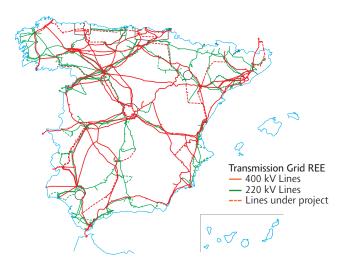
(3) Included within the investment of the year, the acquisition of 5 % of REN for 98.8 million euros.

An international reference model

Red Eléctrica was the first company in the World dedicated exclusively to electrical system operation and carrying electricity. Its management model based on the quest for excellence is aimed at satisfying the needs and expectations of the different stakeholders, by increasing the quality of the services provided and contributing value to the social environment. For this reason, today Red Eléctrica is recognised on a global level as an efficient and responsible company providing service to the electric sector and to society in a safe, reliable and efficient manner.

A robust, safe, reliable grid

With a mesh grid of more than 33,600 kilometres of circuits, distributed all over Spain and its interconnections with France, Portugal Morocco and Andorra, Red Elétrica guarantees the adequate transmission of electricity between generation stations and distributions areas. These facilities together with their management systems, involvement and high qualification of their staff and well as the investments in research, development and innovation, mean that Red Eléctrica has a robust reliable and safe transmission grid. These attributes also allow it to operate the electrical system based on strict standards of responsibility, efficiency and transparency, in response to the growing demands made by the Spanish electrical system as a consequence of the increase in electricity demands in recent years.





Key activities (2.2, 2.5, 2.7)

Electricity cannot be stored in large quantities. This requires a constant balance between production and electricity consumption. Red Eléctrica manages this balance, 24 hours a day, 365 days a year.

Red Eléctrica, as the system operator and grid transmission operator, carries out the following activities:

As the system operator it is legally obliged to guarantee the continuity and safety of the electrical system and the correct coordination of the production and transmission system, exercising its functions in coordination with the operators and subject to the Iberian Electrical Energy Market under the principals of transparency, objectivity and independency.

For this purpose it plans energy consumption and operates and constantly supervises the generation and electrical transmissions constantly, in real time, thereby ensuring that the production programmed in the electrical power stations coincides at all times with the real consumer electricity demand.

As the grid operator and single carrier, it is responsible for developing and extending the high voltage grid, ensuring the maintenance thereof and improving the traffic of electricity between external systems and the Spanish electrical system. In addition, it is responsible for guaranteeing access by third parties to the grid so that all agents in the sector can use it under the same conditions.

Red Eléctrica currently owns 99% of the installations on the Spanish electricity transmission grid. The new act 17/2007 states that companies presently owing transmission facilities must transfer these facilities to Red Eléctrica de España, S.A. in a maximum period of three years.



Products and services provided by Red Eléctrica de España (PR3)

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

Other activities

2001 saw the creation of the subsidiary Red Eléctrica Internacional to channel international investments in electrical transmission infrastructure and oversee consultancy projects in the management and operation of electrical grids and systems.

In the field of infrastructure in 2002, Red Eléctrica, acquired 99.94 % of the Bolivian firm Transportadora de Electricidad, S. A. (TDE); the 0.06 % is in the hands of the company's employees. TDE, is the owner and operator of the Bolivian National Interconnected System (SIN), which has an 85 % share of the national market. Its business activity is to transmit the energy generated by the procedures and deliver it to the distributors. It has a definitive operating license and

almost 2,000 km of high voltage lines, 22 substations and an electricity control centre.

In 1999, the Peruvian company Red Eléctrica del Sur, S.A. (REDESUR), was set up, in which Red Eléctrica has a share of 33.75 %. At present this company has a total of 530 km of 220 kV circuits and four substations.

The consultancy services are aimed at providing technical and highly specialised business advice on areas where the Red Eléctrica Group has competitive advantages. This activity is being developed for the most part in North Africa, Eastern Europe and South America. Revenue from these services provides 0.3 % of the total turnover of the group.

Management Structure of the Red Eléctrica Group (2.3)

esident	Luis Atienza Serna
itaff Management	
Assistant Director	Javier de Quinto Romero
Director of Legal Counsel	Rafael García de Diego Barber
Director of Human Resources	José García Moreno
Director of Corporate Responsibility and IR.	Antonio Calvo Roy
	Profession Contraction
Business Management	
Business Management Red Eléctrica de España	
	Esther Rituerto Martínez
Red Eléctrica de España	Esther Rituerto Martínez Alberto Carbajo Josa
Red Eléctrica de España General Director of Administration and Finance	
Red Eléctrica de España General Director of Administration and Finance General Manager of Operations Dirección general de Transporte	Alberto Carbajo Josa
Red Eléctrica de España General Director of Administration and Finance General Manager of Operations	Alberto Carbajo Josa

General business model

Red Eléctrica includes the quest for excellence in the development of its activities as one of the key strategies, with which its seeks to increase competitiveness based on its commitment to sustainable development.

Commitment to sustainable development (4.12)

Red Eléctrica continues to heavily support corporate responsibility as a basic tool of their activity, convinced of the important contribution it can make to the development and cohesion of society and the improvement of the environment which surrounds it. The aim of Red Eléctrica is to become a responsible and sustainable business model integrated in society, mindful of all its stakeholders and a reference in the markets it operates.

This commitment has enabled the company to consolidate its position in the most important sustainability indexes, the *Dow Jones Sustainability Indexes* (DJSI), and maintain its position for the second year running in the DJSI World Index and for the third year in the DJSI STOXX.

SA8000

In 2005, the corporate responsibility management system of

Red Eléctrica was certified in accordance with the SA8000 for all the activities of the parent company and in 2007 it was extended to the TDE subsidiary in Bolivia. This certification is based on the various standards of existing international human rights, among them, the ILO, Conventions and Universal Declaration of Human Rights and the International Convention on Children's rights of the UNO. This recognition enables Red Eléctrica to consolidate its commitment to support and respect human and labour rights.

In the interests of maintaining this certification, a second study was required in 2007 on the parent company, during which the performance of the company in new areas was revised. Child labour, forced labour, health and safety, freedom of association, discrimination, disciplinary practices, working hours and remuneration, in order to check the continuity of the management system and the advance of the actions of improving the observations carried out in the previous audit. In the final report carried out by the auditing company, the efficiency and active management system of the social responsibility that Red Eléctrica has developed and the systematic improvement of its elements was highlighted. In the company REDESUR (Peru) this certification has not been deemed necessary, given the low number of employees (17), the majority of whom are technicians or managers.



The SA8000 certificate means a commitment to continuous improvement which allows Red Eléctrica to be more competitive for the stakeholders.

Global Compact (4.13)

Red Eléctrica and all the subsidiaries or companies participated in are adhered to the international initiative on ethical commitment promoted by United Nations to ensure that companies take on board the ten principles of conduct: Human rights, work conditions, the environment and corruption. 2002 saw the incorporation of the parent company in Spain, with the TDE in Bolivia and REDESUR in Peru being incorporated this year.

The Bali Agreement (4.13)

Red Eléctrica is among the 150 companies on a world level who have signed the Bali Climate Agreement 2007, prompting the UNO to establish a legal framework to combat climate change. Red Eléctrica is convinced of the need to reduce greenhouse gases and therefore believes it necessary, together with the remaining countries who have endorsed the agreement, to reach an ambitious complete international agreement led by United Nations to create a legal framework in so far as the reduction in these emissions. This is an unprecedented business commitment which is predicted to have an important impact on post Kyoto negotiations.

European Alliance for CSR (4.13)

The European Alliance for Social Responsibility of Companies was constituted as an instrument to inform the European Parliament, national government and public opinion on the vision of social responsibility and how to encourage it, as a key element of European strategy for sustainable development. To date more than 230 companies and organisations committed to responsible management make up the Alliance. Red Eléctrica joined in 2006.

Iberoamerican Charter for Sustainable Management (4.13)

TDE, in their role as a company who support sustainable management in all its facets and support the implementation of management systems based on quality and excellence, joined the Ibero-american Charter for Sustainable Energy, collaborating with the charter in the accomplishment of other adhesions such as the promotion body for the Charter driven by the Ibero-american Foundation of Quality (FUNDIBEQ).







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

The quest for excellence

1999 saw Red Eléctrica start their campaign for the quest for business excellence by adopting the European model of the *EFQM, European Foundation for Quality Management*. The model is a key reference for European organisations who wish to reach excellence in business management. The scope of the model is a complete one as it encompasses management aspects such as; leadership, strategy and policy, personnel management, resources, alliances and processes. But is also demanding with the key results obtained by the organisation and their impact on interest groups, especially on customers, employees and society.

In 2003 Red Eléctrica became the first Spanish electricity company to obtain the European Seal of Excellence + 500 points, awarded by the Management Excellence Club, based on the directives of the European EFQM model. In 2005 and 2007 the company renewed this award. After obtaining more than 600 points in the latest appraisal carried out, Red Eléctrica is further strengthened as a leading company within a reduced number of companies (20) which at present and wi-



thin the national territory, hold this recognition. These results enable us to gain access to the European recognition «Recognised for Excellence 5 Stars», awarded by the EFQM.

In line with the commitment to business excellence, Red Eléctrica renewed the quality label "*Madrid Excelente*" in 2007. The Madrid Community awards this recognition to those companies who, after a rigorous process of assessment, show their conformity with the requirements of the reference model "*Madrid Excelente*". This seal is based on the EFQM model and recognises a series of requirements classified in three modules: excellence, corporate responsibility and customer confidence.

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

Red Eléctrica holds the joint triple qualification for quality, the environment and occupational health and safety for all its activities and for all the subsidiaries which comprise the Group, in accordance with the standards ISO 9001, ISO 14001 and specification OHSAS 18001.

In addition, the parent company is certified in accordance with the European Ecosystem Management System (EMAS), a voluntary system which permits organisations to assess and improve their environmental behaviour. Corporate governance



The implementation of the best principles and practises of corporate governance constitutes for Red Eléctrica a high level strategic objective and an inescapable requirement for the recognition of a business project, which aspires to excellence and the permanent creation of value, in benefit of the shareholders, the electricity consumer and society in general

Social responsibility and corporate governance in Red Eléctrica^{*}

Red Eléctrica understands that the adaptation of the best business principles and practices is one of the main elements in the development of the social responsibility policy of the company.

For Red Eléctrica corporate governance and social responsibility are related terms and concepts where two main characteristics join together. Intention and a pluralistic approach, with special reference to interest groups. In accordance with the Regulation of the Articles of Incorporation, the criteria which presides over at all times the actions of the Board, is the interest of the Company, understood as the defence of the feasibility and the value of the company in the long term and the protection and furtherance of the general interest of the Company. Therefore, the Social Responsibility policy of Red Eléctrica must be approved by the Council of Administration, as contemplated in the Regulation of the Board of Directors.

The policy of corporate governance of Red Eléctrica recognises its aim as the generation of value for all interested parties and the Board of Directors of the company dispense the same treatment to all shareholders. As corporate governance continues to advance in Red Eléctrica, the sustainability model will become more robust in accordance with how the company wants to carry out its activities, ensuring at all times, that economic, social and environmental benefits are in line with said principles and practices. This is the main challenge in corporate governance material for a socially responsible future which is already present.

Governance provisions applied by the company (4.6, 4.7, 4.8)

Red Eléctrica has among its main preoccupations the voluntary implementation of an entire series of standards and procedures in the area of social responsibility beyond legal requirements. Throughout 2007 within the policy of continuous evolution of the standards of corporate governance, we have modified our Incorporation Articles, Regulation General Assembly of Shareholders, The Regulation of the Board of Directors and the Procedure on delegation, vote and distance voting, and we have approved an ethical code. This code can be permanently consulted on the web site (www.ree.es) and comprises the following documents:

* This chapter contains only a synthesis of the corporate governance report prepared annually by the company. This report and all the information relative to the material can be seen on the web page of the company (www.ree.es).

The Ethical Code

Approved by the Board of Administration on the 26th July 2007, after an extensive consultation process which received more than one hundred initiatives by company employees. The code reflects corporate identity and social commitment with the business environment and with the different stakeholders affected by the activities of the Red Eléctrica Group. The code contains the key principles which should serve to guide the members of the board, the management and the employees of the Red Eléctrica group. To keep a watch over its compliance, Red Eléctrica has started up an ethical channel of consultancy management and condemnations through the incorportation of different sections on the employee portal «miRED» (my network) and on the company web. This can be called upon by the stakeholders.

Articles of association

These are constantly adapted in keeping with the best practices, and to this effect, they have been modified on successive occasions by The Ordinary and Extraordinary General Assemblies of the Company held in 2003, 2004, 2005, 2006 and 2007. The NMSC has been informed and they are recorded in the Mercantile Register.

Regulation governing the Board of Directors

Approved on 20th December 2007 (replaces the previous text of 2003 to adapt to the Conthe Code), where the basic rules of the organisation and the working of the Board and its Commissions and rules of behaviour for its members, encouraging their active participation and placing the interests of the shareholders and the social interest before that of their own company. The NMSC has been informed and they are recorded in the Mercantile Register.

Regulation governing the General Shareholders Assembly

Approved by the Board of Directors on 17th July 2003 it was modified during 2007 to include new protection and participation methods for the shareholders in order to recognise, encourage and promote to the full their rights. The NMSC has been informed and they are recorded in the Mercantile Register.

Internal Regulation governing Behaviour on the Securities Market

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

Independent Director's Statute

Approved by the Board of Directors on 27 of May 2004. It was drafted to establish a regulation for the requirements and incompatibilities, as well as the procedure for appointments, with the aim of strengthening the role of said Directors in the Board of Directors and protecting the minority shareholder. Drafted voluntarily by the company, registered with the NSCM.

Procedure for delegation, voting and provision of long-distance information at the Shareholders Meetings

The Board of Directors of the Company adopted for the first time, a procedure for using electronic voting in the Annual General Meeting held on 26th May 2005; the company was one of the first companies to put this type of operation into use. 25th of April 2007, the Board of Directors approved the standards for this material for the General Meeting held on 31st of May 2007.

Governance structure of the organisation General Shareholders Assembly (4.4, 4.10)

The General assembly represents all the shareholders. The rules of the organisation and operation are set forth in the Company Articles — articles 11-18 both inclusive — and in the General Assembly Regulations. The shareholders rights to information and participation at General Assembly have been extended beyond the legal requirements, by facilitating the requesting and obtaining of information, without the obligation to hold a minimum number of shares to attend the Assemblies.

Noteworthy, is the advancement of the contents of the web page as an instrument of communication with the shareholder and investors. Article 2 of the General Shareholders Regulation sets forth that among other aspects, the company's website will post information on the communication channels between shareholders and the company and the opportune explanations on exercising their rights to obtain information, indicating the postal address that shareholders can use and means and production for conferring representation of the General Assembly and for long-distance voting, with the approved forms for carrying out all of the above. (3.11)

Red Eléctrica decided to use for the first time during 2005, the electronic voting system, and was one of the first companies to use this system, which enables share-holders to exercise their right to vote using electronic means through the website (www.ree.es). During 2006 and 2007 new improvements have been introduced to enable the participation of all shareholders in the meeting by electronic means. The measures consist of (I) the possibility of exercising long-distance delegating and voting rights, with 322 shareholders, holding 53,186 shares vo-

ting electronically at the Ordinary General Meeting in 2007 and (II) the possibility of obtaining a duplicate of the assistance card electronically; and (III) the option of requesting information.

The agreement proposals were presented to the General Assembly as separate items, so that after each one had been voted separately, each shareholder had total freedom and independence with respect to its decision in relation with each item to put to the vote. In section 2.3 of the Annual Corporate Governance report corresponding to 2007, a series of practical improvements are contained in relation with the Annual Shareholders Meeting and the rights of the shareholders.

Board of Directors (4.1)

Red Eléctrica has continued to maintain during 2007 an important number of independent members on its Board of Directors. The board is formed by eleven members (seven external independent members) —63 %—, three external proprietary members and an executive member) (4.3). This composition responds adeuquately to the current structure for the structure of the company shareholders and to corporate company recommendations. Its composition, organisation and functions are implemented by the company articles (articles 19 to 26) and the Board of Directors Regulation approved on 20th of December 2007. Both documents are posted on the Company website (www.ree.es).

Appointment and termination of directors

The Board Regulation establishes that the directors will be appointed by the General Assembly or by the Administration Board by co-option. The appointment proposal of independent directors must be previously informed by the Appointments, Salaries and Corporate Governance Commission. The Regulation of the Board of Directors sets forth a detailed procedure to determine the experience and training required for the Company Directors. In practise the choice of candidate is seen to rest with those who have accredited soundness, proficiency and experience bearing in mind, things such as, social, economic and environmental aspects.

Directors exercise their charge for the period set forth in the social Statue. Proposal to appoint or to reelect directors brought up by the Board of the General Shareholders Meeting, as well as its provisional appointment for co-option, will be approved by the Board in accordance with the following assumption. (I) the proposal of the Appointments, Salaries and Corporate Governance Commission, (II) prior report from the Appointments, Salaries and Corporate Governance Commission, in the case of the remaining directors. This social Statute establishes the appointment period as four years, with the possibility of re-election. In accordance with what is established in the Regulation, independent directors may not remain as such during a continuous period of more than twelve years.

The Board Regulation has established that external proprietary or independent directors must not be ceased before completing their statutory period for which they were appointed, except in the case of there existing sufficient cause and based on a previous report from the Appointments, Salaries and Corporate Governance Commission. The directors must hand in their resignation to the Board of Administration and regularise, if they consider it convenient, the corresponding resignation when reaching the age of 70 (seventy). (3.2)

Board of Directors Self-evaluation (4.10)

The Board of Directors of the Company started in 2006, via its Appointments and Salaries commission, a self-assessment process on its internal working, as well as its two Commissions; the Audit and Appointments and Salaries Commission, of the President of the Board of Administration and of the Board of Directors. During 2007 this selfevaluation process was carried out in the light of the recommendations contained in the Unified Best Governance Code for Listed Companies ("Conthe Code"). The process was carried out with the support of an external expert through personal consultation with each Board member and the members of the Commissions and the President. All under the management of the Appointments, Salaries and Corporate Governance Commission.

At its meeting on March 22, 2007 after observing the practical unanimity in the responses of its members it gave a positive global rating with respect to observing the recommendations of the Conthe Code (with those who have not followed it to date being limited) and decided to start up a process of reflection and adapting the internal regulatory framework in order to continue maintaining high levels of transparency and good governance.

At present the Company is carrying our the annual process of auto-evaluation of the working of the Board of Administration and its Commissions and of the President of the Board Based on the experience acquired by the company, on this occasion it has been deemed convenient that the process of self-evaluation be carried out by the Board itself. Among other questions the process assesses, the performance of the governing body in several questions, both on an organisational level and other matters of a varied nature. The President of The Appointments, Salaries and Corporate Governance Commission coordinates this process, with the active participation of the President of the Board of Administration and President of the Auditing Commission. All the members of the board colaborate actively in the process. The process illustrates a noticeable improvement in already high degree of compliance with the recommendations contained in the Conthe Code.

Remuneration paid to Directors (4.5)

The Board Regulations establishes that a mention must be made in the annual report drawn up by the Appointments, Salaries and Corporate Governance of any handing over or assignation of shares, share options or systems referenced to the share value, in the case of remuneration paid to directors and a breakdown of salaries paid in cash or kind, pensions schemes and other compensations that might be paid. A breakdown of the individual retribution paid to each board member in 2006 is included in the corporate governance report.

The Board of Administration, on the proposal of the Appointments, Salaries and Corporate Governance Commission, have adopted a general agreement on the retribution policy of the Company corresponding to 2007 and an agreement relative to the retribution programme for 2007 and an agreement relative to the retribution programme for 2008, notwithstanding the validation, by the General Assembly, of those aspects within their jurisdiction. As a guiding principal of the retribution of the Board noteworthy is its moderate alignment with habitual practices in valued companies, links with Company performance, transparency, related with its effective encouraging dedication, but without placing a restraint on its independence (especially for the independent directors) and compatible and independent from the habitual risk cover established by the Company for attending meeting and carrying out of functions by directors.

Retribution concepts for 2007 have not suffered changes with respect to those established in 2006 (expenses for attending Board sessions, amounts dedicated to Board Commissions, and retributions linked to annual net profits of the company. For the future no changes are expected in the criteria used to set retribution of the Administration board, based as previously indicated, on the moderation and contained increase, below the growth forecast of the

Board of Directors (4.2, 4.3)

	Charge on the Board	Type of Director	Commission for Audit and Control	Commission for Appointments Retributions and Corporate Government	Retributions in 2007 (thousands of euros)
Luis Atienza Serna	President	Executive President	-	Members	772
Juan Gurbindo Gutiérrez (SEPI) ⁽¹⁾	Members	Proprietary (SEPI)	-	Members	179
Manuel Alves Torres (SEPI) ⁽¹⁾	Members	Proprietary (SEPI)	Members	-	179
Rafael Suñol Trepat (SEPI)	Members	Proprietary (SEPI)	-	-	159
Pedro Rivero Torre	Members	Independent	Members		188
Antonio Garamendi Lecanda	Members	Independent	-	Members	189
José Riva Francos	Members	Independent	-	-	152
José Manuel Serra Peris	Members	Independent	-	-	156
María de los Ángeles Amador Millán	Members	Independent	-	President	170
Martín Gallego Málaga	Members	Independent	-	-	156
Francisco Javier Salas Collantes	Members	Independent	President	-	179

(1) Amount perceived by the Sociedad de Participaciones Industriales (SEPI).

social results for the next years. Similarly, the Board of Administration brings forward for approval to the General assembly, a detailed report on the retribution policy of the Board which can be seen on the Company's website. The Corporate Governance Report spells out the individual retribution of the directors earned in 2007.

Audits Committee (4.1)

Formed by three members. During 2007 it was made up by external directors: One proprietary and two independent, one of which exercises the presidency- Meeting at least once per quarter and each time it is convened by its president or when requested by two of its members and whenever the Board or its president requests a report to be issued. During 2007 they have come together on 10 occasions.

Appointment, Salaries and Retributions and Corporate Governance (4.5)

In accordance with the best practises of corporate governance especially those indicated in the Conthe Code, during 2007 and the Board of Administration of the Company has modified the name of the Committee, which is now called the Appointments, Retribution and Corporate Governance Committees and has had its functions extended. Noteworthy of the functions assigned to it are those related to Corporate Governance. Meeting at least once per quarter and each time it is convened by its president or when requested by two of its members and whenever the Board or its president requests a report to be issued.

The Committee comprises four directors, three of whom are external directors and one an executive; two of the external directors are independent and one of them is the president of the Commission who has the casting vote on all issues, which confers the majority of votes to members of the Committee who are independent directors. During 2007 the Committee met on 11 occasions and changes took place in the structure and composition of the Commission, with the appointment of Ms. M.ª Ángeles Amador Millán as President of the Committee. The executive member and President of the Company, is present on the Committee by unanimous decision of the Board, who consider their presence to be of special interest, notwithstanding their abstention on all those issues that may personally affect them or be susceptible to cause a possible conflict of interests.



External audits (3.6)

Based on the applicable best practise, the Board Regulation foresees that relations with external auditors of the company must be channelled through the audit committee. The Board of Directors must refrain from contracting any auditing companies where fees are expected to be for all concepts, more than 10% of the entire income during the year. Remunerations satisfied during 2007 to external auditors by the company and the companies from the group do not represent a significant percentage on the total of the auditing company's income. Similarly, the fees corresponding to professional services other than audits, paid to companies directly or indirectly related with the auditing company, are not relative and do not affect the strategy or the general planning of the company. In section 3.7 of the Annual Corporate Governance report corresponding to 2007, a series of practical improvements are contained in relation with the structure of Board of Directors and its Committees.

Risk management (1.1, 1.2, 4.9, 4.11) Management Approach

Red Eléctrica's risk policy, updated in 2007, aims to establish the principles and directives for ensuring the relevant risks that could affect the aims and activities of the group are identified, analysed, assessed, managed and controlled, and these processes are carried out in a systematic fashion and with uniform criteria. Relevant risks are those considered to significantly affect the business objectives of the group, the purpose of which is to generate sustained added-value over time, or the fundamental functions it has been entrusted within Spain and other countries, so that the Company can avail itself of an essential supply such as electricity.

The most important risks to which the Group is subject, and which are included in the risk control system, are: a) Regulatory, since the main Group activities are subject to regulation b) Operational, stemming fundamentally from the activities it has been assigned in the electrical system and the demand for care and protection for the environment, c) Market-based risks, due to the fact that most of its revenues and determined expenses could be affected by the evolution of variables such as inflation of interest rates, d) Business and Credit-related risks (counterpart risks), although to a lesser extent due to the reduced importance of its subsidiaries in the Group as a whole and the regulation on billing and collection of transmission and operating activities.

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

Each organisational unit identifies the risks of the pro-



Comprehensive Risk Management System Diagram

cess/projects for which they are responsible, taking into account at least the following aspects:

- The general explicit or implicit objectives of the process or activity,
- The key factors for their successful development,
- External and internal threats to these key factors.

The Assistant Manager to the Presidency collaborates with the organising units, ensuring the uniqueness of criteria and application of the methodology established. Each time a new risk is identified it is included in the risk check list of the Group.

Risk analysis bears in mind the possibility of occurrence (based on critical factors to whether the risk will occur or not, the weighing thereof, the situation in the Company with respect to each critical factor, and the assignation of a global assessment for all the factors) and the impact if it materialises (depending on the effect on the electrical system, basic strategic, reputation and the profit and loss account).

Once the final evaluation has been made, it is compared with the admissible risk level. If it does not surpass this level, those responsible for processes or projects decide.

The Assistant Manager to the Presidency and the units responsible for managing the processes regularly follow up

the evolution of the action plans and compare the effectiveness of those plans and their effect on the risk evaluation. The frequency of this follow-up is quarterly for high-level risks and six-monthly for medium and low risk.

Actions carried out in 2007

During 2007 actions have continued to improve operational risks, mostly due to the suitability of the installations acquired to the traditional standards of the company and to the entering into service of new installations which increase the grid transmission. In this way reducing the permanent exposure of the grid to events that could affect the continuity and safety and the electrical supply.

This year has produced an exceptional event with an effect on the transmission grid. July saw a power cut in Barcelona due to an incident produced by 110 kV grid distribution cable falling on a Red Eléctrica facility, producing three short circuits which were quickly dealt with by the protection equipment. However, a further two sub-stations were affected and a fire broke out in one of them. Determination of the specific causes of this fire, which was ultimately a 110 kV cable falling, are still pending resolution by the competent bodies in the material. However, Red Eléctrica do not hold themselves liable for this incident, given that according to the information available at present, the fire may not have necessarily taken place in their facilities.



Board of Directors	
Auditing Committee	
Aanagement Committee	
Assistant Director to the Presidency (responsible for management	t)
All the organisational units	



On the other hand, the actions and mitigating criteria on the financial risks have shown their efficiency in the complex environment in the financial markets.

Of all the risks monitored by the Comprehensive Risk Management System, during the year, 76 % correspond to operational risks, 16 % to regulatory risks, and 12 % to business, market or credit risks.

Among the operations risks linked to the directives included in the corporate responsibility policy and the company's commitment to sustainable development, are the following:

Risks

Risk	Aspects	Plan of Action 2007		
	Equipment failure in installations	Start-up of the maintenance school.		
		Renovation programme and improvement of the facilities.		
Related to electricity	Saturation of existing facilities in dealing with growing demands	Repowering of the lines and increase in the capacity of transformers.		
supply	Need to construct facilities to cover the system needs (wind farms, meshed grid, high speed trains, etc.)	Increase in the construction of facilities to attend the planning of electrical infrastructures approved by the state.		
	Mativation of staff to reach company's	Implementation of the staff appraisal system.		
	Motivation of staff to reach company's objectives	Development programmes for technicians and directors.		
		Conciliation measures.		
Related		Voluntary early retirement programme.		
to Personnel	Aging of personnel	Contracting young employees with potential.		
		Implementation of a succession policy.		
	Adapting of occupational risks prevention measures	Maintain and improve on structural prevention in accordance with the OHSAS 18001 standard.		
Related to climate change (EC2)	Integration of renewable energies into the	Consolidation of the Special Regime Control Centre (CECRE) peninsular and start up of the CECRE of the Canarian electrical system.		
	electrical system solving technical problems	Creation of the Department of Demand Management.		
	in incorporating wind energy	Project IS-POWER to promote the integration of renews energies in isolated electrical systems.		
		GAD project (Active Management of the Demand).		
		Programme of preventive and corrective actions in the construction of installations.		
Others related To environmental	Deterioration of the environment	Continuity of the construction programme for tanks to avoid dumping oil from transformers.		
And social		Agreements with regional governments.		
	Delays in the construction of authorised facilities due to social rejection	Acceptance programmes for social projects: Successful application in specific programmes.		

The Comprehensive Risk Management System has introduced several improvements during 2007, including the automating of part of the process through the development of a computer tool.

Red Eléctrica continues to participate with other European companies and together with prestigious consultancy company, in the elaboration of a document on the measuring risk and creating value in the European electrical industry.

Risk of corruption and fraud (so2, so4)

The processes of Red Eléctrica are included in the structured systems that comply with international reference standards (ISO9001, ISO14001 and specification OHSAS18001), and their design includes controls to mitigate or reduce the main risks associated thereto, including the risk of corruption and fraud. These processes are constantly subjected to systematic internal and external audits.

Processes considered as being exposed to the risk of corruption and fraud are audited by the international auditing system every year, and specific tests on this risk are carried out. Several of these processes include the intervention of the Company Tests and analysis carried out in 2007 amounted to 15 of the 19 company management departments.

In 2007 one case was detected not relative to fraud and the pertinent disciplinary measures were taken.

Processes in which the risk of corruption and fraud is audited:

- Purchasing management of services and equipment
- Financial management and payments
- Retributions
- Construction / works

Challenges 2008-2010

- Improvement in the methodology of the evaluation of risks in the incorporation of the statistic treatment of historical data history.
- Extending the degree of coverage of the comprehensive risk management to 100 %.
- Deployment throughout the entire oganisation of a computer tool to support the comprehensive risk management system.

Unemployment indicators

Management indicators	2005	2006	2007	Objective 2008
Degree of coverage of risk management (%) ⁽¹⁾	57.1	62.7	82.0	≥92
Improvement of the weighed risks average with respect to previous year $^{\scriptscriptstyle (2)}$	0.8343	0.8449	0.7893	≤0.9
External Assessments (DJSI) ⁽³⁾ (0-100)				
Risk and crisis management	100	70	84	

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

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

(3) From 2006 the criteria of evaluation of the DJSI was modified therefore from this moment the data is not comparable with other years. DJSI: Dow Jones Sustainability Indexes

Management model and policy

Corporate responsibility policy principles (4.8)

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



Management approach (1.2)

Red Eléctrica boasts a management system to guarantee that the company carries the relevant systematic activities to comply the principles established in its corporate responsibility policy. This system bears in mind aspects as important as the integration of corporate responsibility in the company programme, an organisational structure responsible for the coordination and monitoring of the actions in the field, the development of platforms of dialogues with the stakeholders, the chain of command of CR as a tool of monitoring and control of the continuous improvement projects.

Organisational structure

The strategic integration of corporate responsibility is responsible for the commitment and implication of the Board of Directors and the first executive of the company, who lead the deployment and implementation of the CR strategy.

During this year the organisational model designed in 2004 was revised so that the corporate responsibility strategy takes an even greater hold on the organisation. The new model is based on three pillars:

Corporate Responsibility Management Committee. This is a body founded at the end of 2004 with the aim of promoting the corporate responsibility policy and guaranteeing the correct operation of the system created for its management. In addition, it advises and supports both the Management Committee and the Board of Directors when dealing with this type of material. The committee is formed by directors from different organisation units who depend directly on the first executive. These directives guarantee the representation of the main areas of the company and greater and improved policy of transposition and strategies related to CR at all levels of the organisation.

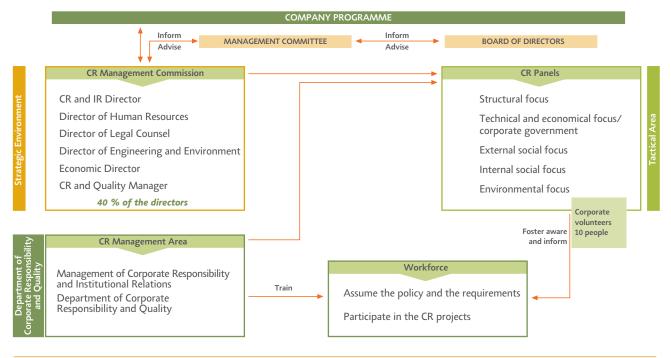
Management of Corporate Responsibility and Institutional Relations. This unit reports directly to the president and among their functions is that of coordinating all the activity of the company in the area of corporate responsibility, and boasts a specific department called Corporate Responsibility and Quality Department.

Corporate Responsibility Panels. Created in 2007 and aimed at achieving a greater degree of participation in the different organisational units involved in this process. Their main aim is to observe better practises, make proposals to improve and drive projects in their area of action. Each one of the six panels is formed by a guardian (a director who does not correspond to the area of action and who is responsible for leading the panel and the heads of department responsible for the execution of the projects and technicians from the different organisational units.



Red Eléctrica boasts a management system to guarantee that the company carries out the relevant systematic activities to comply the principles established in its corporate responsibility policy.





Relation with the stakeholders (4.14-16)

The Red Eléctrica Group looks for more suitable formulas to maintain an open dialogue, permanently and systematically with all the players involved, directly or indirectly, during the development of their activities.

Identification

After the initial identification, segment stage and having established the priorities of the stakeholders based on the analysis of the processes and organisation activities and their interaction with the environment, a framework of relations are designed with the different groups with the aim of exchanging information and thereby improving relations.

Red Eléctrica has identified and structured hierarchically its eight categories of stakeholders directly related to their activity: employees, shareholders, customers, market agents and regulatory bodies, suppliers, the press, partners, social groups and markets. The complete list, the first segmentation level and the priority for each interest group is given in the matrix table of stakeholders.

Formulas for dialogue

The methodology for relating with the stakeholders has been drawn up with the conviction of the value for the Red Eléctrica Group of the integration of the organisations with whom they are involved. As part of the methodology questionnaires and interviews have been held with different interlocutors, the suggestions received have been analysed and a large part of them have been answered. These questionnaires are part of the evolutionary diagnosis of the relations framework and summarised within the annual organisational development analysis and implementation of excellence.

During this year, a new wave of satisfaction assessments of the different stakeholderes of Red Electrica was embarked on. Here the majority of the members of the interest group (social) were interviewed (city councils, educational centres, business bodies and groups, environmental groups, NGOs, foundations and the public). Similarly institutional investors, minority shareholders and suppliers were also interviewed.

Stakeholder's matrix chart (4.14, 4.16)

Category	Segmentation	Priority
Shareholders		
	Institutional	•
	Minority	•
Customers, mark	et agents and regulatory bodies	
	System operation (electrical companies)	•
	Transmission of energy (electrical companies and engineering and maintenance companies)	•
	Official bodies and administrations	•
	Electrical Market (agents)	•
Employees		•
Suppliers		
	Of goo <mark>d</mark> s and services	• • •
	Of financial capital	•
	Outsourcings	• •
	Of human capital (ETT)	• •
Partners		• •
Social		
	Ministers, autonomous communities, confederations, etc.	
	Borough councils	•
	Business institutions and associations	•
	Educational and research centres	•
	Trade unions	•
	Owners	•
	Financial analysts	•
	Ecological groups	•
	NGOs and foundations	•
	Society in general	•
The press		•
Market / Sectors		•
	Priority: ● High · ● Me	dium • • Low

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



In the internal sector, employees in the matrix company have been interviewed on some specific aspects such as the assessment programme for performance, the recruitment process, selection and incorporation of employees, health supervision.

On the other hand the Bolivian company Transportadora de Electricidad (TDE) a branch of Red Eléctrica, has also carried out a series of interviews to ascertain the opinion and perception of its stakeholders. In 2006 an assessment of corporate responsibility was carried out using personal interviews to stakeholders of TDE, both in the public and private sectors. The final report points out the following overall results: Business strength (94 %), atmosphere well suited to personnel (89 %), corporate image (87 %), with regard to business excellence (81 %), occupational health and safety for personnel (78 %).

Exploring new formulas: Dialogue platforms

During this year Red Eléctrica, has carried out a prior study to putting dialogue platforms in place with the different stakeholders which will be started up in 2008. These platforms represent going one step further in the dialogue established and with them an exchange of knowledge is required, a search for joint solutions and the construction for stable relations. All in all, we are looking for a dialogue to bring positions closer, such as a source of innovation and creation of permanent values.

The dialogue platform will consist of meeting with the chosen representatives of the stakeholder where Red Electrica will discuss its issues in a transparent way and where the groups will be heard. The debate aims to improve the instruments available and promote them with other complementary information exchange mechanisms. The focus of these platforms will put forward, during their first editions, a debate on the mechanisms for establishing an open, fluid and permeable dialogue. At the close of this document the dialogue platform corresponding to NGOs, foundations and the press had been started up. The working method for the debate dynamics was moderated by the research and support team of the Higher School of Industrial Engineers.

CR Balanced Scorecard

In 2005 a multitask team designed the **CR balanced Scorecard** comprising 22 indicators which allow the evaluation of the key results for the organisation in each one of the directions of the corporate responsibility system. Its main aim is the correct and rigorous control of the strategy and the key actions in the material. The analysis of compliance in each one of the indicators enables the identification of actions and improvement, and what is more important the systematic development of continuous improvement.

Evaluation, learning and Improvement Internal evaluation

At an internal level, the indicators permitting the evaluation of the degree of compliance of programmed commitments with stakeholders and projects have been established.

External Rating (2.10)

In external terms, the corporate responsibility level performance has been submitted to analysis and evaluation by different opinion institutions and entities and the result thereof is one of the main sources of information for improvement.

Sustainability ratings

Dow Jones Sustainability Indexes

Red Eléctrica has consolidated its position in the main Dow Jones Sustainability Indexes (DJSI), maintaining for the second consecutive year its listing on the DJSI World Index and for the third year running in the DJSI STOXX Indexes.

Global indicators of the stakeholder management process

Global indicators	for studies and surveys of the stakeholders' satisfaction	2005	2006	2007
	Overall degree of satisfaction	7.4	7.5	7.7
	Degree of satisfaction of the quality of services	7.8	7.8	7.8
	Image and reputation	7.0	7.1	8.3
	Responsible and ethical member	6.9	7.4	8.2
	Development of CR	6.8	6.9	8.0
	Periodical dissemination of information	6.3	6.5	7.6
External assessm	ent of the management of stakeholders (0-100) (DJSI)	95	95	87
Self evaluation		2005	2006	2007
	Degree of compliance of the annual programme for CR (%)	88.0	86.2	87.2
	Degree of compliance of the CR policy (%)	90.1	94.0	93.6
	Internal customer evaluation of the CR management (0-10) (*)	n.a.	7.2	n.a.

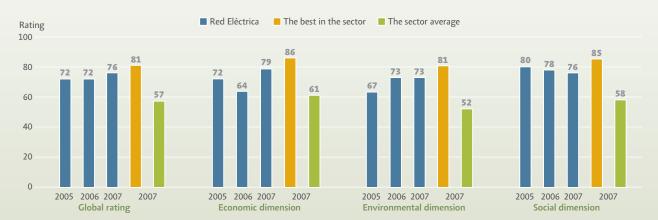
(*) The internal customer satisfaction survey is conducted every three years. In 2006 the corporate responsibility programme was assessed for the first time. DJSI: Dow Jones Sustainability Indexes.

The score for 2007 was 76 out of 100, a score improvement for the second year running and approaching the best in the sector on a global level with a score of 81. Belonging to these groups improves the presence of Red Eléctrica as regards its stakeholders and is a means of recognition of the actions developed in the field of sustainable development.

Observatory for Corporate

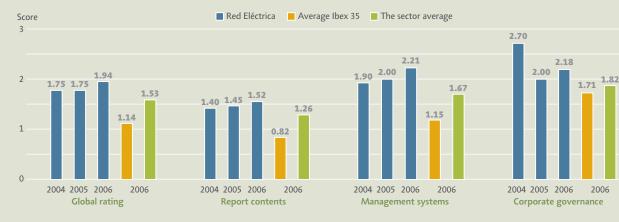
Social Responsibility

In the annual *ranking* «for Social Corporate Responsibility in the annual report for IBEX 35» companies which was carried out by The Observatory for Corporate Social Responsibility (Obrsc), the Red Eléctrica report of 2006 obtained for the second consecutive year the best score for companies included in the IBEX 35.



Dow Jones Sustainability Indexes

Social corporate responsibility in company management reports for the IBEX 35. Corporate Social Responsibility Observatory Study.



Social Corporate Responsibility Observatory

In the evaluation carried out for the second year running by the Social Corporate Responsibility Observatory (SCAO Observatory), Red Eléctrica was the second best rated company in the study Culture, Policies and Responsible Practises for IBEX 35 Companies.

Spanish Corporate Reputation Monitor

On the other hand, in the annual *ranking* of the «100 Best Reputed Spanish Companies» elaborated by the Spanish Corporate Reputation Monitor (MERCO), Red Eléctrica has been included for the third consecutive year among the 100 best reputed Spanish companies with the best reputation, situated in 2007 in position 61, representing a climb of 8 positions with respect to the 2006 results.

European Environmental Prize

Red Eléctrica de España received the European Environmental Prize 2007-08, in the Spanish section conceded by the Environment foundation-BCSD Spain, for their project, Special Regime Control Centre (Cecre) in the category «Product for Sustainable Development».

Finally, noteworthy is that for the third consecutive year, the corporate responsibility report from Red Eléctrica was a finalist in the 6th edition of the Award for the Best Sustainability by Spanish Companies, organised by the Spanish Association of Accounting and Business Administration (AECA) and the Spanish Institute for Chartered Accountants.

Learning and exchanging experiences (SOS)

As in other years, during 2007 Red Eléctrica have actively participated in the different exchange and good practise events in the area of corporate responsibility.

Among the numerous actions carried out during this year, noteworthy is the participation in the multi-sectorial study

Issue	Company/body
CR management system	State Owned Industrial Holding Company (SEPI)
	Spanish Confederation of Building Societies (CECA)
	Red Eléctrica Workshop (Higher Management Programme of the
	CR-Instituto de Empresa)
	Basque Country business confederation
Stakeholder management	Stakeholders management open days (Instituto de Empresa)
Information sessions to design management	
systems for CR in PYMES	Basque Country, Valencia and Aragón
Ethical Management system	Asociación Española de la Calidad (AEC)
Work/life balance	Asociación Española de la Calidad (AEC)
CR scope and internal relations in the company	Universidad Internacional Menéndez Pelayo
Integration of people in corporate responsibility	ASEPAM (Global Compact)
CR in strategic management of the company	Universidad Internacional Menéndez Pelayo
Elaboration of sustainability reports	Sustainability Excellence Club
Corporate voluntary work	Sustainability Excellence Club
The role of the CEO in the implementation	
of corporate responsibility	ASEPAM (Global Compact)
Multisectorial study on corporate responsibility	Sustainability Excellence Club
Focus and RSC positioning in the electrical sector	UNESA



«The Status of Corporate Responsibility of Large Companies in Spain», Elaborated by the Sustainability Excellence Club, with the collaboration with the Ministry of Employment and Social Services. Red Eléctrica, company member of the club, was in charge of leading this study with the aim of helping companies to ascertain the actual status of the implantation of responsible practises in companies and to give indications on what opportunities there are for improvement in the material.

Dissemination and fostering awareness among stakeholders (HR3)

During 2007 Red Eléctrica have continued to develop on a regular basis actions aimed at dissemination and fostering of awareness in the area of corporate responsibility. In the internal area a training programme consisting of five phases has been put in place, aimed at all employees: awareness, training, strengthening, diffusion and debate.

Among the actions carried out from the programme noteworthy is the training programme to create awareness among the entire workforce at company headquarters, the CR management system and the development projects, in addition to encouraging everyone to integrate the principles of corporate responsibility in their daily activity. The training days were given by the directors who make up the Management Commission for CR at Red Eléctrica. These training days are due to be held in the five areas of Red Eléctrica in 2008.

As a strengthening element a deck of cards has been designed with the 40 actions which from Red Eléctrica's point of view are strategic for sustainable development, this was handed over to the entire workfore, as well as the stakeholders closest to the management.

In addition, employees are informed on a regular basis through the employee portal «miRED» and the company magazine *Entrelíneas*, of all the most relevant actions in this field. During 2008 employees will be convened to carry out a course on corporate responsibility which will be available in the virtual training classroom Aula@Ree.

Externally, Red Eléctrica have continued to collaborate during 2007 in various open days, forums and seminars among which noteworthy is the participation alongsid the Sustainability Excellence Club, in diffusion and awareness campaigns on corporate responsibilities which have been held in the various autonomous communities. Specifically, Red Eléctrica participated in those held in Aragón, Valencia and the Basque Country.

Red Eléctrica, in the Corporate Responsibility Market

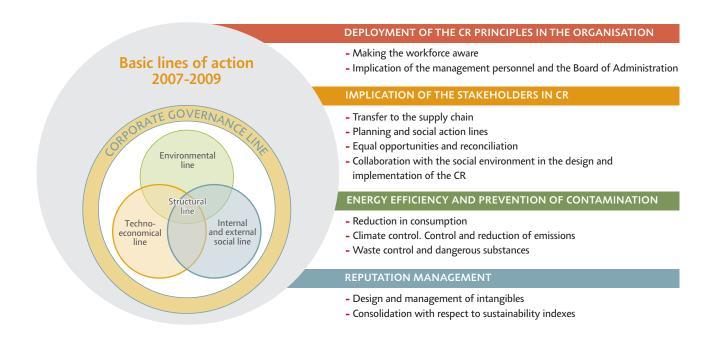
The Corporate Responsibility Market CSR Marketplace organised for the first time in Spain by Forética with the collaboration of the CSR Europe network and under the auspices of the European Commission, was a meeting point for companies advanced in social responsibility to share best practises in CSR in specific business challenges faced by companies. The solution presented by Red Eléctrica, «The Sport of Corporate Responsibility: a Game with Winning Players», was chosen by the group of experts of Forética prior to the selection process as one of the most significant to be presented to this market.

The solution consists in the design, implantation, diffusion, sensitisation, revision and improvement of the elements and systems necessary to integrate CR into the company at all levels. The idea is to create a customised management system using a set of cards as widespread as popular Spanish card games. The cards are designed using the different areas of CR; including each one of the key relevant aspects to bear in mind by any organisation who wants to implement an integral management system of CR. The REE solution was the third most voted from the 60 responsible initiatives mentioned.



Future Challenges (1.2)

For the years ahead Red Eléctrica has established four main action principles which can be seen more clearly in the annual programme for corporate responsibility in alignment with the aims of the business. For each action programme, the action, objectives, indicators and the line implied have been defined.





2007 Annual Corporate Responsibility Programme

Area/Project	Degree of advancement
Corporate governance	
Identification and implantation of best practises in corporate governance material	100 %
Improvement in the annual corporate governance report from 2006	100 %
Improvement in the annual general meeting of the voting systems and distance delegation	100 %
Modification of the internal regulation of corporate governance of the company	100 %
Structural	
Implementation of the ethical code management system	99 %
Design of the first corporate reputation management director programme	100 %
360° analysis of the corporate responsibility of Red Eléctrica	100 %
Awareness and internal diffusion of corporate responsibility material	100 %
Technical-economic	
Method for controlling environmental and social costs associated to the installations	50 %
Dissemination of engineering activities, construction and maintenance activities based on CR criteria	50 %
Development of the methodology to obtain a triple bottom line	90 %
Transfer of CR to suppliers. First phase	100 %
Transfer of CR audits to suppliers. First phase	90 %
Internal social aspects	
Measures for promoting equality and the work life balance	100 %
Psychosocial responsibility management	100 %
Occupational health and safety training	100 %
External social aspects	
Awareness campaign for the rational use of electrical energy	100 %
Advance in the adaptation of the corporate web in terms of accessibility	100 %
Renovation of the press section on the website	100 %
Extension of the contents in the education area of the web	100 %
Sustainable project YES (Sources of Sustainable Employment)	40 %
Corporate volunters	100 %
Environmental	
Implementation of consumption control measures for natural resources	35 %
Supplier environmental awareness	40 %
Improvement in relations between autonomous communities in the area of environmental protection	60 %
Preservation and regeneration of orchids in Extremadura	100 %
Improvement in sustainability at headquarters (SOLIDI)	85 %
Recycling of residual waters to water the gardens at headquarters	100 %

2008 Corporate Responsibility Programme

Technical and economic responsibility



The Group's business model is aimed at increasing value in the short, medium and long term for all its shareholders, customers, business agents, employees, suppliers and other stakeholders, by offering service with the highest level of guarantee in the different activities it carries out

Creating value

Red Eléctrica, aware of its responsibility towards society by managing such an essential service as the Spanish *Transmission System Operator* (TSO) focuses its strategy on quality of service with the aim of guaranteeing leadership in reliability and safety in the Spanish electricity system.

To do so, its efforts are focused on the development and improvement of an environmentally sustainable transmission grid, balancing the maintenance of reliability levels of this grid with management aimed at the optimisation of the operative margins. Similarly, an efficient structure capital permits Red Eléctrica to bring together solid low risk growth with high profitability for its shareholders.

With the focus on optimum service to society, a differentiating element in its management, Red Eléctrica obtains longlasting competitive advantages, improving its corporate reputation and creating long term value for shareholders, customers, suppliers, employees and the community in general. This is reflected in the direct and indirect economic impact indicators, service quality indicators and the different actions taken for technological development during the year and which are detailed as follows. Similarly, participation in bodies, entities and associations is a source of indirect value for the company and all its stakeholders.

Economic value generated and distributed (EC1)

This indicator, based on the GRI method, indicates the generation of economic value of Grupo Red Eléctrica and its distribution throughout the different stakeholders.

Million euros	2006	2007
Economic value generated (VEG)	960.9	1,065.6
Net turnover	949.3	1,030.9
Other net income and losses (1)	11.7	34.7
Economic value distributed to stakeholders (VED)	(600.7)	(705.8)
Shareholders: Dividends (3)	(121.0)	(146.9)
Employees: Personnel costs	(84.9)	(88.4)
Suppliers: Other operating expenses ⁽²⁾	(215.7)	(242.0)
Other capital providers : Net financial costs	(96.7)	(107.2)
Company: Tax on profits	(80.7)	(118.5)
Investments in the community	(1.8)	(2.7)
Retained economic value (REV)	360.2	359.8
Reserves	79.2	96.1
Repayments and depreciations (4)	281.0	263.7

N.b.: Data obtained from Consolidated Annual Accounts

(1) Includes: Other operating income. Net results by equivalence. Results from sale of non-current events. Capital grants, Other deferred income transferred to the result for the year.

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

(3) Includes the interim dividend and complementary dividend.

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

Direct economic impact

Shareholders		2003	2004	2005	2006	2007
	er share (in euros)	0.5480	0.6138	0.7304	0.8984	1.0871
	ver net profit (<i>pay-out</i>) %	65.0	65.3	67.8	61.2	61.6
Dividend ov	ver net consolidated profit (pay-out) %	64.0	61.1	60.8	60.7	60.5
Customers (C	iroup)					
Turnover (m	nillions euros)	686.7	738.8	860.2	949.3	1,030.9
Investments	s (Millions euros)	780.3	274.6	755.5	529.6	727.8
Employees (C	Group)					
Total salary	expenses ⁽¹⁾ (millions of euros)	66.8	68.2	78.1	84.9	88.4
REE	Spain (parent company)	57.1	67.3	75.1	80.9	85.7
REI	Spain	-	-	1.4	1.3	1.6
TDE	Bolivia		-	2.4	3.2	2.8
REDESU	R Peru (participated in 33.75 %)	-		0.4	0.3	0.3
Suppliers (pu	rchasing) ⁽²⁾					
	millions of euros) ⁽³⁾	409	416	462	526	1,038
TDE Bolivia	(Millions euros)	2.4	8.4	6.7	9.2	6.0
Capital provid	ders (Group)					
Financial ex	penses (millons of euros)	75.0	76.7	108.4	102.1	111.4
Reserves (N	Aillion euros)	499.4	605.6	692.2	751.5	932.2
Company (Gr	roup)					
Tax on earni	ings (million euros)	60.1	81.2	85.3	80.7	118.5
REE	Spain (parent company)	71.9	80.3	84.8	83.1	113.8
REI	Spain	-	-	-1.1	-4.5	2.1
TDE	Bolivia	-	-	1.5	1.4	1.4
REDESU	R Peru (participated in 33.75 %)	-	-	-	-	1.0
Subsidies (4)	(millions of euros) (EC4)	-	-	9.0	10.5	12.3
REE	Spain (parent company)	-	-	8.9	10.5	12.3
REI	Spain	-	-	0.1	0.0	0.0
TDE	Bolivia	-	-	0.0	0.0	0.0
REDESU	R Peru (participated in 33.75 %)	-	-	-	-	0.0
Investments	in the community (5) (millions of euros)	-	0.9	1.2	1.8	2.7

Indirect economic impact

R+D+i Indicators	2003	2004	2005	2006	2007
Cost (millons of euros)	2.0	2.4	3.0	3.7	4.4
Number of projects	37	36	45	60	56
Percentage of regulated income (%)	0.3	0.3	0.4	0.4	0.5

 Includes wages, salaries, social security, pension scheme contributions and other concepts. All the data refers to the Consolidated Group and include International Financial Reporting Standards.
 Orders carried out.

(3) 36 % of the value for 2007 is due to the formalisation of underwater interconnection contracts with the Balearics.

(4) Capital grants and other differed incomes transferred to results.

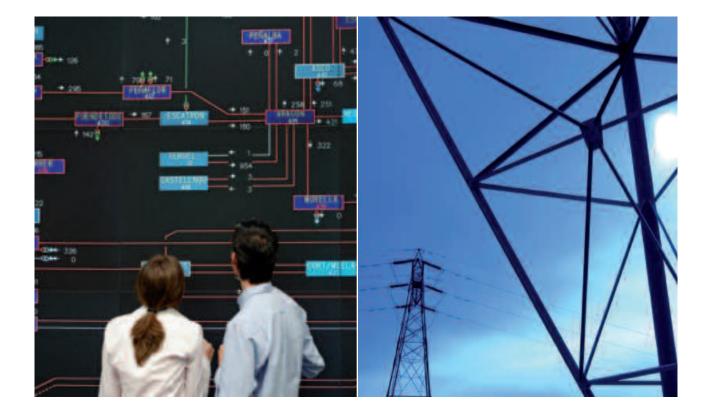
(5) Bodies, institutions, educational, environmental and social reports. The information for 2007 refers to the Group.

Service quality indicators

Red Eléctrica, as an electricity operator, guarantees the continuity of the supply under the strictest standards of efficiency and transparency with the agents. The policy and the maintenance techniques applied by Red Eléctrica on a continuous basis contribute to its operating efficiency and service quality ratios, which show the availability ratios of its facility, to be among the highest in international terms.

Quality indicators	2005	2006	2007
Availability ratios (ID) %	98.28	98.24	98.06
Interrupution time (TIM) min.	1.078	1.817	1.104
Energy not supplied (ENS) MWh	506	851	547

During 2007 quality indicators have been maintained at the high level of previous years, with grid availability standing at more than 98 %. However, it should be pointed out that this year saw an exceptional event in terms of grid behaviour. July saw a power cut in Barcelona due to an incident produced by 110 kV grid distribution cable falling on a Red Eléctrica facility, producing three short circuits which were quickly dealt with by the protection equipment. However, a further two sub-stations were affected and a fire broke out in one of them. The specific causes which led to this fire, which was ultimately a 110 kV cable falling, are still pending resolution by the competent bodies in the material. However, Red Eléctrica do not hold themselves liable for this incident, given that according to the information available at present, the fire may not have necessarily taken place in their facilities.



Technological development (ICO)

Grid development

Among the most important measures for complying with the energy policy objectives is the development of the transmission grids. In this sense, the Red Eléctrica Group, in accordance with the Infrastructure Programme ensures the necessary investment to guarantee the quality and safety of the electrical supply as well as absorbing the future increases in electricity demand.

Red Eléctrica, at present the owner of practically all the peninsula transport grid, focuses its investments mainly on development and structural reinforcement of the transport grid, aimed over the last few year at enabling the evacuation of renewable energy and combined cycles, on supporting the expansion of high speed trains, increasing international interconnections, as well as reinforcing the reliability of the system.

Strengthening of international interconnection

The need to dispose of sufficient interconnections to enable commercial exchanges of energy between countries in a smooth way is essential in assuring the safety of supply, fostering competition, and market liberalisation. In this regard, the European Union has indicated that the streng-

kilometres of circuit number of positions 35,000 33.096 33,503 33,669 3,500 3,042 2.915 28,009 2.741 27.551 25,000 2,500 1.928 1.801 1,500 15 000 5,000 500 0 2003 2004 2005 2006 2007 kilometres of circuit Busbars in substations

thening of the interconnections between Portugal, France, North Africa and Spain are of particular interest. In accordance with these objectives Red Eléctrica have continued to work together with these countries in the study of new interconnections with the aim of increasing the exchange capacity with them.

Contribution with Renewable Energy Programmes (EC2)

The growth of renewable energy sources, together with the improvement in energy efficiency and demand management are strategic economic, social and environmental elements, which form part of the sustainability of the energy model and the great challenge of climate change. The Programme for Renewable Energies in Spain (PER) 2005-2010 is aimed at reaching renewable energy production of 29.4% in 2010. To contribute to the compliance with this objective, Red Eléctrica has continued to work on the different alternatives to forge forward towards a greater degree of penetration of wind energy into the electrical system, which is compatible with operational safety.

In relation to covering the demand, noteworthy is the effort by Red Eléctrica in the integration of renewable energies which has permitted 10 % of the demand to be met



Physical Properties of the Grid

in 2007 with wind energy. Similarly, it should be pointed that on 19th March wind energy covered 23.3 % of the demand for that day.

Centre for operations for renewables and cogeneration (EC2)

The Control Centre for the Special Regime aims to integrate into the electricity system the largest amount possible of renewable energy safely, especially wind energy. Red Eléctrica, as an electrical operator of the electricity system, has started up a energy control system for the supervision and control of special regime installations (renewable energies and co-generation): The Special Regime Control Centre (CECRE), a pioneering initiative on a global scale will enable possible incidents on the electricity system due to sudden losses of wind energy to be forecast.

This unit enables the integration of the renewable energy into the electrical system under safe conditions. With this centre, Spain has become the first country in the world which has all its wind farms of more than 10 MW connected to the control centre. During 2007, energy acquired from the special regime exceeded 55.000 GWh. More than half of this energy corresponds to wind energy.

Forecast and demand management (EC2)

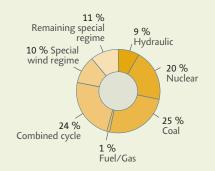
Red Eléctrica as a Spanish electricity operator draws up annual forecasts both for electrical demand and its coverage and is a wide-reaching reference on the use of advanced technological systems.

Similarly, energy efficiency and the integration of a larger amount of renewable energy into the electricity system need demand management systems to be developed. In this area, in 2007 the activities carried out have been centred on six strategic lines: An increased knowledge of the scheduling profile for electricity demand, the power assessment of the manageable demand, the elaboration of proposals which enable this potential to be deployed, the promotion of the demand handling demonstrations and the participation in forums and national and international projects with the aim of promoting knowledge on demand management.

Similarly, Red Eléctrica participated in the R+ D+ i GAD project (Active Management of the Demand), promoted by the Ministry of Industry, Tourism and Commerce within the CENIT programme (National Strategic Consortium for Technical Research), whose aim is to optimise the way electrical energy is consumed in the residential sector.



Peninsula demand coverage for 2007



R + D + i

Research, Technical development and innovation is a basic tool in the economic and social development of a country and an essential source of generation of value for companies. Red Eléctrica develops an intense activity in this field which is focused on guaranteeing efficiency and safety in the infrastructures which support the electrical system.

Key activities

During the year in question Red Eléctrica has worked on more than 50 projects and has earmarked more than 4 million euros. Among the different lines of research carried out noteworthy are the projects developed in the area of renewable energy integration and demand management. In this sense, the development of projects within the Research Framework Programme of the European Union, such as IS POWER, whose aim it is to promote the integration of renewable energies in insulated electrical systems, or the WIND ON THE GRID projects, which is a commitment to the integration of wind energy on a large scale into the European market.

Similarly, it forms an active part in the different technological platforms, one of which is the Spanish Platform for Electricity Grids (FUTURED) where it holds the vice-presidency and participates in different European projects which produce the development of other significant projects, information about which is reflected in the Company's annual report.

Environmental research

Red Eléctrica pursues their policy of contributing to sustainable development making its possible for their facilities to live in harmony with the social and natural environment. Similarly, Red Eléctrica continues to develop a large number of projects focused mainly on the study of electromagnetic fields, acoustic dampering, the protection of birds and the translocation of live species.

IS-POWER Project

Insular electricity systems (isolated) present unique characteristics creating the need for a different approach to the problem. These characteristics are fundamentally determined by social pressure in favour of the protection of the environment and renewable sources. Sustainable development of insular systems requires the efficient use of sources of renewable energy available in these territories, as well as the integration of efficient grid management.

Based on cooperation and exchange of knowledge and experience, the IS-POWER project proposes to address new technical and regulatory frameworks which improve the working of these systems in terms of safety and supply guarantee and facilitates the integration of renewable energies and other types of distributed generation. This project is structured around four pillars: Cooperation with agents, Renewable energies, Demand Management and distributed Generation.

The consortium that carries out the project is formed by Red Eléctrica de España, Iberdrola Energías Renovables, TSO Cryprus, Deloitte S.L., Empresa de Electricidade de Madeira, AcrossLimits Technologies e Ionian Energy Ltd. The consortium therefore can be found in numerous isolated electrical systems such as the Canary Islands, Cyprus, Madeira, Malta and Corfu while covering the different profiles within the sector: TSO promoters, distributors, consultants and information technologies.

Participation in key entities and organisations (4.13)

Similarly, participation in bodies, entities and associations is a source of indirect value for the company and all its stakeholders.

Red Eléctrica is present in almost 50 national and international organisations and collaborates actively on their governing bodies, study committees, standardization and working groups. Nearly 140 people participate in all the areas of the company, with a joint dedication of nearly 10,000 hours annually.

CIGRE (International Coucil for Key Electrical Companies)

Body which brings together electrical companies, manufacturers of goods, engineering companies and research centres throughout the world with the aim of exchanging technical knowledge. Red Eléctrica holds the position of President and Secretary of the Spanish Committee.

EEI (Edison Electric Institute)

Association of electrical companies from the USA and affiliated international companies. Red Eléctrica participates in financial conferences with analysts and investors in the sector.

ETSO (Association of European Electrical System Operators)

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

IESOE (Electrical interconnection with South East Europe)

This organisation takes in RTE (France), REN (Portugal), ONE (Morocco and Red Eléctrica (Spain). Its aim is to analyse the behaviour of the interconnection grid of these countries and draw up initiatives to perfect its operation. Red Eléctrica holds the position of President and Secretary.

MEO (Mediterranean Energy Observatory)

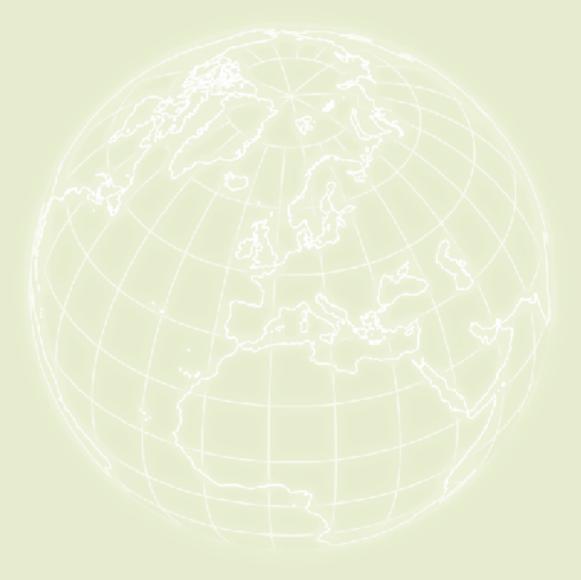
Set up in 1991 by thirty energy companies (electrical gas and petroleum). Its objective is to foster collaboration between the main companies in the energy sector which operate in the Southern Mediterranean basin and foster dialogue between governments, European Commission and other international organisations on energy issues in the Mediterranean.

UCTE (Union for the Coordination for the transmission of Electricity)

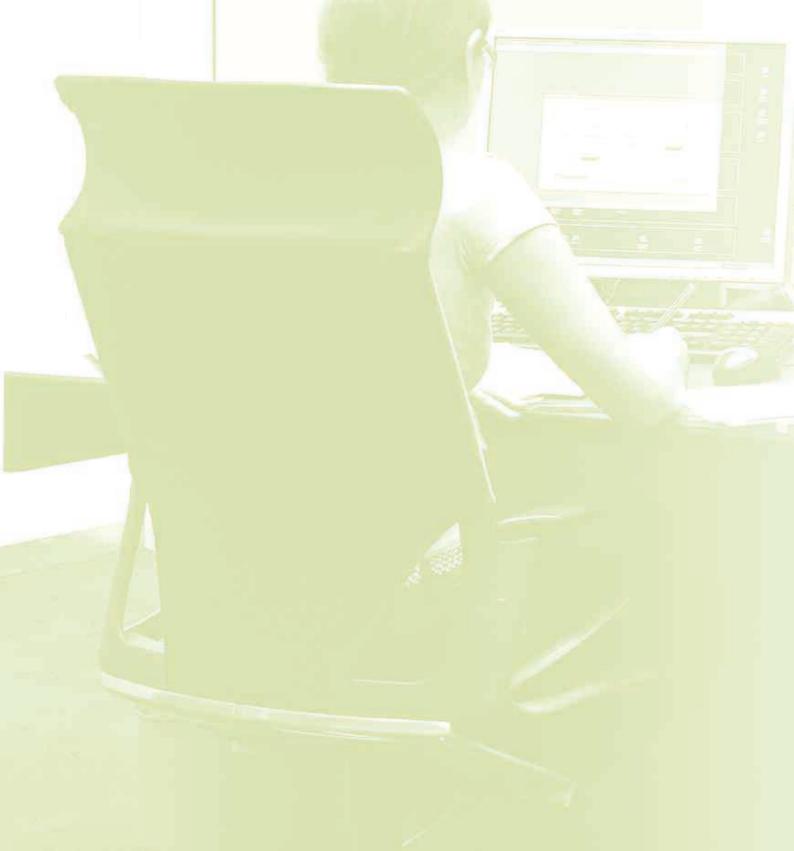
Association which coordinates the operators of the transmission system of the 23 countries of Continental Europe. The common aim is to guarantee the safety of the interconnected electrical system, a task that has been fulfilled for the past 50 years. The ECTE network supplies 450 million people (530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

TSO-International Comparison

International association of European, Asiatic, South African and American Electrical systems Operators. Their mission is to exchange information on the present and future operating practises of the system in order to establish comparisons and references.



Responsibility towards employees





Red Eléctrica's commitment to employees is geared towards employment stability, the implementation of best practises in the field of equality, health and safety protection, training and deepening of the work life balance

Personal satisfaction and people development, our commitment

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

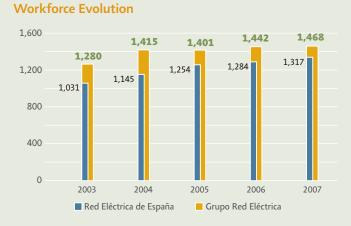
The human resources management policy of the group is based on a commitment to professional and personal development of employees, on considering both aspects fundamental for personal satisfaction and fulfilment of their vital role.

This commitment can be understood as the implantation of tools and measures aimed at facilitating this goal, such as the development of equality and conciliation policies for professional and personal life; the creation of quality employment; improvement in employability of people through continuous training, the design of professional development and talent management, which alongside performance appraisal, constitute the basic principles of the human resources management policy of the Group.

These principles of human resource management encourage the sustainability of the business project of the Group through the people who make it up, endorsed by the feeling of commitment expressed by the employees, substantiated in the results of the last social climate questionnaire elaborated in the parent company in 2006 (8 out of 10 in general satisfaction) and in other indexes, like non desired external rotation (2.57 %) and the average number of years at the company (10.2 years), without forgetting the effort in contracting over the years which has meant an important rejuvenation in our workforce.

Red Electrica's commitment to its employees endorsed not only by the SA8000^{*} certificate obtained in 2005 but for all the activities of the parent company and extended this year to TDE Bolivia.

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





Main employment data (LA1, LA2) *

2007 1,317 1,297 7 26 35 21 11 11 25 527 375 311 79
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* Data for REDESUR is not included due to the small number of employees (17). The workforce is distributed in the following way: Management team 24 %, senior technicians 29 %, specialist technicians 29 % and auxiliary technicians 18%. The average age is 37 years.

Quality employment and working environment

The Red Eléctrica Group is a reference for stable quality employment with transparent and egalitarian recruitment processes, sustainable job creation growth, and high levels of permanent contracts and payment models which respond to fairness and motivation criteria.

Employment policy

During 2007 a policy of employment was drawn up to establish the principles and directives to serve as a regulatory framework in the process of company employment. Through its implementation the aim is that employment management at Red Eléctrica be a transparent and clear process with best practices directed towards non-discrimination, equality, contract stability and internal promotion.

In the interests of promoting rotation and internal promotion during 2007 more than 70% of the vacancies existing in the company were internally advertised.

Growing together

The increase in the number of people at Red Eléctrica in 2007, is a consequence of the growth process derived from

the acquisition of transmission assets and the implementation of the operation functions in the extra peninsular systems, as well as the commitment to business excellence and quality of service of the company.

The consolidation and growth of Red Eléctrica Group, derived from the assumption of new responsibilities and functions, means an increase in the number of people on the workforce. the Group grows, the team grows. Similarly, at the close of the exercise, the workforce grew to 1,317 people at Red Eléctrica de España, thereby the number of employees of the group increased to a total of 1,468^{*}.

This increase in staff has been embarked on using criteria of efficiency and employment quality. At the parent company, 2007 Saw 70 people leaving and 103 being recruited, of which 93.2 were on a permanent basis, and 6.8 % on a temporary basis, meaning the creation of 33 new jobs. In general terms, 99.6% of the employees in the company have a stable quality job which influences positively their sense of belonging and commitment to the company project.

The Red Eléctrica group continues in its commitment to hire highly qualified professionals which allows it to manage the

*Includes the workforce of Red Eléctrica de España and Red Eléctrica Internacional and dependant societies. The 17 employees from the REDESUR workforce are not included as they are a company participated in with 33.75 %.



polyvalence and mobility of staff with greater flexibility and efficiency, tailored thereby to the evolving needs of the company's activities and maintaining an updated knowledge of market technological advances and of the sector of reference.

In order to deepen their sense of belonging and their knowledge and abilities, those newly incorporated into the company go on to form part of the development programme which includes actions for the correct integration and training and has meant 18.6 % dedication from a total of 102.926 training hours.

With regard to local hiring procedures, the majority of employees and managers are contracted in their home countries, with percentages near 100 % in all cases with the exception of the company REDESUR, where the weight of the Peruvian directors is situated at 60 % (3 out of 5). (EC7)

Breakdown of employees by type of work, contract and region (LA1)

		0 1	-		
Spain (REE)	2003	2004	2005	2006	2007
Employees with fixed contract (number)	949	1,053	1,231	1,268	1,312
Employees with temporary contract (number)	82	92	23	16	5
Fixed contract (%)	92.0	92.0	98.0	98.8	99.6
Worker from Temporary employment agency (number)	10	17	24	27	21
Research fellows (number)	12	12	11	10	36
TDE (Bolivia)					
Employees with fixed contract (number)	113	113	118	118	119
Employees with temporary contract (number)	0	0	0	2	5
Fixed contract (%)	100	100	100	98.3	96.0
Workers from Temporary employment agency (number)	60	71	57	34	45
Research fellows (number)	7	18	12	23	14
Peru (REDESUR)					
Employees with fixed contract (number)	17	19	17	15	17
Employees with temporary contract (number)	0	0	0	1	1
Fixed contract (%)	100	100	100	100	100
Workers from Temporary employment agency (number)	-	0	0	1	3
Research fellows (number)	-	4	2	3	4

Total turnover by sex professional group and age (LA2) *

		٦	TDE		
Distribution by sex and professional group (%) Men	Women	Men	Women	
Management staff	11.4	0.0	12.5	0.0	
Senior technicians	12.9	12.9	25.0	0.0	
Intermediate technicians	35.7	4.3	50.0	12.5	
Specialist technicians	14.3	0.0	0.0	0.0	
Auxiliary technicians	2.8	5.7	0.0	0.0	
Rotation by sex (%)	77.1	22.9	87.5	12.5	
Distribution by age	No. of people leaving	%	No. of people leaving	%	
Less than 25	6	8.6	-	-	
26 to 35 years	24	34.4	-	-	
36 to 45 years	3	4.2	1	12.5	
46 to 55 years	3	4.2	3	37.5	
More than 55	34	48.6	4	50.0	
Total rotation (%)	70	100.0	8	100.0	

* Data is not included for REDESUR due to the small workforce (17 employees) for this degree of disintegration.

On the other hand, in 2007 Red Eléctrica de España continued with and rounded off the employment regulation plan (ERE), which was authorised by the Ministry of Employment on 13th July 2005. This programme affected all those employees who were 58 years old at the time of signing or during the term of the plan (2005-2007) and who met the established requirements. The terms were agreed on by the trade unions and the company management at the negotiating table of ERE.

External turnover generated by this employment regulation programme justifies that the total rotation index of Red Eléctrica de España during 2007 was 5.4, exceeding that of 2006 which was 4.3. Without bearing in mind this factor, the external rotation index was situated at 3.1.

Undesired external turnover has increased with respect to 2006 passing from 1.52 to 2.57, as the number of people from the company who have worked for the company for less than 4 years has considerably increased and the employment market is one of practically full employment. Despite this, undesired external rotation continues to be one of the lowest with regards to companies in the sector.

Salary Model

Grupo Red Eléctrica's salary policy acknowledges that employees will be treated fairly and justly. The salary model responds to criteria based on internal equality, transparency and reward and salaries are fixed within wide salary bands with the payment of a salary bonus for outstanding performance.

All the employees joining the company in 2007 irrespective of the position occupied and without including social benefits or payments in kind, received a salary amounting to 3 times the minimum inter-professional salary, while in the case of TDE the starting salary was for this year 6 times higher than the minimum salary in Bolivia. (EC5)

Improvement in organisational efficiency

In order to optimise and upgrade the efficiency of company activities within a model of developing excellence and continuous improvement, a project names PROA II was carried out.

This project a continuation of PROA, has gone into detail in the application of corporate business model improvements, maximising the values provided for internal and external customers and teaming them up with the actions derived from the companies strategic programme for the company for the period 2007-2011.

In a similar fashion, the organisational model was updated and the functions and responsibilities of each one of the organisational units of the company have been linked to bu-





siness process, thus guaranteeing the organisational structure coherence with the operational reality of the company and the satisfaction of the needs and expectatives of the stakeholders.

These functions and responsibilities have been defined from the identification of the added value contributed by each one of the units to the negotiation process, with the aim of facilitating the consequence of the strategic objective established in Red Eléctrica.

Internal Communication (4.16)

The strategic value of internal communication is for Red Eléctrica the base of all the communication action carried out in 2007. Internal communication programmes are designed to drive the collaboration of the employees and foster the knowledge of all the actions developed by the company in this material.

One of the methods adopted by the parent company to obtain these objectives has been the diffusion of a strategic programme through different presentations to all the organisational units, achieving that the entire workforce obtain this information in a direct fashion involving people in achieving the stategic objectives of the company.

In relation to the corporate portal, miRED, in 2007 the second phase of the design for this platform which integrates all the information of the old internal web about the company business and favours the participation of the emplo-

yees using collaboration tools in the virtual environment.

Among its functions noteworthy is the employment selfservice, where labour and salary information, employment time management and job vacancies can be consulted.

Another of the central issues worked on this year was the social climate. At Red Eléctrica various actions have been carried out with the intention of driving upstream, downstream and transversal communication, as well as improving aspects related to job satisfaction.

As part of the social climate study carried out in 2006, in this exercise various interviews have been carried out with people from different geographical areas, organisational units and functional groups which have helped us to dig deeper into key issues for the development both of business activity and that of the people who carry it out. The results of the different phases of the study have served as a starting point for the elaboration of the internal communication programme for 2008-2009.

In TDE during 2007 the development of the communication and knowledge management platform «Mi Portal TDE» drew to a close. This portal contains the modules «TDE Knowledege» and «Learning Communities» as the main pillars of the tool. The first brings together information from all the areas of the company, while the objective of the second is to generate virtual spaces where people from different disciplines and areas can deal with previously selected issues of interest.

Worker/Employee relations

Working relations between Red Eléctrica de España and its employees are regulated using the standards expressed in the different collective bargaining agreements applicable to all the work centres.

The 8th collective agreement, which was in force until 2006, represents the judicial framework on which Red Eléctrica undertakes to apply values such as equal opportunities, multi-cultural values and non-discrimination in all activities related to people management. 99.85 % of non management staff is subscribed to this agreement. (LA4, LA6)

On February 2007 the Negotiation Commission for the 9th collective bargaining agreement was set up comprising social representation (11 members) and company representatives (5 members). Negociations remain open in the search for acheiving better working conditions for people and for the sustainability of the development of the company activities.

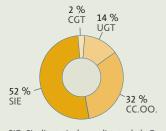
It should be pointed out the successful development of the ERE signed between union representatives and the management of the company, carried out in the same conditions and following the lines of work that had been agreed on at the negotiation table in December 2007.

Trade union activities at Red Eléctrica are carried out through commissions and working groups, permitting contributions from all the union sections of the company. Red Eléctrica has representatives in most work centres and an intercentre committee, in addition to an intercentre committee with the authority attributed to it by the collective bargaining agreement. Noteworthy among these groups is the working table for the conciliation of the work life balance and the permanent observatory for psychosocial risks.

With regard to communication channels, union representative have a space on the employee portal miRED, in addition to the traditional notice boards to facilitate communication with all employees.

In accordance with the 8th collective bargaining agreement, the representatives of the workers have been granted powers to issue reports prior to the execution of organisational changes adopted by the company, without the company requiring a minimum notice time. (LA5)

Union Representation (31.12.07)



SIE: Sindicato Independiente de la Energía CC.OO.: Comisiones Obreras UGT: Unión General de Trabajadores CGT: Confederación General del Trabajo

Commissions participated in by union representatives (LA6)

Job appraisal commission
Training Commission
Health and Safety Committee
Social Services Commission
Peer Group commission for vigilance and interpretation
Conciliation table
Psychosocial risk prevention observatory

Occupational health and safety



The Red Eléctrica Group is certified in all its companies (Spain, Bolivia and Peru) based on the international standard for health and safety in accordance with the international standard OHSAS 18001.

Prevention and vigilance in occupational safety

The occupational health and safety management system includes the Occupational Health and Safety Policy, its own prevention system and a safety and vigilance committee comprising six workers' representatives from all the work centres, representing 100 % of the employees. (LA6, LA9)

The health and safety policy which is published in the Employment Portal is assumed by senior management and by all the employees as the company considers awareness and collaboration among everyone to be a necessity. One of the tools that the organisation considers fundamental in risk prevention is training and refreshing the knowledge relative to safety at work. Similarly, a description is given of the risks of each work station which reaches 100 % of the employees. In 2007 training in risk management prevention entailed a dedication of 1,045 hours and 261 participants. The degree of compliance of the annual prevention programme was 85 %.

The occupational risk evaluation system goes beyond the safety of the employees and is extended to suppliers who work with the companies of the Group. In 2007 occupational risk prevention homologation was promoted with respect to 77 Red Eléctrica contract construction supervisors.

In addition, during this year the development of the project to systemise and rate suppliers with respect to safety suppliers, with the aim of identifying their behaviour in prevention material and being able to assess the actions that our suppliers carry out in this material.

Considering in addition the work performed in coordination with other companies, Red Eléctrica has procedures in place for preventing occupational risks applicable to all work performed on non-live equipment, or live equipment or intervention at the facilities of the Red Eléctrica transmission network by other electrical companies or performed in high-voltage facilities of other electrical companies by Red Eléctrica. (PR1, PR3)

Health prevention and vigilance

The parent company of Red Eléctrica has a medical service which in addition to having its own personnel and doctors, directs its activities at health prevention and vigilance. During 2007, as well as the activities pertaining to health vigilance such as health check-ups, other activities have continued among which the following are noteworthy (LA8):

- Campaign to avoid overweight aimed at fostering healthy habits and fostering the practise of physical activity among all the employees.
- Different courses on relaxation techniques, workshops for quality of life and stress management based on psychosocial risks carried out in 2006.
- Launching of a cardiovascular risk prevention campaign geared towards increasing the knowledge of employees on cardiovascular risk factors, detect risk illnesses and foster cardiohealthy nutrition habits, as well as physical exercise.

During 2008 monitoring of high and moderate risk cardiovascular patients will continue, as well as the control of the different risk factors. On the other hand, a campaign will start to prevent back pain, as this is a common problem for employees, with it being the cause of 20% of the absenteeism.

At TDE, health vigilance in the company has led this year to three relevant activities being carried out within the «Integral Health Programme» which aims to improve health and lifestyle conditions for all personnel. These activities are the following:

- Implementation of a programme to stop smoking in the working areas of the headquarters building.
- Launching of a good practise sports programme for all personnel, with the corresponding economic support from the company. Along these lines more than three sporting activities have been carried out in which 40 people participate.
- Specialist driven awareness programmes on good eating habits, with the aim of supporting personnel on nutrition related issues.



Occupational health and safety indicators (LA7) *

Red Eléctrica de España	2003	2004	2005	2006	2007
Accident with sick leave	6	10	8	14	11
Fatal accidents	0	0	0	2(1)	0
Days lost due to accident	120	253	290	12,369(2)	195
Accident frequency rate	3.64	5.25	4.01	7.19	4.85
Seriousness of accident rate	0.07	0.12	0.11	5.56	0.23
Seriousness of accident rate	3.27	3.67	3.15	3.09	3.04
TDE (Bolivia)**					
Accident with sick leave	3	5	0	2	3
Days lost due to accident	61	63	0	0	215
Accident frequency rate	11.03	17.73	0.00	6.79	11.38
Seriousness of accident rate	0.22	0.22	0.00	0.00	0.82
Absentee rate (days)	274	329	71	252	81
REE contractors					
Accident with sick leave	57	40	65	68	111
Fatal accidents	0	2	0	4(1)	0
Days lost due to accident	1,350	13,848	1,849	25,302	9,256
Accident frequency rate*	34.08	21.76	24.48	18.90	25.90
Accident gravity rate*	0.81	7.53	0.69	7.03	2.16
* Information updated 98 %					

* Information updated (1) Fatal air accident.

(2) Includes the 12,000 days lost due to fatal accidents.

Medical service indicators (LA8) *

Red Eléctrica de España	2005	2006	2007
Medical check ups	884	835	802
Doctor's visits	1,039	1,361	1,422
Vaccinations	268	259	230
Temporary incapacity visit (TI)	137	174	135
TDE (Bolivia)			
Doctor's visits	115	42	121
Medical check ups	419	442	359
Vaccinations	70	120	0
Temporary incapacity visit (TI)	8	10	17

* No accidents have been registered at the REDESUR Company and medical check-ups are carried out habitually on the entire workforce of 17 people. ** No fatal accidents have been recorded.

Training and education (LA10, LA11)

Red Eléctrica is strongly committed to the continuous development of the knowledge and abilities of people as a guarantee of success of its business project. This conviction materialises in training and development programmes associated to the needs of each person and group and reaches out to the all the companies in the Group and the majority of employees.

The aim of the training programmes makes reference to the identification and development of talent of those with high levels of potential, to the improvement in the contribution of people and the development of skills and technical business knowledge, mainly.

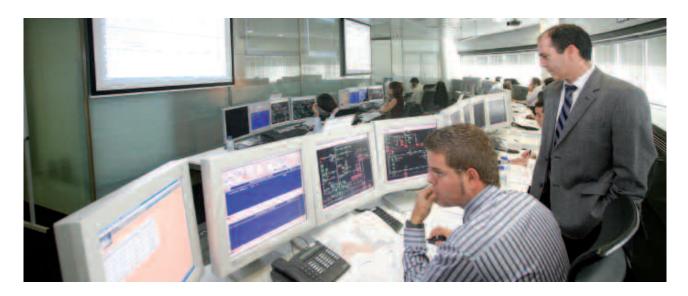
In 2007 a total of 102.926 hours of training were given, 11 % more than in 2006, with 97 % of the employees participating. Each one of the training actions given and each one of the programmes developed is associated to a certain group thereby guaranteeing the satisfaction of the specific needs of each one of them.

On the other hand, during this year Red Eléctrica have increased the programme of grants available from the company. Noteworthy is the development of a specific programme, in collaboration with the SEPI, which is aimed at facilitating and promoting the training of university graduates from Latin America and Spain for electrical system operators.

These training programmes, in addition to performance management, are the base on which the professional development plans for the future are built and the succession plans which are basic for the business future of the company.

In this aspect during 2006 a policy of succession was designed to cover management positions; 95 % of the positions during this year have been covered by internal promotion, with people associated to the programme «High Powered Personnel Management».

2007 saw the putting in place of a series of training actions to facilitate the adaptation of new management responsibilities, as well as maximising suitability to the post and encouraging performance excellence. This action, together with others included in the Management Development Programme, aimed at the improvement of leadership skills and people management, has meant more than 120 training hours in the training of each manager.



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Training and education indicators (LA10)

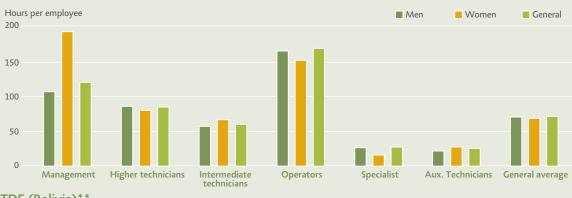
Red Eléctrica de España	2003	2004	2005	2006	2007
Training hours	56,124	90,947	82,506	92,450	102,926**
Hours per employee*	58	84	68	73	71
Employees being trained (%)	94	96	93	95	97
Hours given with own resources	19,264	31,086	25,175	25,537	18,547
Number of courses managed	438	685	715	712	774
Investment in training as total personnel costs	5.1	5.9	5.5	5.5	6.4
Investment per employee (euros)	3,014	3,651	3,470	3,452	4,217
Training during working hours (%)	77	81	81	75	75
Hours of training for grant holders (grant programme in ope	ration)				10,417
TDE (Bolivia)					
Training hours	-	6,241	9,674	7,408	7,705
Hours per employee*	-	57	84	63	65
Employees being trained (%)	-	96	93	95	94
Investment in training as total personnel costs (%)	-	3.3	3.4	2.8	2.9
REDESUR (Peru)					
Training hours	-	420	225	421	193
Hours per employee*	-	25	12	25	13
Employees being trained (%)	-	-	87	90	94
Investment in training as total personnel costs (%)	-	3	3.2	3.3	5.0

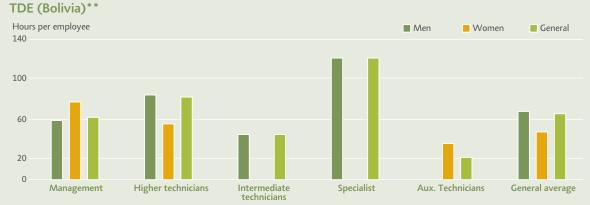
* For the average workforce.

** Includes training of employees and grant recipients.

Training and development per professional group and sex (LA10) *

Red Eléctrica





* Data is not included for REDESUR due to the small workforce (17 employees)for this degree of disintegration. ** There are not women in the technicians and specialist group.

Managing key knowledge: Red Eléctrica Operation and Maintenance Schools

The creation of the Operation School as a tool for knowledge transfer as one of the key activities for Red Eléctrica has become a reference for the training of operators and operation technicians on high voltage electricity grids. This year has seen 141 courses been given internally to 1,800 students.

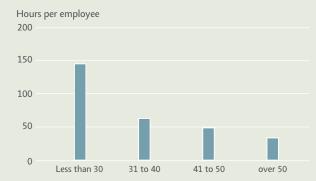
On a complementary basis, the school continues its training offer aimed at the general public and has meant a programme of more than 12,300 training hours to grant holders of the school which has enabled them to reach an optimal level of qualification as electrical systems operation technicians and obtain a qualification of academic prestige from the Universidad Pontificia de Comillas. It has also given more than 2,000 hours of training during the year on other open courses on electricity system markets and operation systems.

2007 also saw the development of the design and preparation work for the future Maintenance School, which will start its activities next year. This school will supplement the service offer of the Operations School and is aimed at the management of knowledge, training and retraining of maintenance specialists and technicians in the company. This investment in training strengthens the commitment to excellence, availability and quality of service offered by Red Eléctrica's electrical installations.

Performance management (LA12)

The Red Eléctrica evaluation service is not only considered as a personnel management tool but also as an element of communication and development for the employee. The system assesses the development of and contribution by 100 % of the employees and every two years it also considers the professional progress of the collaborator, thereby permitting a programme to be designed in accordance with the potential, talent and career and promotion plans.

The appraisal is a continuous process which culminates in a personal interview where the manager shares the appraisal results with the collaborator. During 2007 new members of the management team have participated in the training and awareness in this sector receiving courses centred on "Performance Interviews with the Collaborator".



Training and development by age groups (LA10)

Equal opportunities, diversity and reconciliation

The company, through their commitment to social responsibility and ethical management, consider that equal opportunities, diversity and the work-life balance are the key factors to business success as well as social justice.

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

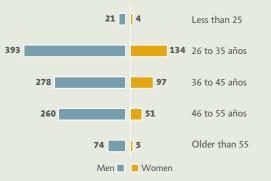
During this exercise the equality law passed in March of this year was analysed so as to stringently comply all the precepts which directly affect the company and analyse the formulas to advance in effective equality between men and women through the elaboration and application of equality programmes. In this aspect: Red Eléctrica has participated in drawing up the document «Equality within the Framework of Corporative Responsibility: From the Challenge to the Opportunity», edited by the Sustainability Excellence Club, within the EQUAL Project, Madrid Companies and Reconciliation have carried out "A Diagnosis of the Present Situation and Improvement Areas in the Work Life Balance", whose aim is to offer an image of the present situation in terms of reconciliation and identifying real improvement opportunities to serve as a starting point for drawing up a Reconciliation Programme.

Equal opportunities in selection and hiring

During this year, the percentage of contracts with respect to applications received for each sex was 9 % higher in the case of women. New incorporations can come in on a salary course and develop it up to a maximum of 4 years, depending on training and experience provided. This criterion is applied on a continuous and equal basis for both sexes.

In terms of integration by people from other countries, during this year part of the workforce vacancies from the parent company were published in the subsidiary companies, giving rise to procedures to hire a TDE employee in Bolivia, which will entail a transfer to Spain for the family.





Workforce distribution by age group and sex (2007)

Equal opportunities in everyday work

During this year progress has been made in opportunities for development and promotion which has meant an increase in the percentage of women in management posts within the company, increasing from 12.6 % in 2006 to

14.4 % in 2007. Similarly the percentage of training hours given to employees for developing managers has increased as well equal opportunities in training programmes, staff appraisal and promotion actions.

Workforce distribution by sex and professional group (LA13) *

				<u> </u>											
		200	3		2004	ŀ		2005	5		2006	;		2007	7
Red Eléctrica de España	Μ	W	% W	Μ	W	% W	Μ	W	% W	Μ	W	% W	Μ	W	% W
Management staff	78	8	9.3	82	10	10.9	84	11	11.6	76	11	12.6	83	14	14.4
Senior technicians	175	81	31.6	195	87	30.9	218	103	32.1	218	115	34.5	226	116	33.9
Intermediate technicians	292	41	12.3	353	55	13.5	379	61	13.9	390	65	14.3	397	67	14.4
Specialist technicians	206	1	0.5	216	1	0.5	247	1	0.4	262	1	0.4	272	1	0.4
Auxiliary technicians	58	91	61.1	55	91	62.3	56	94	62.7	51	95	65.1	48	93	66.0
TOTAL	809	222	21.5	901	244	21.3	984	270	21.5	997	287	22.4	1,026	291	22.1
		200	3		2004	ŀ		2005	5		2006	;		2007	7
TDE (Bolivia)	Μ	W	% W	Μ	W	% W	Μ	W	% W	Μ	W	% W	Μ	W	% W
Management staff	21	2	8.7	21	2	8.7	20	3	13.0	20	3	13.0	21	3	12.5
Senior technicians	29	5	14.7	29	5	14.7	35	4	10.3	36	4	10.0	37	4	9.8
Intermediate technicians	27	1	3.6	27	1	3.6	27	1	3.6	27	1	3.6	27	0	0.0
Specialist technicians	13	0	0.0	13	0	0.0	13	0	0.0	12	0	0.0	12	0	0.0
A sustilians site also i also a	6	9	60.0	6	9	60.0	6	9	60.0	6	9	60.0	6	9	60.0
Auxiliary technicians	0		00.0												

M: Men, W: Women

* Segregated data is not available for REDESUR due to the small number of employees (17). The number of women is 4 meaning 23.5 % of the workforce.

Relation between basic salaries for men and women 2007 (LA14)

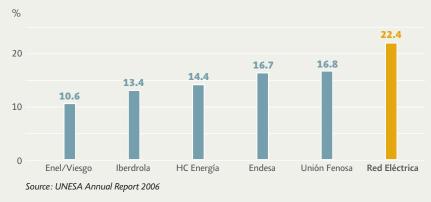
Management staff	1.01
Senior technicians	1.05
Intermediate technicians	1.07
Specialist technicians	1.15
Auxiliary technicians	0.98
Total	1.05

Other equal opportunity indicators

	R	E	TDE		
	2006	2007	2007		
In hiring ⁽¹⁾	1.20	0.95	0.00		
Voluntary Improvement (2)	1.00	1.03	-		
Promotions (3)	1.00	0.68	0.57		

Number of women contracted/ number of suitable interviews /total number interviewed/total apt
 Number of women with voluntary improvements /total no. Of women /total employees with voluntary improvement/ total workforce
 Number of women promoted/ total women/ total employees promoted/ total staff

staff



Comparison of percentage of women in electricity sector companies

Integration of the disabled

After signing the agreement with the Adecco Foundation to develop social integration programmes for the disabled through different initiatives, the Family Plan continues to operate, aimed at family members of Red Eléctrica de España employees with some degree of disability, to offer different activities to facilitate real integration into the labour and social world.

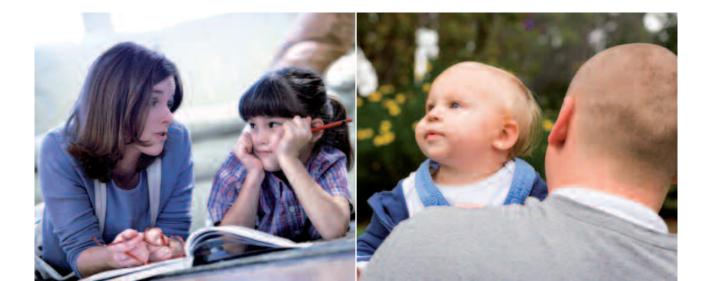
Within this framework different initiatives have been carried out throughout the year, noteworthy are those concerning training and rehabilitation actions aimed at improving short and long-term employability, as well as leisure activities to improve skills, psychomotor development and autonomy.

Another agreement signed with the Adecco Foundation was the participation of Red Eléctrica in the Support Programme for the Para-Olympic Target, whose main aim is to facilitate the human and material means necessary (grants, sports equipment, aid of international competitions, etc.) so that disabled sportsmen and women can do sports in the best conditions. Some of the most outstanding initiatives within the ADOP is the sponsorship of the Para-Olympic games to be held in Peking in 2008. Also through the Adecco Foundation and as a consequence of the commitment of Red Eléctrica to support people with disabilities in their own environment, a collaboration agreement has been signed between this foundation and the Spanish Association for the JOUBERT Syndrome to support activities being carried out by the association. During 2007 participation in the International Congress held in Texas for the JOUBERT Syndrome, was promoted.

On the other hand, Red Eléctrica España, took part in 2007 in the First Employment Fair for the Disabled, organised by the Agency for Employment and Women in the Community of Madrid. During the fair 191 candidacies were collected which then became part of the data base of candidates of Red Eléctrica to cover selection processes.

Reconciliation

For the Red Eléctrica Group, encouraging a balance between personal and professional life is a strategic objective of human resource policies, as it is the key element in retaining and motivating employees. Traditionally Red Eléctrica has developed measures which improved on the legislation in force on the matter and which are at present found within the new Act on Equality.



The new framework requires the analysis and implementation of new improvements which contribute to the effective development of reconciliation. At present, noteworthy are the four major lines where some of these measures can be found: Labour flexibility, support during maternity and paternity, social benefits and services for employees.

Labour flexibility

- Friday afternoon free.*
- Shorter working day for 3.5 months.*
- 20 % of the working day is flexible in terms of entering and leaving.
- Working calendars in agreement with working needs and the geographical areas.
- Possibility of free time for solving personal issues with the authorisation of an immediate superior.*
- Two-day leave for moving house and 3 days for a family member when travelling is not necessary and 5 when travelling is required.*
- The possibility of taking holidays at any time of the year as long as the business conditions permit.**
- Part time contracts for older employees who wish to shorten their working day or those who wish to shorten their working day for health or family reasons.**
- Three days unpaid leave per year.*
- * Only REE ** Only TDE

Support during motherhood and fatherhood

- Paternity leave for birth, fostering or adoption for 3 days or
 5 in the case of having to travel, in addition to the 13 days
 leave established by the law in force.*
- Guarantee of 100 % of the social benefits paid out by the company in all cases where reduction of working day is to look after children.*

- Allowance of 1,500 euros for adoption, birth or fostering, for mothers and fathers on lesser salaries.*
- Extension of maternity leave from week 38 of pregnancy until birth.*
- * Only REE

Social Benefits (LA3, EC3)

- Pension plan.*
- Private medical insurance for employee and family in their charge.*
- Group life and accident insurance.*
- Personal loans to attend special expenses.
- Personal loans to resolve social needs (health, housing and university studies).**
- Restaurant vouchers.*
- Nursery school vouchers.*
- Fostering and economic support for sports.
- Complement up to 100 % of salary in the case of temporary incapacity.*
- * Only REE ** Only TDE

Services

- Company canteen*
- Employee bus.
- Parking.*
- Car wash for private cars.*
- Travel agency with special discounts.
- Bank branch and ATMs.*
- Fiscal, legal and financial advice.
- Advice on retirement procedures.
- Grants for sporting activities in nearby sports centres.
- Medical service and prevention campaigns.
- * Only REE

Corporate volunteerism programme

«EnREDando» is a Voluntary Work Group which was born in 2005 with the will to drive and promote the collaboration of a greater number of professionals at Red Eléctrica in caring activities: Humanitarian, social and environmental projects.

The initiatives carried out in this area have had high levels of employee participation and have boasted the figure of the «sponsor», a top ranking manger from the company who has become actively involved in each project. Among the activities carried out during 2007 the following stand out:

Second Charity Sports Week

During June the 2nd Red Eléctrica Charity Sports Week was held with the participation of the President of the company as the sponsor. This project boasted the collaboration of the City Council of Alcobendas and Fun-dal and consisted of the participation of the employees in different sporting activities with the aim of raising funds to subsidise a project of a social nature. In addition the funds collected through the registration fee paid by each employee participating in the activity, are doubled by the company. In this direction the total amount collected reached 18,720 euros and this has been earmarked to finance the Chagas project for the charity Medicos Sin Fronteras, with the aim of helping the native Bolivian population affected by this illness caused by a deadly parasite.

Second Fair Trade Campaign

In December 2007 the 2nd fair trade market was held at the Red Eléctrica facilities in collaboration with the organisation for development SETEM. This initiative seeks to help the poorest regions in becoming less dependant and thereby achieving a fairer and more caring world. For the second time running the day was sponsored by Carlos Collantes, general manager for Transmission, and was a great success raising 2,300 euros.

Caring at Coffee time

Red Eléctrica has provided its employees with coffee machines using coffee elaborated and commercialised in accordance with the criteria of fair trade. This initiative proposed by the SETEM development charity is a very simple way of contributing to creating a fairer world, due to the sustainable development of native small communities and cooperatives, who charge a fair price for their products.

Future projects

For 2008 The Solidarity Sports Week and the Fair Trade Campaign are scheduled, together with other activities, among which stand out the recovery of an area of environmental interest meaning the involvement of the employees in the preservation of nature and the organisation of free time activities with young hospital patients.







Responsibility with society



The commitment of the Red Eléctrica Group to society is supported by three pillars (SO1):

- Transparent smooth open communications with our stakeholders through a wide relations framework which enables us to work jointly towards mutual understanding.
- Integration into the community in which our infrastructures are located through social and environmental integration programmes.
- Support to social development through participating in environmental, educational, cultural and scientific projects, paying special attention to the communities where the group carries out its activities.

Relations with our stakeholders (4.14, 4.16, 4.17)

The efforts made by the Red Eléctrica group in this field are aimed at the constant improvement of communication contents and the implementation of new mechanisms which reinforce or facilitate relations with the stakeholders.

Shareholders and investors

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

Together with the traditional participation and dialogue channels, Red Eléctrica incorporated the most advanced technologies during the previous year. Therefore, during the year, the strategic plan and annual results of the company were transmitted once more in real time through the company website with the participation of 293 users from different countries, mainly Spain, United Kingdom, the United States, Germany and Italy.

Similarly, the shareholders⁻ meeting was webcast this year and followed by some 406 users and the electronic voting system was improved, which increases the participation to 322 shareholders as opposed to 164 from the previous year and 7 in 2005. One the other hand the management team of the company has carried out presentations to institutional investors at the main stock markets in Spain, Europe and The United States.

Shareholders and investors

Shareholders Assembly	Publications		
Shareholders office and free telephone 900 100 182	Retransmission over internet o	f the presenta	ition of results
E-mail for shareholders: accionistas@ree.es	Retransmission over internet o	f the Sharehol	Iders Assembl
E-mail for Investors: relacioninversores@ree.es	«Red al día» alerts on relevant	issues	
Department of Relations with Investors	Electronic voting at the Shareh	nolders Assem	bly
Corporate web: Shareholders and investors	Satisfaction Survey		
Presentations and meeting with shareholders and investors	Investors Diary on the web		
Dbjectives 2007		Co	mpliance rate
trengthening of the participation of the shareholder in he General meeting through electronic voting			100 %
Inlargement of contents and new design of the quarterly results r	eport		100 %
Main indicators	2005	2006	2007
Aain indicators Shareholders Office visits processed	2005 1,502	2006 1,547	2007 1,517
Shareholders Office visits processed	1,502	1,547	1,517
Shareholders Office visits processed Shareholders line and email queries answered	1,502 2,737	1,547 1,754	1,517 1,278
Shareholders Office visits processed Shareholders line and email queries answered Sending of documents	1,502 2,737 4,393	1,547 1,754 5,766	1,517 1,278 5,807
Shareholders Office visits processed Shareholders line and email queries answered Sending of documents Identification of shareholders, number of records	1,502 2,737 4,393 3,564	1,547 1,754 5,766 3,713	1,517 1,278 5,807 3,813
Shareholders Office visits processed Shareholders line and email queries answered Sending of documents Identification of shareholders, number of records Shareholders and investors section on the web number of visits	1,502 2,737 4,393 3,564 73,114	1,547 1,754 5,766 3,713 117,234	1,517 1,278 5,807 3,813 153,224
Shareholders Office visits processed Shareholders line and email queries answered Sending of documents Identification of shareholders, number of records Shareholders and investors section on the web number of visits Meetings with analysts and institutional investors	1,502 2,737 4,393 3,564 73,114 198 14	1,547 1,754 5,766 3,713 117,234 234	1,517 1,278 5,807 3,813 153,224 218
Shareholders Office visits processed Shareholders line and email queries answered Sending of documents Identification of shareholders, number of records Shareholders and investors section on the web number of visits Meetings with analysts and institutional investors Visits to institutional investors	1,502 2,737 4,393 3,564 73,114 198 14	1,547 1,754 5,766 3,713 117,234 234 21	1,517 1,278 5,807 3,813 153,224 218 17
Shareholders Office visits processed Shareholders line and email queries answered Sending of documents Identification of shareholders, number of records Shareholders and investors section on the web number of visits Meetings with analysts and institutional investors Visits to institutional investors Presentation made to institutional investors (variable and fixed i	1,502 2,737 4,393 3,564 73,114 198 14	1,547 1,754 5,766 3,713 117,234 234 21	1,517 1,278 5,807 3,813 153,224 218 17
Shareholders line and email queries answered Sending of documents Identification of shareholders, number of records Shareholders and investors section on the web number of visits Meetings with analysts and institutional investors Visits to institutional investors Visits to institutional investors Presentation made to institutional investors (variable and fixed in Surveys Degree of satisfaction (0-10)	1,502 2,737 4,393 3,564 73,114 198 14 interest) 11	1,547 1,754 5,766 3,713 117,234 234 21 13	1,517 1,278 5,807 3,813 153,224 218 17 22

* In 2006 and 2007 this aspect was not assessed in companies «utilities» DJSI: Dow Jones Sustainability Indexes

Customers, business agents and regulatory bodies

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

Information access and exchange in the different processes, both technical and economic, by market agents is controlled using specific computer systems (SIOS, SIMEL, etc.). The design of these systems guarantee the **security and protec**-

Customers, business agents and regulatory bodies

tion of customer data, and no complaints have been received in this aspect. In addition, the criteria of transparency, objectivity, non-discrimination and confidentiality established by the law are applied. In the case of the electrical system operation, in accordance with the operating procedure PO9, posted on the company website. (PR3)

Management and improvement of relations

Since 1999 Red Eléctrica has had in place a system for evaluating satisfaction and detecting needs and expectations through surveys and interviews which are carried out each two years, the results of which lead to actions for improvement. From time to time, the agents of the sector are informed of the degree of furtherance of the improvements defined.

Communication channels and participation			
Ongoing anomalies management			
Consultations and complaints management			
Public website with information in real time and full contents. www.ree.es.e-SIOS			
Web for market agents specific computer systems (SIOS, SIMEL, SIOM)			
Permanent information for market agents and regulatory bodies			
Regular technical publications			
Active participation in study committees and debate forums			
Working groups and technical meetings Joint projects			
Presence in business associations (national and international)			
Benchmarking studies			
Satisfaction studies and identification of requirements			
Training of market agents in different processes			
Objectives 2007-2008		Con	npliance rate
Creation of planning monitoring groups with market agents			100 %
Implement usability on the eSIOS for the declaration to the System Operator and management of bilateral contracts			100 %
Development and implementation of a management tool for product market registers			30 %*
Creating of a communication forum with market agents CNE and MITYC			10 %*
The base of the second development of the second			10.0/ *
Elaboration of a guide where the detailing the functions and addresses for each department so that market agents can contact them			10 %*
for each department so that market agents can contact them	2005	2006	10 %* 2007
for each department so that market agents can contact them	2005 26	2006 30	
for each department so that market agents can contact them Main indicators			2007
for each department so that market agents can contact them Main indicators Number of complaints	26	30	2007 19

* Degree of project advancement. The compliance of these improvement actions is within the period ending December 2008. DJSI: Dow Jones Sustainability Indexes During this year an Action Plan 2007-2008 has been started up which comprises five improvement actions about those aspects required in the 2006 satisfaction survey. The actions are the following:

- Creation of groups to monitor planning with sector agents with the aim of sharing information and carrying out the monitoring of activities of the system operator in the area of planning for the national electrical sector.
- Implement usability on the eSIOS for the declaration to the System operator and management control of bilateral contracts to improve the management process for these contracts and for appointing the operator.
- Development and implementation of a management tool for product market registers in the production market.
- Holding communication forums with the market agents, CNE and MITYC to communicate improvements, functionality and tools of the Red Eléctrica information systems.

 Elaboration of a guide detailing the functions and addresses for each department so that market agents can contact them.

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

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

Key Satisfaction Indicators*(PR5)

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

* Biennial Studies.



pation of 20 companies from five continents and that referring to high voltage installation maintenance, with 25 international electrical energy transmission companies.

On the other hand, Red Eléctrica provides a management procedure for complaints and external queries (Ref. GQ01) related with its facilities and activities which establishes the criteria to attend, document, resolve and respond to the queries or complaints from any external customer (linked to the electrical system, market agents, administrations, regulating bodies, and in general, legal entities or individuals affected by the activities of Red Eléctrica).

During this exercise a project has started aimed at creating a customer service for stakeholders which will be in charge of carrying out a centralised follow up of all the complaints and consultations from all the external stakeholders of the group streamlining its management and facilitating the information and analysis necessary to address improvement projects for the service it renders.

With regard to TDE, a customer satisfaction evaluation was carried out this year on the quality of the electrical transport system. From the results obtained the most important is the rating granted to the electrical transport service by the large operation electrical market agents which was 80 %. Similarly the system provided by TDE was qualified as excellent by all those interviewed.

Examples of permanent committees

Electricity system operation	
Technical Control Centre Coordination Group	Market Agents
Technical wind generation Integration group	Wind/electricity companies
Technical Follow-up committee on the Iberian system operation	Market agents
Market agent committee	Market agents
Technical group for following up measures	MICT, CNE and market agents
Transmission grid manager	
Transmission grid planning follow-up group	National Energy Commission (CNE),
	Ministry of Industry, Commerce and
	Tourism (MICT) an <mark>d Market agents</mark>
International interconnections planning coordination	TSO France (RTE), Portugal (REN),
	Morocco (ONE) and FE DA
GRAI. Analysis of incidents and obtaining of improvements in protection systems	MITCY, CNE and market agents
	(generators and distributors)
Work group for accessing the distribution TG.	CNE and market agents (distributors)
Wind associations	APPA and AEE (wind)



Suppliers (EC6)

Red Eléctrica plays an important role in the electricity sector and thanks to a noticeable increase in the acquisition volume of goods over the last few years and its geographical distribution it has become a wealth conveyor and therefore an instrument for local economic development.

The purchase volume of goods and services in 2007 exceeded 1,037 million euros, representing a growth of 100 % compared to the previous year.

This increase is mainly due to the formalisation of contracts corresponding to the RÓMULO projects enabling the Balearics electricity system to be connected with the mainland via an underground cable. Without taking this project into account, the growth for the activity would have been 21 % which means an accumulated increase in the last 3 years of 53 %.

During this year acquisitions were granted to 1,279 suppliers. The main suppliers for Red Eléctrica were Nexans, Prysmian, Siemens, Sociedad Española de Montajes and ABB. Purchases from these suppliers account for 77 % of the total annual amount.

The first three were placed in the first posts thanks to the previously mentioned RÓMULO project.

Based on the location of the corporate headquarters of the company issuing the invoice, the geographical distribution of the purchases show the social and economic commitment of the company with its country of origin, given that they are mostly issued in Spain (86 %) and the European environment (14 %), mainly in Italy and Germany.

With regard to TDE, 54 % of the purchases were made through local suppliers (Bolivia): Asea Brown Boveri Ltda, Empretec, Cimec Ingenieros, Empresa Constructora Alvaflor, Sering S.R.L, Tecnoplan, Seim S.R.L and others; 29.4 % in Brazil, Venezuela, Peru, Argentina, Colombia, Uruguay, Peru Chile, Ecuador; 11.2 % in Europe; 2.9 % in The United States, Mexico and Canada and the remaining 2.5 % in other countries.

The main aim of the purchases for Red Eléctrica is to guarantee the supply of materials and services, and obtain the best conditions in terms of price, quality and contractual guarantees within the period required by the real need of the internal customer. Bearing in mind this objective and the ambitious investment and growth programme of the company, the relations with suppliers are established with a long term calling based on trust and mutual benefit.

Clarity

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

Supplier qualification

2007 saw the consolidation of the procedure for evaluating

suppliers Where the classification system RePro is defined as a previous compulsory step for possible registration by Red Eléctrica.

The qualification system ensures transparency and the compliance with the company's standards. It evaluates for each supplier, its production and economic capacity, as well as environmental criteria and occupational health and safety. The number of requests for ratings received through the specific channel of the company web page was 239, meaning an increase in activity by 41 %.

Suppliers

Communication channels and participation			
Customer service and complaints Telephone and e-mail			
Specific area of the company web. www.ree.es			
Presence in associations and working groups			
Quality agreements			
Partnerships			
Meetings			
Satisfaction studies and identification of requirements			
Working day			
RePro evaluation system			
Publication in the OJEC and the OSG			
Interchange of experiences			
Objectives 2007		Cor	mpliance rate
Transfer of CR criteria with suppliers First phase			100 %
Carrying out of the first audits within the pilot project of the working group	Auditing Committe	e	90 %
Key indicators REE (Spain)	2005	2006	2007
Number of suppliers (with purchases in 2006)	1,210	1,253	1,279
Qualified suppliers ⁽¹⁾	432	465	466
Qualified suppliers with environmental evaluation ⁽²⁾	196	200	202
Suppliers qualified with occupation health and safety evaluation	168	176	182
Surveys Degree of satisfaction (0-10)			
Of goods and services	7,9	n.a.	7.9
Finance capital	n.a.	n.a.	8.5
Key indicators TDE (Bolivia)	2005	2006	2007
Qualified suppliers	15	53	79
Qualified suppliers with environmental evaluation ⁽³⁾	0	38	64
Suppliers qualified with occupational health and safety evaluation ⁽³⁾	0	38	64
Qualified suppliers with social responsibility evaluation ⁽⁴⁾	0	0	26

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

(2) More information in the environmental responsibility chapter.

(3) The systematics were formalised at the end of 2005, thereby from 2006 objective evidence exists on the qualification.

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

Social responsibility (HR2)

Analysing the information from our classification system, where the suppliers corresponding to 48 % of the orders issued are present, we know that 14.5 % have signed the commitment of the United Nations World Agreement in CSR material and that 49 % have specific policies related with human rights, labour rights and the preventions and promotion of environmental obligations within the company.

Other significant data which can be obtained from the same source with regards the different management systems are: 84 % percent of suppliers have a certified quality management system and 44 % of suppliers possess a certified environmental management system.

Given the commitment acquired by the company in matters of corporate responsibility and conscious of the importance it has in the supply chain, a medium to long term plan of action was defined and the main company suppliers were informed about it. With the aim of applying these policies to all suppliers, the general conditions for contracting materials and services have been modified, and a new CR policy has been included.

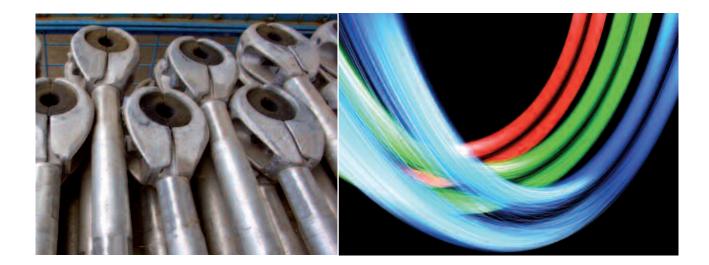
Dialogue with suppliers

During 2007 a satisfaction survey was carried out as the culmination of the quality management system for purchasing and qualifying suppliers. The results reflect an improvement with respect to the previous study in some aspects such as qualification, product homologation and supplier follow-up, maintaining the global satisfaction data on the levels previously obtained. In this study the evolution of the degree of satisfaction of the suppliers with the improvement actions implemented based on the conclusions which were obtained in the 2005 survey.

Associations and working groups

Continuing along the lines established with the RePro classification system, there has been active participation in the working group «Audits Committee» which is aimed at auditing suppliers together with other companies in the sector.

For years Red Eléctrica has been a member of the SAP User's Association (AUSAPE) and of the Spanish Association of Purchasing, Contracting and Supply Professionals (AERCE) with the interest in improving our skills and knowledge of the business environment in the area of supplies and the management systems which endure them.



The press

Responding to the criteria of information transparency and ongoing improvement upheld by Red Eléctrica, during this year different channels of communication with the press continue to improve. Noteworthy is the new press room, the enlargement of the knowledge transmission programme for journalists through the celebration of different open days and the collaboration with the Foundation of the agency Efe for awarding grants for training young journalists.

Press office

2007 saw the start up of the new press room at Red Eléctrica de España. Structure, contents and functions have been redefined, to respond to the new reality of the company and the Press Office as well as the needs of journalists.

Audiovisuals

Aware of the importance of audiovisual material the Press office has started to edit audiovisual pieces on the activities of the company such as complementary information for press releases, infographics, monographs, etc. which are available in the press room for the media.

Publicity campaign

In June and July 2007 Red Eléctrica launched a press campaign to make consumers aware of the importance of the rational consumption of electricity, especially air conditioning, from a double point of view: The individual and general economic advantages produced by energy saving and the environmental advantages for contamination and climate change. This was not an energy saving campaign but one for efficient intelligent use of energy.

The media

Working days		
Webcast of the B	oard´s press co	onference
Alert services for	press releases	
Collaboration wit	h professional	associations
Satisfaction surve	eys	
Visits to the comp	oany's facilitie	S
	Co	mpliance rate
		100 %
		100 %
		100 %
		100 %
2005	2006	2007
9,574	5,913	10,879
3,159	2,442	4,625
6,415	3,471	6,254
63	35	37
21	22	25
113	148	121
33,256	45,530	89,447
125,974	177,995	357,640
7.43	n.a.	n.a.
	Webcast of the B Alert services for Collaboration wit Satisfaction surve Visits to the com Visits to the com 9,574 3,159 6,415 63 21 113 33,256 125,974	Webcast of the Board's press of Alert services for press releasesCollaboration with professional Satisfaction surveysVisits to the company's facilitieVisits to the company's facilitie200520069,5745,9133,1592,4426,4153,4716335212211314833,25645,530125,974177,995

"Entrelíneas"

During 2007 the magazine Entrelíneas, with the collaboration of specialized journalists, dealing with energy, environmental and social issues was published on a quarterly basis. It has a print run of 4,000 copies and through the digital version 7.837 user sessions were calculated.

Training

To contribute to training young journalists in the energy and economic areas, an agreement signed with the Efe foundation was renewed with the duration of the grant being extended to two years. This grant gives the possibility of working for one year in the economy section of the press agency Efe and the other year in the Press Office of Red Eléctrica.

Further to the programme for transmitting knowledge to journalists, training courses were held for the regional press to explain how the electricity system works and the role played by Red Eléctrica. Journalists from the Canary Islands, Gerona, Aragón and Madrid attended. In addition and only for the press in Catalonia, a visit was made to the Electricity Control Centre (Cecoel).

To coincide with the General Board meeting a visit was organised for regional press journalists to the Special Regime Control Centre (Cecre).

Information-bearing activity

Press conferences have been chosen to establish direct contact with the media, following the guidelines for information transparency of the company. Ten were held in 2007 Seven on a national basis and three for the regional press.

In addition to the press conferences, contacts have been intensified with the media by facilitating their presence in special events or moments for the company, such as the visit of the President of the Government, José Luis Rodríguez Zapatero, to Cecre.

The media were also invited to the Red Eléctrica operator's school, a centre specialising in the training of electricity system operators and which is unique in Europe, and to the second electricity connection with Morocco. The inauguration was attended in both cases by Joan Clos, the Minister for Industry, Tourism and Commerce.

Finally the media, especially the visual media, were invited to the modelling exercise of recovering the electricity system after a blackout in the entire Iberian Peninsula, which was for the first time carried out jointly with the Portuguese electricity system (REN).

The presence of the company in the written media has increased in comparison to the previous year, which has meant a greater effort in preparing information for the different media, as well as organising interviews and statements.

Social environment

Red Eléctrica integrates into this category a series of stakeholders with which it relates in a continuous process of learning and innovation, maintaining the principle of transparency and mutual co-operation in this relation. The group includes educational and research centres, ecological groups, unions, councils, business institutions and associations, local communities and NGOs. To offer a suitable response to the demands and expectations, Red Eléctrica makes a great effort to establish a framework of relations that will facilitate this dialogue. During 2007, new surveys have been carried out with these groups and new mechanisms are being tested in relation with the dialogue platforms which are described in chapter 2 of this document.

Social environment

Queries and complaints Telephone and e-mail			
Corporate web. www.ree.es			
Publications (corporate, electricity, environmental, social)			
Educational channel web			
Participation in forums, working days and congresses.			
Collaboration with business, educational, social and environmental g	groups		
Meeting and agreements with public entities (local and regional)			
Visits and open days			
Participation in fairs			
Satisfaction surveys			
Objectives 2007		C	ompliance rate
Accessibility to the corporate web First phase			100 %
Extension of the contents in the education area of the web			100 %
Awareness campaign for the rational use of electrical energy			100 %
Sources of Sustainable Employment Project (SSE)			40 %
New electronic publications: Monthly bulletin, daily balance			100 %
Main indicators	2005	2006	2007
Number of complaints	57	58	49
Number of complaints per 1000 km of line	1.72	1.73	1.45
Resolving complaints (%)	89	62	100
Number of web queries	-	400	439
Number of web visits	609,503	846,269	1,088,429
Number of user sessions for publication	190,208	225,758	339,402
DSJI Rating: Social Dimension (0-100)			
Commitment with our stakeholders	95	95	87
Social Communication	89	98	82
Corporate citizen	80	85	85
Surveys Degree of satisfaction (0-10)			
Borough councils	6.8	n.a.	7.3
Social environment of the activity	7.2	n.a.	7.5
Educational and research centres	8.3	n.a.	7.7
	n.a.	7.4	n.a.
Financial and business analysts			
Trade unions	5.3	4.5	n.a.
Trade unions Business institutions and associations	5.3 8.3	4.5 n.a.	n.a. 8.5
Trade unions			

DJSI: Dow Jones Sustainability Indexes

Within the activity developed during the year, noteworthy is the follow-up of the initiatives started by Red Eléctrica to bring the company and its business activities closer to the different parliaments in our country. These initiatives are aimed firstly at visits by parliamentary commissions, and secondly the Corporate Parliamentary Programme (PEP). This programme is developed by a 10-day stay by the parliamentarian in the company, divided out throughout the year. During each visit, those responsible for the different organisational units of the company present the participants with the functions performed by their unit and share with them the challenges faced and the future perspectives.

This proximity philosophy has also been applied to educational centres through different activities such as participation in different science fairs and the improvements incorporated into the educational channel of the company web.

Corporate website

Red Eléctrica places at the disposal of the society its corporate website on internet (www.ree.es), with criteria based on transparency and ongoing improvement. During 2007 more 19 million pages were consulted during the million visits received coming from one hundred countries, as opposed to 16 million pages consulted in 2006. This significant increase in the demand confirms the growing im-

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portance of the corporate web as a communication channel with all the stakeholders.

In 2007 Red Eléctrica continued informing its shareholders of the relevant events of the company at the same time as it disseminated the information to the markets. A firm commitment has been made to new technologies to facilitate annalists, shareholders and investors, the general public internet access to the presentation of annual results and the strategic programme, as well as the live webcast of the Shareholders meeting. In addition the Shareholders Meeting was webcast for the first time entirely in English. The distance voting system, incorporated for the first time, the possibility of the delegation of voting rights and voting with electronic identification.

However, the most significant effort carried out during this year is relative to the **adaptation of the web to the AA accessible level**. Based on an accessibility audit carried out in 2006 to ascertain the degree of suitability of the web to the Web Content Accessibility Guidelines (WCAG) defined by the W3C (World Wide Web Consortium) in 2007, approximately 70 % of the contents and services were adapted. During 2008 the remaining contents and services offered will be adapted, in accordance with the accessibility criteria indicated and we will proceed with the corresponding certification.







In addition, the education area continues to be upgraded where new contents such as *ecoconsejos* are designed to foster energy saving and efficient use, infographs to understand the working of an electricity system or specific videos on the presence of Red Eléctrica in Fairs such as Madrid for Science.

Noteworthy too is the start up of the new Press Office and the elaboration of information on the electric system, such as the daily balance of electrical energy or the monthly bulletin. In addition, Red Eléctrica continues to offer information in real time on the peninsular consumption of electrical energy, the production of wind energy and market listings.

The transparency policy of the Group is also shown on the TDE web page (Bolivia) (www.tde.com.bo), which offers extensive information about the company and on the Bolivian electricity sector. In 2007 this web received 10,655 external visits, 4 % more than those registered the previous year.

Publications

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

At present 25 different publications are elaborated and distributed freely with an edition of more than 120,000 editions in 2007. To date digital versions which have been downloaded through the corporate web page must be added. Distribution of publications on the electronic format, which enables greater diffusion of information to all interested parties and are important ways of saving resources, have continued to increase in 2007 with 339,402 user sessions, 50.3 % more than 2006.

Main publications for 2007 *

- Annual Report 2006 (Spanish and English)
- Corporate Responsibility Report 2006 **
- Corporate Government Report 2006 **
- Environmental Report 2006 **
- Report of the Spanish Electricity System Advance 2007 ** Report on the Spanish Electricity System 2006
- (*) All the publications are available on electronic format on www.ree.es (**) Published in Spanish, available only on electronic format in English.

Monthly bulletin (only on electronic format) Red Eléctrica style guide Map of the Iberian Electrical System Transmission Grid 2006 Shareholders Bulletin (quarterly) Entrelíneas Quarterly magazine of Red Eléctrica Coordination of insulation in high voltage grids (book)

Environmental and social integration of projects

Red Eléctrica continues to test experiences in the integration of projects into the communities where it operates through the implementation of environmental and social participation programmes (ESPP).

The aim of these programmes is to foster the participation of all the stakeholders interested and to respond to the demands for information generated in the community to ensure that the company's project are executed with the maximum possible consensus.

At the start of a project a series of standard criteria are considered which are evaluated to determine the intensity level of the ESPP. These criteria include four fundamental aspects: the project characteristics, the environmental quality, the level of implementation of the company in the territory and the social acceptance of the project.

During this year, work has continued on the application of compensatory measures in the construction defined for the

second interconnection cable Spain-Morocco, called the REMO project. This project (declared to be of community interest by the European Union) crosses the Natural Park of the Strait (Tarifa), one of the spaces included in the Natura 2000 Grid and is one of the best examples for Red Eléctrica in relation to the integration of projects into the environment. Throughout the year the following accompanying measures of a social and environmental nature have finalised (EC8):

- Finalisation of the boulevard in Lentiscal (Tarifa).
- Street repairs on the streets of the old quarter (Tarifa).
- Lighting on Constitution Avenue (Tarifa).
- Repair of the underground piping for waste water (Tarifa).
- Study of the socioeconomic and preservation aspects of the cetaceous observation activity.

In addition, coinciding with the official inauguration of the REMO project, Red Eléctrica organised an educational classroom.

Principles of the environmental and social participation programmes

Identify the interlocutors, its perceptions and attitudes among the company and the projects developed.
Determine the most suitable channels for maintaining permanent and systematic dialogue with the interested interlocutors.
Work in the reconciliation of the environmental and social interests of the environment with the viability of the project.
Establish agreements leading to compliance of company commitments, supporting the development of the society and preservation of the biodiversity.





Environmental classroom «Preserve to live better» located on the main boardwalk on the Alameda of Tarifa which registered almost 5,000 visitors, of which 1,227 were students. This display showed all the technical characteristics of the REMO project and the environmental and social projects associated with it and which have been developed in the Natural Park of the Straits of Gibraltar. The aim of this initiative is to foster the environmental, social and economic values of this privileged area and make visitors aware of sustainable and responsible energy consumption. To do so, the youngest children from schools in Campo de Gibraltar, also had the help of the mascot «Candela» and its friends; characters who explained everything through a comic drawn for the purpose.

The ESPP are also active in other projects such as that of the new Sama-Velilla line and the underwater connection with Baleares RÓMULO. During the environmental study for the former, the course proposed by the University of León and the FAPAS Foundation presented during prior consultation. These courses have been analysed by the Biological Station of Doñana (CSIC) to identify the course of least impact. In addition, numerous institutional, social, environmental and political interlocutors were visited to present them the need for the installation and the course with least impact. Prior to the process of Public Information for the EIA a visit was made to all the Borough councils affected to present them the course which would cause the least impact.

With regards to the connection with the Balearics, the course was presented to institutional, social and environmental interlocutors, both in Sagunto (Valencia), and in Calviá (Mallorca). It was also presented to the fishing guilds.

Sustainable development projects (EC8)

These projects are part of the sustainable development projects which Red Eléctrica promotes directly to foster the integration of the company in the social, environmental and institutional network of the areas which house its installations. The aim of these projects is to promote, in territories with high ecological value where the population is decreasing, the sustainable use of natural resources, aimed at fixing the native population and attracting outside populations. This aim can only be carried out with the participation of everyone and if the communication channels and forums for citizen participation are available.

During 2007 two projects have been started up, one in the valley of Castillo de Chuecos (Murcia) and the other in the sierra de Gata (Cáceres). The main objective of the first one it to fight against the risk of fire by installing remote cameras on the Red Eléctrica Support lines and other elements which detect or make it difficult for fire to spread or facilitate it being tackled. The second, situated in the Sierra de Gata, the so-called YES Project (Sustainable Employment Sources) and is centred on Identifying economic activities which could be developed in the future, with the guarantee that they are economically profitable, that they fix the population in the territory and ensure (and if possible promote) the preservation of the natural resources of the area.

«YES» Project Sources of Sustainable Employment: Local member: ADISGATA and the Joint Communities

The aim of the Sources of Sustainable Employment in the Sierra de Gata (YES) Project consists of analysing the potential of the area to invigorate the socioeconomic structure of the area. Throughout the project work is envisaged in three specific areas:

I. Diagnosis of the present situation (Cataloguing of the business resources)

To determine the sources of sustainable employment of the Sierra de Gata the present situation of the business reality must be ascertained for the area. In this way it will be possible to ascertain the strengths and detect the possible economic activities or resources that could be exploited in the area. The central hub of this stage will be centred on the economic assets without leaving to one side the social and environmental aspect.

II. Promotion of citizen participation

For the YES project to be successful the local population will be implicated, with the aim of ascertaining their preferences and making them interested in its goal. In this sense a public participation phase will be carried out, which consists of the development of encounters with different sectorial and social groups in the area, as well as the developing dynamics to foster the entrepreneurial spirit of the area.

III. Identification of the economic activities and diffusion

The identification of activities is carried out based on the corresponding market studies to ensure the economic profitability of the activity. Possible needs are identified in human, material and financial resources. In this way, people who decide to address this type of initiative will have a guide to orientate their business strategies and economic investment.



Support to the community

Support to the community by Grupo Red Eléctrica is displayed in cooperation actions and sponsorship with specialised companies in the educational, research, environmental and social field.

Environmental protection

Taking care of and improving the natural environment are the key directives in the daily activities of Red Eléctrica. This commitment is strengthened by collaboration with other entities of great prestige that operate in the area of protecting and arousing awareness on the environment.

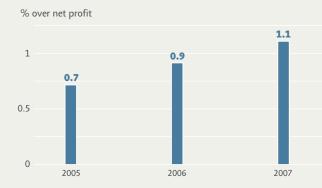
Most significant environmental collaborations Biological Station of Doñana of the Council of Scientific Research Study on the preservation of birdlife. Group for the rehabilitation of the indigenous fauna and its habitat (GREFA) Collaboration in developing activities aimed at preserving and rehabilitating indigenous fauna and its habitat. **Entorno Foundation** Collaboration agreement to promote environmental improvement by developing training and research activities in collaboration with The business world Participation in the Energy and Climate Change working group. Spanish Ornithology Society (SEO) Framework agreement for collaboration in the study of the coexistence of electrical transmission lines with birdlife preservation. Fund for the protection of wildlife (FAPAS) Support programme for environmental aspects and social perception. **MIGRES Foundation** Collaboration in activities related to the preservation of nature in general, especially migratory species. Granting of a space in the Southern Regional Branch of REE to carry out the activities of the Foundation. Official School of Physicists (COFIS) Consultancy agreement on issues within their competence, especially in the field of electric and magnetic fields. Association of Environmental Information Journalists Sponsorship for the 7th National congress for environmental journalism. Sustainability Excellence Club and Austurian Environmental Foundation Sponsorship of the website «Responsabilidad i +» where new trends in corporate responsibility are disseminated. Doñana Foundation 21 Collaboration agreement to enable the development of a pilot project on renewable energies, called Bosque Solar Solar Forest, which will be installed in the Sand Dune Park at Doñana Fundación + Árboles (foundation and trees) Collaboration in the first international encounter of Friends of the Trees. **Fundation CONAMA** Sponsorship and collaboration in the Iberoamerican Meeting for the Environment and sustainable development (EIMA 5), held in the city of Panama. **Higher Council of Scientific Research** Preservation of ocean posidonia (R+D+I projects).

Junta de Andalucía, Junta de Castilla-La Mancha, Government of Aragón, Local Government of Álava, Local Government of Vizcaya Collaboration avifauna preservation activities and fire prevention.

Distribution of the Investments in the community

1 % Voluntary programme Bodies, Institutions, associations 3 % Working Days and Congresses 48 % Social 5 % Environmental

Investments in the community over net profit



Educational development

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

In addition work is currently in progress on developing an educational programme targeted initially at students and secondary school teachers, professional training centres and pre/university centres, with the following objectives: To show the teachers and students the basic information about the electricity system, provide suggestions to tea-

chers with educational resources to help them address the contents relative to electricity and disseminate a culture of rational use of electrical energy.

Similarly, during 2007 Red Eléctrica participated in numerous seminars and working days of which the following are noteworthy: «New Technologies in Renewable Energies. Impact of Energy on the Environment (University of Cantabria), «RSC and Good Government» (University of Cantabria), «ARWtr 2007» (University of Vigo) and «Round table on Climate Change, Causes and Consequences » (Student Halls).

Main collaborations with research and educational centres

Higher Council of Scientific Research (CSIC) Framework agreement for the development of projects of mutual interest. University of Barcelona Collaboration in the Masters Degree in Social Corporate Responsibility Social Accountancy and Auditing. University Carlos III Collaboration agreement for developing a Master's course in Industrial Economy specialising in the energy sector, 16th edition. General Foundation University Complutense de Madrid Collaboration agreement for the development of the seminar Energy, «Security European and Asian Approaches». Menéndez Pelayo International University Collaboration agreement for the development of the «Electrical Energy» encounter: Guarantee for supply, sustainability and safety. University of Valladolid Programme for associate lecturers linked to companies, through which Red Eléctrica technical staff may teach within their area. Universidad Autónoma Collaboration through the awarding of grants for the Master in Business Administration for Multinationals. **Foundation of Financial Studies** Agreement for the promotion of financial studies and training activities in the financial and stock market field. Foundation for Promoting Industrial Innovation Collaboration agreement for the research into projects related with Corporate Social Responsibility in the value chain.

Alternativas Foundation

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

Solar Spain festival

Collaboration for the celebration of the Solar Spain meeting, where the development of renewable energy and especially solar was maximised. The event was organised by the press office of the presidency of the Government and the Complutense University.



Social and cultural of projects

Cooperation in this field is targeted at projects located in the areas where Red Eléctrica develops its activities. In this regard, it collaborates with different social and cultural initiatives targeted at improving the life of citizens.

Main social and cultural principles

Compañía de Jesús

Collaboration for the construction of 75 temporary homes for the victims of the Pisco and Chilca earthquake in August 2007.

Solidaridad Internacional

Collaboration agreement for development projects.

Intermon Oxfam

Agreement for carrying out an education project on electrical application in Cochabamba.

Sports Foundation in Alcobendas (FUNDAL)

Annual sponsorship for fostering local sport and the development of different social programmes, such as the introduction to sport. Immigration and the disabled «Alianza FUNDAL-UNICEF, «Educar deportivamente» education through sport and «Nosotras también jugamos» we too play.

Fundation of Rural Studies Collaboration

Agreement targeted at stimulating rural development.

Encuentro Foundation

Collaboration agreement for the development of the foundation's activities. By virtue of the agreement the donation of computer equipment was carried out. The definition of a sustainability project and the efficient use of energy which will be developed during 2008 in Las Arribes del Duero.

Ramón Rubial Foundation

Collaboration agreement to facilitate the foundation's activities. By virtue of the agreement the project a help office for the return of the Spanish detainees in Bolivia» was set up.

University Autónoma de Madrid

Collaboration agreement with the international cooperation office, for the development of the awareness activities in the Western Sahara region. Carlos III Foundation

Collaboration agreement for the development of social action carried out by this entity.

President's Office

Collaboration in the development of «II Spanish – Africa encounter: Women for a better world.

Urgent Spanish fund (Fundéu BBVA)

Agreement to foster the correct use of Spanish.

Symphonic Orchestra of Madrid (OSM)

Co-financiation of the music cycles for the Borough of Madrid for the 2007-2008 season.

Madrid Hippodrome

Collaboration in recovering the installations.

New Economy Europe Forum

Co-sponsorship for the financing of the forums with high level personalities on issues of great social interests.

European Forum Catalunya Tribune

Co-sponsorship for the financing of the forums with high level personalities on issues of great social interests.



Red Eléctrica in Bolivia

During 2007, with relation to social acceptation which TDE establishes for the execution of projects, the Carrasco-Santiváñez project has represented the most opportunity to open the new relations platform with the communities and municipalities of the tropic of Cochamba. Through the agreement with the Coordination of the Six Federations of the Tropic, TDE endorsed and clung to initiatives and projects of collective interest managed by the communities themselves.

Along these lines noteworthy is the **creation of the Intercultural University of the Tropic of Cochabamba** with resources for the infrastructure of environments and laboratories, together with the project of the new substation Chimoré on 230 kV to improve the quality, capacity and continuity of supply to tropic grid from the Troncal Interconnection System. In this aspect, TDE have also supported the Cayacayani community collaborated in the architectural study and design for the restoration of thermal baths possessed by the area.

On the other hand, TDE has collaborated in permanent national and regional training initiatives for twining institutions targeted at driving development, such as the Departmental Chamber of Industry, the College of Electrical Engineers, The Federation of Private Businesses of Cochabamba and the Bolivian Association of Maintenance, among others. The TDE commitment with education is shown through the Educational Programme of Exterior Action in Rural Areas which has been celebrated over the last four years. During 2007 benefiting 9,000 children and teachers and 83 schools directly, as well as the parents and people from these communities indirectly. In addition, the TDE Interactive Electricity Centre received visits from 1996 children and young people between the ages of 6 to 20. With this initiative, 17 educational institutions have been able to transmit to students electricity training in an educational and interactive way.

In the social area TDE participated this year in two solidarity campaigns, one for the victims of natural disasters suffered by the country and another for children with disability problems, using voluntary corporative actions, where fundraising contributions included both contributions from employees as well TDE for the common aim. Similarly, TDE has continued collaborating with different social institutions targeted at the underprivileged, such as the Good Shephard Home, The Servants of Mary and The San José Home for the Elderly.

In terms of **cultural development**, the support for artists or cultural groups, the promotion and rescue of cultural values and customs and the participation in events of national and international importance, are the main lines of action of TDE in this area. Noteworthy is the support to the Symphonic Orchestra of Cochabamba, The Philharmonic Society of Cochabamba, The Arnoldo Schwimmer Foundation, Universidad Mayor de San Simón and the Eduardo Laredo Institute together with other institutes.

TDE also participated in initiative related with environmental protection such as the «Clean Air Week» organised annually by the Cochabamba Municipality and in the area of safety collaborating with the Voluntary Rescue Group Bolivia SAR in generating mutual benefits and training activities for both the institution and the staff of TDE.

Red Eléctrica in Peru

REDESUR has been developing since 2002 an educational support programme, mainly centred on providing educational material and improvement in educational infrastructures in the centres located in communities near the company's facilities. This year 1,000 children and 25 schools have been provided with educational and material, situated in the course of the lines which link Puno with Moquegua, Tacna with Moquegua and Arequipa with Moquegua, in addition to supporting training of teachers for these centres in the improvement of reading capacity of the students. Similarly, REDESUR has sponsored the first children's painting course in Arequipa, as well as the the concert «The Magic Flute» which the Prolirica Foundation carries out in Arequipa. Noteworthy is also the creation of the Electricity Technological prize in the TECSUP technical school of Arequipa, institution with which REDESUR has a collaboration agreement from 2006.

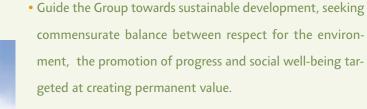
On the other side, REDESUR agreed in August in 2007 with the Development Office-Procura of the Company of Jesús, the creation of the Social Fund URALAN («Sur» in Quechua) to facilitate the management of the funds targeted to social activities and provide synergies with other companies and institutions which operate in the area of influence of the company.

Of special interest in the implication of REDESUR in the improvement of the development of the electric system in Peru. Together with the rest of transmission companies and because of their active participation in the National Mining, Petroleum and Energy Company (SNMPE), they have collaborated in developing the Transport Regulation, which is the framework established in the Law of Generation Efficiency relative to the development of the Peruvian Transport System.



Environmental responsibility





- Ensure leadership in environmental issues in all the companies in the Group in their areas of activities.
- Ensure compliance with the environmental legislation, regulations and norms applicable to the activities they carry out.
- Guarantee ongoing improvement and prevention of environmental contamination through the updating and monitoring of management systems and environmental goals.
- Promote research and the development and design of new technologies and processes in order to reduce or minimise environmental impact.
- Incorporate environmental variable in the design and development of new plans and projects for facilities or in the modifying new ones.
- Incorporate environmental resources into the process of selecting and evaluating suppliers and contractors.
- Elaborate and provide permanent training, awareness and motivation on environmental protection to achieve a more active participation on the part of the employees.
- Develop methods and channels of communication for informing and communicating with all interested parties on activities with respect to the environment.

Detailed information on the environmental management policy of Red Eléctrica can be consulted on the website: www.ree.es and in the annually published environmental report. The Red Eléctrica Group shows a clear commitment with regards to environmental protection and manifests this in its environmental policy in accordance with how it carries out all its activities. The parent company boasts an Environmental department which gives technical support to all the organisational units.

In addition, Red Eléctrica has implemented in all the companies in the Group a certified environmental management system in accordance with the UNE-EN ISO 14001:2004 standard (activities and installation located in Spain, Bolivia and Peru) and registered since October 2001, on the European community ecomanagement and auditing system (EMAS) (activities and installation located in Spain). Red Eléctrica identifies and assesses all those aspects derived from activities which could interact with the environment and produce any type of impact. These activities do not respond to a traditional productive process model and the possible environmental repercussion which derive from the presence of installations —electric lines and substations—, and the construction and maintenance work carried associated with them.

Thanks to the application of preventive and corrective measures and suitable monitoring of building and maintenance activities, the possible effects on the environment are reduced and are generally compatible or only slightly significant.

Main potential effects on the environment

Visual impact of the facilities (lines and substations) and accesses	
Occupation and limitation of the use of the land	
Effects on the vegetation (opening and maintenance of safety paths) (EN12)	
Effects on fauna (alteration of habitat in construction collision of bird in maintenance) (EN12)	
Effects on the land (basically landslides)	
Effect on the historical / cultural heritage	
Electromagnetic fields	
Noise generation	
Waste generation	
Luminous contamination	
Risk of water contamination (to water sources during movement of earth during construction)	
Risk of spills of pollutant substances (oils)	
Fire risk	



Preserving the environment

Red Eléctrica applies preventive and corrective measure to each one of the stages of its activities, so that possible effects on the environment are reduced until they become compatible or not significant.

The environment in planning the transmission grid

Environmental criteria are taken into consideration at all stages of the activity, starting at the planning stage of the transmission grid. During 2007, The Ministry of Industry, Tourism and Commerce (MITYC) in collaboration with autonomous communities have drawn up the Planning proposal for the 2007-2016 transmission grid. Given that this planning is subjected since 2006 to the Strategic Environmental Assessment (Act 9/2006 on the evaluation of the effects of certain plans and programmes on the environment), Red Eléctrica have worked with MITYC in drawing up the Environmental Sustainability Report, where they describe and evaluate the possible effects on the environment of the planning application and where different technical and environmentally techniques are included.



Actions taken during the project stage

Red Eléctrica is aware that the best way to avoid the most part of potential effects on the environment is to draw up an alternative of less impact, for this reason an Environmental impact study is carried out on all projects in new installations (whether or not they are subject by law to the Environmental Impact Evaluation procedure). Thanks to this the installation can be designed better and in the project stage the preventive and corrective measures which must be applied in the construction and maintenance phases can be defined. (EN14)

During 2007 the number of projects at a particular stage of the Environmental Impact Evaluation totalled 38 and the DIA positive statement for environmental impact from the Ministry of The Environment was positive for six line and substation projects:

2007 positive DIA projects

L/Cabra-Guadame	
S.S. Gazules	
L/Gazules-L/Alcores-Pinar del Rey	
L/Gazules-L/Casares-Puerto-Real	
S.S. Grado	
L/Salas-Grado	
L/Grado-L/Soto-Tabiella	
L/Aparecida-Tordesillas	
S.S. Jordana	
L/Jordana-L/Pinar del Rey-Tajo de la Encantada	
L/Jordana-L/Bahía de Algeciras-Los Ramos	
L/Jordana-L/Alhaurín-Pinar del Rey	

S.S. Muniesa

S.S. Mezquita de Jarque

L/Fuendetodos-Muniesa-Mezquita de Jarque

N.b.: The numerical information from pages 98 to 119 refers to Red Eléctrica de España.

Actions taken during the construction stage

Red Eléctrica defines a series of environmental requirements that must be taken into consideration for all building work. In this sense a huge task is carried out, together with contractors, to ensure that effects on the environment are a little as possible. It is especially important that preventive and corrective measure defined during the project phase are correctly applied therefore Red Eléctrica supervises the construction of new lines and substations from an environmental point of view. During 2007, 15 lines and substations have been supervised.

The measures carried out and environmental supervision is intensified when the construction is located in protected spaces. In some occasions it is impossible to avoid the effects, such as is the case of the cutting down of 20 pine trees (for fire prevention) within the SAC (Special Areas of Conservation) «Carrascoy and El Valle» in the construction of the line Nueva Escombreras/El Palmar. (EN12)

Installations built in Natura 2000* Network Areas

	2005	2006	2007
km of line constructed in SAC*/ km of line constructed (%)	1.82	1.18	5
km of line constructed in SPAs*/ km of line constructed (%)	1.82	1.18	0
Substations constructed in SAC/ Substations constructed	0	0	0
Substations constructed in SPAs/ Substations constructed	0	0	0

* Total km of line constructed in 2007: 59.43. Total substation constructed: 9 SAC: Special Areas of Conservation. SPAs: Special Protection Areas -bird-). In general, during 2007, Red Eléctrica has applied the following preventive and corrective measures:

Preventive measures

Archaeological prospection	
Hoisting of supports with jib crane (EN14)	
Removal and storing of top soil (movement of land)	
Installation of bird flight diverters - this year 33 km on new lines (EN14)	
Moving of nests (EN14)	
Biological stoppages (EN14)	
Inventory and marking of vegetation species to avoid them being affected during the work (EN13, EN14)	
Application of cicitrizants during cutting	

Corrective measures

Restoring of slopes via hydro-sowing and top soil (EN13)
Regeneration of paths
Landscaping (EN13)
Forest repopulation (EN13)

In addition work continues on the compensatory measure started in 2006 in the framework project for the second cable interconnection Spain-Morocco. This project, declared of Community interest by the European Union and financed by the EIB (European Investment Bank) and the ADB (African Development Bandk), and which is included in Natura 2000 Network.

Among the measures that have been applied this year, the most relevant are the followings:



Most outstanding preventive and corrective measure in 2007

Protection of birdlife (EN14)

L/Entronque Galapagar-Entronque S. S. Reyes*

Biological stoppage during March and September near the different nesting areas of the black stork.

L/Tordesillas-Segovia

Biological stoppage during March and September near the different nesting areas of the black stork, snake eagles, kites, hawks and the feeding area of the imperial eagle.

Protection of the vegetation

S. E. La Cereal *

Transplantation of holm-oaks situated on the substation site. (EN13)

E/S en la S. E. Galapagar * Replanting of 25 ht with indigenous species. (EN13)

L/Entronque Galapagar-Entronque S. S. Reyes * Replanting of 50 ht with indigenous species. (EN13)

S. E. Garraf

Substation situated beside the Natural Park of Garraf As the palmetto was going to be affected and this is a protected species in Catalonia - (EN12) it was transplanted to a nursery to increase its chances of survival. (EN13)

L E/S en la S. E. de Garraf y L Begues-Vandellós

In the area of the Garraf natural park 11 palmettos were affected (EN12), these were also transplanted. (EN13)

L/Zierbena-Abanto Botanical study of the course.

* Installations found in the Regional Park of Cuenca Alta del Manzanares (Biosphere reserve) and the actions were defined in collaboration with the Autonomous Community of Madrid. To carry out the installations more than one hundred of holm-oak species were cut down (EN12)

Landscaping (EN13)

S. E. Hueneja, S. E. Gazules, S. E. Jordana, S. E. Salteras, S. E. Cartaza, S. E. Trives, S. E. Salas Restoration of slopes with previously stored top soil minimizing the chromatic contrast between the deep layers and the surface layers and with hydro-sewing of indigenous species.

S. E. Brovales

Landscaping by providing topsoil and plantations of bushes and trees indigenous to the area.

S. E. Juiá

Landscaping of the environment.

S. E. El Palmar

Landscaping of the substation

S. E. Gausa

Landscaping of the substation Bunkered substation covered by the mountain 75% out of sight (project preventive measure), the other 25% has been hidden with the landscaping.

E/S en la S. E. Gazules, E/S en la S. E. Jordana, E/S en la S. E. Salteras

Restoration of all the bases of the support with previously stored top soil from the excavation phase.

L/Penagos-Güeñes

Hydro-sewing of slopes on access.

L/Puentes de García Rodríguez-Mesón do Vento, L/Pesoz-Salas y L/Robla-Lada Definition of better public accesses to the new location of the supports and regeneration of paths. Manual sowing over all the earth movements carried out.

Historical - artistic heritage protection

L/Penagos-Güeñes

Line situated in the catchment area of the Cobrante cave (cave engravings).

A vibrations study using high precision seismographs was carried out (in collaboration with the CSIC).

Compensatory measures 2007 Spain- Morocco interconnection Project -REMO- (EN14)

Assessment of the influence of the underwater activities in the marine bed of the Straits of Gibraltar National Park Collaboration with the MIGRES foundation and the diving clubs in the area of Tarifa and Algeciras. Study of the protection of the vegetation species protected for the regeneration of *Cymodocea nodosa* meadows Collaboration with the Department of Marine Biology of the Faculty of Biology at the University of Seville. Study on saltwater fish (Aphanius baeticus) endemic to the south of Andalusia in danger of extinction

Collaboration with the MIGRES foundation and the Zoology unit of the Faculty of Science of Cordoba.

Study on the migration of the Atlantic tuna (Thunnus thymus) in relation to sexual maturity and egg-laying in the Mediterranean

Collaboration with the MIGRES Foundation and agreement with the Faculty of Sea and Environmental Science of the University of Cadiz.

Ichthyologic study and inventory of the communities associated with the rocky intersea area of the Straits of Gibraltar National Park Collaboration with the MIGRES Foundation and the Biology Department of the University of Seville and an agreement with the Faculty of Sea and

Environmental Science of the University of Cadiz.

Studies on the black spot sea bream (Pagellus bogaraveo) in the straits of Gibraltar

Collaboration with the Spanish Oceanographic Institute, fishing fraternities and the University of Cádiz.

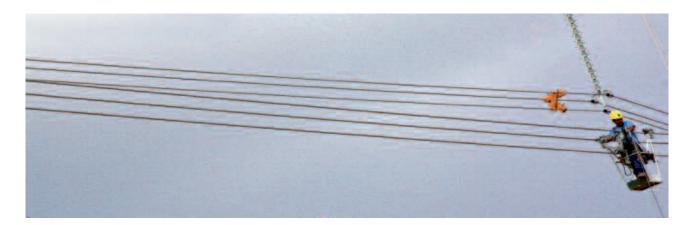
Inventory of the seasonal streams and rivers between the rivers Salado and Guadiaro

Collaboration with the MIGRES Foundation.

Within this project other complementary measures have been determined which are described in the chapter «Technical and Economical Responsibility» in this report.

On the other hand, noteworthy of all the work carried out at the TDE subsidiary is the environmental monitoring of projects in execution (Prevention and Mitigation projects) is the line Carrasco-Santivañez, whose monitoring programme has meant making 1,959 people aware, the control and analysis of 52 vehicles, 24 sound measurements and 6 measurements of particles in suspension.





Actions during the maintenance stage

Red Eléctrica's installations are situated in an extensive territory consisting of huge environmental diversity. The transmission grid must comply with its aim to join generation point and demand and in addition, for it to work properly it must be meshed. To do so it is inevitable that part of the grid is situated in protected areas. This is especially taken into consideration when it comes to establishing criteria and activities to be carried out during maintenance.

Presence of installations in Natura 2000*

Network Areas (EN11)	2005	2006	2007*
km of line SAC*/ km of line constructed (%)	13.12	12.45	14.28
Surface of SAC lines/ total SAC surface in Spain (%)	0.097	0.099	0.12
km of line SPAs line/ km of total lines (%)	9.10	9.3	11.6
Surface of SPAs lines/ total SPAs surface in Spain (%)	0.096	0.10	0.14
No. SE in SAC/Total SS (%)	8.37	7.06	8.98
No. SE in SPAs/Total SS (%)	7.41	5.7	7.3

SAC: Special Areas of Conservation.

SPAs: Special Protection Areas -bird-.

* Data variations from 2007 are not due to the increase in Natura 2000 Network installations, (Only 3 km of lines have been constructed in SAC and none in SE), but rather because during 2007 a huge georeferenced project updated inventory of installations was carried out, which will continue during 2008. Total amount of lines accounted for 2007: 25446,5. total substations: 534

Protection of birdlife (EN14)

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

2007 has seen overhead cables being marked in Aragon (within the framework project Life-Naturaleza «Adecuación de tendidos eléctricos en las ZEPAs de Aragón»), Álava (in the framework of a pluriannual contract signed with the Foral Government of Alava to make overhead cables suitable), Castilla-La Mancha y Madrid.

Noteworthy in this sense the R+D project being carried out in the Biological Station of Doñana (CSIC) on the study and analysis of the efficiency and useful life of the new scarecrow, which in accordance with the field tests carried out to date, is more efficient than the Bird flight diverters. This new model has been included in the «Ten Best Ideas to Save Nature», initiative sponsored by the Caja Rural del Sur to single out people and organisations who have most contributed throughout the year to conserving nature.

Bird flight diverters installation (EN14)

	2005	2006	2007
Total number of marked lines Kms	631	686	779
km of marked lines/km total (%)	2,84	2,89	3
km of marked lines SPAs line/km of lines which pass through SPAs (%)	10,21	9,38	7*

* This year a total of 93 km of lines have been marked, 60 km of these lines already existed-. The reduction in the percentage is due to the work on updating the georeferenced inventory of the installations. On the other hand, the supports of the electrical lines are used by numerous species of birds in feeding grounds lacking other suitable supports for hunting, resting, support for nests or refuges.

- Birds of prey: their nesting poses no risk for the species nor does it alter the normal working of the installation. During 2007 two imperial eagles' nests (*Aquila adalberti*) have been found —a species in danger of extinction based on the criteria of the UCIN (EN15)— and three partridge eagles (*Hieraaetus fasciatus*) on the supports of the lines in Extremadura. Maintenance action on these supports have been subjected to measures to ensure the conservation of the said species. (In relation with the partridge eagle an R+D+i project is being carried out at the University de Barcelona.)

In addition the collaboration project has been furthered with the Environmental Agency of Castilla y León for monitoring and the inventory of species of the peregrine falcon (*Falco peregrinus*) located in support nests of electricity transmission lines in the electricity transmission lines in the province of Valladolid.

Long-legged birds: The nesting of the white stork (*Cico-niaci-conia*) on the electrical support lines presents a large

problem for the functioning of the installations. Studies carried out to day have consisted in the design testing and monitoring of the nesting and resting deterrents (device registered as a useful public model in 2000). Monitoring of support lines occupied by stork nests during the nesting period is carried out annually. In 2007, 800 supports registered on 36 lines.

Management of equipment with PCBs

Through an analytic campaign which started in 2004, Red Eléctrica has registered 21 transformers with PCBs. (>50 ppm). It should be pointed out that only 2 of them exceed a concentration of 500 ppm.

During 2007 a programme was drawn up for the decontamination/elimination of equipment, which includes actions up to 2010. Decontamination has been carried out in two auxiliary transformers in the substation of Guillena and a power reactor in Almaraz.

Actions taken against Noise contamination (EN26)

During 2007 acoustic screens have been installed around the transformer banks in sub-station of Cartelle (Orense). The project was defined in response to the complaints the Red Eléctrica Group were receiving from the neighbours of





Reigoso (Council of Cartelle) due to noise generated by the two power transformers in this substation, situated at 300 meters as the crow flies.

The acoustic screens are 10 meters high and 100 meters long and are formed by galvanised steel panels with rockwool filling to damper the sound intensity.

As envisaged, in the areas nearest to the screen the noise levels have descended significantly and the noise levels in Reigoso have reduced some 6dB(A), which is a significant result as it is equivalent to a noise level of four times less. It should also be pointed out that the previous values 37 dB(A) were significantly below the legal limit (55 dB(A) and are now 31 dB(A). (EN26)



At present the substation is practically unable to heard from the dwellings in Reigoso, as the threshold for human hearing is around 30 dB(A), therefore the problem has disappeared.

Landscape restoration (EN13)

In the parent company in 2007 all landscape restoration was carried out during the construction phase.

Noteworthy in the subsidiary REDESUR are the adaptations to the Tacna substation (where an olive tree and a casuarina was planted to protect against erosion) and at the substation of (where a reforestation Project was developer using lúcumas (*Poteria Lucuma*) which has offered stability to the existing embankment and significantly improved the visual impact).

Environmental monitoring

Red Eléctrica carries out constant environmental monitoring and control of the most relevant environmental aspects in all its installations, following their outcome and working to minimise consequences.

REE and climate change

Red Eléctrica is among the 150 global companies who have signed the **Bali Climate Declaration 2007**, which asks the UNO to establish a legal framework to deal with climated change. This is an unprecedented business commitment and it is forecast to have an important impact on the negotiation of the Kyoto agreement.

Red Eléctrica has before it a huge challenge in the fight against climate change linked with its condition as an energy provider and carrier. Conscious of this, it has carried out the necessary work on the grid to enable the evacuation of energy generated with clean technology (renewables and combined cycles) and the high speed train service. In addition, it continues to work on integrating into the electricity system the maximum production of renewable energy safely, through the CECRE (Control Centre for Special Regime, start up in 2006). (EN6) Similarly, Red Eléctrica works to optimise the efficiency of the entire electrical system, driving demand management strategies which contribute to the reduction of greenhouse gasses. Through suitable demand management a reduction in consumption during peak hours and the movement of consumption towards off-peak hours can be obtained, thus avoiding the generation of energy using the most inefficient means and avoiding part of the greenhouse gas emissions.

During 2007 a huge effort has been made in the improvement of the knowledge profile of the electricity demand, drafting proposals, the promotion of demand management demonstrations and the participation in forums and international and national projects aimed at creating a favourable opinion about demand management in the electricity sector in the different consumption sectors. (EN6)

In this line of work on the struggle against climate change, TDE are forging ahead with a programme to promote the use of renewable energies in the rural area. In addition, it is implicated in a project to elaborate the first wind map in Bolivia, with the aim of driving this type of energy. (EN6)



Red Eléctrica has received the European Environment Award 2007-08, in the Spanish section, conceded by the Environment Foundation-BCSD Spain, for its project on the Special Regime Control Centre (CECRE), in the category «Product for Sustainable Development».

Emissions control

The activities of Red Eléctrica are associated to a series of both direct and indirect emissions. Those considered to be most relevant are monitored in order to establish action plans to reduce them.

The main direct emissions are sulphur hexafluoride (SF6) a gas used as an insulator in switchgears and gas insulated substations (GIS). Red Eléctrica works to reduce emissions and thereby carries out preventive and corrective maintenance of the equipment, adopting the best practise for handing and reusing the largest amount possible of gas. (EN18) The emissions are calculated using a leakage percentage applied to the total gas installed. In this estimation amounts are included for leakage loss and possible accidents (this year there were two in this section). It is necessary to give prominence to the percentage applied at present (2%, that used by MIMAM) is leading to an overestimation of loses. In addition, calculating emissions in this way does not reflect the possible reductions in emissions derived from the action carried out (as the wind farms are increasing). For this reason a methodology is being worked on to calculate the real emissions of SF6.

2006

2007

2005

Evolution of (SF6) installed and recovered (Kg)

	2005	2000	2007
SF6 installed	68,600	129,600	172,767
Reused gas (EN18)	389	429	484 *

* Equivalent to avoiding the emission of 10,745 tn of CO₂- EN18.

Greenhouse gas emission (tn CO₂ equivalent) (EN16)

	2005	2006	2007
Direct Emissions			
Emissions SF6 ⁽¹⁾	30,456	57,542	76,708
Emissions associated with the use of company vehicles (2)(3)	1,322	1,424	1.932(5)
Indirect Emissions			
Emissions associated with the consumption of electrical energy ⁽²⁾⁽⁴⁾	4,421	4,887	5,878
Total emissions (EN16)	36,199	68,854	84,519
Other indirect emissions (tn CO ₂ equivalent) (EN17)			
	2005	2006	2007

Due to the use of private vehicles for coming to work (Commuting) ⁽⁶⁾
 1,153
 1,382
 1,413

 Emissions due to the loss in transmission ⁽⁷⁾
 1,149,007
 1,155,396
 1,256,542

(5) 869,838 km more have been used than in previous years.

(6) Data Estimated for the Company headquarters. This estimation only enables improvement to be seen in terms of the number people who use their car to come to work.

⁽¹⁾ Taking potential global warming during 100 years. Source IPPC (Intergovermental Panel on Climate Change).

⁽²⁾ Actions taken to reduce these emissions are included in the chapter on consumption reduction. (EN18)

⁽³⁾ Source used for the calculation: GHG Protocol Initiative.

⁽⁴⁾ Source used for the calculation: International Energy Agency 2006 (corresponding to Spain 2004, mixed generation). Data for 2005 and 2006 does not correspond to the reports published in 2006; given that a variation occurred in the method for calculating electrical energy consumption — see section on consumption—. In 2007 the consumption has been considered for 1 centre more than in 2006 and 5 more than in 2005.

⁽⁷⁾ A part of the energy generated by companies does not reach the consumer but is lost in transmission. Loses are related with the situation of generation points with respect to the consumption and this is very difficult to reduce. However REE are working to identify and improve those factors which depend on their management (even though the reduction is very small). We consider this information of relevance, in the same way as the emission associated to electrical energy consumption, C0: is not emitted during REE activities as they take place at the different energy generation points. To calculate it the emission factor of the AIE has been used, corresponding to Spain (2004) energy generation points. To calculate it the emission factor of the AIE has been used, for mixed generation. The main cause of the increase in emissions derived from losses in transmission is the increase corresponding to Spain (2004) in electricity demand (2.86 %)

As regards gas emissions which damage the ozone layer, Red Eléctrica only generates those derived from air conditioning losses and these are minimum thanks to correct maintenance. There is at present equipment with R22 but this will be gradually replaced by other gases which do not damage the ozone layer (in addition to having a low greenhouse gas potential). (EN19)

Electric and magnetic fields

Red Eléctrica is conscious of the public interest and concern in the electric and magnetic fields generated by its installations. Therefore, it heeds public consultation, collaborates with the ministry and works day to day on the issue from different perspectives:

- Participating in different working groups and remaining aware of all the scientific advances and media and social innovation generated in this respect. Red Eléctrica is registered with an international information service, ELF Gateway, which informs its customers of all the innovations which appear on a world scale.
- Conscious of the values generated in its installations: REE has carried out over the last years intensive pro-

gramme where more than 2000 points were measured near their installations. Values obtained are less than those recommended by the Council of Europe (5 kV/m for electric field and 100 uT for the magnetic field), for the general public in places where they remain for a considerable length of time. Therefore, it can be stated that the high voltage installation comply the European recommendation.

- Actively supporting research: Red Eléctrica de España, in collaboration with the Institute of Applied Magnetism and UNESA finished in 2007 the project on currents induced by industrial frequency electric field induced currents into the human body. The result of which has been to obtain a calculation model of the current density induced by external fields in the body. Thanks to this it has been tested that the induced current limit fixed by Directive 2004/40/EC has not been exceeded by the Directive 2004/40/EC even when the magnetic field limit set by it as the reference level is reached (500 μT).

Sanctions and fines (EN28)

During the course of the year nine cases were resolved with a fine, five of which dating from 2006 and four from 2007.

Cases resolved with fines and the cost of the same (€)

Infringement	2005	2006	2007	
Construction of path without authorisation			100	
Construction of a house without authorisation				
Lack of maintenance for vegetation	360		91	
Unauthorised cutting and podding		6,385*	100	
Unauthorised occupation in the countryside			200	
Total cost (EN28)	360	6,385	491	
Unauthorised occupation in the countryside	360		200	

* The amount is relative to 5 cases dating back to 2006 and closed in 2007. Included is the 3,166 € which corresponds to a deposit for repairs (when finalised the excess amount will be returned).

Other environmental initiatives

Red Eléctrica develops other environmental intiatives in three different fields of action: preventive measures, optimal management of waste and consumption management mainly focused towards energy efficiency.

Accident prevention

Red Eléctrica has continued to improve its installation and procedure to prevent accidents or minimise consequences. Among potential environmental accidents taking place in the operations of Red Eléctrica, the most significant (due to frequency and potential consequences) are fires due to line failure and oil spills in substations. However, these occur on rare occasions and are generally slight thanks to the existence of preventive measures and the procedures to be followed in the unlikely event of an incident.

Fire prevention measures (EN14)

During 2007 REE has intensified cutting and selective cutting of vegetation to clean streets and the maintenance of safety distances. (It can be observed that the costs section during 2007 have doubled with regard to the previous year).

Noteworthy is the effort carried out to obtain collaboration agreements in preventing and tackling forest fires with different regions, (the aim is to cover the entire country in the medium term).

In addition, training courses have been given to forest rangers from the Environmental Protection Service (SE-PRONA), where among others, the identification of the electrical installation and the procedure for forest fires near the electricity installation were dealt with. (The aim is to extend this training to all the regional communities).

Accidents

	2005	2006	2007
Fire caused by line failure (1)	0	1	7
Fire caused by substation failure (2)	0	0	2
Leaks and spillages of hydrocarbons derived from the use of machinery (EN23) ⁽³⁾	15	5	2
Leaks and spillages of oil due to failure in filling the transformer (EN23)	0	1	0
Leaks and spillages of oil and hydrocarbons during maintenance, handling or storing of machinery (EN23) ⁽⁴⁾	5	10	7
Explosion in measurement transformers (fire and oil spill) (EN23) ⁽⁵⁾	1	4	6
Oil leak on the hydraulic section of the cable (EN23) (6)	0	0	1
Assorted explosions and accidents leading to SF6 leaks	-	-	1
Floods	1	0	0

No serious consequences produced in practically all case grazing land was burnt and in two cases clumps and trees and undergrowth of little importance.
 This type of accident was identified for the first time this year. This can lead to oil spills or SF6 leaks, depending on the type of substation (both cases have occurred). The incident of a transformer in Boimente was important, while it did not cause a large quantity of material to be contaminated with oil, the major part of the oil went into a pit (preventive measures working well), generating oil wastes mixed with water (Residue reflected in the corresponding section).

(3) In this type of accidents the amounts spilt are really small, hardly a few litres.

(4) Volumes spilt are also very small: between 10 -150 l in the majority of cases. Noteworthy is one of the accidents causes by incorrect handling of a measurement transformer in El Palmar where 1,100 l were spilt (the most serious accident of this type), they ended up on the gravel and were managed as dangerous waste. It is in these cases where we should work more on increasing preventive measures, given that they can be avoided on certain occasions.
 (5) Amounts spilled are not very large (around 100 l) as part of the oil can burn in the explosion.

(6) This is the first time that an accident of this type has been registered without a doubt this is the most significant produced during 2007. This gave rise to 14,000 l of oil mixed with water, and were suitably managed by the company carrying out the maintenance.



Preventive measures for spills and leaks (EN26)

The most important preventive measures are: preventive maintenance of equipment containing oil, putting in place of contention measures for spills on equipment which contains dangerous substances, handling equipment and contaminating substances on impermeable surfaces and the provision of material dealing with this type of accident.

In this sense, during 2007 spill contention systems have been made fit for purpose in six substations, four on power machines and two on auxiliary machines.

Waste management

Red Eléctrica's activities generate different types of waste, which are separated, stored and managed in the most effective way, in accordance with the legal requirements and contamination prevention criteria.

Due to the nature of maintenance activities: repairs replacement, oil filling, cutting and pruning, accidents etc., it is very difficult to establish production guidelines and as such minimise waste. However, Red Eléctrica tries to reduce quantities as far as possible regenerating oil from transformers, and aiming to improve their process.

During 2007, 174.5 tons of oil has been regenerated, meaning 82 % of the total oil used in maintenance tasks on transformers, percentages in line with other years, 82.8 % in 2006, 82.6 % in 2005. (EN2)

The amount of waste generated in maintenance is related with the quantity of installations in service and given that this has been increasing over the last few years, in relation with 2006, this year there are 166 km more of circuit and 127 new positions in substations, increases have also been produced in the quantity of waste managed.

The main areas of work are aimed at improving the management of waste, trying to segregate as far as possible, looking for the best option among our suppliers, and encouraging best practise through training and awareness.

Waste generated during maintenance activities

A	Amounts Managed (kg)		Type of management	
2005	2006	2007		
79,060	51,412	178,868	Treatment/elimination	
691,856	998,545	1,876,311 ⁽¹⁾	Recycling	
928,629	-	_(2)	Elimination/recycle	
72,024	73,405	78,652	Recycling	
1,253	343.6	186(3)	Recovery	
64,850	42,455	58,380	Assessment/elimination	
-	-	8,801,300 ⁽⁴⁾	Incorporation into land/ valorisation/elimination	
65	473	230	Recycling	
-	187.67	0	Recycling	
6,120	2,550	4,570 ⁽⁵⁾	Valorisation	
1,843,857	1,169,371	2,197,197		
	2005 79,060 691,856 928,629 72,024 1,253 64,850 - 65 - 65 - 6,120	2005 2006 79,060 51,412 691,856 998,545 928,629 - 72,024 73,405 1,253 343.6 64,850 42,455 - - 65 473 - 187.67 6,120 2,550	2005 2006 2007 79,060 51,412 178,868 691,856 998,545 1,876,311 ⁽¹⁾ 928,629 - - ⁽²⁾ 72,024 73,405 78,652 1,253 343.6 186 ⁽³⁾ 64,850 42,455 58,380 - - 8,801,300 ⁽⁴⁾ 65 473 230 - 187.67 0 6,120 2,550 4,570 ⁽⁵⁾	

Hazardous waste (EN22, EN24)

Used oil	72,650	168,730	95,470	Regeneration/valorisatior
Oil water mix	0	0	110,960(6)	Regeneration/valorisatior
Transformer with PCBs	459 ⁽²⁾	0(2)	2,413(7)	Elimination
Oils with PCBs	180	0	520 ⁽⁷⁾	Elimination
Lead batteries	1,102	311	338	Lead recovery/eliminatior
Nickel/cadmium accumulators	2,327	2,070	10,960	Recovery/elimination
Batteries	227	89	114	Recycling/elimination
Hazardous electric and electronic waste	35	0	269	Recycling/elimination
Florescent tubes	428	539	410	Recycling
Earth impregnated with hydrocarbons	26,940	14,253	161,151(6)	Elimination
Recipients containing hazardous substances	673	1,113	1,604	Recycling/elimination
Absorbent matter, filtering matter, cleaning rags, protection clothes contaminated with hazardous substances	663	59,287	371,184 (6)	Valorisation/elimination
Silica gel	0	733	285	Elimination
Non-halogenated solvents	29	35	325	Regeneration
Halogenated solvents	500	0	0	Regeneration/eliminatior
Watery cleaning liquid	200	0	50	Elimination
Paint waste	2	183	0	Valorisation
Isolating material (fibreglass or asbestos)	-	-	8,680	Elimination
Laboratory chemical products containing dangerous products	-	-	8	Elimination
lazardous waste total	106,415	247,343	764,741	-

(1) The majority of scrap generation is directly related with the installation programme campaign. (Data for 2006 has suffered a slight variation with respect to that published in 2006 as it has been adjusted after its publication).

(2) A change is taking place in the classification criteria and for that reason they are not reflected.

(3) Since July 2006 the correct management and replacement of equipment has been carried out be an external company. Only toner which was not scheduled in the contract was accounted for.

(4) The large majority of these were delivered to the owners or incorporated into the terrain. In addition other vegetable residues have been generated with the same end and have not been accounted. Not taken into consideration to calculate the total of non-hazardous waste.

(5) Data corrected with respect to previous reports. Refers to oil accumulated in the fat separator — which varies depending on the cleaning carried out during the year — and the kitchen oils used. (In the case of the latter amounts 2006 and 2007were estimated at 350 l).

(6) This is waste related to accidents and constitutes the most important quantities of dangerous waste. Specifically corresponding to the accident which took place in the substation of Boimente. (See the corresponding section).

(7) Corresponding to equipment managed until the end of its working life. Not on the inventory but the administration was informed.

Waste generated during construction

Non hazardous waste

Excavation surpluses
Forest waste
Rubble
Paper and cardboard
Plastics
Wood
Scrap
Solid urban waste
Hazardous Waste
Paint waste
Absorbent material and rags contaminated with dangerous substances
Earth impregnated with hydrocarbons
Recipients containing dangerous substances

When work is contracted, the waste is managed by the contractor. This is the case in building activities. Through the environmental specification the corresponding requirements are communicated and the compliance is revised during the works supervision visits through documentation control.

Consumption management, energy efficiency

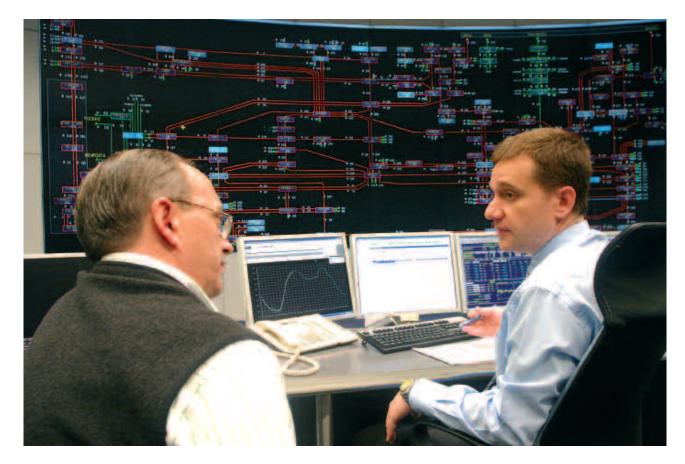
Red Eléctrica is aware of the importance of monitoring basic consumption and working to reduce it.

In the line of work to increase energy efficiency, during the year and within the framework of the SOLIDI for integration of renewable energies and efficient energy use (project included in the Corporate Responsibility Programme PRC 29), an integral energy audit was carried out on the four buildings which comprise the Red Eléctrica company headquarters. As a result of the audit a project will be carried out to integrate photovoltaic solar energy into these buildings.

The following saving measures have been implanted:

- Lighting timers in bathrooms (ensuring the light is turned off).
- Temperature regulation in offices, adapting the temperature thresholds to those recommended by the RITE





(Regulation for Technical Installations in Buildings), from 23 to 25 degrees in summer and from 20 to 23 degrees in winter.

- Acclimatisation system (reducing the acclimatisation consumption).
- Solar control strips on the windows (reduction of radiant heat input and glare from the sun).
- Installation of light sources with electronic instead of electromagnetic ballasts (saving in electricity consumption and greater robustness).
- Installation of Led type lighting as a decorative lighting system (saving in electricity consumption and greater robustness).

Implementation of energy efficiency and saving measures which generating energy saving which will be able to be quantified in the next few years. (EN5) In addition, Red Eléctrica carries out initiatives to reduce other indirect energy consumption, such as fuel consumption for transporting employees by putting a bus into service to bring employees to the work at company headquarters (Madrid). (EN7)

Water consumption in Red Eléctrica's facilities has different origins: municipal water mains, wells, tanks and cisterns maximising the use of rainwater (in the building in the Northern Branch and in some substations, for sanitary use, fire prevention and watering). (EN10)

Water withdrawal by source (% of total) (EN8)

	2005	2006	2007
Mains	91.66	95.84	91.58
Well	7.58	3.51	7.25
Cistern	0.75	0.63	1.16

Basic consumption indicators at Red Eléctrica

	2005	2006	2007
EN1. Consumption of raw materials (kg)			
Auxiliary materials			
Oil consumption ⁽¹⁾	23,472	41,242	38,575
Fungible material ⁽²⁾			
Paper consumption (printing and photocopies)	-	87,011	67,745
Paper consumption (kg/employee)	-	63	48
Paper consumption (publications)	57,526	66,166	73,173
% Publications FSC ⁽³⁾	-	-	44.3
EN3. Direct energy consumption. Fuel consumption (Jules)			
Petrol	3.98 ·10 ¹¹	6.1 ·10 ¹¹	5.92 ·101
Diesel	1.8.1013	1.89·10 ¹³	2.59·10 ¹³
Total fuel ⁽⁴⁾	1.81·10 ¹³	1.96·10 ¹³	2.65·10 ¹
ENA Indirect accurate construction Electrical construction (ulas) (5)		
EN4. Indirect energy consumption. Electrical energy consumption (J			
Hoodquarters (6)		2 65 1013	2 67 101
Headquarters ⁽⁶⁾	2.75 ·10 ¹³	2.65 ·10 ¹³	
Tres Cantos (6)	2.75 ·10 ¹³ 4.44 ·10 ¹²	4.99 ·10 ¹²	5.65 ·10 ¹²
Tres Cantos ⁽⁶⁾ Centres ⁽⁷⁾	2.75 ·10 ¹³ 4.44 ·10 ¹² 9.57 ·10 ¹²	4.99 ·10 ¹² 1.45 ·10 ¹³	2.67 ·10 ¹² 5.65 ·10 ¹² 2.29 ·10 ¹²
Tres Cantos (6)	2.75 ·10 ¹³ 4.44 ·10 ¹²	4.99 ·10 ¹²	5.65 ·10 ¹ 2.29 ·10 ¹
Tres Cantos ⁽⁶⁾ Centres ⁽⁷⁾	2.75 ·10 ¹³ 4.44 ·10 ¹² 9.57 ·10 ¹²	4.99 ·10 ¹² 1.45 ·10 ¹³	5.65 ·10 ¹ 2.29 ·10 ¹
Tres Cantos ⁽⁶⁾ Centres ⁽⁷⁾ Total electrical energy consumption	2.75 ·10 ¹³ 4.44 ·10 ¹² 9.57 ·10 ¹²	4.99 ·10 ¹² 1.45 ·10 ¹³	5.65 · 10 ¹¹ 2.29 · 10 ¹¹ 5.53 · 10 ¹¹
Tres Cantos ⁽⁶⁾ Centres ⁽⁷⁾ Total electrical energy consumption EN8. Water consumption (m ³) ⁽⁸⁾	2.75 · 10 ¹³ 4.44 · 10 ¹² 9.57 · 10 ¹² 4.15 · 10 ¹³	4.99 ·10 ¹² 1.45 ·10 ¹³ 4.59 ·10 ¹³	5.65 ·10 ¹ 2.29 ·10 ¹ 5.53 ·10 ¹ 8,240
Tres Cantos ⁽⁶⁾ Centres ⁽⁷⁾ Total electrical energy consumption EN8. Water consumption (m ³) ⁽⁸⁾ Headquarters	2.75 · 10 ¹³ 4.44 · 10 ¹² 9.57 · 10 ¹² 4.15 · 10 ¹³ 7,376	4.99 .10 ¹² 1.45 .10 ¹³ 4.59 .10 ¹³ 11,850	5.65 ·10 ¹²

(1) REE is not organised as a conventional productive process therefore the total consumption of raw materials in not calculated. As indicative data, information on oil used in maintenance is included as this is the auxiliary material of highest environmental relevance.

(2) Within fungible material the information on paper consumption is considered relevant. Work is being carried out in different lines of reduction. One of them is the implementation of a system based on one service per use, where the integral maintenance of the photocopiers is contracted, guaranteeing more efficient use. Consumption indicators (printing and photocopies) do not coincide with that provided in the 2006 memory as the calculation was redefined of the indicator and the information was recalculated retroactively.

(3) Paper certified in accordance with the FSC (Forest Stewardship Council) which ensures efficient forestry use to conserve forests.

(4) 5,895,555 km carried out in 2006 and 6,765,393 km carried out in 2007. The differences in relation with the data published in the 2006 are due to an error in the report.

(5) Data varies with respect to the previous year given that the method of calculating the indicators has been modified.

(6) These are working centres with special characteristics as electric control centres are found there, which work continuously and have special energy consumption. A specific indicator is calculated for the Headquarters where numerous reduction actions are carried out and this is considered useful to analyse the results.

(7) Refers to work centres (except Headquarters and CECOEL), which are of a different nature. Noteworthy is the fact that ever/increasing data is being collected from the centres in 2005, 9 centres, 2006, 13 and in 2007, 14 centres.

(8) Data varies with respect to the previous year given that the method of calculating the indicators has been modified. Consumption at Headquarters is separated from the rest of the work centres. Noteworthy is the fact that each time information is being incorporated from more work centres (centres of very different types) in 2005 data corresponds to 14 centres, and in 2006 to 17 and in 2007 to 20 centres.

 $1 kWh = 36 \cdot 10^5 Jules$

Relations with our stakeholders

Conscious of the interest generated by the impact of its activities on the environment, Red Eléctrica undertakes to inform and communicate in a permanent and fluid manner with all its stakeholders thorough different communication channels, such as customer service for complaints and queries, publications, collaboration agreements, awareness programmes and working groups.

External communication

Red Eléctrica places the different environmental communications channels at the disposition of the public among which the following stand out: Help and complaints line (mambiente@ree.es), annual publication of the environmental and corporate responsibility reports and a specific section on the corporate web page with extensive environmental content and which received almost 90,000 visits this year.

On the other hand, Red Eléctrica actively participate in numerous working groups, congresses and debate forums of an environmental nature which constitute an important channel for networking, exchanging experiences and learning. In addition, it collaborates with a large number of prestigious companies who work in the field of protection and environmental awareness and which are detailed in chapter 5.

Noteworthy is the training tasks Red Eléctrica have developed giving courses of an environmental nature to school children and university students and to 42 forest rangers from the Environmental Protection Service (SEPRONA) in the Region of Valencia in issues related with preventing and the actions to be taken when faced with forest fires related to electrical lines. (The aim is to extend this training to other autonomous regions).

With regards subsidiary companies, noteworthy are the tasks carried out by TDE:

- Environmental awareness programme applied in different rural schools and in the town hall of Villa Tunari.
- Participation in the «Clean air week» (national event organised by the University of Cochabamba, the Swiss cooperation company and Swisscontact).
- Use of almanacs as a divulgation medium for Bolivian nature, fauna and flora.

External communication

Working Groups	Discussion groups
Subcommittee «Environmental System Management». AENOR	Seminar on green public purchases ICLEI
Sustainable development performance indicators. CIGRÉ	Bird migration and global change. MIGRES Foundation
Environment and society. EURELECTRIC	International conference on energy efficiency.
Regulation of the law on noise Ministry of the Environment	Institute for the sustainability of resources
Working group on electromagnetic fields. UNESA	Efficient management for energy as a scarce commodity. Nuevo lunes
Environment Working Group. UNESA	Permanent sustainability reports.
Communication Strategies in Sustainable Development (WG C3 04) New 2007. CIGRÉ (International Council on Large Electric Systems)	Spanish Sustainability Observatory «New Technologies in Renewable Energies. Impact of Energy on the environment. University of Cantabria
Strategic Environmental Assessment (WG C3 06) - New 2007. CIGRÉ (International Council on Large Electric Systems)	III Working day on sustainable development . Fundación Doñana 21
Environmental Committee - New 2007.	
AEC (Spanish Quality Association)	Round table on climate change, causes and consequences. Student halls of residence
Energy and climate change Entorno Foundation	

Suppliers

Red Eléctrica consider their suppliers and contractors to be a vital link in the development of their services and for that reason extend their commitment with the environment to each one of them as an integral part of their working team.

Supplier environmental behaviour

	2005	2006	2007
Number of suppliers Environmentally certified*	213	198	195
Number of suppliers with environmental management system certificate (UNE-EN ISO 14001:2004 or EMAS registered)	78	75	78

*Here those categorised by Red Eléctrica as suppliers qualified to provide a service or supply of an environmental nature are included.

Qualified services and products

Civil work in lines and substations
Overhead conductors and grounding cables
Supervision brigade for construction and facility maintenance
Topography on lines
Handling facility procedures
Environmental engineering
Assembly and maintenance of substation equipment
Supervision of installations using helicopters
Painting support lines
Tree felling
Applying herbicides and pesticides
Supply of substation equipment (transformers, reactances)

Internal communication

During 2007, 3.34 % of the employees have received specialised environmental training —both in *on-line* courses and classroom based courses— during the total of 2,002 hours.

La labor de sensibilización va más allá del mero ámbito profesional, con ella se pretende además contribuir a mejorar los hábitos ambientales en el trabajo diario y en la vida familiar de cada empleado. Se ha llevado a cabo a través de los siguientes canales de comunicación:

- Green box. Collects proposal from employees about sustainable practise at home and at work. The best proposal is awarded a prize and the idea is incorporated the following year. 35 proposal were received in 2007.
- Internal portal «miRed». Presents the employees with environmental activities developed by the company, good practises for responsible consumption both at home and work, external events of an environmental nature and publications or environmental articles.
- Quarterly bulletin of innovation on electric and magnetic field 50/60 Hz.
- Entrelíneas magazine, quarterly publication which treats environmental issues among others.

With regards to subsidiaries, TDE during 2007 have implanted an environmental awareness programme which has been extended to the entire organisation.

Environmental training areas

Environmental Business Management
Hazardous waste management at Red Eléctrica
Works environmental supervision
Iberian Fauna and Flora
Appraisal and evaluation engineering for plant species
Environmental audits
Integrated management systems
EFQM excellence model
Climate change
Computer tools for environmental use
Communication skills and environmental forums

Environmental costs (EN30)

Environmental costs (euros)

	2005	2006	2007
Investments (1)	2,074,968.98	6,293,732.62	2,086,624.86
Engineering and construction of new facilities	2,074,968.98	6,293,732.62	2,086,624.86 ⁽²⁾
Costs	5,879,716.37	9,321,594.39	15,359,789.82
SGMA	19,811.05	7,365.73	12,131.82
Preventive and corrective measures for installations in service	4,387,809.48	7,489,289.72	13,791,959.98
Contamination prevention	326,713.67	305,488.98	430,610.98
Fire prevention	3,498,942.00	6,664,040.20	12,654,662.30
Protection of birdlife	228,796.37	225,921.67	194,255.84
Environmental improvement of facilities	42,441.61	188,903.42	403,132.54
Electromagnetic field and noise management	45,348.06	34,515.34	3,095.16
Waste management	58,144.38	70,420.11	106,203.16
Research and Development	217,744.19	355,327.92	283,641.08
Training and communication	266,392.94	451,197.98	408,741.33
Training and environmental awareness	17,500.00	38,130.00	19,476.16
Communication	248,892.94	413,067.98	389,265.17
Environmental taxes and levies	21,660.37	16,820.04	37,232.61
Expenses on personnel dedicated to environmental activities	966,298.34	1,001,593.00	826,083.00
Investment and environmental costs			
Environment Investment / Total investment in the transmission	grid 0.57	1.22	0.35
Environmental costs / Total operating costs	2.18	2.03	2.11

(1) Corresponds to the elaboration of impact studies on all projects, to the application of preventive and corrective measures, to environmental supervision on electrical construction and the application of compensatory measures of an environmental nature.

(2) The decrease with respect to the previous year is due to heavy economic investment carried out in 2006 in compensatory measures for the REMO project.

Environmental programmes

Environmental programme 2007

action areas	Tarjets Cor	npliance rate
	Unification of the documentation which makes up Environmental Impact Evaluations	100 %
Improvement in the environmental management system	Portal for inventory and environmental information management of assets of Red Eléctrica	100 %
	Environmental supervision of works	(1)
Preservation of the birdlife (EN14)	Prevention of effects on birdlife in sensitive areas	100 %
Preservation of the vegetation (EN14)	Prevention of effects on vegetation. Definition of criteria for the elaboration of felling and pruning programmes	100 %
Environmental criteria for planning	Development of the environmental criteria for environmental evaluation of the electricity transmission grid	(2)
	Updating of environmental inventory of Red Eléctrica's assets	100 %
Reduction of accidental dumping risk (EN26)	Actions in substations for the prevention of contamination of the ground by pov equipment, auxiliary transformers and expansion tanks	/er 50 % ⁽³⁾
Emission control improvement (EN26)	Action to reduce noise in substations	(4)
Waste management	Revision of the final management of waste management in maintenance and improvement proposals in its case	(5)
Consumption control	Implementation of consumption control measures for natural resources	(6)
Supplier environmental qualification	Environmental awareness of suppliers	40 % (7)
Training	Increase to 8 % the number of employees who receive environmental training	(8)
Communication	Improvement in the relation with interested parties	57 % ⁽⁹⁾
Communication	Flora and Fauna Guides	100 %
Environmental responsibility	Adaptation of Red Eléctrica to the future law on environmental responsibilitie	s 50 % (10)
otal compliance of the programme		54%

(1) Not addressed due to redefinition of the same. Moves to 2008 within the objective "Revision of the environmental criteria of the construction process".

(2) Eliminated from the programme as it is considered in the EMAS 2006 audit as a legal requirement.

(3) Will continue into 2008.

(4) Moves to 2008 within the objective "Improvement in the design of substations".

(5) Not addressed due to redefinition of the same. Its inclusion has not been considered in the 2008 programme.

(6) Not addressed due to redefinition of the same. The issue will be dealt with in the framework "Creation of an efficient Red Eléctrica Group".

(7) Will continue into 2008.

(8) Not addressed due to lack of resources. While this will be worked on, it has not been considered as such in the 2008 programme.

(9) Will continue into 2008.

(10) Will become a legal requirement.

Environmental programmes 2008

Action areas	Tarjets
Improvement in the environmental management	Portal for inventory and environmental information management of Red Eléctrica's assets: Development of 2 new computer applications for the environmental management
system and processes	Improvement in the design of new substations: Integration of environmental criteria in the engineering substation standardisation
	Revision of the environmental criteria of the construction process
Environmental inventory	Updating of the environmental inventory of Red Eléctrica's assets: 60 substations and incorporation of environmental criteria on road maps for line maintenance
Preservation of the birdlife (EN14)	R+D+i for nature conservation: birdlife
Reduction of accidental spillage risks (EN26)	Actions to improve substation for the prevention of ground contamination: activities scheduled for 18 power machines; 16 auxiliary machines; 8 fuel tanks; 5 machines with leaks; 9 on ground cleaning; 19 on storage and waste and equipment management; 2 on adequateness of the waste storage area and 7 on compressors
Emission control improvement (EN18)	Improvement in the integral management of SF6. Reduction of emissions
Consumption control (EN7)	Creation of and efficient «Red Eléctrica Group»
	Supplier environmental awareness: e+5 training for qualified suppliers qualified with level 4 and training works supervisors and managers
Relation with stakeholders	Environmental awareness of the interested parties SEPRONA (EN14)
	Encouraging good environment practise in construction, gardening and cleaning contracts

Environmental indicators subsidiary companies

Key environmental Indicators TDE in 2007

Environmental objectives	2006	2007
Compliance with the environmental programme (%)	100	98.27
Effect on protected areas. Impact on Biodiversity (EN11)		
km of line constructed in protected spaces/ km of line constructed (%)	0	0
Consumption of natural resources		
Total electric consumption ⁽¹⁾ (kWh)	1,100,280	825,865
Total electric consumption ⁽¹⁾ (Jules) (EN4)	3.96 ·1012	2.97·10 ¹²
Electric consumption ⁽¹⁾ (kWh/employee)	9,169	6,940
Total water consumption ⁽²⁾ (m ³) (EN8)	11,309	13,185
Water consumption ⁽²⁾ (m ³ /employee)	94	111
Total fuel consumption of the vehicle ⁽³⁾ (litres)	119,190	142,618
Total fuel consumption of the vehicle ⁽³⁾ (I/car)	3,222	4,074
Vehicle fleet performance (litres consumed/100 km)	6.05	6.60
Fuel consumption of electric generators in sub-stations (litres)	680	36
Total fuel consumption (Jules) (EN3)	4.43 ·1012	5.28 ·1012
Greenhouse gas emission		
Direct emissions - fuel consumption - (tn CO ₂ equivalent)	323,648	385,166
Indirect emissions - derived from electricity consumption - (tn CO ₂ equivalent)	591	443
Total emissions (tn CO ₂ equivalent) (EN16)	324,239	385,609
Waste generated (amounts managed Kg) (EN22)		
Non hazardous		
Municipal waste	15,045	11,219
Plastic waste	656	324
Paper waste (Cardboard, newspapers, magazines)	2,144	2,030
Hazardous		
Cartridges and printer toner (Units)	105	193
Dry cell batteries and batteries	282	25
Sanitary and out of date medicine	2.1	1.85
Miscellaneous solids impregnated with dielectric oils	120	33
Accidents (oil and fuel spills) (EN23)		
Total number of environmental accidents	Ninguno	Ninguno
Training and environmental (awareness training)	0.	0
Percentage of employees who have received training in environmental matters	92	100
Number of external people who have received information in environmental areas during project executi		1,176
Environmental communication with the interested parties		2)27 0
Number of environmental queries	3	1
Number of environmental complaints	1	_
Supplier/subcontractor environmental behaviour	-	
Number of qualified suppliers	53	79
Number of suppliers with environmental evaluation	38	64
Number of suppliers contractors with SGMA certified ISO 14001	15	15
Sanctions and fines (EN28)	15	19
Number of sanctions and cost of the important fines		0
	-	0
Annual investment costs (EN30)	0.426	
Environmental Investment (USD)	9,426	
Environment Investment / Total investment (%)	0.05	-
Environmental costs (USD) ⁽⁴⁾	30,258	41,663
Environmental costs / total costs (%)	0.34	0.42
Environmental taxes (USD) ⁽⁵⁾	Not applicable	Not applicable

(1) Data from Headquarters, regional centre of Valle Hermoso, Potosí, Oruro, Santa Cruz and the warehouse at La Maica.

(2) Data from the pubic and private grid.

(3) The fleet has a total of 37 vehicles.

(4) Environmental monitoring, Environmental follow/up and Environmental impact.

(5) Bolivian legislation does not make provision for environmental taxes.

Key environmental Indicators REDESUR in 2007

Environmental objectives	2006	2007
Compliance with the environmental programme (%)	86	89
Effect on protected areas, Impact on Diadius/sity (EN11)		
Effect on protected areas. Impact on Biodiversity (EN11) km of line constructed in protected spaces/ km of line constructed (%)	0	0
	0	0
Consumption of natural resources		
Total electric consumption (kWh)	130,846	135,814
Total electric consumption (Jules) (EN4)	4.71·10 ¹¹	4.89 ·10 ¹¹
Electric consumption (kWh/employee)	8,723	7,989
Total water consumption (m ³) (EN8)	1,149	1,020
Water consumption (m ³ /empleado)	77	60
Total fuel consumption of the vehicle (litros)	3,475	3,060
Total fuel consumption of the vehicle (l/car)	1,390	1,530
Fuel consumption of electric generators in substations (litres)	996	768
Total fuel consumption (Jules) (EN3)	3.97·10 ¹⁰	3.06.1010
Greenhouse gas emission		
Directs emissions — Fuel consumption — (tn CO ₂ equivalent)	2,895	2,236
Indirect emissions —derived from electricity consumption— (tn CO ₂ equivalent)	26.95	27.98
Total emissions (tn CO ₂ equivalent) (EN16)	2,922	2,263
Waste generated (amounts managed Kg) (EN22)		
Non hazardous		
Municipal waste	693	639
Paper waste (Cardboard, newspapers, magazines)	-	41
Hazardous		
Cartridges and printer toner (Units)	17.7	11.46
Dry cell batteries and batteries	0.5	0.93
Sanitary and out of date medicine	-	2.5
Miscellaneous solids impregnated with dielectric oils	27	27.6
Accidents (oil and fuel spills) (EN23)		
Total number of environmental accidents	-	_
Training and environmental awareness training	25	
Percentage of employees who have received environmental training	35	35
Environmental communication with the interested parties		
Number of environmental queries	0	1
Number of environmental complaints	0	1
Supplier / subcontractor environmental behaviour		
Number of suppliers	10	10
Number of suppliers contractors with SGMA certified ISO 14001	1	1
Sanctions and fines (EN28)		
Number of sanctions and cost of the important fines		
Annual investment costs (EN30)		
Environmental Investment (USD)	-	-
Environment Investment / Total investment (%)	-	-
Environmental costs (USD)	-	38,000
Environmental costs/ total costs (%)	-	2.53
Environmental taxes* (USD)	-	-

Report parameters

Profile, scope and coverage (3.1-3.2, 3.3)

Based on the principle of materiality and exhaustiveness, this corporate responsibility report aims to offer the relevant information on the social, environmental and economic impacts of our company during 2007, and with respect to the majority of indictors, its evolution over the last five years. This report which Red Eléctrica has been publishing every year since 2002 has been drawn up and validated in accordance with the recommendations of the Guide for drafting sustainability reports (edition 2006 -G3-), edited by the *Global Reporting Initiative (GRI)* and for the fourth consecutive year it has been checked in accordance with the standards AA1000.

In keeping with the requirements of the G3, the team responsible for defining the contents have paid special attention to the stakeholders, integrating the majority of their proposals with emphasis on the contributions received from bodies and entities that disseminate and evaluate CR.

With regards to coverage this report includes the main activities and results of the company's major business activity: the electrical business in Spain, the Parent company Red Eléctrica de España, S. A. (REE) which constitutes the large part of the company's turnover, 96 %. In addition, a significant effort has been made to provide data on the subsidiary company Red Eléctrica internacional and its dependant companies, especially TDE (Bolivia) and to a lesser degree REDESUR (Peru) which is participated in with 33,7 %, a small company (17 employees) to show the breakdown of certain indicators. (3.5-3.8, 3.11)

The financial information for the last four years has been prepared in accordance with the international financial Information Norms (NIIF), which came into force in 2005. The application of these norms means a change in the valuation criteria and the presentation of the consolidated financial statement as compared to the norms applied previously and therefore the 2004 figures have changed somewhat with respect to those published during than year, and are not homogenous with those of the previous year (3.10). With respect to significant changes in terms of ownership and size of the company, changes have occurred in the shareholders of Red Eléctrica de España as they have sold their share of the electrical companies (Iberdrola 3 %, Endesa 2 % and Unión FENOSA 2 %). On the other hand Red Eléctrica de España and Redes Enegéticas Nacionais (REN) have formed a strategic alliance which anticipates mixed participation by the shareholders of both companies. Red Eléctrica has embodied this agreement with the purchase during this year of 5 % of the share capital of REN. (2.9, 3.11)

Additionally, this report gathers information on some of the actions and results which prove the commitment of the organisation with the compliance of and support for human rights and labour rights. In this direction a list of the 10 Principles of the United Nation's Global Compact is included, together with the associated GRI indication and their location in the document.

It should be added that this report is based on the three volumes published by the Red Eléctrica Group, which are distributed jointly in a box containing the information for 2007 (Annual Report -legal documentation-, Corporate Governance Report and Corporative Responsibility Report), and are completed with the information on the website (www.ree.es).

For any clarifications and additional information about this publication or the validation and verification report, please contact the addresses which are indicated at the end of the document. (3.4)

Independent verification (3-13)

The information systems used to provide the data and the results included in this report are subjected to different internal and external control, supervision and auditing processes. The contents of this report have been checked by an independent auditing firm. The corresponding verification process is included at the end of this chapter. The verification process comprises the following milestones:

- Verification of the process used to draw up the corporate responsibility report based on the AA1000 AS standard.
- Verification and classification of the degree of compliance with the G3 guide proposed by the Global Reporting Initiative.

Furthermore the economic and environmental data have been subjected to an external audit and are published in greater detail in the company's Annual Report and Environmental Report for 2007. (3.9)

Red Eléctrica have followed the protocol established by the GRI and has submitted its self-evaluation to verification by SGS. This was finally confirmed by the auditing firm as A+. Similarly, the report has been revised by the GRI, which awarded it with the maximum level of application A+.

GRI application level (G3)

	С	C+	В	B+	Α	A+
Self evaluation (REE)						GRI REPORT
External evaluation Independent Consultant						GRI REPORT 3rd PARTY CHECKED
GRI evaluation						GRI REPORT GRI CHECKED

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To facilitate the identification of the indicators required by the Global Reporting Initiative, in drawing up the report, references are included (-.-) corresponding to the indicator codes, as shown in this table.

Notes for the GRI indicator table

1 Not applicable. No direct effect on ecosystems due to water consumption.

- 2 Not applicable. These emissions are not generated directly.
- 3 Not applicable. Red Eléctrica has no dumping acitivites associated with productive processes.
- 4 Not applicable. No water tipping takes place.
- 5 Not applicable. No products exist.
- 6 Not applicable. No impacts are considered other than those indicated in EN3, EN4, EN16 and EN17.
- 7 The document of Red Eléctrica on general contracting conditions (available on the company website) establishes in section 19 referring to Corporate Responsibility, the respect for the Global Principles Compact and Human Rights in carrying out its activities whether they be carried out by its own personnel or subcontracted personnel.
- 8 All employees have been informed of and trained using the ethical code on ethical principles which must rule their daily activity, in which are specifically included the criteria and procedures to be carried out to comply strictly with human and labour rights. Another of the aspects on which employees have been trained is the policy and measures of anti-corruption, especially in those organisational units most involved.
- 9 In 2007, no complaints or incidents associated with discrimination were recorded.
- 10 The activities carried out by the company are characterised for being intensive in highly qualified human capital making it highly unlikely for there to appear any problems related with human rights, such as child and forced labour, or freedom of association. In addition the management system certification based on the SA800 standard verifies that these human and labour rights are guaranteed.
- 11 No incidents related to the infringements of the rights of the indigenous people have been registered.
- 12 No contributions have been made to any political parties.
- 13 No legal claims exist related to acts taken against the competition, anti-monopolistic legislation and monopolistic practices.
- 14 On the 23rd of July 2007 a incident was sparked off by a 10 kV grid distribution cable, belonging to FECSA Endesa falling on the 220 kV cable of Red Eléctrica at the Collblanc substation (province of Barcelona), which then spread to other substations, specifically to Urgell and Maragall (also situated in the Province of Barcelona).

As a result of the power cut in Barcelona the CNE and the Generalitat de Cataluña have opened an investigation, and in the case of the Generalitat it gave rise to a disciplinary action which is at present in the process of allegation. Similarly, legal proceedings could be started by third parties which would have economic consequences for the Company.

In accordance with the Act 54/1997 for the Electricity Sector, modified by Act 17/2007, of 4th of July, the maximum sanction that could be imposed would be 30 million euros. Notwithstanding Red Eléctrica have rejected their responsibility in this electricity outage.

15 No incident related to the health and safety of clients has been registered.

- 16 Not applicable The products of Red Eléctrica are exempt from labelling.
- 17 Red Eléctrica does not have any campaigns for advertising or commercial purposes.
- 18 No claims have been filed with regards to infringements of customers' rights to privacy or the theft and loss of data.
- 19 Not withstanding that indicated in paragraph S08 above, no significant fines have been imposed due to breach of laws and provisions regulating the supply and use of products and services.

United Nations Global Compact (3.12, 4.12)



The Red Eléctrica group is adhered to the United Nations Global Compact; an ethical commitment agreement aimed at ensuring that companies from all countries accept, as an integral part of their strategy and operations, ten principles of conduct and action with respect to Human rights, Labour, the Environment and Anti-Corruption.

Red Eléctrica is a founder member of the Spanish Global Compact Association (ASEPAM) and continues to advance in the adoption of these principles through the annual presentation of the Progress Report of ASEPAM. In 2007

this Report was sent through the computer application designed for the Spanish network to render an account of the advances in the effective compliance of the ten ethical behaviour principles. The full report of Red Eléctrica can be consulted on the web page of Pacto Mundial (www.pactomundial.org). It should be pointed our that this year Red Eléctrica was one of this five companies invited to participate in the annual working meeting which was held in Geneva on the Progress Reports which companies present and the compliance of the expectations of the stakeholders.

Aspects	Global Compact Principles	Direct GRI indicators		
Human Rights	Companies will support and respect the protection of the fundamental human rights, recognised internationally within their scope of influence.	HR1-9, LA4, LA13-14;SO1		
	Companies will ensure that their companies are not involved in any infringement of human rights.	HR1-2, HR8		
Labour rights	Companies will support freedom of association and the effective acknowledgement of the right to collective bargaining.	HR5; LA4, LA5		
	Companies will support the eradication of all types of forced labour or labour carried out under coercion.	HR7, HR1-3		
	Companies will support the eradication of child labour.	HR6, HR1-3		
	Companies will support the abolition of discrimination at work and in occupation.	HR4; LA2, LA13, LA14, HR1-2; EC5, EC7;LA3		
The environment	Companies will maintain a preventive approach that favours the environment.	4.11-12, EC2, EN26		
	Companies will encourage initiatives to promote greater environmental responsibility.	EN2, EN5-7, EN10, EN13-14, EN18, EN21-22, EN26-27, EN30, EC2; EN1, EN3-4, EN8-9, EN11-12, EN15-17, EN19-20, EN23-25, EN28-29; PR3-4		
	Companies will favour the development and diffusion of technologies that respect the environment.	EN2, EN5-7, EN10, EN18, EN26-27, EN30		
Anti-corruption	Companies will work towards eradication of corruption in all its forms including bribery and extortion.	SO2, SO5		

Contact (2.4, 3.4)

For any consultation, opinion or suggestion about this report, please contact:

Red Eléctrica de España, S. A. Corporate Responsibility and Institutional Relations Paseo del Conde de los Gaitanes, 177 28109 Alcobendas . Madrid

Telephone: 91 650 85 00 / 20 12 Fax: 91 650 45 42 / 76 77 responsabilidadcorporativa@ree.es

This document is available in electronic format on the corporate website of Red Eléctrica www.ree.es

SGS	VERIFICATION REPORT
SCOPE	
	arried out, commissioned by Red Eléctrica de España (ahead REE) ument INFORME DE RESPONSABILIDAD CORPORATIVA 2007
	es the text and data contained in the reference document; no eferenced and not introduced in the document
INDEPENDENCE	
SGS has not participated nor advise independent verifier, checking the ade	ed document and its elaboration is the sole responsibility of REE d in the elaboration of the verified document, only participating a equacy of the document content ion and the opinions contained in it is the sole responsibility of SGS
VERIFICATION	
Methodology and verifier team	
consists on audit procedures accor	developed by SGS for the Verification of Sustainability Reports, this ding to ISO 19011 and verification mechanisms according GR surance Standard (2003), these include:
 Interviews with the personnel res Documents and records review (Verification of data and its validation 	
Particularly, for this verification the di the annual accounting audit carried of	ata of the economic area were assessed against the certification o ut by Price Waterhouse Coopers
Those are described in INFORME DE Pages 124 of INFORME DE RESPO	ment of 2007 commitments have been valuated by verification team RESPONSABILIDAD CORPORATIVA 2006 INSABILIDAD CORPORATIVA 2007 related GRI Indicators. Those or significant missing indicators once the review has been done
Verification team is composed by SGI	S staff
 D * María Belén de Rába D * Isabel López Guerren D. Álvaro Rodríguez de R 	
Verification team was assembled t accomplishment of this task	based on their knowledge, experience and qualifications for th



VERIFICATION REPORT

IMPROVEMENT AREAS

- Should be appropriated to include targets focus in 2008 for Shareholders, Investors, Suppliers and Social Environment
- Should be necessary to amplified information and data from branches and affiliates undertaking and participating interest

STRONG POINTS

- REE is certified in SA 8000 since 2005. Scope has been extend to Bolivia branches in 2007. REE is a
 partnership of Global Compact
- REE has a strong commitment with Environmental Management, working unrest less to reduce significant impacts due to REE activity. Red Elèctrica de España is certified in ISO 14001 and EMAS. Remarkable is REE participation in 2007 Ball Climate Declaration and Carta Iberoamericana para la Gestión Sostenible
- There is a strong point 2007 targets achievement from every GRI Guide Area. Analysis data shows
 positive trend comparing 2006 data
- There is a very important work to include in Social Responsibility Report 2007 information and data about branches and affiliates

CONCLUSIONS

505 10

Based on the verification carried out, the SGS verification team considers the following:

- INFORME DE RESPONSABILIDAD CORPORATIVA 2007 REE, contains reliable information and data, these are a coherent representation of the activities and its results for the period reflected in the document, which has been elaborated according to the requirements of Sustainability Reporting Guidelines G3 2005 from Global Reporting Initiative (GRI), and AA1000 Assurance Standard (2003).
- The GRI Application Level declared by REE (A+) is appropriate
- REE has implemented management systems to identify and respond to social, economic and environmental impacts of its activities, including identification and answer to stakeholder views

Maria Belén de Rábago Madrid, 23 de abril de 2008 SGS ICS Ibérica, S.A

S IBÉRICA, SA	Trespaderne 29	28042 Madrid	134 91 3138115	134 91 3138102	www.sgs.es	
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