



RED
ELÉCTRICA
CORPORACIÓN

Tax Strategy of the
RED ELÉCTRICA GROUP

30 June 2015



TAX STRATEGY OF THE RED ELÉCTRICA GROUP

2.1 Objective

Establish the principles and guidelines of the tax strategy of the Red Eléctrica Group, in order to define the approach regarding tax matters, as well as its consistency and alignment with the Group's strategy.

2.2 Scope of applicability

The scope of applicability of the tax strategy encompasses all companies of the Red Eléctrica Group and includes the following tax obligations:

- ✓ Compliance with the obligation to declare and satisfy own and taxes borne.
- ✓ Compliance with the obligation to declare and satisfy taxes collected and paid on behalf of third parties.
- ✓ Compliance with tax information obligations.

2.3 Recipients

The tax strategy is aimed at the Red Eléctrica Group, being of special relevance for the Board of Directors and its Audit Committee, the CEO, the Management Committee, the Office of the Chief Financial Officer, the Economic Department, the Tax Department, the supporting business units and departments.

In this regard, the tax strategy shall be available to all employees of the Red Eléctrica Group via the miRED corporate portal.

In relation to other stakeholders, the tax strategy shall be available on the corporate website (www.ree.es).

2.4 Tax strategy overview and values

The Group's vision is to be a leader in power transmission and the operation of high-voltage electricity grids, recognised worldwide for offering a service of the highest quality and security, carrying out ethical, responsible and sustainable management, backing R&D+i and generating value for all its stakeholders, while remaining committed to the environment.

Similarly, Red Eléctrica's leadership in the Spanish electricity system will be used to develop and enhance other areas of activity that sustain the growth of the Group. In line with the above, the vision of the tax strategy is summarised as follows:

"Manage tax matters in a manner that is transparent, proactive and responsible towards all stakeholders, in order to comply with tax legislation and minimise reputational risk, making it compatible with the protection of shareholder value".



Moreover, the tax strategy is consistent with the Group's Strategic Plan insofar as it is based on the ethical corporate culture and the Group's effort to be considered as a reference regarding best practices in social responsibility and corporate governance.

The tax strategy is based on three core values: transparency, good governance and accountability.

Transparency

Relating to the voluntary provision of clear and truthful information, in order to provide, with the utmost transparency, the necessary information to financial markets and other stakeholders, and to comply with legal and tax requirements.

Good governance

Principle of excellence in the actions adopted by the Group, in all matters related to corporate governance.

Responsibility

Associated with the commitment to fulfil the obligations and functions entrusted to achieve the desired economic value and return, in addition to promoting the economic, social and environmental development of society and among the stakeholders involved in its activities, as well as the fulfilment of the tax laws in the countries in which the Red Eléctrica Group operates.

2.5 Principles and action guidelines regarding tax matters

The principles and guidelines that establish the framework for action in tax matters are the following:

- ✓ Commitment to compliance with tax legislation and tax obligations, through an updated study of changes in tax regulations.
- ✓ Decisions shall be taken based on the best interpretation of the tax regulation, taking into account the criteria of the Public Administration. In case of any discrepancies with such criteria, decisions are always based on the best interpretation according to Law and/or resolutions and judgments of administrative bodies or courts of justice.
- ✓ No companies shall be created in territories considered as tax havens with the aim of evading taxes. The activity carried out in such places, if any, shall be related to those associated to carrying out the Group's functions.
- ✓ In those cases in which, according to the applicable regulations, there are several tax alternatives to achieve the same business purpose, the one that is more efficient from a business point of view following a prudent tax risk management shall be chosen.
- ✓ Activities are managed with adequate identification, valuation and control of tax risks, establishing the adequate mechanisms for the hedging, prevention, reduction and monitoring of the same, managing the reputational factor associated with them.



- ✓ The tax aspects and risks regarding investments or transactions that are strategic or have a special tax risk due to their high cost or special characteristics, shall be submitted to the Board of Directors for their approval.
- ✓ The contribution to the economic and social development derived from the Group's tax contribution, made by means of the payment of taxes, both borne and collected, in all the territories in which it operates, is considered relevant.
- ✓ Relations with the Tax Administrations, presided over by the principles of transparency, cooperation, trust, good faith and mutual loyalty, shall be fostered, following the recommendations of the codes of good tax practices implemented in the countries in which the Red Eléctrica Group carries out its activity, in order to reduce significant tax risks and prevent those conducts that may generate them.
- ✓ Information and documentation considered important for tax reasons which may be requested by the competent Tax Administrations, shall be made available in a precise, punctual and complete manner.
- ✓ Tax information shall be drafted for internal management and the fulfilment of external requirements, in order to support decision making, provide with the utmost transparency the necessary information to financial markets and other stakeholders, and comply with legal and tax requirements.
- ✓ Those responsible for the activities regarding tax matters shall be integrated into the business, and in the decision making that requires a prior assessment of the associated tax impacts, based on that set out in the Tax Risk Management and Monitoring Policy.
- ✓ The Units responsible for tax affairs, shall be provided with the appropriate means, and, in particular, high-value professionals capable of complying with the provisions of this tax strategy in order to be considered as one of the best practices in this field. In those cases where additional support may be required, the support of external tax advisors will be sought.

2.6 Corporate tax governance

The Board of Directors of the Red Eléctrica Group determines and approves the tax strategy set out in this document.

Additionally, the Board of Directors of the Red Eléctrica Group fosters the monitoring of the principles, guidelines and good practices related to tax matters set out in the Group's tax strategy by all the companies integrated into the Group.

To ensure proper compliance with this tax strategy, the Red Eléctrica Group has implemented the following system:

- ✓ The Audit Committee is responsible for supervising the Tax Risk Management and Monitoring Policy. The Corporate Management Team shall provide the Board of Directors, through the Audit Committee, with information regarding the policies and tax criteria applied by the Group during the year and, in particular, on the degree of



compliance with the Group's tax strategy. In the case of transactions or matters that must be submitted to the Board of Directors for approval, it shall report on the tax consequences thereof when they constitute a significant factor.

- ✓ The Chief Financial Officer, the Economic Director and the Tax Department, led by the Head of the Department, are responsible for the management of tax matters relating to all companies that make up the Group, enforcing and ensuring compliance with this tax strategy.

These units are responsible for advising the Audit Committee and the Board of Directors on tax matters.