



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES



08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT



ANNEXES

SOCIETY

08

Connected to the progress and well-being of the communities in which our facilities are located





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CORNERSTONES OF OUR RELATIONSHIP WITH SOCIETY



Dialogue, collaboration and social commitment



COMMUNITY TIES

Building and maintaining relationships based on trust and ongoing dialogue to facilitate the implementation of projects in the territory.

94% of agreements reached with landowners are amicable.

COLLABORATION WITH LOCAL/REGIONAL ADMINISTRATIONS



57

COLLABORATION AGREEMENTS

With Autonomous Communities and Local Councils



INVESTMENT IN THE COMMUNITY

Social contribution aimed at improving the well-being and progress of the communities in which the Company's facilities are located.

€6.6 million contributed to society



TAX CONTRIBUTION

Tax information transparency and contribution through the payment of taxes in the different countries in which the Red Eléctrica Group operates.

€638 million Total Tax Contribution



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Our commitment to society

Red Eléctrica, as a key player in the Spanish electricity system, contributes to ensuring all citizens and companies have guaranteed access to an essential commodity, such as electricity. Guaranteeing the security of supply is our first and foremost social contribution.

Additionally, the work that Red Eléctrica carries out, through its Control Centre of Renewable Energies (CECRE), allows the integration of renewable energies to be maximised. This in turn, makes it possible for the energy model to respond to society's ongoing demand for it to be increasingly sustainable.

To achieve these objectives, the Company manages the transmission grid under the principles of neutrality and efficiency. It also manages grid access requests from the different agents that are involved in the electricity system under the same criteria, something that Red Eléctrica conceives as a process for the creation of shared value with society, which goes beyond the mere provision of a service.

Respect for society, both environmental and social, is a basic principle of action for the Company and is present throughout the development process for new infrastructure. On the one hand, seeking solutions that generate the least environmental impact and, on the other, promoting the participation of society in the process through dialogue and ongoing collaboration.

In this manner, the needs of society are resolved through dialogue and, at the same time, the facilities respond to the needs of the electricity system.

Finally, Red Eléctrica accompanies its projects in the territory with collaboration programmes that reflect the Company's social commitment and pursue the goal of contributing to the social development of the communities in which its facilities are located.

RED ELÉCTRICA SOCIAL CONTRIBUTION



GUARAN- TEERING THE POWER SUPPLY

Our first and foremost social contribution



RECOGNITION

The Dow Jones Sustainability Index (DJSI) awarded the Company a high score in the corporate citizenship and philanthropy criteria (96 out of 100).



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TIES WITH THE COMMUNITY [G4-DMA, G4-S01]

Red Eléctrica carries out a program of actions that promotes institutional and social relations, seeking collaboration agreements in a transparent manner, disseminating information on the functioning of the electricity system and driving participation in projects and initiatives that promote social well-being and progress in the territory.

The Company promotes and maintains an ongoing relationship with the local areas in which its facilities are located, not only during the process of construction of new facilities, but also throughout the entire life cycle of the facilities.



Therefore, it has an organisational structure distributed nationwide in order to maintain institutional communication and collaboration with government administrations and also public and private institutions. This open and participatory strategy aims to establish relationships based on trust and collaboration that:

- **Integrate the presence of the Company in the social,** environmental and institutional fabric of the territories where the projects are implemented, through collaboration agreements.
- **Explain and disseminate the need for the projects** and provide adequate response to the demand for information from communities where its facilities are located.
- **Maintain informative transparency** and facilitate the maximum amount of information to communities where its facilities are located.

DEVELOPMENT PROJECTS



57

COLLABORATION AGREEMENTS SIGNED

With Autonomous Communities and local councils

- **Balance the general interests** of the territorial scope with the needs of the project to obtain social acceptance.
- **Promote the maximum institutional and social consensus** in the implementation of investment projects.

As a result of this strategy, in 2015 noteworthy was the signing of 57 agreements with Autonomous Communities and local councils for projects aimed mainly at socio-economic, environmental, educational and cultural development. Among these projects, noteworthy is the agreement signed with 20 local councils for a specific social responsibility plan associated to the Mezquita-Morella and Mudéjar-Morella lines.

Social Responsibility Plan associated to the Mezquita-Morella and the Mudéjar-Morella lines

In 2015, a Social Responsibility Plan was defined aimed at 20 local councils in the municipalities of Teruel and Castellón which will be crossed by the Mezquita-Morella and Mudéjar-Morella electricity lines. This programme encompasses a number of social, cultural and environmental initiatives aimed at creating value in each of the towns involved in the project through the implementation of specific plans. The agreement on the actions that

make up the Plan was achieved through a process of joint assessment of proposals with each of the town councils, based on criteria for the creation of value for society, the environment and local heritage. The overall financial contribution amounted to 300,000 euros.



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INVESTMENT IN THE COMMUNITY

In the framework of the strategy of business development, Red Eléctrica provides and promotes social action as an essential element of its corporate



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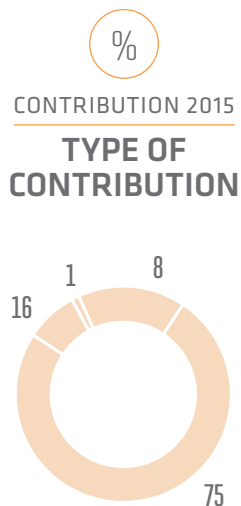
In the case of local councils, and in relation to the construction of new infrastructure, the Company fosters close-knit ties with communities to report on the need for facilities and their role within the transmission grid, and to promote dialogue that facilitates the development of projects in a sustainable manner and with social acceptance.

Thanks to this ongoing dialogue and the collaboration on projects for local development, the Company has managed to sign collaboration agreements with 56% of the local councils affected by the facilities brought into service in 2015. Furthermore, noteworthy is the fact that amicable agreements were reached with 94% of the landowners affected by projects whose permitting process was completed in 2015.

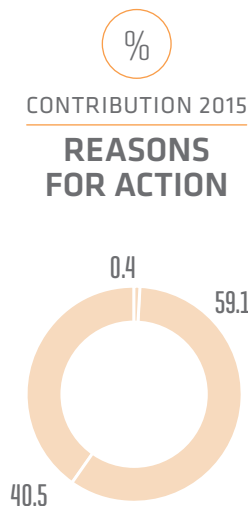
responsibility policy, which is carried out through defined actions in collaboration with different institutions and public and private entities to respond to the demands for collaboration put forth by stakeholders.

In 2015, 6.6 million euros [1.21% of the net profit of REE] was contributed to the development or promotion

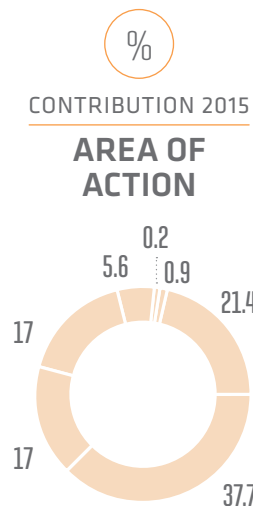
of social initiatives. In 2014, the Company started to apply the LBG methodology to measure these outcomes and submits them to a data verification process, ensuring the correct application of the model.



75	Monetary
16	Time
1	In-kind
8	Management costs



0.4	One-off contribution
59.1	Social investment
40.5	Initiative aligned with the business



21.4	Education
37.7	Socio-economic development
17	Environment
17	Art and culture
5.6	Social well-being
0.2	Humanitarian aid
0.9	Other

NEW INFRASTRUCTURE CONSTRUCTION



94%
AMICABLE AGREEMENTS
With landowners



IN 2015
6.6 million euros were invested in the development and promotion of social initiatives.



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SOCIAL COMMITMENT

Red Eléctrica's social programme includes actions mainly aimed at the socio-economic development of the territory; conservation, protection and enhancement of the natural heritage of the municipalities; and disseminating knowledge of the electricity system.

In the field of **socio-economic development of the territory**, in 2015, Red Eléctrica promoted and collaborated on over 200 initiatives, among which noteworthy are the projects for sustainable lighting, construction or improvement of municipal infrastructure, collaboration on projects of social relevance with an impact on tourism, enhancement of the cultural wealth of the territories and projects for the restoration of emblematic buildings, among others.



In the 'Sustainability' section of the corporate website.

A very important milestone of Red Eléctrica in 2015, was the commissioning of the electricity interconnection between Spain and France, a project that enabled the interconnection capacity to be doubled and promotes progress in

the territories on both sides of the border. The project is a reference in technological development, which strengthens ties with France and represents a move towards the internal energy market.

2015, International Year of Light

On occasion of the celebration of Red Eléctrica's 30th anniversary and the proclamation by the UN of 2015 as the International Year of Light, the Company carried out a programme of activities with the objective of raising public awareness about the importance of light and its associated technologies for the development of life and the progress of society.

In 2015, and in collaboration with public and private institutions in the fields of education, science, culture and economy, Red Eléctrica organised, in different locations of Spain, 34 activities that responded to the Company's ongoing commitment to society to disseminate information about the functioning of the electricity system, its needs and challenges in order to develop a sustainable energy model.

Among the initiatives, noteworthy are the conferences that representatives of Red Eléctrica gave at congresses and seminars in universities, engineering schools and institutions related to the electricity sector, such as the European University of Madrid, the Menendez Pelayo University, the Polytechnic University of Valencia and the Spanish Association for Energy Economics. Informative seminars led by experts related to the sector were organised, such as the

one held at the University of Santiago de Compostela on light-based technologies, or the Intelligent Energy Forum of the Chamber of Commerce of Seville.

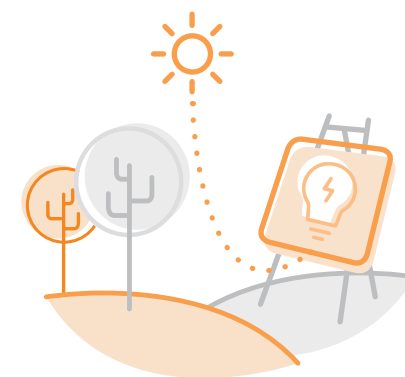
Within the scope of education, the Company organised courses in order to train students of different levels on electricity infrastructure as well as showing the key concepts for a sustainable energy model. The Electric Power Campus for students of Castilla y Leon and workshops on light at the Science Museum of Castilla-La Mancha were highly successful according to the participants.

Similarly, in order to publicise the role of electricity in the future of the society, Red Eléctrica developed a programme of various exhibitions and workshops nationwide, such as Il.lumina't in Palma de Mallorca. It also collaborated on the Movilab initiative, a scientific laboratory on wheels, and participated in the project to improve facilities of the Electricity Theatre (Teatro de la Electricidad) at the Science Museum of Valencia.

As for the activities related to art and heritage, Red Eléctrica undertook several projects to improve lighting and the sustainable use of energy in buildings of high cultural and social value in some municipalities.

The renewal of the lighting of the Santa Teresa Museum in Avila, and the church of Montemolín, Badajoz, plus efficient lighting projects in two schools in Madrid and one in Ezkio-Itsaso (Guipúzcoa) are some examples.

767,899 euros were invested in carrying out this project; a project on which Red Eléctrica collaborated with the Spanish Committee of the International Year of Light.





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In the field of **knowledge dissemination**, Red Eléctrica, as the sole transmission agent and operator of the Spanish electricity system, plays an active role in publicising how the Spanish electricity system works as a whole, as we are aware that a more informed society is better able to develop and maintain a sustainable energy model that effectively meets the energy needs of citizens.

To disseminate this knowledge, the Company has the exhibition **'A highway behind the wall socket'** which aims to explain the electricity supply process, from generation to

consumption, placing value on the activities of the company as TSO and key player of the electricity system, and raise public awareness about the need for an efficient and responsible energy consumption. And at the same time, the exhibition serves as a communication vehicle to enhance the understanding, by the public, of the need to develop electricity infrastructure, thereby facilitating its implementation in the territory.

In this regard, in 2014 the exhibition was chosen by the Directorate General for Energy of the European Commission as one of the five best practices of the European TSOs to facilitate social acceptance of projects.

Red Eléctrica's social programme **promotes the conservation of natural heritage** and the socio-economic development of the territory, as well as dissemination of knowledge regarding the electricity system.



'A HIGHWAY BEHIND THE WALL SOCKET' EXHIBITION

During 2015, the exhibition was on show at the Science and Technology Museum of Tarrasa, where it received 42,000 visits. This exhibition, which started its journey in 2010, has visited six other Spanish cities receiving more than 320,000 visitors.



More on the exhibition in the 'ExpoREE' section of the corporate website.

Movilab, a scientific laboratory on wheels

In 2015, Red Eléctrica collaborated with the Spanish Foundation for Science and Technology (FECYT), the Higher Council for Scientific Research (CSIC) and the Padrosa Foundation on the Movilab project, a mobile laboratory installed in the trailer of a truck which toured 13 Spanish cities to bring science and innovation closer to its citizens. The journey of this mobile laboratory began on 22 September in La Coruña and ended on 27 December at the National Museum of Natural Sciences in Madrid.

The objective of this laboratory was to present scientific concepts in an entertaining and rigorous manner, trying to arouse the curiosity of society for research. The workshops consisted of activities related to both light and its physical principles, as well as the transmission of electricity.

During those three months, 9,756 people visited the Movilab truck. More than 7,200 visitors were students of primary, middle, high school and vocational training, who came with their groups to review the basic concepts of light and electricity. In addition, other groups participated such as first year engineering university students, parent associations, teachers and professors, associations, foundations and other organisations.

Nearly 10,000 people visited the Movilab, of which over 7,200 were students. In total, the mobile laboratory hosted more than 500 workshops aimed at audiences of all ages.



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Red Eléctrica also pays special attention to higher education and training in the area of energy and the environment. During 2015, of note was the support for the training of 1,045 students in masters or specialisation courses of more than 35 schools and colleges through 53 visits to Company facilities. Also noteworthy are the 22 agreements signed with universities and educational institutions, and collaboration for the delivery of workshops and lectures at universities, in which Red Eléctrica participates in disseminating information on issues related to grid management and electricity systems.

Additionally, during 2015, 97 institutional visits were organised to the CECOEL and CECRE electricity control centres, and 55 visits were arranged to different transmission grid facilities nationwide, bringing the total number of visitors to Company facilities and control centres to 1,751.

Red Eléctrica continues to contribute to the training of National Security Forces regarding matters of safety and security in electricity facilities and fire

VISITS TO INSTALLATIONS 2015



1,751

VISITS TO FACILITIES AND CONTROL CENTRES



THE 'RED ELÉCTRICA FOREST'

A project launched in 2009 that contributes to the fight against climate change through the planting of trees. In 2015, two new agreements were signed for the restoration of two degraded public highlands in Zamora and La Coruña.

Between 2012 and 2015 the Company has trained more than 2,200 members of the National Security Forces on safety and security issues regarding electricity facilities and fire prevention.

prevention, by organising specific training sessions aimed at the members of the Civil Guard, National Police, the Military Emergency Unit, Civil protection and Local Police as well as for Fire Brigades. During 2015, training sessions were organised in 7 provinces of six Autonomous Communities with the participation of 657 attendees. In total more than 2,200 people have been trained as part of this programme since it was launched in 2012.

In relation to **environmental actions**, noteworthy is the 'Red Eléctrica Forest' project, an initiative launched in 2009 which contributes to the fight against climate change through the planting of trees. In 2015, two new agreements were signed for the restoration of two degraded public highlands-forests in Zamora and La Coruña. In addition, the Company also collaborates with the Life+ Activa Natura project, supported by the European Commission, which seeks to improve knowledge and awareness in Spain regarding Red Natura (Nature Network), and it also cooperates in various birdlife recovery projects such as the reintroduction of the black vulture in Catalonia or recovery of the Lesser Grey Shrike in the region of Lleida.



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CORPORATE VOLUNTEERING

'EnREDando', the corporate volunteering group of Red Eléctrica, was set up in 2005 with the aim of extending the social action of the Company through the promotion and strengthening of the collaboration of employees in solidarity activities that respond to social and environmental needs, problems and interests. Volunteers participating in the initiatives promoted by EnREDando have a common interest to improve the current situation and act by joining forces in increasingly ambitious projects.

During 2015, the main projects carried out by the corporate volunteering group were the following:

- **Operation Kilo-Litre Campaign**
A total of 7,510 kilos and litres of foodstuffs were collected in the campaign and delivered to 28 food banks and various *Cáritas* offices (Religious charity) located throughout Spain. This project for the 'non-monetary collection' was launched in 2012 and since

then over 16 tonnes of foodstuffs have been delivered.

- **Solidarity concert in favour of Syrian refugees**
Charity concert to raise funds to help Syrians who are in refugee camps in Jordan. The funds collected amounted to 11,057 euros and were delivered to Jordan Messengers of Peace, given that for two years Red Eléctrica has maintained a twinning programme with NEPCO, the Jordanian TSO. The concert was made possible thanks to the participation of employees, some of who performed with their music bands.
- **Participation in the 9th edition of the 'Companies' Solidarity Day' (DSE)**
DSE is a day of corporate volunteering that connects businesses and their employees with different NGOs. Red Eléctrica volunteers helped by working in an ecological garden of the Juan XXIII Foundation, along with volunteers from other companies.
- **Solidarity auction in favour of the Apsuria Foundation**
Auction of gift items contributed by managers and employees of the Company and also of corporate

SOCIAL ACTION 2015



7,510
kg-L
DELIVERED
To food banks



ENREDANDO

Corporate volunteering group created in 2005 with the aim of responding to social and environmental needs, problems and interests through the collaboration of employees in solidarity actions.

gifts of the Company. In 2015, 3,402 euros were raised and donated to support hydrotherapy treatments for people with intellectual disabilities in the Apsuria Foundation.

- **6th edition of the "Race for Hope" – FEDER**
Participation in this race organised by the Spanish Federation of Rare Diseases (FEDER) to mark World Rare Disease Day.
- **10th Fair Trade Campaign**
Organisation of a fair trade market, with the collaboration of SETEM Madrid in order to contribute to the eradication of poverty in developing countries. A total of 3,240 euros in sales were raised, which translates into 450 hours of fair wages.
- **Reencounter with Maiti Nepal**
Extraordinary donation of 6,000 euros to this NGO following the earthquakes that shook the country. Maiti Nepal has taken in and given shelter to over 200 children in its orphanage in 2015, owing to the worsening of the problem of human trafficking after the earthquakes.

Participation in organisations and associations (G4-16)

Red Eléctrica is part of various organisations and entities both at an international and national level where it exchanges knowledge and experience regarding the

challenges of the electricity system, corporate responsibility, social investment, innovation and technological development, and economic-financial management

among other things. Included below are some of the most relevant.

INTERNATIONAL ORGANISATIONS

ENTSO-E (European Network Of Transmission System Operators for Electricity)

The association of European TSOs continued during 2015 with the drafting of Network Codes/Guidelines, within this scope noteworthy is the coming into force of the 'Capacity Allocation and Congestion Management' guideline. The three network codes related to grid connections and what is known as 'Forward Capacity Allocation' have exceeded the comitology process and have passed the final stage of scrutiny by the European Parliament and Council. An important step as far as transparency is concerned as it represents the operationalisation of the ENTSO-E Transparency Platform; a platform with a wealth of information on European electricity markets.

Within the plan for trans-European energy infrastructure set out in the Ten Year Network Development Plan 2016 (TYNDP 2016), ENTSO-E published six regional network development plans, the description

of development of future scenarios and the list of projects that the European interconnected system will need in 2030.

One of the basic strategies of ENTSO-E in regard to the coordination between TSOs within the Regional Security Coordination Initiatives (RSCIs) was consolidated with the signing of a Multi-Lateral Agreement (MLA) between the TSO members, whereby ensuring that RSCIs will develop in a harmonised and interoperable way. Moreover, ENTSO-E, at its annual conference, presented the outlook documents aligned with the Energy Union regarding markets, system security, regions, and regulation as well as the publication of the foundations for the collaboration with electricity distributors.

CIGRE (International Council on Large Electric Systems)

Organisation which groups together electricity companies, manufacturers of capital equipment and goods, engineering companies and research centres from around the world with the aim of exchanging technical knowledge. Red Eléctrica holds the position of President and

Secretary of the Spanish Committee, and is also a member in the following research committees: High Voltage Equipment, Overhead Power Lines, HVDC and Power Electronics, Development and Economics of Power Systems, System Operation and Control, and Information Systems and Telecommunications.

GO 15. Reliable And Sustainable Power Grids

An international initiative which groups together the world's 18 largest Power Grid Operators, representing together more than 70% of the world's electricity demand. In 2015, California ISO became a member and a new committee dedicated to communication was created.

Med-TSO (Association of the TSOs of the Mediterranean basin)

This association of the TSOs of the Mediterranean basin (Med-TSO), of which Red Eléctrica is a founding partner, aims to coordinate development plans as well as the operation of electricity grids in the countries of the Mediterranean basin. The European

Commission, on behalf of the Union, has granted a significant role to Med-TSO in its strategy aimed at the development of a Euro-Mediterranean Platform for the establishment of a regional electricity market, endorsed within the framework of the Union for the Mediterranean.

RGI (Renewable Grid Initiative)

Association between European TSOs and NGOs that promotes a network of efficient, sustainable, clean and socially acceptable European electricity infrastructure capable of integrating generation from decentralised renewable resources and on a large-scale.

EASE (European association for the storage of energy)

European association that promotes the deployment of energy storage as an essential tool to improve flexibility and provide services for the energy system with full respect to EU's climate and energy policies.



In the 'Associations' section of the corporate website.



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NATIONAL ENTITIES

Real Instituto Elcano

Red Eléctrica is part of the Board of Trustees and Executive Committee of this entity whose main task is to conduct international and strategic studies looking at the world from a Spanish, European and global perspective.

Casa de América

Red Eléctrica collaborates with this entity on the execution of a variety of activities that contribute to closing the ties between Spain and the continent of America, especially with Latin America.

Fundación Seres

Red Eléctrica is part of the Board of Trustees of this foundation whose mission is to promote the commitment of companies to the development of society.

Fundación Lealtad

A pioneer non-profit organisation in Spain whose mission is to promote Spanish society's confidence in NGOs. Red Eléctrica has been a member since 2012.

Fundación de Víctimas del Terrorismo (Victims of Terrorism Foundation)

Red Eléctrica has collaborated with this foundation since 2010 in programmes directed particularly to young people.



Fundación de Energías Sin fronteras (Energy Without Borders Foundation)

Since 2012, Red Eléctrica has contributed resources to and participated in the sponsorship of this Spanish foundation, whose mission is to extend and facilitate access to energy and drinkable water services, in a continuous fashion, to those who still do not have them or who receive them in non-suitable conditions.

LBG

Since 2014, Red Eléctrica has been a member of the LBG España group, an organisation made up of companies committed to promoting social action in business, using an internationally accepted methodology for the comparative evaluation and measurement of commitment to society.

Red Eléctrica collaborates with various organisations and entities nationwide, with the aim of **promoting corporate social action.**

PARTICIPATION IN INTERNATIONAL ORGANISATIONS



OBJECTIVE

DEVELOP PROPOSALS ON

sustainability, legislation, regulation and operational criteria of grids and electricity systems in the European arena



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Tax transparency

The tax strategy of Red Eléctrica Group, approved by the Board of Directors on June 30, 2015, is based on three core values: transparency, good governance and accountability.

The vision of the tax strategy:

Manage the tax affairs in a manner that is proactive, responsible with all stakeholders and which is transparent, in order to comply with tax laws and minimise reputational risk, making it compatible with protecting the share price.

Continuing with the good practice started in 2014, within the context of development of good practices in corporate social responsibility, and with the aim to voluntarily offer tax information to the different stakeholders, with greater transparency, the Red Eléctrica Group has calculated and published its **Total Tax Contribution**, in order to highlight the economic and social function derived from the Group's tax payments.

KEY DATA in 2015



€638 m
TOTAL TAX CONTRIBUTION



MORE THAN
€1,865 m
TAX PAYMENTS IN THE 2013-2015 PERIOD

43%
OF VALUE GENERATED EARMARKED FOR TAX PAYMENTS



99%
OF THE TOTAL TAX CONTRIBUTION MADE IN SPAIN



33%
TAX CONTRIBUTION COMPARED TO REVENUE

Tax strategy of the Red Eléctrica Group approved by the Board of Directors.





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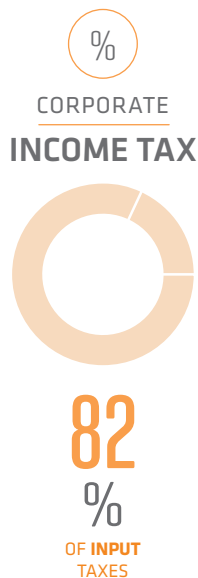
TOTAL TAX CONTRIBUTION

To calculate its **Total Tax Contribution**, the Red Eléctrica Group has followed PwC's Total Tax Contribution (TTC) methodology, whose characteristics are:

- It measures the total impact derived from a company's payment of tax.
- It reflects the total amount of all the taxes input (which represents an effective cost for the company) and collected (which are paid by other taxpayers as a result of the economic activity generated), at any level of the Public Administration.
- It includes all the tax payments made to the Public Administrations.
- It adapts to any tax regime in the world and it is simple to use, even for people with no knowledge of taxes.

INPUT TAXES

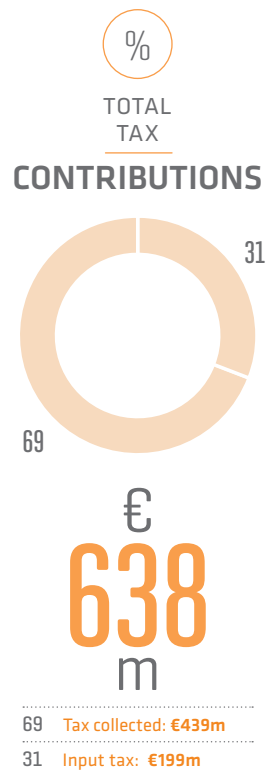
Tax on profits, **Corporate Income Tax** [1] represents 82% of total input taxes that have been paid to the various tax authorities, mostly to the Spanish tax authority.



[1] The Consolidated Annual Accounts provide detailed and specific information regarding the effective tax rate of 26.87%, accounting deductions, etc.

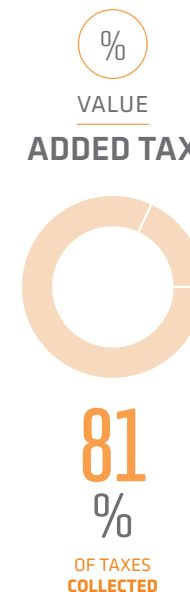
TOTAL TAX CONTRIBUTION 2015

Red Eléctrica's **Total Tax Contribution** during 2015 amounted to **638 million euros**, **199 million euros** corresponding to input tax and **439 million euros** to taxes collected.



TAXES COLLECTED

Of the total of **taxes collected** during 2015, the taxes on products and services stand out, fundamentally the **Value Added Tax** [2] which accounts for 81% of the total.



[2] Understood as those indirect taxes equivalent to Spanish IVA (VAT), which taxes consumption.



LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01. THE COMPANY



02. STRATEGY



03. CORPORATE GOVERNANCE



04. MANAGEMENT APPROACH



05. SUSTAINABLE ENERGY



06. CREATION OF VALUE



07. EMPLOYEES

08. SOCIETY



09. DIALOGUE WITH STAKEHOLDERS



10. THE ENVIRONMENT



ANNEXES

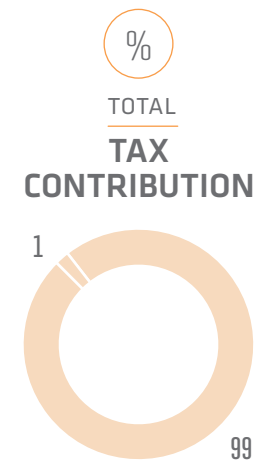
GEOGRAPHIC *distribution*

TOTAL TAX CONTRIBUTIONS 2015

€m

	Spain	Latin America	Other (EU)	Total
Input tax	196	3	-	199
Tax collected	433	3	3	439
Tax contribution	629	6	3	638

The total tax contribution of the Red Eléctrica Group to the relevant tax authorities in all countries in which it operates amounted to 638 million euros, Spain being the jurisdiction with the greatest tax contribution (99%).



The revenue of the Red Eléctrica Group is principally in Spain [98%].



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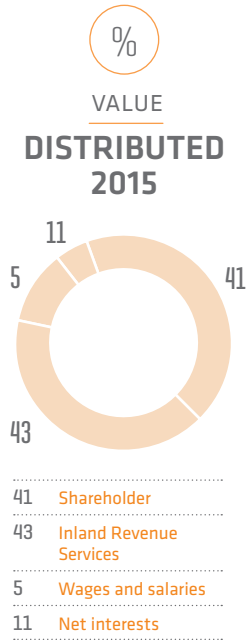


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WEIGHT OF TAXES ON VALUE DISTRIBUTED

Applying the Total Tax Contribution (TTC) methodology, the value distributed by the Red Eléctrica Group in 2015 would total **1,473** million euros, a figure which is composed of sum of the following elements:

- After-tax profit or shareholder value (607 million euros).
- Wages and salaries after taxes collected (70 million euros).
- Net interest (158 million euros).
- Taxes (638 million euros): input (199 million euros) and collected (439 million euros).



Of every 100 euros in value generated by the Red Eléctrica Group in 2015, 43 euros went to tax payments.

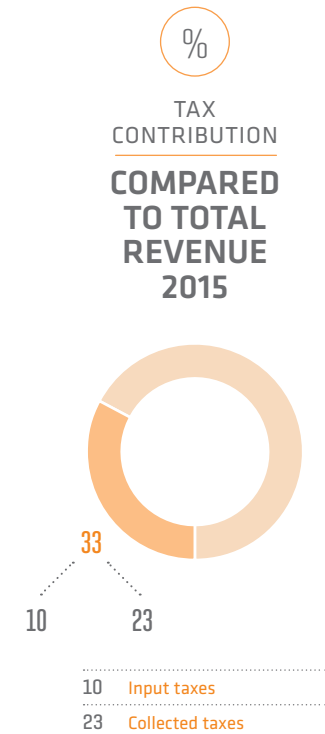
The Total Tax Contribution compared to the revenue of the Red Eléctrica Group represented 33%.

TAX CONTRIBUTION AS A PERCENTAGE OF REVENUES

The comparison of Total Tax Contribution to total revenues is an indicator that shows the amount of the contribution made by Red Eléctrica in relation to the size of its business.

The ratio of Total Tax Contribution to total revenues is 33%, of which:

- 10% are input taxes.
- 23% are collected taxes.





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TAX RESPONSIBILITY

Regarding Red Eléctrica's tax responsibility, noteworthy are the following aspects:

- Red Eléctrica is committed to complying with tax legislation and tax obligations in the countries in which it operates.
- In the area of transfer pricing, Red Eléctrica operates on the principle of full competition.
- Red Eléctrica's Code of Ethics and tax strategy sets out the commitment not to create companies to evade taxes in territories considered tax havens.
- Red Eléctrica has a Comprehensive Risk Management System that includes any relevant tax risks for the Company. In 2015, the Board of Directors approved ^[1] the aspects regarding the **Control and Management Policy of Tax Risks** of the Red Eléctrica Group and their integration into the Comprehensive Risk Management

Policy, establishing the specific guidelines for action for the management of said risks.

- The Company also has a specific Internal Control System for Financial Information (ICSFI), which includes tax data and processes, based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology. These processes and systems are systematically subject to internal and external audits.
- The Board of Directors has approved ^[1] the commitment of the Red Eléctrica Group to undertake the **Code of Good Tax Practices** adopted by the State

Tax Administration Authority under the Large Business Forum. Said undertaking took place in October 2015, and is aligned with the principles and guidelines for action on tax matters established in the tax strategy of the Group.

Control of Tax Risks.

In 2015, the Board approved the aspects of the Control and Management Policy of Tax Risks of the Red Eléctrica Group and their integration into the Comprehensive Risk Management Policy.

[1] Board of Directors session held on 29 September 2015.

CODE OF GOOD TAX PRACTICES



2015 ADOPTION BY RED ELÉCTRICA

Of the Code approved by the State Tax Administration Authority