

# 08 SOCIETY

CONNECTED  
TO THE  
COMMITMENT  
TO THE CREATION  
OF SHARED VALUE



## CORNERSTONES OF THE RELATIONSHIP WITH SOCIETY

Dialogue, collaboration and creation of shared value



### COMMUNITY TIES

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

**68% of agreements reached with landowners are amicable**



### SOCIAL COMMITMENT

Undertaking projects and initiatives of a social, cultural, environmental, educational and corporate volunteering nature.

**Over 250 social actions** geared towards development of the communities

### COLLABORATION WITH LOCAL ADMINISTRATIONS



# 35

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.

**€6.4 million** contributed to society



### TAX TRANSPARENCY

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

**€681 million** Total Tax Contribution

# OUR COMMITMENT TO SOCIETY

## Red Eléctrica is committed to the creation of shared value as the guiding principle of its business activity.

### Global vision in the creation of shared value

Red Eléctrica orients its commitment to the socio-environmental setting towards the creation of shared value with society, promoting actions and investments aligned with its business objectives that, while generating value for the Company, positively impact on society and on the territory and its inhabitants. In turn, this is a contribution of the Company to the achievement

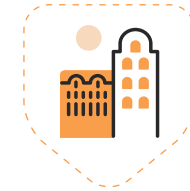
of various challenges such as those related to the United Nations Sustainable Development Goals, or those addressed in the European energy strategy 2020.

The creation of shared value in Red Eléctrica occurs both in the way it operates the electricity system (guaranteeing an efficient, secure and sustainable electricity supply to citizens and companies), as well as in the development and maintenance of transmission grid infrastructure. This activity generates a scenario of opportunities for the creation of shared value throughout the life cycle of the electricity infrastructure.

Additionally, the work of Red Eléctrica as transmission agent favours system operation and especially allows the integration of renewable energies to be maximised, through its Control Centre of Renewable Energies (CECRE), which in turn, makes it possible for the energy model to respond to society's ongoing demand for it to be ever-more 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 in itself is a process for the creation of shared value with society.

SHARED VALUE



WITH SOCIETY

BY DRIVING PROJECTS

that favour progress in the territories

SOCIAL COMMITMENT

The activity generated by the Company represents a scenario of opportunities for the creation of value throughout the life cycle of the infrastructure.

Respect for society, both environmental and social, is a basic principle of action for Red Eléctrica 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 consensus and ongoing collaboration. In this manner, the needs of society are resolved through in a consensual manner 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 development of the communities in which its facilities are located.

### 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.

In this regard, the Company promotes and maintains an ongoing relationship with the local

**In the development of new infrastructure, in addition to seeking the minimum environmental impact possible, REE promotes the participation of society in the implementation process.**

### SOCIAL COLLABORATION PROGRAMMES



RED ELÉCTRICA ACCOMPANIES ITS INVESTMENT PROJECTS WITH **ACTIONS THAT CONTRIBUTE TO THE DEVELOPMENT OF THE COMMUNITIES**

communities 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 that facilitates 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 an adequate level of response to the demand for information from communities where its facilities are located.

- **Maintain informative transparency** and facilitate the maximum public participation.
- **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.

In 2016, noteworthy was the signing of 35 collaboration agreements with Autonomous Communities and local councils for carrying out projects aimed mainly at socio-economic, environmental, educational and cultural development.

In the case of local councils, and in relation to the construction of new infrastructure, the Company fosters close-knit ties with communities to inform on the need for facilities and their role within the transmission grid, as

SOCIAL RESPONSIBILITY PLAN



ALL MUNICIPALITIES OF TERUEL AND CASTELLÓN

Associated to the Mezquita-Morella and the Mudéjar-Morella electricity lines

319,680 euros investment

# Red Eléctrica accompanies its projects in the territory with collaboration projects that evidence its social commitment.

well as to promote dialogue that facilitates the carrying out of projects in a sustainable manner and with social acceptance. Thanks to this ongoing dialogue and the collaboration on projects for local development, Red Eléctrica has managed to sign collaboration agreements with 47% of the local councils affected by the facilities brought into service in 2016.

Furthermore, noteworthy is the fact that amicable agreements were reached with 68% of the landowners affected by projects whose permitting process was completed in 2016.

## Social Responsibility Plan associated with the Mezquita-Morella line

In 2015, Red Eléctrica designed a Social Responsibility Plan aimed at the 22 local councils in the municipalities of Teruel and Castellón which are crossed by the Mezquita-Morella and Mudéjar-Morella electricity lines.

This programme, which now has 2 more local councils that were pending agreement, has represented an investment in the territory of 319,680 euros for the carrying out of initiatives of a social, cultural and environmental nature.

In addition, in order to showcase the artistic, cultural and environmental wealth of the area, Red Eléctrica has published the book 'Cuadernos de viaje. Por tierras de Teruel y Castellón', whose main theme is a tour of the 22 municipalities through which the infrastructures run, thus helping to strengthen the identity of these cities and towns.

## 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 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 2016, the Company contributed 6.4 million euros (1.09% of net profit) to the development or promotion of social initiatives; an amount obtained by applying the methodology of the LBG [London Benchmarking Group].

## 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 2016, Red Eléctrica promoted and collaborated on over 250 initiatives, among which noteworthy are the projects for the 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.

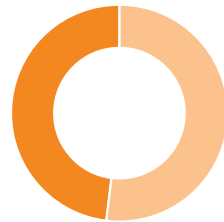
## CONTRIBUTION 2016

### TYPE OF CONTRIBUTION



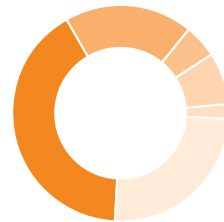
Monetary	75%
Time	16%
Management costs	9%

### REASONS FOR ACTION



Social investment	52%
Initiative aligned with the business	48%

### AREA OF ACTION



Socio-economic development	41%
Environment	19%
Art and culture	5%
Social well-being	8%
Other	2%
Education	25%

## SOCIAL CONTRIBUTION 2016



6.4 M€

EARMARKED FOR THE DEVELOPMENT OF SOCIAL INITIATIVES

59%

With an impact on the SDGs



## 'Jóvenes para Jóvenes' Project

Red Eléctrica, in collaboration with the Helsinki Foundation, has launched the **'Jóvenes para Jóvenes'** Project (Youth for Youth). A pioneering initiative in the Canary Islands, through which about 30 university students will receive specific training in human rights education and the promotion of a future sustainable energy model. They will then go to educational centres to promote the respect and knowledge of these subjects among some 450 secondary school students who are 13-16 years of age.



## During 2016, 151 visits were organised to the electricity control centres and to various infrastructure facilities of the transmission grid.

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.

Red Eléctrica also pays special attention to higher education and training in the area of energy and the environment. During 2016, of note was the support for the training of 1,047 students in masters or specialisation courses of more than 28 schools and colleges through 49 visits to Company facilities. Also noteworthy are the 8 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.

In relation to the **environmental actions**, noteworthy is the 'Red Eléctrica Forest' project, an initiative that contributes to the fight against climate change through the planting of trees. This project, along with other environmental actions and

### 'A highway behind the wall socket' exhibition

The objective of the exhibition 'A highway behind the wall socket' is to explain the electricity supply process, from generation to consumption, showcasing the Company's activities as TSO of the Spanish electricity system, and to 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.

During 2016, the exhibition was moved to Palma de Majorca after having been on show for more than one year at the Science and Technology Museum of Tarrasa, where it received 86,400 visits. This exhibition, which started its journey in 2010, has visited seven other Spanish cities receiving more than 365,000 visitors.

#### TRAINING SUPPORT



THROUGH VISITS TO FACILITIES FOR

1,047 STUDENTS

Of Master courses from more than 28 schools and universities

#### REE FOREST

Initiative that contributes to the fight against climate change through the planting of trees.

projects in which the Company also collaborates, is discussed in more detail in the environmental chapter of this report.

Additionally, during 2016, 96 institutional visits were organised to the CECOEL and CECRE electricity control centres, 6 to the control centres in the islands, and 49 visits were arranged to different transmission grid facilities

## REE in the classroom

During 2016, in collaboration with the regional administrations, a plan was designed and implemented to disseminate the digital educational game 'entreREDes' and to develop initiatives around it that facilitate knowledge regarding the electricity system among the students of secondary education. The game, designed by Red Eléctrica in collaboration with the Spanish Committee of the International Year of Light, the Sociedad Española de Óptica and the Spanish Illumination Committee, is aimed at 13-16 year-olds. They learn how the Spanish electricity system works while reviewing in a fun and dynamic way the contents of the Mathematics, Physics and Chemistry, Language and Literature, and Geography and History curriculum.

About 825 young people have participated in the competitions organised within the framework of the Forum of Young Talents of Catalonia, the Science Fair of Seville and the Science Week in Murcia.

### VISITS TO FACILITIES 2016



IN TOTAL  
**1,813**  
PEOPLE

Visited the Company's facilities and its control centres

nationwide, bringing the total number of visitors to Company facilities and control centres to 1,813.

Similarly, the Company continues to contribute to the training of National Security Forces, as well as for the fire departments. In 2016, training sessions were organised in 9 provinces of six Autonomous Communities with the participation of 802 attendees. In total, more than 3,000 people have been trained as part of this programme since it was launched in 2012.

### Corporate volunteering

The promotion of volunteering is another of the cornerstones for action of the Corporate Responsibility Plan of the

Company. In this regards, aware of the needs of our environment, several voluntary actions are carried out each year with the supportive participation of employees. To this end, *EnREDando*, the corporate volunteering group of Red Eléctrica, continued its vocation in 2016 to support social actions aimed at promoting and supporting the most disadvantaged groups, channelling their concerns and offering solidarity activities aligned with the objectives of the corporate volunteering programme:

- Contribute to improving the socio-environmental reality and the general interest of society in the local environment in which the Company is present, as well as responding to emergency situations.

More than 3,000 members of National Security Forces have received specific training regarding electricity facilities since the programme was rolled out in 2012.





# The promotion of employee volunteering through participation in solidarity activities is one of the cornerstones for action of the Corporate Responsibility Plan.



• **Become a vehicle that supports the development** of people's talent and the enhancement of corporate values.

• **Strengthen ties and dialogue** with the Company's stakeholders,

especially with NGOs and the communities in which the Company's facilities are located.

## Main volunteering actions in 2016

### 'Companies' Solidarity Day' (DSE)

Red Eléctrica participated for the fourth consecutive year in the Solidarity Day of Companies. This initiative aims to promote and facilitate the social participation of companies through corporate volunteering as a powerful tool for social transformation. In this tenth edition of the DSE, volunteers of the Company dedicated one day to different groups of people at risk of social exclusion. In this regard, employees from the Madrid head offices shared breakfasts with people who have no resources and/or are homeless. Additionally, volunteers from the Seville office helped in a social soup kitchen.

### Charity races

EnREDando has continued supporting several NGOs through sport activities and more specifically with the participation in charity races to raise funds for various causes, such as the Challenge Interempresas or the Popular Heart Race.

In the case of the Intercompany Challenge for Action against Hunger, Red Eléctrica employees ran in Madrid, Barcelona and Bilbao to fight child malnutrition.

The kilometres covered by Company volunteers translated into a total of 3,825 days of therapeutic nutritional treatment received by children from disadvantaged populations. All the kilometres covered by the volunteer runners was converted into an economic amount that was donated to the Fundación Menudas Corazones.

### 'A Smile for Christmas' Campaign

Red Eléctrica has participated in the campaign of collecting toys 'A Smile for Christmas', that Cooperación Internacional carries out every year. This solidarity initiative aims to send a Christmas gift to thousands of children in situations of vulnerability throughout Spain. The generous response of the employees contributed to beat a record number which raised many smiles nationwide through the collaboration of social entities.

## CORPORATE VOLUNTEERING



## MAIN OBJECTIVE

IMPROVE THE SOCIAL REALITY OF THE LOCAL ENVIRONMENT

And give response to emergency situations

### EnREDando

Corporate volunteering group set up in 2005 to respond to the needs, problems and social and environmental interests through the collaboration of employees in solidarity actions.

# PARTICIPATION IN ORGANISATIONS AND ASSOCIATIONS / G4-16

Red Eléctrica is part of various organisations and entities with whom it exchanges knowledge and experience regarding the

challenges of the electricity system, corporate responsibility, social investment, innovation and technological development,

among other things. Among them, noteworthy is its involvement in ENTSO-E, the Association of European TSOs.

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

This association has continued in 2016 with the work of developing network codes (Network Codes / Guide Lines), highlighting the **coming into force of the codes related to the connection to networks** ('Requirements for Generators', 'Demand Connection' and 'HVDC') and the so-called 'Forwards Capacity Allocation'. In addition, the Guideline Transmission System Operation and the 'Emergency and Restoration' code have passed the committee stage and are pending scrutiny by the European Parliament and Council. Only the Electricity Balancing code is pending approval by the member states.

**The Ten-Year Network Development Plan 2016 (TYNDP 2016)** has been completed and the work of TYNDP 2018 has begun with the collection of information and arguments that will justify the 2030 and 2040 scenarios.

On the other hand, **at the annual ENTSO-E conference** 'The Energy Union for You', the visions, opinions and reality of the implementation of market design and the future of smart cities were compared, as well as the challenge of the implementation of infrastructures, regional collaboration and the answer to the question of what is the benefit of all this for the consumer.

An important step in transparency is represented by the setting up of the Independent Advisory Council, a council that is created with the intention of **better gathering the opinions of the interest groups**. This council is made up of personalities from consumer associations, environmental NGOs, smart grids, market agents, the European Union and equipment manufacturers.

### PARTICIPATION IN ORGANISATIONS



## ENTSO-E ASSOCIATION OF THE EUROPEAN TSOs

Facilitates the exchange of knowledge and experiences regarding the challenges of the electricity system



## International organisations

### **ENTSO-E (European Network of Transmission System Operators for Electricity)**

Association that groups together the transmission agents and operators of electricity systems in Europe (TSOs), constituted according to the mandate of regulation EC 714/2009.

### **CIGRE (International Council on Large Electric Systems)**

Organisation which groups together electricity companies, manufacturers of capital equipment and goods, engineering companies, universities 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 of 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. In 2016, during the session held in Paris, Red Eléctrica collaborated in 13 of the 28 articles presented by the National Committee of Spain.

### **RGI (Renewable Grid Initiative)**

Association of 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.

### **GO 15 (Reliable and Sustainable Power Grids)**

An international initiative which groups together the 19 largest Power Grid Operators in the world. In 2016, the National Energy Control Centre (CENACE) of Mexico was incorporated.

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

This association of the TSOs of the Mediterranean basin whose objective is to coordinate development plans as well as the operation of electricity grids in the countries of this region. During 2016, the technical regulation for the regional market start-up was analysed, as well as the definition of the planning methodology, in order to respond to the commitments acquired with the EC within the "Mediterranean Project".

### **EASE (European association for the storage of energy)**

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

### **CORESO (COoRdination of Electricity System Operators) coordinating body for regional security.**

Organism whose main objective is to promote coordination between European operators to guarantee security of supply in electricity systems. This body has the functions of coordinating the programming of the operation in the systems of Western Europe, the analysis of the coverage of

the region in the short and medium term; as well as the coordination of the calculation of the exchange capacity and the non-availabilities that can condition said capacity, for which it must build common network models based on the models supplied by each of the TSO members.

### **European Foundation for Quality Management**

Non-profit foundation that defines a model of Quality and Excellence as a way for self-evaluation and determination of the processes of continuous improvement in private and public business environments.

### **International Corporate Governance Network**

Investor-led organisation whose mission is to promote effective standards of corporate governance and investor management to advance in efficient markets and sustainable economies around the world, guided by the Global Governance Principles and the Global Principles of Global Accountability of ICGN.

## PARTICIPATION IN CIGRE 2016



RED ELÉCTRICA COLLABORATED ON

13 ARTICLES

Of the 28 presented by the National Committee of Spain

[+](#) In the 'Sustainability' section of the corporate website.

## National organisations

### **Asociación Española para la Calidad [Spanish Association for Quality]**

Association focused on raising awareness, training, qualification and certification of professionals of Spanish organisations, thereby promoting the culture of quality, sustainable management, brand value in services, knowledge management and other processes of social interest.

### **Asociación Española de Normalización y Certificación [Spanish Association for Standardisation and Certification]**

Private entity whose activity contributes to improve the quality and competitiveness of companies, their products and services, through the development of technical standards and certifications.

### **Casa de América**

Entity for the execution of a variety of activities that contribute to closing the ties between Spain and the continent of America, especially with Latin America.

### **Club Excelencia en Gestión e Innovación [Excellence in Management and Innovation Club]**

Non-profit business association to enhance the global competitiveness of organisations and professionals, through the values of excellence, providing its partners with an infrastructure to share knowledge, develop competencies and give visibility to their levels of excellence.

### **Club de Excelencia en Sostenibilidad [Sustainability Excellence Club]**

Non-profit business association that seeks to promote sustainability by sharing and disseminating good practices.

### **Emisores españoles [Spanish Stock Issuers]**

Association representing more than 70% of the Spanish stock market and 75% of the IBEX 35 index for the promotion of measures that reinforce legal certainty in the issue of listed securities, participation in the development of a better national and European legal framework and the contribution to the development of high standards of corporate governance.

### **Forética**

Association of companies and professionals of corporate social responsibility/ sustainability whose mission is to promote the integration of social, environmental and good governance aspects in the strategy and management of companies and organisations.

### **Foro de Integridad de Transparency International España [Integrity Forum of Transparency]**

Reflection platform facilitated by Transparency International España for the improvement of compliance and ethical management in Spanish companies, which is structured through different working groups and periodic thematic sessions on business ethics.

### **Fundación Biodiversidad [Biodiversity Foundation]**

*(promoted by the Ministry of Agriculture, Fisheries, Food and Environment)*

That is formed by companies committed to sustainable development. Its objective is to position itself as a leader in responsible and innovative business management, committed to the integration of biodiversity conservation into its policies and strategies.

### **Fundación Chile-España [Chile-Spain Foundation]**

Entity whose main objective is to increase the cultural, social, economic and artistic exchange between Chile and Spain. Red Eléctrica is part of the Board of Trustees.

### **Fundación Energías sin Fronteras [Energy Without Borders Foundation]**

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.

### **Fundación Lealtad [Lealtad Foundation]**

A pioneering non-profit organisation in Spain whose mission is to promote Spanish society's confidence in NGOs.

### **Fundación Perú-España [Peru-Spain Foundation]**

Foundation whose main job is to drive and develop activities that promote the image and presence of Peru in Spain, in the economic, business, cultural and artistic, social, scientific and educational fields; as well as to strengthen the links between institutions and people of both countries. Red Eléctrica is part of the Board of Trustees.

### **Fundación Seres [Seres Foundation]**

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

### **Fundación Víctimas del Terrorismo [Victims of Terrorism Foundation]**

Entity whose objective is to promote democratic values, the defence of human rights and the freedom of citizens.

### **Fundación Voluntare [Voluntare Foundation]**

A global corporate volunteering network that connects businesses with organisations in the third sector.

### **London Benchmarking Group (LBG)**

Organisation made up of companies committed to promoting social action in business, using an internationally accepted methodology for the comparative assessment and measurement of commitment to society.

### **Real Instituto Elcano [Elcano Royal Institute]**

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

### **Red Española del Pacto Mundial [Spanish Network of the Global Compact]**

Entity for the promotion of the implementation of the 10 Principles of the Global Compact. Red Eléctrica is a founding member of the Spanish Network of the Global Compact.



In the 'Sustainability' section of the corporate website.

# TAX TRANSPARENCY

The tax strategy of Red Eléctrica Group, approved by the Board of Directors [1], is based on three core values: transparency, good governance and accountability.

Continuing with the good practice started in 2014, and with the aim to voluntarily offer tax information to the different stakeholders, with

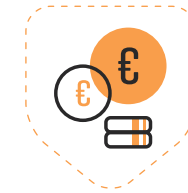
greater transparency, the Company publishes its Total Tax Contribution, in order to highlight the economic and social function derived from the Group's tax payments.

[1] In session held on 30 June 2015.

## 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.

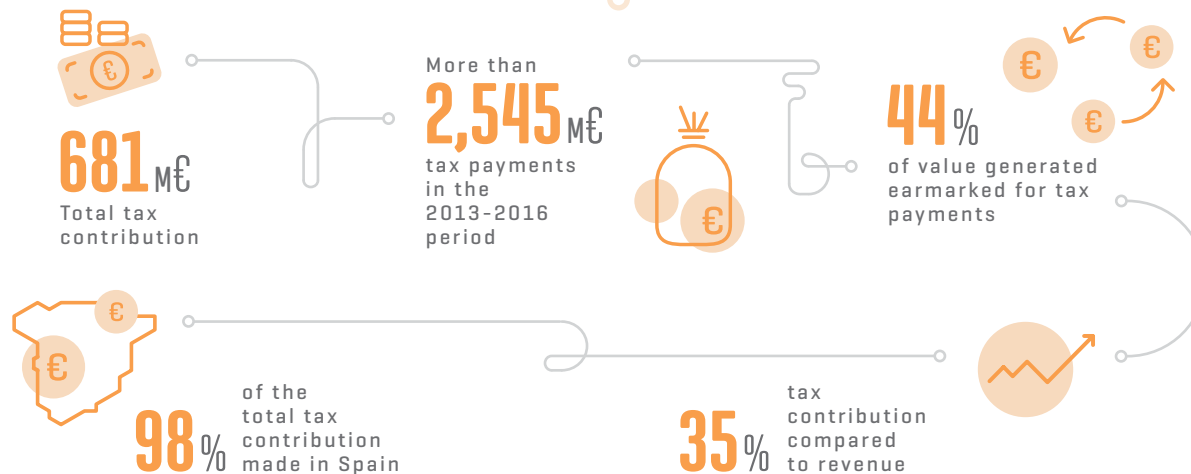
### TAX CONTRIBUTION



681 M€

For taxes borne and collected in 2016.

## KEY DATA 2016



2013-2016 PERIOD

More than 2,545 million euros in tax payments.

## 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.

# Total tax contribution of 681 million euros: 238 million in taxes borne and 443 million in taxes collected.

### TAX BORNE

Tax on profits, mainly Corporate Income Tax [1] represents 81 % of total taxes borne that have been paid to the various tax authorities, mostly to the Spanish tax authority.

### TOTAL TAX CONTRIBUTION 2016

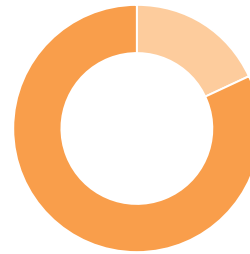
Red Eléctrica's Total Tax Contribution during 2016 amounted to 681 million euros, 238 million euros corresponding to tax borne and 443 million euros to taxes collected.

### TAX COLLECTED

Of the total taxes collected during 2016, the taxes on products and services stand out, fundamentally the Value-Added Tax [2] which accounts for 81% of the total.

CORPORATE INCOME TAX

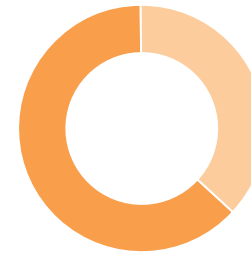
%



81  
%  
OF  
TAXES  
BORNE

TOTAL TAX CONTRIBUTION

€

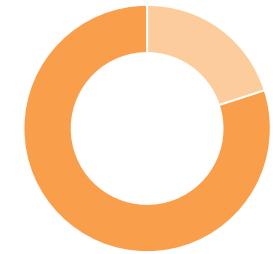


681  
M€

Collected (443M€)	65%
Collected (238M€)	35%

VALUE ADDED TAX

%



81  
%  
OF  
TAXES  
COLLECTED

[1] The Consolidated Annual Accounts provide detailed and specific information regarding the effective tax rate of 24.94%, accounting deductions, etc.  
[2] Understood as those indirect taxes equivalent to Spanish IVA (VAT), which taxes consumption.

## TOTAL TAX CONTRIBUTION 2016

M€

	Spain	Peru	Chile	Other (UE)	Total
Tax borne	229	4	4	1	238
Tax collected	439	4	-	-	443
Tax contribution	668	8	4	1	681

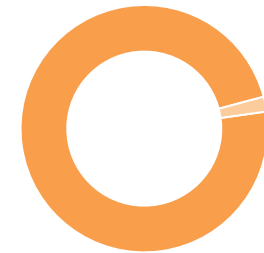
The Total Tax Contribution of the Red Eléctrica Group to the public administrations in all the countries in which it operates **grew to 681 million euros** in 2016, with the greatest contribution being made in Spain [98%].

## GEOGRAPHICAL DISTRIBUTION



## TOTAL TAX CONTRIBUTION

%



Spain	98%
Other	2%

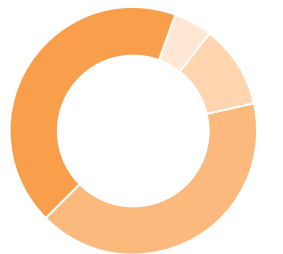
The revenue of the Red Eléctrica Group is mainly generated in Spain [97%].

## Weight of taxes on value distributed

Applying the Total Tax Contribution (TTC) methodology, the value distributed by the Red Eléctrica Group in 2016 would total 1,543 million euros, a figure which is composed of the sum of the following elements:

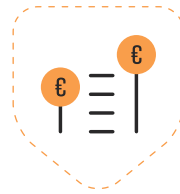
- Taxes (681 million euros): borne (238 million euros) and collected (443 million euros).
- After-tax profit or shareholder value (639 million euros).
- Net interest (151 million euros).
- Wages and salaries after taxes collected (72 million euros).

## VALUE DISTRIBUTED 2016



Inland Revenue Services	44 %
Shareholders	41 %
Wages and salaries	10 %
Net interests	5 %

## TOTAL TAX CONTRIBUTION



35 %

Compared to the revenue figure of the Company

## Of every 100 euros in value generated by the Red Eléctrica Group in 2016, 44 euros went to tax payments.

### Tax contribution as a percentage of revenues

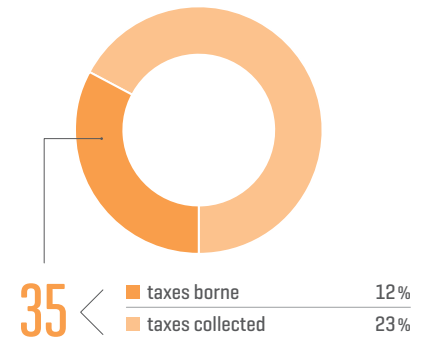
The comparison of Total Tax Contribution to total revenues is an indicator that shows the amount of the contribution made by Red Eléctrica in relation to the size of its business.

The ratio of Total Tax Contribution to total revenues is 35%, of which:

- 12% are taxes borne.
- 23% are taxes collected.



## TAX CONTRIBUTION 2016 WITH RESPECT TO REVENUE





### 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 Group. The aspects regarding the Control and Management Policy of Tax Risks of the Red Eléctrica Group, approved by the Board of Directors [1], which are integrated into the Comprehensive Risk Management Policy, establish the specific guidelines for action for the management of said risks.

## The Red Eléctrica Group has adhered to the Code of Good Tax Practices adopted by the State Tax Administration Authority under the Large Business Forum.

- 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 Red Eléctrica Group has adhered to the Code of Good Tax Practices adopted by the State Tax Administration Authority

under the Large Business Forum. Said undertaking took place in 2015 [1], and is aligned with the principles and guidelines for action on tax matters established in the Tax Strategy of the Group.

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

### RISK MANAGEMENT



## COMPREHENSIVE RISK POLICY MANAGEMENT

Includes tax risks relevant to the Group

CODE OF ETHICS, TAX STRATEGY AND THE CODE OF GOOD TAX PRACTICES

Set out the commitment not to create companies to evade taxes in tax havens.