



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

## **Audit Committee**

21 January 2016

Report regarding the independence of  
the external auditor



## **REPORT REGARDING THE INDEPENDENCE OF THE EXTERNAL AUDITOR OF RED ELÉCTRICA CORPORACIÓN, S.A. IN FISCAL YEAR 2015**

### **I. Justification**

Pursuant to Article 529 *quaterdecies*, section 4, letter f) of the Capital Companies Act (the “**Capital Companies Act**”), introduced by Law 31/2014, of December 3, amending the Capital Companies Act to implement improvements on corporate governance, and according to the provisions of Article 14.3 c) of the Regulations of the Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A. (hereinafter REC or the Company) in relation to the regulation and duties of the Audit Committee, it is established that a report shall be issued annually, prior to the issuance of the audit report, which will express an opinion on the independence of the external auditors.

Said report shall issue a statement, in any case, evaluating the provision of additional services, considered individually and as a whole, other than the statutory audit and in connection with the regime of independence or the rules governing Audit, provided by said auditors or by persons or entities related to them, in accordance with the provisions of the Law on Auditing. Accordingly, the Audit Committee issues this report, which shall be published on the website of Red Eléctrica well in advance of its Ordinary General Shareholders’ Meeting, in compliance with that set out in Recommendation 6 of the Spanish Code of Good Governance of Listed Companies.

### **II. Analysis of the Independence of the external auditor**

The Ordinary General Shareholders’ Meeting of REC held on April 18, 2013 appointed KPMG Auditores, S.L. (“**KPMG Auditores**”) as auditors of the Company and its consolidated Group to carry out the audit of the individual and consolidated annual accounts of the Company and its consolidated Group for fiscal years 2013, 2014 and 2015.

In order to ensure the independence of the external auditor, during 2015 the Audit Committee has monitored compliance with the current regulations on the provision of services other than auditing of accounts, proceeding to the approval of the different services other than those prohibited in accordance with applicable regulations, pursuant to Article 13 of the Law on Auditing in force.

Herein is a breakdown of the fees paid by the Company and its Subsidiaries, directly or indirectly, by concept:



	<b>(Euros)</b>	<b>2015</b>
Audit services		230,053
Other audit-related services		63,449
Total audit and related services		293,502
<u>Other services</u>		<u>65,668</u>
Total services		65,668

Included in the concept of "Other audit-related services," are primarily those Assurance services related to the EMTN program are included. Included in the concept of "Other services" are primarily those related to legal advice in labour affairs, corporate responsibility services and regulatory advisory services. The Audit Committee states that the services provided by KPMG are not among the services prohibited under the terms of the Law on Auditing in force.

Regarding the contracting conditions set out in Article 19 of the Law on Auditing, as the total net revenue of Red Eléctrica exceeds 50 million euros, the Audit Committee confirms that the mandatory rotation of the auditor firm signing the audit report is complied with. Specifically, three years have passed since the current signing audit partner was appointed, a period less than that established by the regulations applicable to the mandatory audit firm rotation.

The present report is based on the document submitted to the Audit Committee and prepared by the external auditors of the Company, which is attached as **Annex**, which contains the written confirmation of their independence from the Company and its Subsidiaries, as well as information about the audit and non-audit services provided to these entities by the auditor or by related persons or entities, in accordance with the provisions of the Law on Auditing of Accounts.

By means of the statement of independence it is evidenced that the auditor has not identified any circumstances that could represent a cause of incompatibility with that set forth in the Law during the year 2015. Those which in their professional judgment could lead to a threat were eliminated or reduced to an acceptably low degree, by applying the necessary safeguarding measures.

### **III. Conclusions**

In view of the information that it has had access to, the Audit Committee of the Company has not identified any aspects that raise any doubts on the compliance with the regulations in force in Spain for the audit activity in matters regarding auditor independence and, in particular, the Committee confirms that no aspects of that nature have been identified that could cast doubt on the independence of the external auditor.



**Annex: Statement of independence issued by the external auditor of Red Eléctrica Corporación, S.A. and Subsidiaries**



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Your ref

Our ref 2016c12ct1A

For the attention of  
the Audit Committee

Contact +34 91 456 38 28

12 January 2016

Dear Sirs,

On 18 April 2013, we were appointed auditors of the individual and consolidated annual accounts of Red Eléctrica Corporación, S.A. and subsidiaries for the year ended 31 December 2015.

In relation to our appointment as auditors, we hereby confirm that:

- The audit engagement team and KPMG Auditores, S.L., to the extent so required, have complied with the applicable independence requirements stipulated in the Revised Audit Law, approved by Royal Legislative Decree 1/2011 of 1 July 2011 and its implementing legislation.
- The fees invoiced by KPMG Auditores, S.L. and other KPMG firms to the Entity and its directly and indirectly related parties for audit and non-audit services in the year ended 31 December 2015 are listed below, by item, to enable your assessment of those fees in relation to our independence:

	Euros
Audit services	230,053
Other audit-related services	63,449
<b>Total audit and related services</b>	<b>293,502</b>
Tax services	-
Other services	65,668
<b>Total services</b>	<b>65,668</b>

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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*Red Eléctrica Corporación, S.A.*  
12 January 2016

- Our Firm has designed and implemented general independence procedures to safeguard our independence, as described in section 4.3.2 of the KPMG Auditores, S.L. Transparency Report for 2015, which is available via the following link:

<https://assets.kpmg.com/content/dam/kpmg/pdf/2015/12/Informe-transparencia-2015.pdf>

These procedures comprise specific processes aimed at identifying and assessing threats to our independence that could arise from circumstances associated with audited entities, including those that could give rise to incompatibilities or require application of safeguard measures to reduce threats to an acceptably low level.

In relation to the aforementioned audit, no circumstances that could represent an incompatibility have been identified. Any matters that in our professional judgement constituted significant threats to our independence were eliminated or reduced to an acceptably low level by applying the necessary safeguards.

This confirmation has been drawn up solely for the addressees of this letter in the context of your preparation of the Auditor Independence Report and may not be used for any other purpose.

Kind regards,

Ana Fernández Poderós  
Partner