

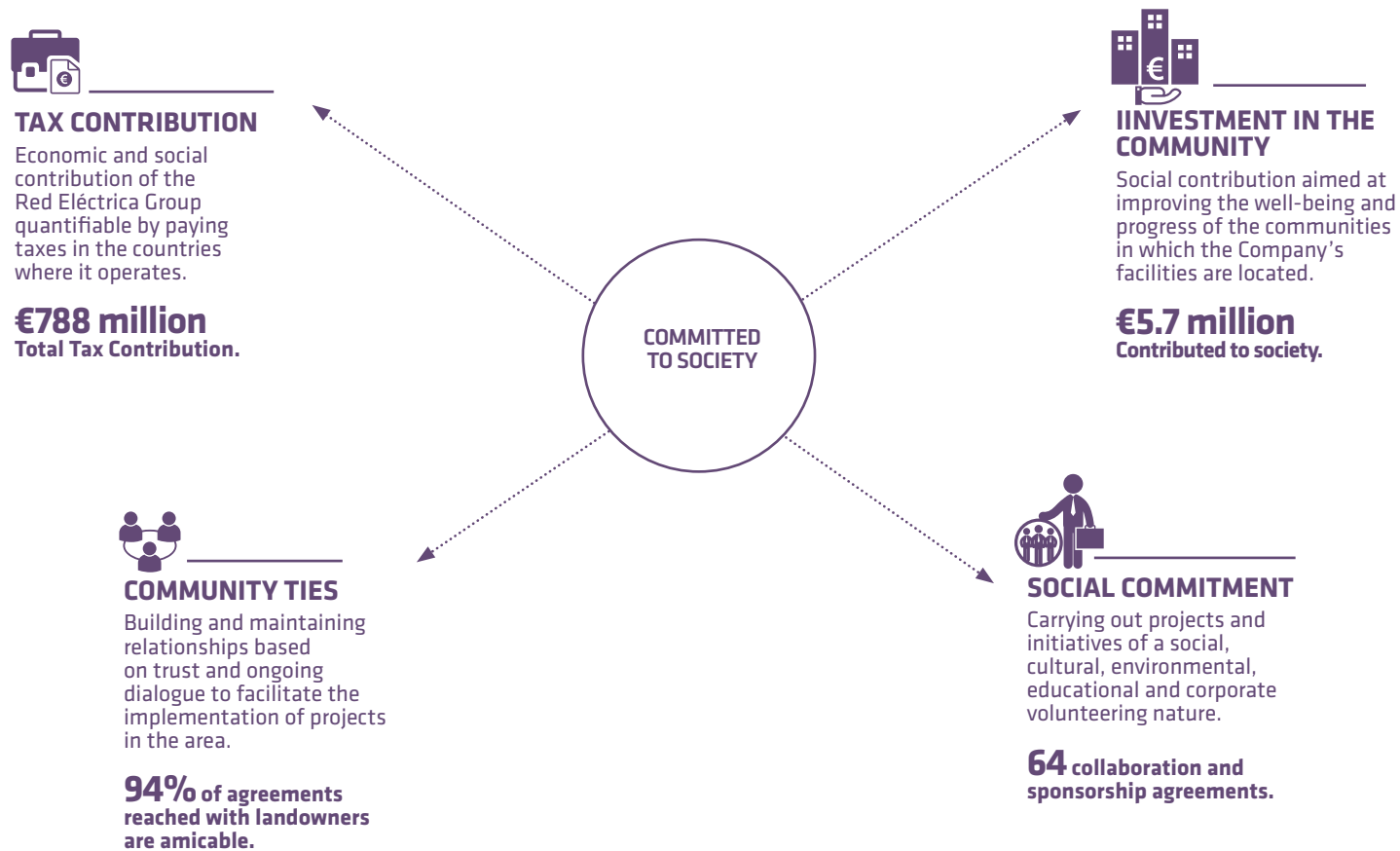
08

SOCIETY

CONNECTED TO
THE PROGRESS
AND WELL-BEING OF
**THE COMMUNITIES
IN WHICH OUR FACILITIES
ARE LOCATED**



CORNERSTONES OF OUR COMMITMENT TO SOCIETY



TAX TRANSPARENCY

THE TAX POLICY of the Red Eléctrica Group is based on the principles of transparency, good governance and responsibility.

Among the principles and general guidelines of the economic-financial management in the area of finance, is the drafting of tax information for internal management

and compliance with external requirements, in order to provide support in decision-making, providing, with the utmost transparency, the necessary information to financial markets and other stakeholders, and comply with legal and tax requirements.

In the context of development of good practices in

corporate social responsibility, and to offer fiscal information to the different stakeholders voluntarily, 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 2014

€788 million

Total Tax Contribution ↓

More than
€1.2 billion

↑ paid in taxes in 2013 and 2014

99%

of the Total Tax Contribution made in Spain ↓

46%

of value generated earmarked for tax payments ↓

43%

↑ Tax Contribution compared to revenues

TOTAL TAX CONTRIBUTIONS

TO CALCULATE its total tax payments, the Red Eléctrica Group has followed PwC's Total Tax Contribution (TTC) methodology, whose characteristics are:

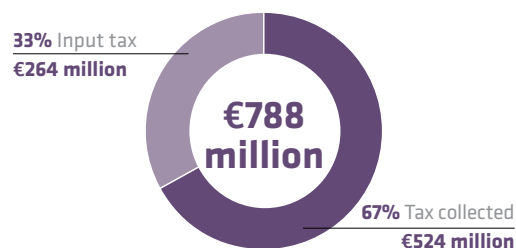
- >> It measures the total impact derived from a company's payment of tax.
- >> It reflects the total amount of all the taxes input (which represents an effective cost for the company) and col-

lected (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.

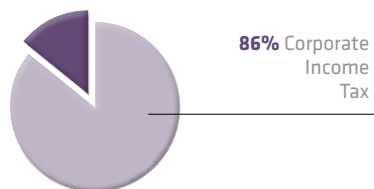
TOTAL TAX CONTRIBUTIONS 2014

Red Eléctrica's Total Tax Contribution during 2014 amounted to 788 million euros, 264 million euros corresponding to input tax and 524 million euros to taxes collected.



INPUT TAXES

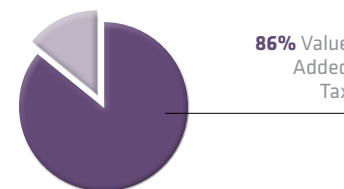
Corporate Income Tax* represents 86% of total input taxes that have been paid to the various tax authorities, mostly to the Spanish tax authority.



(*) The Consolidated Annual Accounts provide detailed and specific information regarding this (accounting deductions, effective tax rate, etc.)

TAXES COLLECTED

Of the total of taxes collected during 2014, the taxes on products and services stand out, fundamentally the Value Added Tax* (IVA), which accounts for 86% of the total.



(*) Understood as those indirect taxes equivalent to Spanish IVA, which taxes consumption.



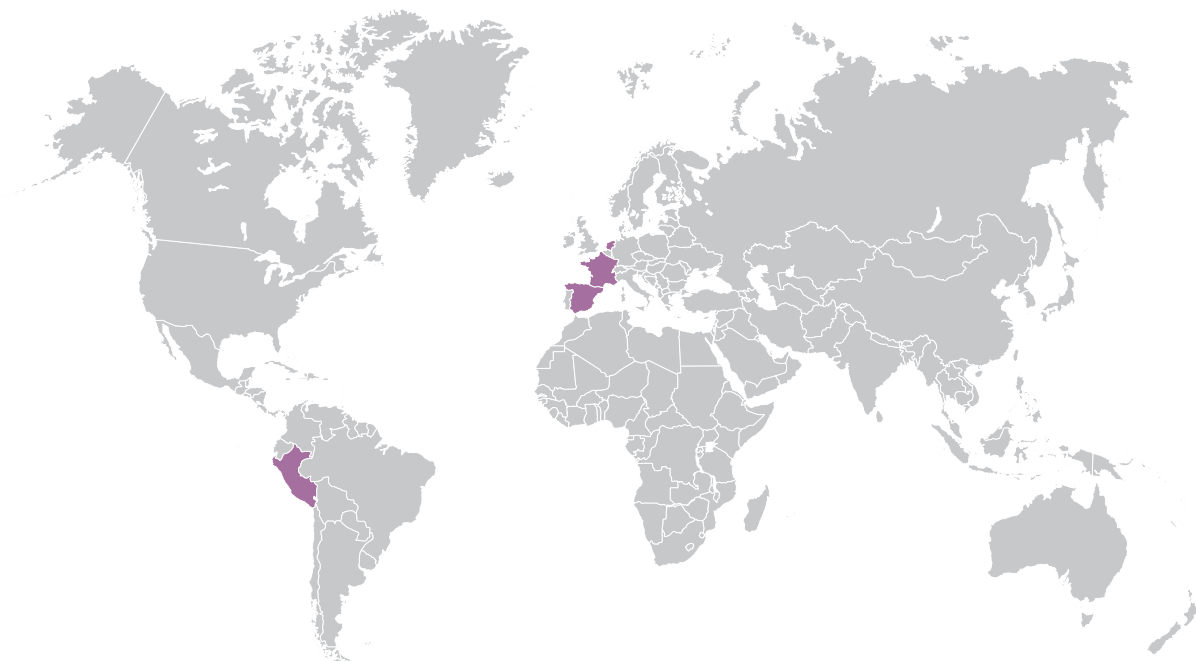
GEOGRAPHIC DISTRIBUTION

TOTAL TAX CONTRIBUTIONS 2014

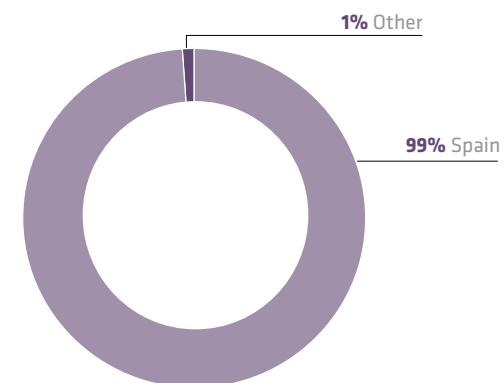
Million euros

	Spain	Peru	Others (EU)	TOTAL
Input Tax	260	3	1	264
Tax collected	520	2	2	524
Tax contribution	780	5	3	788

THE TOTAL TAX CONTRIBUTION OF THE RED ELÉCTRICA GROUP to the relevant tax authorities in all countries in which it operates amounted to 788 million euros, Spain being the jurisdiction with a greater tax contribution (99%)



TAX CONTRIBUTIONS



The revenue of the Red Eléctrica Group is principally in Spain (98%).

TAXES WEIGHT ON VALUE DISTRIBUTED

APPLYING the methodology of Total Tax Contribution (TTC), the value distributed by the Red Eléctrica Group in 2014 would total 1.72 billion euros, a figure which is composed of the following elements:

>> After-tax profit or shareholder value (719 million euros)

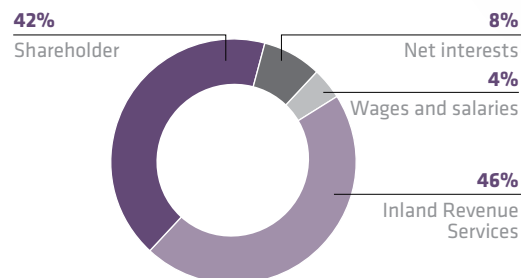
>> Wages and salaries after taxes collected (65 million euros).

>> Net interest (148 million euros).

>> Taxes (788 million euros): input, 15% and collected, 31%.

VALUE DISTRIBUTED 2014

Of every 100 euros in value generated by the Red Eléctrica Group in 2014, 46 euros went to tax payments.



The distributed tax value is calculated by dividing the input and collected taxes / total value distributed.

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 43%, of which:

>> 14% are input taxes.

>> 29% are collected taxes.

THE TOTAL TAX CONTRIBUTION compared to the revenue of Red Eléctrica represented 43%

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 sets out the commitment not to create companies to evade taxes in territories considered tax havens.

>> Red Eléctrica has an Comprehensive Risk Management System that includes any relevant tax risks for the Company. It 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.

>> In 2014, inspection activities on basic Spanish taxes have concluded, for the 2008, 2009 and 2010 financial years. As a result, all Certificates have been signed In Conformity, reflecting the adequate statement, in the Inspectorate's opinion, of all the Company's taxes; said Certificates are final, as they cover verification and investigation activities on all components of the Company's tax obligations

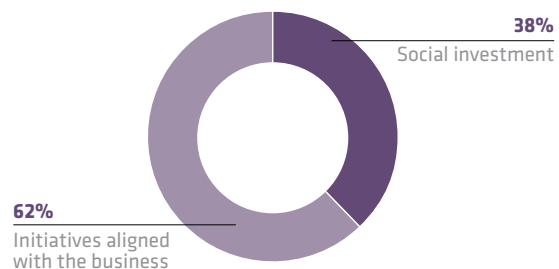
INVESTMENT IN THE COMMUNITY

RED ELÉCTRICA is a key element in the Spanish electricity system, because through its activities, it contributes to all citizens and companies having a guaranteed access to electricity, which is a basic good. Additionally, thanks to its efforts to integrate renewable energies, the Company is making it possible for the energy model to be increasingly sustainable.

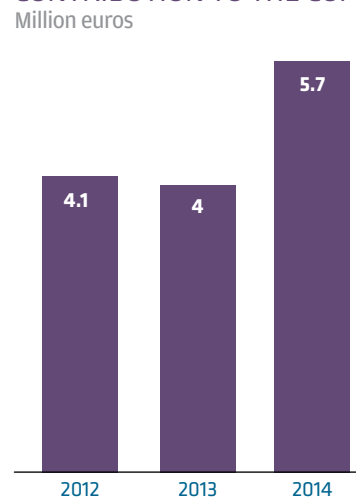
In this same line, the Company undertakes, as an objective of its business management, to contribute towards the sustainable development of society, whereby it carries out diverse actions that promote institutional and social relationships. It openly seeks collaboration agreements, disseminates information on the operation of the electricity system and encourages participation in projects and initiatives that foster well-being and progress in the communities in which its facilities are located.

In 2014, Red Eléctrica's contribution to the community amounted to 5.7 million euros (0.93% of its net profit). 62% of this amount was earmarked for initiatives aligned with the business and 38% to social investment projects.

CONTRIBUTION TO THE COMMUNITY



CONTRIBUTION TO THE COMMUNITY



TIES WITH THE COMMUNITY [G4-S01]

RED ELÉCTRICA 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 lifecycle of the facility.

Therefore, it has an organizational structure distributed nationwide in order to maintain communication and institutional collaboration with administrations and 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.

>> 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 the projects.

As a result of this strategy, in 2014 noteworthy was the signing of 52 agreements with Autonomous Communities and Local Councils.

In the case of local governments, and in relation to the construction of new infrastructure, Red Eléctrica fosters close-knit ties with communities to report

on the need for facilities and promote dialogue that facilitates the development of projects in a sustainable manner and with social acceptance. Thanks to this ongoing dialogue, the Company has managed to construct new infrastructure after reaching amicable agreements with 94% of the landowners, and through the signing of relevant agreements with various local governments.

THANKS TO AN ONGOING DIALOGUE, THE COMPANY has managed to build new infrastructure after reaching amicable agreements with 94% of the landowners

During the administrative permitting procedure for electricity transmission infrastructure, all projects undergo a rigorous and transparent permitting procedure, which ensures the participation of the local government and citizens affected. ▶

◀ The administrative permitting procedure for infrastructures can be summarised in the following steps:

>> Environmental impact Assessment.

All the projects the Company carries out are submitted to an environmental impact study. This guarantees an adequate prevention of the environmental and social impacts that can be generated by the installations, while establishing efficient mechanisms to avoid, reduce or compensate for those possible effects.

>> Obtaining the required administrative authorisations

In order to develop projects, it is necessary to obtain the authorisations that are issued

by the competent authorities in energy and environment of the Public Administration, or of the Autonomous Communities, depending on the route chosen for the line.

>> Public information period

The processing of projects and environmental impact studies includes a period during which they are made available to all the affected parties, for consultation and for the submission of allegations.

>> Integration of facilities in the local community

Red Eléctrica attempts to integrate all its projects in the community with the greatest possible consensus, seeking to reach a balance between territorial, economic, social and environmental interests.

>> Contribution to local development

In accordance with its social responsibility, the Company maintains a commitment to the development of the local communities and the conservation of its natural environment, collaborating with actions that contribute to these goals and represent a social benefit.

ALL THE PROJECTS ARE SUBMITTED TO AN ENVIRONMENTAL IMPACT STUDY to guarantee an adequate prevention of environmental and social impacts that the facilities might generate.

Dissemination of information regarding the electricity system

ON THE OCCASION OF the bringing into service of new infrastructure that strengthens the operation of the electricity system, Red Eléctrica held different events to present the most representative facilities.

Similarly, special attention has been placed on publicising the specific actions the Company has been taking in recent years in the Canary Islands and the Balearic Islands, to improve the security and quality of supply under the same criteria of quality as applied in the rest of Spain.

Additionally, the Company promotes and encourages knowledge regarding the electricity system by hosting visits to its facilities. In 2014, 69 institutional visits were organised to the CECOEL and CECRE electricity control centres, and visits were arranged to 13 different transmission grid facilities, bringing the total number of visitors to around 400.

Red Eléctrica contributes to the training of National Security Forces regarding matters of safety and security in electricity facilities and fire 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 and Fire Brigades. During 2014, training sessions were organised in 12 provinces of seven Autonomous Communities with the participation of 1,519 attendees.

Red Eléctrica has continued making a great effort to produce various publications, as a key tool for transparency and communication with its stakeholders, and to contribute to increasing knowledge and awareness regarding the electricity system.



More information regarding the dissemination of electricity system information in the 'Map of Projects' subsection of the 'Sustainability' section of the corporate website.

SOCIAL COMMITMENT

THE COMMITMENT of Red Eléctrica to society takes place through actions defined in collaboration with the various institutions and public and private entities that seek to meet the various collaboration requests coming from social organisations.

The programme carried out in 2014 includes actions geared towards promoting sustainability and the efficient use of energy, supporting local and regional communities, and contributing to cultural and educational projects, amongst others.

In the area of **cultural heritage**, in 2014 Red Eléctrica signed 64 collaboration and sponsorship agreements with different organisations and entities to support the development of actions of an environmental, cultural and local character. For example, REE participates in projects for the recovery and dissemination of information about the architectural and archeological heritage nationwide and in cultural activities that help to maintain popular traditions.

The National Theatre of Catalonia, the Cultural Association of Cronicon de Oña and the Santa María la Real Foundation are some of the institutions with which the Company collaborates in this area.

In relation to **environmental actions**, worthy of mention is the Red Eléctrica Forest, which since 2009 has contributed to the fight against climate change through tree planting projects. In 2014, work began on the ecological restoration of the Sa Duaia-Es Recó public forest in Majorca, becoming the eighth forest project.

The Company also collaborates with the Life+ Activa Red Natura project supported by the European Commission which aims to improve knowledge and awareness about Red Natura.

In the **educational scope**, Red Eléctrica has among its priority objectives, to provide society with access to knowledge regarding the electricity system and its operation, paying special attention to higher education and training in the area of energy and the environment. Dur-

ing 2014, of note was the support for the training of 933 students in masters or specialisation courses of more than 30 schools and colleges through 46 visits to Company facilities. Also noteworthy are the 12 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.

Moreover, within this scope of social commitment, it should be noted that the Chairman, as evidence of his strong personal commitment to social responsibility and best practices of good corporate gover-

nance, has given instructions that, in his name and on his behalf, the Company will proceed to make monetary donations to certain foundations for the full amount of his remuneration in 2014 corresponding to the long-term remuneration plan 2009-2013. The aforementioned donations have been made to ▶

**IN 2014, ACTIONS
HAVE BEEN
UNDERTAKEN
designed to promote
sustainability and the
efficient use of energy,
to support local and
regional communities,
and to contribute
to cultural and
educational projects**



More information
regarding educational
projects in the 'Society'
subsection of the
'Sustainability' section of
the corporate website.

the Fundación ADECCO and the Fundación Universitaria Comillas-ICAI. The first, within the activities of the Fundación ADECCO to promote initiatives for collaboration for the promotion of employment and support for social responsibility projects (entrepreneurs, groups with difficulty in accessing the labour market, etc.)

have been designated for Proyecto MUJER 2020 (the WOMEN Project 2020). The second has been designated for end-of-course projects in themes linked to promoting of initiatives geared towards the promotion of training, research, innovation and investment in human and technological capital in the field of energy.

Travelling exhibition

THE TRAVELLING exhibition '*A highway behind the wall socket*' has received 15,000 visitors since it relocated to the Museo Abierto of Merida in March 2014. The exhibition, which began in 2010, has travelled to five other Spanish cities and has been visited by approximately 275,000 members of the public.

This exhibition explains the operation of an elec-

tricity system and raises public awareness about the need for responsible consumption,

This year, a programme of visit began, in which a bus was put at the disposal of the public in the local areas close to the Almaraz-Guillena axis, to enable them to visit this exhibition. As a result of this initiative, more than 3,000 people from all over

Extremadura have visited the exhibition. Similarly, in order to favour socio-economic development and employment in the area, maintenance services and support personnel at the exhibition were contracted, as well as the transportation service for groups in the programme of visits for workers and local companies.

CORPORATE WEBSITE

THE CORPORATE WEBSITE (www.ree.es) is an interactive and informative space, which helps to strengthen the Company's brand and enhance awareness of its activities and provides direct contact with its stakeholders. The website was recognised in 2014 as the sixth best website of the IBEX 35 companies according to the Webranking of the Comprend

consultancy. Moreover, the Corporate Governance section on the website has received recognition as one of the five best practices of good governance, identified in the report prepared by Fundación Compromiso y Transparencia (Commitment and Transparency Foundation), regarding the governance of listed companies.

The most significant development on the website during 2014 was the publication, for the first time, of the Company's annual Corporate Responsibility Report for 2013, in web format, within the 'Our Management' section of the site. This section includes the entire content of the report in html format.

Among other new editions to the site during the year, noteworthy is the publica-

tion of an interactive map with files on sustainability projects, principally environmental and social projects, which contains a great deal of information and audiovisual support material.

Also worth mentioning is the publication of new sections related to system operation, such as the management of the interruptibility service or the voluntary price for the small consumer (PVPC).

In 2014, the number of downloads of different documentation published on the website totaled 800,000, while the number of total visits and page views went down compared to previous years because of the introduction of a new methodology for web analytics. In 2014, the corporate website had 2,150,000 visits and 91 million page views.

RED ELÉCTRICA'S EXHIBITION '*A HIGHWAY BEHIND THE WALL SOCKET*' has been chosen by the European Commission as one of the five best practices of European TSOs to raise awareness about the need to develop electricity grids



More information regarding the exhibition in the 'Map of Projects' subsection of the 'Sustainability' section of the corporate website.

PARTICIPATION IN ASSOCIATIONS

RED ELÉCTRICA collaborates with 39 organisations and entities, where it exchanges its knowledge of and experience in the challenges of the electricity system, corporate responsibility, social investment and economic-financial management, among other things. Some of these associations, whose purpose is to carry out actions of a social character, are:

>> *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.

CORPORATIVE 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. During 2014, noteworthy were the following projects:

>> *Operation kilo-litre campaign*

During the Operation kilo-litre campaign 2014 employees donated a total of 5,738 kilos and litres of foodstuffs for food banks and various Cáritas offices (Religious charity) located throughout Spain. In addition, the Company has also supported the campaign with 3,000 euros to the

"Put your name to an aisle" campaign from the Madrid Food Bank, sponsoring throughout 2015, a block of shelving in the previously stated Food Bank.

>> *Participation in the VIII edition of Companies' Solidarity Day.*

In this edition, the Company has helped make two projects possible, along with volunteers from other companies: one of an environmental nature, carrying out the task of restoring an ecological garden area and another of a social character in a social soup kitchen and clothing dispensary.

>> *Swimming for Maiti Nepal, 1 metro= 1€*

With the proceeds collected from this initiative, activities of the orphanage of this Nepalese NGO were funded.

>> *V edition of the Race for Hope*

Participation in this race organised by FEDER (Spanish Federation of Rare Diseases) for the World Rare Disease Day.

>> *Ninth Fair trade campaign*

Collection of over 2,400 euros through a fair trade market, in order to contribute to the eradication of poverty in developing countries.



More information regarding Volunteering Projects in the 'Society' subsection of the 'Sustainability' section of the corporate website.