



Ernst & Young, S.L.
C/Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
Fax: 915 727 300
ey.com

INDEPENDENT LIMITED ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT

To the Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A.

Scope of work

We have carried out a limited assurance engagement for the 2017 Annual Corporate Governance Report of RED ELÉCTRICA CORPORACIÓN, S.A. ("the Company") and the information provided in A, B, C, D, E, G, and H of the accompanying Official Appendix (Model of Appendix I of Circular 7/2015 of December 22 of the Comisión Nacional del Mercado de Valores ("CNMV" - Spanish Securities Market Commission)) corresponding to the year ended December 31, 2017, prepared in accordance with the stipulations of article 540 of the Spanish Corporate Enterprises Act, Order ECC/461/2013, of March 20, which determines, amongst other matters, the minimum content and structure of the Annual Corporate Governance Report, and Circular 5/2013, of June 12, of the CNMV, which establishes, amongst other matters, the Annual Corporate Governance Report forms for publicly listed companies, modified by Circular 7/2015, of December 22, of the CNMV, as well as Principle V relating to the disclosure of information and transparency contained in the Principles of Corporate Governance of the OECD and G20.

With respect to the content of section G of the Annual Corporate Governance Report and for the Unified Code Recommendations which have not been implemented in the Company, the directors of RED ELÉCTRICA, S.A. offer the explanations they consider convenient. Due to its nature, in such cases as these, our work has exclusively consisted in verifying that the information contained in the Report does not contradict the evidence obtained from applying the procedures carried out.

Responsibility of the directors

The directors of RED ELÉCTRICA CORPORACIÓN, S.A. are responsible for the preparation, content, and presentation of the Annual Corporate Governance Report. This responsibility includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the Annual Corporate Governance Report is free of material misstatement, due to fraud or error.

The directors of RED ELÉCTRICA CORPORACIÓN, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information is obtained for preparing the Annual Corporate Governance Report.

Our responsibility

Our responsibility is to issue a report of limited assurance based on the procedures we carried out and the evidence we obtained. We have performed our limited assurance work in accordance with the stipulations of International Standard on Assurance Engagements 3000 (ISAE), "Assurance engagements other than Audits and Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

In limited assurance work the procedures carried out vary in their nature and timing and cover less material than those carried out in reasonable assurance work and, therefore, the assurance provided is also less.

The procedures we carried out for purposes of this engagement are based on our professional judgment and consisted in the formulation of questions for Management and the application of certain analytical procedures and review tests by sampling. Specifically, the following procedures were performed:

- Reading and understanding the information prepared by the Company and included in the Annual Corporate Governance Report and assessment of whether said information covers all the content required by article 540 of the Spanish Corporate Enterprises Act and Order ECC/461/2013 of March 20, as well as Circular 5/2013 of June 12, of the CNMV, as updated by Circular 7/2015 of December 22, of the CNMV.
- Reading and understanding of legal documentation, the minutes to the general shareholder meetings and Board of Directors meetings, the separate and consolidated financial statements of 2017 as well as internal and external communication with respect to the appropriateness of the information included in the Annual Corporate Governance Report.
- Performance of interviews with the staff of RED ELÉCTRICA CORPORACIÓN, S.A., including members of Management and other bodies responsible for the different areas of governance of the Company.
- Analysis of the procedures utilized by the Company to collect and validate data and information presented in the Annual Corporate Governance Report.
- Verification, via review tests based on a selection of samples from the quantitative information included in the Annual Corporate Governance Report and its appropriate compilation based on data supplied by the Management of RED ELÉCTRICA CORPORACIÓN, S.A., and if applicable, the figures included in the separate and consolidated financial statements for 2017 provided by management of RED ELÉCTRICA CORPORACIÓN, S.A.
- Reviewing the consistency of the information provided in the Annual Corporate Governance Report with the V Principle relating to the disclosure of information

and transparency contained in the Principles of Corporate Governance of the OECD and the G20.

- Verification of the external recognition received as a consequence of complying with external and internal regulations as well as applying best practices in matters of transparency and good governance as described in Section 1 of the Annual Corporate Governance Report under subsection "External recognition," such as: Dow Jones Sustainability World Index, Dow Jones Sustainability Europe Index FTAE4Good, MSCI ESG, Euronext-Vigeo, Ethibel Sustainability Index Excellence Europe, Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers, ECPI indices, STOXX Global ESG Leaders Indices, European Seal of Excellence 500+ in accordance with the EFQM model, acknowledgment in matters of corporate governance for the second year running in the British publication "Ethical Boardroom Magazine", "Gold Class" recognition in The Sustainability Yearbook, as well as belonging to the 100 most responsible companies in Spain according to the entity that monitors the reputations of companies "Merco Responsabilidad and Gobierno Corporativo."
- Obtaining the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the Annual Corporate Governance Report.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements included in the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable.

Conclusions

As a result of the procedures we carried out and the evidence we obtained, we have not become aware of any matters which may lead us to conclude that the Annual Corporate Governance Report 2017 of RED ELÉCTRICA CORPORACIÓN, S.A. and the information disclosed in the accompanying clauses A, B, C, D, E, G, and H of the Official Appendix of Circular 7/2015 of December 22, of the CNMV, corresponding to the year ended December 31, 2017, contain significant errors or have not been prepared, in all significant matters, in accordance with the stipulations of article 540 of the Spanish Corporate Enterprises Act, Order ECC/461/2013 of March 20, and Circular 5/2013 of June 12 of the CNMV, modified by Circular 7/2015 of December 22, of the CNMV.



In addition to the aforementioned domestic regulatory framework, no other significant matters became apparent which may lead us to the conclusion that the contents of the Annual Corporate Governance Report of RED ELÉCTRICA CORPORACIÓN, S.A. are not in line with Principle V relating to disclosure of information and transparency contained in the Principles of Corporate Governance of the OECD and the G20.

Other matters

This report can under no circumstances be considered an audit carried out in accordance with prevailing audit regulations in Spain.

A review of the information contained in section F of the Annual Corporate Governance Report, which contains the description of the Internal Control System for Financial Reporting (ICSFR) was beyond the scope of the present report, as was the content relating to this matter included in the Annual Corporate Governance Report 2017.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Limited Assurance Report in Spanish dated 19th February 2017. In case of any discrepancy, the Spanish version always prevails.)