



Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails.

REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2015

To the Management of Red Eléctrica de España, S.A.U.:

Scope of the work

We have carried out a limited assurance engagement on the Greenhouse Gas Emissions Inventory (hereinafter referred to as the GHG Inventory) of Red Eléctrica de España, S.A.U. (hereinafter referred to as REE) for the financial year ending 31st December 2015, included in the Appendix of this Report.

Responsibility of REE for the GHG Inventory

REE's management is responsible for the preparation and update of the 2015 GHG Inventory in accordance with their internal procedure, "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, SAU", available on the following website link <http://www.ree.es/es/sostenibilidad/energia-sostenible/energia-y-cambio-climatico/nuestra-huella-de-carbono>. Management is also responsible for establishing, implementing and maintaining any relevant internal control systems required to ensure that the GHG Inventory does not contain any material inaccuracies due to fraud or error.

The calculation of GHG Emissions is subject to inherent uncertainties given their nature and the methods and factors used to determine, calculate and estimate emissions.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410), "Assurance Engagements on Greenhouse Gas Statements" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and develop our engagement to obtain a limited security that REE's 2015 GHG Inventory does not contain any significant errors or that it has not been prepared in accordance with the internal procedure "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, S.A.U.". This work has been carried out by a team of sustainability and climate change specialists highly experienced in these areas.

The scope of a limited assurance engagement is substantially less extensive than a reasonable assurance engagement, and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with personnel of REE's various departments who have been involved in the preparation of the GHG Inventory.
- Analysis of the procedures used for obtaining and validating the data on REE's GHG Inventory.

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- Evaluation of the systems employed for obtaining and monitoring data for the preparation of REE's 2015 GHG Inventory.
- Assessment of whether the estimations used are appropriate and have been consistently applied. Our work has not included a review of the calculations on which the emission factors are based, nor a review of the reliability of the information provided by third parties.
- Verification, through random sampling tests, internal control tests and the development of substantive tests of the information (activity data, calculations and information generated) used to determine REE's 2015 GHG Inventory with the internal procedure "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, S.A.U.". We have also verified the correct compilation of information based on the data provided by REE's sources of information.

Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited Assurance Conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that REE's GHG Inventory for the financial year ending 31st December 2015 contains any significant errors or has not been prepared, in all its significant matters, in accordance with the "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España, S.A.U.".

Use and distribution

Our report is only issued to the Management of Red Eléctrica de España, S.A.U. in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than REE's Management.

PricewaterhouseCoopers Auditores, S.L.

A handwritten signature in blue ink, appearing to read 'Mª Luz Castilla', with a long horizontal flourish extending to the right.

M^a Luz Castilla
12th April 2016

Appendix

GREENHOUSE GAS (GHG) INVENTORY OF RED ELÉCTRICA DE ESPAÑA, SAU.

<i>GHG Inventory</i>	<i>tCO₂-eq</i>
Scope 1	33,662
<i>1.1 Diesel generating sets</i>	<i>182</i>
<i>1.2 Fleet vehicles</i>	<i>989</i>
<i>1.3 SF6</i>	<i>31,651</i>
<i>1.4 Air conditioning</i>	<i>840</i>
Scope 2	808,347
<i>2.1 Electricity consumption</i>	<i>4,229</i>
<i>2.2 Transmission grid losses</i>	<i>804,118</i>
Scope 3	241,258
<i>3.1 Supply chain</i>	<i>234,807</i>
<i>3.2 Business travel</i>	<i>2,517</i>
<i>3.3 Logistics</i>	<i>589</i>
<i>3.4 Employees commuting</i>	<i>3,345</i>

(December 31, 2015)

Organisational boundaries

The calculation of Red Eléctrica de España SAU's emissions is performed under operational control criteria. The inventory only applies to the activities that take place in Spain.

Operational scope

Emissions associated to Red Eléctrica de España SAU's activities and facilities are quantified, taking into consideration the following scopes:

Scope 1: Direct GHG emissions (Greenhouse gases)

Emissions resulting from the Company's controlled or owned sources:

- Stationary combustion: derived from the combustion of fuels used in diesel generating sets. (No other stationary combustion source exists in the Company).
- Mobile Combustion: emissions derived from fuel consumption of the fleet.
- Fugitive Emissions: SF₆ gas leaks in electricity substations and refrigerant gases leaks from air conditioning systems.

Scope 2: GHG indirect emissions from electricity consumption

- Electricity consumption.
- Electricity losses in the transmission grid.

Scope 3: Other indirect GHG emissions

- Emissions associated with purchased goods and services (supply chain)
- Emissions associated with business travel by plane, train and car.
- Emissions derived from downstream transportation and distribution (logistics, subcontracted to an external company)
- Emissions from employees commuting to the workplace.