

**SPANISH SECURITY  
MARKETS COMMISSION**  
Markets Division  
Edison, 4  
28006 MADRID

Madrid, 14 May 2020

Dear Sirs:

In accordance with the provisions of Article 227 of the consolidated text of the Spanish Securities Market Act, we are sending you the following **OTHER RELEVANT INFORMATION** in relation to Red Eléctrica Corporación, S.A.:

Attached find the complete text of the resolutions adopted by the Ordinary Shareholders' Meeting of the Company held on May 14, 2020, proposed by the Board of Directors of Red Eléctrica de Corporación, S.A.

Very truly yours,

Rafael García de Diego Barber  
The General Secretary and Secretary of the Board of Directors

**Complete text of the resolutions adopted by the Ordinary Shareholders' Meeting of the Company held on May 14, 2020, proposed by the Board of Directors of Red Eléctrica de Corporación, S.A.**

## **I. MATTERS FOR APPROVAL**

### **RESOLUTION REGARDING ITEM FIRST ON THE AGENDA:**

**EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE ANNUAL ACCOUNTS (STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT, STATEMENT OF CHANGES IN EQUITY, STATEMENT OF RECOGNISED INCOME AND EXPENSE, STATEMENT OF CASH FLOWS AND NOTES TO THE FINANCIAL STATEMENTS) AND MANAGEMENT REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED 31 DECEMBER 2019.**

To approve the Annual Accounts (Statement of Financial Position, Income Statement, Statement of Changes in Equity, Statement of Recognised Income and Expense, Statement of Cash Flows and Notes to the Financial Statements) and Management Report of Red Eléctrica Corporación, S.A. for the 2019 financial year.

The Annual Accounts and Management Report of Red Eléctrica Corporación, S.A. submitted for approval hereby are those that were authorised for issue by the Board of Directors at its meeting held on 25 February 2020 and have been duly audited by KPMG Auditores, S.L.

**RESOLUTION REGARDING ITEM SECOND ON THE AGENDA:**

**EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE CONSOLIDATED ANNUAL ACCOUNTS (CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONSOLIDATED INCOME STATEMENT, CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED STATEMENT OF CASH FLOWS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS) AND CONSOLIDATED MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA CORPORACIÓN, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2019.**

To approve the Consolidated Annual Accounts (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements) and Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A. and subsidiaries for the 2019 financial year.

The Annual Accounts and Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A. submitted for approval hereby are those that were authorised for issue by the Board of Directors at its meeting held on 25 February 2020 and have been duly audited by KPMG Auditores, S.L.

**RESOLUTION REGARDING ITEM THIRD ON THE AGENDA:**

**EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE PROPOSED ALLOCATION OF THE PROFIT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED 31 DECEMBER 2019.**

To approve the proposed allocation of profits adopted by the Board of Directors at its meeting held on 25 February 2020 and consequently allocate the profits for the 2019 financial year, amounting to 570,668,467.48 euros, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVE	2,057,226.94
TO DIVIDENDS:	
INTERIM DIVIDEND	147,001,704.54
SUPPLEMENTARY DIVIDEND (calculated on all shares)	421,609,536.00
<hr/>	
TOTAL	570,668,467.48

It is expressly resolved to pay to the shares having a par value of fifty cents on the euro (€0.50) with a dividend right the gross amount of 1.0519 euros per share. The dividend will be paid on 1 July 2020, at the banks and financial institutions announced at the appropriate time, deducting from the dividend amount the gross amount of 0.2727 euros per share having a par value of fifty cents on the euro (€0.50), which was paid as an interim dividend on 7 January 2020 under the Board of Directors resolution dated 29 October 2019.

## **RESOLUTION REGARDING ITEM FOURTH ON THE AGENDA:**

**EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE REPORT ON NON-FINANCIAL INFORMATION FOR THE CONSOLIDATED GROUP OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE 2019 FINANCIAL YEAR, IN ACCORDANCE WITH THE TERMS OF ACT 11/2018 OF 28 DECEMBER 2018 AMENDING THE COMMERCIAL CODE, THE RESTATED TEXT OF THE SPANISH COMPANIES' ACT, APPROVED BY LEGISLATIVE ROYAL DECREE 1/2010 OF 2 JULY 2010, AND ACT 22/2015 OF 20 JULY 2015 ON THE AUDITING OF ACCOUNTS, ON MATTERS OF NON-FINANCIAL INFORMATION AND DIVERSITY.**

To approve the report on non-financial information for the Consolidated Group of Red Eléctrica Corporación, S.A. for the 2019 financial year, in accordance with the terms of Act 11/2018 of 28 December 2018 amending the Commercial Code, the restated text of the Spanish Companies Act, approved by Legislative Royal Decree 1/2010 of 2 July 2010, and Act 22/2015 of 20 July 2015 on the auditing of accounts, on matters of non-financial information and diversity.

The report on non-financial information for the Consolidated Group of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, mirrors the information contained in point 11 of the Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A. for the year ended 31 December 2019, that was authorised for its issuance by the Board of Directors at its meeting of 25 February 2020.

The statement of non-financial information contained in that report has been examined by Ernst & Young, S.L. and may be consulted on the company's corporate website, in the section on the General Meeting of Shareholders.

**RESOLUTION REGARDING ITEM FIFTH ON THE AGENDA:**

**EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE MANAGEMENT PERFORMANCE OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A. DURING THE 2019 FINANCIAL YEAR.**

To approve the management performance of the Board of Directors of Red Eléctrica Corporación, S.A. during the 2019 financial year.

## **RESOLUTIONS REGARDING ITEM SIXTH ON THE AGENDA:**

### **APPOINTMENT OF DIRECTORS OF THE COMPANY.**

#### **First.- Ratification and appointment as director of Ms. Beatriz Corredor Sierra, within the category "other external".**

To ratify the designation of Ms. Beatriz Corredor Sierra director of Red Eléctrica Corporación, S.A., within the category "other external", agreed by the Board of Directors at its meeting held on 25 February 2020 and, consequently, appoint her as director, within the category "other external", for the term of four years established in the company's Articles of Association, in accordance with the provisions of article 529 decies of the Spanish Companies Act.

#### **Second.- Ratification and appointment as executive director of Mr. Roberto García Merino.**

To ratify the designation of Mr. Roberto García Merino as executive director of Red Eléctrica Corporación, S.A., agreed by the Board of Directors at its meeting held on 27 May 2019 and, consequently, appoint him as executive director for the term of four years established in the Articles of Association, in accordance with the provisions of article 529 decies of the Spanish Companies Act.

#### **Third.- Re-election as independent director of Ms. Carmen Gómez de Barreda Tous de Monsalve.**

To re-elect Ms. Carmen Gómez de Barreda Tous de Monsalve, on proposal of the Appointments and Remuneration Committee, as independent director of Red Eléctrica Corporación, S.A., for the term of four years fixed in the Articles of Association, in accordance with the provisions of article 529 decies of the Spanish Companies Act.

## **RESOLUTION REGARDING ITEM SEVENTH ON THE AGENDA:**

**DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A FIVE (5) YEAR TERM, OF THE POWER TO INCREASE THE CAPITAL STOCK, AT ANY TIME, ONCE OR SEVERAL TIMES, UP TO A MAXIMUM OF ONE HUNDRED AND THIRTY-FIVE MILLION TWO HUNDRED AND SEVENTY THOUSAND (135,270,000) EUROS, EQUIVALENT TO HALF THE CURRENT CAPITAL STOCK, IN THE AMOUNT AND AT THE ISSUE RATE DECIDED BY THE BOARD OF DIRECTORS IN EACH CASE, WITH THE POWER TO FULLY OR PARTIALLY EXCLUDE PREFERRED SUBSCRIPTION RIGHTS, FOR AN OVERALL MAXIMUM OF 10% OF THE CAPITAL STOCK AND WITH AN EXPRESS AUTHORISATION TO ACCORDINGLY REDRAFT ARTICLE 5 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND IF NECESSARY, APPLY FOR THE ADMISSION TO TRADING, PERMANENCE AND/OR EXCLUSION OF THE SHARES ON ORGANIZED SECONDARY MARKETS.**

### **1.- Delegation in favour of the Board of Directors, term and quantitative limit.**

To authorise the Board of Directors, as broadly and effectively as may be necessary in law, further to the delegation right foreseen in Article 297.1.b) of the Spanish Companies Act, and in article 8 of the Company's Articles of Association, so that, within a maximum term of five (5) years following the date this resolution is adopted, and without having to call the General Meeting of Shareholders or obtain its subsequent resolution, to order, once or several times, at the time and in the amount decided by the Board, a capital increase in a maximum amount of one hundred and thirty-five million two hundred and seventy thousand (135,270,000) euros, equivalent to half of the Company's current capital stock.

**2.- Scope of the delegation.**- Any capital increases that may be ordered by the Board of Directors pursuant to this delegation will involve the issue and trading of new ordinary, privileged or redeemable shares, with or without voting rights, or of any other class, with fixed or variable premium or without premium, the consideration for which will consist of monetary contributions.

In any matter not foreseen in this delegation resolution, the Board of Directors may determine the terms and conditions of any such capital increase, including, but not limited to, the characteristics of the shares, the issue rate, investors and markets receiving the capital increase and placement procedure, and may freely offer any new shares, not subscribed during the preferred subscription period(s), if this right is not excluded.

In the event of incomplete subscription, the Board of Directors may also order a cancellation of the capital increase, or a capital increase by the amount of subscriptions made only, and may redraft article 5 of the Company's Articles of Association, in relation to the capital stock and number of circulating shares, once each capital increase has been agreed and executed.

**3.- Exclusion of preferred subscription rights.**- Pursuant to the provisions established in article 506 of the Spanish Companies Act, the Board of Directors is expressly entitled to fully or partially exclude preferred subscription rights related to all or some of the share issues it may order by virtue of this authorisation, as long as this is necessary in the Company's interest and the face value of the issued shares, plus any issue premium agreed, represents the fair value of the Company shares, according to a report issued by an independent expert other than the Company's auditor appointed for this purpose by the Mercantile Registry each time the right is exercised to exclude preferred subscription rights. Furthermore, the

Board of Directors must issue a report providing details of the specific business reasons supporting that measure in accordance with the provisions of articles 308.2.a) and 506 of the Spanish Companies Act, which will be published on the Company's website immediately after adopting the resolution to increase capital and they will be made available to shareholders and reported at the first General Meeting of Shareholders held thereafter.

However, this authority is limited to a maximum of 10% of the Company's capital stock at the time of this authorization, i.e. twenty-seven million fifty-four thousand (27,054,000) euros.

**4.- Calculation of the overall limit.**- The maximum limits indicated in points 1 and 3 above available at any given time will be considered to include the amount of the capital increases that may be agreed by the Board of Directors in accordance with the proposal being submitted for the approval of this General Meeting of Shareholders under point eight of the Agenda in order to attend to the conversion of debentures, bonds and other similar fixed income securities convertible into new shares, or the execution of warrants with a right to receive new shares.

**5.- Admission to trading.**- The Board of Directors is also authorised to apply for the admission to trading, permanence and exclusion, if necessary, on Spanish or foreign organized secondary markets, of any shares issued by virtue of this authorisation, in which case it will complete any steps and measures that are necessary or appropriate, before the competent authorities of Spanish or foreign securities markets, for their admission to trading, permanence and/or exclusion, as the case may be.

**6.- Delegation.**- The Board of Directors is hereby expressly empowered so that, in turn, it may delegate or replace the powers included in this resolution.

**7.- Revocation.**- This delegation entails the express revocation of the delegation conferred to the Board of Directors by virtue of a resolution adopted by the Annual General Meeting of Shareholders held on 15 April 2015, similarly to the one set out in this point of the Agenda, insofar as it has not been used prior to the adoption of this resolution.

## **RESOLUTION REGARDING ITEM EIGHTH ON THE AGENDA:**

**DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A FIVE (5) YEAR TERM AND AN OVERALL LIMIT OF FIVE BILLION (5,000,000,000) EUROS, OF THE POWER TO ISSUE, ONE OR SEVERAL TIMES, DIRECTLY OR THROUGH COMPANIES OF THE RED ELÉCTRICA GROUP, DEBENTURES, BONDS AND OTHER FIXED INCOME DEBT INSTRUMENTS OF A SIMILAR NATURE, WHETHER ORDINARY OR CONVERTIBLE OR EXCHANGEABLE FOR SHARES IN THE COMPANY, OTHER COMPANIES OF THE RED ELÉCTRICA GROUP OR OTHER COMPANIES THAT ARE NOT RELATED TO IT, INCLUDING WITHOUT LIMITATION, PROMISSORY NOTES, ASSET-BACKED SECURITIES, PREFERRED SECURITIES, SUBORDINATED DEBT, HYBRID INSTRUMENTS AND WARRANTS THAT PROVIDE THE RIGHT TO DELIVER SHARES OF THE COMPANY OR OTHER COMPANIES IN THE RED ELÉCTRICA GROUP, WHETHER NEWLY ISSUED OR IN CIRCULATION, WITH THE EXPRESS ATTRIBUTION, IN THE CASE OF CONVERTIBLE SECURITIES AND EQUIVALENTS, OF THE POWER TO EXCLUDE, IN FULL OR IN PART, THE PREFERRED SUBSCRIPTION RIGHT FOR A MAXIMUM TERM, OVERALL OF 10% OF THE SHARE CAPITAL; AUTHORISATION SO THAT THE COMPANY CAN GUARANTEE NEW ISSUES OF FIXED-INCOME SECURITIES (INCLUDING CONVERTIBLE OR EXCHANGEABLE SECURITIES) BY COMPANIES OF THE RED ELÉCTRICA GROUP; AUTHORISATION TO ACCORDINGLY REDRAFT ARTICLE 5 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND TO, IF NECESSARY, APPLY FOR THE ADMISSION TO TRADING, PERMANENCE AND/OR EXCLUSION OF THE SHARES ON ORGANIZED SECONDARY MARKETS.**

**1.- Delegation to the Board of Directors.** - To delegate to the Board of Directors, in the broadest and most efficient manner possible in Law and in accordance with the provisions of article 511 of the Spanish Companies Act and other regulations on the issue of securities, the power to issue fixed-income securities pursuant to the conditions set out in this resolution.

Additionally the Board of Directors may, if applicable, authorise the acquisition, repurchase, redemption, exchange or swap of the existing fixed-income securities – issued (or guaranteed) directly by the Company or through the companies of the Red Eléctrica Group – or the new securities that are issued (or guaranteed) directly by the Company or, if applicable, by the companies of the Red Eléctrica Group, in both cases that are pending redemption, for other fixed-income values or that are issued by the Company or by other companies in the Red Eléctrica Group.

**2.- Securities to be issued.** - The securities to which this delegation refers may be bonds, debentures and other fixed-income securities or debt instruments of a similar nature, in any of the manners admitted in Law, issued directly or through the companies of the Red Eléctrica Group, including, without limitation, promissory notes, asset-backed securities, preferred securities, subordinated debt, hybrid instruments and warrants or other similar securities, whether ordinary or convertible and/or exchangeable, directly or indirectly, in newly issued shares and/or shares already in circulation of the Company, of other companies of the Red Eléctrica Group or other companies not included in the group, which can be liquidated by means of physical delivery or by means of differences, as well as fixed-income securities, preferred securities and warrants that include the right to

opt to subscribe new shares or to acquire shares in circulation of the Company and other Red Eléctrica Group companies.

**3.- Term of the delegation.** - The issue of the securities could be carried out one or several times at any given time within a maximum term of five (5) years as from the date this resolution is adopted.

**4.- Maximum amount of the delegation.** - The maximum aggregate amount of the issue or issues of securities that can be agreed in accordance with this delegation will be five billion (5,000,000,000) euros or its equivalent in any other currency at the time of issue.

For the purposes of calculating the above limit, in respect of the warrants, the sum of the premiums and prices for exercising the warrants of each issue that is resolved in accordance with this delegation will be taken into consideration. In turn, in respect of the debentures, promissory notes or similar instruments issued in accordance with this delegation within issue programs, the outstanding balance thereof will be taken into account for the purposes of calculating the above limit.

In accordance with the provisions of Articles 401 and 510 of the Spanish Companies Act, it is certified that the Company is not subject to any maximum legal limit regarding the issue of debentures or other securities that recognize or create debt.

**5.- Scope of the delegation.** - The delegation to which this resolution refers will be extended as broadly as required in Law to the setting of the different economic terms, regime, aspects and conditions of each issue. In particular, and merely by way of example, but not limited thereto, the Company's Board of Directors will be entitled to determine, for each issue, the amount, the place of issue (whether it is national or foreign) and the currency or exchange and, if it is a foreign currency, its initial equivalence in euros; the denomination, whether in bonds, securities or any other admitted in Law (including hybrid or subordinated instruments); the issue date or dates; when the securities are not convertible, the possibility of them being exchangeable, in full or in part, for pre-existing shares in the Company, of other companies in the Red Eléctrica Group or, as the case may be, of other companies not included therein -and the circumstance of being convertible or exchangeable, whether necessarily or voluntarily, and in the latter case, at the option of the holder of the securities or of the Company in accordance with any objective criteria-, or to include a purchase or subscription right over said shares; the interest rate, including the possibility of changes in the rate based on one or more indicators, particularly, but not limited to, social, environmental or corporate governance indicators (ESG), dates and payment of the interest; the perpetual or repayable nature and, in this latter case, the repayment terms and the maturity date or dates; the reimbursement rate, premiums and lots; the issue guarantees, including mortgage guarantees, provided directly by the Company or by the companies belonging to the Red Eléctrica Group; the manner in which they are represented, whether by registered shares or book entry shares, the number of securities and their face value which, in the case of convertible and/or exchangeable securities, shall not be less than the face value of the shares; the legislation applicable to the terms and conditions of the issue, whether national or foreign; to request if applicable, admission to trading on official or unofficial secondary markets, whether they are organised or not, national or foreign, of the securities that are issued in compliance with the requirements and conditions of the issue; where applicable, to appoint the commissioner of the relevant

syndicate of the holders of the securities that may be issued and to approve the fundamental rules that will regulate the legal relationship between the Company and said existing syndicate, where applicable; and, in general, any other condition of the issue, as well as carry out any steps as necessary or advisable to execute the specific issues that are resolved in accordance with this delegation.

The delegation likewise includes the attribution to the Board of Directors of the power to decide with regard to the redemption conditions of the securities issued in use of this authorisation, being able to employ for such purposes any of those provided for in relation to the current Spanish Companies Act, and the power to acquire, repurchase or exchange the securities issued for other different securities.

Additionally the Board of Directors is authorised so that, when it deems it advisable, and subject to the obtaining of the official authorisations that may be necessary and, if applicable, pursuant to the assemblies of the corresponding syndicates that hold the relevant securities that may be issued in use of this authorisation, it may modify the terms and conditions of such securities.

**6.- Bases and categories of the conversion or exchange.**- As regards the issues of securities that are convertible into new shares in the Company or companies that belong to the Red Eléctrica Group, or which are exchangeable for shares that are already in circulation of the Company, of companies belonging to the Red Eléctrica Group or, if applicable, of other companies not included therein, and for the purposes of determining the bases and categories of the conversion or exchange, it is resolved to establish the following criteria:

1.- The securities that are issued in accordance with this resolution may be converted into newly issued shares of the Company or companies belonging to the Red Eléctrica Group, can be exchanged for shares in circulation of the Company, of companies belonging to the Red Eléctrica Group or, if applicable, other companies not included therein, or they may be converted or exchanged in accordance with the circumstances and the conditions established in the issue resolution, in accordance with the conversion or fixed swap ratio (determined or that can be determined) or variable, which may include maximum and/or minimum limits to the conversion price, therefore it corresponds to the Board of Directors to determine whether they are convertible or exchangeable or both at the same time, or if the conversion or the swap must take place through the physical delivery of shares, or through differences, as well as to determine whether they are necessarily or voluntarily convertible or exchangeable and, in the event that they are voluntarily so, whether it is at the option of the holder or the issuer, with the frequency and during the term established in the issue resolution, this being a term that cannot exceed fifteen (15) years as from the issue date.

2.- In the event that the issue is convertible and exchangeable, the Board of Directors may establish that the Company reserves the right to choose at any given time between converting into new shares or exchanging for shares in circulation, specifying the nature of the shares to be delivered when carrying out the conversion or exchange, being able to even choose to provide a combination of newly issued shares and pre-existing shares, or for the full or partial delivery of cash.

3.- For the purposes of the conversion and exchange, the debentures, bonds or other securities will be valued at their face value. Shares will be valued at the exchange rate determined in the resolution by the Board of Directors, which may be (i) fixed and be determined in the resolution adopted by the Board of Directors, (ii) fixed and to be determined on the date or dates indicated in the resolution of the Board of Directors or (iii) be variable. The fixed exchange that can be determined or the variable exchange may be determined either in accordance with the stock market value of the Company's shares on the date or date, or in the period or periods that are established as a reference, or in accordance with any other criteria determined by the Board of Directors. Additionally, the Board of Directors may determine a change with or without a premium or discount, which may be different for each conversion and/or exchange date of each issue (or, if applicable, each tranche of an issue).

4.- When the conversion or exchange is admissible, the fractions of shares which, as the case may be, were to correspond to the holder of the securities for delivery will be rounded up by default to the immediately lower number and each holder will receive in cash the difference that may arise in said scenario.

5.- In the issue of debentures, bonds or other securities of similar nature that can be converted into newly issued shares, the share value for the purposes of the conversion ratio cannot be less than its face value under any circumstances.

6.- Pursuant to the provisions of article 415.2 of the Spanish Companies Act, the debentures, bonds or other securities cannot be converted into shares when the face value of such debentures, bonds or securities to be converted is less than the face value of the shares into which they will be converted. Furthermore, debentures, bonds or other fixed-income securities that can be converted for a lower figure than their face value cannot be issued.

7.- When approving an issue of convertible debentures, bonds or other securities in accordance with this authorisation of the General Meeting of Shareholders, the Board of Directors must issue a report that explains and specifies, based on the criteria described above, the bases and categories of the conversion specifically applied to the issue. The report will be accompanied by the corresponding report of an auditor, pursuant to the provisions of articles 414 and 511 of the Spanish Companies Act.

**7.- Rights held by the owners of convertible securities.**- The owners of convertible or exchangeable securities and warrants will enjoy all of the rights recognized within the terms and conditions of each issue, in accordance with applicable legislation.

**8.- Exclusion of the preferred subscription right in convertible securities and share capital increase.**- The delegation in favour of the Board of Directors established herein is carried out in accordance with the following terms and conditions:

1.- The Board of Directors has the power, in accordance with the provisions of article 511 of the Spanish Companies Act, as they relate to

article 417 of that Act, to fully or partially exclude the preferred subscription right of shareholders when in the Company's interest.

In any case, if the Board of Directors were to decide to remove the preferred subscription right of the shareholders in relation to a specific issue of convertible securities that may be carried out in accordance with this authorisation, it must provide, when approving the issue and in accordance with the provisions of articles 417 and 511 of the Spanish Companies Act, a report detailing the specific reasons of corporate interest that justify said measure and must obtain the compulsory report from an independent expert other than the Company's auditor in which a technical opinion is provided on the reasonability of the data contained in the report from the directors and on the suitability of the conversion ratio and, as the case may be, its adjustment formula, to offset a potential dilution of the financial participation of the shareholders. These reports will be published on the Company's website immediately following the adoption of the resolution to issue and made available to shareholders and reported at the first General Meeting of Shareholders held thereafter.

This power to exclude the preferred subscription right will, in any case, be limited to the share capital increases that are carried out in accordance with this authorisation and the share capital increases which constitute the object of point seven on the Agenda of this General Meeting of Shareholders up to the corresponding maximum amount, overall, of 10% of the share capital as at the date this resolution is adopted.

2.- The authorisation to increase the share capital by the amount needed to deal with the requests to convert the convertible securities issued in accordance with this delegation, pursuant to article 414.1 of the Spanish Companies Act. Said authorisation can only be exercised to the extent that the Board of Directors does not exceed with such increases, jointly with any other share capital increases that may be carried out by virtue of this or other delegations to increase the share capital which it may have, the limit of half of the amount of the share capital provided for in article 297.1.b) of the Spanish Companies Act.

This authorisation to increase the share capital in order to convert securities or exercise warrants includes the authority to issue and put into circulation, once or several times, the shares representing it, that are necessary to carry out the conversion or the exercise, as well as to redraft article 5 of the Company's Articles of Association regarding the share capital and the number of shares in circulation and, where applicable, to cancel the part of the share capital increase which had not been necessary for converting the securities into shares or to exercise the warrants.

Pursuant to the provisions of article 304.2 of the Spanish Companies Act, the share capital increase carried out by the Board of Directors to deal with the request for the conversion or exercise will not lead to the preferred subscription right to the Company's shareholders.

3.- The power to develop and specify the bases and categories for the transformation and/or exchange, bearing in mind the criteria established in section 6 above and in general and under their broadest terms, the

determination of any details and conditions that become necessary or advisable for the issue.

The Board of Directors, in the successive General Meetings of Shareholders that the Company holds, will inform the shareholders of the use that, if applicable, has been made of the delegation to issue convertible and/or exchangeable securities.

**9.- Warrants.**- The regulations established in section 6 to 8 above will be applicable, under similar conditions, in the event of the issue of warrants or other similar securities that may give the right, whether directly or indirectly, to subscribe newly issued shares of the Company or other companies belonging to the Red Eléctrica Group, comprised of the broadest powers, with the same scope of the previous numbers, in order to decide anything that is deemed advisable in relation to said types of securities.

**10. Admission to trading.**- The delegation in favour of the Board of Directors established herein likewise comprises the request for admission to trading when the Board of Directors considers its trading admissible, on secondary or unofficial markets, whether or not they are organised, national or foreign, of the debentures, bonds, preferred interests, warrants and any other securities that are issued or guaranteed by virtue of this delegation, likewise authorising the Board of Directors in order to carry out the steps and actions necessary or advisable for admission to trading before the competent bodies of the different national or foreign securities markets, likewise providing any guarantees or undertakings as required by the in force legal provisions, as well as to request and process the corresponding request for trading of the shares that may be issued in the event of a conversion or exercise of the acquisition or subscription rights of the issued securities.

**11.- Guarantee of the issue of securities carried out by companies of the Red Eléctrica Group.**- The Company's Board of Directors is likewise authorised to guarantee on behalf of the Company, under any of the formulas admitted in Law, within the above-mentioned limits, the new issues of securities (including convertible or exchangeable) which during the term of validity of this agreement can be carried out by companies belonging to the Red Eléctrica Group.

**12.- Delegation and substitution.**- The Board of Directors is expressly authorised to delegate or substitute the powers contained in this resolution.

**13. Revocation.**- This delegation entails the express revocation insofar as it has not been used prior to the adoption of this resolution, of the delegation granted to the Board of Directors, by virtue of the resolution adopted by the Annual General Meeting of Shareholders held on 15 April 2015, with a nature similar to the one contained in this point of the Agenda of the General Meeting of Shareholders, notwithstanding the full validity of the issues, issue programs, delegations of powers and any other acts agreed in accordance with said delegation that are in force on the date of this resolution.

## **RESOLUTIONS IN RELATION TO ITEM NINTH OF THE AGENDA:**

### **AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS FOR THE DERIVATIVE ACQUISITION OF TREASURY SHARES AND APPROVAL OF SHARE REMUNERATION SCHEME FOR EMPLOYEES, MEMBERS OF MANAGEMENT AND EXECUTIVE DIRECTORS:**

As in previous years, the shareholders are invited to renew the authorisation granted by the shareholders at the General Meeting to the Board of Directors for the derivative acquisition of treasury shares by the Company or by companies of the Red Eléctrica Group, as well as for their direct award to employees, members of management and executive directors of the Company and companies of the Red Eléctrica Group, as remuneration, subject to the limits set out in the proposal.

Also, as a separate part under this item of the agenda, it is sought to establish a remuneration Scheme for employees, members of management and executive directors of Red Eléctrica Corporación, S.A., also extendable to the same groups within the companies in its consolidated Group in Spain, which would allow part of their annual remuneration to be paid in the form of shares in the Company, out of treasury shares; the approval of such Scheme requires the establishment of basic terms and conditions to be incorporated into the relevant proposed resolution. In this respect, the Company will follow the latest recommendations on international corporate governance, in that the maximum number of shares will not in any case exceed 10% of the share capital for all the beneficiaries of the Plan, or 5% of the share capital in the case of executive directors. Likewise, the Company may only acquire treasury shares under repurchase programs, accepted market practices and any other formula that is compatible with market abuse regulations.

Accordingly, the following resolutions are proposed for submission to the General Meeting:

#### **First.- Authorisation for the derivative acquisition of treasury shares by the Company or by companies of the Red Eléctrica Group, as well as for their direct award to employees, members of management and executive directors of the Company and companies of the Red Eléctrica Group in Spain, as remuneration.**

To authorise, in accordance with the provisions of article 146 and related provisions of the Spanish Companies' Act and other applicable legislation, the derivative acquisition of treasury shares of Red Eléctrica Corporación, S.A. by the Company itself and by companies of the Red Eléctrica Group, directly or indirectly, to the extent that the Board of Directors considers that the circumstances so advise, provided that the following conditions are met:

- (i) The maximum number of shares to be acquired shall not exceed the legal limit, provided that it is also possible to meet the rest of the applicable legal requirements.
- (ii) Acquisitions shall not be made for a consideration greater than the value of the shares on the Stock Market at the time of the acquisition, or for a consideration of less than 50% of the stock market value at that time.

- (iii) The methods of acquisition may consist of either sale or exchange, as well as any other onerous or free of charge kind of transaction, depending on the circumstances.
- (iv) In accordance with the provisions of article 146.1 b) of the Spanish Companies' Act, the acquisition, including any shares previously acquired by the Company and held as treasury shares, shall not have the effect of reducing the net worth below the amount of the share capital plus reserves that are restricted pursuant to the Law or the Bylaws.

The Board of Directors of the Company, in accordance with the provisions of the third paragraph of Article 146.1 a) of the Spanish Companies Act, may use all or part of the treasury shares acquired by virtue of this authorisation and those already owned by the Company at the date of approval of this resolution, to implement remuneration programmes aimed at the direct award of shares to employees, members of management and executive directors of the Company and companies belonging to the Red Eléctrica Group in Spain.

To this end, the Board of Directors is granted with the broadest powers to request any authorisations and adopt any resolutions that may be necessary or appropriate in order to comply with current legislation in force and to fully execute and successfully conclude this resolution.

The duration of this authorisation shall be five (5) years from the date of this General Meeting of Shareholders.

**Second.- Approval of a Remuneration Scheme aimed at employees, executive directors and members of the management of the Company and of the companies belonging to the Red Eléctrica Group in Spain.**

Approve the participation of employees, members of management and executive directors of the Company and of companies belonging to the Red Eléctrica Group in Spain, in a remuneration scheme whereby the payment of part of their remuneration may be made through the award of Company shares from treasury shares.

The main features of this system are as follows:

- Beneficiaries: All employees, executive directors and members of the management of the Company and of the companies belonging to the Red Eléctrica Group in Spain.
- Voluntary nature: The application for the remuneration scheme is voluntary for the participants.
- Maximum limit: The maximum amount of remuneration to be received in shares will be 12,000 euros per participant and year. However, in the case of the company's executive directors, the maximum amount of remuneration to be received in shares per year will be that resulting from the remuneration policy for executive directors that is applicable at any given time during the term of the Scheme, subject to a maximum limit, in any case, of 120,000 euros.

- Award date: The award of the shares will take place within the term of validity of this authorisation.
- Number of shares to be received by each beneficiary: It will be the one that results from the share price at the close of trading on the Stock Market on the award date, subject to the maximum limit applicable in each case to the beneficiaries.
- Maximum number of shares authorised: The maximum total number of shares to be awarded will be that resulting from the share price at the close of trading on the Stock Market on the award date, with the maximum limit applicable to each beneficiary in each case.
- Value of the shares: The price of the share of Red Eléctrica Corporación, S.A. at the close of trading on the Stock Market on the award date.
- Origin of the shares: Shares will come from treasury shares -old or new-, either directly or through companies of the Red Eléctrica Group.
- Term of duration: This remuneration scheme shall apply for the next five (5) years.

To this end, the Board of Directors is granted with the broadest powers to request any authorisations and adopt any resolutions that may be necessary or appropriate in order to fully execute and successfully conclude this resolution.

### **Three - Revocation of previous authorizations.**

To revoke and, therefore, withdraw, to the extent not used before the date of adoption of the foregoing resolutions, the authorisations for the derivative acquisition of treasury shares and the share-based remuneration scheme, as approved by the shareholders at the General Meeting of Shareholders held on 15 April 2015 and, as regards the share-based remuneration plan, subsequently amended by the shareholders at the General Meeting of Shareholders held on 15 April 2016.

**RESOLUTIONS REGARDING ITEM TENTH ON THE AGENDA:**

**REMUNERATION OF THE COMPANY'S BOARD OF DIRECTORS.**

**First.-** Approval of the Annual Report on Remuneration of the Directors of Red Eléctrica Corporación, S.A.

To approve the Annual Report on Remuneration of the Directors of the company, in accordance with the proposal of the Board of Directors approved at its meeting of 25 February 2020.



**RED ELÉCTRICA**  
CORPORACIÓN

## **Board of Directors**

*25 February 2020*

Annual Report on Remuneration of Directors

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- Annex III Statistic of the Annual Report on Remuneration of Directors for listed companies (Circular 2/2018, of June 12, of the CNMV), corresponding to Red Eléctrica Corporación S.A. .... 55**

# 1. Presentation of the Report by the chairwoman of the Appointments and Remuneration Committee

Dear shareholders,

On behalf of the Appointments and Remuneration Committee, I am pleased to present the Annual Report on Remuneration of directors, which includes the implementation of directors' remuneration in 2019, in accordance with the directors' remuneration policy of Red Eléctrica Corporación, S.A.<sup>1</sup> (hereinafter also referred to as the "company", the "entity", the "Group" or "Red Eléctrica"), approved by the General Shareholders' Meeting held on 22 March 2019.

The Appointments and Remuneration Committee of Red Eléctrica approved my appointment as chairwoman of said Committee in the session held on 26 March 2019, and throughout the year 2019 I have been a member of it, positions that I currently hold; during the year, the Committee has been analysing several issues related to directors' and management team's remuneration.

Before commenting on the most relevant aspects of the aforementioned remunerations, I would like to highlight three milestones that occurred in the year 2019, given their implications in the decisions that the Appointments and Remuneration Committee when evaluating the application of the remuneration policy in 2019 and the definition of the remuneration policy for 2020:

- On 19 February 2019, the Board of Directors approved the new **2018-2022 Strategic Plan**, which, among others aspects, includes the keys to promote a sustainable development and to achieve Red Eléctrica's commitments with the energy transition, with the diverse stakeholders and with the entire society for the stated period, materialised in specific and quantifiable objectives.
- On 27 May 2019, the Board of Directors agreed to terminate Mr. Juan Francisco Lasala Bernad as *chief executive officer and lead executive* of the company and accepted his resignation as *executive director*, and consecutively agreed to **appoint** Mr. Roberto García Merino as **executive director and chief executive officer** of the company. This

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<sup>1</sup> The director's remuneration policy of Red Eléctrica Corporación, S.A. can be found in the following link: [https://www.ree.es/sites/default/files/03\\_GOBIERNO\\_CORPORATIVO/Documentos/Junta\\_General\\_de\\_Accionistas/Politica\\_Remuneraciones\\_2019\\_ENG.pdf](https://www.ree.es/sites/default/files/03_GOBIERNO_CORPORATIVO/Documentos/Junta_General_de_Accionistas/Politica_Remuneraciones_2019_ENG.pdf)

appointment will be proposed for ratification by the Ordinary General Shareholder's Meeting of 2020. These decisions were taken in light of the appropriate executive impulse that will be required to develop the new 2018-2022 Strategic Plan.

- On 3 October 2019, the acquisition of the 89.68% of the share capital of **Hispasat S.A.** was formalised by Red Eléctrica Group. This acquisition positions Red Eléctrica Group as a global operator of electrical and telecommunication infrastructures, both in Spain and internationally.

In terms of **remuneration**, the 2019 General Shareholders' Meeting approved the remuneration policy which, even though it is a continuation of the previous one, contemplates the possibility of introducing in its application aspects that improve the degree of alignment with the principles and basic conditions defined by Red Eléctrica in remuneration matters. The **main remuneration decisions** assessed by the Appointments and Remuneration Committee in 2019 and 2020 until the date of publication of this Report have been the following:

- In light of the **termination** agreement of the **former chief executive officer** (Mr. Juan Lasala Bernad) adopted by the Board of Directors, the Committee assessed the corresponding settlement and severance payment and informed the Board of Directors. Detailed information is included in the section of this Report on *Implementation of the remuneration policy in 2019*.
- The Committee also assessed the **terms** of the contract of the new incoming **chief executive officer** (Mr. Roberto García Merino), including **remuneration**, within the framework established by the remuneration policy approved by the 2019 General Shareholders' Meeting and which are aligned with those established for the outgoing **chief executive officer**. In addition, the same **objectives**, specific and measurable, have been maintained, to which his **annual variable remuneration** is linked for the period from 27 May to 31 December 2019. Detailed information is also included in the section of this Report on *Implementation of the remuneration policy in 2019*.
- In relation to the **financial year 2019**, the Committee has evaluated the economic results achieved by the Group and which are aligned with the objectives to which the **new chief executive officer's annual variable remuneration** is linked. Given these results and after evaluating the individual achievement of the aforementioned objectives for the **chief executive officer**, the Appointments and Remuneration Committee has considered an overall achievement level of the objectives of 107%, equivalent to 80.25% of his annual

fixed remuneration for the financial year 2019 as *chief executive officer*. This report includes details of the objectives, weightings and mechanics applied to determine the corresponding amount of the variable remuneration.

- The **2014-2019 multi-year variable remuneration Plan concluded** on 31 December. The Committee has conducted a rigorous process of assessing the achievement of the objectives set out at the beginning of the Plan, with the support of the Economic-Finance Corporate Management, responsible for the Group's management control function and which has provided information on the audited results of the company and the consolidated Group. The Committee has considered a weighted degree of achievement of targets of 93.8%. This report includes the detail of the assessment conducted by the Committee to determine the abovementioned percentage of achievement.
- Upon completion of the 2014-2019 multi-year variable remuneration Plan, and in line with the directors' remuneration policy in force, the design of a **new multi-year variable remuneration Plan** for the management team, including the *chief executive officer*, is undergoing. This Plan will be aligned to the new 2018-2022 Strategic Plan, which is expected to be approved in the coming months. It should be noted that, in view of the information received by our institutional shareholders and proxy advisors in the periodic engagement process conducted by the Red Eléctrica Group, as well as of the corporate governance general recommendations, new features are being considered and the Plan may contemplate a portion of remuneration in shares, include a metric relative to comparable companies and, in line with the market, this long-term remuneration may mean a greater portion of the total remuneration of the *chief executive officer*. It is also intended to strengthen the sustainability-related objectives (ESG), which is the outline pillar in the new Strategic Plan.
- On 21 January 2020, the Committee approved the proposal of **objectives** to which the **annual variable remuneration of the *chief executive officer* for 2020** is linked. It is worth noting as a new feature the relevance of the new managerial objective linked to the Group's business named "Making the energy transition possible", together with the weight, also meaningful, of the new objective of "Efficiency/Digital Transformation" and the consolidation of the new objective of "Sustainability". Detailed information is included in the section of this Report on *directors' remuneration policy* in 2020.

- As well as it was proposed for the 2019 financial year, in January 2020, the Committee decided to raise to the Board of Directors a new proposal regarding the **annual remuneration of the Board of Directors**, for all items, by **2020**. According to this, the same figures and items were proposed to be maintained as those established for 2019, decision which is based on the principles of prudence and moderation in remuneration.

In accordance with the provisions of Circular 2/2018, of June 12, of the National Securities Market Committee – hereinafter referred to by its initials in Spanish CNMV – and as it is a usual practice in Red Eléctrica, the Statistical Annex III of the Annual Report on Remuneration of Directors, corresponding to the company, set forth in the aforementioned Circular, is added as an appendix to this Report.

The Board of Directors will submit to the approval of the Ordinary General Shareholders' Meeting, among others, the resolutions of the Board that establish the remuneration for the Board of Directors for the financial year 2020 and, separately, will submit this Annual Report on the Remuneration of directors to the approval of the aforementioned General Meeting.

I would like to conclude by thanking the members of the Appointments and Remuneration Committee and to all those who have collaborated with this Committee for their commitment, support and assistance throughout the whole year; I would also like to express my appreciation for the comments, recommendations and suggestions received from our shareholders throughout our permanent engagement process that are key factors for continuous improvement in adopting responsible practices related to remuneration.

Signed: Socorro Fernández Larrea

## 2. Appointments and Remuneration Committee

### Current members and as 31 December 2019

Socorro Fernández Larrea  
(chairwoman, independent)

Antonio Gómez Expósito  
(proprietary)

José Juan Ruiz Gómez  
(independent)

In 2019, the composition of the Appointments and Remuneration Committee has undergone the following modifications:

- The Board of Directors of Red Eléctrica Corporación, S.A., in a meeting held on 26 March 2019, adopted, among other agreements, the appointment of the independent director Mr. José Juan Ruiz Gómez as a member of the Appointments and Remuneration Committee, for the period of 3 years set forth in the Regulation of the Board, at the proposal of the chairman of the Board and upon prior report of the Appointments and Remuneration Committee, in accordance with article 24 of the Corporate Bylaws and 17 of the Regulation of the Board of Directors, in order to fill the vacancy in the Appointments and Remuneration Committee left after the termination of the mandate as independent director and, consequently, as chairman of the Appointments and Remuneration Committee, of Mr. Jose Luis Feito Higuera.
- Additionally, the Appointments and Remuneration Committee, at its extraordinary meeting held the same day on 26 March following the said meeting of the Board of Directors, appointed as chairman of the Committee, for a period of 3 years, the independent director Ms. Socorro Fernández Larrea, in accordance with Articles 24 of the Corporate Bylaws and 17 of the Regulations of the Board of Directors.

In view of the abovementioned appointments, the Appointments and Remuneration Committee is composed of three (3) members, being two (2) independent directors and one (1) proprietary director, being its chairwoman an independent director.

In 2019 the Appointments and Remuneration Committee held sixteen (16) meetings, being five (5) of them an extraordinary meeting. The Board is informed of the meetings of the Committee, and upon conclusion of the meeting, the documentation discussed during the same is made available to the Board, through the director's portal; and the minutes of meetings held are drawn up and, once approved, are made available to all the directors.

According to the calendar schedule set for the financial year 2020, the Appointments and Remuneration Committee is intended to hold eleven (11) ordinary meetings in the financial year, without prejudice to the possibility of holding extraordinary meetings, if appropriate.

**The most significant activities, related to remunerations, performed by the Committee in 2019 and 2020**

Activities	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Evaluation of the achievement of the objectives linked to the variable remuneration of <i>the chief executive officer and the senior executives</i> for the financial year 2018					
Approval of the objectives linked to the variable remuneration of the <i>chief executive officer</i> and the senior executives for 2019					
Supervision of the agreements related to the settlement and severance payment of the outgoing <i>chief executive officer</i> , informed to the Board of Directors on 27 May 2019, which agreed to his termination as <i>chief executive officer</i> and accepted his resignation as executive director					
Supervision of the contract and remuneration conditions of the new <i>chief executive officer</i>					
Monitoring of the objectives linked to the variable remuneration of the <i>chief executive officer</i> and senior executives in 2019					
Evaluation of the achievement of the objectives linked to the <i>chief executive officer's</i> variable remuneration for 2019					
Evaluation of the achievement of the <i>business' objectives</i> , Managerial and of the Management Committee, linked to the senior executives' variable remuneration for the financial year 2019					
Evaluation of the achievement of the objectives linked to the 2014-2019 multi-year variable remuneration Plan in cash					
Approval of the objectives linked to the <i>chief executive officer's</i> and senior executives' variable remuneration for 2020					
Proposals for the remuneration of the Board of Directors and the Annual Reports on Remuneration of directors related to 2019 and 2020 to be submitted to the Board and subsequently to the Ordinary General Shareholders' Meeting					

**External advisers**

In 2019 and 2020 –until the date this report is approved- *Willis Towers Watson*, an independent adviser specialised in directors' and executives' remuneration, has provided its services to the Committee for the following matters: remuneration benchmarking for the (*non-executive*) *chairman of the Board of Directors* and for the *chief executive officer*, remuneration benchmarking for the non-executive directors and, lastly, assistance in preparing the Annual Report on Remuneration of directors.

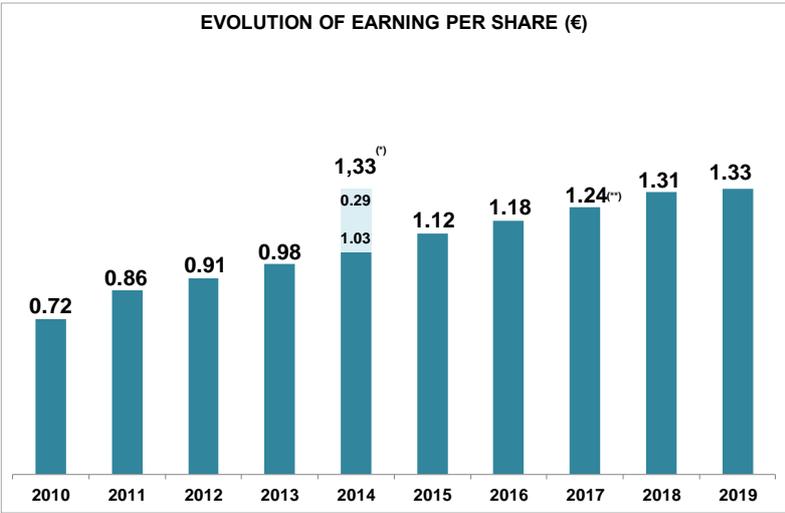
### 3. Results and levels of incentives (“Pay for Performance”)

#### 3.1 Analysis of Red Eléctrica’s “Pay for Performance” in absolute terms



In the financial year 2019, the following information should also be highlighted in relation to the performance of the Group:

- Regarding the dividend policy, the gross dividend for 2019 proposed by the Board of Directors to the next Ordinary General Shareholders’ meeting, implies an increase of 7% compared with the gross dividend approved for the financial year 2018.

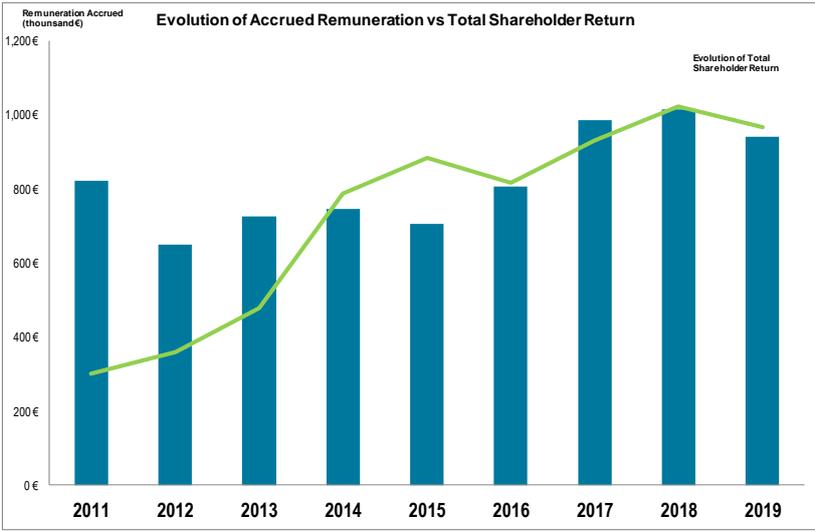


(\*) Note: The net profit specified for 2014 (EUR 1.33 per share) includes exceptional events taking place in that financial year, all of them positive.

(\*\*) Note: exclusively for the purposes of comparing between financial years, the 2016 split has been applied to share price in all financial years.

- On 21 May the credit rating agency Standard & Poor’s maintained the long-term rating level as ‘A-’ with a stable forecast. On 8 April 2019, Fitch Ratings downgraded the long-term rating of Red Eléctrica Corporation, S.A. to ‘A-’ from the previous level ‘A’, eliminating the “Rating Watch Negative” and establishing a stable forecast.

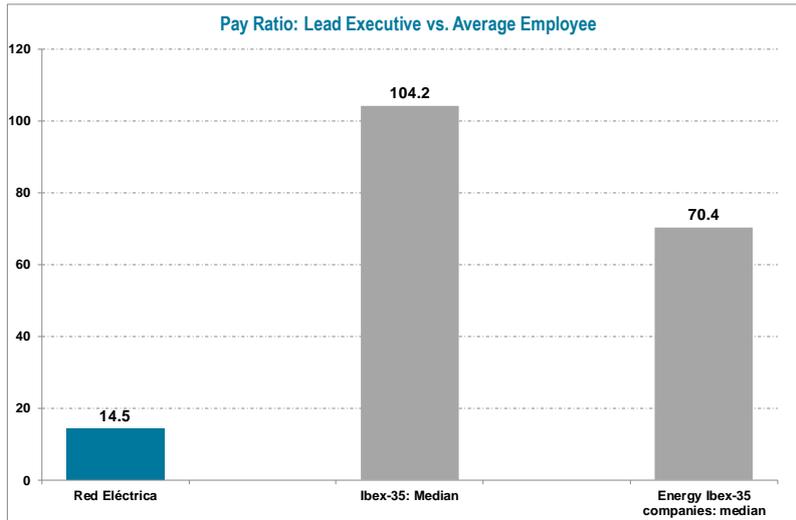
The following graph shows the variation in the total remuneration accrued by the lead executive compared with the variation in the Total Shareholder Return in the last 8 years:



Explanatory notes on the graph:

- The Total Shareholder Return is the total return of the share and includes the share price revaluation and the reinvestment of dividends.
- The remuneration accrued in 2019 includes the annual remuneration of the outgoing and incoming *chief executive officers* in that financial year.
- The remuneration in 2013 includes the accrual of the Long-Term Incentive Plan, “Extraordinary Plan, 25<sup>th</sup> Anniversary 2009-2013”.

The following graph shows the relation between the total remuneration accrued by the lead executive and the average remuneration of the staff. This ratio is specified for Red Eléctrica, for the median of Ibex-35 (excluding Red Eléctrica) and for the median of the energy companies listed on the Ibex-35 (excluding Red Eléctrica).



Red Eléctrica's data refers to 2018 and it shows the ratio between the then *chief executive officer's* (Mr. Juan Francisco Lasala Bernad) total remuneration and the average total remuneration for all employees.

In order to calculate the market data, the total remuneration accrued by the lead executive in 2018 has been taken into account and, to estimate the average remuneration of the staff, the total number of employees in 2018 and the personnel expenses disclosed in the consolidated annual accounts have been taken into account, excluding social security charges.

### 3.2 Analysis of Red Eléctrica's "Pay for Performance" in *relative terms*

The Appointments and Remuneration Committee considers it is essential to regularly review the directors' remuneration policy in line with the best corporate governance practices adopted by institutional shareholders and the recommendations of the main proxy advisors.

In this respect, in 2019 the Committee has conducted a benchmarking for the position of *chief executive officer*, considering three comparator groups in line with the analysis conducted in previous years:

- A peer group formed by companies listed on the Ibex-35, an index on which Red Eléctrica is listed.
- An ad-hoc peer group formed by 15 companies which have been selected based on the same criteria applied in the benchmarking conducted in previous years for the lead executive. These criteria (geographic scope, scope of responsibility, activity sector and size) were included, in detail, with regards to the *chief executive officer as lead executive* in the directors' remuneration policy, approved by the Ordinary General Shareholders' meeting in 2019.

The companies forming the peer group are the following:

Acerinox	Ebro Foods	Meliá Hotels
Applus	Enagás	Mediaset
Catalana Occidente	Grifols	Prosegur
Cellnex	Fluidra	Viscofan
CIE Automotive	Indra	Zardoya Otis

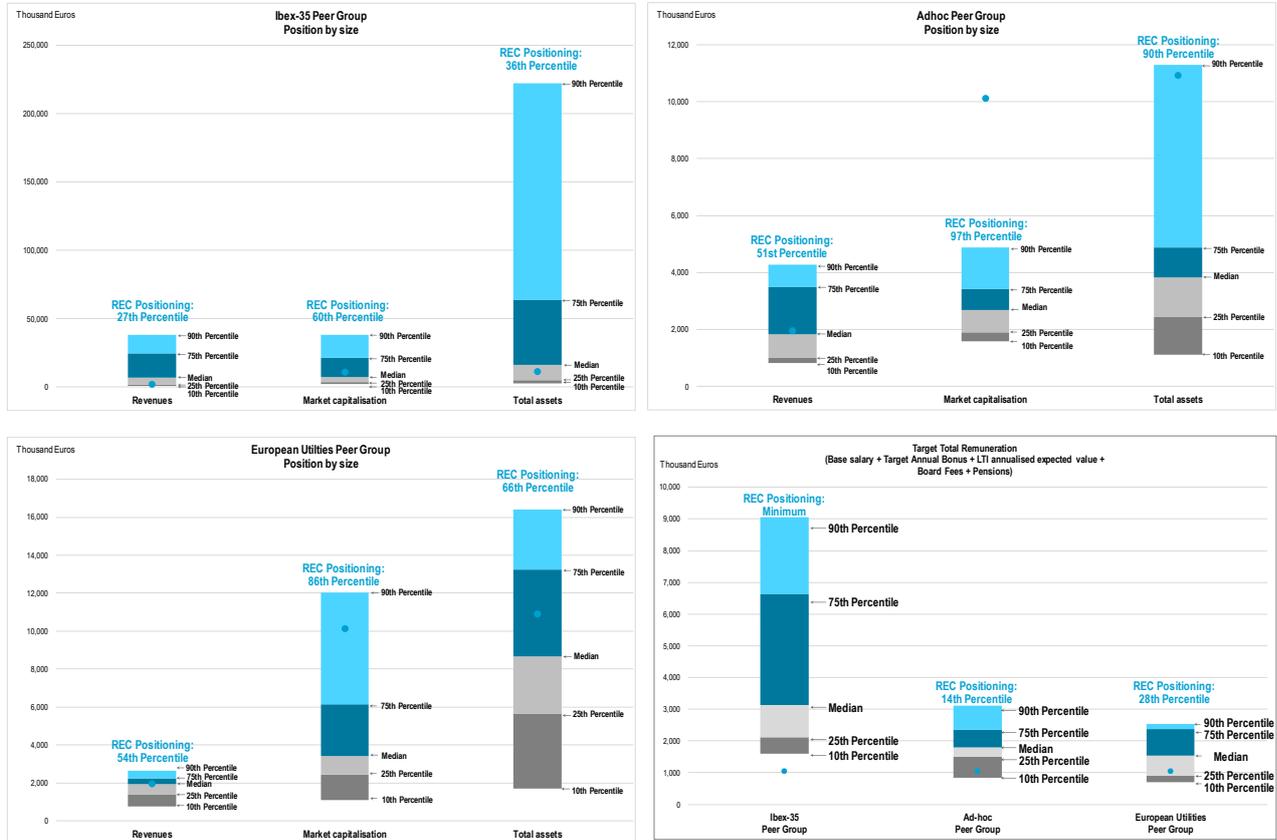
- A peer group formed by 14 European energy companies, which the company (“REC”) and/or the proxy advisor Institutional Shareholder Services (“ISS”) consider comparable with Red Eléctrica, in 2019, in terms of size (revenues) and which are relevant in the energy sector in terms of results’ evolution, as detailed below:

AAK (ISS)	Energiedienst (ISS)	Snam (ISS and REC)
BKW (ISS)	EVN (ISS)	Terna (ISS and REC)
Électricité de Strasbourg (ISS)	Pennon (ISS)	United Utilities (ISS)
Elia System Operator (ISS and REC)	REN (REC)	Verbund (ISS)
Enagás (ISS and REC)	Severn Trent (ISS)	

The following graphs show the results of the analyses:

- Analysis of the Ibex-35 group: an overall overview of the data regarding the size of the Red Eléctrica Group points to a market benchmark between the Ibex’s 25<sup>th</sup> percentile and the median. In terms of “target” remuneration (in other words, for a level of achievement of the objectives of 100%), the position of the *chief executive officer* of the Red Eléctrica Group is positioned at the market’s minimum.
- Analysis of the ad-hoc group: an overall overview of all the data regarding the size of the Red Eléctrica Group points to a market benchmark between the median and the 75<sup>th</sup> percentile. In terms of “target” remuneration (in other words, for a level of achievement of the objectives of 100%), the position of the *chief executive officer* of the Red Eléctrica Group is positioned at the 14<sup>th</sup> percentile.
- Analysis of the European energy group: an overview of all the data regarding the size of the Red Eléctrica Group points to a market benchmark between the median and the 75<sup>th</sup> percentile. In terms of “target” remuneration (in other words, for a level of achievement

of the objectives of 100%), the position of the *chief executive officer* of the Red Eléctrica Group is positioned at the 28<sup>th</sup> percentile.

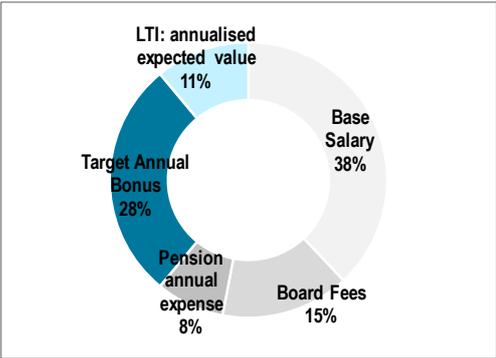


- The target total remuneration includes the following elements:
  - The Base Salary.
  - The Target Annual Bonus, granted to the executive director for the last financial year, if 100% of the objectives are achieved.
  - The Long Term Incentive annualised expected value.
  - The remuneration for being a member of the Board and for attending the Board meetings and, when applicable, its Committees.
  - The pension annual expense.

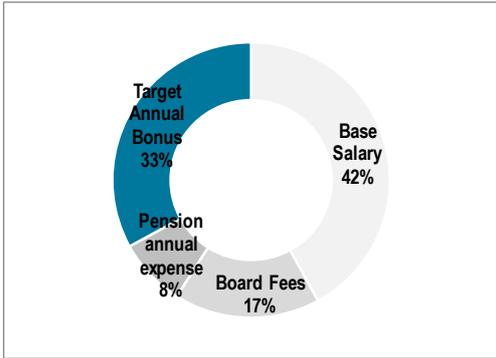
The market data are those disclosed in the Annual Report on Remuneration of directors of each company published in 2019.

The graphs below show the remuneration mix for the *chief executive officer* and its comparison with the market for a standard scenario of achievement of objectives (target or 100%), as well as the mix for the *chief executive officer* remuneration corresponding to the accrued remuneration in 2019. As a whole for Red Eléctrica, the target variable remuneration (“pay at risk”), annual and multi-year, represents 39% of the target total remuneration (the sum of the base salary and annual and multi-year variable remuneration).

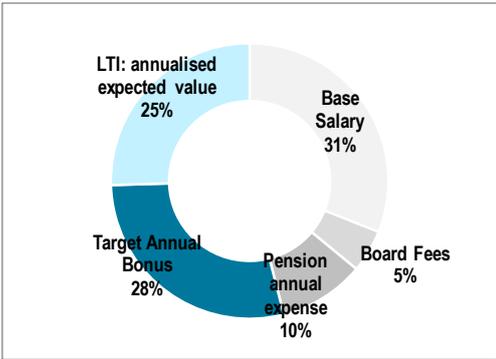
Red Eléctrica: Target Remuneration Mix  
*chief executive officer*



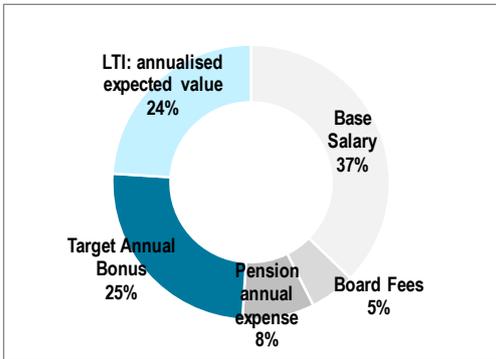
Red Eléctrica: 2019 Accrued Remuneration Mix  
*chief executive officer*



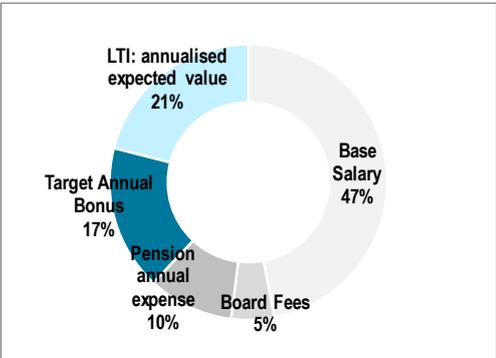
Ibex-35 Group: Target Remuneration Mix  
Lead Executive



Ad-hoc Group: Target Remuneration Mix  
Lead Executive



European Utilities Group: Target Remuneration Mix  
Lead Executive

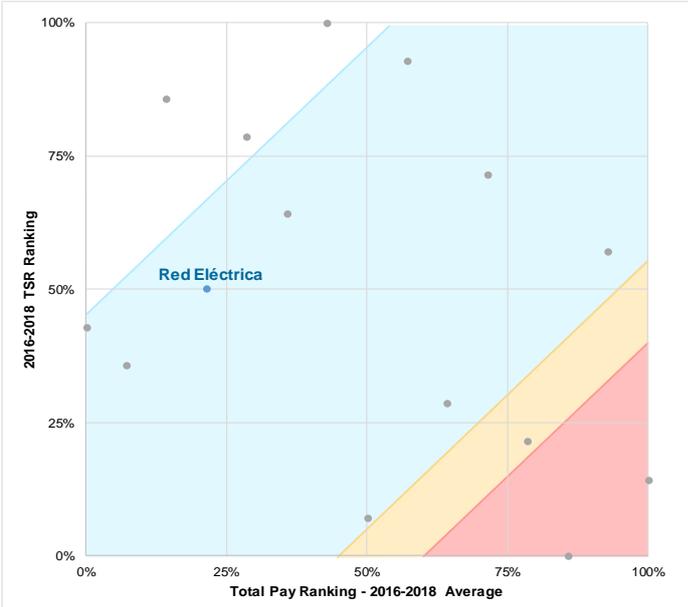


Explanatory notes:

- Upper left graph: the target remuneration data for 2019 includes the annualized target remuneration of the outgoing and incoming *chief executive officers* in that financial year.
- Upper right graph: the accrued remuneration data for 2019 includes the annualised remuneration of the outgoing and incoming *chief executive officers* in that financial year.

The following graphs show the positioning of the Red Eléctrica Group compared with representative companies in the energy sector. The variation of the EBITDA between 2016 and 2018 and the Total Shareholder Return (TSR) of each company in the last 3 years is compared with the average of the total pay of its lead executive in the same period.

The transversal lines show the proportional correlation range between the growth of the indicator and that of the remuneration. A positioning in the yellow and red areas reveals a non-proportional growth correlation between the indicator considered and the remuneration. A positioning in the red area reveals a more than proportional growth of the remuneration compared to the indicator considered and a positioning in the white area reveals a more than proportional growth in the indicator considered (EBITDA and TSR in each graph) compared to the remuneration.

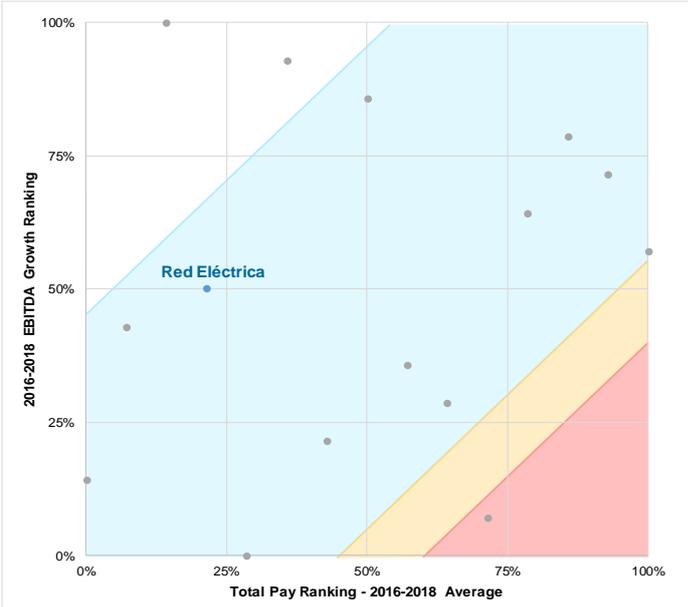


The Total Shareholder Return (TSR) is the total return of the share and includes the price revaluation of the share and the dividends.

The companies included in the European energy peer group are: AAK, BKW, Électricité de Strasbourg, Elia System Operator, Enagás, Energiedienst, EVN, Pannon, REN, Snam, Terna, United Utilities and Verbund.

The evolution of Red Eléctrica's TSR in the last 3 years positions the company in the 50<sup>th</sup> percentile of the peer group, whereas the average of the total remuneration in the same period is at the 21<sup>st</sup> percentile.

Source of TSR data: Bloomberg.



The companies included in the European energy peer group are: AAK, BKW, Électricité de Strasbourg, Elia System Operator, Enagás, Energiedienst, EVN, Pannon, REN, Snam, Terna, United Utilities and Verbund.

The variation of Red Eléctrica's EBITDA in the last 3 years positions the company at the 50<sup>th</sup> percentile of the peer group, whereas the average of the total remuneration in the same period is at the 21<sup>st</sup> percentile.

Source of EBITDA data: Bloomberg.

## 4. Directors’ remuneration policy in 2020

The Ordinary General Shareholders’ Meeting held on 22 March 2019 approved the directors’ remuneration policy. The valid term of such policy encompassed the financial years 2019, 2020 and 2021.

What we do	What we don’t do
<p><b>Executive director (chief executive officer):</b></p> <ul style="list-style-type: none"> <li>• Link the payment of a significant part of the remuneration to the economic and financial results the Group obtains.</li> <li>• Link part of the variable remuneration to sustainability objectives.</li> <li>• Defer a significant part of the remuneration.</li> <li>• Deliver a significant part of the remuneration in the company’s shares.</li> <li>• Include <i>malus</i> and <i>clawback</i> clauses applicable to the short- and long-term variable remuneration.</li> <li>• Determine severance payments for the termination of the legal relationship, limited to one year of fixed and variable remuneration, for achieving 100% of the objectives.</li> <li>• Regularly review the alignment of the total remuneration with comparable companies.</li> <li>• Regularly obtain support from external advisors.</li> </ul> <p><b>Non-executive directors:</b></p> <ul style="list-style-type: none"> <li>• Link the remuneration with the effective time they spend, the responsibilities undertaken and performance of their duties as directors.</li> </ul>	<p><b>Executive director (chief executive officer):</b></p> <ul style="list-style-type: none"> <li>• Guarantee increases in the fixed remuneration and payments of variable remuneration.</li> <li>• Grant discretionary remuneration.</li> <li>• Grant advance payments or loans, as a general rule.</li> <li>• Allow hedging of the value of the shares received in the holding period<sup>(*)</sup></li> <li>• Discriminate in remuneration on the basis of gender, age, culture, religion or race. The professionals of Red Eléctrica are remunerated based on their professional career, the time spent on their duties and the responsibility they undertake.</li> </ul> <p><b>Non-executive directors:</b></p> <ul style="list-style-type: none"> <li>• Participate in remuneration schemes linked to the company’s performance (they are only paid fixed remuneration).</li> <li>• Participate in retirement plans or other social benefit schemes.</li> </ul>

(\*) The holding period refers to the time after the vesting of the shares that have been granted as variable remuneration during which they cannot be sold or be accessible.

### 4.1. Remuneration policy for the executive director (chief executive officer) in 2020

The remuneration system for the *chief executive officer (lead executive)* includes fixed and variable elements, the latter short- and long-term, in line with the Group’s objectives and strategies.

The elements included in the remuneration system for the executive director in 2020 are detailed below:

### **Annual Fixed Remuneration**

The amount of the Annual Fixed Remuneration for the *executive director* has been determined at EUR 350,000. It will be paid entirely in cash.

### **Annual Variable Remuneration**

The Annual Variable Remuneration for the *chief executive officer* is based on achieving a combination of predetermined and quantifiable objectives, measured at Group level. The Appointments and Remuneration Committee is responsible for approving the objectives at the beginning of each financial year. The aforementioned Committee approved the objectives and their weightings for the financial year 2020 at its meeting held on 21 January 2020, as explained in this section.

All the objectives are contemplated in the Budget for the financial year 2020 and are aligned to the 2018-2022 Group's Strategic Plan, approved by the Board of Directors. These objectives are the following:

**I- 75%** of the incentive is linked to the following *business objectives*, the weightings of which are distributed as follows:

- 80% of the incentive depends on the economic-financial objectives, which measure the Group's capacity to generate profits and are materialised in the following metrics:
  - 40% Achieve the consolidated Net Profit of the Red Eléctrica Group.
  - 40% Return on the invested capital (*ROIC*) of the Red Eléctrica Group, which measures the net operating profit over the invested capital.
- 20% of the incentive depends on aspects linked to the Total Investment of the Group.

The following table details the weightings, the thresholds and the maximums applicable to the mentioned metrics.

**II-** The remaining **25%** depends on *operating managerial objectives linked to the Red Eléctrica Group's business activities*. These are disclosed below with their weightings:

- Making the Energy Transition possible
  - 32% of the incentive is linked, among others, to projects related to the integration of renewable energies and with the quality of the system operation.
- Become the telecommunications infrastructure reference operator
  - 10% of the incentive is linked to projects related to the activities developed and the revenues generated by Reintel and Hispasat within the Group.
- International expansion
  - 10% of the incentive is linked to projects and the revenues generated by the Group's international activity, with special emphasis this year on the activity started in Brazil.
- Technological Acceleration and Innovation
  - 10% of the incentive is linked to the development of initiatives and to both internally and open innovation.
- Culture and People
  - 10% of the incentive is linked, among others, to the achievement of certain indexes related to accidents in the Red Eléctrica Group.
- Efficiency and Digital Transformation
  - 16% of the incentive is linked, basically, to the improvement of efficiency in the Red Eléctrica Group, through a reduction of the external operating expenses and the implementation of a plan to optimise and automate processes.
- Sustainability
  - 12% of the incentive is linked to the accomplishment of a series of key projects within the framework of the sustainability strategy of the Red Eléctrica Group.

The following table details the weightings, the thresholds and the maximums applicable to the mentioned metrics. The information about such assessment will be included in the Annual Report on Remuneration of directors for the financial year 2020 that will be submitted to the Ordinary General Shareholders' meeting in 2021.

For the *operating managerial objectives linked to the Red Eléctrica Group's business activities*, the Appointments and Remuneration Committee may also assess the minimum threshold of individual achievement and determine a maximum level of individual achievement, which could

reach a global maximum of 155% in the case of over-achievement. The Appointments and Remuneration Committee will have the level of autonomy required to evaluate the annual degree of achievement of these objectives.

A summarised table is provided below that includes all the objectives, ranges and weightings that determine the calculation of the Annual Variable Remuneration for the *chief executive officer*.

METRICS	WEIGHTING	LEVEL OF ACHIEVEMENT			INCENTIVE		
		Minimum	Target	Maximum	Minimum	Target	Maximum
<b>75% <u>Business</u> objectives, quantitates and qualitatives</b>							
1. Net Profit	40%	95%	100%	125%	0%	100%	125%
2. ROIC	40%	95%	100%	100%	0%	100%	100%
3. Total investment of the Group	20%	85%	100%	100%	0%	100%	100%
<b>25% <u>Operating</u> objectives linked to the Red Eléctrica Group's business activities</b>							
1. Energy Transition	32%	Assessed by the Appointments and Remuneration Committee	100%	125%	Assessed by the Appointments and Remuneration Committee	100%	125%
2. Telecommunications infrastructure reference operator	10%		100%	160%		100%	160%
3. International expansion	10%		100%	160%		100%	160%
4. Technological Acceleration and Innovation	10%		100%	150%		100%	150%
5. Culture and People	10%		100%	150%		100%	150%
6. Efficiency and Digital Transformation	16%		100%	150%		100%	150%
7. Sustainability	12%		100%	100%		100%	100%

Note: Intermediate levels (between minimum and target and between target and maximum) are calculated by linear interpolation

The amount of the Annual Variable Remuneration is calculated taking into account the degree of achievement and weighting of each of the objectives and by applying the internal rules and procedures for evaluating objectives, which are determined by the entity for its executives.

Under exceptional circumstances, the Appointments and Remuneration Committee may propose adjustments to the Annual Variable Remuneration to the Board due to internal or external factors. The details of these adjustments will be disclosed, if appropriate, in the relevant Annual Report on Remuneration of directors.

The overall maximum level of achievement of the previous objectives (business and managerial-operating) may not exceed 110%.

The target level, which is reached in the case of achieving 100% of the predetermined objectives, will be equivalent to 75% of the Annual Fixed Remuneration. The maximum level, which is reached in the case of maximum over-achievement of the predetermined objectives will be equivalent to 82.5% of the Annual Fixed Remuneration, corresponding to the overall maximum level of achievement of the objectives (110% of the target level).

75% of the gross Annual Variable Remuneration will be settled in cash and the remaining 25% will be delivered in company shares. In addition, the *executive director* has undertaken the commitment with the company, while he holds such position, to maintain the ownership of the shares he receives for at least five (5) years.

### **Multi-year Variable Remuneration**

As announced in the Appointments and Remuneration Committee Report that accompanies and motivates the remuneration policy approved by the 2019 Ordinary General Shareholders' meeting, and in the point 4 of the said remuneration policy, once the 2014-2019 Long Term Incentive Plan, approved by the Board of Directors on 24 February 2015, following a favourable report from the Appointments and Remuneration Committee held on 17 February 2015 (whose compliance is reported in detail in the section 5. "Implementation of the remuneration policy in 2019" of this Report) has concluded, the company is analysing the design of the new multi-year variable remuneration plan, linked to the 2018-2022 Strategic Plan and addressed to executives, including the *chief executive officer*.

The design in which Red Eléctrica is working on is a new Plan that includes a combination of multi-year bonus, part in cash and part in shares and once the period of time determined in the Plan is concluded and, if appropriate, the achievement of the objectives, predefined specific and quantifiable, is verified, it will be paid to the beneficiaries of the Plan, fully or in the percentage that is applicable.

The period of measurement of the objectives of the Plan will be, at least, 3 years and is intended to include, among others, sustainability objectives in line with the high importance of the sustainability in the new Strategic Plan of Red Eléctrica Group.

The Plan is expected to include a relative metric, this means, in relation to a group of companies composed of competing companies or which run similar activities.

It should also be noted that, with respect to the *chief executive officer*, the " target annualised incentive" can reach a maximum of 50% of his annual fixed remuneration for each of the performance years of the Plan.

Upon conclusion of the performance period set in the Plan, the Appointments and Remuneration Committee shall conduct, within the first quarter of the year following its conclusion, an assessment of the level of achievement for each of the objectives, and for the Plan as a whole, considering the information provided by the entity, and will propose the incentive levels linked to the level of achievement, according to the performance scales set in the Plan.

All of this will be reported in the Annual Report on Remunerations of directors of the corresponding year.

### **Ex-post control of the Annual and Multi-Annual Variable Remuneration**

Pursuant to the provisions in the directors' remuneration policy approved by the Ordinary General Shareholders' meeting of 2019, the Appointments and Remuneration Committee is responsible for proposing to the Board cancelation or refund of the payment of the short- and long-term variable remuneration of the beneficiary or beneficiaries or relevant person or people responsible due to circumstances arising that show that the variable remuneration has been accrued or paid on the basis of inaccurate or erroneous information or data, or the internal corporate regulations or applicable laws have been infringed, which are subsequently proven. In addition, the Appointments and Remuneration Committee will assess whether, due to exceptional circumstances of this kind, it could even be proposed to the Board of Directors termination of the contractual relationship with the beneficiary or beneficiaries or relevant person or people responsible, also being able to propose the adoption of any measures it deems appropriate.

The Appointments and Remuneration Committee may propose to the Board of Directors that adjustments should be made to the elements, criteria, thresholds and limits of the annual or multi-year variable remuneration due to exceptional circumstances caused by extraordinary internal or external factors or events. The details and justification for such adjustments will be recorded in the relevant Annual Report on Remunerations of directors.

## **Social benefits and other remuneration**

The *chief executive officer* participates in a defined contribution retirement scheme. Red Eléctrica's liability is limited to the realisation of an annual contribution equivalent to 20% of the *chief executive officer's* Annual Fixed Remuneration.

The scheme covers the following contingencies: retirement, death and permanent disability.

This scheme is funded through an insurance policy underwritten with an external insurer. The benefit consists of the economic right that corresponds to the beneficiary as a consequence of the occurrence of any of the contingencies covered by the scheme.

In case of termination of the relation, the economic rights will consolidate in favour of the *chief executive officer*, except when a severe negligent conduct has been occurred on his side, in the exercise of his functions, which would have caused damages to the company. The receipt of any severance payment will be compatible with the recognition of the economic right over the retirement scheme in such cases.

The *chief executive officer* is entitled to an allowance in lieu for social benefits, which amounts to EUR 60,000. Such amount may be received in cash or in kind as social benefits.

The *chief executive officer* does not receive any other kind of social benefits.

The remuneration policy of the *chief executive officer* includes the entity granting of loans, advances and guarantees, in line with the policy of the Group's executives.

## Contractual terms

The contract regulating the duties and commitments of the *chief executive officer* is of a commercial nature and includes the clauses that in practice are usually contained in these kinds of contracts.

The main severance, exclusivity and non-competition clauses of the aforementioned *chief executive officer's* contract are described below, in accordance with the remuneration policy approved by the General Shareholders' Meeting.

Without prejudice to the confidentiality obligation expressly established in such contract, the *chief executive officer* is also bound by the duty of confidentiality established in article 31 of the Regulation of the Board of Directors, applicable to all directors, in accordance to which directors are to refrain from disclosing the information, data, reports or records to which the director has had access in the performance of his duties. The confidentiality obligation shall survive, even after leaving the position.

In his capacity as a director of Red Eléctrica, the *chief executive officer* has the obligation of not developing activities, as an employed or self-employed, which mean an effective competition, current or potential, with the company on the terms in which such obligation is regulated for directors of the company in article 32 of the Regulation of the Board of Directors.

In addition, the non-compete obligation is expressly set forth in the contract for a term of two (2) years after his termination, such obligation not giving him a right to post-contractual noncompetition indemnity, as it is deemed to have been remunerated by way of his remuneration set form in the contract.

The contract, following common market practices, contemplates an indemnity equivalent to one year of remuneration in the case of termination of the contractual relation as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the *chief executive officer* in the exercise of his functions) with no prior notice from the company being required. The aforesaid indemnity will also apply if the *chief executive officer* voluntarily resigns due to a serious and culpable breach of the company, or a material modification of the *chief executive officer's* duties for reasons not attributable to the same. In the calculation of such indemnity, the base used will be one year's base salary, plus the amount corresponding to the variable remuneration as *chief executive officer*, calculated considering a 100% achievement of targets.

In the event of voluntary resignation by the *chief executive officer*, he must notify the entity within 2 months' notice and in case of breach of this period, the *chief executive officer* must compensate the entity with the amount of all the corresponding compensation for the remaining time for fulfilling that period.

In a scenario of change of control, the *chief executive officer* will have the option, within 2 months, to cease his position, automatically terminating his contract and receiving the severance pay indicated in cases of dismissal by the entity.

Following the market practices for these cases, as a result of the appointment of the new *chief executive officer*, the previous contractual labour relationship is suspended. In the event of termination, the remuneration existing at the date of the suspension would be accrued as severance payment, considering, accordingly, his seniority in Red Eléctrica de España, S.A.U. until the date of his appointment as *chief executive officer* (15 years), plus the period of services - if any - after his termination as *chief executive officer*, all in accordance with the existing labour laws. Both the economic regime, and the termination of relationship of the new *chief executive officer*, are in line with the applicable to the previous *chief executive officer*.

#### **4.2. Remuneration policy for the directors in their condition as members of the Board of Directors in 2020<sup>(\*)</sup> ("in their capacity as such", in accordance with the Law on Capital Companies -LSC-, for their non-executive functions)**

<sup>(\*)</sup> This is also applicable to the *chief executive officer* as a member of the Board of Directors.

The elements of the remuneration policy for the directors in their position as such (for their non-executive duties) are provided below.

The Corporate Bylaws set the maximum overall annual remuneration for the entire Board, i.e. in their position as members of the Board ("in their position as such" according to the LSC), for all items, and will not exceed an amount equivalent to 1.5% of the company's net income, approved by the General Shareholders' Meeting, and will remain in force insofar if no change is approved.

The previous remuneration is, in any case, the maximum payable and the Board is responsible for proposing the allotment of its amount among the specified items and among the directors, in the form, at the time and in the proportion specified, bearing in mind the duties and responsibilities assigned to each director, membership on the Board's Committees and other objective circumstances considered relevant.

The Appointments and Remuneration Committee regularly reviews the Board of Directors' Remuneration Policy in line with best corporate governance practices adopted by the institutional shareholders and according to the recommendations of the main proxy advisors.

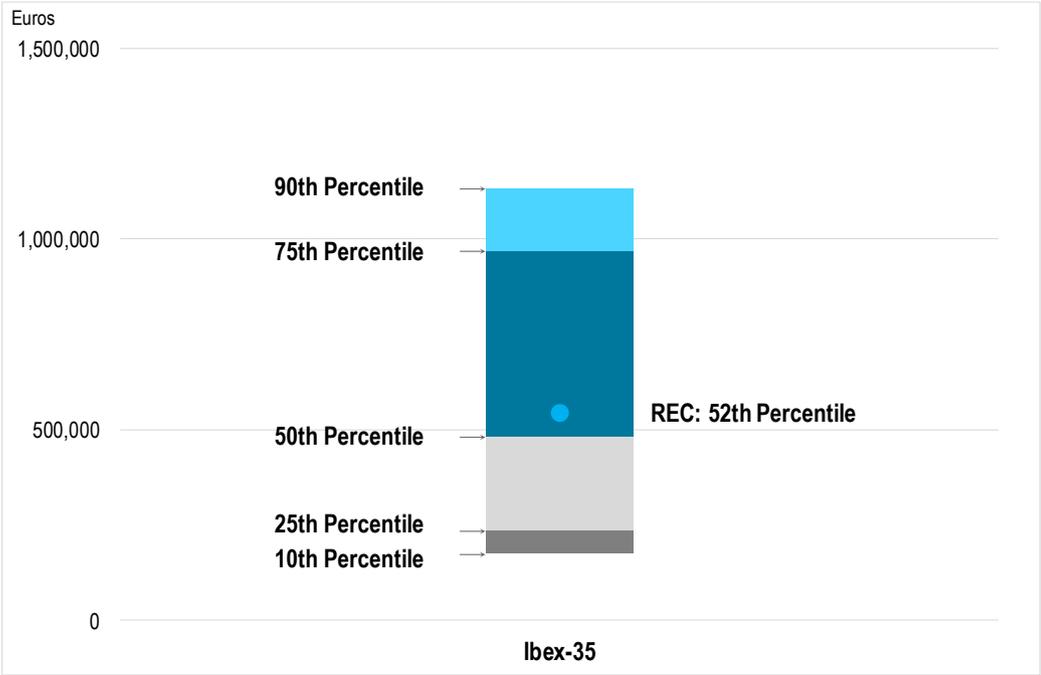
In this respect, the Committee has recently conducted a remuneration benchmarking for the position of the (*non-executive*) *chairman of the Board of Directors*, in which a peer group formed by 12 of the 15 companies in the Ibex-35 that have appointed a non-executive chairman has been considered. The following companies have been excluded:

- Arcerlomittal, since the Board of Directors is located abroad.
- Merlin Properties, since the chairman is the representative of the bank that is the main shareholder and receives significant dividends- As a result, no specific remuneration has been established for chairman's position. This situation is not considered comparable to that of Red Eléctrica.
- Meliá Hotels International, given that the remuneration policy does not establish specific remuneration for the position of the chairman of the Board and the incumbent is a member of the main shareholder family and holds a 52% of the share capital.

In terms of size, Red Eléctrica is positioned between the 25<sup>th</sup> percentile and the median of the peer group.

The following graph shows a comparison of the remuneration of the *chairman of Red Eléctrica's Board of Directors* with the aforementioned peer group.

(Non-executive) chairman of the Board of Directors: Total Remuneration

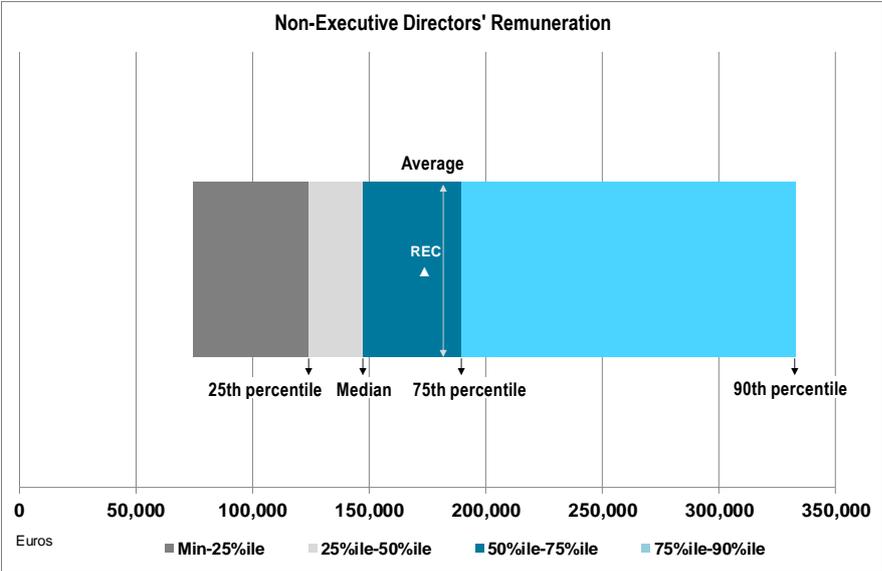


Note: The total remuneration includes the whole amount of the remuneration accrued by the non-executive chairmen in 2018.

In terms of remuneration, Red Eléctrica is positioned at the 52<sup>nd</sup> percentile.

In addition, for the purpose of reviewing the suitability of the directors' remuneration levels (for their non-executive duties) and to ensure they are in a reasonable proportion to the entity's importance, its economic situation from time to time and the market standards of comparable companies, the Committee considered, among other factors, an analysis of external competitiveness conducted in 2019. In such study, also developed with the support of the independent consulting firm *Willis Towers Watson*, the selected peer group was comprised of companies belonging to the Ibx-35 stock exchange index, in the same way as in previous years, since the Red Eléctrica Group belongs to this index and is positioned at about the median thereof for market capitalisation.

The following graph shows a comparison between the remuneration of Red Eléctrica’s non-executive directors and the specified peer group<sup>(\*)</sup> in 2019:



(\*) This includes the remuneration that could be paid to a director for being a member of the Board, the Executive Committee (there is none at Red Eléctrica) and any of the Board's Committees (whether Audit or Appointments and Remuneration or other committees that could have been created).

The remuneration of the company’s non-executive directors is in line with the average of the peer group (Ibex-35), in the same way as in previous years.

As a result of the previous analyses and based on the principles for prudence in remuneration and the link of the non-executive directors remuneration with the effective time they spend, with their responsibility and the development of their duties as directors, the Board of Directors has decided, according to the Appointments and Remuneration Committee’s proposal, for the financial year 2020, to maintain the same remuneration amounts and elements as those determined for 2019 for the members of the Board of Directors.

Therefore, the amounts and remuneration concepts foreseen for 2020 would be as follows:

**Fixed Remuneration**

- EUR 130,742 per annum per director, to be paid monthly before the fifth (5th) day of the following month.

### **Remuneration for attending meetings of the Board of Directors**

- EUR 1,500 for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for the year 2020 in the calendar approved by the Board of Directors. Proxies may be granted without losing the entitlement to receive the per diem for just cause, a maximum of two (2) times a year. Such amount shall be paid within fifteen (15) days of the meeting being held.

The holding of extraordinary meetings of the Board of Directors, in person or electronically, does not result in remuneration in the form of per diems.

### **(Non-executive) chairman of the Board of Directors**

- EUR 399,170 per annum, to be paid monthly before the fifth (5th) day of the following month.

The *chairman of the Board* will also maintain the annual remuneration established for all directors, as members of the Board of Directors, as “Fixed remuneration” and “Remuneration for attendance meetings of the Board of Directors”.

### **Time assigned to Board of Directors' Committees**

- EUR 27,900 per annum for each member of the Board Committees, to be paid monthly before the fifth (5th) day of the following month. The above amount per year, regardless of the number of meetings of the Committees held during the year 2020.
- EUR 15,000 per annum for each of the chairmen of the Board Committees (additionally to the remuneration as member of the Committee), to be paid monthly before the fifth (5th) day of the following month. The above amount is per year, regardless of the number of meetings of the Committees held during the year 2020.

### **Lead Independent Director**

- EUR 15,000 per annum, to be paid monthly, before the fifth (5<sup>th</sup>) day of the following month.

Directors will be paid or reimbursed for reasonable and duly justified expenses incurred as a result of attending meetings and other duties directly related to the performance of their position, such as travel, accommodation, maintenance and any other that they may incur.

The remuneration policy for the directors in their position as members of the Board of Directors with non-executive duties, does not include granting loans, advance payments or guarantees provided by the company in their favour.

Nor does it contemplate the participation of the directors with non-executive duties in pension schemes, or indemnities for their supervisory duties or take part in a group decision on the termination of their relationship with the company due to their position as non-executive directors, or the granting of any other additional remuneration apart from that referred to above.

In 2020 the company has underwritten civil liability insurance policies that cover claims by third parties for possible damages and/or losses caused by acts or omissions in the exercise of the position as members of the Board of Directors.

In addition to the aforementioned remunerations, pursuant to the remuneration policy of directors in force, the directors of Red Eléctrica could receive remunerations, if applicable, coming from other entities of the Red Eléctrica Group for membership of the Board of Directors on said entities. These remunerations will be subject to the corresponding legal and statutory requirements applicable to each of these entities, and directors' perception will be duly disclosed in the corresponding annual report on directors' remuneration of Red Eléctrica. This is the case of the company's directors who are also directors in Hispasat S.A., with the exception of the chairman of the Board and the *chief executive officer* of Red Eléctrica Corporación, S.A., who do not receive remuneration in this regard.

Finally, it should be noted that the Board of Directors of Red Eléctrica Corporación, S.A., in a meeting held on 28 January 2020, has accepted the irrevocable resignation of Mr. Jordi Sevilla Segura, as director and, consequently, as non-executive chairman of the Board of Directors and of the company. The Board of Directors has activated the Contingency Plan for the

succession of the chairman, approved by the Board at the meeting held in January 2019, whereby:

1. The Lead Independent Director has assumed the management of the Board of Directors and will temporarily chair the meetings of the Board, and the *chief executive officer*, in addition to his own duties, will manage the representation of the company ahead of the Government and the State Administration. Furthermore, the latter will be the person responsible for communicating information to the media, to the investors and to the shareholders.

2. The chairman of the Audit Committee has temporarily assumed the management of the internal audit and risk control functions.

3. Likewise, the selection process of the new *chairman*, who must be appointed by the Board of Directors, has been started following the pertinent call by the Lead Independent Director and after a favourable report from the Appointments and Remuneration Committee.

It should also be added that the executive functions of the *chief executive officer* are fully maintained, which guarantee the normal functioning of the company and its Group.

For the provisional functions assumed by the Lead Independent Director, by the *chief executive officer* and by the chairman of the Audit Committee, in relation to the execution of the aforementioned Contingency Plan for the succession of the *chairman of the Board*, to date no specific remuneration is foreseen as it is understood to be included in the ordinary remuneration assigned respectively to these positions.

In accordance with the terms of his contract approved by the Board of Directors on 31 July 2018, the outgoing chairman of the Board, Mr. Sevilla Segura, did not receive any severance payment for the termination of his legal-commercial relationship with the company as chairman of the Board of Directors and of the company.

At the date of issuance of this report, in relation to the remuneration of the directors for the year 2020, there is no other type of remuneration concept than those explained in the previous sections.

## 5. Implementation of the remuneration policy in 2019

### 5.1. Implementation of the remuneration policy for the *chief executive officer* (*executive director*) in 2019

During 2019 the modification of the remuneration policy approved by the Ordinary General Shareholders' meeting held in 22 March 2019 was applied.

In 2019 there are two different periods in order to disclose the *chief executive officer's* remuneration:

- From 1 January to 27 May 2019, date on which the Board of Directors of Red Eléctrica Corporación agreed to resign Mr. Juan Francisco Lasala Bernard as *chief executive officer* and *lead executive* and accepted his resignation as *executive director* of the company.
- From 27 May to 31 December 2019, date on which the Board of Directors of Red Eléctrica Corporación agreed the appointment of Mr. Roberto García Merino as *executive director* and *chief executive officer*, an appointment which must be proposed for ratification by the Ordinary General Shareholders' Meeting in 2020.

#### **1<sup>st</sup>) From 1 January to 27 May 2019, period in which Mr. Juan Francisco Lasala Bernard held the position of *chief executive officer and lead executive***

In accordance with the directors' remuneration policy and the Annual Report on Directors' Remunerations, both approved at the Ordinary General Shareholders' Meeting held in March 2019, and in accordance with the commercial contract signed by the *chief executive officer*, approved by company's Board of Directors, on 28 July 2015 and its Addendum on 5 April 2016, the *chief executive officer's* Annual Fixed Remuneration amounted to (EUR 399,170 in annual terms), and an Annual Variable Remuneration equivalent to 75% of his fixed remuneration, in the case of achieving 100% of the objectives predetermined by the Appointments and Remuneration Committee at the beginning of the year, and which can reach a maximum level of 82.5% of his fixed remuneration.

The Appointments and Remuneration Committee, at its meeting held on 22 January 2019, established the objectives and their weightings for the determination of the Annual Variable Remuneration of the *chief executive officer* for the said financial year 2019. These objectives

were described in detail in the Annual Report on Remuneration of directors approved at the Annual General Shareholders' Meeting held on 2019.

Particularly, the Annual Variable Remuneration for the *chief executive officer*, established for 2019, is based on achieving a combination of *business objectives*, quantitative and qualitative, measured at the Group level –which weighs 75% of his total Annual Variable Remuneration– as well as to the achievement of the *operational objectives linked to Red Eléctrica Group's business activities* – which weighs 25% of his total Annual Variable Remuneration. 25% of the aforementioned Annual Variable Remuneration is paid in company shares, with the commitment to maintain the ownership of the shares for at least 5 years.

In addition, the *chief executive officer* has participated in the Multi-year Variable Remuneration Plan addressed to executives for the 2014-2019 period, approved by the Board of Directors held on 24 February 2015, upon prior favourable report of the Appointments and Remuneration Committee held on 17 February 2015. The Plan is linked to the accomplishment of the objectives established in the Group's Strategic Plan for such period and subject to the achievement of certain conditions, set out in detail in the last Annual Report on Directors' Remuneration of 2019.

Regarding the short and long-term variable remuneration, for the period from 1 January to 27 May 2019 there have not been circumstances that justified the consideration of applying reduction, cancellation or return clauses for the aforementioned variable remuneration by the Appointments and Remuneration Committee.

In addition, the *chief executive officer* has participated in a defined contribution retirement scheme during the period from 1 January to 27 May 2019. The obligation of Red Eléctrica is limited to the realisation of an annual contribution equivalent to 20% of the *chief executive officer's* Annual Fixed Remuneration.

The *chief executive officer* has received an allowance in cash in lieu of social benefits, which amounted, in annual terms, to EUR 60,000.

During this period, the Balance sheet has no credits, advances granted or guarantees set up by the company in favour of the *chief executive officer*.

According to the *chief executive officer's* contract, he was entitled to receive a severance payment in the event of termination of the contractual relationship motivated by resignation by will of Red Eléctrica (unless the termination does not occur as a result of misconduct or serious

negligence by the *chief executive officer* when performing his duties causing damages to the company) and without needing any prior notice from the company. The aforementioned severance compensation will also proceed if the *chief executive officer* decides to terminate his relationship with the entity due to serious and guilty breach of the company or due to a substantial modification in his duties for causes not attributable to the *chief executive officer*. The severance compensation will be equivalent to one year of Fixed Remuneration, plus the amount corresponding to his variable remuneration as *chief executive officer*, calculated considering to a 100% achievement of objectives.

Finally, the *chief executive officer* was additionally entitled to a Fixed Remuneration (EUR 130,742 in annual terms) and remuneration for attending meetings of the Board (EUR 1,500 per ordinary meeting) as a member of the Board of Directors.

On 27 May 2019, the Board of Directors agreed to terminate the relationship of Mr. Juan Francisco Lasala Bernad as *chief executive officer* and *lead executive* and accepted his voluntary resignation as executive director of the company, upon favourable report from the Appointments and Remuneration Committee held on the same day.

As a result of the termination of the legal-commercial relationship with the company, on 27 May, the amounts corresponding to the settlement and the severance payment of the *chief executive officer* were settled according to his contract. The corresponding amounts were previously informed to the Board by the Appointments and Remuneration Committee.

The settlement of the corresponding remuneration items for the commercial relationship, as set out in this section and provided for in his commercial contract, amounted to EUR 853 thousand. The severance payment amounted to EUR 818 thousand and is equivalent to one year of the fixed remuneration that Mr. Juan Francisco Lasala Bernad received as *chief executive officer* plus the amount corresponding to one year of his variable remuneration calculated according to a 100% achievement of objectives.

**2<sup>nd</sup>) From 27 May to 31 December 2019, during which time Mr. Roberto García Merino held the position of *chief executive officer and lead executive***

**Annual Fixed Remuneration**

Without prejudice to the remuneration received from 1 January to 26 May 2019 as an employee of the company, the fixed remuneration of the *chief executive officer* amounted to EUR 208,871

in 2019, as a result of considering the fixed remuneration established in annual terms by the Board of Directors (EUR 350,000), within the maximum limit established in the remuneration policy (EUR 399,170), and pro-rated for the period from 27 May to 31 December 2019. This fixed remuneration has been slightly reduced with respect to the outgoing *chief executive officer*, making prevail the principle of prudence and moderation of the remuneration.

### **Annual Variable Remuneration**

The *chief executive officer* has been assigned a target Annual Variable Remuneration equivalent to 75% of his fixed remuneration in the case of achieving 100% of the objectives predetermined by the Appointments and Remuneration Committee at the beginning of the year, and which can reach up to a maximum level of 82.5% of his fixed remuneration.

The Appointments and Remuneration Committee, at its meeting held on 22 January 2019, established the objectives and their weightings for the determination of the variable remuneration of the *chief executive officer*, for the year 2019. These objectives, which also apply to the new *chief executive officer* were described in detail in the Annual Report on Remuneration of directors approved at the Annual General Shareholders' Meeting held in 2019, since the Appointments and Remuneration Committee has not modified them. The aforementioned Committee has conducted a quarterly performance monitoring and at the end of the financial year, the Committee has conducted a process to assess its achievement, where it has been supported by the Economic-Financial Corporate Management, responsible for the Group's management control and which has provided information about the company's and the consolidated Group's audited results. In such assessment, the Committee has also considered the possible impact of the objectives in the long term and any risk associated to them.

The Annual Variable Remuneration for the *chief executive officer*, established for 2019, is based on achieving a combination of *business objectives*, quantitative and qualitative, measured at the Group level – which weighs 75% of his total annual variable amount- as well as to the achievement of the *operating objectives linked to Red Eléctrica Group's business activities* – which weighs 25% of his total annual variable amount. The following table contains the aforementioned objectives, weightings and the level of achievement for each after the assessment conducted on 21 February 2020 by the Appointments and Remuneration Committee to determine the amount of the annual variable remuneration to be paid:

Types of targets and weightings	Performance measures	Weighting	Performance range	Level of achievement	Incentive pay-out for each metric
<b>BUSINESS</b> (75%)	1. Net Profit	30%	95% - 100%	100%	100%
	2. ROIC	30%	95% - 100%	80%	80%
	3. Total Investment in Transport Network and Diversification of the Group	20%	85% - 300%	200%	200%
	4. Approval and Communication to stakeholders of the Group's New Strategic Plan	20%	Approval: 31/03 - 28/02 Communication: 31/07 - 30/06	100%	100%
<b>SUBTOTAL</b>		100%		110% (*)	110% (*)
<b>OPERATING OBJECTIVES LINKED TO THE GROUP'S BUSINESS ACTIVITIES</b> (25%)	1. Development and profitability of the TSO	48%	Up to 190%. Assessment by the ARC(**)	82.9%	82.9%
	2. Other businesses	6%	Up to 100%. Assessment by the ARC	100%	100%
	3. Efficiency	10%	Up to 160%. Assessment by the ARC	160%	160%
	4. Group's corporate and businesses reorganisation	17%	Up to 129%. Assessment by the ARC	95.3%	95.3%
	5. Safety and People	5%	Up to 100%. Assessment by the ARC	100%	100%
	6. Sustainability	14%	Up to 114%. Assessment by the ARC	107.1%	107.1%
<b>SUBTOTAL</b>		100%		98.0%	98.0%
<b>TOTAL (previous to the application of the global maximum limit)</b>		100%		107.0%	107.0%
<b>TOTAL (once the global maximum limit has been applied)</b>					107.0%

(\*) The sum of the achievement of the objectives amounts to 114%. However, in accordance with the current procedure, the overall maximum level of achievement of the business objectives is limited to 110%.

(\*\*) ARC = Appointments and Remuneration Committee

To determine the level of achievement and the amount of the annual variable remuneration, the Appointments and Remuneration Committee has considered the following factors:

1. The book figure gives a consolidated Net Profit for the Red Eléctrica Group in the financial year 2019 of EUR 718 million, which implies a target achievement of 100%.
2. The Return on Invested Capital (ROIC) for Red Eléctrica Group, measured as the net operating profit compared with the capital employed in the financial year 2019, has reached 9.6%, which entails a degree of target achievement of 80%.
3. The Total Investment in Transport Network and Diversification has reached EUR 1,667 million, which entails a degree of target achievement of 200%.
4. The Strategic Plan was approved on 19 February 2019 and the communication to stakeholders was ended on 30 June 2019. This represents a level of achievement of the objective of 100%.

The sum of the achievement of the business' targets amounts to 114%. However, in accordance with the current procedure in force, the overall maximum level of achievement of the objectives is limited to 110%.

After assessing the level of achievement of the previous objectives, the Appointments and Remuneration Committee has considered that the degree of weighted achievement for these *business objectives* is 110%.

Regarding the degree of achievement and the amount of the incentive applicable to the financial year 2019 in connection to the *operating objectives linked to the Red Eléctrica Group's business activities*, the Appointments and Remuneration Committee took into account the following factors:

1. Development and profitability of the TSO ("Transmission System Operator"): the Appointments and Remuneration Committee, after evaluating the obtained results, has considered that the weighted degree of achievement of this objective was 82.9%.

2. Other businesses: The Appointments and Remuneration Committee, after evaluating the achieved results, among others, projects linked to telecommunications and international activity, has considered that the weighted degree of achievement of this objective was 100%.
3. Efficiency: The Appointments and Remuneration Committee, after evaluating the efficiency improvements achieved in the different businesses of the Red Eléctrica Group, has considered that the weighted degree of achievement of this objective was 160%.
4. Reorganisation of the Group's corporate and businesses: the Appointments and Remuneration Committee, after evaluating the degree of progress of the project to reorganise the support services provided by the corporate units to all the entities of the Red Eléctrica Group, as well as to the degree of development of the Group's technological capabilities, the weighted degree of achievement of this objective is 95.3%.
5. Safety and People: The Appointments and Remuneration Committee, after evaluating the accident rates in the Red Eléctrica Group, has considered that the weighted degree of achievement of this objective is 100%.
6. Sustainability: The Appointments and Remuneration Committee, after analysing the degree of development achieved in relation to certain key projects within the framework of the sustainability strategy, has considered that the weighted degree of achievement of this objective is 107.1%.

After assessing the degree of achievement of the previous objectives, the Appointments and Remuneration Committee has considered an overall achievement of *operating objectives linked to the Red Eléctrica Group's business activities* of 98%.

Based on the foregoing, the Appointments and Remuneration Committee has considered an overall achievement of all the objectives – both, the *business* and the *operating objectives linked to the Group's business activities* - of 107%.

Therefore, the annual variable remuneration for the *chief executive officer* in 2019, for the period from 27 May to 31 December 2019, amounted to EUR 167,619 (80.25% of the annual fixed remuneration accrued during this period).

75% of the gross annual variable remuneration, EUR 125,714, will be settled in cash and the remaining 25%, EUR 41,905, will be delivered in shares of the company. In addition, the *chief executive officer* has undertaken the commitment with the entity, while he holds such position, to maintain the ownership of the shares he receives for at least five years. The aforementioned amount to be paid in shares of the entity would be equivalent to 2,163 shares, considering an estimate of the share price of 19.37 EUR/share - according to the last communication made by the company to the CNMV regarding the share-based remuneration systems of the *chief executive officer* - information that must be updated when the real purchase share price is known in accordance with its quotation on the Stock Exchange on the day of effective delivery of these shares to the *chief executive officer*, foreseeably in the last quarter of the year 2020, in accordance with the annual program of shares for employees.

As at 31 December 2019, the *chief executive officer* holds 5,017 company shares, equivalent to 0.0009% of the share capital.

### **Multi-year Variable Remuneration**

On 31 December 2019, the 2014-2019 Multi-Year Variable Remuneration Plan approved by the Board of Directors on 24 February 2015, upon favourable report from the Appointments and Remuneration Committee on 17 February 2015, and included in the directors' remuneration policy and the Annual Report on Remuneration of directors, approved by the Ordinary General Shareholders Meeting in 2019, concluded.

Among the executives participating in the Plan since its inception is the *chief executive officer* who has been assigned a target remuneration for this concept equivalent to 1.8 times the Annual Fixed Remuneration for the total term of the Multi-Year Variable Remuneration Plan, in accordance with the approved remuneration policy applicable to executive directors.

The Plan has a duration of 6 years, in line with the 2014-2019 Strategic Plan of the Red Eléctrica Group and has lasted from 1 January 2014 until 31 December 2019.

The right to receive the cash incentive was subject to achieving the targets linked to the 2014-2019 Strategic Plan and to the permanence in the company while the plan was in force.

Upon conclusion of the Plan performance period, the Appointments and Remuneration Committee had conducted, within the first quarter of 2020, an assessment of the level of achievement for each of the targets, and for the Plan as a whole. The Committee was assisted by the Economic-Financial Corporate Management, responsible for the Group's management control function, which provided information on the audited results of the company and the consolidated Group. Among other issues, in order to determine the suitable weighting and the achievement level of each target, the Appointments and Remuneration Committee, at its meeting on 21 February 2020, took into account the following considerations:

- With regards to the 20% of the incentive linked to extending the business base, the Committee has considered the investment volume in the international activity, in the telecommunications and in the power storage (“pumping”) during the period 2014-2019. The volume has reached EUR 2,373 million, which means a level of achievement of the objective of 26%.
- With regards to the 25% of the incentive which depends on the achievement of the transmission activity targets; the Committee has considered:
  - The number of kilometres of lines and positions in service, which amounted to 2,331 and 714, respectively.
  - The investment volume in the transmission network, which amounted to €2,488 million.
  - Execution of interconnection projects, degree of progress: 46%.

As a result, the Committee has considered a weighted degree of achievement of the objective of 5%.

- With regards to the 20% of the incentive linked to the quality of the system's operation, the Committee has assessed the accomplishment of this objective and has considered a degree of achievement of 25.6%.
- With regards to the 25% of the incentive linked to the efficiency of the operations, the Committee has assessed a range of metrics which has resulted in considering a degree of achievement of the objective of 24.1%.

- With regards to the remaining 10%, which depends on compliance with the Sustainability Plan, the Committee has evaluated the development of 36 projects of the Programme, which has meant a weighted degree of achievement of the objective of 13%.

After evaluating the achievement of the aforementioned objectives, the Appointments and Remuneration Committee has considered an overall achievement level of the objectives of the 2014-2019 Multi-year Long-Term Plan of 93.8%.

However, the quantification of the incentive derived from the Plan, in favour of the executives participating in the Plan, including the *chief executive officer*, is pending approval. This will take place in the first quarter of 2020 by agreement of the Appointments and Remuneration Committee, once the achievement of the corresponding objectives has been approved by this Committee.

In any case, the amount corresponding to the *chief executive officer* must be pro-rated for the period in which he has held the position as such, i.e. from 27 May to 31 December 2019.

### **Ex-post control of the Annual and Multi-year Variable Remuneration**

Since his appointment as *chief executive officer* there were no circumstances that justify the Appointments and Remuneration Committee to consider the application of the reduction, cancellation or reimbursement clauses for the variable remuneration.

### **Social benefits and other remuneration**

Since his appointment on 27 May 2019 the *chief executive officer* participates in a defined contribution retirement scheme.

Red Eléctrica's liability is limited to the realisation of an annual contribution equivalent to 20% of the *chief executive officer's* annual fixed remuneration. The amount of the contribution made in 2019 by the company amounted to EUR 41,774 for the indicated period. The amount of the accumulated funds, as of 31 December 2019 amounts to EUR 41,774.

The features of the *chief executive officer's* welfare system have been disclosed in detail in the section on "Remuneration policy for the *executive director (chief executive officer)* in 2020" of this Report.

The *chief executive officer* is entitled to a cash allowance in lieu for social benefits, which amounts to EUR 35,806 for the indicated period.

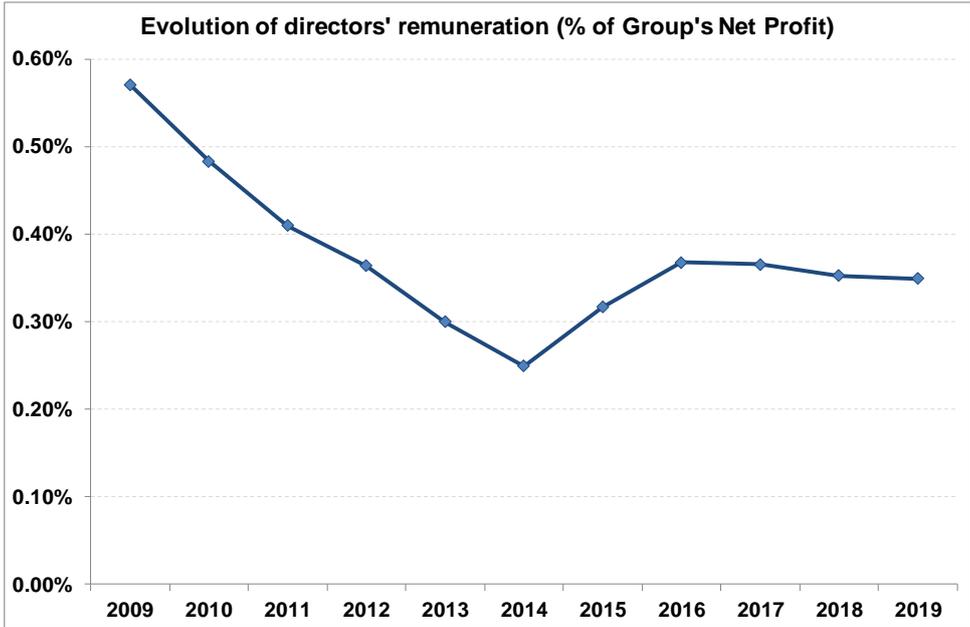
At 31 December 2019, the Balance sheet has no credits, advances granted, or guarantees set up by the company in favour of the *chief executive officer*.

**5.2. Implementation of the remuneration policy for non-executive directors (in their condition as members of the Board of Directors) in 2019<sup>(\*)</sup>**

<sup>(\*)</sup> This is also applicable to the *chief executive officer*, for his duties as director.

Below is a chart with the remuneration of the Board of Directors, expressed as a percentage of the Group’s net income of each year, in the last 10 years, and a graph that shows the evolution thereof:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Remuneration (% Group’s net income)	0.48%	0.41%	0.36%	0.30%	0.25%	0.32 %	0.37%	0.37%	0.35%	0.35%



In the financial year 2019, the amount of overall remuneration of the Board of Directors was EUR 2,505 thousand (EUR 2,485 thousand in 2018).

The increase, with respect to the previous financial year, in the “Remuneration of the Board of Directors” for all the items, is due to the fact that, on the creation of the new Sustainability Committee in November 2018, the position of the chairman of the Committee was remunerated

in 2018 from the time of its creation until the end of the year, and in 2019 the entire year was remunerated.

In addition, in 2018, there were certain months in which the Committees did not have all their members appointed, while throughout 2019 all the Committees have had all their members appointed.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, agreed, for the year 2019, to maintain the same amounts and remuneration items as those established for 2018 for the members of the Board of Directors, as follows:

#### **Fixed Remuneration**

- EUR 130,742 per annum per director.

#### **Per diems for attending meetings of the Board of Directors**

- EUR 1,500 for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated and held in 2019 in the calendar approved by the Board of Directors, the total amounting to EUR 16,500. Per diems will not be payable for Extraordinary Board of Directors' meetings, even though two were held in 2019.

#### **Chairman of the Board of Directors**

- Remuneration as a member of the Board of Directors:
  - Fixed Remuneration: EUR 130,742.
  - Per diems for attending the sessions of the Board of Directors: EUR 16,500.
- Specific remuneration as *chairman of the Board of Directors*: EUR 399,170.

#### **Time assigned to the Board of Directors' Committees**

- EUR 27,900 per annum for each member of the Board's Committees.
- EUR 15,000 per annum for each of the chairmen of the Board's Committees.

#### **Lead Independent Director**

- EUR 15,000 per annum.

In 2019, the company has underwritten civil liability insurance policies to cover third-party claims for possible damages caused by acts or omissions in the exercise of their duties of Board Members.

In addition to the foregoing remuneration, in accordance with the directors' remuneration policy, the directors of Red Eléctrica could receive remuneration, if applicable, coming from other entities of the Red Eléctrica Group for the membership of the Board of Directors of said entities. These remunerations will be subject to the corresponding legal and statutory requirements applicable to each of these entities, and there will be fully disclosed information of their perception by the directors in the corresponding Annual Report on Remuneration of directors of Red Eléctrica. In this sense, it should be noted that the table included in Annex III Statistical, according to model Circular 2/2018 CNMV at the end of this report, in section C).1. b) named "Remuneration of the company directors for seats on the boards of other group companies", includes the remuneration assigned in 2019 to the company directors for seats on the Board of Directors of the Hispasat S.A., company with the exception of the chairman of the Board and the *chief executive officer* of REC who do not receive remuneration for this.

There is no supplementary remuneration accrued by the directors as consideration for the services provided other than those inherent to their position.

## **6. Remuneration of the senior executives**

The purpose of the remuneration policy applicable to this group is to act as an incentive for the achievement of the strategic objectives of value creation at the Company to appropriately recognise the best professionals in the market. The remuneration of the senior executives is aligned with the principles and criteria contained in the remuneration policy applicable to executive directors (*chief executive officer*) described in this document.

Set forth below are the categories of the remuneration policy applied by the Company to such executives:

### **Annual Fixed Remuneration**

Base salary is determined on the basis of the executive's level of responsibility and leadership within the organisation, in line with the going rate at comparable companies. This fixed component must represent a sufficient portion of total remuneration to maintain a suitable and balanced remuneration mix.

### **Annual Variable Remuneration**

Annual variable remuneration is linked to quantifiable and measurable objectives set by the Appointments and Remuneration Committee at the start of the year and monitored on a quarterly basis throughout the year. Said Committee is also responsible, when the period has ended, for evaluating the level of achievement of the objectives previously established. These objectives are related to the strategies and criteria contemplated in the Strategic Plan approved by the Board of Directors.

### **Multi-year Variable Remuneration**

The senior executives participate in the multi-year variable remuneration Plan, as does the *chief executive officer*, approved by the Board of Directors on 24 February 2015, upon favourable report from the Appointments and Remuneration Committee held on 17 February 2015.

The main features for this Plan have been previously explained in the sections of this report applicable to the *chief executive officer*, both in relation to the recently completed 2014-2019 remuneration Plan, and to the design of the future long term remuneration Plan that is undergoing.

It should be noted that the quantification of the incentive derived from the Plan, in favour of the executives participating in it, is pending approval. This will take place in the first quarter of 2020 by agreement of the Appointments and Remuneration Committee, once the achievement of the corresponding objectives has been approved by this Committee.

### **Flexible remuneration pool**

All or a part of a remuneration pool may be used for various alternative in-kind products. Such pool includes those products which at the time have a tax benefit.

### **Other elements**

As at 31 December 2019 there are loans granted to these executives, the detail of which is disclosed in the following section 8.3.

As at 31 December 2019 there are no advances granted to these executives.

### **Contractual terms and conditions**

There are no guarantee or golden parachute clauses for dismissals in favour of the senior executives currently servicing within the Group. In the case of termination of the employment relation, the indemnity to which they would be entitled would be calculated in accordance with the applicable labour rules. The contracts for these executives have been approved by the Appointments and Remuneration Committee, and duly notified to the Board of Directors.

Senior executives, who render services as at 31 December 2019, are included in a Structural Management Plan started by the company in 2015, approved by the Appointments and Remuneration Committee and the Board of Directors. This Plan, which will apply to part of the executive team, has the purpose of managing the replacement and management of the executive positions affected by the same, in an orderly and efficient manner. Participation in the mentioned Plan is subject to the satisfaction of certain conditions and may be amended or revoked in certain cases, among them, a consecutive unfavourable evolution of the Group's results.

## 7. Alignment of the remuneration policy and its application with the risk profile

The remuneration systems of the directors in their condition as members of the Board of Directors (due to their non-executive functions) do not include measurement elements that encourage excessive risk taking by the entity, given that they are limited to fixed remunerations for belonging and assistance to the Board of Directors and its Committees.

In relation to the *executive director (chief executive officer)*, the remuneration policy has the following features that allow reducing exposure to excessive risks and adjust it to the company's long-term objectives, values and interests, as well as avoiding conflicts of interest:

- The design of the remuneration scheme presents a balanced and efficient relationship between the fixed and the variable components. The proportion of the *chief executive officer's* fixed remuneration is considered sufficient and not excessive, allowing the proportions of variable remuneration as *chief executive officer* reach to a maximum of approximately 50% of his total remuneration (Fixed Remuneration + Maximum Annual Variable Remuneration + Maximum annualised Multi-year Variable Remuneration + Long Term Savings System + Social Benefits and other remuneration).
- The variable remuneration components have sufficient flexibility to allow for their modulation and in a scenario where the minimum level of achievement of the objectives related to variable remuneration is not reached, the *executive director* would only receive fixed remuneration.
- There are no guaranteed variable remunerations.
- The Appointments and Remuneration Committee is responsible for the examination and analysis of compliance with the remuneration policy of the Board and senior executives, which is approved by the Board. The Regulation of the Board of Directors (<https://www.ree.es/en>) establish, among the functions of this Committee, the proposal to the Board of the remuneration policy of the Board of Directors and the senior executives, as well as ensuring compliance with the remuneration policy approved for the Board of Directors, for the executive directors and for the senior executives of the entity. These groups include professionals whose activities may have a material impact on the risk profile of the entity.

- Likewise, the company's Audit Committee participates in the decision-making process related to the annual variable remuneration of the *executive director*, by verifying the economic-financial data that may be part of the objectives established in such remuneration, since this Committee must first verify the economic results of the entity, which, if applicable, are used for the calculation of the corresponding objectives.
- In accordance with the provisions of the directors' remuneration policy in force, the Appointments and Remuneration Committee has the authority to propose to the Board the cancellation or refund of the long-term and short-term variable remuneration of the beneficiary or the corresponding responsible party(s) when facing unforeseen circumstances that justify that the variable remuneration has been accrued or paid in response to inaccurate or erroneous information or data; or that there have been breaches of the internal corporate regulations or the applicable legislation, which are subsequently proven.

In addition, the Appointments and Remuneration Committee will assess whether, in exceptional circumstances of this type, it could even be proposed to the Board of Directors the termination of the contractual relationship with the corresponding beneficiary(s) or person(s).

- The Appointments and Remuneration Committee may propose adjustments on the variable remuneration under exceptional circumstances, due to internal or external factors to the Board. The detail regarding such adjustments will be disclosed, as the case may be, in the corresponding Annual Report on Remuneration of directors.
- In relation to the necessary measures to avoid conflicts of interest on the part of the directors, in line with the provisions of the Capital Companies Law, the Regulation of the Board of Directors of Red Eléctrica include in its articles 30 (section 2.h), 31 (sections c and e), 32 and 35 (section 3), a set of obligations derived from their duties of diligence and loyalty, the duty to avoid situations of conflict of interest and their duty of information.

## 8. Individual remuneration tables

### 8.1. Remuneration of the executive directors (*chief executive officers*), for all items, for the financial year 2019

The following is a summary of the total gross remuneration, in Euro, accrued by the *chief executive officers*, during the financial year 2019:

Director	Position	Fixed remuneration	Annual variable remuneration	Remuneration for his functions as director	Other remuneration	Total
Mr. Juan Lasala Bernad <sup>(1)</sup>	Chief Executive Officer	162,029	122,246 <sup>(2)</sup>	59,070 <sup>(3)</sup>	57,099 <sup>(4)</sup>	400,444
Mr. Roberto García Merino <sup>(5)</sup>	Chief Executive Officer	208,871	156,653 <sup>(6)</sup>	88,172 <sup>(7)</sup>	77,581 <sup>(8)</sup>	531,277

(1) The amounts are those corresponding to the period from 1 January to 27 May 2019, the date on which the Board of Directors agreed to terminate his mandate as chief executive officer and lead executive and accepted his resignation as executive director.

(2) This amount is estimated by assuming the accrual of the annual variable remuneration with a degree of achievement of objectives of 100%.

(3) This includes fixed remuneration as director (EUR 53,070) and per diems for attendance and time dedicated to the Board for the 4 meetings between January and April (EUR 6,000) in 2019.

(4) This includes the contribution made to the long-term savings scheme in 2019 (EUR 32,599) and the cash allowance in lieu of social benefits (EUR 24,500).

(5) The amounts are those corresponding to the period between his appointment on 27 May and 31 December 2019.

(6) This amount, recorded in the Annual Accounts for the financial year 2019, is estimated by assuming the accrual of the annual variable remuneration with a degree of achievement of objectives of 100%. The Appointments and Remuneration Committee, held on 21 February 2020, once assessed the overall level of achievement of objectives for the financial year 2019, has approved a level of achievement of 107%, which means an effective variable remuneration of EUR 167,619 in favour of the chief executive officer. The total remuneration of the chief executive officer, considering this effective variable remuneration, amounts to EUR 542,243.

(7) This includes the fixed remuneration as director (EUR 77,672) and per diems for attendance and time dedicated to the Board for the 7 meetings between May and December (EUR 10,500) during the financial year 2019.

(8) This includes the contribution made to the long-term savings scheme in 2019 (EUR 41,774) and the cash allowance in lieu of social benefits (EUR 35,807).

### 8.2. Remuneration for directors in their condition as members of the Board (“in their condition as such” according to the LSC, for their non-executive duties), for all items, for the financial year 2019

The total remuneration of the Board of Directors for the financial year 2019, excluding the remuneration of executive directors due to their contractual relation (executive duties) with the

entity, entails, in all categories, 0.35%<sup>1</sup> of the net income of the Red Eléctrica Group allocated to the holding company, for the financial year 2019.

The remuneration accrued by the members of Board of Directors of the entity in the year 2019, in thousands of Euros, broken down by director, as disclosed in the Annual Accounts for the financial year 2019, are the following:

	Fixed remuneration	Variable remuneration	Allowances for attending board meetings	Committees work	Chairperson of Board Committees and lead independent director	Other remuneration (7)	Total 2019	Total 2018
<i>Thousands of Euros</i>								
MR. Jordi Sevilla Segura	530	-	16	-	-	-	546	228
MR. Roberto García Merino <sup>(1)</sup>	287	157	10	-	-	77	531	-
D. Juan Lasala Bernad <sup>(2)</sup>	215	122	6	-	-	57	400	986
MS. Carmen Gómez de Barreda Tous de Monsalve	131	-	16	28	30	-	205	192
MS. María José García Beato	131	-	16	28	-	-	175	175
MS. Socorro Fernández Larrea	131	-	16	28	12	-	187	175
MR. Antonio Gómez Ciria	131	-	16	28	15	-	190	190
MR. José Luis Feito Higuera <sup>(3)</sup>	29	-	3	7	4	-	43	190
MR. Arsenio Fernández de Mesa Díaz del Río	131	-	16	28	-	-	175	175
MR. Alberto Carbajo Josa	131	-	16	28	-	-	175	175
MS. Mercedes Real Rodríguez <sup>(4)</sup>	131	-	16	28	-	-	175	175
MS. María Teresa Costa Campi	131	-	16	28	-	-	175	43
MR. Antonio Gómez Expósito	131	-	16	28	-	-	175	43
MR. José Juan Ruiz Gómez <sup>(5)</sup>	102	-	14	21	-	-	137	-
Other Board members <sup>(6)</sup>	-	-	-	-	-	-	-	576
<b>Total remuneration accrued</b>	<b>2,342</b>	<b>279</b>	<b>193</b>	<b>280</b>	<b>61</b>	<b>134</b>	<b>3,289</b>	<b>3,323</b>

(1) New director since the board meeting held on 27 May 2019.

(2) Stepped down from the board of directors at the board meeting held on 27 May 2019.

(3) Stepped down from the board of directors at the board meeting held on 22 March 2019.

(4) Amounts received by Sociedad Estatal de Participaciones Industriales (SEPI).

(5) New director since the board meeting held on 22 March 2019.

(6) Board members in 2018 who have stepped down from the board.

(7) Includes cost arising from the social benefits that the chief executive officer has included in his remuneration.

The amounts shown in the table above do not include, in 2019, the severance payment for the termination of the *chief executive officer* relationship, Mr. Lasala Bernad, in the amount of EUR 818 thousand, nor, in 2018, the severance payment for the outgoing chairman, Mr. Folgado Blanco, which amounted of EUR 718 thousand.

<sup>1</sup> The net income of the RED ELÉCTRICA Group allocated to the holding company in the financial year 2019 amounted to EUR 718,040 thousand (EUR 704,558 thousand in the financial year 2018).

The table above does not include any amount relating to the 2014-2019 Long-Term Plan, to which the *chief executive officer* is entitled for the period from 27 May to 31 December 2019, because the quantification of the incentive derived from the Plan, in favour of the executives who participate in it, including the *chief executive officer*, is subject to approval. This will take place in the first quarter of 2020 by agreement of the Appointments and Remuneration Committee, once achievement of the corresponding objectives has been approved by that Committee.

**8.3. Remuneration of senior executives, for all items, for the financial year 2019**

The senior executives who rendered services throughout the year 2019 are the following:

Name	Position	Accrual period in the year 2019
Eva Pagán Díaz	General Manager of Transmission	From 1 January to 31 December 2019
Miguel Duvison García	General Manager of System Operation	From 1 January to 31 December 2019

In the year 2019 the total remuneration accrued by the senior executives has amounted to EUR 664 thousand and is recorded as personnel expenses in the Profit and Loss Consolidated Accounts. These amounts include the linear accrual of annual variable remuneration based on the achievement of the targets fixed for each year. Once achievement of the aforesaid targets has been evaluated, the variable remuneration is paid in the first months of the following year, the remuneration depending on the actual achievement.

Of the total remuneration accrued by these executives, contributions to medical and life insurances and pension plans amounted to EUR 14 thousand.

As of 31 December 2019, there are loans granted to these executives with an outstanding balance of EUR 123 thousand, maturing in 2024 and under the same conditions that apply to loans granted to personnel of the Collective Bargaining Agreement, with an equivalent applicable interest rate to this loan of 0.65%.

On 31 December 2019, the Group has underwritten civil liability insurance policies which cover third-party claims for possible damages and/or losses caused by acts or omissions in the exercise of their duties as Group Board Members. These policies cover all the Group's executives and directors, and the annual cost of the premiums in 2019 amounts to EUR 142 thousand, including taxes. These premiums are calculated based on the nature of the Group's business and its economic and financial magnitudes and, accordingly, it is not possible to differentiate between executives and directors or to identify them individually.

## 9. Tables of voting results

The following table sets out the voting percentages obtained at the company's Annual General Shareholders' Meetings held since 2016, in connection with the Annual Report on Remuneration of directors:

Annual Report on Remuneration of directors: votes (%)			
Date of the Meeting	For	Against	Abstention
22/03/2019	66.426%	0.862%	32.712% <sup>(1)</sup>
22/03/2018	65.090%	1.110%	33.800% <sup>(2)</sup>
31/03/2017	64.618%	0.705%	34.677% <sup>(3)</sup>
15/04/2016	65.925%	0.545%	33.530% <sup>(4)</sup>

(1) 31.79 of the aforementioned percentage corresponds to the votes of Sociedad Estatal de Participaciones Industriales (SEPI), as reported to the company, due to the position of the Sociedad Estatal de Participaciones Industriales (SEPI) in the listed companies with minority participation.

(2) 33.35% of the aforementioned percentage corresponds to the votes of Sociedad Estatal de Participaciones Industriales (SEPI), as reported to the company, due to the position of the Sociedad Estatal de Participaciones Industriales (SEPI) in the listed companies with minority participation.

(3) 34.41% of the aforementioned percentage corresponds to the votes of Sociedad Estatal de Participaciones Industriales (SEPI), as reported to the company, due to the position of the Sociedad Estatal de Participaciones Industriales (SEPI) in the listed companies with minority participation.

(4) 33.27% of the aforementioned percentage corresponds to the votes of Sociedad Estatal de Participaciones Industriales (SEPI), as reported to the company, due to the position of the Sociedad Estatal de Participaciones Industriales (SEPI) in the listed companies with minority participation.

## **10. Complementary information of the tables of the Annex III Statistic of the Annual Report on Remuneration of Directors for listed companies (Circular 2/2018, of June 12, of the CNMV), corresponding to Red Eléctrica Corporación S.A. which appears as an appendix to this report**

The following are the explanatory notes to the tables of the aforementioned Statistical Annex III:

1. In relation to section C.1.a) i), it should be noted that, in the information contained in the entity's Annual Accounts for the financial year 2019, as regards the remuneration accrued in the year 2018, there is an additional item called "Other Board Members", which refers to the Board members who cease as directors during the year 2018 (therefore, they are not included in the list of directors of the company in 2019 included in Annex III of this report) and whose overall remuneration amounts to EUR 576 thousand. The information for the year 2018 relating to said members of the Board was presented on an individual basis in the company's Annual Report on Remuneration of Directors for the year 2018, which was communicated to the CNMV and is available on the corporate website.
2. Similarly, in relation to section C.1.a) i) it should be noted that, as already recorded in 2019 in the corresponding Annual Report on the Remuneration of Directors of the Company, corresponding to the 2018 financial year, in accordance with and consistent with the content of the note on " Board of Directors' Remuneration" contained in the entity's Annual Accounts, for the financial year 2019, duly audited, deposited in the CNMV and available on the entity's corporate website, the amount corresponding to the severance payment settled in favor of Mr. José Folgado Blanco, on the occasion of his cease as a member of the Board of Directors and as non-executive chairman of the company on 31 July 2018 has not been included in the table; and that because that amount was generated on 15 April 2016, the date on which the entity decided to terminate the commercial relation with Mr. Folgado as chairman of the company with executive functions. The indemnity settled in 2018 in accordance with the terms established in the commercial contract, which amounted to EUR 718 thousand, is equivalent to one year of the fixed remuneration that Mr. Folgado received as an executive director plus the amount corresponding to one year of his variable remuneration calculated with a 100% level of achievement of objectives.

Also, in line with the information contained in the aforementioned Annual Accounts of the company, corresponding to financial year 2019, it has not been included in the table in section C.1.a) i), the amount of the indemnity paid to the previous *chief executive officer*, Juan Francisco Lasala Bernad, after his resignation as *chief executive officer* and *lead executive* on 27 May 2019, which amounted to EUR 818 thousand, equivalent to one year of fixed remuneration as *chief executive officer* plus the amount corresponding to one year of variable remuneration calculated according to a 100% achievement of objectives. However, the reference to this indemnity has been included in various sections of this report.

3. In addition, with regard to section C).1.a) i), it should be noted that the 2014-2019 Multi-Year Variable Remuneration Plan, approved by the Board of Directors on 24 February 2015, following a favourable report by the Appointments and Remuneration Committee on 17 February 2015, concluded on 31 December 2019, as set out in the directors' remuneration policy and the Annual Report on Remuneration of directors, approved by the Ordinary General Shareholders' Meeting in 2019.

After the evaluation of the achievement of the objectives contemplated in the above-mentioned Plan, conducted by the Appointments and Remuneration Committee, in its meeting of 21 February 2020, the overall achievement of the objectives of the 2014-2019 multi-year long term plan has been considered at 93.8%.

However, the quantification of the incentive derived from the Plan, in favour of the executives who participate in it, including the *chief executive officer*, is pending approval. This will take place in the first quarter of 2020 by agreement of the Appointments and Remuneration Committee, once the fulfilment of the corresponding objectives has been approved by this Committee.

In any case, the amount corresponding to the *chief executive officer* must be pro-rated for the period in which he has held the position as such, i.e. from 27 May to 31 December 2019.

4. In relation to the annual variable remuneration accrued by the *chief executive officer* in the financial year 2019, from 27 May to 31 December, which amounts to EUR 167,619, it should be noted that the table in section C.1.a) ii), which includes the remunerations accrued in cash, reflects the 75% of the total amount accrued (EUR 125,714), paid in cash. The remaining 25% (EUR 41,905) will be delivered in shares of the company on the effective date of delivery of shares for all employees of the entity, usually in the last quarter of the year (2020), in accordance with the annual program of shares for employees. On that date the purchase price and the number of shares actually delivered will be known, according to their quotation on the Stock Exchange, and all this will be informed in the corresponding Annual Report on Remuneration of directors that will be approved in 2021.

Given that on the date of approval of this Report said price is not known, in Table C.1.a).ii), a number of shares has been included considering an estimate of the share price of 19.37 EUR/share - according to the last communication made by the company to the CNMV in relation to the remuneration systems in shares of the *chief executive officer*. The estimate of the number of shares in the table (2,168 shares) has been calculated considering the amount rounded in thousands of euros (EUR 42 thousand), as required by the aforementioned table, although this number reduces (up to 2,163 shares) if the exact amount in euros (EUR 41,905) is considered.

**Annex III Statistic of the Annual Report on Remuneration of Directors for listed companies (Circular 2/2018, of June 12, of the CNMV), corresponding to Red Eléctrica Corporación S.A.**



## ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

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### ISSUER IDENTIFICATION

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Ending date of reference period: ( 31/12/2019 )

CIF: ( A-78003662 )

Corporate Name:

( **RED ELÉCTRICA CORPORACIÓN, S.A.** )

Registered Office:

( PASEO DEL CONDE DE LOS GAITANES, 177 (LA MORALEJA-ALCOBENDAS) MADRID )

**B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED**

- B.4.** Report on the result of the consultative vote at the general shareholders' meeting on remuneration in the previous year, indicating the number of votes against that may have been cast

	<b>Number</b>	<b>% of total</b>
Votes cast	340,375,115	63.06

	<b>Number</b>	<b>% of cast</b>
Votes against	2,933,661	0.86
Votes in favour	226,097,706	66.43
Abstentions	111,343,748	32.71

**C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

Name	Type	Period of accrual in 2019
MR. JORDI SEVILLA SEGURA	Chairman other external	From 01/01/2019 to 31/12/2019
MR. ROBERTO GARCÍA MERINO	Chief Executive Director	From 27/05/2019 to 31/12/2019
MR. JUAN FRANCISCO LASALA BERNAD	Chief Executive Director	From 01/01/2019 to 27/05/2019
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Independent Director	From 01/01/2019 to 31/12/2019
MS. MARÍA JOSÉ GARCÍA BEATO	Independent Director	From 01/01/2019 to 31/12/2019
MS. SOCORRO FERNÁNDEZ LARREA	Independent Director	From 01/01/2019 to 31/12/2019
MR. JOSÉ LUIS FEITO HIGUERUELA	Independent Director	From 01/01/2019 to 22/03/2019
MR. ANTONIO GÓMEZ CIRIA	Independent Director	From 01/01/2019 to 31/12/2019
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	Independent Director	From 01/01/2019 to 31/12/2019
MR. ALBERTO FRANCISCO CARBAJO JOSA	Independent Director	From 01/01/2019 to 31/12/2019
MS. MERCEDES REAL RODRIGÁLVAREZ	Proprietary Director	From 01/01/2019 to 31/12/2019
MS. MARÍA TERESA COSTA CAMPI	Proprietary Director	From 01/10/2019 to 31/12/2019
MR. ANTONIO GÓMEZ EXPÓSITO	Proprietary Director	From 01/01/2019 to 31/12/2019
MR. JOSÉ JUAN RUIZ GÓMEZ	Independent Director	From 22/03/2019 to 31/12/2019

**C.1.** Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousands of €)

Name	Fixed Remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance payment	Other items	Total in 2019	Total in 2018
MR. JORDI SEVILLA SEGURA	530	16							546	228
MR. ROBERTO GARCÍA MERINO	78	10		209	126			36	459	
MR. JUAN FRANCISCO LASALA BERNAD	53	6		162	122			25	368	853
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	131	16	43					15	205	192
MS. MARÍA JOSÉ GARCÍA BEATO	131	16	28						175	175
MS. SOCORRO FERNÁNDEZ LARREA	131	16	40						187	175
MR. JOSÉ LUIS FEITO HIGUERUELA	29	3	11						43	190
MR. ANTONIO GÓMEZ CIRIA	131	16	43						190	190
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	131	16	28						175	175
MR. ALBERTO FRANCISCO CARBAJO JOSA	131	16	28						175	175
MS. MERCEDES REAL RODRIGÁLVAREZ	131	16	28						175	175
MS. MARÍA TERESA COSTA CAMPÍ	131	16	28						175	43
MR. ANTONIO GÓMEZ EXPÓSITO	131	16	28						175	43
MR. JOSÉ JUAN RUIZ GÓMEZ	102	14	21						137	

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments.

Name	Name of Plan	Financial instruments at start of 2019		Financial instruments granted during 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ consolidated	Price of the consolidated shares	Gross profit from consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	No. of equivalent shares
MR. JORDI SEVILLA SEGURA	Plan							0.00				
MR. ROBERTO GARCÍA MERINO	Plan			2,168	2,168	2,168	2,168	19.37	42			
MR. JUAN FRANCISCO LASALA BERNAD	Plan							0.00				
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Plan							0.00				
MS. MARÍA JOSÉ GARCÍA BEATO	Plan							0.00				
MS. SOCORRO FERNÁNDEZ LARREA	Plan							0.00				
MR. JOSÉ LUIS FEITO HIGUERUELA	Plan							0.00				
MR. ANTONIO GÓMEZ CIRIA	Plan							0.00				
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	Plan							0.00				
MR. ALBERTO FRANCISCO CARBAJO JOSA	Plan							0.00				

Name	Name of Plan	Financial instruments at start of 2019		Financial instruments granted during 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ consolidated	Price of the consolidated shares	Gross profit from consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	No. of equivalent shares
MS. MERCEDES REAL RODRIGÁLVAREZ	Plan							0.00				
MS. MARÍA TERESA COSTA CAMPI	Plan							0.00				
MR. ANTONIO GÓMEZ EXPÓSITO	Plan							0.00				
MR. JOSÉ JUAN RUIZ GÓMEZ	Plan							0.00				

iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system
MR. JORDI SEVILLA SEGURA	
MR. ROBERTO GARCÍA MERINO	42
MR. JUAN FRANCISCO LASALA BERNAD	33
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	
MS. MARÍA JOSÉ GARCÍA BEATO	
MS. SOCORRO FERNÁNDEZ LARREA	
MR. JOSÉ LUIS FEITO HIGUERUELA	

MR. ANTONIO GÓMEZ CIRIA	
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	
MR. ALBERTO FRANCISCO CARBAJO JOSA	
MS. MERCEDES REAL RODRIGÁLVAREZ	
MS. MARÍA TERESA COSTA CAMPI	
MR. ANTONIO GÓMEZ EXPÓSITO	
MR. JOSÉ JUAN RUIZ GÓMEZ	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with consolidated economic rights	
	2019	2018	2019	2018	2019	2018	2019	2018
MR. JORDI SEVILLA SEGURA								
MR. ROBERTO GARCÍA MERINO	42				42			
MR. JUAN FRANCISCO LASALA BERNAD	33	80				160		
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE								
MS. MARÍA JOSÉ GARCÍA BEATO								

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with consolidated economic rights	
	2019	2018	2019	2018	2019	2018	2019	2018
MS. SOCORRO FERNÁNDEZ LARREA								
MR. JOSÉ LUIS FEITO HIGUERUELA								
MR. ANTONIO GÓMEZ CIRIA								
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO								
MR. ALBERTO FRANCISCO CARBAJO JOSÁ								
MS. MERCEDES REAL RODRIGÁLVAREZ								
MS. MARÍA TERESA COSTA CAMPI								
MR. ANTONIO GÓMEZ EXPÓSITO								
MR. JOSÉ JUAN RUIZ GÓMEZ								

**v) Details of other items**

Name	Item	Remuneration amount
MR. JORDI SEVILLA SEGURA	Item	

Name	Item	Remuneration amount
MR. ROBERTO GARCÍA MERINO	Item	
MR. JUAN FRANCISCO LASALA BERNAD	Item	
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Item	
MS. MARÍA JOSÉ GARCÍA BEATO	Item	
MS. SOCORRO FERNÁNDEZ LARREA	Item	
MR. JOSÉ LUIS FEITO HIGUERUELA	Item	
MR. ANTONIO GÓMEZ CIRIA	Item	
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	Item	
MR. ALBERTO FRANCISCO CARBAJO JOSA	Item	
MS. MERCEDES REAL RODRIGÁLVAREZ	Item	
MS. MARÍA TERESA COSTA CAMPI	Item	
MR. ANTONIO GÓMEZ EXPÓSITO	Item	
MR. JOSÉ JUAN RUIZ GÓMEZ	Item	

**b) Remuneration of the company directors for seats on the boards of other group companies:**

**i) Remuneration in cash (thousands of €)**

Name	Fixed remuneration	Per diem allowances	Remuneration for member ship of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance payment	Other items	Total in 2019	Total in 2018
MR. JORDI SEVILLA SEGURA										
MR. ROBERTO GARCÍA MERINO										

Name	Fixed remuneration	Per diem allowances	Remuneration for member ship of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance payment	Other items	Total in 2019	Total in 2018
MR. JUAN FRANCISCO LASALA BERNAD										
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE		6							6	
MS. MARÍA JOSÉ GARCÍA BEATO										
MS. SOCORRO FERNÁNDEZ LARREA										
MR. JOSÉ LUIS FEITO HIGUERUELA										
MR. ANTONIO GÓMEZ CIRIA										
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO										
MR. ALBERTO FRANCISCO CARBAJO JOSA										
MS. MERCEDES REAL RODRIGÁLVAREZ										
MS. MARÍA TERESA COSTA CAMPI										
MR. ANTONIO GÓMEZ EXPÓSITO										
MR. JOSÉ JUAN RUIZ GÓMEZ										

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Nombre	Name of Plan	Financial instruments at start of 2019		Financial instruments granted during 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ consolidated	Price of the consolidated shares	Net profit from consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	No. of equivalent shares
MR. JORDI SEVILLA SEGURA	Plan							0.00				
MR. ROBERTO GARCÍA MERINO	Plan							0.00				
MR. JUAN FRANCISCO LASALA BERNAD	Plan							0.00				
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Plan							0.00				
MS. MARÍA JOSÉ GARCÍA BEATO	Plan							0.00				
MS. SOCORRO FERNÁNDEZ LARREA	Plan							0.00				
MR. JOSÉ LUIS FEITO HIGUERUELA	Plan							0.00				

Nombre	Name of Plan	Financial instruments at start of 2019		Financial instruments granted during 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ consolidated	Price of the consolidated shares	Net profit from consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	No. of equivalent shares
MR. ANTONIO GÓMEZ CIRIA	Plan							0.00				
MR. ARSENIÓ FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	Plan							0.00				
MR. ALBERTO FRANCISCO CARBAJO JOSA	Plan							0.00				
MS. MERCEDES REAL RODRIGÁLVAREZ	Plan							0.00				
MS. MARÍA TERESA COSTA CAMPI	Plan							0.00				
MR. ANTONIO GÓMEZ EXPÓSITO	Plan							0.00				

Nombre	Name of Plan	Financial instruments at start of 2019		Financial instruments granted during 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of 2019	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares/ consolidated	Price of the consolidated shares	Net profit from consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	No. of equivalent shares
MR. JOSÉ JUAN RUIZ GÓMEZ	Plan							0.00				

iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system
MR. JORDI SEVILLA SEGURA	
MR. ROBERTO GARCÍA MERINO	
MR. JUAN FRANCISCO LASALA BERNAD	
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	
MS. MARÍA JOSÉ GARCÍA BEATO	
MS. SOCORRO FERNÁNDEZ LARREA	
MR. JOSÉ LUIS FEITO HIGUERUELA	
MR. ANTONIO GÓMEZ CIRIA	
MR. ARSENIÓ FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	

Name	Remuneration from consolidation of rights to savings system
MR. ALBERTO FRANCISCO CARBAJO JOSA	
MS. MERCEDES REAL RODRIGÁLVAREZ	
MS. MARÍA TERESA COSTA CAMPÍ	
MR. ANTONIO GÓMEZ EXPÓSITO	
MR. JOSÉ JUAN RUIZ GÓMEZ	

Name	Contribution over the year from the company (thousands of €)				Amount of accumulated funds (thousands of €) Savings systems with consolidated economic rights			
	Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with Consolidated economic rights		Savings systems with unconsolidated economic rights	
	2019	2018	2019	2018	2019	2018	2019	2018
MR. JORDI SEVILLA SEGURA								
MR. ROBERTO GARCÍA MERINO								
MR. JUAN FRANCISCO LASALA BERNAD								
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE								
MS. MARÍA JOSÉ GARCÍA BEATO								
MS. SOCORRO FERNÁNDEZ LARREA								

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €) Savings systems with consolidated economic rights			
	Savings systems with consolidated economic rights		Savings systems with consolidated economic rights		Savings systems with Consolidated economic rights		Savings systems with unconsolidated economic rights	
	2019	2018	2019	2018	2019	2018	2019	2018
MR. JOSÉ LUIS FEITO HIGUERUELA								
MR. ANTONIO GÓMEZ CIRIA								
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO								
MR. ALBERTO FRANCISCO CARBAJO JOSA								
MS. MERCEDES REAL RODRIGÁLVAREZ								
MS. MARÍA TERESA COSTA CAMPI								
MR. ANTONIO GÓMEZ EXPÓSITO								
MR. JOSÉ JUAN RUIZ GÓMEZ								

v) **Details of other items**

Name	Item	Remuneration amount
MR. JORDI SEVILLA SEGURA	Item	
MR. ROBERTO GARCÍA MERINO	Item	
MR. JUAN FRANCISCO LASALA BERNAD	Item	

Name	Item	Remuneration amount
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Item	
MS. MARÍA JOSÉ GARCÍA BEATO	Item	
MS. SOCORRO FERNÁNDEZ LARREA	Item	
MR. JOSÉ LUIS FEITO HIGUERUELA	Item	
MR. ANTONIO GÓMEZ CIRIA	Item	
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	Item	
MR. ALBERTO FRANCISCO CARBAJO JOSA	Item	
MS. MERCEDES REAL RODRIGÁLVAREZ	Item	
MS. MARÍA TERESA COSTA CAMPI	Item	
MR. ANTONIO GÓMEZ EXPÓSITO	Item	
MR. JOSÉ JUAN RUIZ GÓMEZ	Item	

c) **Summary of remunerations (thousand €):**

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

Name	Remuneration accrued in the company					Remuneration accrued in group companies				
	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for long term savings systems	Remuneration for other items	Total 2019 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for long term savings systems	Remuneration for other items	Total 2019 group
MR. JORDI SEVILLA SEGURA	546				546					
MR. ROBERTO GARCÍA MERINO	459	42	42		543					

Name	Remuneration accrued in the company					Remuneration accrued in group companies				
	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for long term savings systems	Remuneration for other items	Total 2019 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for long term savings systems	Remuneration for other items	Total 2019 group
MR. JUAN FRANCISCO LASALA BERNAD	368		33		401					
MS. CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	205				205	6				6
MS. MARÍA JOSÉ GARCÍA BEATO	175				175					
MS. SOCORRO FERNÁNDEZ LARREA	187				187					
MR. JOSÉ LUIS FEITO HIGUERUELA	43				43					
MR. ANTONIO GÓMEZ CIRIA	190				190					
MR. ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO	175				175					
MR. ALBERTO FRANCISCO CARBAJO JOSA	175				175					
MS. MERCEDES REAL RODRIGÁLVAREZ	175				175					
MS. MARÍA TERESA COSTA CAMPI	175				175					
MR. ANTONIO GÓMEZ EXPÓSITO	175				175					
MR. JOSÉ JUAN RUIZ GÓMEZ	137				137					
<b>TOTAL</b>	<b>3,185</b>	<b>42</b>	<b>75</b>		<b>3,302</b>	<b>6</b>				<b>6</b>

**D. OTHER RELEVANT INFORMATION**

This annual remuneration report has been approved by the Board of Directors of the company on:

( 25/02/2020 )

State whether any director has voted against or abstained from approving this report

(  ) Yes

(  ) No

Name or company name of the member of the Board of Directors who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons
MS. MERCEDES REAL RODRIGÁLVAREZ	Abstention	As informed, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake.
MR. ANTONIO GÓMEZ EXPÓSITO	Abstention	As informed, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake.
MS. MARÍA TERESA COSTA CAMPI	Abstention	As informed, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake.

**Second.**- Approval of the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for the 2020 financial year.

To approve the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for the 2020 financial year that was approved by the Board of Directors at the meeting of 25 February 2020, in accordance with the provisions of the Articles of Association, of the new Policy on Remuneration of the Directors, and of the Annual Report on Remuneration of the Directors, at the proposal of the Appointments and Remuneration Committee, on the following terms:

## **REMUNERATION OF THE BOARD OF DIRECTORS, IN RESPECT OF ALL ITEMS, FOR THEIR NON-EXECUTIVE FUNCTIONS, FOR THE 2020 FINANCIAL YEAR**

Next, it is proposed that the remuneration of the directors "as such", i.e. for their non-executive functions as members of the Board of Directors and its Committees, during the financial year 2020, be maintained, in all its components and amounts, as in the financial year 2019, as follows:

### **1. Chairperson (non-executive) of the Board of Directors**

- a) Fixed Remuneration (as chairperson of the Board).

The same amount as in 2019 is maintained, at 399,170.00 euros per year, which shall be paid in monthly instalments before the fifth (5<sup>th</sup>) day of the following month.

- b) The chairperson of the Board of Directors also maintains the annual remuneration established below for all directors, as members of the Board of Directors, under the heading of "Fixed remuneration" and "Remuneration for attendance at Board meetings".

### **2. Fixed Remuneration**

The Fixed Remuneration for the year 2020 is set as follows:

130,742.00 euros per year per director, to be paid monthly before the 5th day of the following month.

### **3. Remuneration for attending meetings of the Board of Directors**

The remuneration for attending meetings of the Board of Directors and its Committees during the 2019 financial year will be as follows:

1,500.00 euros for attendance in person by directors at each of the eleven ordinary meetings included in the schedule for 2020 approved by the Board of Directors. Proxies may be granted without losing the entitlement to receive the remuneration, provided the proxy appointment is for just cause and occurs no more than twice during the year. This amount will be paid within fifteen days of the given meeting being held.

The holding of extraordinary meetings of the Board of Directors, in person or electronically, will not be remunerated by this remuneration for attending Board meetings.

#### **4. Service on Board of Directors Committees**

The remuneration for service on the committees of the Board of Directors, during the 2020 financial year, is established as follows:

- a) 27,900.00 euros per annum to each member of a Board committee, to be paid monthly before the 5<sup>th</sup> day of the following month.

The foregoing amount is an annual amount, regardless of the number of committee meetings held during 2020.

- b) An additional 15,000.00 euros per annum to each chairperson of a Board Committee, to be paid monthly before the 5<sup>th</sup> day of the following month.

The foregoing amount is an annual amount, regardless of the number of committee meetings held during 2020.

#### **5. Independent Lead Director**

Additional remuneration of 15,000.00 euros per annum is assigned to the position of lead independent director, to be paid monthly before the 5<sup>th</sup> day of the following month.

In accordance with article 20 of the Articles of Association, directors who perform executive functions (in this case, the managing director) shall be entitled to receive additional remuneration for the performance of such functions; such remuneration has been established in the corresponding contract approved by the Board of Directors on 27 May 2019, in accordance with articles 249 and 529.octodecies of the Spanish Companies Act, and with the current Policy on Directors' Remuneration, which is detailed in the Annual Report on Directors' Remuneration submitted for approval under item ten, section one of the Agenda of this General Meeting of Shareholders.

In the event of an increase in the number of directors in the 2020 financial year, in application of the provisions of article 20 of the company's Articles of Association, the total amount of the annual remuneration of the Board of Directors will be increased by the amounts and individual items per director contemplated in this proposed resolution.

## **RESOLUTION REGARDING ITEM ELEVENTH ON THE AGENDA:**

### **REAPPOINTMENT OF THE STATUTORY AUDITOR OF THE PARENT COMPANY AND OF THE CONSOLIDATED GROUP.**

The firm of KPMG Auditores, S.L. (“KPMG Auditores”) has audited the individual and consolidated annual financial statements of Red Eléctrica Corporación and of the Group's subsidiaries since 2013, as well as the requisite Comfort Letters that were issued to renew the Group's debt securities and bond issuance programmes.

The General Meeting of Shareholders of Red Eléctrica Corporación, S.A. (“REC”) held on 18 April 2013, in accordance with the provisions of article 264 of the Spanish Companies Act, resolved to name KPMG Auditores as statutory auditors of the company and of its Consolidated Group in order to audit the individual annual financial statements of the company and those of its Consolidated Group for the 2013, 2014 and 2015 financial years.

Similarly, after the initial term envisaged in the Spanish Accounting Audit Act (*Ley de Auditoría de Cuentas*) expired, the General Meeting of Shareholders of REC held on 15 April 2016 resolved to reappoint KPMG Auditores as statutory auditors of the company and of its Consolidated Group in order to audit the individual annual financial statements of the company and those of its Consolidated Group for the 2016, 2017 and 2018 financial years and the Ordinary General Meeting of Shareholders of REC held on 22 March 2019 resolved to reappoint KPMG Auditores as auditors of the accounts of the company and its consolidated group for the 2019 financial year.

Consequently, on the expiry of this latest term of one year of KPMG Auditores' appointment as auditor of the company and of the Group, in accordance with the terms of article 529 quaterdecies, paragraph 4.d) of the Spanish Companies Act and article 16.3.a) of the Regulations of the Board of Directors, the following resolution is submitted to the Board of Directors, at the proposal of the Audit Committee, for submission to the General Meeting of Shareholders:

To reappoint KPMG Auditores, S.L., con NIF B-78510153, with tax identification number B-78510153, and registered office at Paseo de la Castellana, 259 C, C.P. 28046 Madrid, registered in the Mercantile Registry of Madrid (volume 11,961, folio 90, section 8, page number M188.007, entry 9) and in the Official Register of Statutory Auditors (Registro Oficial de Auditores de Cuentas — ROAC) under number S0702, as auditors of the accounts of the parent company, Red Eléctrica Corporación, S.A. and of its Consolidated Group, for a term of one (1) year, covering the 2020 financial year, in accordance with the terms of article 264 of the current Spanish Companies Act.

**RESOLUTION REGARDING ITEM TWELFTH OF THE AGENDA:**

**DELEGATION FOR FULL IMPLEMENTATION OF RESOLUTIONS ADOPTED AT THE GENERAL MEETING OF SHAREHOLDERS.**

Without prejudice to the authorisations expressly given by the shareholders at the General Meeting to the Board of Directors, the Chairperson and each of the members of the company's Board of Directors, and the secretary of the Board and vice secretary thereof, are granted the broadest authority, to be exercised jointly or separately, to implement, perform and register each and every one of the resolutions adopted by this General Meeting of Shareholders, including signing the relevant agreements and documents, with the clauses and conditions they deem to be appropriate, and interpreting, correcting and completing the aforesaid resolutions and recording them as public documents, based on their effectiveness and the comments of any agency or authority, in particular the verbal or written comments of the Mercantile Registrar, taking such actions as may be necessary or appropriate to successfully implement the same, in particular to achieve registration with the Mercantile Registry of those resolutions that are susceptible of registration.

## II. MATTERS REPORTED

### **MATTER RELATED TO ITEM THIRTEENTH ON THE AGENDA:**

#### **REPORT TO THE GENERAL MEETING OF SHAREHOLDERS ON THE ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE 2019 FINANCIAL YEAR.**

The General Meeting of Shareholders is advised that, in accordance with the provisions of article 540 of the LSC and other applicable regulations, the Board of Directors, at a meeting held on 25 February 2020, unanimously approved the Annual Corporate Governance Report (*Informe Annual de Gobierno Corporativo, or "IAGC"*) of Red Eléctrica Corporación S.A. for the 2019 financial year. That report was notified to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) as a material disclosure.

The 2019 IAGC applies the same structure and criteria as the 2018 report, and was prepared after comparative analysis of international best practices of comparable undertakings, seeking elimination of repetition, introducing summaries, graphics and hyperlinks to the corporate website to facilitate its reading, with direct access to related documents that may be of interest.

The Annual Corporate Governance Report for the 2019 financial year consists of a main body of seven sections, which refer to the regulatory framework and corporate governance policy as an expression of the strategy in this regard (Section 1), the commitment to dialogue and the participation of shareholders and other stakeholders (Section 2), the Board of Directors as the control and supervision body (Section 3), the balance of authority on the Board of Directors (Section 4), the remuneration policy and evaluation (Section 5), the application of the system for comprehensive risk control, management and compliance (Section 6) and future prospects (Section 7).

In addition, as was done in prior years, the most relevant aspects of the process of annual self-evaluation of the Board of Directors have been reported (Section 5) together with the roadmap for Corporate Governance established by Red Eléctrica for coming years, which is explained in Section 7, called *Future Prospects*.

Finally, as is customary, an Official Annex is attached in the Form of Annex I to the Circular 2/2018 of 12 June 2018 of the National Securities Market Commission.

The Annual Corporate Governance Report is available, in Spanish and English, since 26 February 2020 in the Corporate Governance section of the company's website [www.ree.es](http://www.ree.es), and in the documentation made available to shareholders for this General Meeting of Shareholders.

## **MATTER RELATED TO ITEM FOURTEENTH ON THE AGENDA:**

### **REPORT TO THE GENERAL MEETING OF SHAREHOLDERS ON THE AMENDMENTS OF THE BOARD OF DIRECTORS REGULATIONS OF RED ELÉCTRICA CORPORACIÓN, S.A.**

The Board of Directors of Red Eléctrica Corporación, S.A, at its meeting held on 19 February 2019, approved the amendment of the Board of Directors Regulations, in view of the strategic approach that the Board of Directors wished to attribute to sustainability in the Red Eléctrica Group, by creating a new Sustainability Committee and updating the functions of the other two committees of the Board, the Audit Committee and the Appointments and Remuneration Committee, reinforcing the responsibilities of the latter by creating a new framework for the relationship of the Board of Directors with the working environment of the companies of the Red Eléctrica Group, in accordance with the best international corporate governance practices; and also reviewing the general supervisory function to be carried out by the Audit Committee, in coordination with the specific supervisory functions assigned to each of the other committees of the Board of Directors within the scope of their corresponding responsibilities. The General Meeting of Shareholders was informed of this amendment to the Board of Directors Regulations on 22 March 2019.

The Board of Directors, at a meeting held on 30 April 2019, approved the amendment of the Board of Directors Regulations, for the purpose of strengthening the Board's role as supervisor and guarantor of the functional independence of the Electric System Operator, a function attributed by law to Red Eléctrica de España, S.A.U., in respect of those powers and responsibilities that require such functional independence pursuant to the legislation in force.

In addition, the Board of Directors, in a meeting held on 31 March 2020, approved the amendment of the Board of Directors Regulations, of a voluntary nature, to incorporate the appropriate adaptations to Law 11/2018, of 28 December, on non-financial information and diversity, to update the functions of the Board and its Committees in sustainability matters, some of them of a transversal nature, with the formal and material scope agreed by the three Committees, and to reinforce the coordination mechanisms between the three Committees of the Board.

This review improves the governance of the Red Eléctrica Group, reinforcing the role of the Board of Directors of Red Eléctrica Corporación, S.A. in relation to the Group, incorporating and reinforcing the agreements on matters of governance (the appointment, renewal and removal of directors of Group companies, the appointment and removal of directors of Red Eléctrica Corporación, S. A. and of Red Eléctrica de España, S.A.U. reporting directly to the chair of the Board or the managing director and to the strategic executives of the Group, as established by the Board, and the establishment of the basic conditions of their contracts, including their remuneration) adopted by the Board at its meeting on September 2019. The Regulations also expressly include the concept of corporate reputation among the principles inspiring the actions of the Board, which must also ensure the interest of the company as a whole.

In particular, the functions of the chair of the Board are set out with regard to institutional representation, the supervision of the policies and strategies of the Company and the Group and the need to ensure the independence of Red Eléctrica de España, S.A.U. as TSO.

In addition, in line with the foregoing, the aforementioned review reinforces the principle of independence of the TSO -separation of regulated and non-regulated activities- and incorporates the amendment provided for in the Preliminary Draft Act amending the revised text of the Spanish Companies Act (and other financial regulations, to adapt them to Directive (EU) 2017/828 of the European Parliament and Council, of 17 May 2017 amending Directive 2007/36/EC with regard to the promotion of the long-term involvement of shareholders) concerning the abolition of the post of natural person appointed as a representative of a legal entity director in listed companies (the only amendment provided for in the aforementioned preliminary draft that has been deemed appropriate to be incorporated at this stage). Finally, it introduces some other formal or stylistic improvements.

Yours sincerely,

Signed: Rafael García de Diego Barber  
Secretary General and of the Board of Directors