



**RED ELÉCTRICA**  
CORPORACIÓN

## **Board of Directors**

10 March 2015

Directors Remuneration Policy

# I. REPORT ISSUED BY THE GOVERNANCE AND CORPORATE RESPONSIBILITY COMMITTEE

## I.1 Justification

As foreseen in Article 24 of the Company By-laws and Article 16 of the Board of Directors Regulations of Red Eléctrica Corporación S.A. (hereinafter, the Company or Red Eléctrica), the Governance and Corporate Responsibility Committee is entrusted, amongst other duties, with the task of proposing to the Board of Directors a remuneration policy for directors and senior executives, and ensuring that it is observed.

Article 529.*novodecies* of recently approved Act 31/2014, of 3 December, amending the Capital Stock Companies act [*Ley de Sociedades de Capital*] (LSC) to improve corporate governance matters, **requires that the General Shareholders Meeting approve a directors remuneration policy**, including both remuneration paid to non-executive directors and to directors performing executive functions; section 5 of said article provides that any remuneration paid to directors for performance of their executive duties will conform to the directors remuneration policy in force at all times. A remunerations policy will be valid for several years and must be approved by the General Shareholders Meeting, at least every three years, as a separate point of the agenda.

Article 529.*novodecies* establishes that this Directors Remuneration Policy must be reasoned and will include a specific opinion delivered by the Appointments and Remuneration Committee (in our case, the Governance and Corporate Responsibility Committee). Both documents will be published on the corporate website following the call of a General Meeting and will expressly entitle the shareholders to request that such documents be delivered or handed over cost-free; this right will be expressly referred to in the call notice of the Meeting.

This document constitutes a legal reasoned opinion, explaining the directors remuneration policy proposal described below, which will be forwarded to the Board of Directors for approval before being presented to the Ordinary General Shareholders Meeting.

The amendments made to the Capital Stock Companies Act include a transitional regime, whereby should the first General Meeting held in 2015 approve the opinion on directors remuneration, on a consultative basis, the directors remuneration policy of the Company contained therein, will also be presumed as approved for the purposes of Article 529.*novodecies*. Consequently, the Act allows listed companies to deem said remuneration policy as tacitly included in the annual report on directors remuneration.

Nevertheless, it has been deemed appropriate to draw up a directors remuneration policy, to be forwarded to the Board of Directors in order to be presented to the General Shareholders Meeting, separately from said annual remuneration report; the reason is not only because this constitutes good corporate governance practice and both documents are subject to different

regulations, but also because their very nature is clearly different: the directors remuneration policy aims to provide general principles and practice in this field, whereas the annual remuneration report intends to reflect economic data and figures for both the previous and ongoing years.

## **I.2 A brief international reference**

In Europe, competence to approve a directors remuneration policy is assigned to the General Shareholders Meeting according to the Draft Directive on Shareholder Rights (which is currently under debate and its expected to be approved in late 2015).

In the United Kingdom, the leading country as regards the analysis and business implementation of best corporate governance practice, the General Shareholders Meeting has already been assigned this competence since 2014 (as provided in the Enterprise and Regulatory Reform Act 2013).

## **I.3 Practice followed by Red Eléctrica: approval by the Ordinary General Shareholders Meeting as separate points of the agenda.**

Since 2010, Red Eléctrica Corporación S.A. voluntarily presents its annual report on directors remuneration and, since 2007, the annual remuneration of the Board of Directors, to approval by the Ordinary General Shareholders Meeting, as separate and independent points of the General Meeting agenda. Consequently, all proposals and opinions on these matters have never been presented to the shareholders on a consultative basis.

This year, the idea is to continue this same line of action, i.e. to present the 2015 remuneration of the Board of Directors, directors remuneration policy and annual report on directors remuneration to the approval (subject to a binding vote) of the shareholders as three separate and independent points in the General Meeting agenda, and to not use the aforementioned transitional regime. As a result, Red Eléctrica Corporación S.A. will continue its alignment with best corporate governance practice, aimed at providing the shareholders with enough self-sufficiency and independence to be able to individually and separately vote on each different resolution entrusted to the General Shareholders Meeting.

## **I.4 Grounds of this directors remuneration policy**

The remuneration policy for directors that is presented below, for approval, is based on the following:

- a) The provisions of the Company By-laws, Board of Directors Regulations and principles established in the corporate governance policy approved by the Company's Board of Directors, at its meeting held on 25 November 2014, and published on the corporate website.

b) The following general principles and internal criteria:

- The quality and commitment provided by Red Eléctrica's human capital are essential to ensure successful execution of Red Eléctrica Group's strategies and, with this in mind, any remuneration policy and practice is applied to the Board of Directors and senior management to attract, motivate and hold onto the best professionals.
- Balance and moderation.
- Transparency.
- Voluntary presentation of any decision related to directors' remuneration to the General Shareholders Meeting's approval.

c) Applicable regulations.

The Governance and Corporate Responsibility Committee has checked that its directors remuneration policy conforms to the provisions generally established for capital stock companies, in new section 4 of Article 217 LSC:

"Directors' remuneration will in any case be reasonably proportional to the company's relevance, its economic situation at all times and market standards of comparable companies. The remuneration system established must focus on encouraging long-term profitability and sustainability in the company, establishing the necessary caution to avoid excessive risks being undertaken and the reward of unfavourable results".

d) Market data and guidelines from institutional investors and proxy advisors, as well as information provided by the latter during the consultation process conducted by the Red Eléctrica Group.

In 2013, the Governance and Corporate Responsibility Committee, advised by Towers Watson, undertook a thorough study of the practice and remuneration policies applied to executive directors (directors performing executive duties, whether or not their executive status coincides with the position of chairman of the Board of Directors), non-executive directors and other corporate governance matters, in 17 internationally renowned companies in the matter.

The following criteria were taken into account to construct this comparable group:

- Geographical scope: Europe and English-speaking countries, including the U.S.A., given that the Company's main shareholders are English-speaking.
- Activity: companies in the energy sector (82%) were also included, as well as banking institutions which, further to sector regulations, were subject to strict requirements in terms of transparency and corporate governance in directors' remuneration matters.
- Companies assigned a score of Excellent in the 2012 Remuneration Policy and Report were selected by the main proxy advisors.
- Size: turnover, stock market capitalization, total assets and employees.

The study also analysed applicable regulations, both in Europe and locally, and the guides and recommendations issued by leading proxy advisors of certain institutional investors present in the Company's shareholding and prestigious international institutions.

Each year, the Governance and Corporate Responsibility Committee reviews the remuneration policy of the CEO, including in this review process an analysis of comparable companies to Red Eléctrica, in order to check that his remuneration is adequate and moderate with respect to the market. In order to determine the relevant parameters and amounts, the Company uses remuneration studies issued by renowned firms established on the market. The following criteria were used to determine the reference market:

- Geographical scope: companies with registered address in Spain.
- Scope of responsibility: listed companies, belonging to IBEX 35- Spain's leading benchmark, which includes Red Eléctrica- or IBEX Medium Cap.
- Activity sector: multiple sectors. Of the group of companies meeting the foregoing criteria, we have excluded any that carry out an activity that significantly differs from that of Red Eléctrica, e.g. banking.
- Size factors: we have selected a group of companies falling within a turnover range of +/-2.5x the turnover figure of Red Eléctrica Corporación. Other factors are also taken into account, such as number of employees, total assets and stock market capitalization.

Complete lists of the companies used in the foregoing studies are published in the relevant annual reports on directors' remuneration.

In turn, the Committee has conducted a study on market practice in long-term incentives in IBEX-35 companies, as well as in prominent entities in the Spanish energy sector. The conclusions reached by this study, amongst other matters, have been considered when adopting decisions about the new Long-Term Incentive Plan.

## **1.5 Other issues**

Further to the remuneration principle undertaken by the Company- to align its top executive's remuneration policy with Red Eléctrica Group's strategies- the Board of Directors, at its meeting held on 24 February 2015, further to a proposal made by the Governance and Corporate Responsibility Committee, has approved a new Multi-Year Variable Remuneration Plan, to be paid in cash, for executives and the CEO. The Plan will remain in force for 6 years, in line with the new 2014-2019 Strategic Plan of the Red Eléctrica Group, and is effective as of 1 January 2014 until 31 December 2019. As a result, Red Eléctrica's remuneration policy is aligned with the recommendations issued by proxy advisors and prominent institutional shareholders, ensuring a better alignment with best corporate governance practice in the matter.

As regards the effects of the Remuneration Policy, pursuant to Art. 529.*novodecies* LSC, the Company must apply this Remuneration Policy to its directors during 2016, 2017 and 2018. Any change or replacement of the Policy during this time will require the prior approval of the General Shareholders Meeting as foreseen in current law. Without prejudice to the foregoing, it

would be appropriate to voluntarily extend its validity to the 2015 financial year and to state that the 2015 directors remuneration policy follows the principles and criteria established in this Policy.

Consequently the following resolutions are hereby proposed, to be presented to the Board of Directors:

## **II. PROPOSED RESOLUTION**

*To present the following Directors Remuneration Policy proposal for Red Eléctrica Corporación, S.A. to the Ordinary General Shareholders Meeting, for approval, as a separate point of the Agenda, independently from the Annual Report on Directors' Remuneration.*

### **DIRECTORS REMUNERATION POLICY FOR RED ELÉCTRICA CORPORACIÓN, S.A.**

#### **1. Remuneration Policy principles:**

The quality and commitment offered by members of the Board of Directors and top-notch executives in Red Eléctrica are essential to ensure the successful execution of Red Eléctrica Group's strategies. With this aim, the Governance and Corporate Responsibility Committee draws up its remuneration policy and practice, which is presented to the Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter, the Company or Red Eléctrica), for application to the Board of Directors and senior management, in order to adequately acknowledge the company's best professionals.

This Directors Remuneration Policy is based on the following general principles:

- Balance and moderation.
- Alignment with the practice requested by shareholders and investors.
- Transparency.
- Voluntary presentation of any decision related to directors' remuneration to the General Shareholders Meeting, for approval.

The following principles are applied to the remuneration of the CEO:

- Alignment of the CEO's remuneration policy with the Company's strategy.
- Maintaining a reasonable balance between the various components of (short-term) fixed remuneration and (annual and long-term) variable remuneration, reflecting an adequate acceptance of risks, combined with the achievement of defined objectives and linked to the creation of sustainable value.
- Alignment with the remuneration of comparable companies.

In relation to the remuneration paid to non-executive directors:

- How it is related to the time effectively dedicated to the company.

- Linked to their responsibility and performance of director tasks.
- Absence of variable remuneration components in order to ensure their total independence with respect to the remuneration paid to the executive director and management team.
- Motivating amount, without affecting their independence.

The Governance and Corporate Responsibility Committee considers it appropriate to periodically review the remuneration policy applied to the Board of Directors and CEO, including in this review process a comparison with reference companies, selecting comparable business groups and maintaining permanent contact with the shareholders and proxy advisors, in order to ascertain that the remuneration paid to directors and CEO is adequate and moderate in market terms.

All of the foregoing principles comply with the Company's corporate governance policy, approved by the Board of Directors at its meeting held on 25 November 2014 and published on the corporate website.

Furthermore, these remuneration principles fulfil the general provisions established for capital stock companies in new Article 217.4 of the Capital Stock Companies Act, regarding their adequacy in terms of the company's size and relevance, economic situation, comparability, profitability and sustainability; and non-acceptance of risks or the reward of unfavourable results.

## **2. Remuneration Policy for the CEO:**

### **2.1 Selection of objectives and metric figures linked to variable remuneration of the CEO**

In the process conducted by the Governance and Corporate Responsibility Committee to analyse, select and propose objectives and metric figures in order to determine the variable remuneration of the executive director, the short and long-term strategic priorities of the Red Eléctrica Group are taken into account, foreseen in the Strategic Plan approved by the Board of Directors.

For annual variable remuneration purposes, a combination of quantitative and qualitative objectives is established, linked to the Strategic Plan of the Red Eléctrica Group, which are reviewed each year to ensure that they are sufficiently stringent. These measurable and quantifiable objectives are approved by the Governance and Corporate Responsibility Committee at the beginning of the year and are supervised each quarter. The Committee, at the end of the year, is also entrusted with evaluating compliance with previously established objectives.

In order to establish an adequate weighting and levels of achievement for each objective, the Governance and Corporate Responsibility Committee takes into account Red Eléctrica Group's historical analyses, estimates and expected results, and periodically supervises the same.

With respect to long-term variable remuneration, this depends on certain multi-annual objectives linked to the Strategic Plan of the Red Eléctrica Group, subject to meeting certain conditions and considering the sustainability of Red Eléctrica Group's results over the period.

The remuneration policy established in this document for the CEO, for all his duties and responsibilities, is generally applicable to all newly appointed executive directors. Nevertheless, certain particularities exist, described below.

When defining the economic system applicable to a new executive director, the Governance and Corporate Responsibility Committee will take into account the experience and knowledge of the new executive director, his previous position and remuneration level before his appointment.

Table 1 below describes the items to be taken into account to design and establish the remuneration system applied to new executive directors. Depending on the remuneration level enjoyed before they joined the Company, the Committee may establish different remuneration to achieve the economic system it deems appropriate.

The Governance and Corporate Responsibility Committee will follow the criteria established in section I.4 of the preceding report, entitled "Grounds of the directors remuneration policy", explaining and reasoning the new remuneration as foreseen in the policy.

The remuneration policy for new appointments foresees the possible transitional co-existence of more than one executive director or a separation between the posts of Chairman of the Board of Directors and CEO, with different functions and responsibilities for each.

## **2.2 Ex post control of CEO's variable remuneration**

The Governance and Corporate Responsibility Committee, by virtue of the duties established in the Company By-laws and Board of Directors Regulations, is competent to propose to the Board the cancellation or reimbursement of any short or long-term variable remuneration, paid to the relevant beneficiary/ies or manager(s), in unexpected circumstances indicating that variable remuneration has accrued or been paid based on inaccurate or mistaken information or data, or in breach of internal corporate regulations or applicable laws, as subsequently proved. Furthermore, the Governance and Corporate Responsibility Committee will assess whether, in exceptional circumstances of this kind, it may even propose to the Board of Directors termination of the contractual relationship with the relevant beneficiary/ies or manager(s), and the adoption of any measures deemed appropriate.

The Governance and Corporate Responsibility Committee may propose to the Board of Directors that adjustments be made in the components, criteria, thresholds and limits of any annual or multi-annual variable remuneration, in exceptional circumstances arising from internal or external extraordinary factors or events. Details and an explanation of these adjustments will be gathered in the annual report on directors' remuneration.

2.3 Table - Remuneration Policy of the CEO

	Purpose	Limits	Operation
<b>Fixed Remuneration</b>	To provide rewards, based on the level of responsibility and professional track record.	<p><b>Amount:</b> 399,170 €</p> <p><b>General update, maximum standard:</b></p> <p>Gross annual fixed remuneration may be reviewed each year according to criteria approved at all times by the Governance and Corporate Responsibility Committee.</p> <p>The maximum annual increase may not exceed the average increase in the CAGR of net profit over the next 5 years.</p> <p>Irrespective of an update in the foregoing term, it must always be reasoned by the Governance and Corporate Responsibility Committee.</p> <p>As described in the relevant annual reports on directors' compensation, this updating policy has not been effectively applied in the last years.</p>	<p>Fixed remuneration must be consistent with the person's responsibility and leadership in the company, in line with that paid on the market in comparable companies.</p> <p>In certain situations, the Governance and Corporate Responsibility Committee may acknowledge, for instance, a change in responsibility, progress in the position and/or special needs for holding onto and motivating the employee. In these circumstances, the Committee may decide to apply higher increases. The underlying reasons will be explained in the annual report on directors' remuneration.</p>
<b>Annual Variable Remuneration</b>	To incentivise compliance with annual objectives, in line with the Strategic Plan of the Red Eléctrica Group.	<p><b>Maximum</b></p> <p>The target level (50% of annual fixed remuneration) will be reached if 100% of all pre-established objectives are met.</p> <p>The maximum level (55% of the annual fixed remuneration) will be reached if pre-established objectives are fulfilled above their maximum, according to the metric figures described and rules and internal evaluation procedures for Company objectives established for executives.</p> <p>The annual variable remuneration of the current executive director (Mr. José Folgado Blanco) is contractually limited to 50% of his annual fixed remuneration.</p> <p><b>Metric figures</b></p> <p>Based on achieving a combination of specific, predetermined and quantifiable economic-financial, industrial, operational and qualitative objectives, aligned with the corporate interest and Red Eléctrica Group's Strategic Plan.</p> <p>The weight of economic-financial objectives will be 70% maximum of the overall incentive. They consist of metric figures that guarantee an adequate balance between financial and operating issues related to the Company's management.</p> <p>The weight of qualitative objectives will be 30% maximum, and may even be 40% in the event of over-achievement, of the overall incentive.</p>	<p>The Governance and Corporate Responsibility Committee will approve these objectives at the beginning of the year and will appraise their achievement at the end of the year.</p> <p>The Committee will supervise the objectives each quarter, over the entire year; at the end of the year, their level of achievement will be calculated. In this appraisal, the Committee will be assisted by the Corporate Economic-Financial Management, in charge of management control in the Red Eléctrica Group, which will provide information about the audited results. Both to establish these objectives and to assess their achievement, the Committee will also take into account any potential long-term impact and any associated risk.</p> <p>In order to ensure that annual variable remuneration is effectively related to the professional performance of its beneficiaries, when the level of achievement of quantitative objectives is determined, all positive or negative economic effects will be eliminated, arising from extraordinary events that may distort assessment results.</p> <p>The achievement scale determined at the beginning of the year includes a minimum threshold, below which no incentive is paid- a target level- representing 100% achievement of objectives, and a maximum level, specific for each metric figure. The maximum incentive is only paid if achievement is ascertained of the objectives established at the beginning of the year, as well as over-achievement if applicable to the objective.</p> <p>In order to calculate variable remuneration, the level of achievement and weighting of each individual and/or global objective will be taken into account, applying rules and internal procedures for the assessment of objectives, established by the Company for its executives.</p> <p>The annual bonus is fully paid in cash.</p>
<b>Multi-Annual Variable Remuneration</b>	To reward fulfilment of Red Eléctrica Group's strategies in the long term, the sustainability of Red Eléctrica Group results, and the creation of sustainable shareholder value.	<p><b>Target</b></p> <p>1.8x the Annual Fixed Remuneration.</p> <p><b>Maximum</b></p> <p>110% of the target.</p> <p><b>Metric figures:</b></p> <p>Economic-financial and operating objectives foreseen in the 2014-2019 Strategic Plan.</p> <p>The following objectives and weightings are established:</p> <ul style="list-style-type: none"> <li>- 20% linked to extension of the business base, measured through the investment volume indicator;</li> <li>- 25% of the incentive depends on</li> </ul>	<p>The Plan is structured into a single 6-year cycle. A cash award is made, equivalent to a number of times of annual fixed remuneration. This amount will be paid in full or as a percentage at the end of the Plan, depending on the achievement of certain metric figures linked to Red Eléctrica's Strategic Plan.</p> <p>In any case, the average weighted achievement of all objectives must be at least 70%. Otherwise, there will be no right to the incentive, irrespective of each objective's individual achievement. Likewise, the maximum achievement of all of the Plan's objectives will be 110%, even if the average weighted achievement of objectives is higher.</p> <p>The Committee will supervise these objectives each year and, upon completion of the Plan, will determine the level of achievement. In this assessment, the Committee will be</p>

	Purpose	Limits	Operation
		<p>fulfilment of the Investment Plan of the transportation network, measured according to commissioned positions, amongst others;</p> <ul style="list-style-type: none"> <li>- 20% of the incentive is linked to the quality of system operation; any energy not supplied is taken into account in its measurement;</li> <li>- 25% of the incentive is linked to the effectiveness of operations and two metric figures are taken into account: return on fixed assets and profit per share;</li> <li>- The remaining 10% depends on fulfilment of the Corporate Responsibility Plan.</li> </ul>	<p>assisted by the Corporate Economic-Financial Management , entrusted with management control in the Red Eléctrica Group, which will provide information on the audited results. The Committee will also take into account any associated risk, both to establish objectives and to assess their achievement.</p> <p>When determining the level of achievement of these objectives, any positive or negative economic effects are eliminated, derived from extraordinary events, which could distort assessment results.</p>
Remuneration for membership, time assigned and attendance at meetings of the Board of Directors	To remunerate the responsibilities inherent to the post of director and time assigned to the Board of Directors.	<p><b>Maximum</b></p> <ul style="list-style-type: none"> <li>-Individual: See Table 4 below.</li> <li>-Global: global and annual remuneration <u>for the entire Board</u>, for all items, in an amount equivalent to 1.5% of the Company's liquid earnings, approved by the General Meeting. In any case, the foregoing remuneration will act as a maximum, and the Board will propose how to distribute it amongst the items foreseen in the by-laws and amongst the administrators, in the manner, at the time and in the proportion freely determined.</li> </ul>	According to the remuneration policy of non-executive directors described in Table 4 below.

## 2.4 Other remuneration components of the CEO

The remuneration policy of the CEO foresees his participation in benefit systems, as well as the granting of other advantages, credits, advance payments and guarantees established by the Company, in line with the Group's executive policy. The current CEO, Mr. José Folgado Blanco, does not perceive any of those retributive supplements.

The remuneration policy of executive directors also foresees their participation in remuneration systems with stock or share value-based options, if previously expressly authorised by the General Shareholders Meeting and within the limits and conditions established by current laws at all times.

### - CEO's Contractual terms

A commercial agreement currently regulates performance of the executive director's duties and responsibilities; it includes clauses which, in practice, are usually included in this type of contract. This agreement has been proposed by the Governance and Corporate Responsibility Committee and approved by the Company's Board of Directors.

Both tables below summarize the main indemnification, exclusivity and non-compete clauses included in the executive director's agreement:

**Table 2. Indemnification in the event of contractual termination**

	Dismissal as decided by the Company	Voluntary resignation by the executive director
<b>Prior notice</b>	N/A	2-month prior notice. If this prior notice is not provided, the executive director will indemnify the Company.
<b>Indemnification</b>	Contractual termination.  Indemnification will be equivalent to an annuity, based on a fixed remuneration annuity plus applicable variable remuneration, calculated according to 100% achievement of objectives.  Indemnification will not be payable if dismissal is a consequence of serious, wilful and intentional conduct on the part of the executive director when performing his tasks.	Contractual termination.  If the director decides to terminate his relationship with the Company due to a serious and intentional breach by the Company or a material change in his duties, for reasons not attributable to the executive director, the latter will be entitled to receive the same indemnification foreseen for Company dismissal cases.

**Table 3. Exclusivity and non-compete**

	Operation
<b>Confidentiality</b>	Art. 34.a) of the Board of Directors Regulations provides that all directors will maintain the secrecy of any Board and Committee discussions in which they are involved and, in any case, will refrain from disclosing any information, data, reports or background details they may have accessed further to their post. This duty of confidentiality will remain after the director is no longer in office.
<b>Non-compete</b>	The executive director's agreement includes an obligation to not compete with the Company during two (2) years after he is no longer in office, without this entitling him to any indemnification as a post-contractual non-compete obligation, given that this is presumed as covered with his fixed remuneration.  In addition to his legal duties as a Red Eléctrica director, an executive director will also be bound by a non-compete obligation with the Company, in the terms in which this obligation is regulated for Company directors in the Board of Directors Regulations (Art. 33).
<b>Limitation of posts and exclusivity</b>	The agreement foresees full-time work and excludes any other services whatsoever with other companies, whether or not competitors, whilst the director is bound to Red Eléctrica, unless this is expressly authorised by the Board of Directors.  The Board of Directors' Regulations (Art. 7.2.a)) provides that an executive director may only hold office as director on one (1) Board in other companies (other than Red Eléctrica investee companies).

### 3. Remuneration policy of non-executive directors:

A breakdown of the key items of the remuneration policy of non-executive directors is provided below. According to the Company By-laws, the Board of Directors will propose how to distribute the annual remuneration amongst the possible items established; the limit of global and annual remuneration for the entire Board, for all items, will be 1.5% of the Company's liquid earnings, approved by the General Meeting. In any case, the foregoing remuneration will apply as a principle and the Board itself will propose how to distribute the amount amongst the foregoing items and amongst the directors, in the manner, at the time and in the proportion that is freely determined. Consequently, said percentage acts as a limit on the annual global remuneration of the Board of Directors, for the purposes of the Company By-laws and Article 529.septedecies of the Capital Stock Companies Act.

Every year, the Board presents its resolutions on Board remuneration, applicable to non-executive directors, to the General Shareholders Meeting for approval, as a separate point of the agenda.

**Table 4. Remuneration policy of non-executive directors**

	Purpose	Limits	Operation
<b>Fixed Remuneration</b>	To adequately remunerate the responsibility and time dedicated in the position in question, without reaching levels that could hinder the director's independence.	<b>Maximum</b> 130,742 €/year per director. Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Settled in monthly payments, before day 10 of the month.
<b>Allowances for attendance at Board of Directors meetings</b>	To remunerate personal and effective attendance at Board of Directors meetings.	<b>Maximum</b> Board of Directors: 1,500 €/director for each ordinary meeting Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Allowances for attendance at Board meetings will be paid for each director's personal attendance at each ordinary meeting scheduled for the year in the calendar approved by the Board of Director. A proxy may be granted without losing entitlement to this allowance, for duly justified reasons and twice a year at the most. This amount will be paid within fifteen days following the meeting. Extraordinary meetings of the Board of Directors, attended in person or by remote means, will not entail any remuneration for allowances.
<b>Time assigned to Board of Directors Committees</b>	To remunerate the time assigned and attendance at meetings of Board of Directors Committees	<b>Maximum</b> - Auditing Committee (members): 27,900 €/year per member. - Governance and Corporate Responsibility Committee (members): 27,900 €/year per member. - Committee Chairmen: 15,000 €/year each. Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Allowances for attending Board Committee members and chairmen remuneration will be settled in monthly payments, before day 10 of the month. The foregoing amounts will be paid annually, irrespective of the number of Committee meetings held over the year.
<b>Coordinating Independent Director</b>	To adequately remunerate the extra time required by the post	<b>Maximum</b> 15,000 €/year Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Settled in monthly payments, by day 10 of the month.

The remuneration policy of non-executive directors does not foresee the granting of credits, advance payments or guarantees established by the Company in favour of members of the Board of Directors.

Nor does it contemplate the participation of non-executive directors in social benefit systems, or indemnification for their supervision and collegiate decision-making in relation to cancellation of their relationship with the Company due to non-executive director status, or the granting of additional remuneration other than the foregoing.

#### **4. Effects**

Pursuant to the provisions established in Art. 529.*novodecies* LSC, the Company will apply this directors remuneration policy during 2016, 2017 and 2018. Any change or replacement of the policy during this time will require the General Shareholders Meeting's prior approval as foreseen in current law.

Without prejudice to the foregoing, the directors remuneration policy applied by the Company in 2015 follows the principle and criteria established herein.