



RED
ELÉCTRICA
CORPORACIÓN

Board of Directors

23 February 2016

Annual General Meeting of
Shareholders: Report and proposal
of reelection as a Proprietary Director
of Mr. Fernando Fernández Méndez
de Andés



1. Explanation and background

In accordance with the provisions of article 529 decies.6 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital, or "LSC"), and articles 16, 19 and 21 of the Board Regulations, proposals for the appointment of proprietary directors will be approved by the Board of Directors, after a report from the Appointments and Remuneration Committee.

Given the fact that it is contemplated that the Board of Directors at this same meeting held on 23 February 2016 will call the Annual General Meeting of Shareholders of the company corresponding to the 2015 financial year, and given the fact that the force of the position as a Proprietary Director of Mr. Fernando Fernández Méndez de Andés (for and on behalf of Sociedad Estatal de Participaciones Industriales (SEPI)) ends on the date in which the aforesaid General Meeting will be held (he was appointed by the Annual General Meeting of Shareholders of 19 April 2012), contemplated for 14 and 15 April 2016 (on first and second calls, respectively), it is necessary that the Board of Directors submit to the next General Meeting the proposal of re-election as a Proprietary Director of Mr. Fernando Fernández Méndez de Andés, after an analysis of the corresponding legal conditions and circumstances, and those contemplated in the company's corporate rules, in view of the Appointments and Remuneration report.

In this regard it is to be noted that the Appointments and Remuneration Committee, at a meeting held on 17 February 2016, reported favourably to the Board of Directors in relation to the proposed re-election of Mr. Fernando Fernández Méndez de Andés as a Proprietary Director of Red Eléctrica Corporación, S.A. in representation of Sociedad Estatal de Participaciones Industriales (SEPI), for the term of four years fixed in the Bylaws, for submission to the Annual General Meeting of Shareholders.

In compliance with the provisions of subsections 4 and 5 of article 529 decies of the LSC, the Board of Directors prepares this report and proposal for re-election of Mr. Fernando Fernández Méndez de Andés as a member of the Board of Directors of the company, as a Proprietary Director representing Sociedad Estatal de Participaciones Industriales (SEPI), for submission to the next Annual General Meeting of Shareholders.

2. Analysis of the profile of the director

To prepare this report the Board of Directors again has followed a general matrix of skills that sets forth the criteria defining the profile and the requirements that are considered to be appropriate in order to serve as a director of the company, and has analysed the qualities, skills and experience the director should have in order to hold the position. In addition the Board of Directors has followed the procedure established in the corporate rules for the



appointment of proprietary directors, after analysing the corporate criteria established by the Appointments and Remuneration Committee and by the Board of Directors to define the profile and the requirements that are considered to be appropriate in order to serve as a director of the company. It also has considered the favourable report issued by the Appointments and Remuneration Committee, at a meeting held on 17 February 2016, which evaluates the circumstances, career and professional profile of the current Proprietary Director, Mr. Fernández Méndez de Andés, before approving this report and making the corresponding proposal to re-elect him as a Proprietary Director, in representation of Sociedad Estatal de Participaciones Industriales (SEPI), for submission to the Annual General Meeting of Shareholders.

Having analysed the CV of the Proprietary Director Mr. Fernando Fernández Méndez de Andés, which is published on the company's website (www.ree.es), the Board of Directors, based on the report prepared by the Appointments and Remuneration Committee, concludes that the profile of the proposed director continues to be appropriate to cover the vacancy occurring on the date of holding the next General Meeting, and meets the requirements of the Board of Directors Regulations and the LSC for serving as a Proprietary Director. The principal elements of his CV are noted below.

The director was born on 10 February 1956. His broad academic and professional experience as an Economist is notable. He is a Doctor of Economics and Professor of Economics at the IE Business School. Currently he is, inter alia, an International Consultant on macroeconomic, regulatory and financial matters, Chairman of Pividal Consultores, an external advisor of the Strategy Committee of Grupo Financiero Arcano, a contributor to the Fundación de Estudios Financieros and an independent director of Bankia, S.A.

He has been, inter alia, a member of the Committee of Experts for the 2013-14 Tax Reform, a member of the 2013 Bruegel Evaluation Committee, a principal Economist of the International Monetary Fund, Chief Economist and Director of the Research Department of Banco Central Hispano (BCH) and Banco Santander, and Rector of the Universidad Europea de Madrid and the Universidad Antonio de Nebrija.

After reviewing his professional career, the Board of Directors emphasises his strong training and experience in the economic field, financial and tax matters. Also notable is his broad experience in the regulatory environment and in institutional relations, in particular with the Administration and regulatory agencies. Also notable is his experience in the management of teams in the public sphere, as a result of the responsibilities undertaken over the course of his professional career.

The Board of Directors concludes it is particularly appropriate to re-elect Mr. Fernández Méndez de Andés, furthermore taking account of his professional career and experience as a Proprietary Director of the company since 2012 and as a member of the Audit Committee starting in the same year, having been re-elected as a member of the aforesaid Committee in May of 2015.



In conclusion, having analysed the professional career of Mr. Fernando Fernández Méndez de Andés, the Board of Directors, based on the report prepared by the Appointments and Remuneration Committee, concludes that the legal and regulatory requirements applicable to a Proprietary Director are satisfied, and his profile is appropriate to fill the vacancy that will occur at the next Annual General Meeting of Shareholders, fulfilling the requirements of recognised solvency, experience and competence, recommended by the Board of Directors Regulations, in order to act as a proprietary external director.

3. Category assigned to the director

From the information available to the Board of Directors, and in view of current legislation and the Board of Directors Regulations, Mr. Fernando Fernández Méndez de Andés must be classified as a Proprietary Director, in representation of Sociedad Estatal de Participaciones Industriales (SEPI), also satisfying the requirements of those Board of Directors Regulations, in article 7.2.b thereof, and in the LSC, in its article 529 duodecies, subsection 3.

Before his re-election Mr. Fernández Méndez de Andés must renew his declaration that he is not affected by legal, regulatory or corporate rule incompatibilities for his service as a Proprietary Director of the company.

4. Favourable report and proposal of re-election

Accordingly, the analysis having been concluded, and without prejudice to the required renewal of the formal declaration of Mr. Fernández Méndez de Andés as to the absence of incompatibilities for serving as a Proprietary Director, the Board of Directors concludes that Mr. Fernando Fernández Méndez de Andés satisfies the conditions required to fit the profile for serving in the position of a Proprietary Director on the Board of Directors of the company, for which reason it issues a favourable report in relation to his proposed re-election as a Proprietary Director, for submission to the next Annual General Meeting of Shareholders.

Having reviewed the foregoing report, and in accordance with the provisions of article 529 decies, subsections 4 and 5, of the LSC, article 24 of the Bylaws and articles 7, 16, 19 and 21 of the Board of Directors Regulations, the following proposed resolution is referred to the Annual General Meeting of Shareholders:

To re-elect Mr. Fernando Fernández Méndez de Andés, as a Proprietary Director of Red Eléctrica Corporación, S.A., representing the company Sociedad Estatal de Participaciones Industriales (SEPI), for the term of four years fixed in the Bylaws, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.