



Appointments and Remuneration Committee

21 February 2017

Annual General Meeting of Shareholders:
Proposal to re-elect Ms. María José García
Beato as independent director



1. Background and justification

On 18 April 2013, the Annual General Meeting of Shareholders of the company adopted the following resolution, among others:

“To ratify the appointment as independent director of Red Eléctrica Corporación, S.A., made by the Board of Directors at its meeting held on 29 November 2012, pursuant to the provisions of Article 244 of the Spanish Companies Act, of Ms María José García Beato, as the replacement for Mr. Francisco Javier Salas Collantes as a result of his resignation, and consequently proceed to appoint her as independent director of Red Eléctrica Corporación, S.A. for the 4-year term established in the company's By-laws”.

Since said 4-year term will end on the date of the next Annual General Meeting of Shareholders, it is necessary to subject the proposal to re-elect Ms. García Beato as independent director to the consideration of the Board, for its subsequent presentation, as the case may be, to the next General Meeting of Shareholders.

In order to comply with the provisions of Article 529 *decies* of the Spanish Companies Act (*Ley de Sociedades de Capital*, "LSC") and of Article 18 of the Board of Directors Regulations, the Appointments and Remuneration Committee, with regard to independent directors, must make a proposal assessing the skills, experience and merits of the director, to be forwarded to the Board of Directors in order for it to be able to issue its report (Article 529 *decies*, section 5, of the LSC), before the proposal is then presented to the next Annual General Meeting of Shareholders.

The procedure and requirements for appointing independent directors of the company are established in Articles 529 *decies* to 529 *duodecies* and 529 *quindecies* of the LSC, in Article 24 of the company's By-laws and in Articles 7, 18, 21, 22 and 23 of the Board of Directors Regulations. The evaluation criteria, conditions and circumstances to be considered when appointing independent directors are set out in said rules.

2. Profile of a suitable director

The Appointments and Remuneration Committee has set criteria to define the profile and requirements considered appropriate in order to perform the duties of director, listing those qualities, skills and experience the suitable director should have to hold the post; in this case, as independent director.

Said profile considers the following to be fundamental values for analysing candidates for the post of director: their experience in business and on boards of directors and other governing bodies of public and private entities and on the board of directors of listed companies, their financial skills and experience with financial markets, their experience in the energy sector and



human resource management and on management teams, as well as their knowledge of languages.

3. Role within the company, professional profile and assessment of her circumstances

The director was appointed to the Board of Directors of the company by cooptation by virtue of a resolution of the Board of Directors adopted on 29 November 2012, just over four years ago, and was ratified as an independent director by a resolution of the Annual General Meeting of Shareholders held on 18 April 2013; therefore, she now completes her first term as director, and she will now begin her second term if she is re-elected by the General Meeting of Shareholders.

During her term as director of the company, she held the following posts on the Board of Directors Committees:

- Member of the Appointments and Remuneration Committee (from 28 October 2014 until 26 April 2016, the date on which she took up the position as member of the Audit Committee).
- Member of the Audit Committee (from 26 April 2016 to the present).

Regarding her professional profile (which is available on the corporate website www.ree.es), it should be noted that Ms. García Beato, born 27 May 1965, is a State Attorney. Throughout her distinguished career, she has held some very relevant posts, initially in the judicial areas of the State Administration. She has held the post of (among others): Head of the Legal Department at the Spanish Data Protection Agency (1995), State Attorney at the Sub-Directorate for Advisory Services of the Directorate for the State Legal Service (1998), Spanish representative on the Advisory Committee of the Council of Europe with regard to data protection (1995-1998), State Attorney at the Secretariat General for Communications of the Ministry of Public Works (1999) and Deputy Secretary of the Ministry of Justice (2002). In relation to the Administration of Justice, she has occupied the following posts (among others): State Attorney at the High Court of Justice of Madrid (1992), General Manager of the Ministry of Justice's Cabinet (2000), and State Attorney at the Department of Justice before the Spanish National Court (2004). She also has experience in regulated sectors, such as the telecommunications sector (in addition to the post she held at the Secretariat General for Communications of the Ministry of Public Works as mentioned above), holding posts such as secretary of the Board of Directors of Retevisión (2000). She has significant experience as a director, having been director of the State Corporation for the Management of Real Estate Assets and of Infoinvest (2000-2002), director of the Spanish National Postal Service and of the State Society for International Exhibitions (2002-2004).

This Committee mainly wishes to highlight, with regard to her recent professional experience, her posts as a specialist and director in the banking and finance sector that she has held from 2005 to the present; she has been the Head of the Legal Department at Banco Sabadell S.A. (2005-2008), secretary of the Board of Directors of Banco Urquijo, S.A. (2006-2012), director of the company Banco Gallego S.A., director of Banco Guipuzcoano, S.A. (2010-2012), director of



Banco CAM S.A., and she currently holds the posts of non-director vice-secretary of the Board of Directors of Banco Sabadell S.A., secretary general and member of the Steering Committee of Banco Sabadell S.A., secretary of the Board of Directors of Sabadell United Bank (Miami), trustee of the Banc Sabadell Private Foundation, trustee of the Spanish Banking Foundation for Financial Studies and a member of the Advisory Board of the Cajasur Foundation.

After analysing the summary of her professional experience, both within and outside the company, the Committee firstly greatly values the director's contribution and dedication over the past 4 years in performing her duties as an independent director of the company, on both the Board of Directors and the Appointments and Remuneration Committee and the Audit Committee as well. The Committee also notes the candidate's excellent contribution in relation to economic-financial matters, her solid training, skills and experience in the legal and judicial areas, her vast corporate experience as director and her knowledge of regulated sectors and of Public Administrations.

Her professional experience makes Ms. García Beato suited to continue to hold this post on the Board of Directors of Red Eléctrica Corporación, S.A., while it complements her professional skills and knowledge and adds to the diversity of the professional profile of the Board members, especially with regard to her experience in regulatory and financial areas.

4. Category assigned to the director

The Committee considers that the director's profile fulfils the requirements of impartiality, objectiveness, professional prestige, credit-worthiness, skills and experience set out in the Board of Directors Regulations for holding the post of external independent director.

The re-election of Ms. García Beato as independent director would be in the interest of the minority shareholders, who would thus continue to be adequately represented on the Board, together with the other independent directors.

Furthermore, after analysing the experience of Ms. García Beato, it makes a distinguished valuation of her career.

The Committee has also taken into account the 12-year time limit established in Article 7 of the Board of Directors Regulations and in Article 529 *duodecies* of the LSC for holding the post of independent director, which would not be exceeded with the new proposal to re-elect Ms. García Beato as independent director, since with the current proposal she would be beginning her second 4-year mandate. No other incompatibility established in the LSC or in the Board of Directors Regulations is detected.

In light of the foregoing, this Appointments and Remuneration Committee considers it appropriate to propose the re-election of Ms. María José García Beato as independent director.



Lastly, it is important to note that prior to her appointment, as is customary, Ms. García Beato must issue the declaration confirming that she is not subject to any legal, regulatory or corporate incompatibilities with regard to holding her post as independent director of the company.

5. Proposal for re-election

Consequently, upon the conclusion of the analysis, and notwithstanding that Ms. García Beato must formally declare that she has no incompatibilities with holding the post of independent director, the Appointments and Remuneration Committee considers that the director fulfils the conditions considered necessary to continue to hold the post of independent director on the Board of Directors of the company.

Having read the above report, and pursuant to the provisions of Articles 24.2 of the company's By-laws and Article 21.2 of the Board of Directors Regulations, the following resolution is proposed to the Board of Directors, to be subsequently presented to the Annual General Meeting of Shareholders:

To re-elect Ms. María José García Beato as independent director of Red Eléctrica Corporación, S.A., for the term of four years established in the company's By-laws, pursuant to the provisions of Article 529 decies of the Spanish Companies Act.