



RED
ELÉCTRICA
CORPORACIÓN

Grupo Red Eléctrica

Appointments and Re- muneration Committee

25 May 2021

General Shareholders' Meeting:
Proposal for the appointment of
Mr José María Abad Hernández
as independent director



1. Background and justification

At the next Ordinary General Shareholders' Meeting of the Company, scheduled for 28 and 29 June 2021, at first and second call, respectively, the term of office of Mr Arsenio Fernández de Mesa y Díaz del Río as independent director will expire.

As a result of the vacancy that will arise on the Board of Directors, the Appointments and Remuneration Committee, within the framework of the responsibilities entrusted to it in the Regulations of the Board of Directors, has carried out the necessary analysis process to fill the aforementioned vacancy for an independent director.

The procedure and requirements for the appointment of independent directors of the Company are set out in articles 529 decies to 529 duodecies and 529 quindecies of the Spanish Companies Act (LSC), in article 20 of the Bylaws and in articles 7, 18, 21, 22 and 23 of the Regulations of the Board of Directors. These regulations set forth the evaluation criteria, requirements and circumstances to be considered for the appointment of independent directors.

Furthermore, in accordance with the provisions of articles 529 decies, 529 undecies and 529 quindecies of the LSC, article 20 of the Bylaws and articles 21 and 23 of the Regulations of the Board of Directors, proposals for the appointment of independent directors shall be submitted to the Board of Directors by the Appointments and Remuneration Committee for submission to the resolution of the General Shareholders' Meeting, and they shall serve in office for a term of four years.

2. Corporate profile of director and review of suitability of candidature

In order to draft this proposal, the Appointments and Remuneration Committee has followed the procedure established in the corporate rules for appointing directors of the Company and has analysed the corporate criteria that define the profile and the requirements considered appropriate to hold the position of director, as well as the matrix of individual competences of the Board of Directors, which reflects the skills, experience, knowledge, professionalism, suitability, independence of judgement, qualities and abilities which, in accordance with the Corporate Governance Policy (last updated by the Board of Directors at the meeting of 24 November 2020), for members of the Board of Directors. All of the above facilitates the supervision of the balance, diversity and overall and individual quality of the Board of Directors at all times and the definition of the profile and requirements considered appropriate at this time for holding the position of director in the company, in this case, as independent director.

The application of the matrix of individual competencies of the directors, which comprises a total of twenty-eight categories reflecting the experience and knowledge of the members of the Board -in areas such as the electricity sector, the energy sector, infrastructure, regulation, telecommunications, institutional relations, legal knowledge and experience, the financial sector and capital markets, strategy and business development, boards of directors of public and private entities, sustainability, risk management and compliance, digital transformation, experience in educational institutions of excellence, as well as in senior management and management of organisations, diversity of gender, nationality, age or seniority as director, among other skills - allows the Appointments and Remuneration Committee, before making a proposal for the appointment of an independent director, to analyse the overall diversity in the composition of the Board of Directors to ensure that at all times the Board has the most appropriate knowledge and experience, as a collegiate body, to successfully address the upcoming challenges and move forward efficiently and proactively in the fulfilment of the strategies and objectives of the Company and of the Red Eléctrica Group.

For the preparation of this proposal, the Appointments and Remuneration Committee has had the support of an independent international external advisor (Russel Reynolds), specialised in director recruiting processes, which



has carried out an analysis of the candidate's adaptation to the skills matrix approved by the Board, assessing the candidate's skills and experience.

As a final result of the process, the Appointments and Remuneration Committee has elected Mr José María Abad Hernández as candidate to hold the position of independent director of the Company. The following is a summary of the circumstances and grounds that have led the Committee to issue this proposal for the appointment of the aforementioned candidate as independent director of the Company.

3. Analysis and evaluation of the professional profile of the selected candidate

With regard to his professional profile, which the Committee has analysed in detail (and which will be published on the corporate website www.ree.es, in the section containing the documentation of the call to the General Shareholders' Meeting), it should be noted that Mr Abad Hernández has an outstanding track record in the financial and capital markets sectors, particularly at an international level, highlighting his experience and knowledge from the macroeconomic point of view, as summarised below.

Mr. José María Abad Hernández was born on 28 May 1982, holds a degree in Law from the Universidad Pontificia de Comillas (ICADE E-3), a degree in Business Management and Administration from the Universidad Pontificia de Comillas (ICADE E-3), a postgraduate degree in Quantitative Methods from the Universidad Politécnica de Madrid and an Advanced Studies Programme in International Economics from the Kiel Institute for the World Economy Kiel (Germany).

He is currently a Financial Sector Expert in the Financial and Capital Markets Department of the International Monetary Fund (IMF) in Washington, DC, a Member of the Financial Institutions Group of the Monetary and Capital Markets Department (MCM), a macroprudential policy Specialist, a Member of the market surveillance team that publishes the daily Global Markets Monitor (GMM), and co-author (banking sector section) of Chapter 1 of the Global Financial Stability Report (GFSR).

In addition, the candidate is a visiting professor of banking and finance at ESADE Business & Law School in Barcelona, where he teaches the subject 'Analysis and Valuation of Financial Institutions' on the Postgraduate Master's Degree in Finance.

Of his professional career, within the framework of his extensive experience in the financial and capital markets area, it should be pointed out that he has held, among others, the positions of Executive Director of the European Financial Institutions Group and senior bank analyst responsible for covering listed banks in Southern Europe (Spain, Portugal, Greece) at Goldman Sachs (London) (2015-2020); Vice President (VP) and senior analyst in the Sovereign and Supranational Risk Group at Moody's Investors Service (London) (2015); advisor (for Spain and Portugal) to the Head Global Economist at Unicredit Group (London) (2011-2012); consultant/advisor for Spain and Portugal to the European Economic Research Group at Goldman Sachs (Frankfurt) (2010-2011); senior associate in the Sovereign Risk Group for covering of 19 sovereign issuers and 3 multilateral issuers in Europe, and member of the Sovereign Ratings Committee and the Economic Research Committee at Moody's Investors Service (Frankfurt), with participation in the development of the "Debt Projector", which is Moody's main model for analysing the fiscal stability of sovereign issuers on a global scale (2009-2010); and also worked as an Associate in the Strategy and Operations Group at KPMG in Madrid (2006).

In relation to his responsibilities during his time at the Instituto de Crédito Oficial (ICO), from 2012 to 2015, he held, among others, the positions of Head Economist, Head of Research and International Relations and Head of the Research Department. He has also been a member of ICO's Procurement, Strategy and International Relations Committees; Co-Secretary of the High Level Working Group for Financing PYMES; ICO representative in the Financial Institutions Shareholder Group (FISG) of the European Investment Fund (FEI) in Luxembourg; ICO representative in the Board of Directors of the European Association of Long-Term Investors (ELTI) in Brussels; ICO's sherpa at the Long-Term Investors Club (LTIC) in Brussels, and in the "Big Six Group" formed by the Presidents and/or CEOs of the



six main European development banks (from Germany, France, Italy, Spain and Poland, plus the EU through the BEI Group); responsible for the launch and follow-up of the "Fundación ICO Chair in PYME'S Finance" which won the 2015 "Titanes de las Finanzas" award of the ECOFIN Forum in 2015.

It should also be noted that the candidate, from 2012 to 2015, was a member of the Board of Directors of AXIS Participaciones Empresariales, wholly owned by the ICO, whose activity is focused on promoting the growth, development and internationalisation of Spanish companies through equity and quasi-equity instruments.

With regard to his academic career linked to his knowledge of finance and capital markets, in addition to his current position as Visiting Professor at ESADE Business & Law School, it is worth mentioning that he has assumed, among other responsibilities, that of Research Assistant on two postgraduate courses: 'International Economic Policy' and 'International Trade' at the Institute for Economic Policy at the University of Leipzig (Germany) (2011-2012); research and teaching assistant in the postgraduate course 'Economics' in several MBA and Executive Education programmes at IESE Business School (2007-2008); and assistant collaborating scholar in two university-level courses: 'Introduction to Economics' and 'Microeconomics' at ICADE - Universidad Pontificia Comillas (Madrid) (2005-2006).

Finally, the proposed candidate is the author of numerous monographs, articles and research projects on various topics related to capital and financial markets.

Following the summary of his professional career, the Commission first of all highlights the candidate's legal and economic university education; then, in view of the current demanding economic environment, it highly values his extensive knowledge and experience in the economic and financial area, in particular in relation to the international financial and capital markets, which he undoubtedly knows from various perspectives: from a private investment bank (Goldman Sachs), from a public financial institution (ICO), from a multilateral financial institution (International Monetary Fund), and from a rating agency (Moody's).

The candidate also brings experience as a director, having served as a member of the Board of Directors of AXIS Participaciones Empresariales and as a representative of ICO on the Board of Directors of the European Association of Long-Term Investors (ELTI) in Brussels.

Likewise, he stands out for his knowledge in the field of macroeconomics at the head of all the prestigious entities and financial institutions in which he has worked, including in the teaching and academic environment, so the candidate also demonstrates a high level of specialization in this area.

Moreover, Mr. Abad's expertise in relation to risk supervision and control, which is so relevant in the financial sector and capital markets, is also noted and will allow him to complement the overall vision of the Board of Directors in this area with his experience and knowledge.

Lastly, the Commission welcomes his experience, more than 5 years ago, in the public financial institution, ICO, where he assumed high-level responsibilities in the direction and management of organisations, as Head Economist and as Head of Research and International Relations.

From the professional background analysed, it may be concluded that the profile of Mr. Abad Hernández is very suitable to form part of the Board of Directors of Red Eléctrica Corporación, S.A., as an independent director, in view of his professional skills and knowledge, particularly with regard to the financial sphere, international capital markets and his macroeconomic vision of matters, which will be of undoubted value to the Board in addressing the challenges and strategies of the Red Eléctrica Group foreseen for the coming years, in addition to his previous experience as a director.

4. Category assigned to the candidate for director

At this point, it is necessary to determine the category allocated to the proposed candidate for director, bearing in mind that he will replace the independent director Mr. Arsenio Fernández de Mesa y Díaz del Río.



No incompatibility is observed, in accordance with the provisions of the Spanish Companies Act (LSC), the Regulations of the Board of Directors and the Corporate Governance Policy, for the proposed candidate to hold the position of independent director on the Company's Board of Directors.

Furthermore, the Committee considers that the profile of the proposed candidate meets the necessary requirements of impartiality, objectivity and professional prestige for the office, and fulfils the conditions of recognised solvency, competence and experience required by the Regulations of the Board of Directors for the position of external director, in this case, as an independent director.

Finally, it should be noted that, although the candidate has declared that he has no incompatibilities, prior to his appointment, as it is customary, Mr. Abad Hernández must sign a declaration under which he states that he is not subject to any legal or regulatory incompatibilities or in accordance with corporate regulations and lack of conflicts of interest for the performance of his duties as an independent director of the Company.

5. Proposal of appointment

Consequently, having concluded the corresponding analysis and without prejudice to the necessary formal declaration by Mr Abad Hernández on the non-existence of legal, regulatory and corporate incompatibilities for the exercise of the office of independent director, in accordance with the provisions of articles 24.2 of the Bylaws and 18.1 and 21.2 of the Regulations of the Board of Directors, the following resolution is submitted to the Board of Directors for submission to the Ordinary General Shareholders' Meeting:

To appoint Mr José María Abad Hernández as independent director of Red Eléctrica Corporación, S.A., for the term of four years established in the Bylaws, replacing the independent director Mr Arsenio Fernández de Mesa y Díaz del Río, at the proposal of the Appointments and Remuneration Committee, in accordance with the provisions of article 529 decies of the Spanish Companies Act.