

**SPANISH SECURITY  
MARKETS COMMISSION**

Markets Division  
Edison, 4  
28006 MADRID

Madrid, 12 March 2015

Dear Sirs:

In accordance with the provisions of Article 82 of the Securities Market Act, we are sending you the following relevant event in relation to Red Eléctrica Corporación, S.A.:

**I CALL NOTICE FOR THE ORDINARY GENERAL SHAREHOLDERS MEETING**

The Board of Directors of Red Eléctrica Corporación, S.A. (the "Company"), at a meeting held on 10 March 2015, resolved to call the Ordinary General Shareholder Meeting, to be held on first call on 14 April 2015, at **12.30 p.m.** at **Auditorio del Complejo de los Duques de Pastrana**, Paseo de la Habana 208, Madrid and, as the case may be, on second call on **15 April 2015**, at the same time and venue, with a view to deliberating and resolving on the items contained on the following

**AGENDA**

**I. ITEMS FOR APPROVAL**

**One.** Examination and approval, as the case may be, of the Financial Statements (Balance sheet, Income Statement, Statement of Changes in Total Equity, Statement of Recognized Income and Expense, Cash Flow Statement, and Notes to Financial Statements) and the Management Report for Red Eléctrica Corporación, S.A. for the year ended 31 December 2014.

**Two.** Examination and approval, as the case may be, of the Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Overall Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statement) and the Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A., and subsidiary Companies for the year ended 31 December 2014.

**Three.** Examination and approval, as the case may be, of the application of the result of Red Eléctrica Corporación, S.A., for the year ended 31 December 2014.

**Four.** Examination and approval, as the case may be, of management by the Board of Directors of Red Eléctrica Corporación, S.A., in 2014.

**Five.** Appointment of Company directors.

**5.1** Ratification and appointment of Mr. Santiago Lanzuela Marina as proprietary director.

**5.2** Ratification and appointment of Mr. José Luis Feito Higuera as independent director.

**Six.** Amendment of the Company By-laws in order to adjust to the latest legislative reforms introduced by Act 31/2014, of 3 December, amending the Spanish Companies Act to improve corporate governance, and other stylistic and structural changes to clarify the wording of the By-laws:

**6.1** Amendments in relation to the General Meeting and shareholders' rights: Amendment of articles 11 ("General Shareholders Meeting"), 12 ("Types of Meeting"), 13 ("Calling of the Meeting"), 15 ("Right of information and attendance at Meetings") and 17 ("Constitution of the presiding commission, form of deliberation").

**6.2** Amendments related to the legal regime applied to directors and the Board of Directors: Amendment of articles 20 ("Board of Directors"), 21 ("Functioning of the Board of Directors"), 25 ("Chairman of the Company"), 25.bis ("Lead Independent Director") and 26 ("Secretary of the Board of Directors").

**6.3** Amendments related to the Board of Directors' committees: Amendment of articles 22 ("Board Committees and delegation of powers"), 23 ("Audit Committee") and 24 ("Corporate Responsibility and Governance Committee").

**Seven.** Amendment of the Regulations of the General Shareholders' Meeting in order to adjust to the latest legislative reforms introduced by Act 31/2014, of 3 December, amending the Spanish Companies Act to improve corporate governance, and other stylistic or structural changes to clarify the wording of the Meeting Regulations: Amendment of Articles 3 ("Powers of the Shareholders' Meeting"), 5 ("Call"), 6 ("Shareholders' rights"), 7 ("Shareholder's right to participate"), 8 ("Shareholder's right to information"), 10 ("Representation") and 15 ("Convening of Meetings, deliberation and adoption of resolutions").

**Eight.** To delegate in favour of the Board of Directors, for a five (5) year term, the right 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 totally or partly exclude preferential subscription rights, for an overall maximum of 20% of the capital stock, being expressly authorised to accordingly redraft Article 5 of the Company By-laws and request, if necessary, the listing, permanence and/or exclusion of the shares on organised secondary markets.

**Nine.** To delegate in favour of the Board of Directors, for a five (5) year term and for an overall limit of five thousand million (5,000,000,000) euros, the right to issue, once or several times, directly or through Red Eléctrica Group companies, bonds and other fixed income instruments or similar debt instruments, whether ordinary or convertible or exchangeable for shares in the Company, other Red Eléctrica Group companies or other external companies, to include without limitation promissory notes, securitization bonds, preferential participations and warrants, entitling their holder to shares in the Company or other Red Eléctrica Group companies, whether newly issued or circulating shares, with the express power to totally or partly exclude preferential subscription rights for an overall maximum of 20% of the capital stock; an authorisation for the Company to be able to guarantee new issues of fixed income securities (including convertible or exchangeable securities) carried out by Red Eléctrica Group companies; authorisation to accordingly redraft Article 5 of the Company By-laws and to request, if necessary, the listing, permanence and/or exclusion of said securities for trading purposes.

**Ten.** Authorisations to the Board of Directors for the derivative acquisition of own shares and the approval of a Stock Option Plan for employees, managers and executive directors:

**10.1** Authorisation for the derivative acquisition of own shares by the Company or Red Eléctrica Group companies, including their directly delivery to employees, managers and executive directors of the Company and Red Eléctrica Group companies in Spain, as remuneration.

**10.2** Approval of a Stock Option Plan for employees, executive directors and managers of the Company and Red Eléctrica Group companies in Spain.

**10.3** Revocation of prior authorisations.

**Eleven.** Remuneration for the Company's Board of Directors:

**11.1** Approval of a Directors' Remuneration Policy for Red Eléctrica Corporación, S.A.

**11.2** Approval of remuneration for the Board of Directors of Red Eléctrica Corporación, S.A. for 2015.

**11.3** Approval of the Annual Report on Directors' Remuneration for Red Eléctrica Corporación, S.A.

**Twelve.** Delegation for the full execution of the resolutions adopted at the General Shareholders Meeting.

## **II. ITEMS FOR INFORMATION**

**Thirteen.** Information to the General Shareholders Meeting on the 2014 Annual Corporate Governance Report of Red Eléctrica Corporación, S.A.

### **SUPPLEMENT TO CALL NOTICE FOR THE GENERAL MEETING AND PRESENTATION OF PROPOSED RESOLUTIONS**

In accordance with the provisions of Article 519 of the Spanish Companies Act, shareholders representing at least three percent of the capital stock are informed that they may request the publication of a supplement to the call notice for the Ordinary General Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. This right must be exercised by serving duly authenticated notice on the Company which must be received at the registered office, Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the General Meeting.

Shareholders representing at least three percent of the capital stock may submit reasoned proposals for resolutions on items already included or to be included in the agenda for the General Meeting called. Moreover, they may make suggestions regarding those activities and interests of the Company that they believe should be discussed at the General Meeting. In both cases they will be entitled to make these proposals and suggestions by serving duly authenticated notice on the Company which must be received at the registered office, Paseo del Conde de los Gaitanes, 117, 28109 Alcobendas, Madrid, or via the Shareholder Information Office (the details of which are published at the end of this announcement in the "General Information" section) within five days as of the publication of this call.

## **RIGHT TO ATTEND, RIGHT TO VOTE AND RIGHT OF REPRESENTATION**

According to the Corporate By-laws, the Regulations of the General Meeting and the Spanish Companies Act, shareholders may attend the Shareholders Meeting if they prove their share ownership by means of a certificate issued in their name on the accounting record of book entries five days before the date on which the Meeting is to be held. Shareholders may request, through any of the member institutions (banks, savings banks, financial institutions, in general) of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company's securities in order to obtain, as the case may be, the relevant attendance card.

Shareholders who are entitled to attend may cast their vote by attending the Meeting and casting their vote in person, or by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote and the security of the electronic communications are duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Corporate By-laws, the Regulations of the General Meeting and all such supplementary rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.

In accordance with the provisions of the Electricity Industry Act and Article 5 of the Corporate By-laws, no shareholder may exercise voting rights exceeding three percent of the capital stock. Parties that engage in activities in the electricity industry, and individuals or legal entities that directly or indirectly hold more than five percent of the capital of such parties, may not exercise voting rights exceeding one percent of the capital stock. Pursuant to the Electricity Industry Law, the above limits will not apply to Sociedad Estatal de Participaciones Industriales (SEPI), according to the Electricity Industry Act.

Shareholders who are entitled to attend may be represented at the General Meeting by another person, even where such person is not a shareholder. Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the Meeting.

Representation will be conferred in writing and the proxy clause on the attendance cards issued specifically for this Meeting by the Iberclear participant entities or by the Company, if applicable, may be used.

The appointment and revocation of the proxy-holder may also be made by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of the Corporate By-laws and Article 15.8 of the Regulations of the General Meeting on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.

The same means as provided in the preceding paragraph may be used to notify the Company of the appointment of the proxy-holder and of the revocation of the appointment.

Personal attendance at the General Meeting by the shareholder represented shall revoke any vote or proxy cast or granted beforehand, both inclusive.

Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. Prior to his appointment, the proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Spanish Companies Act. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.

Where a public proxy solicitation is made, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item.

The proxy may include items which, while not included on the agenda, may be addressed as permitted by law, and the provisions on conflict of interests contained in the preceding paragraphs will also apply in these cases.

In accordance with the provisions of Article 524 of the Spanish Companies Act, any entities that hold shareholder status by virtue of the share accounting register, but which act on account of several persons, may in any case fraction their vote and cast their vote in a different direction, further to different voting instructions, if received as such. Said financial intermediaries may delegate the vote to each indirect holder or third party designated by the same, without there being any limit on the number of proxies granted.

No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of the By-laws and pursuant to the Electricity Industry Act.

### **RIGHT TO INFORMATION**

Pursuant to the provisions of the Spanish Companies Act, the Corporate By-laws and the Regulations of the General Shareholders Meeting, any shareholders who so wish may examine and obtain, immediately and free of charge, as from publication of this notice, at the registered office (Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid), on the Company website ([www.ree.es](http://www.ree.es)) under the *Shareholders and investors* section or under the *Corporate Governance* section, and from the Shareholder Information Office located at the above-mentioned registered office of the Company, and in the offices and times of the Regional Offices, referred in the "General Information" section below of this notice, and request the delivery or sending, also immediately and free of charge, of: the individual and consolidated financial statements and directors' reports to be submitted for approval by the General Meeting in points One and Two of the Agenda, respectively, together with the respective auditors' reports; the full text of the call notice and of all such proposed resolutions as may already have been adopted by the Board of Directors, without prejudice in this last-mentioned case to the fact that they may be amended up to the date of the General Meeting, where legally possible; as well as any proposed resolutions presented by shareholders, as they are received; and, in particular, also delivered immediately and cost-free, the professional profile, including the identity, c.v and category or status of the directors whose appointment and/or ratification is submitted to the General Meeting in point Five of the Agenda, the relevant proposals and reports of the Governance and Corporate Responsibility Committee (named the Appointments and Remuneration Committee according to the Spanish Companies Act) and Board of Directors on the ratification and appointment of such directors; the full version of the proposed resolutions contained in point Six of the Agenda, on the amendment of the Company By-laws, and point Seven, on the amendment of the Regulations of the General Shareholders Meeting, in either case to adjust to the latest legislative reforms introduced by Act 31/2014, of 3 December, amending the Spanish Companies Act to improve corporate governance, and other stylistic and structural changes, and of the directors' reports on both points of the Agenda; the full version of the proposals related to points Eight and Nine of the Agenda, respectively, on a delegation in favour of the Board of Directors to increase the capital stock and issue obligations and other fixed income securities (including convertible and/or exchangeable securities), in the terms and conditions contained in said proposals, and the directors' report on both points of the Agenda; the full version of the proposed Remuneration Policy for the Company's Directors and the relevant report issued by the Governance and Corporate Responsibility Committee, the proposed remuneration for the Company's Board of Directors for the 2015 financial year and the Annual Report on Directors' Remuneration of the Company, regulated in Article 541 of the Spanish Companies Act, examined in point Eleven, sections one, two and three of the Agenda, respectively; and of the Company's Annual Corporate Governance Report for the

2014 financial year, regulated in Article 540 of the Spanish Companies Act (included in full as an annex to the individual and consolidated Management Reports), presented to the General Meeting for information purposes, in point Thirteen.

The relevant documentation will be provided to the shareholders on the day the General Meeting is held.

Pursuant to the provisions of Articles 197 and 520 of the Spanish Companies Act, the shareholders may pose questions to the Directors in writing, until the fifth day prior to the date set for holding the General Meeting, or verbally during the Meeting, or request information or clarification concerning the items on the Agenda. Furthermore, the shareholders may request from the directors, in writing and within the same period of time, or verbally whilst the General Meeting is held, any clarifications they may deem necessary on publicly available information furnished by the Company to the National Securities Market Commission since 9 May 2014, the date of the last General Meeting, and on the auditor's report. All valid requests for information, clarification or questions, made in writing, and any replies provided by the directors in writing, will be uploaded on the Company's website ([www.ree.es](http://www.ree.es)). The shareholders will be entitled to formulate their queries through the Shareholder Information Office, after registering their identity as shareholders, subject to the due verification.

Any other supplementary information concerning the holding of the General Meeting that is not expressly contained in this notice may be consulted on the Company website ([www.ree.es](http://www.ree.es)).

#### **SHAREHOLDER'S ELECTRONIC FORUM**

Pursuant to Article 539.2 of the Spanish Companies Act, the Company has set up on its website—[www.ree.es](http://www.ree.es)—a Shareholder's Electronic Forum on the occasion of holding its General Meetings, the Operating Rules for which were approved by the Board of Directors at the meeting held on 10 March 2015.

The Forum will go live on the date of the call for the General Meeting and will be open through the date on which the Meeting is held.

The Forum is not a mechanism for on-line electronic conversations among shareholders, nor is it a venue for virtual debates. The Forum does not constitute a channel of communication between the Company and its shareholders, either. The Forum's aim is to facilitate communication among the Company's shareholders on the occasion of the holding of the next Ordinary General Shareholders Meeting. In this connection, shareholders may send, for posting on the Forum, communications which, in accordance with the Act, consist of posting proposals that are intended to be submitted as a supplement to the agenda announced in the call notice, requests for seconding such proposals, initiatives for achieving a sufficient percentage to exercise a minority right provided for in the law, or offers or solicitations for voluntary proxies.

The personal data furnished by shareholders in using the Shareholder's Electronic Forum will be included in a filing system belonging to the Company, the purpose of which is to manage and supervise the functioning of the Forum, as well as manage the General Shareholders Meetings of the Company and carry out statistical studies on the shareholder structure of the Company.

The shareholders who use the Forum may exercise their rights of access, rectification, objection and cancellation in the terms established in the current legislation, by contacting the Shareholder Information Office of Red Eléctrica Corporación, S.A., at the address indicated at the end of this call notice in the section on General Information, during the Office opening hours on business days, by telephone on number 900 100 182 or using the telephone numbers made available by the Company for such purpose and indicated on its website, or by sending an e-mail to [juntaacconistas@ree.es](mailto:juntaacconistas@ree.es), attaching a copy of his/her National Identity Card or equivalent, and accrediting their status as shareholders.

For more information on accessing and using the Shareholder's Electronic Forum, the Operating Rules can be consulted on the Company website ([www.ree.es](http://www.ree.es)) in the section called *Shareholder's Electronic Forum*.

## **PROCEDURE FOR PROXIES, VOTING AND INFORMATION BY REMOTE MEANS**

### **1. PROXIES AND VOTING BY REMOTE MEANS.**

#### ***1.1. Proxies by remote means.***

The means of remote communication that are valid for granting proxies at the Shareholders' Meeting are: (i) electronic and (ii) delivery or postal correspondence.

##### ***1.1.1. Electronic means***

Shareholders wishing to use the electronic proxy must be in possession of an electronic national identity card or of an electronic user certificate issued by the Spanish Royal Mint (FNMT-RCM), in accordance with Electronic Signature Act 59/2003, in its capacity as a Certificate Services Provider.

The user certificate will be obtained by the shareholder, at no cost to the Company, and must be in force when the proxy is granted.

Shareholders who have an electronic national identity card or user certificate evidencing their identity may, through the remote proxies, voting and information service available in the section provided for such purpose on the Company's website ([www.ree.es](http://www.ree.es)), grant the proxy by completing the "proxy form" according to the instructions indicated on such form, as well as any others that may be specified on each of the relevant screens of the computer application, and must effect the electronic signature by using their electronic national identity card or user certificate.

To be effective and valid, the electronic proxy must be granted after **zero hours (00:00) on 30 March 2015** and must be received by the Company **before twenty-four hours (24:00) on the day immediately preceding the day on which the General Meeting is scheduled to be held on first call, that is, before twenty-four hours (24:00) on 13 April 2015.**

Proxies received outside this period will be deemed not granted.

For these purposes, the Company will implement an electronic date system, through a third party and based on an objective time source (a time stamping system) to evidence the time of receipt of the electronic proxy, as well, as the case may be, of the acceptance or rejection of such proxy.

The reason for establishing the above-mentioned period is to enable the Company to verify the shareholder status of the person granting the proxy electronically and that the number of shares corresponding to the proxy granted is correct; for such purpose, the Company will check the information furnished by each shareholder against that which is furnished to it by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), in its capacity as the entity in charge of the accounting register of book entries representing the Company's shares.

Shareholders who grant a proxy electronically must notify the designated proxy-holder of the proxy granted. Where the proxy is granted to a Director, the notice will be deemed served when the Company receives the electronic proxy.

To be effective and valid, electronic proxies must be accepted by each proxy-holder, for which purpose they must be printed, signed and presented by the designated proxy-holder in each case to the Company personnel in charge of the share register, no later than **up to one hour before the start of the General Meeting, on first or second call**, with the exception of those granted to a director, which will be deemed accepted once they are received by the Company.

Electronic proxies that meet all of the conditions established in this procedure and are granted and received by the Company within the time period established for such purpose will only be deemed valid once the shareholder status of the person granting the proxy is verified.

### **1.1.2. Delivery or postal correspondence**

Shareholders wishing to use this form of proxy must complete and sign the “proxy” section of the attendance, proxy and voting card issued by the relevant depositaries of their shares or by the Company through the mechanism established for such purpose on its website in the section on proxies, voting and information by remote means.

Proxies must be accepted by the proxy-holder, therefore, unless they are granted to a Director, they must be signed by each proxy-holder to indicate acceptance; the person to whom the vote is delegated may only cast it by attending the Meeting in person.

The relevant card, duly completed and signed, must be sent by postal correspondence to the registered office of the Company or through the shareholder information service.

In addition, the proxy card, duly completed and signed, may also be submitted by the proxy-holder who physically attends the Meeting, to the personnel in charge of the shareholder register on the day and at the venue of the General Meeting, **within the hour immediately prior to the time the Meeting is scheduled to begin, on first and second call, respectively.**

### **1.1.3 Revocation**

The revocation of the appointment of the proxy-holder and its notification to the Company may be made using the same means indicated for proxies.

## **1.2 Voting by remote means**

Shareholders may use the following means to vote remotely: (i) electronic and (ii) delivery or postal correspondence:

### **1.2.1. Electronic means**

Shareholders wishing to vote electronically must be in possession of an electronic national identity card or of an electronic user certificate issued by the Spanish Royal Mint (FNMT-RCM), in accordance with Electronic Signature Act 59/2003, in its capacity as a Certificate Services Provider.

The user certificate will be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast.

Shareholders who have an electronic national identity card or user certificate evidencing their identity may, through the electronic voting service provided for such purpose on the Company’s website ([www.ree.es](http://www.ree.es)), cast their vote by completing the “vote form” according to the instructions indicated on such form, as well as any others that may be specified on each of the relevant screens of the computer application, and must effect the electronic signature by using their electronic national identity card or user certificate.

To be effective and valid, votes cast electronically must be cast after **zero hours (00:00) on 30 March 2015** and must be received by the Company **before twenty-four hours (24:00) on the day immediately preceding the day on which the General Meeting is scheduled to be held on first call**, that is, **before twenty-four hours (24:00) on 13 April 2015**. Votes received outside this period will be deemed not cast.

As with the electronic proxy and for the same purpose, the Company will implement an electronic date system to evidence the time of receipt of the electronic vote, as well, as the case may be, of the acceptance or rejection of such vote.



Votes cast electronically that meet the conditions established in this procedure and are received by the company within the time period established for such purpose will only be deemed valid once the shareholder status of the voter is verified.

### ***1.2.2. Delivery or postal correspondence.***

To cast a remote vote by delivery or postal correspondence, shareholders must complete and sign the “voting by remote means” section of the attendance, proxy and vote card issued on paper, either by the relevant depositaries, or by the Company through the mechanism established for such purpose on its website ([www.ree.es](http://www.ree.es)) in the section on proxies, voting and information by remote means.

The duly completed and signed card must be delivered or sent to the Company, either to its registered office– Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid– or through the shareholder information service.

To be effective and valid, votes cast by postal correspondence must be received by the Company **before twenty-four hours (24:00) on the day immediately preceding the day on which the General Meeting is scheduled to be held on first call, that is, before twenty-four hours (24:00) on 13 April 2015.** Votes received outside this period will be deemed not cast.

### ***1.2.3 Revocation***

Remote voting carried out by electronic means or by delivery or postal correspondence shall be revocable by the same means.

### ***1.3. Issuance of duplicates of the attendance, proxy and voting card***

Shareholders who do not have the appropriate attendance, proxy and voting card on paper, either to be able to physically attend the General Shareholders Meeting or to be able to grant a proxy or vote by postal correspondence, may obtain a duplicate of the card through the section provided for such purpose on the Company’s website ([www.ree.es](http://www.ree.es)) in the section on proxies, voting and information by remote means.

In order to guarantee the security of the system used and the identity of the shareholder wishing to use this option, the issuance of duplicate cards will require the shareholder to have an electronic national identity card or the relevant user certificate issued by the Spanish Royal Mint, subject to the same conditions established in this procedure for electronic proxies and voting.

## **2. REQUEST FOR INFORMATION BY ELECTRONIC MEANS**

Notwithstanding the usual communication and information channels that the Company makes available to its shareholders, through ordinary e-mail and the shareholder information service, shareholders may exercise their right to information by electronic means through mechanism specially established by the Company on its website ([www.ree.es](http://www.ree.es)) in the section on proxies, voting and information by remote means relating to the General Shareholders Meeting.

Shareholders wishing to use this procedure must have an electronic national identity card or the relevant user certificate issued by the Spanish Royal Mint (referred to above) for the same purposes of guaranteeing authenticity and identification of each shareholder.

The Company may attend to the request for information by replying to the e-mail address designated by the requesting shareholder or by delivering or sending the response by mail to the address indicated by the shareholder.

### **3. AVAILABILITY OF SERVICE**

The Company reserves the right to modify, suspend, cancel or restrict this procedure for proxies, voting and information requests by remote means where technical or security reasons prevent it from guaranteeing the safeguards indicated in the procedure and such circumstance is made public in the proper manner and sufficiently in advance by any means the Company may consider appropriate.

The Company will not be liable for any damage caused to shareholders as a result of malfunctions, overloads, line failures, failed connections or any other contingency of the same or a similar nature, beyond the control of the Company, which hinder the use of the procedure for proxies, voting and information requests by remote means.

### **4. PROTECTION OF PERSONAL DATA**

In accordance with Personal Data Protection Organic Act 15/1999, of 13 December, the Company informs its shareholders that the personal data obtained throughout the procedure for proxies, voting and information requests by remote means, whether they originate from electronic user certificates or from any other data storage and retrieval device on shareholder computer terminals, with or without their involvement, or whether such data is furnished by the shareholder directly, will be included in a filing system controlled by the Company, for the purpose of managing the procedure for proxies, voting and information requests by remote means at the 2014 Ordinary General Shareholders Meeting and, in particular, to monitor, verify and validate the proxies granted and votes cast by remote means, the duplicate cards issued and the information requests made electronically by the shareholders at such General Meeting.

Shareholders also expressly consent to the processing and disclosure of their personal data exclusively for the purpose described above, to authorized certificate service providers and to any of the companies forming part of the Red Eléctrica Group and operating in the electricity industry.

Data subjects are informed that the consent given above is revocable and that they may exercise their rights of access, rectification, objection and cancellation by writing to the registered office of the Company, located at Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, through the shareholder information service or through the Company's website ([www.ree.es](http://www.ree.es)).

For more information on using the procedure for proxies, voting and information by remote means, shareholders may consult it on the Company website ([www.ree.es](http://www.ree.es)) in the section called *Remote voting*.

### **PRESENCE OF A NOTARY AT THE GENERAL SHAREHOLDERS' MEETING**

The Board of Directors has resolved to request the presence of a Notary to draw up the Minutes of the General Meeting.

### **GENERAL INFORMATION**

For all aspects relating to the General Meeting not contained in this call notice, shareholders may consult the Corporate By-laws and the Regulations of the General Shareholders Meeting available on the Company website ([www.ree.es](http://www.ree.es)).

In addition, as from publication of this notice, a Shareholder Information Office will be made available at the registered office of the Company and in the Regional Offices (La Coruña, Barcelona, Bilbao, Seville, Valencia, Zaragoza, Palma de Mallorca and Las Palmas de Gran Canaria) with the following opening hours: Monday through Fridays from 9:00 a.m. to 2:00 p.m.

**As from 30 March 2015, an Office will be made available at Hotel Aitana AC (Paseo de la Castellana, 152, Madrid) to facilitate the shareholders the delivery of documentation, with the following opening hours: Monday through Friday from 10:00 a.m. to 2:30 p.m. and from 4:00 p.m. to 7:30 p.m., and Saturdays from 10:00 a.m. to 2:00 p.m.**

**For further information, please call the Shareholder Hotline: 900 100 182 or send an e-mail to: [accionistas@ree.es](mailto:accionistas@ree.es) - [www.ree.es](http://www.ree.es).**

The General Shareholders Meeting will be broadcast live in the Internet, with simultaneous translation into English and, once ended, it may be followed on a deferred basis on the website [www.ree.es](http://www.ree.es). Moreover, in order to facilitate participation and follow up for impaired hearing persons, translation into Spanish sign language will also be available.

## **EXPECTED DATE OF THE GENERAL MEETING**

Shareholders are informed that, in light of previous years' experience, the General Meeting is expected to be held on **SECOND CALL** on **15 April 2015**, at the time and venue stipulated above.

Alcobendas (Madrid), 12 March 2015  
The General Secretary and Secretary of the Board of Directors  
Rafael García de Diego Barber

## **II. PROPOSED RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS TO THE ANNUAL SHAREHOLDERS' MEETING**

The resolutions proposed by the Board of Directors in the above-mentioned meeting held on March 10, 2015, to be submitted to the Annual Shareholders' meeting, are the following:

### **I. ITEMS FOR APPROVAL**

#### **PROPOSED RESOLUTION RELATING TO ITEM ONE ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE FINANCIAL STATEMENTS (BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CHANGES IN TOTAL EQUITY, STATEMENT OF RECOGNIZED INCOME AND EXPENSE, CASH FLOW STATEMENT, AND NOTES TO FINANCIAL STATEMENTS) AND THE MANAGEMENT REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2014.**

The following resolution is proposed for submission to the General Shareholders' Meeting:

To approve the financial statements (balance sheet, income statement, statement of changes in total equity, statement of recognized income and expense, cash flow statement and notes to the financial statements) and the directors' report of Red Eléctrica Corporación, S.A. for the year ended 2014.

The Financial Statements and Directors' Report of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to the Financial Statements and Directors' Report drawn up by the Board of Directors at the meeting held on February 24, 2015.

**PROPOSED RESOLUTION RELATING TO ITEM TWO ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONSOLIDATED INCOME STATEMENT, CONSOLIDATED OVERALL INCOME STATEMENT, CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED CASH FLOW STATEMENT, AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS) AND THE CONSOLIDATED MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA CORPORACIÓN, S.A., AND SUBSIDIARY COMPANIES FOR THE YEAR ENDED DECEMBER 31, 2014.**

The following resolution is proposed for submission to the General Shareholders' Meeting:

To approve the Consolidated Financial Statements (consolidated statement of financial position, consolidated income statement, consolidated overall income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements) and the Consolidated Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A. and subsidiary companies for the year ended December 31, 2014.

The Financial Statements and Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to those drawn up by the Board of Directors at the meeting held on February 24, 2015.

**PROPOSED RESOLUTION RELATING TO ITEM THREE ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE APPLICATION OF THE RESULT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2014.**

The following resolution is proposed for submission to the General Shareholders' Meeting:

To approve the application of the result proposed by the Board of Directors at the meeting held on February 24, 2015, and as a result, to distribute 2014 income, amounting to €465,069,495.35 euros, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	59,382,012.41
TO DIVIDENDS:	
INTERIM DIVIDEND	112,462,703.94
SUPPLEMENTARY DIVIDEND (calculated over the total number of shares)	293,224,779.00
<hr/>	
TOTAL	465,069,495.35

It is expressly resolved to pay the shares entitled to a dividend a gross dividend of €3 per share. Payment of the dividend will be made on July 1, 2015, at the banks and financial institutions to be duly announced, with a deduction therefrom of the gross amount of €0.8323 per share, which was paid as an interim dividend on January 2, 2015, pursuant to the Board resolution dated December 23, 2014.

**PROPOSED RESOLUTION RELATING TO ITEM FOUR ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE MANAGEMENT BY THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A. IN 2014.**

The following resolution is proposed for submission to the General Shareholders' Meeting:

To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2014.

## **PROPOSED RESOLUTIONS RELATING TO ITEM FIVE ON THE AGENDA:**

### **APPOINTMENT OF COMPANY DIRECTORS**

The following resolutions are proposed for submission to the General Shareholders' Meeting:

#### **One.- Ratification and appointment of Mr. Santiago Lanzuela Marina as a proprietary director.**

To ratify the appointment of the individual, Mr Santiago Lanzuela Marina, as proprietary director of Red Eléctrica Corporación, S.A., on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), which was agreed by the Board of Directors at the meeting held on 29 July 2014, and consequently proceed to appoint him as proprietary director of Red Eléctrica Corporación, S.A. on behalf of Sociedad Estatal de Participaciones Industriales (SEPI) for a term of four years as established in the Company By-laws, in accordance with the provisions of Article 529 decies of the Spanish Companies Act and in the reports issued by the Board of Directors and the Governance and Corporate Responsibility Committee.

#### **Two.- Ratification and appointment of Mr. Jose Luis Feito Higuera as an independent director.**

To ratify the appointment of the individual, Mr José Luis Feito Higuera, as independent director of Red Eléctrica Corporación, S.A., as made by the Board of Directors at the meeting held on 13 February 2015, and consequently, in accordance with the provisions of Article 529 decies of the Spanish Companies Act, at the proposal of the Governance and Corporate Responsibility Committee and subject to the prior report by the Board of Directors, proceed to appoint him as independent director for a term of four years as established in the Company By-laws.

## **PROPOSED RESOLUTIONS RELATING TO ITEM SIX ON THE AGENDA:**

The following resolutions are proposed, so that they can be submitted to the General Shareholders' Meeting:

**AMENDMENT OF THE COMPANY'S BY-LAWS IN ORDER TO BE ADAPTED TO THE RECENT LEGISLATIVE REFORMS INTRODUCED BY LAW 31/2014, OF 3 DECEMBER, WHICH AMENDS THE SPANISH COMPANIES ACT (LEY DE SOCIEDADES DE CAPITAL) TO IMPROVE CORPORATE GOVERNANCE AND OTHER MODIFICATIONS OF STYLE OR ORDER IN ORDER TO GIVE MORE CLARITY TO THE TEXT OF THE COMPANY'S BY-LAWS:**

**One.- Amendments regarding the General Meeting and rights of the shareholders: Amendment of Articles 11 ("General Shareholders' Meeting"), 12 ("Types of Meetings"), 13 ("Calling the General Meeting"), 15 ("Right to information and attendance at the Meetings") and 17 ("Constitution of the round table, deliberation mode").**

A. To amend Article 11 ("General Shareholders Meeting"), which will hereinafter read as follows:

***"Article 11.- Shareholders Meeting***

*Shareholders, met together in a Shareholders Meeting which has been duly called, shall decide by majority on the matters within the powers of the Shareholders Meeting or on those which are submitted by the Board of Directors, notwithstanding the fact that the Shareholders Meeting cannot usurp or assume powers which are under the exclusive jurisdiction of the Board of Directors.*

*In accordance with the Spanish Companies Act, the Shareholders Meeting has power to deliberate and resolve on the following matters:*

- a) The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.*
- b) The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.*
- c) The amendment of the Corporate By-laws.*
- d) Capital increases and reductions.*
- e) The removal or limitation of the preemptive right of subscription or assumption.*
- f) Ordering the acquisition, disposal or contribution to another company of essential assets. An asset will be presumed essential whenever the transaction amount exceeds twenty-five per cent of the "Assets" item reflected in the latest approved balance sheet.*
- g) An alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office.*
- h) The dissolution of the Company.*
- i) The approval of the final liquidation balance sheet.*
- j) To approve a transfer to dependent entities of essential activities executed until then*



by the Company, even if the latter continues to fully own the former.

k) *Approval of the remuneration policy for Directors, in the terms established in the Spanish Companies Act.*

l) *Any other matters determined by the law or the Corporate By-laws.*

*In particular, the Shareholders Meeting shall have the power to approve transactions the effect of which is equivalent to that of the modification of the corporate purpose or to the liquidation of the Company.*

*All shareholders, including dissenting and absent shareholders, shall be subject to the resolutions of the Shareholders Meeting notwithstanding the statutory rights and remedies acknowledged to them.*

*The Shareholders Meeting shall be governed by the applicable legislation, by these By-laws and by its Regulations.*

*The Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholders Meeting.”*

B. To amend Article 12 (“Types of Meeting”), which will hereinafter read as follows:

**“Article 12.- Types of Meeting**

*Shareholders Meetings may be Ordinary or Extraordinary and must be called by the Company’s Board of Directors.*

*The Ordinary Shareholders Meeting must be held, following the relevant call, within the first six months of each fiscal year, with a view to ratifying the conduct of management of the Company, approving, if appropriate, the financial statements and the management report for the previous fiscal year and resolving, as the case may be, on the distribution of income or allocation of loss.*

*Any other matter reserved by law or in the By-laws to the authority of the Shareholders Meeting may be decided at an Ordinary or Extraordinary Meeting.*

*The Ordinary Shareholders Meeting shall be valid even where called or held late.*

*An Extraordinary Shareholders Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least three percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders Meeting must be called to be held within the two months following the date on which the Board of Directors was asked, by way of a notary, to call the Meeting, and the business requested must be included in the Meeting agenda.”*

C. To amend Article 13 (“Calling of Meetings”), which will hereinafter read as follows:

**“Article 13.- Calling of Meetings**

*1. Both Ordinary and Extraordinary Shareholders Meetings must be called by means of a notice published in, at least, one of the following media: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the Spanish National Securities Market Commission; and (iii) the Company website. The notice published on the Company website shall remain accessible on the website at least until the Shareholders Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.*

2. The call shall be made at least one month prior to the date set for holding the Meeting. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Extraordinary Shareholders Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders Meeting by at least two-thirds of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.

3. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, the agenda with all the business to be transacted thereat, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.

The notice shall also contain clear and exact information on the formalities to be completed by shareholders in order to be able to participate in and vote at the Shareholders Meeting, including, in particular, the following aspects:

a) The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.

b) The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.

c) The procedures established for casting votes by remote means, whether by post or electronic means.

The call notice must state the right of shareholders to examine at the registered office and to obtain immediately free of charge the documents that are to be submitted to the approval of the Shareholders Meeting, and the technical reports established in the Law. Should the Shareholders Meeting have to decide on any amendment to the By-laws, the call notice must state, with due clarity, the points which are to be amended.

4. Shareholders owning three percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders Meeting and the date on which the Board resolves to call the next Meeting, to include any item on the agenda for the next Shareholders Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders Meeting. The Board shall include on the agenda the items requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders Meeting.

5. From the publication of the call notice and until the holding of the Shareholders Meeting, the Company must publish, on an uninterrupted basis, at least the following information on its website:

- a) *The call notice.*
- b) *The total number of shares and voting rights at the date of the call, broken down by share class, if any.*
- c) *The documents to be submitted to the Shareholders Meeting and, in particular, reports from directors, auditors and independent experts.*
- d) *The full text of the proposed resolutions on each and every one of the points in the agenda or, in relation to points of a merely informative nature, a report by the competent bodies on each of said points. Proposed resolutions submitted by shareholders shall also be included when they are received.*
- e) *For the appointment, ratification or re-election of members of the Board of Directors, the identity, c.v. and category to which each one belongs, as well as the proposal and reports referred to in Article 529.decies of the Spanish Companies Act. For legal entities, the information will include details of the individual appointed to permanently perform the tasks inherent to this post.*
- f) *The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder. Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.*

*6. Shareholders representing at least three percent of the capital stock may request the publication of a supplement to the call notice for an Ordinary Shareholders Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. In no case may such right be exercised with respect to the call for Extraordinary Shareholders Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders Meeting. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for challenging the Shareholders Meeting.*

*7. Shareholders representing at least three percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of subarticle 5 d) hereof.*

*8. Shareholders Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice."*

D. To amend Article 15 ("Right of information and attendance at Meetings"), which will hereinafter read as follows:

***"Article 15.- Right to information and attendance at Meetings***

*Shareholders may attend the Shareholders Meeting if they are up to date in the payment of calls on unpaid capital and evidence their ownership by way of certification of the registration of their name in the accounting record of book entries at least five days before the date on which the Shareholders Meeting is to be held. Shareholders shall ask the entity in charge of the accounting record of book entries for the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company's securities, in order to obtain, where necessary, the appropriate attendance card from the*

*Company. Directors must attend Shareholders Meetings.*

*Shareholders who are entitled to attend may be represented at the Shareholders Meeting by another person, in the manner established by Articles 184 through 187 and 521, 522, 523 and 524 of the Spanish Companies Act, in relation, in any case, to the provisions of these By-laws. Proxies must be conferred in writing and specifically for each Meeting.*

*Proxies may be also granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate By-laws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.*

*The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment. The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.*

*Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders Meeting.*

*Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders Meeting.*

*Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Spanish Companies Act. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.*

*Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Spanish Companies Act.*

*Any entities registered as entitled shareholders according to the share accounting register, albeit acting on behalf of other persons, may in any case fraction their vote and vote against the proposal, further to different voting instructions, if such are received. These intermediary entities may grant a proxy to each indirect holder or to third parties designated by the latter, without limitation on the number of proxies granted.*

*Personal attendance at the Shareholders Meeting by the shareholder represented shall be deemed to revoke the proxy granted.*

*Shareholders may request such information or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by the applicable laws, and shall receive information via the Company website as stipulated by the Law, these By-laws and the rules on corporate governance.*

*From the date of publication of the call notice for the Shareholders Meeting until the fifth day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, or orally during the Meeting, shareholders may request information, clarifications or pose questions concerning publicly available information*

furnished by the Company to the National Securities Market Commission since the last Shareholders Meeting was held and concerning the auditor's report.

All valid requests for information, clarifications or questions, made in writing, and the replies provided in writing by the directors, will be uploaded on the Company's website.

If prior to the formulation of a specific question, the requested information is clearly, directly and expressly available to all shareholders on the Company website in a question and answer format, Directors may merely reply by referring to the information provided in this form. Directors must furnish the information in writing up to the date of holding the Shareholders Meeting.

While the Shareholders Meeting is being held, Company shareholders may orally request such information or clarifications as they deem appropriate concerning the items on the agenda and, if this shareholders' right cannot be satisfied at that time, the Directors must provide that information in writing within seven days after the end of the Meeting.

Directors must provide the information requested pursuant to the foregoing paragraphs except in cases in which this information is unnecessary to protect shareholders' rights, or objective reasons exist to consider that it may be used for non-corporate purposes or that its disclosure could damage the Company or its related companies. Information may not be refused where the request is supported by shareholders who represent at least twenty-five (25) per cent of the capital stock.

No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of these By-laws."

E. To amend Article 17 ("Presiding Panel, deliberations"), which will hereinafter read as follows:

**Article 17.- Presiding Panel, deliberations**

The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors and, in his absence, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or to seniority in the office, if no rank has been established, and, in their absence, by the person designated by the Board of Directors and, in the absence of such designation, by such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting.

The Secretary or Deputy Secretary, if any, of the Board of Directors shall act as Secretary of the Shareholders Meeting. In the absence of both, such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders Meeting, shall act as Meeting Secretary.

The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of resolutions by, the Shareholders Meeting, or regarding the By-law limit on the right to vote; and for granting the floor to any shareholders requesting it, withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.

Each share confers the right to one vote. Resolutions shall be adopted by a majority of the votes, a simple majority of the votes of the shareholders present or represented at the Meeting; a resolution will be deemed adopted whenever it obtains more votes in favour than against, of the capital stock present or represented. In order to adopt the resolutions foreseen in Article 14 of the By-laws, which require a greater quorum, if the capital stock present or represented exceeds fifty (50) per cent, it will suffice for the resolution to be adopted by an absolute majority. However, the favourable vote of two thirds of the capital stock present or represented at the Meeting will be required if, at second call, shareholders attending represent twenty-five (25) per cent or more of the voting capital subscribed, without reaching fifty (50) per cent. The foregoing will not apply in those cases where, unless

*the Law requires a greater majority.*

*No person, by virtue of his own right or of a proxy, may exercise voting rights which exceed the shareholding limits stipulated in Article 5 of these By-laws, with the exception of the provisions on public proxy solicitations set forth in the last paragraph of Article 15 above.*

*The statutory limit on shareholding in the Company shall also apply to the maximum number of votes that may be cast, collectively or separately, by two or more shareholders, one of whom owns indirect holdings in the capital stock of the Company (as defined in Article 5).*

*The limitations on voting rights stipulated by the Law and in these By-laws shall operate with respect to all matters submitted to a vote at a Shareholders Meeting, including the right to proportional representation referred to in Article 243 of the Spanish Companies Act, but shall not prevent the shares to which said right applies from being counted as voting capital stock in attendance for the purpose of calculating the necessary quorums for convening Shareholders Meetings.*

*For each resolution submitted to a vote the Shareholders Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution and, as the case may be, the number of abstentions.*

*The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders Meeting.”*

**Two.- Modifications related to the legal status of the directors and the Board of Directors: Amendment of Articles 20 (“The Board of Directors”) 21 (“Operation of the Board of Directors”), 25 (“The Company’s Chairman”), 25 bis (“The Lead Independent Director”) and 26 (“The Secretary of the Board of Directors”).**

A. To amend Article 20 (“Board of Directors”), which will hereinafter read as follows:

**“Article 20.- Board of Directors**

*The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members. Directors will be designated by the Shareholders Meeting or, if a vacancy arises in advance, the Board will designate it by co-optation. The Shareholders Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.*

*When selecting the Directors, regard shall be had to the Company’s capital composition and structure. It shall be sought to have non-executive Directors (independent, proprietary and other external directors) represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.*

*The Directors appointed shall hold office for four years and may be reappointed indefinitely, notwithstanding the power of the Shareholders Meeting to remove them at any time.*

*Directors need not be Company shareholders or members. Both individuals and legal entities may be appointed as Directors.*

*Directors shall be elected in observance of Articles 243, 244 and 529 decies of the Spanish Companies Act and supplemental provisions.*

*The Appointments and Remuneration Committee will propose the appointment or re-election of independent Directors. The Board will be in charge of proposing the appointment of all other Directors, subject to a prior opinion from the Appointments and Remuneration Committee. In any case, a proposed appointment or re-election of any Director will include an explanatory report from the Board, appraising the competence, experience and merits of the candidate, which will be attached to the minutes of the General Meeting or Board Meeting.*

*The provisions of this article will also apply to any individuals designated as attorneys of a legal entity Director. Any proposed attorney for a legal entity must be examined by the Appointments and Remuneration Committee.*

*Persons who, pursuant to the Law, are incompatible cannot be Directors.*

*The compensation of members of the Board of Directors as such shall consist of a fixed monthly fee for the attendance of meetings of the management bodies and a share in the Company's income. The maximum overall annual compensation for the entire Board and for all the foregoing items shall be approved by the General Meeting and may in no case exceed 1.5% of the Company's net income, approved by the Shareholders Meeting; this figure will remain in force insofar as a change is not approved. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as the Board determines, based on the tasks and responsibilities assigned to each Director, any membership of Board committees and other objective circumstances deemed relevant.*

*Pursuant to Article 218 of the Spanish Companies Act, maximum compensation in the form of a share in income will also be 1.5% of the net income and may only be received by Directors after the provisions to the legal and by-law reserves have been covered and the shareholders have been recognized a dividend of not less than 4% of the face value of the shares.*

*Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders Meeting. This resolution will include the maximum number of shares that may be assigned during each financial year to this remuneration system, the price for exercising the options and their calculation system, the share value taken as a reference and the term of this compensation system.*

*The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who perform executive tasks. All items for which these Directors may be remunerated, for performance of executive tasks, to include any future indemnification for early discharge from said tasks and amounts payable by the Company as insurance premiums or contributions to a savings plan, will be recorded in an agreement with the Company, to be previously approved by the Board of Directors with the favourable vote of two thirds of its members; the Director in question should abstain from the meeting's deliberations and voting.*

*All remuneration paid to Directors as such and any received for the performance of executive tasks will conform to the Directors' remuneration policy, to be approved by the General Meeting at least every three years, as a separate point of the agenda, in the terms foreseen in the Spanish Companies Act.*

*Directors' remuneration will in any case be reasonably proportional to the Company's relevance, its economic situation at all times and the market standards of comparable companies. The remuneration system established will aim at encouraging the Company's profitability and long-term sustainability, including the necessary caution to avoid undertaking excessive risks and rewarding unfavourable results.*

*The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and with the loyalty of a loyal representative, acting in good faith and in the Company's best interests, pursuant to the Law and to these By-laws."*

B. To amend Article 21 (“Operation of the Board of Directors”), which will hereinafter read as follows:

**“Article 21. Operation of the Board of Directors**

*The Board, subject to a prior opinion from the Appointments and Remuneration Committee, shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. The post of Chairman may be granted to an executive director, in which case it will be necessary to obtain a favourable majority of two thirds of the Board members for his appointment.*

*If the Chairman is also an executive director, the Board of Directors, with the abstention of all executive directors, will necessarily appoint, following a proposal by the Appointments and Remuneration Committee, one of the independent directors to be the Lead Independent Director.*

*The Board, subject to a prior opinion from the Appointments and Remuneration Committee, shall also freely appoint the person who is to hold office as Secretary of the Board and, if it deems appropriate, shall also appoint a Deputy Secretary. The same process will be followed to remove the Secretary and Deputy Secretary, if any. Neither the Secretary nor the Deputy Secretary need be a Director.*

*In the absence of the Chairman of the Board, and should there be one, of the Lead Independent Director, Board meetings shall be chaired, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or, if no rank has been established, by the Director who has held office for the longest time. In the Secretary’s absence, his functions shall be discharged by the Deputy Secretary, if any, and in his absence, by the youngest Director from among those attending the meeting.*

*The Board shall meet where required by the Company’s interests and at least once per quarter and, in any case, within not more than three months from the end of the financial year, with a view to drawing up the financial statements, the management report and the proposal for the distribution of income and allocation of loss.*

*All Directors will personally attend any meetings held. Notwithstanding the foregoing, each Director may have another Director represent him and vote on his behalf at meetings of the Board of Directors, by virtue of delegation in writing especially for each Board meeting. Non-executive Directors may only confer a proxy to another non-executive director.*

*Board meetings shall be called by the Chairman or by whoever is acting as Chairman and shall meet on the days which the Chairman decides and whenever deemed appropriate by the Chairman or requested by the Lead Independent Director or three (3) Directors, stating in the request the matters to be discussed at the meeting. In addition, Directors constituting at least one-third of the members of the Board, and in the above case, the three (3) Directors who have made the request or the Lead Independent Director, may call a Board meeting, setting the agenda, to be held in the municipality in which the registered office is located, if, after making a request to the Chairman, the Chairman fails to call the meeting within one month without just cause. The call shall be issued in writing, addressed personally to each Director and sent by any means capable of leaving record of the contents of the notice and of its receipt, sufficiently in advance of the date set for the Board meeting.*

*A Board meeting may be held without a call where all Directors are present and all agree to the holding of the meeting.*

*Board meetings shall be validly convened where one half plus one of the Board members are present or represented at the meeting.*

*Voting in writing without a meeting being held shall only be admitted when no Director objects to this procedure.*

*When the Chairman or the person chairing the meeting in the absence of the Chairman deems a matter to have been sufficiently debated, he shall submit it to a vote. Each Director present or duly represented shall have one vote. Resolutions shall be adopted by an absolute majority of the directors in attendance at the meeting, in person or by proxy, except*



*in cases where the Law requires resolutions to be adopted by a greater majority. In the case of a tie, the Chairman shall have the casting vote.*

*Minutes shall be approved by the Board of Directors itself at the end of the meeting or at the beginning of the next meeting, and shall be signed by the Secretary of the Board, or the meeting Secretary, and countersigned by the person acting as Chairman. Board minutes shall be transcribed in a minutes book, which shall be signed by the Secretary of the Board and countersigned by the Chairman.*

*If vacancies arise during the term for which Directors were appointed, the Board may designate such persons as are to cover those vacancies until the next Shareholders Meeting is held. If a vacancy after a General Meeting has been called but not yet held, the Board of Directors may designate a director until the next General Meeting is held.”*

C. To amend Article 25 (“Chairman of the Company”), which will hereinafter read as follows:

**“Article 25. - Chairman of the Company.**

*The Chairman of the Board of Directors shall be deemed to be the Chairman of the Company, and shall be in charge of ensuring compliance with the resolutions of the Board of Directors, which he shall represent on a permanent basis.*

*In addition to the Board of Directors and, where appropriate, the Managing Director(s), the power to represent the Company, both in and out of court, may vest with the Chairman of the Board.*

*The existence of the Chairman of the Board shall be deemed to be without prejudice to the power of the Board of Directors to appoint one or more Managing Directors, as well as to confer on them such permanent powers as may be considered appropriate, pursuant to the provisions of article 22 of these By-laws.*

*The Chairman of the Board will be the senior person in charge of the effective running of the Board of Directors. In addition to the powers granted by Law and these By-laws or the Board of Directors Regulations, he will hold the following:*

*a) To call and chair meetings of the Board of Directors, determining the agenda of the meetings and directing all discussions and deliberations.*

*b) To chair the General Shareholders Meeting.*

*c) To ensure that all Directors are previously sufficiently informed in order to discuss the points of the agenda.*

*d) To stimulate discussion and the active participation of Directors during all meetings, ensuring that they are able to freely adopt positions.”*

D. To amend Article 25.bis (“The Lead Independent Director”), which will hereinafter read as follows:

**“Article 25 bis.- Lead Independent Director**

1. *In the event the Board appoints one of the Independent Directors to the office of Lead Independent Director, the essential duty of this position, which must be taken into account in the performance of the other duties envisaged in the Law, these By-laws and the Board of Directors Regulations, shall be to organize the possible common positions of the non executive directors and, specially, of the independent directors, and serve as a channel for expressing or giving voice to these common positions before the Chairman of the Board of Directors, the Board itself, and the Board Committees.*

2. *The Lead Independent Director shall hold office for three (3) years, following which he/she may be re-elected. The Lead Independent Director shall cease to hold office when he/she ceases to be a Director, or when he/she ceases to be independent whilst remaining a*

director, or when the Board of Directors should so decide, following a proposal by the Appointments and Remuneration Committee.”

E. To amend Article 26 (“Secretary of the Board of Directors”), which will hereinafter read as follows:

**“Article 26.- Secretary of the Board**

*The following functions shall be attributed to the Secretary of the Board of Directors, in addition to those entrusted by Law and these By-laws or the Board Regulations:*

a) *to draw up the minutes of Shareholders Meetings and Board meetings, making a record of the progress of the meeting and, if appropriate, to sign them with the countersignature of the person acting as meeting Chairman, keeping the documentation of the Board of Directors;*

b) *to issue the relevant certificates, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman;*

c) *to fulfil the Board resolutions and to prepare all reports, documents and notices as may be entrusted to him by the Board, the Managing Director or the Chairman;*

d) *to ensure that the actions of the Board of Directors comply with the letter and spirit of the laws and their regulations, and with the provisions issued by the regulatory bodies;*

e) *to ensure compliance by the Board of Directors and by its Committees with the Corporate By-laws, the Regulations of the Shareholders Meeting and of the Board of Directors and with the Company’s other rules on corporate governance;*

f) *to ensure that the Company’s rules of corporate governance and the actions of the Board of Directors are in line with the recommendations of good corporate governance in force at any given time.*

g) *To assist the Chairman in order for all Directors to receive relevant information for the performance of their tasks sufficiently in advance and in the required format.*

*The Board of Directors may appoint a Deputy Secretary, who need not be a Director, to assist the Secretary of the Board of Directors or to replace him, should he be absent, in the secretarial function. Should both be absent, the functions of Secretary shall be discharged by the youngest Director.”*

**Three.- Modifications related to the committees of the Board of Directors: Amendment of Articles 22 (“Committees of the Board and Delegation of Powers of Attorney”), 23 (“Auditing Committee”) and 24 (“Governance and Corporate Responsibility Committee”).**

A. To amend Article 22 (“Board Committees and Delegation of Powers”), which will hereinafter read as follows:

**“Article 22.- Board Committees and delegation of powers.**

*The Board shall approve its internal Regulations with the basic rules on its organization and operation, the rules of conduct of its members and its system of supervision and control, with a view to attaining the optimum professionalism and efficiency in its work, promoting the active participation of all its members, subordinating its own interests to those of the*

Company and of its shareholders, in compliance with the Law, the By-laws and the principles of good corporate governance.

The Board shall act in plenum or in committees which may be set up on a permanent basis or for a specific matter, with delegated and executive powers, or powers to research, advise or propose. Pursuant to the Law and to these By-laws, there must be an Auditing Committee and an Appointments and Remuneration Committee, notwithstanding any other name they may be ascribed by the Board of Directors from time to time, with the functions indicated in the following Articles. Additionally the Board shall set up, having regard to the recommendations on corporate governance from time to time in force, such other committees as it deems suitable to the Company's optimum organization and operation.

The Committees shall keep the Board of Directors informed of their work at all times. Furthermore, the minutes of all Committee meetings will be made available to all members of the Board of Directors.

Notwithstanding such powers of attorney as may be conferred on any person, the Board of Directors may designate an Executive Committee, which shall be composed of such Directors as may be resolved by the Board and on which the Secretary of the Board shall act as Secretary.

Likewise, the Board of Directors may appoint from amongst its members one or more Managing Directors, who may be directors other than the Chairman of the Board of Directors, which, if applicable, will be members of the Executive Committee, and who shall be conferred such powers as may be considered appropriate and, in any case, establishing the content, limits and types of delegation. In the event that powers are delegated on a permanent basis in favour of various Directors, those powers which are to be exercised jointly and severally, and those which are to be exercised jointly, should be specified. Likewise, if all such powers are to be exercised in one form or the other, this should also be specified.

If a member of the Board of Directors is appointed Managing Director or is entrusted with executive duties by virtue of another title, an agreement must be signed by the latter and the Company, pursuant to Article 20 of these By-laws and the Spanish Companies Act.

The setting up of the Executive Committee, the designation of the Directors who are to sit on it, the designation of Managing Director(s) and the permanent delegation of powers, if any, shall require the affirmative vote of two thirds of the members of the Company's Board of Directors to be valid, and will not be effective until it is recorded at the Mercantile Registry. Notwithstanding delegation, the Board of Directors shall retain the powers delegated that may correspond to it."

B. To amend Article 23 ("Auditing Committee"), which will hereinafter read as follows:

**"Article 23.- Auditing Committee**

1. The Company shall have an Auditing Committee composed of a number of members to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5), from among non-executive Directors and with a majority of Independent Directors, all of whom are to be appointed taking into account their knowledge of and experience in accounting and/or audit from among its members. The Chairman shall be an Independent Director designated from among its members. The Secretary of the Board of Directors shall act as Secretary of the Auditing Committee.

The Committee shall support the Board of Directors in supervising economic and financial processes and the independence of the External Auditor, and in the internal control of the Company.

2. The Auditing Committee shall have at least the following powers:

(i) To report at Shareholders Meetings on matters falling within its jurisdiction which are raised in relation to the matters entrusted to the Committee.

(ii) To supervise the efficacy of the Company's internal control, any internal audit, and risk management systems, including tax risks, as well as discuss with the external auditors any significant weaknesses of the internal control system detected in the course of the audit.

(iii) To supervise the process of preparing and filing the necessary financial information.

(iv) To present to the Board of Directors any proposals for selection, appointment, re-election and replacement of external auditors, as well as the terms of their contract, and to regularly collect from the auditors information on the auditing plan and its performance, as well as to preserve their impartiality during the exercise of their tasks.

(v) To duly engage with the external auditors in order to receive information on any issues that may jeopardize their independence, for their examination by the Committee, and any other issues relating to the audit process, as well as other communications provided for in audit legislation and audit standards. In any case, they must receive each year from the external auditors a statement of their independence in relation to the Company or entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities, and any professional fees paid by these entities, by those external auditors or by persons or entities related to those auditors in accordance with the provisions of auditing legislation in force.

(vi) Before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the external auditors or audit firms. This report must, in any case, contain an appraisal of the provision of the additional services referred to in the preceding letter, considered both individually and overall, other than legal auditing services and in relation to the independence requirement or auditing regulations.

(vii) To previously inform the Board of Directors about any matters foreseen in the Law, By-laws and Board Regulations, to particularly include:

1. Any financial information that the Company needs to periodically publish.

2. The creation or acquisition of participations in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens.

3. Any operations with related parties.

(viii) Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.

The provisions established in iv), v) and v) above will apply without prejudice to applicable auditing regulations.

3. Any member of the management team or Company personnel who is required for such purpose shall be obliged to attend Committee meetings and must provide assistance and allow access to the information available to him. In order to discharge its functions, the Committee shall have access to the means necessary for its functioning.

4. The Board of Directors shall expand on the powers and the rules of operation of the Auditing Committee either in specific regulations or in special provisions of the Board Regulations, and will strive to encourage the Committee's independence in the exercise of its tasks."

C. To rename Article 24 ("Governance and Corporate Responsibility Committee" and amend its content, hereinafter reading as follows:

**"Article 24. Appointments and Remuneration Committee**

1. The Company shall have an Appointments and Remuneration Committee, which shall be formed by a number of Directors to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) from amongst the non-executive Directors, and with the majority of its members being Independent Directors.

The Committee Chairman shall be an Independent Director elected by its members and the Secretary shall be the Secretary of the Board of Directors.

2. Without prejudice to any other tasks entrusted by Law, these By-laws or, in line with the same, the Board of Directors Regulations, the Appointments and Remuneration Committee will at least hold the following powers:

- a) *To evaluate the competences, knowledge and experience required for the Board of Directors. To this effect, it will define the duties and skills expected of any candidates for each vacancy and will evaluate the necessary time and dedication to enable them to effectively execute their task.*
- b) *To establish a representation goal for the least represented gender on the Board of Directors and provide guidelines on how to obtain this goal.*
- c) *To present the Board of Directors for any proposed appointments of independent Directors, for their designation by co-optation or to be decided upon by the General Meeting, as well as any proposals to re-elect or remove these Directors by the General Meeting.*
- d) *To forward any proposed appointments of the other Directors, for their designation by co-optation or to be decided upon by the General Shareholders Meeting, as well as any proposals to re-elect or remove these Directors by the General Shareholders Meeting.*
- e) *To forward any proposals to appoint and remove senior executive and the basic terms of their contracts.*
- f) *To examine and arrange the succession process of the Chairman of the Board of Directors and CEO of the Company and, if necessary, to make proposals to the Board of Directors in order for this succession to take place in an orderly and planned manner.*
- g) *To propose to the Board of Directors the remuneration policy for Directors and general managers, or those performing senior management duties and directly reporting to the Board, Executive Committees or Managing Directors, as well as their individual remuneration and other contractual conditions of executive Directors, ensuring that these are observed.*
- h) *To propose to the Board the appointment of the Lead Independent Director.*
- i) *to assume such reporting, supervising and proposing functions in the area of corporate governance and corporate responsibility, as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.”*

## **PROPOSED RESOLUTION RELATING TO ITEM SEVEN OF THE AGENDA:**

The following resolution is proposed so that it may be submitted to the General Shareholders' Meeting:

**AMENDMENT OF THE REGULATION OF THE GENERAL SHAREHOLDERS' MEETING FOR ITS ADAPTATION TO THE LATEST LEGISLATIVE REFORMS MADE BY LAW 31/2014, OF 3 DECEMBER, WHICH AMENDS THE SPANISH COMPANIES ACT, TO IMPROVE CORPORATE GOVERNANCE AND OTHER MODIFICATIONS OF STYLE OR ORDER IN ORDER TO GIVE MORE CLARITY TO THE TEXT OF THE REGULATIONS OF THE GENERAL SHAREHOLDERS' MEETING: AMENDMENT OF ARTICLES 3 ("POWERS OF THE GENERAL MEETING"), 5 ("CALL"), 6 ("RIGHTS OF THE SHAREHOLDERS"), 7 ("THE SHAREHOLDER'S RIGHT TO PARTICIPATE"), 8 ("THE SHAREHOLDER'S RIGHT TO INFORMATION"), 10 ("REPRESENTATION") AND 15 ("CONSTITUTION, DELIBERATION AND ADOPTION OF RESOLUTIONS").**

A) To amend Article 3 ("Competences of the Meeting"), which will hereinafter read as follows:

### ***"Article 3.- Competences of the Meeting***

*The Shareholders Meeting, duly called and legally convened, represents all the shareholders and exercises the powers and discharges the duties corresponding to it at the Company. Its resolutions, adopted in accordance with these Regulations and the Corporate By-laws, shall be binding on all shareholders, notwithstanding the statutory right of withdrawal. The Shareholders Meeting shall have the power to adopt all resolutions specific to its status as the Company's sovereign body. In particular, and without limitation, it is responsible for:*

- a) Approving the financial statements of Red Eléctrica Corporación, S.A. and the consolidated financial statements of Red Eléctrica Corporación, S.A. and its subsidiaries, the conduct of management by the Board of Directors and the proposed distribution of income or allocation of loss;*
- b) Appointing and removing Directors (including ratification or revocation of appointments by co-optation), liquidators and auditors, as well as filing a corporate action for liability against any of them;*
- c) Resolving on the amendment of the Corporate By-laws;*
- d) Resolving on capital increases and reductions;*
- e) Resolving on the removal or limitation of the preemptive right of subscription;*
- f) Ordering the acquisition, disposal or contribution to another company of essential assets. An asset will be presumed essential whenever the transaction amount exceeds twenty-five per cent of the "Assets" item reflected in the latest approved balance sheet.*
- g) Resolving on an alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office;*
- h) Resolving on the dissolution of the Company;*
- i) Approving on the final liquidation balance sheet;*
- j) To approve a transfer to dependent entities of essential activities executed until then by the Company, even if the latter continues to fully own the former.*
- k) Approval of the remuneration policy for Directors, in the terms established in the Spanish Companies Act.*
- l) Resolving on any other matters determined by the law, the By-laws or these Regulations, in particular:
  - i. Resolving on programs or authorizing transactions relating to treasury stock;*
  - ii. Approving the establishment of Directors' compensation systems linked to share value;**

- iii. Resolving on the issue of debentures;
  - iv. Authorizing the Board of Directors to increase capital stock in accordance with the provisions of the Spanish Companies Act;
  - v. Approving transactions the effect of which is equivalent to the modification of the corporate purpose or the liquidation of the Company.
- In exercising its powers, the Shareholders Meeting shall not interfere with the powers and functions specific to the Board of Directors.”*

B) To amend Article 5 (“Call Notice”), which will hereinafter read as follows:

**“Article 5.- Call Notice**

*Both the Ordinary and Extraordinary Shareholders Meeting shall be called by the Board of Directors in a notice published in at least the following formats: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the National Securities Market Commission; and (iii) the website of the Company, and a copy shall be sent to the Stock Exchanges on which its shares are listed. The notice published on the Company website shall remain accessible on the website at least until the Shareholders Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.*

*The call notice shall be made at least one month prior to the date set for holding the Meeting, although it shall seek to call the Meeting sufficiently in advance with a view to making it as easy as possible for all the shareholders to be able to plan for their participation. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Extraordinary Shareholders Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders Meeting by at least two-thirds of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.*

*The call notice shall state the name of the Company, the date and time of the Meeting on first call, the agenda on which the business to be transacted shall appear, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date for the second call may also be set. A minimum period of twenty-four hours must elapse between the two calls. Where a second call is not provided for and the Shareholders Meeting cannot be held, the Meeting must be announced, with the same agenda and the same publicity requirements as the first call within the fifteen days following the date of the Shareholders Meeting not held and at least ten days prior to the date set for the meeting. In the call notice the Board shall endeavour to indicate the probable date of holding the Meeting on first or second call.*

*The notice shall also contain clear and exact information on the formalities to be completed by shareholders in order to be able to participate in and vote at the Shareholders Meeting, including, in particular, the following aspects:*

- i. *The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.*
- ii. *The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.*

- iii. *The procedures established for casting votes by remote means, whether by post or electronic means.*

*Shareholders Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice.*

*The call notice shall indicate the place and times at which the shareholders may consult the documents which are to be submitted for their approval at the Shareholders Meeting, notwithstanding their right to examine at the registered office and to ask to have such documents sent to them free of charge and immediately. In addition, should the Shareholders Meeting have to decide on any amendment to the By-laws, the call must state, with due clarity, the points which are to be amended.*

*The Board shall make available to the shareholders, on the terms indicated in the preceding paragraph, the complete wording of the resolutions to be adopted at the Shareholders Meeting, where so required by the Law and, in other cases, provided that it is not prevented by imponderable circumstances. Insofar as permitted by the Law, the wording may be amended by decision of the Board of Directors where supervening circumstances so require, in which case the new wording shall be made available to the shareholders in the same way or, should this not be possible, details shall be given at the Meeting itself.*

*The Board must call an Extraordinary Shareholders Meeting when shareholders holding three percent of the capital stock send a request stating the reasons and describing the business to be transacted, which must relate to matters falling within the jurisdiction of the Shareholders Meeting. In this case the Shareholders Meeting must be called to be held within two months from the date on which the Board of Directors was asked by way of a notary to call it and the items indicated in the request must necessarily be included on the agenda.*

*Shareholders representing at least three percent of the capital stock may request the publication of a supplement to the call notice for an Ordinary Shareholders Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposal for a resolution. In no case may this right be exercised with respect to the call notice for Extraordinary Shareholders Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders Meeting. If included by the aforesaid shareholders in their request, the Board shall make available to the shareholders the complete wording of the resolutions proposed on the same terms as indicated above. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for challenging rendering the Shareholders Meeting void.*

*Shareholders representing at least three percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of letter d) of paragraph seven of this Article 8.1 of these Regulations.*

*If the Shareholders Meeting is not called by the Board of Directors despite it being required to do so, it may be called, at the request of the shareholders and with the Board having been given the opportunity to be heard, by the judge having jurisdiction over the Company's registered office who, if applicable, will appoint the person to chair the Meeting."*



C) To amend Article 6 (“Shareholders’ rights”), which will hereinafter read as follows:

**“Article 6.- Shareholders’ rights**

**6.1 List**

*The shareholders of Red Eléctrica Corporación, S.A. have, inter alia, the following rights:*

- i. the right to a share in the distribution of corporate income and in the liquidation dividend;*
- ii. a preemptive right to subscribe new shares or convertible debentures, unless such right has been duly excluded;*
- iii. the right to attend and vote at Shareholders Meetings;*
- iv. the right to object to corporate resolutions and to seek, if appropriate, directors’ liability;*
- v. the right to information;*
- vi. the right to participate in corporate affairs.*

*The Company must afford equal treatment to shareholders who are on an identical footing. Furthermore, the Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholders Meeting.*

**6.2 Manner of exercise**

*Shareholders shall exercise their rights in the manner stipulated by the Law, in the By-laws and in these Regulations.*

**6.3 Limitations**

*Shareholders’ rights are subject to the limitations stipulated in current law, to particularly include Additional Provision No. 23 of Act 54/1997, of 27 November (“Act 54/1997”) and in Article 30 of the Electricity Industry Act, and contained in the current By-laws.”*

D) To amend Article 7 (“Shareholder’s right of participation”), which will hereinafter read as follows:

**“Article 7.- Shareholder’s right of participation**

**7.1 Request for inclusion of items in the Agenda**

*Shareholders holding three percent (3%) of the capital stock may ask the Board, prior to the call, to include an item on the Agenda of the next Shareholders Meeting. The Board must include the items requested in the manner which best suits the corporate interest, provided that they relate to matters which are within the powers of the Shareholders Meeting.*

**7.2 Shareholders’ proposals and suggestions**

*Shareholders may draw up proposals in relation to the items included on the Agenda. They may also make suggestions regarding the activities and interests of the Company which, in their opinion, should be debated at the Shareholders Meeting.*

*In both cases they may make these proposals and suggestions through the Shareholder Service Office, after furnishing proof of their identity as shareholders, subject to due verification.”*

E) To amend Article 8 (“Shareholder’s right of information”), which will hereinafter read as follows:

**“Article 8.- Shareholder's right of information**

**8.1 Supply of information to shareholders**

*From the publication of the call notice and until the holding of the Shareholders Meeting, the Company must publish, on an uninterrupted basis, on its website and shall make available at the Shareholder Information Office at least the following information:*

*i. The call notice.*

*ii. The total number of shares and voting rights at the date of the call, broken down by share class, if any.*

*iii. The documents to be submitted to the Shareholders Meeting and, in particular, reports from directors, auditors and independent experts.*

*iv. The full text of the proposed resolutions on each and every one of the points in the agenda or, in relation to points of a merely informative nature if none, a report by the competent bodies on each of said points the items on the agenda. Proposed resolutions submitted by shareholders shall also be included when they are received.*

*v. For the appointment, ratification or re-election of members of the Board of Directors, the identity, c.v. and category to which each one belongs, as well as the proposal and reports referred to in Article 529.decies of the Spanish Companies Act. For legal entities, the information will include details of the individual appointed to permanently perform the tasks inherent to this post.*

*vi. Environmental Report, if any;*

*vii. any other report the inclusion of which is obligatory or is determined by the Board of Directors.*

*viii. The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder. Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.*

*On the date on which the Shareholders Meeting is held, the necessary documentation shall be furnished to shareholders at the venue of the Meeting.*

**8.2 Requests for information by shareholders**

*Shareholders may also request in writing, in the terms established in the Law and the Company By-laws, prior to the Shareholders Meeting or orally during the Meeting, such documentation, reports or clarifications as they deem relevant to the items on the agenda.*

*Shareholders may also request information, clarifications or pose questions in writing, or orally while the Meeting is being held, concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders Meeting was held and concerning the auditors' report.*

*If prior to their formulation of a specific question, the requested information is clearly, and directly and expressly available to all shareholders on the Company website in a question and answer format, Directors may merely reply by referring to the information provided in this form.*

*The Board of Directors must furnish the shareholders with the documentation information requested unless this information is unnecessary to protect shareholders' rights, or objective reasons exist to consider that it may be used for non-corporate purposes or that its disclosure could damage the Company or its related companies. This exception shall not apply where the request is supported by shareholders who represent at least twenty-five (25) per cent of the capital stock.*

*If the information requested cannot be furnished at the Shareholders Meeting itself, and may not be refused, the reports and documentation requested must be sent to the shareholders within seven days from the conclusion of the Shareholders Meeting.*

*All valid requests for information, clarifications or questions made in writing, and the replies provided in writing by the Directors, will be uploaded on the Company's website.*

### **8.3 Shareholders' inquiries**

*Shareholders may pose questions in writing concerning publicly available information or information which has been disclosed to the relevant authorities.*

*Shareholders may make their inquiries through the Shareholder Information Office, after furnishing proof of their identity as shareholders, subject to due verification. The Company shall disseminate such replies as it may decide on the website, individually or collectively, and if the Board of Directors deems it appropriate the matters shall be addressed at the Shareholders Meeting.*

*The Board of Directors shall be obliged to provide the appropriate response to these questions unless public disclosure of the information is unnecessary to protect shareholders' rights, or there are objective reasons to believe that it may be used for non-corporate purposes or that its disclosure could harm the Company or its related companies.*

*Information may not be refused when the request is supported by shareholders who represent at least twenty-five percent of the capital stock.*

### **8.4 Shareholders' Electronic Forum**

*While provided for in the legislation in force, and pursuant to the development of such legislation technically and legally, a Shareholders' Electronic Forum shall be set up on the Company website, and may be accessed with due safeguards by individual shareholders and by any voluntary associations that may be formed, with a view to facilitating their communication prior to the holding of Shareholders Meetings. Proposals that are intended to be submitted as a supplement to the agenda announced in the call notice, requests for seconding such proposals, initiatives for achieving a sufficient percentage to exercise a minority right provided for in the law, or offers or solicitations for voluntary proxies, may be posted on the Forum. The Board of Directors of the Company shall determine the rules which are to govern, from time to time, the operation of the Forum set up for the Shareholders Meeting, and which shall be publicly disclosed on the Company website."*

F) To amend Article 10 ("Representation"), which will hereinafter read as follows:

#### **"Article 10. Representation**

*Shareholders who are entitled to attend may be represented at the Shareholders Meeting by another person, in the manner established by law and in the By-laws. The proxy must be granted in writing and specifically for each Shareholders Meeting.*

*No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of such shareholder that exceed the limits established in Article 5 of the Corporate By-laws.*

*Proxies may also be granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications are duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Articles 15 and 17 bis of these Corporate By-laws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.*

*The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment.*

*The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.*

*Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders Meeting.*

*Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders Meeting.*

*Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Spanish Companies Act. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.*

*Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Spanish Companies Act.*

*Any entities registered as entitled shareholders according to the share accounting register, albeit acting on behalf of other persons, may in any case fraction their vote and vote against the proposal, further to different voting instructions, if such are received. These intermediary entities may grant a proxy to each indirect holder or to third parties designated by the latter, without limitation on the number of proxies granted.*

*Personal attendance of the Shareholders Meeting by the shareholder represented shall be deemed to revoke the proxy granted.*

*Attendance shall have the same effect on votes cast absentee, as indicated in Article 15.8 of these Regulations.*

*The shareholder's proxy-holder may appoint a substitute to cast the vote where there is a conflict of interests."*

G) To amend Article 15 ("Convening of meetings, deliberation and adoption of resolutions"), which will hereinafter read as follows:

**"Article 15. Convening of meetings, deliberation and adoption of resolutions**

**15.1 Attendance list**

*Before discussing the first item on the agenda, the list of attendees shall be drawn up, indicating the nature or representation of each one and the number of shares, of their own or of others, with which they attend.*

*At the end of the list the number of shareholders attending in person or by proxy shall be determined, as well as the amount of capital stock they own, specifying that belonging to shareholders with voting rights, by way of summary, verified by the Secretary's Office.*

*The list of attendees may also be drawn up by means of a file or included on a computerized medium. In such cases the means used shall be recorded in the minutes and the appropriate identification note, signed by the Secretary and countersigned by the Chairman, shall be affixed to the sealed cover of the file or of the medium.*

## **15.2 Calling the meeting to order**

*After the meeting is called to order, the Secretary shall read the information concerning the call and attendance on the basis of the list of attendees. In light of the list of attendees the Chairman shall, if appropriate, declare the Shareholders Meeting to be validly convened. If a notary asked by the Company to draw up the minutes of the Shareholders Meeting is present, he shall ask the attendees whether there are any reservations or protests regarding the information concerning the attendance of shareholders and capital stock stated by the Chairman.*

*Any shareholder who expresses reservations must display his attendance card to the personnel assisting the Presiding Panel and, if appropriate, the attending notary.*

*Before opening the debate on the agenda, the Chairman shall ask shareholders who wish to address the Shareholders Meeting to approach the personnel assisting the Presiding Panel, displaying their attendance card, with a view to establishing the order in which they may take the floor.*

## **15.3 Presentations**

*At the Ordinary Shareholders Meeting, the Chairman shall inform the Shareholders Meeting of the most significant aspects of the fiscal year and of the Board's proposals, and his presentation may be completed by persons authorized by him. The Chairman of the Auditing Committee shall be at the disposal of the Shareholders Meeting to answer such questions as may be raised thereat by the shareholders on the matters within its jurisdiction.*

## **15.4 Request for information**

*While the Shareholders Meeting is being held, shareholders may orally request such reports or explanations as they deem appropriate concerning the items on the agenda or about the information that is publicly available and which the Company has provided to the National Securities Market Commission (CNMV) since the last General Meeting was held, and about the auditor's report. If this right cannot be satisfied at that time, the Board of Directors must provide the information in writing within seven days after the holding of the Shareholders Meeting.*

*If prior to their formulation of a specific question, the requested information is clearly, and directly and expressly available to all shareholders on the Company website in a question and answer format, Directors may merely reply by referring to the information provided in this form.*

*Directors must provide the shareholders with the information requested unless this information is unnecessary to protect shareholders' rights, or objective reasons exist to consider that it may be used for non-corporate purposes or that its publicity could damage the Company or its related companies. This exception shall not apply where the request is supported by shareholders who represent at least twenty-five (25) per cent of the capital stock.*

## **15.5 Deliberation**

*When the appropriate presentations have been concluded, the Chairman shall grant the floor to shareholders who have so requested, directing and coordinating the debate, and seeking to follow the established agenda, except as provided for in Articles 223.1 and 238 of the Spanish Companies Act.*

*The Chairman shall organize the manner in which replies are to be given to shareholders who have made any request or clarification in their oral exposition. In particular, he may decide that a joint reply be given to the speeches of shareholders at the end of their turn to speak.*

*The Chairman shall bring the debate to a close when the matter has, in his opinion, been sufficiently debated, whereupon the Chairman shall submit the proposed resolutions to a vote and they shall be read by the Secretary. The reading of proposals may be summarized by decision of the Chairman, provided that the shareholders representing the majority of the subscribed voting capital stock present at the Shareholders Meeting do not object to it.*

*In exercising his powers to organize the proceedings of the Shareholders Meeting, and notwithstanding other actions, the Chairman may, whenever he deems it appropriate and having regard to the existing circumstances:*

- i. redistribute the time assigned to each shareholder;*
- ii. ask speakers to clarify or expand on the issues they have set forth;*
- iii. call shareholders addressing the Meeting to order so that they limit their speech to matters specific to the Shareholders Meeting and refrain from making inappropriate comments;*
- iv. withdraw the use of the floor from speakers who abuse their right or have used up the time assigned;*
- v. expel from the premises those who are disorderly and disrupt the normal proceedings of the Shareholders Meeting, with the necessary ancillary measures.*

### **15.6 Temporary adjournment**

*(i) Exceptionally, if disturbances occur which substantially disrupt the orderly progress of the meeting, or any other extraordinary circumstance arises which temporarily prevents the normal proceedings of the Shareholders Meeting, the Chairman of the Shareholders Meeting may resolve the adjournment of the session for such period of time as he deems adequate, under no circumstances exceeding two hours, in order to seek to reestablish the conditions necessary for its continuation. The Chairman of the Shareholders Meeting shall take such additional measures as he deems appropriate to guarantee the safety of those present and to avoid the repetition of circumstances which could again disrupt the orderly progress of the meeting.*

*(ii) If, after the meeting is resumed, the situation which gave rise to the adjournment persists, the Chairman may, after consulting the Presiding Panel of the Shareholders Meeting, resolve an extension for the following day. If the resolution regarding the extension is, for any reason, not adopted by the Presiding Panel, the Chairman shall immediately bring the session to a close.*

### **15.7 Extension**

*(i) At the proposal of the Chairman, after consulting the Presiding Panel, or at the request of shareholders who represent at least one fourth of the capital stock present at the Shareholders Meeting, those attending may decide to extend its sessions for one or more consecutive days.*

*(ii) After the holding of the Shareholders Meeting has been extended, it shall not be necessary at successive sessions to repeat compliance with the requirements stipulated by the Law or in the Corporate By-laws in order for it to be validly convened. If any shareholder included on the list of attendees drawn up at the beginning of the meeting subsequently fails to attend successive sessions, the majorities necessary for the adoption of resolutions shall continue to be those determined at the sessions having regard to information derived from that list.*

### **15.8 Voting**

*Each share confers the right to one vote pursuant to the By-laws, subject to the limitations contained therein in accordance with the mandate of Article 30 of the Electricity Industry Act and under Additional Provision No. 23 of Act 54/199717/2007.*

The Chairman shall put to a separate vote those matters which are substantially independent, so that the shareholders can express their voting preferences separately. In particular, the following shall be put to a separate vote:

- (i) the appointment, ratification, re-election or removal of each Director;
- (ii) in the event of an amendment of the By-laws, each Article or group of Articles with individual autonomy; and
- (iii) any matters for which this is foreseen in the By-laws.

The Chairman shall decide on the most appropriate method for voting in each case, which he shall announce publicly at the Shareholders Meeting sufficiently in advance of the vote. However, the following deductive methods may be adopted to expedite voting:

- i. In voting on the Board's proposals relating to items included on the agenda, to treat as votes for those of all shares present, except for votes against, blank votes and any abstentions which were expressly declared by notification to the Secretary of the Shareholders Meeting, or, if appropriate, to the notary present at the Meeting, in such manner as may be decided by the Chairman.
- ii. In voting on proposed resolutions relating to items not included on the agenda or alternative proposals to those of the Board, to treat as votes against those of all shares present, except for votes for, blank votes and any abstentions which were expressly declared by notification to the Secretary of the Shareholders Meeting, or, if appropriate, to the notary present at the Meeting, in such manner as may be decided by the Chairman.

In the foregoing two cases, the declaration or casting of votes by notification to the Secretary or, if appropriate, to the notary, may be done individually in relation to each of the items on the agenda, or collectively for some or all of them. The Secretary shall furnish the Chairman with the list of the scrutineers drawn up together with the notary, if the latter was involved, with the result of the vote on each proposal. The list of votes counted must record all votes, indicating the voter's identity, the capacity in which he cast the vote (shareholder or proxy-holder) and whether he voted for or against or, if appropriate, his abstention. The notary, if any, shall record this in the minutes in the same way.

Shareholders entitled to attend and vote may cast their vote on the proposals relating to items included on the agenda by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote and the security of the electronic communications are duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Corporate By-laws, the Regulations of the Shareholders Meeting and such supplemental rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.

Votes by postal correspondence shall be cast by sending the Company a document in which the vote is recorded, accompanied by the attendance card issued by the entity or entities in charge of keeping the record of book entries or, if appropriate, by the Company.

Votes by electronic communication shall be cast using a recognized electronic signature or such other kind of safeguard as the Board of Directors considers suitable to ensure the authenticity and the identity of the shareholder exercising the right to vote.

A vote cast by electronic communication must be received by the Company before midnight (24:00) on the day immediately prior to that set for holding the Shareholders Meeting on first call. Otherwise, the vote shall be deemed not to have been cast.

The Board of Directors, having regard to the technical and legal bases making it possible and duly guaranteeing the identity of the individual exercising his right to vote, is authorized to implement the foregoing provisions by establishing the appropriate rules, means and procedures according to the state of the art with a view to instrumenting the casting of votes and the grant of proxies by electronic means, in compliance with any legislation which may be made for this purpose.

*In particular, the Board of Directors may regulate the use of alternative safeguards to the electronic signature for the casting of an electronic vote and reduce the advance period for the Company's receipt of votes cast by postal or electronic correspondence or by any other means of remote communication, in accordance with the provisions of the previous paragraphs.*

*In any event the Board of Directors shall take the necessary measures to avoid duplications and to ensure that the person who cast the vote was duly entitled to do so in accordance with the provisions of Article 15 of the Corporate By-laws.*

*Any implementing provisions adopted by the Board of Directors under the provisions of this Article, as well as the means, procedures and forms established for granting a proxy and exercising the right to vote remotely shall be posted on the Company website.*

*Personal attendance at the Shareholders Meeting by the shareholder or by his proxy-holder shall constitute the revocation of the vote cast by postal or electronic correspondence or by any other means of remote communication.*

### **15.9 Adoption of resolutions**

*Resolutions shall be adopted by a simple majority of the votes of the shareholders present or represented at the Meeting; a resolution will be deemed adopted whenever it obtains more votes in favour than against, of the capital stock present or represented. In order to adopt the resolutions foreseen in Article 194 of the Spanish Companies Act and Article 14 of the Company By-laws, if the capital stock present or represented exceeds fifty (50) per cent, it will suffice for the resolution to be adopted by an absolute majority. However, the favourable vote of two thirds of the capital stock present or represented at the Meeting will be necessary if, at second call, shareholders attend that represent twenty-five (25) per cent or more of the voting capital subscribed, without reaching fifty (50) per cent. The foregoing will not apply in those cases where the Law requires a greater majority.*

*For each resolution submitted to a vote the Shareholders Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution and, as the case may be, the number of abstentions.*

### **15.10 Closing of the meeting**

*Once all the items on the agenda have been debated and any relevant voting held, the Chairman shall bring the Meeting to a close.*

### **15.11 Publication of resolutions on the website**

*The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders Meeting.”*



## **PROPOSED RESOLUTIONS RELATING TO ITEM EIGHT ON THE AGENDA:**

The following resolution is proposed so that it can be submitted to the General Meeting:

**DELEGATION IN FAVOR OF THE BOARD OF DIRECTORS FOR A TERM OF FIVE (5) YEARS, OF THE POWER TO INCREASE THE SHARE CAPITAL AT ANY GIVEN TIME, ONCE OR SEVERAL TIMES, UP TO A MAXIMUM AMOUNT OF ONE HUNDRED THIRTY-FIVE MILLION TWO HUNDRED SEVENTY THOUSAND (135,270,000) EUROS, EQUIVALENT TO HALF OF THE CURRENT SHARE CAPITAL, IN THE AMOUNT AND AT THE ISSUE RATE THAT THE BOARD OF DIRECTORS DECIDES IN EACH CASE, WITH THE ATTRIBUTION OF THE POWER TO FULLY OR PARTIALLY EXCLUDE THE PREFERRED SUBSCRIPTION RIGHT FOR A MAXIMUM OVERALL LIMIT OF 20% OF THE CAPITAL AND EXPRESS AUTHORISATION TO GIVE, IF APPLICABLE, NEW WORDING TO ARTICLE 5 OF THE COMPANY BY-LAWS AND TO REQUEST, IF APPLICABLE, THE ADMISSION, CONTINUED LISTING OR DELISTING OF SHARES ON ORGANISED SECONDARY MARKETS.**

**1.- Delegation to the Board of Directors, term and quantitative limit.**- To authorise the Board of Directors, as broadly and efficiently as possible in Law and in use of the power of delegation established in Article 297.1.b) of the current Spanish Companies Act (*Ley de Sociedades de Capital*) and in Article 8 of the Company By-laws, so that, within the maximum term of five (5) years as from the date on which this resolution is adopted, and without requiring a call by or subsequent resolution of the General Shareholders' Meeting, to resolve, one or several times, on the opportunity and in the amount that it decides, to increase the share capital by the maximum amount of one hundred thirty-five million two hundred and seventy thousand (135,270,000) euros, which is equal to half of the Company's current share capital.

**2.- Scope of the delegation.**- The capital increases that, if applicable, the Board of Directors resolves to carry out in accordance with this delegation will be executed by issuing and putting into circulation new shares, whether ordinary, preferred or redeemable, with or without a vote, with a premium, fixed or variable, or without a premium, the equivalent value of which will consist of monetary contributions.

The Board of Directors can set, in all that is not established in this resolution on delegation, the terms and conditions of the capital increases, including, by way of example, the characteristics of the shares, the investors and markets to which the increases are allocated and the placement procedure, as well as freely offer the new shares that are not subscribed within the preferred subscription term or terms, in those cases where this right is not excluded.

The Board of Directors may likewise establish that, in the event of an incomplete subscription, the capital increase will be rendered null or that the share capital will be increased only by the amount of the subscriptions carried out, as well as give new wording to Article 5 of the Company By-laws regarding the share capital and the number of shares in circulation, once each of the increases is agreed and executed.

**3.- Exclusion of the preferred subscription right.**- Pursuant to the provisions of Article 506 of the in force Spanish Companies Act, the Board of Directors is expressly granted the power to exclude, in full or in part, the preferred subscription right in respect of all or some of the shares issues that, if applicable, it agrees to carry out by virtue of this authorisation, provided that the company's interest so requires and provided that the face value of the shares to be issued, plus the issue premium to be agreed, as the case may be, corresponds to the reasonable value of the company's shares deriving from the report that, at the request of the Board of Directors, must be prepared by an auditor appointed for these purposes by

the Mercantile Registry on each occasion that the power of exclusion of the preferred subscription right is used; additionally, the Board of Directors must issue a report detailing the specific corporate interest reasons that justify said measure, pursuant to the provisions of Articles 417 and 506 of the in force Spanish Companies Act. Such reports will be made available to the shareholders and communicated to the first General Shareholders' Meeting held after the capital increase resolution is implemented.

The above notwithstanding, this power will be limited to the maximum amount corresponding to 20% of the Company's share capital at the time of this authorisation, i.e., the figure of fifty-four million one hundred and eight thousand (54,108,000) euros.

**4.- Calculation of the overall limit.-** The amount of the share capital increases that, if applicable, and in order to carry out the conversion of debentures, bonds or other similar fixed income securities that are convertible into newly issued shares, or the exercise of warrants with entitlement to the delivery of new shares that the Board of Directors may resolve in accordance with the proposal that, under point Nine of the Agenda, will be submitted to the approval of this General Meeting, will be considered to be included within the maximum limits referred to in points 1 and 3 above available at any given time.

**5.- Admission to trading.-** The Board of Directors is likewise authorised to request admission to trading, continued trading and exclusion from organised secondary markets, whether Spanish or foreign, of the shares that may be issued by virtue of this authorisation, carrying out in that case before the competent bodies of the different securities markets, whether national or foreign, the processes and actions that are necessary or advisable for admission to trading, continued trading and/or exclusion from trading, as the case may be.

**6.- Delegation.-** The Board of Directors is expressly authorised so that it may in turn delegate the powers contained in this resolution.

**7. 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 Ordinary General Shareholders' Meeting on 20 May 2010, with a nature similar to the one contained in this point of the Agenda.

## **PROPOSED RESOLUTION IN RELATION TO ITEM NINE OF THE AGENDA:**

The following resolution is proposed so that it can be submitted to the General Meeting:

**DELEGATION IN FAVOUR OF THE BOARD OF DIRECTORS, FOR A TERM OF FIVE (5) 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 SIMPLE 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 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 OF THE POWER TO EXCLUDE, IN FULL OR IN PART, THE PREFERRED SUBSCRIPTION RIGHT FOR A MAXIMUM TERM, OVERALL OF 20% 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 GIVE, IF APPLICABLE, NEW WORDING TO ARTICLE 5 OF THE COMPANY BY-LAWS AND TO REQUEST, AS THE CASE MAY BE, ADMISSION OF SECURITIES TO TRADING, CONTINUED TRADING AND/OR EXCLUSION.**

**1.- Delegation to the Board of Directors.-** Delegate to the Board of Directors, in the broadest and most efficient manner possible in Law and in accordance with the provision of Article 319 of the Mercantile Registry Regulations, in 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 following conditions.

Additionally the Board of Directors may, if applicable, authorise the 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 that are the subject matter of the issue.-** The securities to which this delegation refers can 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 and warrants or other similar securities, whether simple 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 securities, 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.

It is hereby established that, in accordance with the provisions of Article 510 of the in force Spanish Companies Act, the maximum legal limit for issuing the obligations and other securities that are acknowledged or create debt as established in Article 405 of said Law, does not apply to the Company.

**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 subordinates); 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, 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 applicable legislation, 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 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 in force 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 relevant

securities 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 fixed-income 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 can 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 (which is determined or can be determined) or variable exchange relationship, therefore it corresponds to the Board of Directors to determine whether they are convertible or exchangeable or both at the same time, 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. In any case, the Company must respect the equal treatment among all of the holders of fixed-income securities that are converted or exchanged on the same date.

3.- For the purposes of the conversion and exchange, the debentures, bonds or other fixed-income securities will be assessed at their face value. Shares will be assessed 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 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 fixed-income securities for delivery will be rounded up by default to the immediately lower number and each holder will receive in case the difference that may arise in said scenario.

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

6.- Pursuant to the provisions of Article 415.2 of the in force Spanish Companies Act, the debentures, bonds or other fixed-income 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 securities in accordance with this authorisation of the General Meeting, the Board of Directors must issue a report that develops 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 auditor's report, pursuant to the provisions of Articles 414 and 511 of the in force Spanish Companies Act.

**7.- Rights of the holders of convertible securities.-** The holders of convertible or exchangeable securities and warrants will enjoy all the rights that they are recognised under current legislation.

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

1.- The power that the Board of Directors has, in accordance with the provisions of Article 511 of the in force Spanish Companies Act, to exclude in full or in part, the preferred subscription right of the shareholders when it is justified that this is 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 it were to eventually decide to carry 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 in force Spanish Companies Act, a report from the Board of Directors detailing the specific reasons of corporate interest that justify said measure and must obtain the compulsory report from the 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 relationship and, as the case may be, its adjustment formula, to offset a potential dilution of the financial participation of the shareholders. Such reports will be made available to the shareholders and communicated to the first General Shareholders' Meeting held after the corresponding resolution to issue.

This power to exclude the preferred subscription right will, in any case, be limited to the increases in share capital that are carried out in accordance with this authorisation and those which constitute the object of point Eight on the Agenda of this General Meeting up to the corresponding maximum amount, overall, of 20% 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 transform the convertible securities issued in accordance with this delegation, pursuant to Article 297.1.b) 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 in force Spanish Companies Act.

This authorisation to increase the share capital in order to convert securities or exercise warrants includes the authority to issue and to 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, pursuant to Article 297.2 of the Spanish Companies Act, to provide new wording to article 5 of the Company By-laws 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 in force Spanish Companies Act, the increase in capital 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 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 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 fixed-income 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.-** 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 participations, 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 fixed-income securities carried out by companies in 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 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 Ordinary General Shareholders' Meeting held on 20 May 2010, with a nature similar to the one contained in this point of the Agenda

of the General Meeting, 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.



## **PROPOSED RESOLUTIONS IN RELATION TO ITEM TEN OF THE AGENDA:**

### **AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS FOR THE DERIVATIVE ACQUISITION OF TREASURY STOCK AND APPROVAL OF A COMPENSATION PLAN IN SHARES FOR EMPLOYEES, MEMBERS OF MANAGEMENT AND EXECUTIVE DIRECTORS.**

As in previous years, a proposal is made to shareholders to renew the authorization granted by the Ordinary General Shareholders' Meeting to the Board of Directors for the derivative acquisition of treasury stock by the Company or by companies of the Red Eléctrica Group, and for the direct allocation of treasury stock to employees, members of management and executive directors of the Company and of the companies of the Red Eléctrica Group, as compensation, with the limits contemplated in the proposal.

In addition, as a separate sub-item on the agenda within this item, it is also intended to establish a Compensation Plan for employees, members of senior management and the executive directors of Red Eléctrica Corporación, S.A., which may be extended to the same groups of individuals in companies in its consolidated Group in Spain, allowing part of their annual compensation to be awarded in the form of Company shares deriving from the treasury stock. This Plan requires the establishment of a number of basic conditions which are included in the resolution proposed.

As a result the following resolutions are proposed for submission to the General Shareholders' Meeting:

#### **One.- Authorization for the derivative acquisition of treasury stock by the Company or by companies of the Red Eléctrica Group, and for the direct award of treasury stock to employees, members of senior management and executive directors of the Company and of the companies of the Red Eléctrica Group in Spain, as compensation**

To authorize, pursuant to the provisions of Article 146 and related provisions of the Spanish Companies Act and other applicable legislation, the derivative acquisition of treasury stock in Red Eléctrica Corporación, S.A. by the Company itself and by companies of the Red Eléctrica Group directly or indirectly, insofar as the Board of Directors considers that the circumstances so advise, subject to the following conditions:

- (i) The maximum number of shares to be acquired must not exceed the established legal limit, provided that the other applicable legal requirements can also be fulfilled.
- (ii) Acquisitions cannot be made for a consideration higher than the market value of the shares at the time of acquisition, or for a consideration lower than 50% of the market price at that time.
- (iii) The methods of acquisition may consist of sale and purchase, swap or any other type of transaction for a consideration or without a consideration, as the circumstances so advise. In the case of acquisition without a consideration, pursuant to the provisions of Article 146.4 of the Spanish Companies Act, the shares acquired may be partially paid up.
- (iv) Pursuant to 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 stock, may not have the effect of leaving net worth below the amount of share capital plus legal reserves or restricted reserves pursuant to the bylaws.

For these purposes, 'net worth' will be considered the amount classified as such pursuant to the criteria used to prepare the financial statements, less the amount of income attributed directly to it, plus the amount of uncalled subscribed share capital, and also plus the subscribed nominal amount and the subscribed share premium recorded for accounting purposes as liabilities.

In accordance with paragraph three of Article 146.1 a) of the Spanish Companies Act, the Board of Directors of the Company may use some or all of the treasury stock acquired pursuant to this authorization and the treasury stock already owned by the Company on the date of approval of the resolution to implement compensation programs consisting of the direct award of shares to employees, members of senior management and executive directors of the Company and of companies belonging to the Red Eléctrica Group in Spain.

For all of the foregoing, the Board of Directors is granted the broadest powers to request any authorizations and adopt any resolutions that may be necessary or appropriate for the purposes of compliance with the legislation in force, and the implementation and successful outcome of this resolution.

The term of this authorization will be five (5) years as from the date of this General Shareholders' Meeting.

## **Two.- Approval of a Compensation Plan for employees, Executive Directors and members of senior management of the Company and of the companies of the Red Eléctrica Group in Spain.**

To approve the participation of the employees, members of senior management and executive directors of the Company and companies belonging to the Red Eléctrica Group in Spain, in a compensation system whereby part of their compensation may be awarded in the form of Company shares deriving from the treasury stock.

The main characteristics of this system are as follows:

- Beneficiaries: All of the employees, executive directors of the Company and members of senior management of companies belonging to the Red Eléctrica Group in Spain.
- Voluntary nature: joining the compensation plan is voluntary.
- Maximum limit: the maximum amount of compensation that may be received in shares is €12,000 per participant per year.
- Award date: the shares will be awarded within the term of validity of this authorization.
- Number of shares to be received by each participant: calculated according to the price of the share at the close of trading on the award date, with a maximum limit of €12,000 per year.
- Maximum number of shares authorized: the maximum total number of shares to be awarded will be that arising from the share value at the close of trading on the award date with the aforementioned limit of €12,000 per participant per year.
- Share value: the share price of Red Eléctrica Corporación, S.A. at close of trading on the award date.

- Origin of the shares: the shares will be taken from treasury stock, new or existing, either directly or through companies in the Red Eléctrica Group.
- Term: this compensation system will apply for the next five (5) years.

Empower the Board of Directors as broadly as necessary to request any authorizations and adopt any resolutions as required or advisable for the full execution and success of this resolution.

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

To revoke and thus render null and void, in the part not used prior to the date on which the above resolutions were adopted, the authorization for the derivative acquisition of treasury stock and the share compensation plan, approved by the Ordinary General Shareholders' Meeting held on May 9, 2014.

**PROPOSED RESOLUTIONS RELATING TO ITEM ELEVEN ON THE AGENDA:**

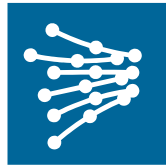
**COMPENSATION FOR THE BOARD OF DIRECTORS OF THE COMPANY.**

The following resolutions are proposed to be raised to the General Shareholders' Meeting:

**Paragraph One (of ITEM ELEVEN ON THE AGENDA of the General Meeting).**- Approval of the remuneration policy of the Directors of Red Eléctrica Corporación, S.A.

To approve the remuneration policy of the Directors of Red Eléctrica Corporación, S.A.

*(The Policy submitted for approval under this item is reproduced below)*



**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>
<b>Remuneration for membership, time assigned and attendance at meetings of the Board of Directors</b>	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.

**Paragraph Two (of ITEM ELEVEN ON THE AGENDA of the General Meeting).- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2015**

To approve the compensation of the Board of Directors of Red Eléctrica Corporación, S.A. for 2015, which was approved by the Board of Directors at the meeting held on 23 December 2014, in accordance with what is established in the Company's By-laws and the Regulations of the Board of Directors, at the proposal of the Governance and Corporate Responsibility Committee, in the following terms:

**REMUNERATION OF THE BOARD OF DIRECTORS, FOR ALL ITEMS, APPLICABLE IN THE 2015 FINANCIAL YEAR:**

The remuneration paid to the Board of Directors over the 2015 financial year will remain unchanged, in all items and amounts, with respect to 2014, as follows:

1. Fixed Remuneration.

Fixed Remuneration for the 2015 financial year will apply as follows:

130,742.00 euros/year per director, payable in monthly payments by day 10 of the month.

2. Allowances for attendance at Board of Directors Meetings.

The following allowances will be paid for attendance at meetings of the Board of Directors and its Committees, during 2015:

1,500.00 euros for each director's personal attendance at each one of the eleven ordinary meetings scheduled for the 2015 financial year, in the calendar approved by the Board of Directors. A proxy may be granted, without losing entitlement to the allowance, for duly justified reasons and twice a year maximum. This amount will be paid within fifteen days following each meeting.

Any extraordinary meetings of the Board of Directors, held in person or by remote means, will not entail any remuneration for allowances.

3. Dedication to Board of Directors Committees.

Remuneration paid for dedication to Board of Directors Committees, over the 2015 financial year, will apply as follows:

a) 27,900.00 euros/year to each member of the Board Committees, payable in monthly payments by day 10 of the month.

The foregoing amount will cover the entire year, irrespective of the number of Committee meetings held during 2015.

b) 15,000.00 euros/year to each chairman of the Board Committees, payable in monthly payments by day 10 of the month.

The foregoing amount will cover the entire year, irrespective of the number of Committee meetings held during 2015.

4. Lead Independent Director.

It is hereby agreed to assign annual remuneration to cover the office of Lead Independent Director, totalling 15,000.00 euros/year, payable in monthly payments by day 10 of the month.

Consequently, the same amounts and items established for 2014 will remain over the 2015 financial year.

As foreseen in Article 20 of the Company By-laws, the amounts indicated in the foregoing resolutions will be compatible with and independent from any wages, remuneration, indemnification, pensions or compensation whatsoever, established in general terms or for specific cases, for members of the Board of Directors holding an ordinary or special (Senior Management) employment relationship or services relationship.

These resolutions on the Board's remuneration for the 2015 financial year will be presented in their own terms, as has been the Company's standard practice for several years, for approval by the Ordinary General Shareholders Meeting to be held in 2015, without prejudice to also presenting to said Ordinary General Shareholders Meeting the Remuneration Policy of the Board of Directors and Annual Report on Directors' Remuneration, as separate points of the Agenda, in the terms foreseen in current law.

**Paragraph Three (of ITEM ELEVEN ON THE AGENDA of the General Meeting).- Approval of Annual Report on Directors' Remuneration of Red Eléctrica Corporación, S.A.**

To approve the Annual Report on Directors' Remuneration of the Company, approved by the Board of Directors at the meeting held on 24 February 2015.

*(The Report submitted for approval under this item is reproduced below)*



**RED ELÉCTRICA**  
CORPORACIÓN

**Board of Directors**

*24 February 2015*

Annual Report on Compensation of Directors

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# **1. Letter from the chairman of the Corporate Responsibility and Governance Committee**

Dear Shareholders:

I am pleased to present you with the annual report on compensation of directors, which includes the compensation policy for the board of directors, the chief executive and the senior executives of the Company (hereinafter also called the "Group", the "Company" or "Red Eléctrica") for 2015, and application thereof in 2014.

The board of directors of Red Eléctrica approved my appointment as Chairman of the Corporate Responsibility and Governance Committee at its meeting of 6 November 2014. Currently, in my capacity as chairman of the committee, and throughout 2014 as a member thereof, I have had the opportunity to analyse complete information regarding the trends and recommendations of the various reference institutional investors and proxy advisors for Red Eléctrica, and have been able to share the vision and concerns thereof regarding compensation of directors and the management team with the members of the committee.

In 2014 there was a 5.0% increase in net turnover, a 6.4% increase in EBITDA by comparison with the prior year, as well as a 35.7% increase in net profits of the Group for the year.

The share price at 31 December 2014 increased by 50.9% by comparison with the prior year.

Regarding the dividend payment policy, the gross dividend corresponding to 2014 proposed by the board of directors to the next ordinary general shareholders meeting represents an increase of 18% by comparison with the gross dividend approved for 2013.

In 2014 the Standard & Poor's rating agency maintained the rating level of Red Eléctrica at "BBB" for the long term, and "A-2" for the short term, improving the outlook assigned to the company from neutral to positive.

The Corporate Responsibility and Governance Committee, regarding the annual variable compensation of the executive director for 2014, after evaluating achievement of his



objectives, found an overall level of achievement thereof of 100%, which resulted in annual variable compensation equivalent to 50% of his annual fixed compensation.

The Corporate Responsibility and Governance Committee, as a part of its function of ongoing review and monitoring of the compensation policy for senior executives, has reviewed the compensation policy applicable to the executive director, resolving three principal changes for 2015, regarding which it timely reported to the board of directors:

- In the process of review of the annual objectives (and the weighting thereof) tied to annual variable compensation of the executive director, the objective tied to EBITDA has been replaced by a new objective that takes account of return on invested capital (ROIC), and relates the net operating profit of the Group to the level of own and third party capital employed.
- Within the annual objectives, qualitative metrics may be considered that are related to corporate social responsibility (ESG) projects of the Red Eléctrica Group.
- The approval of a new multi-year variable compensation plan for the executive director and executives, for a term of six years, tied to objectives of the 2014-2019 strategic plan, subject to satisfaction of certain conditions.

The official form of report on compensation, duly completed, in accordance with Ministerial Order ECC/461/2013 and Circular 4/2013 of the National Securities Market Commission, is included as an annex.

Also, this report has been prepared in accordance with the provisions of the new text of article 541 of the Capital Companies Act and other applicable legislation.

The board of directors, as is its customary practice, will submit the board resolutions establishing the compensation of the board of directors for 2015 for approval of the ordinary general shareholders meeting. Separately, it will submit the director compensation policy to the meeting. Finally, it will submit this annual report on director compensation, going beyond the new legal requirements established in the Capital Companies Act.

Signed: Ms. Carmen Gómez de Barreda Tous de Monsalve

## 2. Corporate Responsibility and Governance Committee

During 2014 the board suffered certain changes in its composition. Leaving it was its prior chairman, Mr. Juan Iranzo Martín. He resigned as an independent outside director in October. The vacancy on the board was filled by the independent outside director Ms. M<sup>a</sup> José García Beato, the position as chairman thereof was taken by Ms. Carmen Gómez de Barreda Tous de Monsalve, an independent outside director, in November. Finally, in December the board of directors resolved to expand each of the board committees by one additional member, appointing the independent outside director Ms. Socorro Fernández Larrea as a new member of the Corporate Responsibility and Governance Committee.

The committee met seventeen (17) times in 2014. Meetings of the committee will be reported to the board of directors, upon conclusion of meetings of the committee, making the documentation considered thereby available to the board, and minutes of the meetings held will be prepared and, once approved, made available to all of the directors.

According to the schedule established for 2015, the Corporate Responsibility and Governance Committee will hold eleven (11) ordinary meetings during the year, without prejudice to holding extraordinary meetings during that period.

During 2014 and 2015, up to the date of approval of this report, the most significant actions taken by the Corporate Responsibility and Governance Committee, regarding compensation, were as follows:

- Approval and monitoring of business objectives tied to the variable compensation of the executive director for 2014, and review and approval of those corresponding to 2015.
- Approval and monitoring of business, management and management committee objectives tied to variable compensation of senior executives for 2014, and approval of those corresponding to 2015.
- Evaluation of achievement of objectives tied to annual variable compensation of the executive director and senior executives, corresponding to 2013 and 2014.
- The approval of a new multi-year variable compensation plan for the executive director and executives, for a term of six years, tied to objectives of the 2014-2019 strategic plan, subject to satisfaction of certain conditions.

- Proposal for 2014 (consolidated for 2015) of board of directors compensation (for its non-executive functions) comprised solely of fixed elements of compensation.
- Proposals of annual director compensation reports, to be referred to the board and subsequently submitted to the ordinary general shareholders meeting, for 2014 and 2015.
- Report and proposal to the board of directors of the director compensation policy applicable for the next 3 years, for referral to the ordinary general shareholders meeting in 2015.

In 2014 (up to the date of approval of this report) Towers Watson, an independent advisor specialised in director and senior executive compensation, rendered services to the Corporate Responsibility and Governance Committee, regarding the following compensation matters: analysis of compensation policies and practices and other aspects of corporate governance, compensation benchmarking for the executive director, compensation benchmarking for outside directors, analysis of market practices related to long-term incentive plans within the IBEX35 and the Spanish energy sector, preparation of the report and proposal regarding director compensation policy and, finally, preparation of the corresponding annual reports on director compensation.

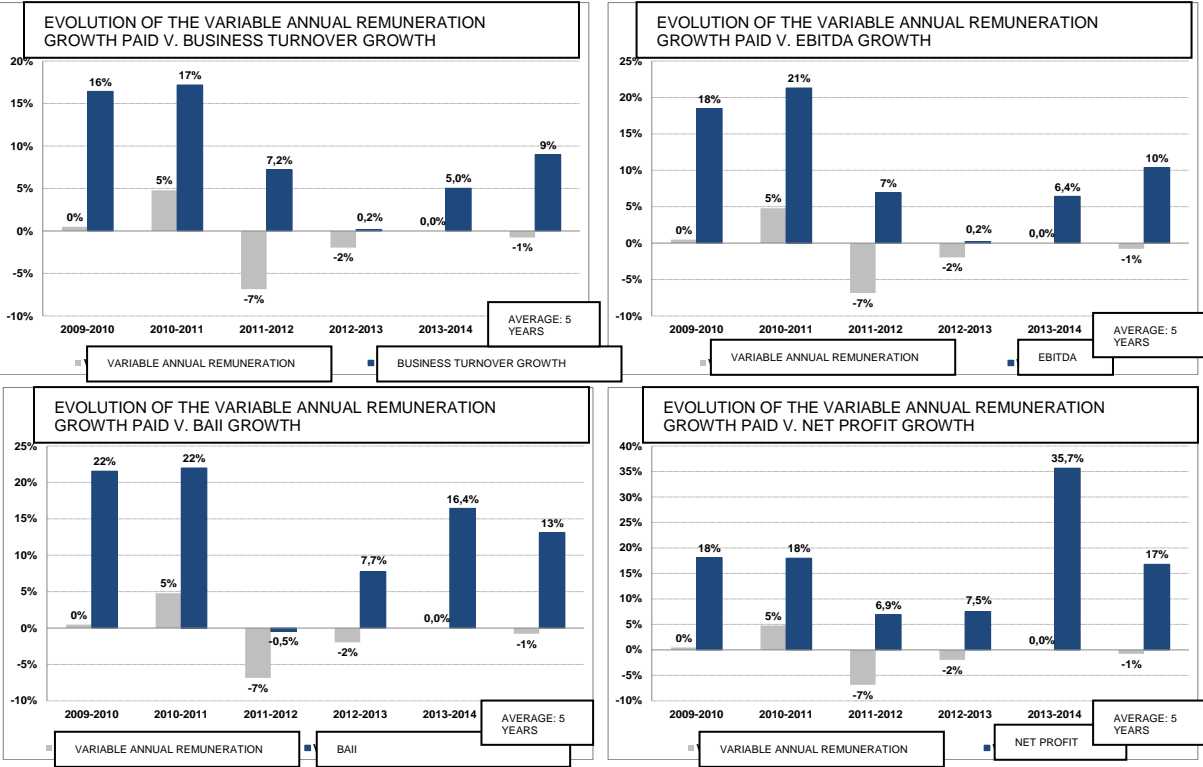
### 3. 2015 compensation policy

The compensation policy for 2015 corresponds to the principles and criteria contained in the director compensation policy that the board of directors, on proposal of the Corporate Responsibility and Governance Committee, has resolved to submit to the ordinary general shareholders meeting to be held in 2015, which will be applicable for the next 3 years. It defines the principles of the compensation policy of Red Eléctrica Corporación for directors (managing and outside), as well as the components, terms and conditions thereof.

#### 3.1. Compensation policy for the executive director in 2015

In 2015 the compensation scheme for the executive director includes elements of a fixed nature and of a variable nature, the latter tied to the short and long-term and in alignment with the key objectives and strategies of the Company, as described below.

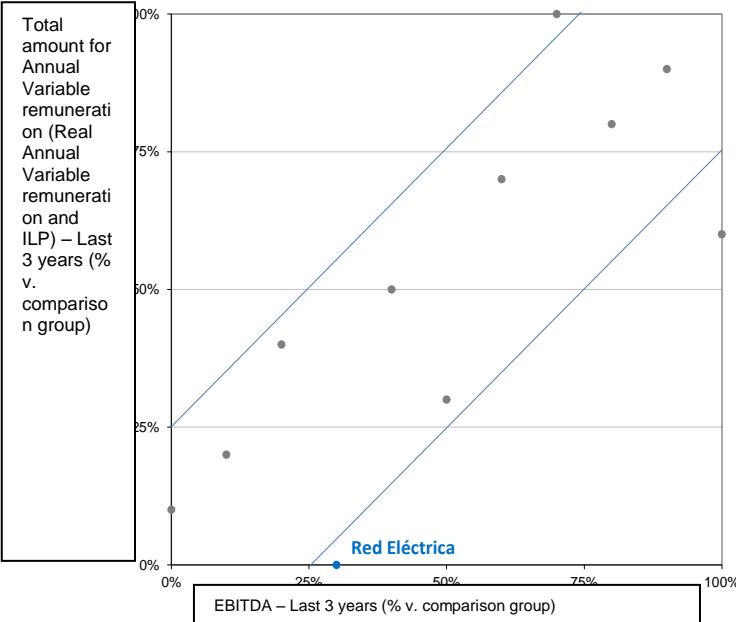
The following graphs illustrate the comparison between the evolution of the Red Eléctrica Group's turnover and profits, taken as objectives in the calculation of annual variable compensation of the executive director, and the evolution of the annual levels of compensation paid to the executive director from 2008 to 2014.



Note: The variable compensation information for all years of the managing director includes only the compensation received for his executive functions.

The following graphs reflect the positioning of the Red Eléctrica Group as against representative companies in the energy sector. The evolution of EBITDA and Total Shareholder Return (TSR) of each company over the last 3 years is compared to the growth of variable compensation (annual and long-term) of its executive director.

The transverse lines indicate the range of proportional correlation between growth of the indicator and of compensation. A position outside the lines shows a correlation of growth that is not proportional as between the measure being used and compensation. A position on the left indicates growth of compensation that is more than proportional as against the measure used, and a position to the right indicates a growth of the measure used (EBITDA and TSR in each graph) that is more than proportional as against compensation.



The companies included in the comparison group are as follows: CLH, Enagás, Enel, Eon, Iberdrola, National Grid, RWE AG, Snam Rete Gas, Terna, United Utilities.

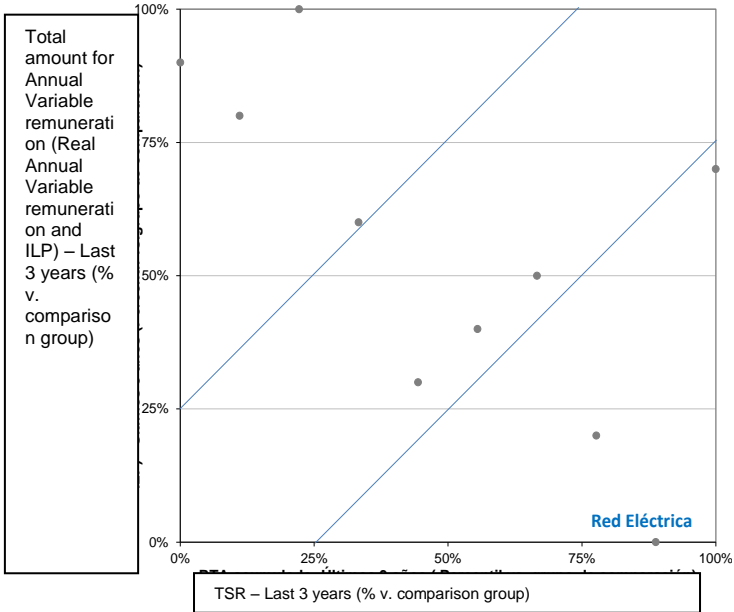
The evolution of the EBITDA of Red Eléctrica over the last 3 years places the Company above the 25th percentile in the comparison group, while the growth of variable compensation (annual and long-term) over the same period has been more moderate.

Total Shareholder Return (TSR) is the total yield of the share, including share price revaluation and dividends.

The companies included in the comparison group are as follows: CLH, Enagás, Enel, Eon, Iberdrola, National Grid, RWE AG, Snam Rete Gas, Terna, United Utilities. CLH was excluded from this analysis because it is not a listed company.

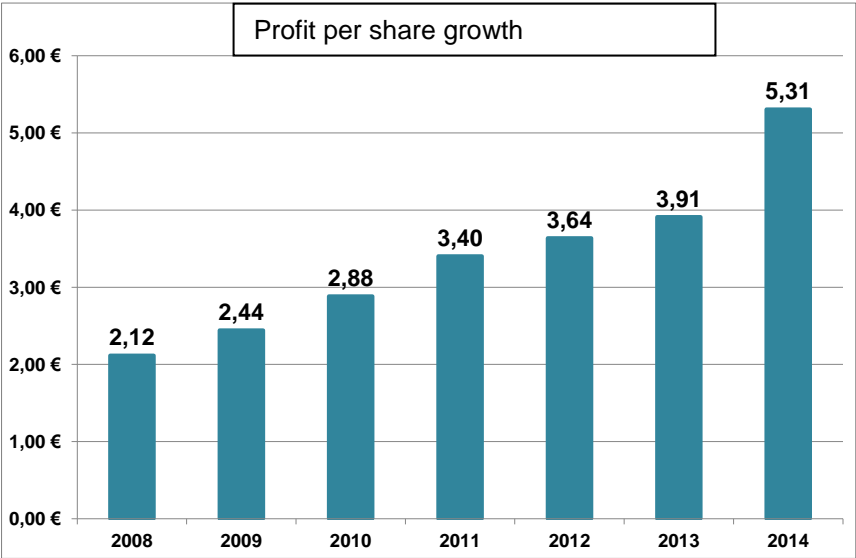
The evolution of the TSR of Red Eléctrica over the last 3 years places the Company above the 75th percentile in the comparison group, while the growth of variable compensation (annual and long-term) over the same period has been more moderate.

Source of TSR information: Bloomberg



Regarding the dividend payment policy, the gross dividend corresponding to 2014 proposed by the board of directors to the next ordinary general shareholders meeting represents an increase of 18% by comparison with the gross dividend approved for 2013.

The share price at 31 December 2014 reached a value of €73.21/share, which represents an increase of 50.9% (47.3 points above the IBEX35) by comparison with the same period of the prior year. Over the course of 2015, at 30 January, it continued increasing, to €75.56/share.



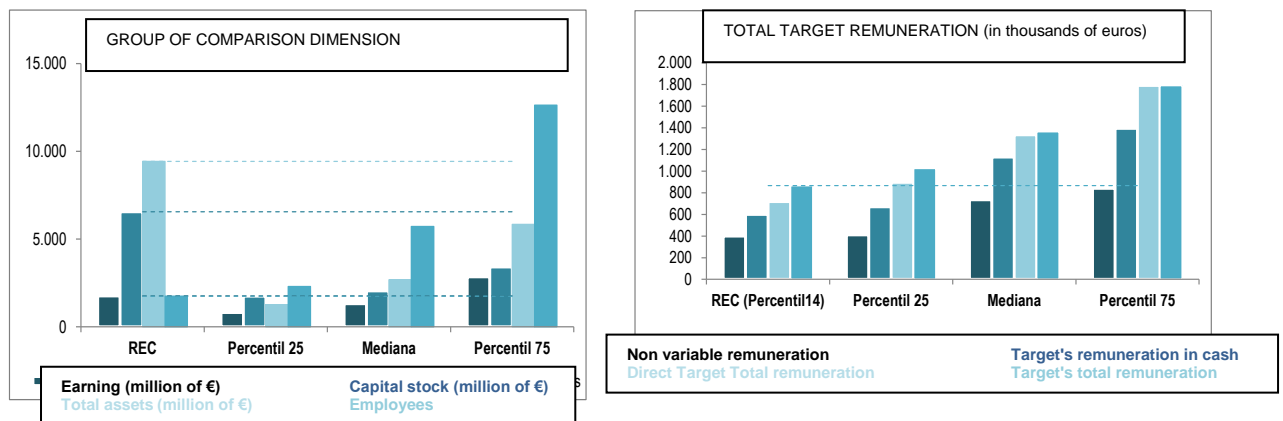
The Corporate Responsibility and Governance Committee believes it is essential to review the compensation policy for the board of directors and the executive director periodically, in line with best corporate governance practices adopted by institutional shareholders and recommendations of the principal proxy advisors.

In this regard, the committee in 2014 undertook benchmarking of the compensation of the executive director. That benchmarking took account of two comparison groups, one specific, and the other the IBEX35, the stock index to which the Group belongs.

The first comparison group is comprised of 21 companies, selected using the same criteria as were applied in the compensation analysis that was undertaken in 2013 (geographical scope, scope of responsibility, business sector and size). These criteria are set forth in detail in the compensation policy for directors that will be submitted for approval of the ordinary general shareholders meeting to be held in 2015. The companies comprising the comparison group are as follows:

<i>Abertis</i>	<i>Enagas</i>	<i>Jazztel</i>	<i>Técnicas</i>
<i>Almirall</i>	<i>Ence</i>	<i>Mediaset</i>	<i>Reunidas</i>
<i>Amadeus</i>	<i>Europac</i>	<i>Meliá</i>	<i>Viscofan</i>
<i>Atresmedia</i>	<i>Gamesa</i>	<i>NH Hotel Group</i>	<i>Zardoya Otis</i>
<i>Catalana</i>	<i>Grifols</i>	<i>OHL</i>	
<i>Occidente</i>	<i>Indra</i>	<i>Sacyr</i>	
<i>Duro Felguera</i>			

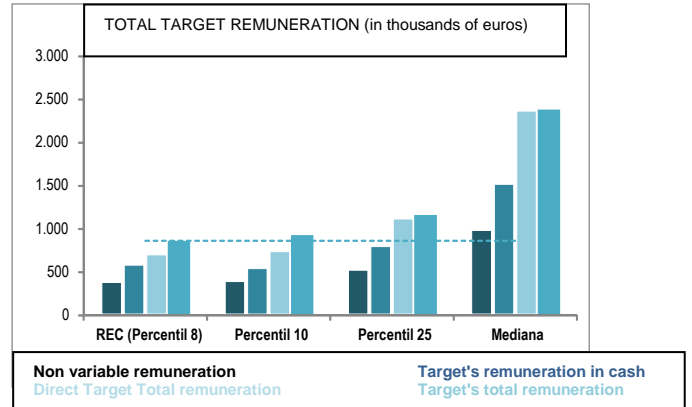
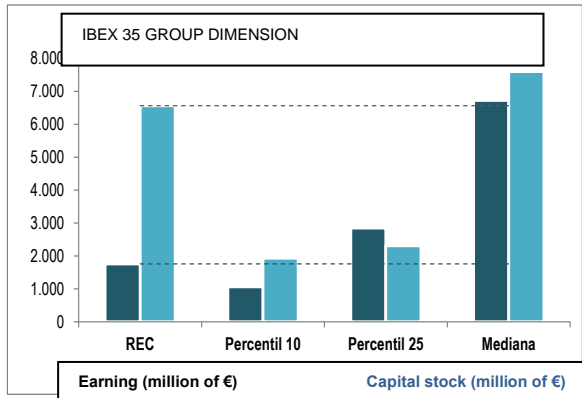
The following graph shows the results of this first analysis: an overall view of the size data of the Red Eléctrica Group points to a reference market between the median and the 75th percentile. In terms of "target" compensation (that is, for a standard level of achievement of objectives, the position of the Red Eléctrica Group is slightly above the 10th percentile).



- Fixed Compensation: those categories that are of a fixed nature stated in euros
- Target cash compensation includes fixed compensation and target variable compensation. The latter is the variable compensation assigned to the employee for the most recent period, assuming 100% achievement of objectives.
- Target direct total compensation includes target cash compensation plus the annualised expected value of long-term incentives.
- Target total compensation includes target direct total compensation plus compensation by reason of board membership and attendance at meetings of the board and, if applicable, its committees

The market data are broken down in the annual compensation reports of each company published in 2014, corresponding to the 2013 financial year.

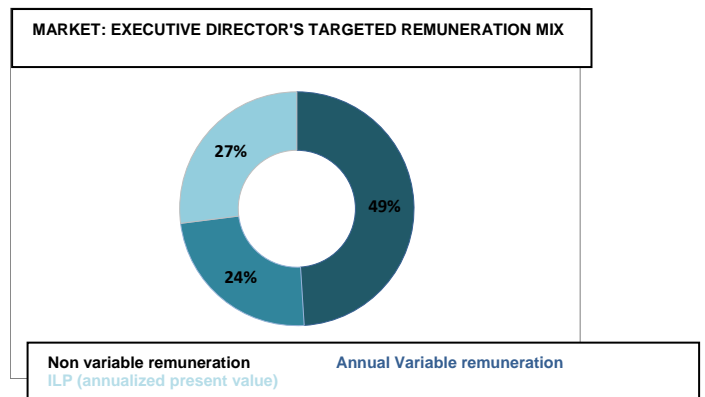
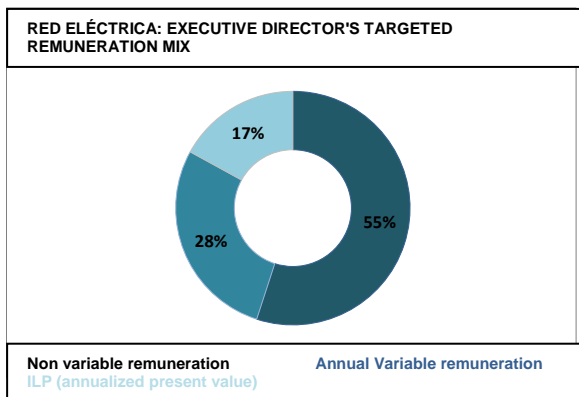
For purposes of the IBEX35 analysis the companies included in the index at the time of the analysis were selected (Arcelormittal was not included in the analysis since its board is located outside Spain and it was deemed not to be comparable). The following graph shows the results: an overall view of the information regarding the size of the Red Eléctrica Group points to a market reference between the 25th percentile and the median as regards the IBEX35. In terms of compensation, the position of the Red Eléctrica Group is at the minimums for the market.



- Fixed Compensation: those categories that are of a fixed nature stated in euros
- Target cash compensation includes fixed compensation and target variable compensation. The latter is the variable compensation assigned to the employee for the most recent period, assuming 100% achievement of objectives.
- Target direct total compensation includes target cash compensation plus the annualised expected value of long-term incentives.
- Target total compensation includes target direct total compensation plus compensation by reason of board membership and attendance at meetings of the board and, if applicable, its committees

The market data are broken down in the annual compensation reports of each company published in 2014, corresponding to the 2013 financial year.

Below are two graphs reflecting the mix of the compensation scheme for the executive director and a comparison thereof with the market for a scenario of standard (target) achievement of objectives.



The components of the executive director compensation scheme in 2015 are as follows:

### Annual fixed compensation

Fixed compensation is reviewed annually. After detailed analysis of the Company's results, market data and the compensation conditions within the organisation, fixed compensation of 399,170 euros has been proposed, which is unchanged since the date of appointment of the executive director in 2012.



## Annual variable compensation

The annual variable compensation for the executive director is based on achievement of a combination of business objectives, predetermined and quantifiable, measured at the Group level. A target level (50% of annual fixed compensation) is established, which will be reached in the event of achieving 100% of the pre-established objectives. The maximum level (55% of annual fixed compensation) will be reached in the event of exceeding the pre-established objectives to the maximum extent, in accordance with the described metrics and internal rules and procedures for evaluation of objectives established by the company for its executives. The current executive director, Mr. Jose Folgado Blanco, has his annual variable compensation limited contractually to 50% of his annual fixed compensation.

Approval of the objectives, at the beginning of each year, corresponds to the Corporate Responsibility and Governance Committee. All of the objectives are contemplated in the 2015 budget, which falls within the new 2014/2019 strategic plan for the Group, approved by the board of directors. They are as follows:

- 70% of the incentive depends on economic/financial objectives, which measure the Group's capacity to generate profits, reflected in the following metrics:
  - 35% consolidated profit of the Red Eléctrica Group.
  - 35% return on invested capital (ROIC) of the Red Eléctrica Group, which measures net operating profit as a percentage of capital employed.
- 30% of the incentive depends on aspects tied to the "Degree of Progress of the Strategic Plan".

The Corporate Responsibility and Governance Committee has decided to set the individual achievement threshold of economic/financial targets that triggers the entitlement to variable compensation at 95%; the maximum possible level of achievement is 100%.

Within the objectives tied to the "Degree of Progress of the Strategic Plan", the Corporate Responsibility and Governance Committee will evaluate the minimum threshold for individual compliance and may determine a maximum level of individual compliance of 133% (up to 40% of individual compliance with the objective, in the event of maximum weighting).

The Corporate Responsibility and Governance Committee will have the autonomy necessary to evaluate the degree of annual compliance with the "Degree of Progress of the Strategic Plan" objective. However, once the new strategic plan is approved a document will be prepared setting forth the principal aspects and elements the aforesaid committee must consider in objective evaluation of the degree of progress of the aforesaid plan. The annual report on director compensation for 2015 that is submitted to the ordinary general shareholders meeting in 2016 will expand on the information regarding the aforesaid elements.

METRICS	WEIGHTING	MINIMUM		TARGET		MAXIMUM	
		Achievement	Incentive	Achievement	Incentive	Achievement	Incentive
1. Net Profit	35%	95%	95%	100%	100%	100%	100%
2. ROIC	35%	95%	95%	100%	100%	100%	100%
3. Degree of Achievement of the Strategic Plan	30%	Valuation by the CRGC(1)	Valuation by the CRGC(1)	100%	100%	133%	133%

(1) Corporate Responsibility and Governance Committee

Variable compensation is calculated on the basis of the level of achievement and weighting of each objective, using the internal objective assessment standards and procedures established by the Company for its executives.

The Corporate Responsibility and Governance Committee may propose adjustments of the variable compensation to the board under exceptional circumstances, due to internal or external factors. The details of these adjustments, if any, will be broken down in the corresponding annual compensation report.

The overall maximum achievement of the three foregoing objectives may not exceed 110%.

**Multi-Year Variable Compensation**

The new multi-year cash variable compensation plan addressed to executives is applicable to the executive director. The plan is for a term of 6 years, in line with the new 2014-2019

strategic plan of the Red Eléctrica Group, and extends from 1 January 2014 to 31 December 2019.

The right to receive the cash incentive is conditioned on achievement of objectives tied to the 2014-2019 strategic plan, as well as remaining with the company over the term of the plan. The objectives and their weighting are described below:

- 20% of the incentive is tied to the expansion of the business. To measure this objective the amount of investment is used as the indicator;
- 25% of the incentive depends on fulfilling the investment plan for the transport network, which is measured based, inter alia, on positions placed in service;
- 20% of the incentive is tied to the quality of system operation; it is measured based on energy not supplied;
- 25% of the incentive is tied to the efficiency of operations. Two metrics are considered: yield on fixed assets and profit per share;
- The remaining 10% depends on compliance with the corporate responsibility plan.

When the plan measurement period has ended, the Corporate Responsibility and Governance Committee, in the first quarter of 2020, will evaluate the achievement of each of the objectives, and of the plan as a whole, using information provided by the company, and will propose the levels of incentive associated with achievement, based on the established achievement scales. In any event, it is established that the weighted-average achievement of the overall objectives must reach at least 70%. If not, no right to receipt of incentive will arise, regardless of individual achievement of each objective. Similarly, the maximum level of achievement of the overall objectives of the plan will be 110%, although weighted-average achievement of the objectives may be greater.

The target compensation of the executive director in this category is 1.8 times fixed compensation.

### **Ex post facto control of annual and multi-year variable compensation**

In accordance with the provisions of the director compensation policy, the Corporate Responsibility and Governance Committee has authority to propose to the board the cancellation or return of payment of variable compensation, of short or long term, of the corresponding beneficiaries or managers in the event of supervening circumstances that show that the variable compensation has accrued or been paid based on inaccurate or

erroneous information, or that there have been breaches of applicable internal corporate or legislative rules that subsequently are proven. In addition, the Corporate Responsibility and Governance Committee, in such exceptional circumstances, will determine whether it may propose to the board of directors even termination of the contractual relationship with the corresponding beneficiaries or managers. It also may propose adoption of such measures as it deems to be appropriate.

### **Pensions and Other Benefits**

The executive director in 2015 does not participate in pension plans or receive any kind of social benefits

Under the provisions of the director compensation policy, the possibility of delivery of shares of the Company to executive directors is contemplated, with express authorisation of the general shareholders meeting and within the limits and subject to the conditions established by applicable legislation.

### **Termination Clauses**

The contract governing the executive director's performance of his functions and duties in his relationship with Red Eléctrica is formed under commercial law and includes the clauses constituting standard practice for this type of contract.

Without prejudice to the confidentiality obligation expressly established in that contract, the executive director also is bound by the duty of confidentiality established in article 34.a) of the board regulations, applicable to all directors, in accordance with which a director is to keep the deliberations of the board of directors and its committees secret and, in any event, 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 survives departure from office.

In his capacity as a director of Red Eléctrica, the executive director has a noncompete obligation to the Company, on the terms in which that obligation is regulated for directors of the Company in article 33 of the board of directors regulations. In addition, the noncompete obligation is expressly set forth in the contract with the executive director, for a term of two

(2) years after his departure, that obligation not giving him a right to post-contractual noncompetition indemnification, as it is deemed to have been compensated by way of his fixed compensation.

The contract with the current executive director was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's board of directors. This contract, following customary market practices, contemplates an indemnification equivalent to one year of compensation in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director), with no advance notice from the Company being required. The aforesaid indemnification will also apply if the executive director voluntarily resigns due to a serious and culpable breach of the Company or a material modification of the executive director's duties for reasons not attributable thereto.

In the calculation of that indemnification the base is one year's fixed compensation, plus the amount corresponding to variable compensation as executive director, calculated assuming a 100% level of achieving objectives.

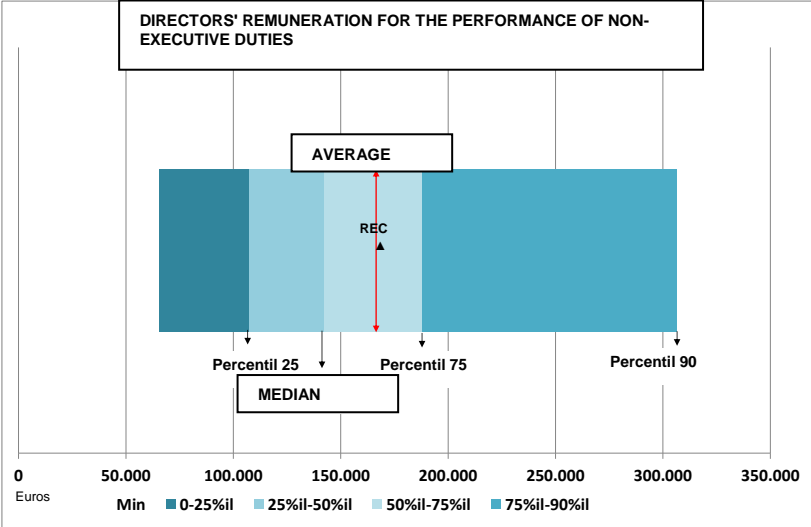
### **3.2. Policy for compensation of outside directors in 2015 (1)**

In preparation of the corresponding proposal for compensation of the board of directors for 2015, undertaken by the Corporate Responsibility and Governance Committee last December and approved by the board of directors at its meeting of 23 December 2014, which will be submitted for approval of the next ordinary general shareholders meeting, an outside analysis of competitiveness undertaken in 2014 regarding compensation of outside directors was among the factors taken into account. In that analysis, also undertaken with the support of the Towers Watson consulting firm, the comparison group selected was comprised of the companies belonging to the IBEX-35, given the fact that the Red Eléctrica Group belongs to this index and is at the median thereof by market capitalisation.

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<sup>1</sup> Also applicable to the executive director in his role as a director (and not for performing executive tasks)

The following graph shows the comparison between the compensation of outside directors of Red Eléctrica, in 2014, by reference to the indicated comparison group:



The compensation of the outside directors of the Company is in line with the average of the comparison group (IBEX-35).

The articles of association set a cap on overall annual compensation for the entire board, in all categories, of 1.5% of the company’s net profits, as approved by the general meeting. The above compensation is, in all cases, a maximum figure and the board itself is in charge of apportioning the amount among the items contemplated in the articles of association, among the directors, in such manner, at such time and in such proportion as it freely decides.

For 2015, the same amounts and categories are maintained as for 2014, as indicated below:

**Fixed Compensation**

- 130,742 euros per annum per director, to be paid monthly before the tenth (10th) of each month.

**Per diems for attending meetings of the board of directors**

- 1,500 euros for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for 2015 in the schedule 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 per year. This amount is paid within fifteen (15) days of the given meeting being held.

The holding of extraordinary meetings of the board of directors, in person or electronically, does not result in compensation in the form of per diems.

#### **Service on board of directors committees**

- 27,900 euros per annum to each member of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.
- 15,000 euros per annum to each chairman of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

#### **Coordinating Independent Director**

- 15,000 euros per annum, to be paid monthly before the tenth (10th) of each month.

## **4. Implementation of the compensation policy in 2014**

### **4.1. Implementation of the compensation policy for the executive director in 2014**

#### **Annual fixed compensation**

In 2014 fixed compensation of the executive director amounted to 399,170 euros.

#### **Annual variable compensation**

The Corporate Responsibility and Governance Committee established the corresponding objectives at the beginning of 2014 and monitored compliance therewith quarterly over the course of the year. The year having concluded, the committee engaged in a process of evaluation of compliance therewith. In that evaluation it had the support of the Corporate Finance Office, which is responsible for control of management of the Group and provided information regarding the audited results of the Company and the consolidated Group. In this

evaluation the committee also considered the possible impact of the objectives in the long term, and any risk associated therewith.

The annual variable compensation for the executive director, established for 2014, is based on achievement of a combination of quantitative and qualitative business objectives measured at the Group level. Set forth below is a table with the objectives that were set, their weightings and the achievement of each of them (after the evaluation in February 2015 by the committee) as established to determine the amount of the incentive (annual variable compensation) to be paid to the executive director:

Types of Objectives and Weighting	Metrics	Weighting	Performance Range	Level Achieved	Level of Payment of Incentive for each Metric
QUANTITATIVE (80%)	1. EBITDA	50%	95% - 100%	100%	100%
	2. Net Profit	30%	95% - 100%	100%	100%
QUALITATIVE (20%)	3. Approval by Board of new Strategic Plan	20%	Up to 150%, evaluation by the CRGC(1)	100%	100%

(1) Corporate Responsibility and Governance Committee

To determine the level achieved and the amount of incentive applicable for 2014, regarding the "quantitative objectives", the Corporate Responsibility and Governance Committee, at its meeting of 17 February 2015, considered the following matters:

1. The book figure gives Group EBITDA for 2014 of 1.385 billion euros.
2. The book figure gives Group net profits for 2014 of 718 million euros.

Notwithstanding the foregoing, as indicated in the internal rules and procedures of the Company regarding evaluation of objectives for its executives, in the evaluation of achievement of "quantitative objectives" the economic effects deriving from exceptional events not contemplated in the definition of those objectives, if any, is to be discounted. In this regard, after adjusting for exceptional events occurring in 2014, all of them positive (the award to the Red Eléctrica Group of the ADIF high-speed fibre-optic bid, the definitive agreement signed with Bolivia regarding compensation for nationalisation of the Bolivian



subsidiary Transportadora de Electricidad TDE and the recent tax reform in Spain), the committee concluded as follows:

1. The Group's EBITDA figure for 2014, for purposes of evaluation of compliance with the objective, is 1.378 billion euros, resulting in a degree of achievement of the objective of 100%.
2. The Group's book net profit figure for 2014, for purposes of evaluation of compliance with the objective, is 558 million euros, resulting in a degree of achievement of the objective of 100%.

Regarding objective 3. "Approval by the Board of the New Strategic Plan" ("qualitative objective"), given the definition of the objective, the Corporate Responsibility and Governance Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%.

After the evaluation of achievement of the foregoing three objectives, the Corporate Responsibility and Governance Committee concluded that the executive director's overall degree of achievement of objectives was 100%. As a result the annual variable compensation for the executive director for 2014 amounts to 199,585 euros (100% of the target incentive).

### **Multi-year variable compensation**

As was indicated in the annual corporate governance report approved by the ordinary general shareholders meeting held on 9 May 2014, during 2014 the Corporate Responsibility and Governance Committee of the Company evaluated various long-term incentive schemes, that would serve as management tools and a mechanism for fulfilling the new strategic plan, considering legal, economic, corporate governance and other aspects. As a result of this work, the board of directors at its meeting held on 24 February 2015, on proposal of the aforesaid committee, approved an executive compensation plan for 2014-2019, including the executive director, fulfilment of which is tied to the achievement of objectives established in the Group's strategic plan for that period and, in addition, satisfaction of certain conditions. The provision corresponding to 2014 accrual under that plan is included in the financial statements of the Company.

In the section corresponding to the compensation policy for the executive director in 2015, the basic terms and conditions of the aforesaid plan have been amply explained, for which reason we remit thereto to avoid repetition.

**Pensions and other benefits**

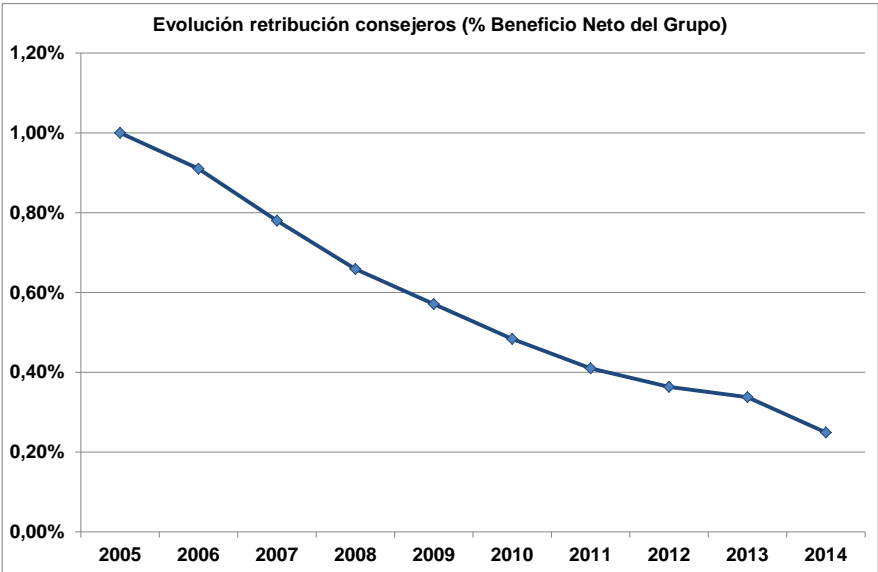
The executive director in 2014 did not receive any kind of pension.

At 31 December 2014 the balance sheet of the Company reflected no loans, advances or guarantees granted by the Company in favour of the executive director, nor are there any pension obligations owed to him.

**4.2. Implementation of the policy for compensation of outside directors in 2014 <sup>(1)</sup>**

Set forth below are a table with the percentages of compensation of the board of directors by reference to net profits for each year, over the last 10 years, and a graph showing the evolution:

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Compensation (% of net profit of the Group)	1.00%	0.91%	0.78%	0.66%	0.57%	0.48%	0.41%	0.36%	0.30%	0.25%



<sup>1</sup> Also applicable to the executive director in his role as a director (and not for performing executive tasks)

In 2014, the overall amount of compensation of the board of directors amounted to 1,788,013 euros, broken down by category and director as follows:

**Fixed Compensation:** 130,742 euros per annum per director.

**Per diems for attending meetings of the Board of Directors:** 1,500 euros for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2014, the total amounting to 16,500 euros. In addition, there were two (2) extraordinary meetings of the board of directors, not resulting in compensation by way of per diems.

**Service on Board of Directors Committees:**

- 27,900 euros per annum to each member of the board committees.
- 15,000 euros per annum to each of the chairmen of the board committees.

**Coordinating Independent Director:** 15,000 euros per annum.

The compensation of the board of directors in 2014 should have been higher than in 2013 as a result of the new compensation resolved for the chairmen of the committees and for the position of coordinating independent director. However this new compensation was offset by lower compensation to directors due to changes in the composition of the board, the result in 2014 being that new additions did not earn compensation over the entire year.

## 5. Compensation of senior executives

The purpose of the compensation 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 compensation of the senior executives is aligned with the principles and criteria contained in the compensation policy applicable to the executive director described in this document.

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

### **Annual fixed compensation**

Fixed compensation 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. The fixed component must represent a sufficient portion of total compensation to maintain a suitable and balanced compensation mix.

### **Annual variable compensation**

Annual variable compensation is linked to quantifiable and measurable objectives set by the Corporate Responsibility and Governance Committee at the start of the year and monitored on a quarterly basis throughout the year. The Corporate Responsibility and Governance 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 compensation**

The senior executives participate in the new multi-year variable compensation plan, as does the executive director.

The basic objectives, criteria and components of the long-term compensation plan have been explained previously in the sections of this report applicable to the executive director.

The participation of the senior executive team in the multi-year variable compensation plan will be subject to the conditions established by the Company's regulations.

### **Flexible compensation pool**

All or a part of a compensation pool may be used for various alternative in-kind products. That pool includes those products from time to time having a tax benefit.

### **Other categories**

In "Other categories" of compensation there are no advances to these executives.

At 31 December 2014 there were loans extended to these executives on the terms described in the individual compensation table in section 6.3 of this report.

### **Contractual terms and conditions**

There are guarantee or golden parachute clauses for dismissals in favour of the senior executives currently serving within the Red Eléctrica Group. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to one year's salary, unless the applicable legislation provides for a higher amount. The contracts containing these clauses were approved by the Corporate Responsibility and Governance Committee and they were duly notified to the board of directors.

## **6. Individual compensation tables**

### **6.1. Compensation of the executive director, in all categories, for 2014**

The following is a summary of total gross compensation, in euros, earned by the executive director in 2014:

<b>Director</b>	<b>Fixed compensation</b>	<b>Annual variable compensation</b>	<b>Compensation for his functions as director (1)</b>	<b>Total</b>
Mr. José Folgado Blanco	399,170	199,585	147,242	745,997

*(1) Includes fixed director compensation (130,742 euros) and per diems for attendance and dedication of the director (16,500 euros).*

In 2014, as a result of the end of the 2009-2013 "25th Anniversary Extraordinary Plan", a compensation plan for executives that included the executive director, achievement of the objectives established in that plan was evaluated in accordance with the minimum and maximum limits contemplated therein (70%-110%). The plan having ended in 2013, the

Corporate Responsibility and Governance Committee of the Company, at its meeting held on 20 February 2014, evaluated the degree of achievement of the plan, placing it at 106.3%. It also resolved to fix compensation of the executive director under the aforesaid plan at 278,000 euros, corresponding to the aforesaid percentage and the time elapsed from the appointment of the executive director subject to the plan to the end thereof on 31 December 2013. This amount was paid in 2014 and was included within the amounts that the Group has been accruing annually in the 2009-2013 period.

The executive director, evidencing his firm personal commitment to social responsibility and best corporate governance practices, has given instructions that, in his name and for his account, the Company is to make cash contributions to certain foundations, in the total amount of his 2014 compensation corresponding to the 2009-2013 long-term compensation plan, as described in the Company's annual corporate governance report for 2014.

## **6.2. Compensation of the outside directors, in all categories, for 2014**

The total amount of the compensation of the board of directors for 2014, excluding the compensation of the executive director by reason of his contractual relationship (executive duties) with the Company, is, in all categories, 0.25%<sup>1</sup> of the net profits of the Red Eléctrica Group attributable to the controlling company, for 2014.

The compensation earned by the members of the board of directors of the Company in 2014, in thousands of euros, broken down by director, as appearing in the annual accounts for 2014, is as follows:

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<sup>1</sup> *The net profits obtained by the RED ELÉCTRICA Group and attributed to the parent company, in the 2014 financial year, amounted to 717,812,000 euros (529,139,000 euros in 2013).*

	Fixed Remuneration	Variable Remuneration	Per diem for BoD meeting assistance	Commitment to commission	Commission Chief	Independent Coordinator Director	Total
D. José Folgado Blanco		530	200	16	0	0	746
Dña. María de los Angeles Amador Millán		131	0	16	28	0	175
D. Miguel Boyer Salvador		46	0	7	0	0	53
D. Rui Manuel Janes Cartaxo		46	0	7	0	0	53
D. Fernando Fernández Méndez de Andés		131	0	16	28	0	175
Dña. Paloma Sendín de Cáceres		131	0	16	28	15	190
Dña. Carmen Gómez de Barreda		131	0	16	28	0	190
D. Juan Emilio Iranzo Martín		108	0	12	23	12	155
Dña. María José García Beato		131	0	16	5	0	152
Dña. Socorro Fernandez Larrea		84	0	11	0	0	95
D. Antonio Gómez Ciria		84	0	11	0	0	95
D. Santiago Lanzuela Marina		55	0	6	0	0	61
D. Alfredo Parra García-Moliner <sup>(1)</sup>		10	0	0	2	0	12
D. Francisco Ruíz Jiménez <sup>(1)</sup>		131	0	16	24	0	171
D. Jose Angel Partearroyo Martin <sup>(1)</sup>		55	0	9	0	0	64
Total Remuneraciones devengadas	1.804	200	175	166	27	15	2.387

(1) AMOUNTS PERCEIVED BY SEPI

### 6.3. Compensation of senior executives, in all categories, for 2014

The senior executives who rendered services throughout 2014 are as follows:

Name (1)	Position
Carlos Collantes Pérez-Ardá	General Manager of Transmission
Andrés Seco García	General Manager of Operations

In 2014 the total compensation earned by senior executives amounted to 729,000 euros (685,000 euros at 31 December 2013). It was recorded as staff expense in the income statement. These amounts include the accrual of annual variable compensation based on achievement of the objectives fixed for each year. Once achievement of the aforesaid objectives has been evaluated, the variable compensation is paid in the first months of the following year, the compensation depending on the actual achievement.

The increase by comparison with 2013 is due to the increase of the percentage of variable compensation allocated to these executives in order to align the compensation with the achievement of the established annual objectives. Fixed compensation did not increase in 2014.

In 2014, as a result of the end of the 2009-2013 "25th Anniversary Extraordinary Plan", a compensation plan for executives that included the senior executives, achievement of the objectives established in that plan was evaluated in accordance with the minimum and maximum limits contemplated therein (70%-110%).

The plan having ended in 2013, the Corporate Responsibility and Governance Committee of the Company, at its meeting held on 20 February 2014, evaluated the degree of achievement of the plan, placing it at 106.3%. It also resolved to fix compensation of the two senior executives under the aforesaid plan at 579,000 euros, corresponding to the aforesaid percentage and the time elapsed from the appointment of the senior executives subject to the plan to the end thereof on 31 December 2013. This amount was paid in 2014 and was included within the amounts that the Group has been accruing annually in the 2009-2013 period.

Of the total compensation earned by these executives contributions to life insurance and pension plans amounted to 16,000 euros (15,000 euros in 2013)

At 31 December 2014 and 2013 there were no advances to these executives.

At 31 December 2014 there were loans extended with an outstanding balance of 218,000 euros, maturing in December 2023, on the same terms as apply to loans extended to those covered by a collective bargaining agreement, with the average interest rate applicable in 2014 being 1.55%.

## 7. Tables of voting results

The following table sets out the voting percentages obtained at the ordinary general meetings of shareholders of the Company held from 2012 to 2014, in relation to the annual report on directors' compensation:

Annual report on compensation of directors: votes (%)			
Meeting Date	For	Against	Abstention
9/05/2014	61.30%	2.75%	35.95%(1)
18/04/2013	95.70%	4.12%	0.18%
19/04/2012	94.54%	5.39%	0.07%



(1) Of the aforesaid percentage, 35.54% corresponds to the vote of Sociedad Estatal de Participaciones Industriales (SEPI).

**8. Annex 1: Official form of Annex I per CNMV Circular  
4/2013**

## ANNEX 1

### ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES

#### PARTICULARS OF ISSUER

<b>ENDING DATE OF REFERENCE PERIOD</b>	31/12/2014
<b>C.I.F.</b>	A-78003662
<b>CORPORATE NAME</b>	RED ELECTRICA CORPORACION, S.A.
<b>REGISTERED OFFICE</b>	PASEO DEL CONDE DE LOS GAITANES, 177, (LA MORALEJA-ALCOBENDAS) MADRID

## **FORM OF ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES**

### **A COMPENSATION POLICY OF THE COMPANY FOR THE YEAR IN COURSE**

A.1 Explain the company's compensation policy. Within this section include information regarding:

- General bases for and principles of the compensation policy.
- Most significant changes made to the compensation policy by reference to the policy used during the prior period, and the changes that have been made during the year in the terms for exercise of options already granted.
- Criteria used and composition of the groups of comparable companies the compensation policies of which have been reviewed in order to establish the company's compensation policy.
- Relative importance of the variable compensation categories by reference to the fixed categories, and criteria used to determine the various components of the compensation package of the directors (compensation mix).

#### **Explain the compensation policy**

The quality and commitment of the members of the board of directors and senior managers of Red Eléctrica are essential to success in fulfilling the strategies of the Red Eléctrica Group. To that end the Corporate Responsibility and Governance Committee prepares and proposes to the board of directors of Red Eléctrica Corporación, S.A. (hereinafter also called the "Company" or "Red Eléctrica") the policy and practices regarding compensation to be applied to the board of directors and senior management, to appropriately recognise the best professionals. The general principles underlying the compensation policy for directors are as follows: - Balance and moderation; - Alignment with the practices demanded by shareholders and investors; - Transparency; - Voluntary submission of any decision related to director compensation to approval of the general shareholders meeting. i) Regarding compensation of the executive director, the following principles are applied: - Alignment of the compensation policy for the executive director with the Company's strategy; - Maintenance of reasonable balance among the various components of fixed compensation (short-term) and variable compensation (annual and long-term), reflecting an appropriate assumption of risks combined with achievement of the defined objectives, tied to creation of sustainable value; - Alignment with the compensation established by comparable companies. ii) Regarding the compensation of outside directors the following are notable: - Relation to actual services rendered; - Tied to responsibility and performance of duties as directors; - No variable components in their compensation with a view to their total independence as regards the compensation of the executive director and the management team; - Incentives, but with the amount not compromising independence. The Corporate Responsibility and Governance Committee believes it is appropriate to review the compensation policy for the board of directors and the executive director periodically, in this review process including comparison with reference companies, selecting groups of comparable companies, and maintaining permanent contact with shareholders and proxy advisors, in order to verify the appropriateness and moderation of the compensation of its directors and the executive director by reference to the market. All of the foregoing principles are in accordance with the corporate governance policy of the Company, approved by the board of directors at its meeting of 25 November 2014, and published on the corporate website. Further, the aforesaid compensation principles generally are in compliance with the provisions for capital companies in new article 217.4 of the Capital Companies Act, regarding their adaptation to the size and importance of the company, its economic situation, comparability, profitability and sustainability; and regarding no excessive assumption of risks or reward of unfavourable results. The board of directors, on proposal of the Corporate Responsibility and Governance Committee, will submit a new long-term incentive plan to the next general shareholders meeting. The principal terms and conditions thereof are described in section A.4 below. The board, on proposal of the Corporate Responsibility and Governance Committee, has approved a review of the objectives of the annual variable compensation of the executive director for 2015, as described in section A.4. below. The other components and characteristics of the compensation policy to be applied during 2015 will be maintained on terms similar to those applied in 2014. The board, on proposal of the Corporate Responsibility and Governance Committee, among other matters considers the following when establishing the compensation policy:

a) The provisions of the articles of association and the board regulations: the articles of association set a cap on overall annual compensation for the entire board, in all categories, of 1.5% of the company's net profits as approved by the general meeting. The above compensation is in all cases a maximum figure and the board itself is in charge of apportioning the amount among the aforesaid items and among the directors in such manner, at such time and in such proportion as it freely decides. The compensation indicated above deriving from membership on the board is compatible with the other elements of compensation received by a director for performance of executive functions within the Company. b) The principles established in the corporate governance policy approved by the board of directors of the Company at its meeting of 25 November 2014. c) The applicable regulations. d) The objectives established pursuant to the budget for the year/strategic plan, allowing the establishment of the metrics to which the annual variable and medium/long-term compensation is tied. e) The market information and instructions of investors and proxy advisors. For greater detail regarding this matter, see section A.2. The total compensation of the executive director is comprised of the following compensation components: (i) fixed compensation, (ii) short-term variable compensation and (iii) long-term variable compensation. In a scenario of standard achievement of objectives (targets), as regards the compensation mix, it may be stated that approximately 55% of total compensation is fixed, the remaining 45% being variable. (See section E)

**A.2 Information on preparatory work and the decision-making process that has been used to determine the compensation policy and the role, if any, played by the Compensation Committee and other supervisory bodies in setting the compensation policy. This information if appropriate will include the mandate and composition of the Compensation Committee and the identity of the outside advisors the services of which have been used in the determination of the compensation policy. It will also state the nature of the directors, if any, that have participated in determination of the compensation policy.**

<b>Explain the process for determination of the compensation policy</b>
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The Corporate Responsibility and Governance Committee believes it is appropriate to review the compensation policy for the board of directors and the executive director periodically, in line with the best corporate governance practices adopted by institutional shareholders and the recommendations of the principal proxy advisors. In this regard, the committee in 2014 undertook an analysis of external competitiveness regarding the compensation of the executive director. In it two comparison groups were used, one specific, and the other the IBEX35, the stock index to which the Group belongs.

The first comparison group is comprised of 21 companies, selected using the same criteria as were applied in the compensation analysis that was undertaken in 2013 (geographical scope, scope of responsibility, business sector and size). These criteria are set forth in detail in the compensation policy for directors that will be submitted for approval of the ordinary general shareholders meeting to be held in 2015. The companies comprising the comparison group are as follows: Abertis, Mirall, Amadeus, Atresmedia, Catalana Occidente, Duro Felguera, Enagas, Ence, Europac, Gamesa, Grifols, Indra, Jazztel, Mediaset, Meliá, NH Hotel Group, OHL, Sacyr, Técnicas Reunidas, Viscofan, Zardoya Otis. In summary, it may be concluded that an overall view of the data of companies of the size of the Red Eléctrica Group leads to a market position between the median and the 75th percentile, in terms of "target" compensation, that is, for a standard level of achievement of objectives, the position of the Red Eléctrica Group falls below the 10th percentile. For analysis as against the IBEX35 the companies included in the index at the time of conducting the study were selected (Arcelormittal was not included in the analysis because the board is located outside Spain and it was not considered to be comparable). In summary, it may be concluded that an overall view of the data of companies of the size of the Red Eléctrica Group leads to a market position between the median and the 25th percentile by reference to the IBEX35; in terms of compensation, the position of the Red Eléctrica Group is at the minimum market values. Regarding directors for their non-executive functions the reference market is comprised of the companies belonging to the IBEX-35 market index, since Red Eléctrica belongs to this index. In view of the results of this analysis and taking account of other factors to be considered, the committee has not proposed increases of the fixed compensation of the directors, either the executive director or the outside directors, for 2015. On the other hand, the committee has analysed market practices regarding long-term incentives within IBEX-35 companies, as well as important entities in the Spanish energy sector. The conclusions drawn from this study and other matters have been considered in the process of deciding on the new long-term incentive plan. The committee also is in constant contact with shareholders and proxy advisors to verify the appropriateness and moderation of the compensation of the directors and executive director by reference to the market. Also, the committee has analysed the annual variable compensation component in light of the new 2014-2019 strategic plan, submitting the corresponding decisions to the board in respect thereof. For this analysis the committee has reports prepared for that purpose by the Corporate Finance Office, responsible for controlling management of the Group, which has provided information regarding audited results of the Company and the consolidated Group. During 2014 and 2015, up to the date of approval of this report, the most significant actions taken by the Corporate Responsibility and Governance Committee, regarding compensation, were as follows: - Approval and monitoring of corporate objectives related to the variable compensation of the executive director for 2014, and review and approval of those corresponding to 2015.

- Approval and monitoring of corporate, management and management committee objectives, tied to the variable compensation of senior managers for 2014, and approval of those corresponding to 2015. - Evaluation of compliance with the objectives related to annual variable compensation of the executive director and the senior managers, for 2013 and 2014.

- Proposal of a new long-term compensation plan for the executive director and managers, with a term of six years, tied to the objectives of the new 2014-2019 strategic plan, subject to satisfaction of certain conditions. - Proposal for 2014 (consolidated for 2015) of compensation of the board of directors (non-executive functions) consisting solely of fixed elements of compensation. - Proposals of annual compensation reports for directors, for referral to the board and subsequent submission to the ordinary general shareholders meeting, held in 2014 and 2015. - Report and proposal to the board of directors of the compensation policy for directors, applicable for the next 3 years, for referral to the ordinary general shareholders meeting in 2015. (See section E).

A.3 Indicate the amount and nature of the fixed components, broken down, if applicable, of the compensation for performance of duties of senior management of the executive directors, the additional compensation as chairman or a member of any board committee, of the per diems for participation on the board and its committees or other fixed compensation as a director, as well as an estimate of the fixed annual compensation resulting therefrom. Identify other benefits that are not paid in cash and the basic parameters on the basis of which they are granted.

#### Explain the fixed components of compensation

As regards the executive director, the fixed compensation represents a significant portion of total compensation, and is appropriate to the duties and responsibilities assumed. It is reviewed annually. After detailed analysis of the Company's results, market data and the compensation conditions within the organisation, fixed compensation of 399,170 euros has been proposed, which is unchanged since the date of appointment of the executive director in 2012. No other kind of social benefit is established for the executive director.

Regarding outside directors, (and also applicable to the executive director in his role as a director -and not for performing executive tasks-), the articles of association set a cap on overall annual compensation for the entire board, in all categories, of 1.5% of the company's net profits, as approved by the general meeting. The above compensation is, in all cases, a maximum figure and the board itself is in charge of apportioning the amount among the items contemplated in the articles of association, among the directors, in such manner, at such time and in such proportion as it freely decides.

For 2015, the same amounts and categories are maintained as for 2014, as indicated below:

a) Fixed Compensation: 130,742 euros per annum per director, to be paid monthly before the tenth (10th) of each month;  
b) Per diems for attending meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for 2015 in the schedule 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 per year. This amount is paid within fifteen (15) days of the given meeting being held.

The holding of extraordinary meetings of the board of directors, in person or electronically, does not result in compensation in the form of per diems.

c) Service on board of directors committees:

c.1) 27,900 euros per annum to each member of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

c.2.) 15,000 euros per annum to each chairman of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

d) Coordinating Independent Director: 15,000 euros per annum, to be paid monthly before the tenth (10th) of each month.

There are no pension obligations undertaken vis-à-vis members of the board of directors. Also, it is not provided that the directors will receive categories of compensation in addition to those described above.

A.4 Explain the amount, nature and main features of the variable components of the compensation schemes.

In particular:

- Identify each of the compensation plans of which the directors are beneficiaries, the scope thereof, the date of approval, the date of implementation, the term of validity and the main features. In the case of option plans on shares and other financial instruments, the general features of the plan are to include information regarding the conditions for exercise of the options or financial instruments for each plan.

- Indicate any compensation under profit-sharing or bonus plans, and the reason it is paid.

- Explain the basic parameters and basis for any annual bonus system.

- The classes of directors (inside directors, proprietary outside directors, independent outside directors and other outside directors) that are beneficiaries of compensation schemes or plans that incorporate variable compensation

- The underlying basis of such variable compensation schemes or plans, the criteria for evaluation of performance that are used, as well as the components of and methods for evaluation to determine whether or not the evaluation criteria have been met, and an estimate of the absolute amount of the variable compensation resulting from the current compensation plan, based on the degree of fulfilment of the hypotheses or objectives taken as a reference.

- If applicable, the information is to include a report on the payment deferral periods that have been established and/or the periods for retaining shares or other financial instruments, if any.

#### Explain the variable components of the compensation schemes

The compensation policy contemplates that only the executive director will have variable components. They are as follows:

i) Annual variable compensation:

The annual variable compensation for the executive director is based on achievement of a combination of business objectives, predetermined and quantifiable, measured at the Group level. A maximum level (55% of annual fixed compensation) is established, which will be achieved in the event of exceeding the pre-established objectives, using the described metrics, rules and internal procedures for evaluation of objectives established by the Company for its managers. Notwithstanding the foregoing, the current executive director, Mr. Jose Folgado Blanco, has his annual variable compensation limited contractually to 50% of his annual fixed compensation. As a result, the maximum annual variable compensation that could be achieved by the current executive director would be 200,000 euros.

Approval of the objectives, at the beginning of each year, corresponds to the Corporate Responsibility and Governance Committee. All of the objectives are contemplated in the 2015 budget, which falls within the new 2014/2019 strategic plan for the Group, approved by the board of directors. They are as follows:

a) 70% of the incentive depends on economic/financial objectives, which measure the Group's capacity to generate profits, reflected in the following metrics:

a.1) 35% consolidated profit of the Red Eléctrica Group.

a.2) 35% return on invested capital (ROIC) of the Red Eléctrica Group, which measures net operating profit as a percentage of capital employed.

b) 30% of the incentive depends on aspects tied to the "Degree of Progress of the Strategic Plan".

The Corporate Responsibility and Governance Committee has decided to set the individual achievement threshold of economic/financial targets that triggers the entitlement to variable compensation at 95%; the maximum possible level of achievement is 100%.

Within the objectives tied to the "Degree of Progress of the Strategic Plan", the Corporate Responsibility and Governance Committee will evaluate the minimum threshold for individual compliance and may determine a maximum level of individual compliance of 133% (up to 40% of individual compliance with the objective, in the event of maximum weighting). The Corporate Responsibility and Governance Committee will have the autonomy necessary to evaluate the degree of annual compliance with the "Degree of Progress of the Strategic Plan" objective. However, once the new strategic plan is approved a document will be prepared setting forth the principal aspects and elements the aforesaid committee must consider in objective evaluation of the degree of progress of the aforesaid plan.

Variable compensation is calculated on the basis of the level of achievement and weighting of each objective, using the internal objective assessment standards and procedures established by the Company for its managers. The Corporate Responsibility and Governance Committee monitors the objectives quarterly throughout the year. At the end of the year it determines the degree to which the objectives have been achieved. In this evaluation function the committee has the support of the Corporate Finance Office, which is responsible for the management control function within the Group. It provides audited results. For both establishment of objectives and evaluation of achievement thereof, the committee also considers the long-term impact and any associated risk.

The Corporate Responsibility and Governance Committee may propose adjustments of the variable compensation to the board under exceptional circumstances, due to internal or external factors. The details of these adjustments, if any, will be broken down in the corresponding annual compensation report.

The overall maximum achievement of the three foregoing objectives may not exceed 110%.

The annual variable compensation will be paid entirely in cash.

ii) Long-term variable compensation: (See section E)

**A.5 Explain the principal features of the long-term savings schemes, including retirement and any other survival benefit, financed in whole or in part by the company, whether funded internally or externally, with an estimate of the amount thereof or the equivalent annual cost, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions for vesting of the economic rights in favour of directors and compatibility thereof with any kind of indemnification for early termination of the contractual relationship between the company and the director.**

Also indicate the contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes.

**Explain the long-term savings schemes**

There are no pension obligations undertaken vis-à-vis any member of the board of directors.

**A.6 Indicate any indemnification agreed or paid in the event of termination of a director's duties**

**Explain the indemnification**

No indemnification is agreed or paid in the case of termination of duties as an outside director.

**A.7 Indicate the conditions to apply to the contracts of inside directors exercising senior management functions. The report is to include, inter alia, the duration, the limits on amounts of indemnification, minimum-term-of-employment clause ("*cláusulas de permanencia*"), terms of advance notice, as well as payment as a substitute for the aforesaid advance notice, and any other clauses related to hiring bonuses, indemnification or golden parachutes for early termination of the contractual relationship between the company and the inside director. Include, inter alia, noncompetition, exclusivity, minimum terms or loyalty and post-contractual noncompetition clauses or agreements.**

**Explain the terms of the contracts of the inside directors**

The contract governing the executive director's performance of his functions and duties in his relationship with Red Eléctrica is formed under commercial law and includes the clauses constituting standard practice for this type of contract. Without prejudice to the confidentiality obligation expressly established in that contract, the executive director is also bound by the duty of confidentiality established in article 34.a) of the board regulations, applicable to all directors, in accordance with which a director is to keep the deliberations of the board of directors and its committees secret and, in any event, 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 survives departure from office.

In his capacity as a director of Red Eléctrica, the executive director has a noncompete obligation to the Company, on the terms in which that obligation is regulated for directors of the Company in article 33 of the board of directors regulations. In addition, the noncompete obligation is expressly set forth in the contract with the executive director, for a term of two (2) years after his departure, that obligation not giving him a right to post-contractual noncompetition indemnification, as it is deemed to have been compensated by way of his fixed compensation. The contract with the current executive director was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's board of directors. This contract, following customary market practices, contemplates an indemnification equivalent to one year of compensation in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director), with no advance notice from the Company being required. The aforesaid indemnification will also apply if the executive director voluntarily resigns due to a serious and culpable breach of the Company or a material modification of the executive director's duties for reasons not attributable thereto.

In the calculation of that indemnification the base is one year's fixed compensation, plus the amount corresponding to variable compensation as executive director, calculated assuming a 100% level of achieving objectives.

**A.8 Explain any additional compensation accrued to directors as consideration for services rendered other than those inherent in the position.**

**Explain the additional compensation**

There is no additional compensation earned by the directors as consideration for services rendered other than those inherent in the position.



A.9 Indicate any compensation in the form of advances, loans and guarantees granted, indicating the interest rate, the essential features and the amounts eventually repaid, as well as the obligations assumed on their behalf by way of guarantee.

**Explain the advances, loans and guarantees granted**

There are no loans or advances granted, or guarantees established by the Company in favour of members of the board of directors. Nor are there pension obligations undertaken vis-à-vis members of the board of directors.

A.10 Explain the main features of in-kind compensation

**Explain the in-kind compensation**

No compensation other than as indicated above is granted to the executive director or the outside directors.

A.11 Indicate the compensation earned by a director by virtue of payments made by the listed company to a third party entity within which the director serves, when the purpose of such payments is to compensate the director's services within the company.

**Explain the compensation earned by the director by virtue of payments made by the listed company to a third party entity within which the director serves**

At the date of issue of this Report, no compensation of this nature has been earned.

A.12 Any category of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered to be a related party transaction or when payment thereof distorts the true and fair view of the total compensation received by the director.

**Explain the other compensation categories**

At the date of issue of this Report, no compensation category other than those explained in the preceding sections is contemplated in the director compensation scheme.

A.13 Explain the actions taken by the company regarding the compensation system to reduce exposure to excessive risk and to adapt it to the long-term interests, values and objectives of the company. This if applicable is to include reference to: measures contemplated to ensure that the compensation policy is responsive to the long-term results of the company, measures establishing appropriate balance between fixed and variable components of compensation, measures adopted regarding those categories of personnel the professional activities of which have a material impact on the company's risk profile, recovery clauses or formulas to allow claims for return of variable components of compensation based on results when those components of compensation have been paid based on data the inaccuracy of which is thereafter clearly demonstrated, and measures contemplated for the avoidance of conflicts of interest, if applicable.

**Explain the actions taken to reduce risks**

A.13.1. Red Eléctrica's compensation policy is designed based on the strategy and long-term results of the Company. The total compensation of the executive director is comprised of various compensation elements, consisting basically of (i) fixed compensation,

(ii) short-term variable compensation and (iii) long-term variable compensation. For the executive director, the weight of this long-term element is 17% of total compensation in the case of standard achievement of objectives (fixed + annual variable + long-term variable). - The long-term variable compensation plan exists in a multiyear framework to ensure that the evaluation process is based on long-term results and takes account of the underlying economic cycle of the Company.

This compensation is tied to objectives established in the 2014/2019 strategic plan, thus aligning the interests of the participants with the Company's strategy.

A.13.2. The Red Eléctrica compensation policy establishes an appropriate balance between the fixed and variable components of compensation: The design of the compensation scheme provides a balanced and efficient relationship between fixed components and variable components. The portion of the compensation of the executive director that is fixed is considered to be sufficient and not excessive, allowing the portions of annual variable compensation as executive director to reach up to a maximum of 45% of total compensation (fixed compensation + maximum annual variable compensation + maximum long-term variable compensation). The variable components of compensation are sufficiently flexible to allow compensation to be adjusted. If the minimum level of achievement of objectives tied to variable compensation is not reached, the executive director will only receive fixed compensation. There is no variable compensation that is guaranteed. As for the measures adopted regarding those categories of personnel the professional activities of which have a material impact on the company's risk profile: The Corporate Responsibility and Governance Committee is responsible for examination and analysis of compliance with the board's compensation policy and, if applicable, that of senior management, which is approved by the board. The board regulations ([www.ree.es](http://www.ree.es)) establish, among the functions of this committee, the proposal to the board of the compensation policy for the board of directors and, if applicable, for senior management, as well as ensuring observance of the approved compensation policy applicable to the board of directors, the executive directors and, if applicable, senior management and the remainder of the Company's executive team. These groups include the professionals the activities of which may have a material impact on the risk profile of the entity. A.13.3. Regarding recovery clauses or formulas to claim return of variable components of compensation based on results when those components have been paid based on data the inaccuracy of which has thereafter been clearly demonstrated, and measures contemplated to avoid conflicts of interest, if any, note the following: The Corporate Responsibility and Governance Committee, by virtue of the functions established in the articles of association and the board of directors regulations, has authority to propose to the board the cancellation or return of payment of variable compensation, of short or long term, of the corresponding beneficiaries or managers in the event of supervening circumstances that show that the variable compensation has accrued or been paid based on inaccurate or erroneous information, or that there have been breaches of applicable internal corporate or legislative rules that subsequently are proven. In addition, the Corporate Responsibility and Governance Committee, in such exceptional circumstances, will determine whether it may propose to the board of directors even termination of the contractual relationship with the corresponding beneficiaries or managers. It also may propose adoption of such measures as it deems to be appropriate. The Corporate Responsibility and Governance Committee may propose to the board of directors that adjustments be made to the components, criteria, thresholds and limits of variable compensation, annual or multi-year, under exceptional circumstances resulting from internal or external extraordinary events or factors. The details and explanation of such adjustments will be included in the corresponding annual report on director compensation.

## **B COMPENSATION POLICY CONTEMPLATED FOR FUTURE YEARS**

**B.1 Make a general forecast of the compensation policy for future years that describes that policy in respect of: fixed components and per diems and compensation of a variable nature, relationship between compensation and results, retirement schemes, terms of contracts of inside directors, and a forecast of the most significant changes in the compensation policy by comparison with preceding periods.**

### **General forecast of compensation policy**

The compensation policy for 2015 and the one contemplated for the following three years correspond to the principles and criteria contained in the director compensation policy that the board of directors, on proposal of the Corporate Responsibility and Governance Committee, intends to submit to the ordinary general shareholders meeting to be held in 2015. It defines the principles of the compensation policy of Red Eléctrica Corporación for directors (either executive or outside), as well as the components, terms and conditions thereof.

If the competent corporate bodies resolve to implement changes if there are regulatory, strategic, financial or other facts or circumstances making it advisable to do so, the changes must be submitted for approval of the corresponding general shareholders meeting

**B.2 Explain the decision-making process for establishment of compensation policy contemplated for future years, and the role, if any, played by the compensation committee.**

### **Explain the decision-making process for establishment of the compensation policy**

It is contemplated that the decision-making process for establishment of the compensation policy for future years, and the role, if any, played by the Corporate Responsibility and Governance Committee will proceed on terms comparable to those described in sections A.1. and A.2, no changes being contemplated in respect thereto.

### B.3 Explain the incentives created by the company in the compensation scheme to reduce exposure to excessive risk and adapt it to the long-term interests, values and objectives of the company.

#### Explain the incentives created to reduce risks

Regarding annual variable compensation the Corporate Responsibility and Governance Committee monitors the objectives quarterly throughout the year. At the end of the year it determines the degree to which the objectives have been achieved. And as regards long-term variable compensation the committee undertakes annual monitoring of the objectives. Upon conclusion of the plan the degree of achievement of the objectives is determined. In both cases the committee has the support of the Corporate Finance Office, which is responsible for the management control function within the Red Eléctrica Group. It provides information on the audited results. For both establishment of objectives and evaluation of achievement thereof, the committee also considers the possible long-term impact and any associated risk.

### C OVERALL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE MOST-RECENTLY CLOSED PERIOD

#### C.1 Explain in a summary manner the main features of the compensation categories and structure of the compensation policy applied during the most-recently closed period, which results in the details of individual compensation earned by each of the directors reflected in section D of this report, and summarise the decisions taken by the board for application of the aforesaid categories.

#### Explain the compensation categories and structure of the compensation policy applied during the period

1 - As regards the executive director:

- a) Fixed annual compensation: in 2014 fixed compensation of the executive director amounted to 399,170 euros.
- b) Annual variable compensation:

The Corporate Responsibility and Governance Committee established the corresponding objectives at the beginning of 2014, and monitored compliance therewith quarterly over the course of the year. The year having concluded, the committee engaged in a process of evaluation of compliance therewith. In that evaluation it had the support of the Corporate Finance Office, which is responsible for control of management of the Group and provided information regarding the audited results of the Company and the consolidated Group. In this evaluation the committee also considered the possible impact of the objectives in the long term, and any risk associated therewith.

The annual variable compensation for the executive director, established for 2014, is based on achievement of a combination of quantitative and qualitative business objectives measured at the Group level: 50% EBITDA of the Group; 30% net profits of the Group and 20% approval by the board of the new strategic plan.

To determine the level achieved and the amount of incentive applicable for 2014, regarding the "quantitative objectives", the Corporate Responsibility and Governance Committee, at its meeting of 17 February 2015, considered the following matters:

- The book figure gives Group EBITDA for 2014 of 1.385 billion euros.
- The book figure gives Group net profits for 2014 of 718 million euros.

Notwithstanding the foregoing, as indicated in the internal rules and procedures of the Company regarding evaluation of objectives for its managers, in the evaluation of achievement of "quantitative objectives" the economic effects deriving from exceptional events not contemplated in the definition of those objectives, if any, is to be discounted. In this regard, after adjusting for exceptional events occurring in 2014, all of them positive (the award to the Red Eléctrica Group of the ADIF high-speed fibre-optic bid, the definitive agreement signed with Bolivia regarding compensation for nationalisation of the Bolivian subsidiary Transportadora de Electricidad TDE and the recent tax reform in Spain), the committee concluded as follows:

- The Group's EBITDA figure for 2014, for purposes of evaluation of compliance with the objective, is 1.378 billion euros, resulting in a degree of achievement of the objective of 100%.
- The Group's book net profit figure for 2014, for purposes of evaluation of compliance with the objective, is 558 million euros, resulting in a degree of achievement of the objective of 100%.

Regarding objective 3. "Approval by the Board of the New Strategic Plan" ("qualitative objective"), given the definition of the objective, the Corporate Responsibility and Governance Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%. After the evaluation of achievement of the foregoing three objectives, the Corporate Responsibility and Governance Committee concluded that the executive director's overall degree of achievement of

objectives was 100%. As a result the annual variable compensation for the executive director for 2014 amounts to 199,585 euros (100% of the target incentive).

c) Multi-year variable compensation: As was indicated in the annual corporate governance report approved by the ordinary general shareholders meeting held on 9 May 2014, during 2014 the Corporate Responsibility and Governance Committee of the Company evaluated various long-term incentive schemes, that would serve as management tools and a mechanism for fulfilling the new strategic plan, considering legal, economic, corporate governance and other aspects. As a result of this work, the board of directors at its meeting held a 24 February 2015, on proposal of the aforesaid committee, approved an executive compensation plan for 2014-2019, including the executive director, fulfilment of which is tied to the achievement of objectives established in the Group's strategic plan for that period and, in addition, satisfaction of certain conditions. The provision corresponding to 2014 accrual under that plan is included in the financial statements of the Company.

In section E, together with section A.4, the basic terms and conditions of the aforesaid plan have been amply explained, for which reason we remit thereto to avoid repetition.

2- As for outside directors (and also applicable to the executive director in his role as a director (and not for performing executive tasks), set forth below are the structure and compensation categories of the compensation policy applied during 2014:

In 2014, the overall amount of compensation of the board of directors amounted to 1,788,013 euros, broken down by category and director as follows:

- i) Fixed Compensation: 130,742 euros per annum per director.
- ii) Per diems for attending meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2014, the total amounting to 16,500 euros. In addition, there were two (2) extraordinary meetings of the board of directors, not resulting in compensation by way of per diems.
- iii) Service on board of directors committees:
  - 27,900 euros per annum to each member of the board committees.
  - 15,000 euros per annum to each of the chairmen of the board committees.
- iv) Coordinating Independent Director: 15,000 euros per annum.

The compensation of the board of directors in 2014 should have been higher than in 2013 as a result of the new compensation resolved for the chairmen of the committees and for the position of coordinating independent director. However this new compensation was offset by lower compensation to directors due to changes in the composition of the board, the result in 2014 being that new additions did not earn compensation over the entire year.

**D DETAILS OF COMPENSATION INDIVIDUALLY EARNED BY EACH OF THE DIRECTORS**

<b>Name</b>	<b>Type</b>	<b>Earned in 2014</b>
JOSÉ ÁNGEL PARTEARROYO MARTÍN	Proprietary	From 25/02/2014 to 29/07/2014.
JUAN EMILIO IRANZO MARTIN	Independent	From 01/01/2014 to 28/10/2014.
JOSÉ FOLGADO BLANCO	Executive	From 01/01/2014 to 31/12/2014.
MIGUEL BOYER SALVADOR	Independent	From 01/01/2014 to 08/05/2014.
PALOMA SENDÍN DE CÁCERES	Independent	From 01/1/2014 to 31/12/2014.
ALFREDO PARRA GARCÍA-MOLINER	Proprietary	From 01/01/2014 to 27/01/2014.
FRANCISCO RUIZ JIMÉNEZ	Proprietary	From 01/01/2014 to 31/12/2014.
MARIA DE LOS ANGELES AMADOR MILLAN	Independent	From 01/01/2014 to 31/12/2014.
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	Proprietary	From 01/01/2014 to 31/12/2014.
MARÍA JOSÉ GARCÍA BEATO	Independent	From 01/01/2014 to 31/12/2014.
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Independent	From 01/01/2014 to 31/12/2014.
RUI MANUEL JANES CARTAXO	Independent	From 01/01/2014 to 08/05/2014.
ANTONIO GÓMEZ CIRIA	Independent	From 09/05/2014 to 31/12/2014.
SANTIAGO LANZUELA MARINA	Proprietary	From 30/07/2014 to 31/12/2014.
SOCORRO FERNÁNDEZ LARREA	Independent	From 09/05/2014 to 31/12/2014.

D.1 Complete the following tables regarding the individual compensation of each of the directors (including compensation for performance of executive duties) earned during the period.

**a) Compensation earned within the reporting company:**

**i) Cash compensation (€ 000s)**

Name	Salary	Fixed compensation	Per diems	Short-term variable compensation	Long-term variable compensation	Compensation for membership on board committees	Indemnifications	Other categories	2014 Total	2013 Total
JUAN EMILIO IRANZO MARTIN	0	108	12	0	0	35	0	0	155	175
ALFREDO PARRA GARCÍA-MOLINER	0	10	0	0	0	2	0	0	12	175
MIGUEL BOYER SALVADOR	0	46	7	0	0	0	0	0	53	147
JOSÉ FOLGADO BLANCO	399	131	16	200	0	0	0	0	746	726
MARIA DE LOS ANGELES AMADOR MILLAN	0	131	16	0	0	28	0	0	175	175
RUI MANUEL JANES CARTAXO	0	46	7	0	0	0	0	0	53	147
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0	131	16	0	0	28	0	0	175	175
PALOMA SENDÍN DE CÁCERES	0	131	16	0	0	43	0	0	190	175
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	0	131	16	0	0	28	0	15	190	175
MARÍA JOSÉ GARCÍA BEATO	0	131	16	0	0	5	0	0	152	147
SOCORRO FERNÁNDEZ LARREA	0	84	11	0	0	0	0	0	95	0
ANTONIO GÓMEZ CIRIA	0	84	11	0	0	0	0	0	95	0
SANTIAGO LANZUELA MARINA	0	55	6	0	0	0	0	0	61	0
FRANCISCO RUIZ JIMÉNEZ	0	131	16	0	0	24	0	0	171	147
JOSÉ ÁNGEL PARTEARROYO MARTÍN	0	55	9	0	0	0	0	0	64	0

**ii) Compensation schemes based on shares**

**iii) Long-term savings schemes**

**b) Compensation earned by directors of the company for membership on boards of other group companies:**

**i) Cash compensation (€ 000s)**

Name	Salary	Fixed compensation	Per diems	Short-term variable compensation	Long-term variable compensation	Compensation for membership on board committees	Indemnifications	Other categories	2014 Total	2013 Total
MIGUEL BOYER SALVADOR	0	0	0	0	0	0	0	0	0	0
PALOMA SENDÍN DE CÁCERES	0	0	0	0	0	0	0	0	0	0
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	0	0	0	0	0	0	0	0	0	0
ALFREDO PARRA GARCÍA-MOLINER	0	0	0	0	0	0	0	0	0	0
JOSÉ FOLGADO BLANCO	0	0	0	0	0	0	0	0	0	0
MARIA DE LOS ANGELES AMADOR MILLAN	0	0	0	0	0	0	0	0	0	0
RUI MANUEL JANES CARTAXO	0	0	0	0	0	0	0	0	0	0
JUAN EMILIO IRANZO MARTIN	0	0	0	0	0	0	0	0	0	0
MARÍA JOSÉ GARCÍA BEATO	0	0	0	0	0	0	0	0	0	0
FRANCISCO RUIZ JIMÉNEZ	0	0	0	0	0	0	0	0	0	0
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0	0	0	0	0	0	0	0	0	0
ANTONIO GÓMEZ CIRIA	0	0	0	0	0	0	0	0	0	0
SANTIAGO LANZUELA MARINA	0	0	0	0	0	0	0	0	0	0

**ii) Compensation schemes based on shares**

**iii) Long-term savings schemes**

**c) Summary of compensation (€ 000s):**

The summary must include the amounts corresponding to all compensation categories included in this report that have been earned by the director, in thousands of euros.

In the case of long-term savings schemes, the report is to include the contributions to or funding of this kind of scheme:

Name	Compensation earned in the Company				Compensation earned in group companies				Totals		
	Total cash compensation	Amount of shares granted	Gross profit on options exercised	2014 Total from company	Total cash compensation	Amount of shares delivered	Gross profit on options exercised	2014 Total from group	2014 Total	2013 Total	Contribution to savings schemes during period
MIGUEL BOYER SALVADOR	53	0	0	53	0	0	0	0	53	147	0
PALOMA SENDÍN DE CÁCERES	190	0	0	190	0	0	0	0	190	175	0
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	190	0	0	190	0	0	0	0	190	175	0
ALFREDO PARRA GARCÍA-MOLINER	12	0	0	12	0	0	0	0	12	175	0
JOSÉ FOLGADO BLANCO	746	0	0	746	0	0	0	0	746	726	0
MARIA DE LOS ANGELES AMADOR MILLAN	175	0	0	175	0	0	0	0	175	175	0
RUI MANUEL JANES CARTAXO	53	0	0	53	0	0	0	0	53	147	0
JUAN EMILIO IRANZO MARTIN	155	0	0	155	0	0	0	0	155	175	0
MARÍA JOSÉ GARCÍA BEATO	152	0	0	152	0	0	0	0	152	147	0
FRANCISCO RUIZ JIMÉNEZ	171	0	0	171	0	0	0	0	171	147	0
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	175	0	0	175	0	0	0	0	175	175	0
SOCORRO FERNÁNDEZ LARREA	95	0	0	95	0	0	0	0	95	0	0
ANTONIO GÓMEZ CIRIA	95	0	0	95	0	0	0	0	95	0	0
SANTIAGO LANZUELA MARINA	61	0	0	61	0	0	0	0	61	0	0
JOSÉ ÁNGEL PARTEARROYO MARTÍN	64	0	0	64	0	0	0	0	64	0	0
TOTAL	2,387	0	0	2,387	0	0	0	0	2,387	2,364	0



## D.2 Report on the relationship between compensation obtained by directors and the results or other measures of profitability of the entity, if applicable explaining how the changes in profitability of the company may have influenced changes in compensation of directors.

Regarding the annual variable compensation of the executive director, in the process of evaluation of achievement of objectives, undertaken by the Corporate Responsibility and Governance Committee, on the basis of 2014 audited results for the entire year, the conclusions were as follows:

- The book figure gives Group EBITDA for 2014 of 1.385 billion euros.
- The book figure gives Group net profits for 2014 of 718 million euros.

Notwithstanding the foregoing, as indicated in the internal rules and procedures of the Company regarding evaluation of objectives for its managers, in the evaluation of achievement of "quantitative objectives" the economic effects deriving from exceptional events not contemplated in the definition of those objectives, if any, is to be discounted. In this regard, after adjusting for exceptional events occurring in 2014, all of them positive (the award to the Red Eléctrica Group of the ADIF high-speed fibre-optic bid, the definitive agreement signed with Bolivia regarding compensation for nationalisation of the Bolivian subsidiary Transportadora de Electricidad TDE and the recent tax reform in Spain), the committee concluded as follows:

- The Group's EBITDA figure for 2014, for purposes of evaluation of compliance with the objective, is 1.378 billion euros, resulting in a degree of achievement of the objective of 100%.
- The Group's book net profit figure for 2014, for purposes of evaluation of compliance with the objective, is 558 million euros, resulting in a degree of achievement of the objective of 100%.

Regarding objective 3. "Approval by the Board of the New Strategic Plan" ("qualitative objective"), given the definition of the objective, the Corporate Responsibility and Governance Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%. After the evaluation of achievement of the foregoing three objectives, the Corporate Responsibility and Governance Committee concluded that the executive director's overall degree of achievement of objectives was 100%. As a result the annual variable compensation for the executive director for 2014 amounts to 199,585 euros (100% of the target incentive).

## D.3 Report on the result of the advisory vote of the general meeting on the annual report and compensation for the prior period, indicating the number of negative votes, if any:

	Number	% of total
<b>Votes cast</b>	75,805,645	56.10%

	Number	% of total
<b>Votes against</b>	2,086,496	2.75%
<b>Votes for</b>	46,464,885	61.30%
<b>Abstentions</b>	27,254,264	35.95%

## **E OTHER INFORMATION OF INTEREST**

If there is any relevant aspect of director compensation that it has not been possible to include in the other sections of this report, but that it is necessary to include in order to set forth more complete and reasoned information regarding the compensation practices and structure of the company as regards its directors, briefly explain.

Regarding section A.1. (continuation): Regarding outside directors, the compensation policy seeks to compensate them in a manner appropriate to their professionalism and experience, and the dedication and responsibility assumed by them, without the compensation paid compromising their independence. Along these lines, the compensation of directors in their capacity as members of the board and/or its committees consists of fixed compensation, per diems for attending meetings of the board and a fixed amount for service on board committees, together with specific compensation for the chairmen of committees and the coordinating independent director. Therefore, all of the compensation is of a fixed nature.

Regarding section A.2 (continuation): During 2014 the board suffered certain changes in its composition. Leaving it was its prior chairman, Mr. Juan Irazzo Martín. He resigned as an independent outside director in October. The vacancy on the board was filled by the independent outside director Ms. M<sup>a</sup> José García Beato, the position as chairman thereof was taken by Ms. Carmen Gómez de Barreda Tous de Monsalve, an independent outside director, in November. Finally, in December the board of directors resolved to expand each of the board committees by one additional member, appointing the independent outside director Ms. Socorro Fernández Larrea as a new member of the Corporate Responsibility and Governance Committee.

In 2014 (up to the date of approval of this report), Towers Watson, an independent advisor specialised in director and senior managers compensation, rendered services to the Corporate Responsibility and Governance Committee, regarding the following compensation matters: analysis of compensation policies and practices and other aspects of corporate governance, compensation benchmarking for the executive director, compensation benchmarking for outside directors, analysis of market practices related to long-term incentive

plans within the IBEX35 and the Spanish energy sector, preparation of the report and proposal regarding director compensation policy and, finally, preparation of the corresponding annual reports on director compensation.

Regarding section A.4 (continuation): The new multi-year cash variable compensation plan addressed to managers is applicable to the executive director. The plan is for a term of 6 years, in line with the new 2014-2019 strategic plan of the Red Eléctrica Group, and extends from 1 January 2014 to 31 December 2019.

The right to receive the cash incentive is conditioned on achievement of objectives tied to the 2014-2019 strategic plan, as well as remaining with the company over the term of the plan. The objectives and their weighting are described below:

-20% of the incentive is tied to the expansion of the business. To measure this objective the amount of investment is used as the indicator:

-25% of the incentive depends on fulfilling the investment plan for the transport network, which is measured based, inter alia, on positions placed in service;

-20% of the incentive is tied to the quality of system operation; it is measured based on energy not supplied;

-25% of the incentive is tied to the efficiency of operations. Two metrics are considered: yield on fixed assets and profit per share;

-The remaining 10% depends on compliance with the corporate responsibility plan.

When the plan measurement period has ended, the Corporate Responsibility and Governance Committee, in the first quarter of 2020, will evaluate the achievement of each of the objectives, and of the plan as a whole, using information provided by the company, and will propose the levels of incentive associated with achievement, based on the established achievement scales. In any event, it is established that the weighted-average achievement of the overall objectives must reach at least 70%. If not, no right to receipt of incentive will arise, regardless of individual achievement of each objective. Similarly, the maximum level of achievement of the overall objectives of the plan will be 110%, although weighted-average achievement of the objectives may be greater.

The target compensation of the executive director in this category is 1.8 times fixed compensation.

Regarding D.1.a) i), which sets forth information corresponding to 2013, it is necessary to note that in 2014, as a result of the end of the 2009-2013 "25th Anniversary Extraordinary Plan", a compensation plan for managers that included the executive director, achievement of the objectives established in that plan was evaluated in accordance with the minimum and maximum limits contemplated therein (70%-110%). The plan having ended in 2013, the Corporate Responsibility and Governance Committee of the Company, at its meeting held on 20 February 2014, evaluated the degree of achievement of the plan, placing it at 106.3%. It also resolved to fix compensation of the executive director under the aforesaid plan at 278,000 euros, corresponding to the aforesaid percentage and the time elapsed from the appointment of the executive director subject to the plan to the end thereof on 31 December 2013. This amount was paid in 2014 and was included within the amounts that the Group has been accruing annually in the 2009-2013 period.

The executive director, evidencing his firm personal commitment to social responsibility and best corporate governance practices, has given instructions that, in his name and for his account, the Company is to make cash contributions to certain foundations, in the total amount of his 2014 compensation corresponding to the 2009-2013 long-term compensation plan, as described in the Company's annual corporate governance report for 2014.

Regarding the table corresponding to section D.1.b) i), it is noted that it does not apply to the Company's directors, but has been completed by reason of requirements of the computer programme approved by the CNMV for preparation of this report.

The company voluntarily prepares, in accordance with international standards of good corporate governance, an annual report on director compensation, which was approved by the board of directors on 24 February 2015, and currently is available on the corporate website thereof ([www.ree.es](http://www.ree.es)), in the section on corporate governance/reports and other documents. It also will be published on the aforesaid website in the section corresponding to the 2015 ordinary general shareholders meeting, when it is called.

This annual compensation report was approved unanimously by the board of directors of the company at its meeting of 24/02/2015.

State whether there are any directors who voted against or abstained from voting to approve this Report.

Yes   No

Name or corporate name of the directors who have not approved the present report	Reasons (against, abstention, not assisting)	Explain the reasons
FRANCISCO RUIZ JIMÉNEZ	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake
SANTIAGO LANZUELA MARINA	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake

**PROPOSED RESOLUTION RELATING TO ITEM TWELVE ON THE AGENDA:**

**DELEGATION OF AUTHORITY TO FULLY IMPLEMENT THE RESOLUTIONS ADOPTED AT THE GENERAL SHAREHOLDERS' MEETING.**

In order to implement any of the above resolutions which may be adopted by the Ordinary General Shareholders' Meeting, the following resolution is proposed to the Board of Directors for submission to the General Shareholders' Meeting:

Without prejudice to the authorizations expressly conferred by the General Shareholders' Meeting on the Board of Directors, the broadest powers are delegated to the Chairman and to each member of the Company's Board of Directors, and also the Secretary and Deputy Secretary of the Board, so that they may exercise them, jointly and severally, with a view to the implementation, execution and registration of each and every resolution adopted by this General Shareholders' Meeting, including the signature of the corresponding contracts and documents, with the clauses and conditions they deem appropriate, and interpret, rectify and complete the aforementioned resolutions and make arrangements for them to be notarized, according to their effectiveness and the observations of any body or authority, in particular the oral or written observations of the Mercantile Registrar, taking all measures that may be necessary or appropriate to ensure a successful outcome and, in particular, to ensure that resolutions that may be registered are entered in the Mercantile Registry.

## II. ITEMS FOR INFORMATION

### **MATTER RELATING TO ITEM THIRTEEN ON THE AGENDA:**

#### **INFORMATION TO THE GENERAL SHAREHOLDERS' MEETING ON THE 2014 ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A.**

The General Shareholders' Meeting is informed that, in accordance with the provisions of Article 540 of the Spanish Companies Act and other applicable regulations, at its meeting on February 24, 2015 the Board of Directors unanimously approved the 2014 Annual Corporate Governance Report of Red Eléctrica Corporación S.A. The Report has been disclosed to the National Securities Market Commission as a material event.

The 2014 Annual Corporate Governance Report is made up of a main body comprising four Titles, divided into Chapters. The Titles refer to the Legal Framework applicable to RED ELECTRICA (Title I), to the main corporate governance aspects, principles and practices at RED ELÉCTRICA (Title II), to the year 2014 at RED ELÉCTRICA in terms of Corporate Governance (Title III), and to RED ELÉCTRICA's outlook in terms of corporate governance (Title IV).

This year an explanation of the main aspects of the Corporate Governance Policy recently approved by the Board of Directors was included; an informative structure was followed according to the latest recommendations established by the *International Integrated Reporting Council* (IIRC), and the information quality was improved by extending the information in some matters, such as those related to monitoring and managing risks or to the Group's tax aspects and liabilities.

Additionally, as done in previous years, information was given on the most relevant aspects of the annual self-appraisal process of the Board of Directors (Title II) and on the roadmap in terms of the Corporate Governance established by Red Eléctrica for the coming years, explained in Title IV denominated *The Corporate Governance Outlook of Red Eléctrica*.

Lastly, as is usual, the Report Includes an Official Annex, which has been completed in compliance with the format established in the Annex 1 Form of the Spanish National Securities Market Commission's Circular 5/2013, of June 12.

The Annual Corporate Governance Report is available in Spanish and English from 25 February 2015 on the Corporate Governance section of the Company website ([www.ree.es](http://www.ree.es)) and in the General Shareholders' Meeting documentation made available to shareholders.

Yours sincerely,

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