

**SPANISH SECURITY  
MARKETS COMMISSION**

Markets Division  
Edison, 4  
28006 MADRID

Madrid, April 19, 2013

Dear Sirs:

In accordance with Article 82 of the Securities Market Law, we set forth below the following event relating to Red Eléctrica Corporación, S.A.:

Attached find the complete text of the resolutions adopted by the Ordinary Shareholders' Meeting of the Company held on April 18, 2013, proposed by the Board of Directors of Red Eléctrica de Corporación, S.A.

Very truly yours,

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

**Complete text of the resolutions adopted by the Ordinary Shareholders' Meeting of the Company held on April 18, 2013, proposed by the Board of Directors of Red Eléctrica de Corporación, S.A.**

## **I. ITEMS FOR APPROVAL**

### **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 DIRECTORS' REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2012.**

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 2012.

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 26, 2013.

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

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONSOLIDATED BALANCE SHEET, 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. FOR THE YEAR ENDED DECEMBER 31, 2012.**

To approve the Consolidated Financial Statements (consolidated balance sheet, 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. for the year ended December 31, 2012.

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 26, 2013.

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

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE PROPOSED DISTRIBUTION OF INCOME OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2012.**

To approve the distribution of income proposed by the Board of Directors at the meeting held on February 26, 2013, and as a result, to distribute 2012 income, amounting to €451,509,115.28 euros, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	131,862,647.55
TO DIVIDENDS:	
INTERIM DIVIDEND	91,216,018.73
SUPPLEMENTARY DIVIDEND (calculated on basis of all shares)	228,430,449.00
<hr/>	
TOTAL	451,509,115.28

It is expressly resolved to pay the shares entitled to a dividend a gross dividend of €2.3651 per share. Payment of the dividend will be made on July 1, 2013, at the banks and financial institutions to be duly announced, with a deduction therefrom of the gross amount of €0.6764 per share, which was paid as an interim dividend on January 2, 2013, pursuant to the Board resolution dated December 20, 2012.

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

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE CONDUCT OF MANAGEMENT BY THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A. IN 2012.**

To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2012.

**RESOLUTION RELATING TO ITEM FIVE ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, EFFECTIVE AS OF JANUARY 1, 2013, OF THE UPDATED BALANCE SHEET OF RED ELÉCTRICA CORPORACIÓN, S.A., IN ACCORDANCE WITH LAW 16/2012, OF 27 DECEMBER.**

To approve, with effect as of January 1, 2013, the Updated Balance Sheet of Red Eléctrica Corporación, S.A., pursuant to the provisions of Article 9 of Law 16/2012 of December 27, introducing a number of tax measures focusing on the consolidation of public finances and promotion of economic activity.

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

**REAPPOINTMENT AND/OR APPOINTMENT OF COMPANY DIRECTORS**

**One.- Reappointment of Ms María de los Ángeles Amador Millán as a Company Director**

Reappointment of Ms. María de los Ángeles Amador Millán as an independent director of Red Eléctrica Corporación, S.A., for the four-year term laid down in the corporate bylaws.

**Two.- Ratification and appointment of Ms María José García Beato as a Company Director**

To ratify the appointment as independent director of Red Eléctrica Corporación, S.A. by the Board of Directors at its meeting on November 29, 2012, pursuant to the provisions of Article 244 of the Spanish Corporate Enterprises Law, of Ms. María José García Beato, in replacement of and as a result of the resignation of Mr. Francisco Javier Salas Collantes, and thus proceed to appoint her as an independent director of Red Eléctrica Corporación, S.A., for the four-year term stipulated in the corporate bylaws.

**RESOLUTIONS RELATING TO ITEM SEVEN ON THE AGENDA:**

**AMENDMENT OF THE CORPORATE BYLAWS FOR THE PURPOSES OF (I) ADAPTATION TO THE LATEST LEGISLATIVE REFORMS OF LAW 54/1997, OF NOVEMBER 27, ON THE ELECTRICITY INDUSTRY AND OTHER RELATED REGULATIONS; (II) THE INTRODUCTION OF COUNTERWEIGHTS SHOULD THE CHAIRMAN OF THE BOARD ALSO BE THE CHIEF EXECUTIVE OF THE COMPANY AND OTHER MEASURES PERMITTING THE SEPARATION OF BOTH POSTS; (III) ADAPTATION OF THE RULES ON BOARD COMMITTEES TO THE MAIN PRACTICES AND INTERNATIONAL RECOMMENDATIONS FOR GOOD CORPORATE GOVERNANCE AND TO THE CURRENT COMPOSITION OF SUCH**

**COMMITTEES (Item Seven, sections One, Two and Three on the Agenda of the General Shareholders' Meeting)**

**One. Adaptation to the latest legislative reforms of Law 54/1997, of November 27, on the Electricity Industry and other related regulations:**

A. To amend article 2 ("Corporate Purpose"), which shall read as follows:

**"Article 2. Corporate Purpose**

*The Company's corporate purpose shall be:*

*1. to hold, pursuant to the legislation in force from time to time, the capital stock of the company to which the functions of system operator and electricity transmission network manager and electricity transmitter correspond, pursuant to the provisions of Law 54/1997 of 27 November, on the Electricity Industry (the "Electricity Industry Law").*

*2. the management of its business group, constituting the holdings in the capital stock of the companies comprising it.*

*3. the research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate.*

*4. the design, development, implementation and operation of services relating to the corporate information, management and organization specific to its activity.*

*5. this corporate purpose includes all activities which are necessary for or enable its fulfillment, provided that they comply with the law."*

B. To amend article 5 ("Capital Stock"), which shall read as follows:

**"Article 5. Capital Stock**

*1. The capital stock of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with a par value of two euros (€2), fully subscribed and paid in, and represented by book entries.*

*2. Pursuant to the provisions of the Electricity Industry Law:*

*1) the total direct or indirect holding owned by any individual or legal entity in the capital stock of the Company can at no time be greater than five percent (5%) of the capital stock of the Company, unless otherwise authorized by the Law. These shares cannot be syndicated for any purpose. No shareholder may exercise more than three percent (3%) of non-economic rights. Parties pursuing activities in the Electricity Industry*

*and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%) may not exercise more than one percent (1%) of non-economic rights. Furthermore, the direct or indirect holdings of parties pursuing activities in the Electricity Industry, when added together, must not total more than forty percent (40%).*

2) *In order to calculate the holding of each shareholder, an individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by the entities belonging to its group, as defined in Article 4 of Securities Market Law 24/1988, those which are owned by:*

a) *persons acting in their own name but for the account of the aforesaid shareholder, on a specific basis or forming a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity.*

b) *the shareholders with whom the aforesaid shareholder exercises the control of a dependent company.*

*In any case, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights held under any title.*

3. *Notwithstanding the provisions of Article 6.2 of these Bylaws, the infringement of the limits indicated in Article 5.2 or of those imposed at any time by the legislation in force shall entail the legal consequences determined therein, including, if appropriate, the imposition of the relevant penalties and that which is provided for in these Bylaws.*

*The non-economic rights relating to shares or other securities which, pursuant to the provisions of the legislation in force at any given time, exceed the limit stipulated in this Article, shall be held in abeyance until they are brought into line with that limit.*

4. *As an exception to the general rule and by reason of the singular regime conferred by the Electricity Industry Law on the State Industrial Holding Company (Sociedad Estatal de Participaciones Industriales), the holding and the voting rights of this Company shall be governed by the provisions of these Bylaws, except where provision is made in the Sole Additional Provision of same."*

C. To amend the Sole Additional Provision ("Special Regime for the State Industrial Holding Company"), which shall read as follows:

***"Sole Additional Provision. Special Regime for the State Industrial Holding Company.***

1. *By virtue of the provisions of the Electricity Industry Law, neither the limitations stipulated in the Electricity Industry Law, nor the limitations stipulated in these Bylaws on the holding of shares in the Company and on non-economic rights shall apply to the State Industrial Holding Company. The State Industrial Holding Company shall in all cases have a shareholding of not less than 10%.*

2. *Where a Director, who is an individual, holds his office on behalf of the said shareholder, pursuant to the provisions of the Electricity Industry Law, his compensation must be brought into line with the applicable provisions on matters of conflicts of interest in the public sector stipulated for such purpose, notwithstanding any compensation that might be due to the public shareholder, either because it is directly designated member of the Board of Directors or for services provided to the Board or to its standing committees by persons representing that public shareholder in the Company's capital and exceeding those which, pursuant to the aforesaid legislation, may relate to them personally, all of the foregoing for as long as ownership is maintained pursuant to the applicable legislation."*

**Two. The introduction of counterweights should the Chairman of the Board also be the chief executive of the Company and other measures permitting the separation of both posts:**

- A. To amend article 21 ("Functioning of the Board of Directors"), which shall read as follows:

***"Article 21. Functioning of the Board of Directors***

*The Board shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. It may also appoint, following a proposal by the Corporate Responsibility and Governance Committee, one of the independent directors to be the Lead Independent Director. The Board shall also freely appoint the person who is to hold office as Secretary of the Board of Directors and, if it deems appropriate, shall also appoint a Deputy Secretary. 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.*

*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.*

*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 from among the shareholders such persons as are to cover those vacancies until the next Shareholders' Meeting is held".*

- B. To amend article 22 ("Board Committees and delegation of powers") which shall 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 Bylaws 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*



*Bylaws, there must be an Audit Committee and a Corporate Responsibility and Governance 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.*

*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 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. 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.*

*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. Notwithstanding delegation, the Board of Directors shall retain the powers delegated that may correspond to it."*

- C. To amend article 25 ("Chairman of the Company") which shall read as follows:

***"Article 25. Chairman of the Board.***

*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 Bylaws."*

- D. To include a new article 25 bis ("The Co-ordinating Independent Director"), which shall read as follows:

**“Article 25 bis. The 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 Board of Directors Regulations, shall be to organize the possible common positions 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 Corporate Responsibility and Governance Committee.”*

**Three. Adapting the rules on Board Committees to the main practices and international recommendations for good corporate governance and to the current composition of such Committees:**

A. To amend article 23 (“Audit Committee”), which shall read as follows:

**“Article 23. Audit Committee**

1. *The Company shall have an Audit 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 the External 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.*

*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 Audit Committee shall have at least the following powers:*

- (i) To report at Shareholders’ Meetings on matters falling within its jurisdiction which are raised in the course of such Meetings.*
- (ii) To supervise the efficacy of the Company’s internal control, any internal audit, and risk management systems, 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 regulated financial information.*

- (iv) *To propose to the Board of Directors the appointment of external auditors for submission to the Shareholders' Meeting.*
- (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 written confirmation of their independence from the Company or from entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities by those auditors or by persons or entities related to those auditors in accordance with the provisions of the 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, make a pronouncement on the provision of the additional services referred to in the preceding letter.*
- (vii) *Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.*

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 Audit Committee either in specific regulations or in special provisions of the Board Regulations."*

- B. To amend article 24 ("Corporate Responsibility and Governance Committee"), which shall read as follows:

***"Article 24. Corporate Responsibility and Governance Committee***

1. *The Company shall have a Corporate Responsibility and Governance 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 External 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. *The Corporate Responsibility and Governance Committee shall have the following basic responsibilities, plus those assigned to it at any time by the Board of Directors:*

- a) *to report on—and, in the case of Independent Directors, make—in advance, all proposals submitted by the Board of Directors to the Shareholders' Meeting for the appointment or removal of Directors;*

*likewise to report on and propose – in the case of independent directors – the appointment of directors by co-optation approved by the Board, and to propose the appointment of the Lead Independent Director to the Board.*

*b) to propose to the Board of Directors the compensation policy for Directors and senior executives and to ensure its observance.*

*c) to assume such reporting, supervising and proposing functions in the area of corporate governance as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.*

3. *The Board of Directors shall expand on the powers and rules of operation of the Corporate Responsibility and Governance Committee either in specific regulations or in special provisions of the Board Regulations.”*

#### **RESOLUTION RELATING TO ITEM EIGHT ON THE AGENDA:**

##### **APPOINTMENT OF AN AUDITOR FOR THE PARENT COMPANY AND THE CONSOLIDATED GROUP.**

To appoint KPMG Auditores, S.L., with taxpayer identification number B-78510153 and registered office at Paseo de la Castellana, 95, C.P. 28046, Madrid, listed in the Madrid Commercial Registry (volume 11.961, sheet 90, section 8, page number M-188.007, entry number 9), and as number S0702 in the Official Auditors' Register (ROAC), as auditors of the parent company Red Eléctrica Corporación, S.A. and of its Consolidated Group, for an initial period of three (3) years, comprising the fiscal years 2013, 2014 and 2015, pursuant to the provisions of Article 264 of the Spanish Corporate Enterprises Law currently in force.

#### **RESOLUTIONS RELATING TO ITEM NINE ON THE AGENDA:**

##### **AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS FOR THE DERIVATIVE ACQUISITION OF TREASURY STOCK.**

**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 and Executive Directors of the Company and of the companies of the Red Eléctrica Group, as compensation**

To authorize, pursuant to the provisions of Article 146 and related provisions of the Spanish Corporate Enterprises Law 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 Corporate Enterprises Law, the shares acquired may be partially paid up.
- (iv) Pursuant to the provisions of Article 146.1 b) of the Spanish Corporate Enterprises Law, 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 capital stock 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 capital stock, and also plus the nominal amount and the subscribed additional paid-up capital recorded for accounting purposes as liabilities.

In accordance with paragraph three of Article 146.1 a) of the Spanish Corporate Enterprises Law, 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 and Executive Directors of the Company and of companies belonging to the Red Eléctrica Group.

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 members of Management and the Executive Directors of the Company and of the companies of the Red Eléctrica Group**

To approve the participation of members of Management and Executive Directors of the Company and companies belonging to the Red Eléctrica Group in a compensation system whereby part of their compensation may be awarded in the form of Company shares.

The main characteristics of this system are as follows:

- Beneficiaries: members of Management and Executive Directors of the Company and members of management of companies belonging to the Red Eléctrica Group.
- 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 amount of the compensation, with a maximum limit of €12,000 per year, and the price of the share at the close of trading on the award date.
- 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 and the amount of the total compensation paid using this method for all participants, 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 eighteen (18) months.

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

To revoke and thus render null and void the authorization for the derivative acquisition of treasury stock granted to the Board of Directors at the Ordinary General Shareholders' Meeting held on April 19, 2012.

## **RESOLUTIONS RELATING TO ITEM TEN ON THE AGENDA:**

### **COMPENSATION OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A.**

## **One.- Approval of the Annual Report on Directors' Compensation at Red Eléctrica Corporación, S.A.**

To approve the Annual Report on Directors' Compensation, drafted in accordance with the provisions of Article 61 ter of the Securities Market Law, and also with the major international corporate governance practices among foreign investors and their advisers.

### **ANNUAL REPORT ON DIRECTORS' COMPENSATION**

#### **1. INTRODUCTION**

This report on compensation policy for the Directors of Red Eléctrica Corporación, S.A. ("Red Eléctrica" or "the Company") has been prepared in accordance with the provisions of the Corporate Bylaws and the Board Regulations. For Red Eléctrica, it is a high priority to make ongoing progress in the field of Corporate Governance, and for this reason it conducts procedures for continuous improvement of the scheme of compensation and alignment with best practices in the market. To create this policy, Red Eléctrica has examined and considered the requirements and recommendations of the regulatory environment applicable to listed corporations, the expectations and requirements of international investors, and Corporate Governance best practices at the domestic and international scales.

This report, in compliance with Article 61 ter of the Securities Market Law and with the Corporate Bylaws, provides an account of the application of compensation policy for Directors (including Executive Directors) in 2012, and outlines planned policy for the current year (2013) and later years. Supplementary information has also been included on the remuneration of senior management.

As proposed by the Corporate Responsibility and Governance Committee at its meeting of March 7, 2013, this report has been adopted by the Board of Directors of the Company at its meeting of March 13, 2013.

Since 2007, the Board of Directors submits its own proposed compensation to the Shareholders' Meeting for approval. Since 2010, the Board resolved also to submit the Annual Report on Directors' Compensation to a binding vote of the Shareholders' Meeting as a separate item on the agenda. In 2013, both Board compensation for 2012 and 2013 and this report on Directors' compensation policy, as two separate items on the agenda, will be laid before the Shareholders' Meeting for the purpose of being put to a binding vote.

The following table sets out the voting percentages that resulted at the Shareholders' Meetings of 2011 and 2012 in relation to the Annual Report on Directors' Compensation:

Annual Report on Directors' Compensation: Votes (%)			
Date of Shareholders' Meeting	For	Against	Abstentions
13/04/2011	68.68%	30.60%	0.72%
19/04/2012	94.54%	5.39%	0.07%

In light of recent trends in the focus of concern of international investors and proxy voting agencies, and with the aim of becoming aligned with the best practices in the market at the domestic and international levels, in early 2013 the Corporate Responsibility and Governance Committee resolved to undertake an in-depth review of the scheme of compensation of the Board of Directors. The immediate consequence was that the Board adopted a new scheme of compensation, applicable immediately in 2013, as explained below.

## 2. CORPORATE RESPONSIBILITY AND GOVERNANCE COMMITTEE

### 2.1. COMPOSITION

The Regulations of the Board of Directors and the Corporate Bylaws of Red Eléctrica establish that the Corporate Responsibility and Governance Committee must be formed by a minimum of three and a maximum of five Directors, who must be External Directors, with at least a majority of members being Independent Directors.

In 2012, the Shareholders' Meeting of April 19, 2012 approved a restructuring of the Board of Directors. This required the concomitant restructuring of the Board Committees, including the Corporate Responsibility and Governance Committee. To lend further strength and forward movement to Corporate Governance policies and achieve improved efficiency and agility, the Board resolved that all Committee members be External Directors, that Committee membership be limited to three – down from four – and that the Committee Chairman be an Independent Director.

As a result, 2012 witnessed a thorough overhaul of the Corporate Responsibility and Governance Committee:

	From January 1 April 19, 2012	From April 26 until the date of approval of this report
Chairman	- Antonio Garamendi Lecanda (external independent director)	- Juan Irazo Martín (External Independent Director)
Members	- Maria Ángeles Amador Millán (External Independent Director) - Luis María Atienza Serna <sup>1</sup> (Executive Chairman) - Manuel Alves Torres (External Nominee Director)	- Carmen Gómez de Barreda Tous de Monsalve (External Independent Director) - Alfredo Parra García-Moliner (External Nominee Director)

<sup>1</sup> Up to March 8, 2012, when the Board accepted his resignation as a Director.



<b>Non-Director Secretary</b>	- Rafael García de Diego Barber	- Rafael García de Diego Barber
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This composition was unchanged as of the date of adoption of this report.

The Committee members have been appointed for a term of three years by the Board of Directors at the proposal of its Chairman, following a report by the Corporate Responsibility and Governance Committee.

All of the Committee members are demonstrably qualified to perform their functions within the Committee in light of their extensive track records and expertise, including in the field of executive compensation.

## 2.2 FUNCTIONS

In accordance with the authorization contained in the Corporate Bylaws of Red Eléctrica, the basic responsibility of the Corporate Responsibility and Governance Committee as regards compensation is to propose the compensation policy for Directors and senior managers to the Board of Directors and ensure its observance.

Article 16 of the Board Regulations sets out the above-mentioned basic responsibility in the context of the authorization under Article 24.2 of the Company Bylaws, attributing the following compensation functions to the Corporate Responsibility and Governance Committee:

a) To propose to the Board:

- 1) the compensation policy applicable to Directors and Senior Managers of the Company and of Red Eléctrica de España, S.A.U.;
- ii) the individual compensation and other contractual conditions of Executive Directors;
- iii) the basic terms and conditions of the contracts of senior executives of the Company and of Red Eléctrica de España, S.A.U.

b) To consult the Chairman of the Company, especially where dealing with matters relating to Executive Directors and Senior Managers of the Company and of Red Eléctrica de España, S.A.U.

c) To ensure compliance with the compensation policy established by the Company.

In 2012, the Committee reviewed its own functions and duties as specified in the Board Regulations in the context of the process of review of those regulations, and is considering whether or not to take on new roles as to compensation policy of Directors and Senior Management in line with the newest Corporate Governance practices, which are expected to be implemented throughout 2013 if approved by the Board of Directors.

## 2.3 FUNCTIONING

The Committee meets as often as is appropriate for the proper performance of its functions and, in all cases, at least once every quarter, as required by the Board Regulations, whenever called by its Chairman or so requested by two of its members, and whenever the Board of Directors or its Chairman requests that a report be issued or proposals be adopted.

The Committee shall meet on any other occasions that are appropriate in order to consider the suggestions made by the Chairman, the members of the Board of Directors, the executives of the Company or shareholders in matters affecting the appointment of Directors, including Managing or Executive Directors, or compliance with Corporate Governance principles, the Corporate Bylaws and the Board Regulations.

The Committee met twenty (20) times in 2012. 8 of those meetings took place from January 1 to April 26. The remaining 12 meetings took place from April 19 to December 31. In each of 2010 and 2011, the Committee met eleven times. The increased number of meetings in 2012 resulted from the key changes within the Board in that year, including changes in the composition of the Committee itself; and from the Company's intensive activity in order to improve its Corporate Governance practices.

The details of attendance throughout 2012 at meetings of the Corporate Responsibility and Governance Committee were as follows:

Percent attendance (up to 19/04/2012)		Percent attendance (since 26/04/2012)	
Antonio Garamendi Lecanda	100%	Juan Iranzo Martín	100%
Maria Ángeles Amador Millán	100%	Carmen Gómez de Barreda Tous de Monsalve	100%
Luis María Atienza Serna <sup>2</sup>	100%	Alfredo Parra García-Moliner	100%
Manuel Alves Torres	100%		

Meetings of the Corporate Responsibility and Governance Committee are immediately reported to the entire Board over the Directors' website. Minutes are taken, adopted and circulated to all Directors.

According to the schedule established for 2013, the Corporate Responsibility and Governance Committee will hold at least eleven (11) meetings during the year, without prejudice to any special meetings that may be held in the same period.

In 2012 the most significant actions taken by the Corporate Responsibility and Governance Committee concerning compensation matters were:

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<sup>2</sup> Resigned as Executive Director on March 8, 2012, after 4 meetings.

- Approval of the proposed Business, Managerial and Management Committee objectives for 2012.
- Analysis of performance of the proposed Business, Managerial and Management Committee objectives for 2012.
- Analysis of the 2009-2013 long-term objective monitoring report.
- Approval of proposals for submission to the Board of Directors relating to total remuneration for the Board of Directors and Executive Chairman of Red Eléctrica Corporación, S.A., and the senior managers of Red Eléctrica de España, S.A.U., in 2012.
- Approval of proposed remuneration for the management team.
- Analysis and approval of the contract with the Company's Chairman.
- Analysis of the proposed annual share award program for non-executive personnel, reporting favourably to the Board of Directors.
- Approval of the proposed new compensation structure and content for the Board of Directors and the Executive Director for 2013 for submission to the Board of Directors, in accordance with international Corporate Governance recommendations (resolutions adopted following 2012 year-end).

### **3. EXTERNAL ADVISERS**

In accordance with the provisions of the Board Regulations, in order to better perform its functions the Corporate Responsibility and Governance Committee may request that the Board of Directors engage independent advisers (legal, accounting, financial or other experts) at the expense of the Company.

For the preparation of this report, the Corporate Responsibility and Governance Committee has engaged the assistance of a consultancy firm specializing in Directors' and senior executives' compensation, Towers Watson.

### **4. COMPENSATION POLICY**

#### **4.1. EXECUTIVE SUMMARY**

As proposed by the Corporate Responsibility and Governance Committee, the Board of Directors has decided, despite the Company's outstanding performance, to keep in place a balanced compensation policy bearing the hallmarks of moderation and transparency, in line with the present economic scenario.

Performance-related compensation continues to be a key principle of our compensation program. Executives must be accountable for their performance and the Group's results. Compensation is accordingly tied to results using the metrics set out in the Group's Strategic Plan.

In line with this policy, the following steps were taken in 2012:

- The total compensation of the Board of Directors, of the Executive Chairman of Red Eléctrica Corporación, and of the Senior Officers (*Directores Generales*) of Red Eléctrica de España, S.A. was cut by approximately 5% with respect to 2011; Board compensation had in any event remained unchanged since 2007.

- Variable compensation was approved in line with expectations and targets.

- In line with best Corporate Governance practices, Red Eléctrica Corporación has enhanced the transparency of its compensation policies by making more detailed disclosures about its policy on variable compensation.

- In addition, with a view to 2013 and later years, Red Eléctrica will continue to review the compensation it pays to its Directors and Executive Chairman so as to modify its compensation schemes in alignment with market requirements as and when they emerge.

In addition to individual assessment of the targets and criteria laid down at the beginning of the financial period for the Board and the Executive Chairman, the following factors determine the amounts of their variable compensation:

- 2012 revenue came to €1,755.3 million, 7.2% up year on year, driven chiefly by the proceeds of bringing assets into operation in 2011, and offset in the amount of EUR 45 million by the impact of the measures under Royal Decree-Law 20/2012, enacted July 13, 2012, and of the removal from the Group's scope of consolidation of the Bolivian company Transportadora de Electricidad, S.A. (TDE), due to its expropriation by the Bolivian government.
- Gross operating earnings or EBITDA came to €1,299.2 million, 6.9% more than in 2011. The increase in EBITDA reflected the fact that revenue and operating costs grew at similar rates.
- Net operating earnings or EBIT were 1.9% above the 2011 figure, growing at a slower rate than EBITDA due to the recognition of a €46.4 million impairment of property, plant and equipment as a result of a conservative appraisal in the second quarter of certain auxiliary transmission assets. Depreciation and amortization in 2012 grew 6.0% year on year.
- Group investments in 2012 came to €705.8 million, 16.4% less than in 2011. The greater part of investments in the period were accounted for by domestic grid development projects worth €671.6 million.
- The dividend payout as of December 31, 2012 totalled €297.7 million, 17.8% year on year increase.
- Finally, consolidated earnings for the year were 6.9% higher than in 2011.

#### **4.2 PRINCIPLES OF COMPENSATION POLICY**

As part of its compensation policy principles, and in line with international best practice in the field of Corporate Governance, the Red Eléctrica Corporate Responsibility and Governance Committee sees to it that compensation policy follows the principle of adherence to the Company's long-term values and objectives.

Board compensation policy is guided by the following basic principles:

- Moderation.
- Linked to actual dedication.
- Partly linked to the Company's performance.
- Acts as an incentive but without conditioning Directors' independence (particularly in the case of Independent Directors).
- Transparency.
- Linked to attendance at meetings and performance of duties as Directors.
- Aligned with the practices most in demand among international investors.
- Board compensation approved by the Shareholders' Meeting.
- Binding approval of the Annual Report on Directors' Compensation by the Shareholders' Meeting.

#### **4.3 APPLICATION OF COMPENSATION POLICY IN 2012**

##### **4.3.1. Policy on Directors' compensation for their collegial supervisory and decision-making functions**

###### **- General principles and guidelines**

The principles guiding Directors' compensation – including compensation to executives in their capacity as Directors – for their collegial supervisory and decision-making functions were the following:

- Directors' compensation for performing their collegial supervisory and decision-making functions breaks down into the following components:
  - Fixed fees for attendance at and dedication to the Board.
  - Compensation for dedication to the Board Committees.
  - Compensation linked to the results of the Company.
- The Corporate Bylaws set a cap on overall annual compensation for the entire Board, for all items, of 1.5% of the Company's net income, as approved by the Shareholders' 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 specific amount awarded to each Director for the above items is determined on the basis of his or her attendance at Board meetings and membership of the various Board Committees.

In addition, each Director's variable compensation is calculated with reference to the year's results, after an assessment of the extent to which the targets set at the

beginning of 2012 were reached and having regard to the number of days during which the Director held office.

### – Overall compensation to the Board of Directors for all applicable items in 2012

At its meeting of February 1, 2013, the Board of Directors resolved to set total compensation for all applicable items in 2012 at an amount approximately 5% lower than in 2011: the previous year's figure of €1,886 thousand decreased to €1,790 thousand in 2012. Moreover, €61 thousand out of total approved compensation for all applicable items in 2012 finally went unallocated, in so far as it related to Board vacancies during a certain period of the year. Directors' compensation in their executive capacity in 2012 totaled €610 thousand (€640 thousand in 2011). The structure of compensation payable to the Board of Directors in 2012 and 2011, in thousands of euros, is as follows:

Item	2012 (€ Thousand)	2011 (€ Thousand)
Total compensation to the Board of Directors for all applicable items	1,790	1,886
Compensation to Directors in their executive capacity	610	640
<b>Total compensation for all functions listed above</b>	<b>2,400</b>	<b>2,526</b>

To determine the overall amount, the Corporate Responsibility and Governance Committee assessed the extent to which Board targets for 2012 had been achieved, as set out in the Annual Report on Directors' Compensation adopted by the Board of Directors at its meeting of March 12, 2012, and by the annual Shareholders' Meeting of April 19, 2012.

The targets were as follows:

- 1. Consolidated EBITDA of the Red Eléctrica Group.
- 2. Consolidated income of the Red Eléctrica Group.
- 3. Progress achieved with reference to the Strategic Plan.

Having evaluated the extent of attainment of these targets, the Corporate Responsibility and Governance Committee determined that target 1 (50% weighting) and target 2 (30% weighting) had been 100% fulfilled; and that the upper level had been achieved of target 3 as specified when the targets were set (20% initial weighting, reviewable to 30% if the upper level were achieved).

As a result, the Committee found that overall fulfillment of targets was 110%.

The amounts paid individually to Directors over the past two financial periods in their capacities as Directors – with compensation as executive Directors stated separately – and for their membership of the various Board Committees were as follows:

Director	2012 (€ Thousand)						2011 (€ Thousand)					
	Fixed compensation	Attendance fees per Board meeting	Committee dedication	Variable compensation	Contributions to life policies and pension plans	Total	Fixed compensation	Attendance fees per Board meeting	Committee dedication	Variable compensation	Contributions to life policies and pension plans	Total
José Folgado Blanco <sup>(1)</sup>	325	71	9	245		650		56	12	97		165
Luis María Atienza Serna <sup>(2)</sup>	77	15	5	55	4	156	404	56	29	316	17	822
Alfredo Parra García-Moliner <sup>(1)</sup>		40	18	57		115						
Francisco Ruiz Jiménez <sup>(1)</sup>		40		57		101						
Fernando Fernández Méndez de Andés		40	20	57		117						
María de los Ángeles Amador Millán		71	29	82		182		56	29	97		182
Miguel Boyer Salvador		71		82		153		56		97		153
Rui Manuel Janes Cartaxo		71		82		153		56		97		153
Paloma Sendin de Cáceres		40	20	57		117						
Carmen Gómez de Barreda Tous de Monsalve		40	20	57		117						
Juan Iranzo Martín		40	20	57		117						
María José García Beato		5		7		12						
Rafael Suñol Trepal <sup>(2)</sup>		10		13		23		56		97		153
Antonio Garamendi Lecanda <sup>(2)</sup>		31	9	24		64		56	29	97		182
Arantza Mendizabal Gorostiaga <sup>(2)</sup>		31	9	24		64		56	29	97		182
María Jesús Álvarez González <sup>(1) (2)</sup>		31	9	24		62		56	29	97		182
Manuel Alves Torres <sup>(1) (2)</sup>		31	9	24		62		56	29	97		182
Francisco Javier Salas Collantes <sup>(2)</sup>		40		34		74		56	17	97		170
Unallocated amount relating to Board vacancies	-	-	-	-	-	61	-	-	-	-	-	-
<b>TOTAL</b>	<b>402</b>	<b>718</b>	<b>177</b>	<b>1038</b>	<b>4</b>	<b>2400</b>	<b>404</b>	<b>616</b>	<b>203</b>	<b>1286</b>	<b>17</b>	<b>2526</b>

(1) Amounts paid to Sociedad Estatal de Participaciones Industriales (SEPI)

(2) Not a member of the Board of Directors of the Company as of December 31, 2012

(3) Amounts paid to José Folgado for Committee dedication relate to the period in which he was an independent external Director of the Company

Total compensation, by item, as of December 31, 2012 and 2011, in thousands of euros, is as follows:

Item	2012 (€ Thousand)	2011 (€ Thousand)
Fixed compensation	402	404
<b>Variable compensation</b>	<b>1,038</b>	<b>1,286</b>
<b>Attendance fees <sup>(1)</sup></b>	<b>895</b>	<b>819</b>
<b>Contributions to life policies and pension plans</b>	<b>4</b>	<b>17</b>
<b>Unallocated owing to Board vacancies</b>	<b>61</b>	
<b>Total</b>	<b>2,400</b>	<b>2,526</b>

(1) This difference is due to the fact that 14 Board meetings were held in 2012, compared to 11 in 2011.

Total compensation by type of Director as of December 31, 2012 and 2011, in thousands of euros, is as follows:

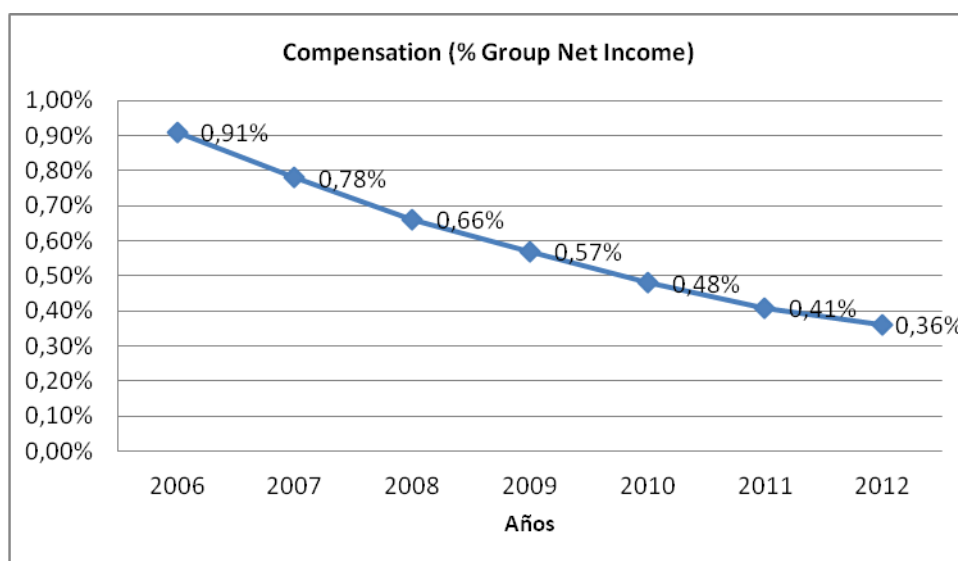
Type of Director	2012 (€ Thousand)	2011 (€ Thousand)
Executive	767	822
External Nominee	480	517
Independent External <sup>(1)</sup>	1,092	1,187
Unallocated owing to Board vacancies <sup>(2)</sup>	61	
<b>Total</b>	<b>2,400</b>	<b>2,526</b>

(1) José Folgado Blanco was appointed Executive Chairman of the Company on March 8, 2012. Before this, he had been an Independent External Director, having accrued EUR 39 thousand in this role over this period.

(2) This amount of €61 thousand relates to independent and nominee Director vacancies in 2012.

The total amount of all Board compensation items in 2012, excluding the compensation payable to the two executive chairmen who held office in the year under their contractual relationships with the Company, amounted to 0.36%<sup>3</sup> of the net income attributable to shareholders of the parent company of the Red Eléctrica Group in 2012.

The following chart graphically represents Board compensation as a proportion of net income in each of the past few years:



As of December 31, 2012 there were no loans, advances or guarantees granted by the Company in favor of members of the Board of Directors reflected on the balance sheet. There were also no pension liabilities incurred vis-à-vis members of the Board of Directors. The Directors have not received any other compensation items in addition to those set out in this Report.

<sup>3</sup> The income obtained by the RED ELÉCTRICA Group and attributed to the parent company in 2012 amounted to €492,288 thousand (€460,348 thousand in 2011).



### 4.3.2. Compensation policy applicable to the Chairman in his capacity as Executive Director

#### - General principles and guidelines

The compensation policy applicable to the Executive Chairman is in line with the general compensation policy of the Company, as adapted to the level of responsibility and functions inherent in the position. The following table sets out the components and limits determining policy on compensation to the Company's chief executive:

Component	Key points	Limits
<p align="center"><b>Fixed compensation</b></p>	<p>Fixed compensation is determined on the basis of the executive's level of responsibility and leadership within the organization, in line with the going rate at comparable companies. The fixed component must represent a sufficient portion of total compensation to make for a suitable and balanced remuneration mix.</p> <p>The compensation for the executive functions of the Chairman is compatible with the compensation he receives as a Director of Red Eléctrica and this is expressly established in Article 20 of the Corporate Bylaws.</p>	<p>Pay raises are in line with usual market practices.</p>
<p align="center"><b>Annual Variable Compensation</b></p>	<p>The annual variable compensation plan is designed as an incentive to achieve the Company's annual targets. 80% of this compensation component is linked to achieving quantitative metrics measuring the Group's performance (50% EBITDA and 30% Group consolidated income); 20% is linked to qualitative metrics determined by the Corporate Responsibility and Governance Committee in alignment with the Company's Strategic Plan adopted by the Board.</p> <p>A quantitative target must be fulfilled to 95% of its extent; the maximum fulfillment is 100%. The Corporate Responsibility and Governance Committee assesses whether or not qualitative targets have been fulfilled at the threshold level. If the targets have been fulfilled at their upper level – up to 30% fulfillment – the Committee may find that total fulfillment of all targets has reached 110%.</p> <p>It is the Corporate Responsibility and Governance Committee's role to set targets at the beginning of the year and assess the extent of their fulfillment at the end of the year. All targets are contemplated in the Strategic Plan adopted by the Board.</p>	<p>Cap on annual variable compensation payable to the Executive Chairman for those executive functions: 50% of fixed compensation.</p>

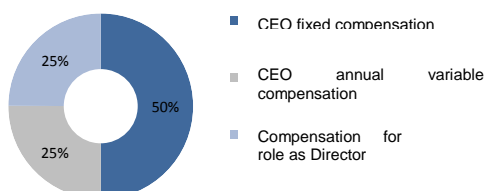
<p><b>Multi-year Variable Compensation</b></p>	<p>The executive compensation plan for the period 2009-2013, known as “Plan Extraordinario 25 aniversario”, is a management tool and an incentive to drive fulfilment of the five-year Strategic Plan. The Corporate Responsibility and Governance Committee will evaluate the outcomes of this program – which includes the Executive Chairman – in 2014, once its term expires. Where 100% of the targets established for such purpose are met, the amount of the incentive to be received by the Executive Chairman may reach a maximum of 1.8 times the annual fixed compensation, pro rata the time elapsed since his/her joining the plan.</p> <p>A threshold of overall achievement of the targets has been set, below which the Executive Chairman and the executives beneficiaries of the Plan will not be entitled to receive any incentive.</p> <p>As with the annual targets, this plan takes into account quantifiable and pre-determined objective criteria that are in keeping with the vision of the Company’s Strategic Plan. The role of setting the criteria and appraising the extent to which they are fulfilled rests with the Corporate Responsibility and Governance Committee. The Strategic Plan envisions the fulfillment of major milestones that underpin the program of long-term targets over the period 2009-2013:</p> <ul style="list-style-type: none"> <li>- Acquisition of electricity transmission system assets from electricity companies at prices specified in the plan.</li> <li>- Implementation of the Investment Plan in the electricity transmission system in the period 2009-2013.</li> <li>- Start-up of the electricity interconnection with the Balearic Islands by the date specified at the start of the program.</li> <li>- Implementation of the interconnection project with France in accordance with the rate of progress stipulated in the plan.</li> <li>- Maintenance of electricity system operation quality at the level specified in the plan over the period 2009-2013.</li> <li>- Achievement of target returns on electricity transmission assets over the period 2009-2013 as measured in terms of operating returns.</li> </ul>	<p>Ceiling: 1.8 x fixed compensation.</p>
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## -Application of compensation policy in 2012

- Current Executive Chairman.

At its meeting of March 8, 2012, the Board of Directors approved the appointment of the Director José Folgado Blanco as the Chairman of the Board of Directors and the Company's chief executive. The application of compensation policy as regards the Executive Chairman as from that date is set out below.

EXECUTIVE CHAIRMAN: COMPENSATION MIX  
(compensation earned in 2012<sup>1</sup>)



(1) Note: the long-term component is excluded because fulfillment will be appraised at the end of its term in 2014, as indicated on the following page.

In 2012, the following principles were applied to compensation payable to the chairman for performance of his executive functions:

- Moderation in overall compensation: At its meeting of July 26, 2012, the Board of Directors resolved that total compensation for all applicable items payable to the Executive Chairman of Red Eléctrica in 2012 was to be 5% less than in 2011.
- Fixed compensation represented a significant portion of total compensation, commensurate with the services provided and responsibilities taken on.
- Annual variable compensation was set on the basis of the fulfillment of targets reflecting progress in terms of the Strategic Plan and Group income.
- Linked to the long-term Strategic Plan and the sustainability of Group performance via the multi-year variable compensation plan.

The following is a summary of total gross payments to the Executive Chairman in 2012:

Compensation to the Executive Chairman (from March 8 to December 31, 2012)				
Director	Fixed compensation	Annual variable compensation	Compensation for functions as a Director <sup>(1)</sup>	Total
José Folgado	325,000	163,000	162,000	650,000

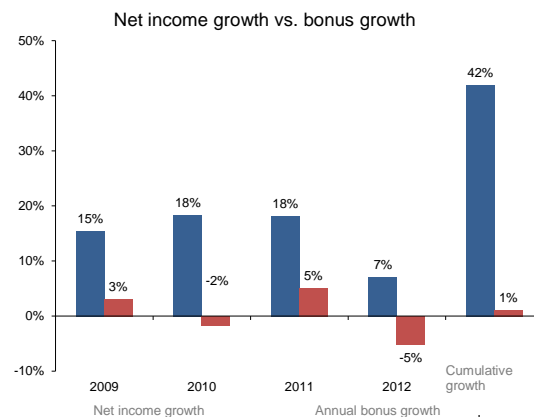
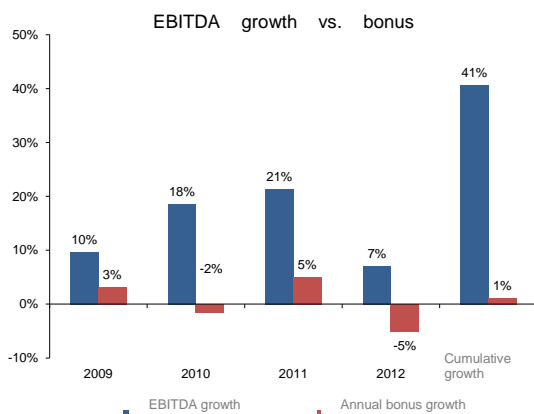
*(1) Includes attendance and dedication fees for the Board (71,000) and Board Committees (9,000), and variable compensation (82,000)*

The Executive Chairman's fixed compensation for 2012 under the contract approved by the Board at the proposal of the Corporate Responsibility and Governance Committee came to €325 thousand. This amount relates to the period running from his appointment as Executive Chairman on March 8, through to December 31, 2012.

Annual variable compensation was approved by the Corporate Responsibility and Governance Committee in reliance on its findings as to the extent of fulfillment of quantitative and qualitative targets. Performance-related compensation for 2012 was set at €245,000, of which €82,000 related to his role as a Director and €163,000 to his role as chief executive.

The considerations related to the appraisal of the fulfilment of the above-mentioned targets, made by the Corporate Responsibility and Governance Committee, are applicable to the Executive Chairman, as they refer to the same scheme of targets as that adopted for the Board as a whole.

The following charts graphically illustrate a comparison between the evolution of the earnings magnitudes considered as key targets when calculating the Executive Chairman's annual variable compensation, and incentives paid as a result of fulfillment:



In relation to the multiyear variable compensation plan, the Corporate Responsibility and Governance Committee will evaluate the outcomes in 2014, once its term expires in 2013.

The Executive Chairman has not received any manner of social provision benefits.

As of December 31, 2012 the balance sheet carried no loans, advances or guarantees granted by the Company in favour of the Executive Chairman, nor are there any pension obligations owed to him.

- Previous Executive Chairman.

Until March 8, 2012, Luis María Atienza Serna held office as chairman of the Board of Directors and chief executive of the Company. On that date, the Board of Directors resolved to remove him as chairman of the Board and chief executive of the Company and to accept his resignation as a Director.

From January 1, 2012 to the day of his removal, Luis María Atienza Serna received the following gross amounts in his capacity as a Director and as chief executive of the Company.

Compensation to the Executive Chairman (from January 1 to March 8, 2012)					
Director	Fixed compensation	Annual variable compensation	Compensation for functions as a Director <sup>(1)</sup>	Other compensation <sup>(2)</sup>	Total
Luis María Atienza Serna	77,000	41,000	34,000	4,000	156,000

(1) Includes attendance and dedication fees for the Board (15,000) and Board Committees (5,000), and variable compensation (14,000)

(2) Includes contributions to life policy and pension plan

In 2012, expenses associated with the departure of Mr. Atienza during the year were recognised amounting to €2.3 million. This includes accrual of the corresponding part of the multi-year compensation plan (“Plan Extraordinario 25 aniversario” 2009-2013).

#### 4.3.3. Compensation policy for senior executives

The senior managers who rendered services throughout 2012 are detailed below:

Name	Position
Carlos Collantes Pérez-Ardá	Director-General of Transmission
Andrés Seco García	Director-General of System Operation
Esther María Rituerto Martínez <sup>(1)</sup>	Director-General of Administration and Finance
Alberto Carbajo Josa <sup>(1)</sup>	Director-General of System Operation

*(1) Ceased to work for the Company in the course of 2012*

The purpose of the compensation policy applicable to this group is to act as an incentive for the achievement of the strategic targets of value creation at the Company by attracting, retaining and motivating the best talent available in the market.

Compensation for the Company’s senior executives is based on the principles of moderation, actual dedication and linkage to the results of the Company.

In 2012, compensation to senior executives under all headings amounted to 1,023 thousand euros (1,023 thousand euros at 31 December 2011).

Compensation to these executives in 2012 came to €996 thousand (€966 thousand in 2011), while contributions to life policies and pension plans totaled €27 thousand (€57 thousand in 2011):

Year	2012 (€ Thousand)	2011 (€ Thousand)	Change (%)
Compensation	996	966	3%
Contributions to life policies and pension plans	27	57	-53%
<b>Total</b>	<b>1,023</b>	<b>1,023</b>	<b>0%</b>

The agreed decrease, described in section 4.1 of this report, will become effective in 2013, charging it against the settlement of the variable compensation of financial year 2012 for the two senior managers that currently provide services to the Company.

The component items are set out below:

1. Annual fixed compensation

Fixed compensation is determined on the basis of the executive's level of responsibility and leadership within the organization, in line with the going rate at comparable companies. The fixed component must represent a sufficient portion of total compensation to make for a suitable and balanced remuneration mix.

2. Annual variable compensation

Annual variable compensation is linked to quantifiable and measurable targets 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, in early 2013, for evaluating the level of achievement of the targets previously set for 2012. These targets are related to the strategies and criteria established in the Strategic Plan approved at the end of 2011 by the Board of Directors.

3. Multi-year variable compensation

Senior executives are involved in the "Plan Extraordinario 25 aniversario" 2009-2013 executive compensation plan linked to the Company's 25th anniversary, as is the Executive Chairman.

Depending on the level of achievement of the targets set, the overall assessment for the five years with a level of achievement of 100% would amount to 1.8 times fixed annual compensation.

As of December 31, 2012 the Company has recorded an accrual proportional to the period elapsed under the assumption that the targets set in the Plan will be met in 2013. This accrual will not be recognized individually as compensation until compliance with the Plan in 2014 is assessed, or failing this, if prior to that date the relationship between the Company and the Executives included in the program ends, for the causes envisaged in the Plan.

4. Flexible compensation pool

Some or all of a compensation pool may be allocated to various benefits in kind, such as medical insurance, IT equipment, savings insurance, etc.

5. Other benefits

There were no loans or advances to senior executives as of December 31, 2012.

There are safeguard or golden parachute clauses for members of the Company's current senior management. 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.

In 2012, costs associated with the departure of two senior executives during the year were recognised amounting to €2.2 million. This includes accrual of the corresponding

part of the aforementioned executive compensation plan (“Plan Extraordinario 25th aniversario” 2009-2013).

#### 4.4 COMPENSATION POLICY IN 2013 AND LATER YEARS

The Corporate Responsibility and Governance Committee of Red Eléctrica plays a key role in reviewing and proposing to the Board the compensation policy for the Board itself and the Company's senior management, and each one of the items making up the policy, having regard to applicable laws and regulations and to the latest international recommendations on Corporate Governance.

##### 4.4.1 Board of Directors

In light of the above, and against the background of the latest trends in international investors' focus of concern as to raising the proportion of the Board's fixed compensation while cutting back on the hitherto excessive significance of variable compensation, a new scheme of Board compensation has been proposed, which the Board adopted at its meeting of February 1, 2013. The new scheme, which is already in force in 2013, stipulates the following compensation components:

— Fixed components:

– Fixed compensation

€49,080 annually per Director paid in monthly instalments of €4,090 by the 10<sup>th</sup> day of the following month.

– Fees for attending meetings of the Board of Directors.

€4,462 for each Director's attendance at each of the eleven (11) ordinary meetings of 2013. This amount is paid within fifteen days of the given meeting being held.

In-person and remote extraordinary Board meetings do not give rise to attendance fees.

– Fees for attending meetings of Board Committees.

€27,900 annually per Board Committee member paid in monthly instalments of €2,325 each by the 10<sup>th</sup> day of the following month.

This amount is payable annually regardless of the number of Committee meetings held in 2013.

— Variable compensation:

Variable compensation to the Board in 2013 is set at €49,080 per Director assuming that approved targets are fulfilled.

The approved targets for the Board are:

– Quantitative targets measuring Group's ability to generate income, on the basis of the following metrics:

- Consolidated EBITDA of the Red Eléctrica Group.
- Consolidated income of the Red Eléctrica Group.
- Qualitative targets consisting of an annual assessment with reference to the Strategic Plan Review and Improvement conducted by the Corporate Responsibility and Governance Committee.

The target-linked parameters stipulated for calculating variable compensation to the Board are:

<b><u>Target</u></b>	<b>Weighting</b>	<b>Threshold</b>	<b>Overweighting</b>
Red Eléctrica Group consolidated EBITDA	50%	95%	--
Red Eléctrica Group consolidated income	30%	95%	--
Review and Improvement of the Strategic Plan	20%	Assessment by the CRGC	30%

Variable compensation is calculated on the basis of the extent of fulfillment and weighting of each target, with reference to internal target assessment standards and procedures stipulated by the Company for its executives.

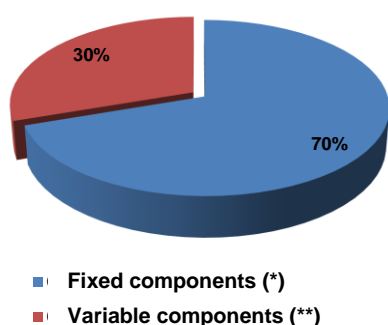
This amount is triggered if targets are fulfilled at an overall rate of 90% and the fulfillment threshold for each target has been hit. Up to 110% of that amount may be payable if targets are over-fulfilled if so determined upon target-setting.

After year-end 2013, the Corporate Responsibility and Governance Committee must assess the fulfillment of the targets set for the Board and submit its assessment to the Board. This assessment will determine the final amount of Board compensation.



The following chart graphically represents the compensation mix for Directors in 2013:

**DIRECTORS COMPENSATION MIX 2013**



(\*) Includes fixed compensation, attendance fees to the Board and dedication fees for Committees

(\*\*) Includes variable compensation if targets are 100% fulfilled

In accordance with Article 20 of the Corporate Bylaws, the compensation stipulated in the above resolutions is compatible with and independent from any salaries, emoluments, indemnities, pensions or other compensation of any kind established in general or in particular for members of the Board who are tied to the Company by virtue of an employment relationship – whether ordinary or of the special category applicable to senior management – or under a service provision contract.

No compensation has been agreed in relation to termination of ties with the Company through termination of Directorships; however, compensation has been agreed for the Executive Chairman under the terms specified in the following section.

#### **4.4.2 Executive Chairman**

The basic principles of compensation policy for the **Executive Chairman** in 2013 are as follows:

- Fixed compensation will continue to account for a significant proportion of total compensation. Annual gross compensation for the entire period of 2013 is expected to reach €399 thousand.
- The expected variable compensation for his executive functions is capped at 50% of fixed compensation. The Corporate Responsibility and Governance Committee will set the specific amount of annual variable compensation at the start of 2014 with reference to the fulfillment of targets, parameters and indicators as described above for the Board, subject to the qualifications set out below, after the Committee evaluates the extent of such fulfillment in January 2014.

The Corporate Responsibility and Governance Committee has decided to set the fulfillment threshold of quantitative targets that triggers the Executive Chairman's entitlement to variable compensation at 95%; the maximum possible fulfillment is 100%. The Corporate Responsibility and Governance Committee assesses whether or not qualitative targets have been fulfilled at the threshold level. If the targets have been fulfilled at their upper level, the Committee may find that total fulfillment of all targets has reached 110%.

As of today, no substantial change is expected in the basic principles of the compensation policy applicable to **Directors or the Executive Chairman**, as described above. Such principles will accordingly continue to apply in future years, unless in view of emerging circumstances the competent organs of the Company decide to modify the principles on regulatory, economic, strategic, Corporate Governance-related or other grounds. For this purpose, the Board and the Corporate Responsibility and Governance Committee, in the exercise of their powers, will continue regularly to review the principles of compensation policy applicable at the Company.

It is in any event the prerogative of the Board, in response to a proposal submitted by the Corporate Responsibility and Governance Committee, to draw up a proposal for Directors' compensation within the framework established by the Corporate Bylaws (fixed monthly allocation, fixed Board attendance and dedication fees, Board Committee dedication fees and compensation linked to the Company's annual income), subject to a ceiling of 1.5% of the Company's net income approved by the Shareholders' Meeting.

In addition, for the purposes of drawing up reports and proposals on Directors' and executives' compensation policy for future years the Corporate Responsibility and Governance Committee will continue to consider the state of affairs of the Company, the economic and financial background and, in particular, the economic downturn affecting global capital markets – this scenario has prompted the Board to halt the growth of its total compensation in the past four years and, in 2012, even to reduce its compensation by approximately 5%.

#### **4.5 TERMS OF THE EXECUTIVE CHAIRMAN'S CONTRACT**

The contract governing the Executive Chairman'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.

In addition to the duty of confidentiality expressly stipulated in that contract, the Executive Chairman is bound by the duty of confidentiality set out in Article 29.1 of the Board Regulations, which applies to all Directors. Under that provision, a Director must keep in confidence the discussions of the Board and of any Committees of which he or she is a member, and must abstain from disclosing any information, data, reports or background material to which he or she may have gained access in the performance of his or her office. The duty of confidentiality survives a Director's departure from office.

In his capacity as a Director of Red Eléctrica, the chairman is under a duty of non-competition with the Company under the terms governing such duty binding company Directors under Article 29 of the Board Regulations. In addition, the duty of non-competition is expressly set out in the contract with the Executive Chairman and has a term of two (2) years as from his departure from office. The Executive Chairman is not entitled to any indemnity for post-contractual non-competition.

The contract with the current Executive Chairman was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's Board of Directors. Following usual practice on market, the contract contemplates an indemnity equal to one (1) year's compensation in the event of the commercial relationship with the Executive Chairman coming to an end by reason of dismissal or a change of control.

This indemnity would be calculated on the basis of his annual fixed and variable compensation as Executive Chairman; his compensation as a Director is excluded from the calculation.

*(End of the Annual Report on Directors' Compensation).*

## **Two.- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2012**

To approve, with effect as of January 1, 2012, the compensation of the Board of Directors agreed at the Board meeting of February 1, 2013, which established compensation for 2012 in accordance with the provisions of Articles 20 and 24.2.b) of the Corporate Bylaws and Article 16.2 of the Board Regulations, following a proposal by the Corporate Responsibility and Governance Committee, in the following terms:

### Overall Board compensation for all items in 2012

1. The Board resolution adopted at the meeting held on July 26, 2012 established that the total compensation, for all items, of the Board of Directors and the Executive Chairman of Red Eléctrica Corporación, and of the Directors-General of Red Eléctrica de España, S.A. in 2012 will in any case be five per cent less than the compensation paid over in 2011.

In order to determine this overall amount, the Corporate Responsibility and Governance Committee carried out an assessment of the Board of Directors' achievement of objectives in 2012, as set out in the Annual Report on Directors' Compensation approved by the Board at the meeting held on March 12, 2012, and at the Ordinary General Shareholders' Meeting held on April 19, 2012.

The aforementioned objectives and their weightings were as follows:

<b><u>Objective</u></b>	<b><u>Weighting</u></b>
1. Consolidated EBITDA of the Red Eléctrica Group	50%
2. Consolidated income of the Red Eléctrica Group	30%
3. Progress on the Strategic Plan	20%

Following assessment of achievement of these objectives, the Corporate Responsibility and Governance Committee considers there has been 100% achievement of objectives 1 (50% of the total weighting) and 2 (30% of the total weighting), and the upper level of objective 3, established at the time of definition of the objectives (20% of the initial weighting, with the possibility of reaching 30% in the event of achievement of this upper level).

Thus the Corporate Responsibility and Governance Committee considers overall achievement of the objectives to be 110%.

Following assessment of achievement of these objectives, the overall sum of Board compensation, for all items, is to be set at €1,790,000.00 for the year 2012.

2. The amounts already received from this by directors as attendance fees and work on the Board of Directors and its Committees in 2012 must be deducted in the amount of €894,649.39 from the annual overall compensation as approved.

### **Three.- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2013**

To approve, with effect as of January 1, 2013, the Board of Directors' compensation agreed at the Board meeting of February 1, 2013, which established compensation for 2013 in accordance with the provisions of Articles 20 and 24.2.b) of the Corporate Bylaws and Article 16.2 of the Board Regulations, following a proposal by the Corporate Responsibility and Governance Committee, in the following terms:

#### **Overall Board compensation, for all items, in 2013**

##### **1. Fixed compensation**

€49,080.00 annually per director, in monthly payments of €4,090.00 each, before the 10<sup>th</sup> of the following month.

## 2. Fees for attending meetings of the Board of Directors

€4,462.00 for attendance by each director of each of the eleven ordinary meetings scheduled for the year 2013 on the calendar approved by the Board of Directors. This amount will be paid within fifteen days of each meeting held.

Extraordinary meetings of the Board of Directors, either physically or through telematic means, will not give rise to any compensation as attendance fees.

## 3. Variable compensation

The variable component of the Board's compensation for 2013 will be established in accordance with achievement of the strategic objectives set by the Board of Directors at the beginning of the year.

The sum of the variable component of the Board's compensation for the year 2013 is set at €49,080.00 per director, if the objectives established are achieved.

For the purposes of calculation of the variable component of compensation, consideration will be taken of the level of achievement and the weighting of each of the objectives, and the internal procedures and regulations for assessment of objectives established by the Company will be applied.

The aforementioned amount will be attained if there is 90% overall achievement of objectives, provided the minimum achievement thresholds for all objectives have been exceeded. The possibility is established of a weighting of up to 110% of this amount in the event of a global overachievement of the objectives, when this is determined at the time the annual objectives are set.

The objectives and parameters to calculate the variable compensation of the Board of Directors for 2013 are as follows:

<b><u>Objective</u></b>	<b><u>Weighting</u></b>	<b><u>Minimum threshold</u></b>	<b><u>Overweighting</u></b>
1. <i>Consolidated EBITDA of the Red Eléctrica Group</i>	50%	95%	-
2. <i>Consolidated income of the Red Eléctrica Group</i>	30%	95%	-
3. <i>Review and improvement of the Strategic Plan</i>	20%	Valuation by the CRGC (1)	30%

(1) Corporate Responsibility and Governance Committee.

At year-end 2013, the Corporate Responsibility and Governance Committee must perform an assessment of the Board of Directors' achievement of the objectives, and this will determine the final sum of the Board's variable compensation.

4. Fees for attending meetings of the Board of Directors' Committees

€27,900.00 annually for each member of the Board's Committees, in monthly payments of €2,325.00 each, before the 10<sup>th</sup> of the following month.

This is an annual amount, irrespective of the number of Board meetings held in 2013.

**RESOLUTION RELATING TO ITEM ELEVEN ON THE AGENDA:**

**DELEGATION OF AUTHORITY TO FULLY IMPLEMENT THE RESOLUTIONS ADOPTED AT THE 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 Commercial 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 Commercial Registry.

**II. ITEMS OF INFORMATION**

**MATTER RELATING TO ITEM TWELVE ON THE AGENDA:**

**INFORMATION TO THE SHAREHOLDERS' MEETING ON THE 2012 ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A.**

The General Shareholders' Meeting is informed that, in accordance with the provisions of Article 61 bis of Spanish Securities Market Law 24/1988, of July 28 ("LMV") and other applicable regulations, at its meeting on February 26, 2013 the Board of Directors unanimously approved the 2012 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 2012 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 ELÉCTRICA (Title I), to the main corporate governance aspects and principles at RED ELÉCTRICA (Title II), to the year 2012 at RED ELÉCTRICA (Title III), and to RED ELÉCTRICA's outlook in terms of corporate governance (Title IV).

Title IV has been added this year. In view of their possible interest to current shareholders and potential investors and other third parties with an interest in RED ELÉCTRICA's future, and foreign shareholders in particular, the Board of Directors wished to include the tools used by the Company to assess the best international practices of corporate governance, and the issues it is now analyzing or will shortly be discussing to honor Red Eléctrica's undertaking to introduce the best international practices of corporate governance.

Finally, as in the preceding year, two Official Indexes have been included at the end of the Report: Annex 1 relating to the Annual Corporate Governance Report format established by the Spanish National Securities Market Commission's Circular 4/2007 of December 27, and Annex 2 on additional information under Article 61 bis of the LMV, drawn up on the basis of instructions notified by the CNMV to listed corporations in December 2011, which remain applicable to the 2012 Annual Corporate Governance Report.

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

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

#### **INFORMATION TO THE SHAREHOLDERS' MEETING ON THE AMENDMENT OF THE REGULATIONS OF THE BOARD OF DIRECTORS**

The General Shareholders' Meeting is informed that the main features added to Board Regulations following the modifications approved by the Board at its meeting on March 13, 2013 are as follows:

- 1.- Adaptation to the last legislative modifications following approval, at the 2011 and 2012 Ordinary General Shareholders' Meetings, of the modifications to the Corporate Bylaws and the Regulations of the General Shareholders' Meeting.
- 2.- The addition of new corporate governance practices, as follows:
  - a) The adoption of measures to counterbalance the concentration of power by the Chief Executive and Chairman of the Board of Directors of the Company and other measures, where applicable, for the separation of the two posts. The measures are as follows:
    - The possibility of creating a Lead Independent Director and a procedure for its appointment and removal, and regulation of its areas of competence and responsibilities.
    - The introduction of specific measures for the personal separation of the posts of Chief Executive and Chairman of the Board of Directors.

-Express reservation for the Board of Directors of certain areas of competence and powers which, in urgent situations, were previously delegated to the Chairman of the Board of Directors.

- b) The formalization of certain practices already carried out at the Company, particularly the following:
  - The annual assessment of the Board of Directors, its Committees and the Chairman, by an independent expert.
  - Approval by the Board of a policy for the appointment and appraisal of Board candidates, stipulating the practice deployed more recently.
- c) Adaptation of the composition of the Board's Committees to the requirements demanded by investors, to enhance their independence requiring that they be composed of a majority of independent directors.
- d) Increased transparency in terms of the policy of compensation for the Board and senior management, also including new items and compensation structures recently recommended by investors and proxy advisors.

The General Shareholders' Meeting is also informed that, at its meeting on March 13, 2013, the Board of Directors created the post of Lead Independent Director, subject to approval by the General Shareholders' Meeting.

The main responsibility of the Lead Independent Director is to organize common postures of the independent directors and act as spokesperson on these common postures vis-à-vis the Chairman of the Board of Directors, the Board itself and its Committees.

The post entails the main functions and responsibilities acknowledged internationally in connection with the Board of Directors, with independent directors and with shareholders, and these have been deployed in the Board's regulations pursuant to the stipulations of the Corporate Bylaws.

The term of this post is three (3) years, being it possible to be re-elected, and will leave the Board when they do so as directors, when they lose their status as independent directors, or when this is agreed by the Board of Directors, following a proposal by the Corporate Responsibility and Governance Committee.

Yours sincerely,

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