



**RED ELÉCTRICA**  
CORPORACIÓN

April 13, 2011

Resolutions adopted by the Ordinary Shareholders'  
Meeting 2011

**Complete text of the resolutions adopted by the Ordinary Shareholders' Meeting of the Company held on April 13, 2011, proposed by the Board of Directors of Red Eléctrica 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 EQUITY, CASH FLOW STATEMENT AND NOTES TO FINANCIAL STATEMENTS) AND THE MANAGEMENT REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2010**

To approve the 2010 Financial Statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes to financial statements) and the 2010 management report of Red Eléctrica Corporación, S.A.

The Financial Statements and Management Report of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to the Financial Statements and Management Report prepared by the Board of Directors at the meeting held on February 24, 2011.

### **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 MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2010**

To approve the 2010 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 2010 Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A.

The Consolidated Financial Statements and Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to the Consolidated Financial Statements and Consolidated Management Report prepared by the Board of Directors at the meeting held on February 24, 2011.

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

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE PROPOSED DISTRIBUTION OF INCOME AT RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2010**

To approve the distribution of income proposed by the Board of Directors at the meeting held on February 24, 2011 and, as a result, to distribute 2010 income, amounting to €369,976,761.71, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	116,724,614.68
TO DIVIDENDS:	
INTERIM DIVIDEND	79,173,184.03
SUPPLEMENTARY DIVIDEND (calculated on basis of all shares)	174,078,963.00
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TOTAL:	369,976,761.71

It is expressly resolved to pay the shares entitled to a dividend a gross dividend of €1.8751 per share.

Payment of the dividend will be made on July 1, 2011, at the banks and financial institutions to be duly announced, deducting therefrom the gross amount of €0.5882 per share, which was paid as an interim dividend on January 3, 2011, pursuant to the Board resolution dated December 16, 2010.

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

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE MANAGEMENT CARRIED OUT BY THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A. IN 2010**

To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2010.

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

**APPOINTMENT OF THE AUDITORS OF THE PARENT COMPANY AND OF THE CONSOLIDATED GROUP**

To reappoint PricewaterhouseCoopers Auditores, S.L., with taxpayer identification number B-79031290, with registered office in Madrid, at Paseo de la Castellana, 43, 28046, registered at the Madrid Mercantile Registry (volume 9267, sheet 75, section 3, page number 87.250-1, entry number 1) and on the Official Auditors' Register (ROAC) under number S0242, as auditors of the parent company, Red Eléctrica Corporación, S.A., and of its Consolidated

Group, for a period of one (1) year, comprising the 2011 fiscal year, pursuant to the provisions of Article 264 of the Corporate Enterprises Law currently in force.

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

**AMENDMENT OF THE CORPORATE BYLAWS TO UPDATE THEIR PROVISIONS AS A RESULT OF VARIOUS LEGISLATIVE REFORMS RELATING TO CORPORATIONS:**

To approve the amendment of the Company's Bylaws as set forth in the report prepared by the Directors in accordance with Article 286 of the Corporate Enterprises Law and Article 158 of the Mercantile Registry Regulations, to be separately voted on in each block, as set out below:

**One. Amendments of adaptation to the latest legislative reforms and other formal or stylistic amendments to make the wording of the Corporate Bylaws more precise:**

A. To amend Article 1 ("Name and legal regime") as follows:

***"Article 1. Name and legal regime***

*The Company is called "RED ELÉCTRICA CORPORACIÓN, S.A." and shall be governed by these Bylaws, by the Corporate Enterprises Law, the Commercial Code, the Securities Market Law and other applicable legislation."*

B. To amend Article 6 ("Accounting record of shares") as follows:

***"Article 6.- Accounting record of shares***

*1. The shares are represented by book entries and are traded on the Spanish stock market, in the Unified Computerized Trading System. They shall be governed by the legislation regulating the securities market and other statutory provisions in force. Their admission to trading on other stock markets of foreign securities or other organized secondary markets may be requested.*

*Pursuant to Article 118.2 of the Corporate Enterprises Law, notwithstanding representation by book entries, the Company is subject to the rules on the obligatory registering of its shares imposed by the legislation in force.*

*The Company shall only acknowledge as a shareholder, to all effects and purposes including attendance and voting at Shareholders' Meetings, whoever is lawfully recorded in the entries made in the related accounting records, which shall include a note of the creation of rights in rem over the shares. Where shares have not been fully paid in, this circumstance shall be recorded in the related accounting entry.*

*2. The Company shall not acknowledge the exercise of non-economic rights relating to shares or other securities or rights in the Company owned or held by any individual or legal entity in excess of the limits on maximum ownership of*

shares or securities in the Company imposed from time to time by the legislation in force.”

- C. To amend Article 7 (“Rights attaching to shares”) as follows:

**“Article 7.- Rights attaching to shares**

*Each share confers the status of shareholder on its lawful owner and grants it the rights stipulated in the Corporate Enterprises Law and in these Bylaws and, in particular, the right to a share in the corporate income and in the liquidation dividend, the preemptive right to subscribe the issue of new shares or convertible debentures, the right to attend and vote at Shareholders’ Meetings, the right to object to corporate resolutions and the right to information pursuant to the Law and to these Bylaws and their implementing provisions.*

*The Company must afford equal treatment to shareholders who are on an identical footing.*

*Shares are indivisible. Cases of joint ownership, usufruct and pledge of shares and other cases of joint title shall be subject to the Law, to the instrument whereby they are created and to these Bylaws.”*

- D. To amend Article 8 (“Increase and reduction of capital stock”) as follows:

**“Article 8.- Increase and reduction of capital stock**

*Capital stock may be increased and reduced by resolution of the Shareholders’ Meeting, lawfully called for such purpose, pursuant to the Law and to these Bylaws.*

*The Shareholders’ Meeting, after meeting the requirements stipulated for the amendment of the Bylaws, may delegate to the Board of Directors:*

- a) *after resolving to increase capital by a certain amount, the following powers:*
- 1. to implement said resolution within not more than one year, except in the case of converting debentures into shares;*
  - 2. to indicate the date on which the increase, by the resolved amount, is to take place;*
  - 3. to indicate the dates of commencement and termination of the subscription period;*
  - 4. to issue the shares representing the increase;*
  - 5. to report the amounts subscribed in the capital increase;*
  - 6. to demand payment and disbursement of calls on unpaid capital;*
  - 7. to amend Article 5 of the Corporate Bylaws, on capital stock, recording the new figure following the increase, in accordance with the amounts actually subscribed; and*

8. *in general, to stipulate the terms of the capital increase where not provided for in the resolution of the Shareholders' Meeting;*

b) *the power to resolve to increase capital stock one or more times up to a specific figure on the occasion and by the amount which the Board of Directors decides, without first consulting the Shareholders' Meeting. Such increases can in no case be greater than one half of the Company's capital stock upon authorization and must be made with cash contributions within not more than five years from the date of the resolution by the Shareholders' Meeting.*

*In such case, the Board of Directors shall also be empowered to reword the Articles of the Corporate Bylaws relating to capital stock, after the increase has been resolved and carried out."*

E. To amend Article 11 ("Shareholders' Meeting") as follows:

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

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

*In accordance with the Corporate Enterprises Law, the Shareholders' Meeting has power to deliberate and resolve on the following matters:*

- a) *The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.*
- b) *The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.*
- c) *The amendment of the Corporate Bylaws.*
- d) *Capital increases and reductions.*
- e) *The removal or limitation of the preemptive right of subscription or assumption.*
- f) *An alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office.*
- g) *The dissolution of the Company.*
- h) *The approval of the final liquidation balance sheet.*
- i) *Any other matters determined by the law or the Corporate Bylaws.*

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

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

*The Shareholders' Meeting shall be governed by the applicable legislation, by these Bylaws and by its Regulations."*

- F. To amend Article 12 ("Types of Shareholders' Meetings") as follows:

***"Article 12.- Types of Shareholders' Meetings***

*Shareholders Meetings may be Annual or Special and must be called by the Company's Board of Directors.*

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

*Any other matter reserved by law or in the Bylaws to the authority of the Shareholders' Meeting may be decided at an Annual or Special Meeting.*

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

*A Special Shareholders' Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least five percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders' Meeting must be called to be held within the month following the date on which the Board of Directors was asked, by way of a notary, to call the Meeting, and the Meeting agenda must state the matters so requested."*

- G. To amend Article 14 ("Quorum") as follows:

***"Article 14.- Quorum***

*Annual and Special Shareholders' Meetings shall be called and validly convened pursuant to the Law.*

*In order for an Annual or Special Shareholders' Meeting to be able to validly adopt a resolution for a capital increase or reduction or any other amendment of the Corporate Bylaws, the issue of debentures, the removal or limitation of the preemptive right of acquisition of new shares, or an alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, or the transfer abroad of the registered office, shareholders holding at least 50 percent of the subscribed voting capital stock must attend in person or by proxy on first call. On second call, the attendance of 25 percent of said subscribed voting capital stock shall be sufficient.*

*Shareholders entitled to attend and vote and who cast their votes remotely, as provided for in Article 17 of these Bylaws, must be counted as present for the purposes of convening the Shareholders' Meeting.*

*Non-voting shares and those whose holders are not up to date in the payment of calls on unpaid capital shall not be counted as present at any Shareholders' Meeting.*

*Shares or other securities the non-economic rights of which exceed the limits recognized in Article 5 shall not be taken into account when calculating the quorum required to convene the relevant Shareholders' Meetings or when calculating the majorities for adoption of resolutions."*

- H. To amend Article 15 ("Right to information and attendance of Shareholders' Meetings") as follows:

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

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

*Shareholders who are entitled to attend may be represented at the Shareholders' Meeting by another shareholder who is entitled to attend, in the manner established by Articles 184 through 187 of the Corporate Enterprises Law, in relation, in any case, to the provisions of these Bylaws. Proxies must be conferred in writing and specifically for each Meeting. Directors must attend Shareholders' Meetings.*

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

*Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it shall not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest as provided in Article 514 of the Corporate Enterprises Law.*

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

*Shareholders may request such reports or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by*



the applicable laws, and shall receive information via the Company website as stipulated by the Law, these Bylaws and the rules on corporate governance.

*From the date of publication of the call notice for the Shareholders' Meeting until the seventh day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, shareholders may request information, clarifications or pose questions in writing concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders' Meeting was held.*

*Directors must furnish the information in writing up to the date of holding the Shareholders' Meeting.*

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

*Directors must provide the information requested pursuant to the foregoing two paragraphs except in cases in which, in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the request is supported by shareholders who represent at least one fourth of the capital stock.*

*Except in cases of proxies following public solicitation, which shall be subject to the statutory provisions in force in each case, no person may accumulate proxies which, together with his own votes, confer on him voting rights exceeding three percent of the capital stock."*

- I. To amend Article 17 ("Presiding Panel, deliberations") as follows:

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

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

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

*The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of*

*resolutions by, the Shareholders' Meeting, or regarding the Bylaw limit on the right to vote; and for granting the floor to any shareholders requesting it, withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.*

*Each share confers the right to one vote. Resolutions shall be adopted by a majority of the votes, unless the Law requires a greater majority.*

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

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

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

- J. To amend Article 18 ("Minutes") as follows:

**"Article 18.- Minutes**

*The Secretary shall draw up minutes of each meeting, which shall record the resolutions adopted by the Shareholders' Meeting. Minutes of Shareholders' Meetings must be approved by the Shareholders' Meeting itself immediately after it has been held or, otherwise, within fifteen (15) days, by the Chairman of the Shareholders' Meeting and two tellers, one representing the majority and the other representing the minority.*

*Minutes shall be entered in the Company's Minutes Book kept in any form permitted by the Law. Minutes, following approval, shall be signed by the Meeting Secretary and countersigned by the person acting as Meeting Chairman. Corporate resolutions may be implemented as from the date of approval of the minutes recording them.*

*The presence of a notary pursuant to Article 203 of the Corporate Enterprises Law and the Regulations of the Shareholders' Meeting shall mean that the minutes of the notary shall be regarded as the minutes of the Shareholders' Meeting and not be subject to the formality of approval, and the resolutions recorded in them may be implemented as from the date of their completion."*

- K. To amend Article 20 ("Board of Directors") as follows:

**"Article 20.- Board of Directors**

*The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members, who shall be designated by the Shareholders' Meeting.*

*The Shareholders' Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.*

*When selecting the Directors, regard shall be had to the Company's capital composition and structure. It shall be sought to have External Directors (Independent and Nominee) represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.*

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

*Directors need not be Company shareholders or members, except in the case stipulated in Article 244 of the Corporate Enterprises Law. Both individuals and legal entities may be appointed as Directors.*

*Directors shall be elected in observance of Article 243 of the Corporate Enterprises Law and supplemental provisions.*

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

*The compensation of the Board of Directors shall consist of a fixed monthly fee for the attendance of Board meetings and a share in the Company's income. Overall annual compensation for the entire Board and for the foregoing items shall be equal to 1.5% of the Company's net income, approved by the Shareholders' Meeting. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely determines. Pursuant to Article 218.2 of the Corporate Enterprises Law, compensation in the form of a share in income may only be received by Directors after the provisions to the legal and bylaw reserves have been covered and the shareholders have been recognized a dividend of not less than 4%.*

*Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders' Meeting, which must state the number of shares to be awarded, the price for exercising the options, the share value taken as a reference and the term of this compensation system.*

*The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors.*

*The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and loyal representative, and must at all times be faithful and loyal to the Company's interests and comply with the duty of secrecy pursuant to the Law and to these Bylaws."*

- L. To amend Article 22 (“Board Committees and delegation of powers”) 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, and one or more Managing Directors.*

*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.”*

- M. To amend Article 23 (“Audit Committee”) 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, from among the External Directors and at least one Independent Director designated taking into account his 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:*

*to report at Shareholders' Meetings on matters falling within its jurisdiction which are raised in the course of such Meetings;*

*to supervise the efficacy of the Company's internal control, any internal audit, and risk management systems, as well as discuss with the auditors any significant weaknesses of the internal control system detected in the course of the audit;*

*to supervise the process of preparing and filing regulated financial information;*

*to propose to the Board of Directors the appointment of auditors for submission to the Shareholders' Meeting;*

*To duly engage with the 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 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;*

*before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the 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;*

*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."*

N. To amend Article 24 ("Appointments and Compensation Committee") 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, the majority being External Directors, and at least one half 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, including in cases of co-optation;*
- 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.”*

Ñ. To amend Article 29 (“Audit”) as follows:

**“Article 29.- Audit**

*The auditors shall have at least one month from the time they are given the signed financial statements to present their report.*

*The financial statements and the management report and, as the case may be, where applicable, the consolidated financial statements and management report, must be submitted, as the case may be, to the examination and information of the auditors referred to in Articles 263 et. seq. of the Corporate Enterprises Law.”*

O. To amend Article 32 (“Rules and method of liquidation”) as follows:

**“Article 32.- Rules and method of liquidation**

*After the Company has been dissolved, a liquidation period shall commence, and all Directors currently appointed and registered at the Mercantile Registry shall become de iure liquidators and must comply with the rules stipulated in the legislation in force when liquidating and distributing the Company’s assets. In any case, this appointment as liquidators shall put an end to the powers of the Board of Directors of the Company.*

*When it resolves to dissolve the Company, the Shareholders’ Meeting may designate persons to participate, with the Directors, in any transactions performed. In any case, there must at all times be an odd number of liquidators.*

*The Company’s liquidation must comply with the provisions of Articles 371 et. seq. of the Corporate Enterprises Law.*

*The Shareholders' Meeting shall retain, during the liquidation period, the same powers as it had during the normal life of the Company and, especially, shall have the power to approve the financial statements and the final liquidation balance sheet. The Shareholders' Meeting shall also continue to hold annual meetings and all such special meetings as may be appropriate or necessary to call, pursuant to the legislation in force.*

*Following liquidation, the liquidators shall draw up the final balance sheet, which shall be reviewed by the receivers, if any have been appointed. They shall also determine the ratio of corporate assets which are to be distributed per share.*

*This balance sheet shall be submitted to the Shareholders' Meeting for approval and shall be published pursuant to the legislation from time to time in force.*

*If, after the deadline for challenging the balance sheet, no claims have been made against it, or after any judgment resolving the claims has been made final, the existing corporate assets shall be distributed among the shareholders, having regard to the balance sheet and in accordance with the legislation in force."*

P. To amend Article 33 ("Scope of these Bylaws") as follows:

***"Article 33.- Scope of these Bylaws***

*These Bylaws regulate the relationship among the shareholders and the relationship between the shareholders and the Company exclusively in the corporate scope regulated by the Corporate Enterprises Law, the Securities Market Law and the Commercial Code, but in no way do they regulate any contractual or other relationships existing among the shareholders themselves or between the shareholders and the Company."*

**Two. Amendment of the Bylaws not only to adapt them to the latest legislative reforms, but also to add flexibility to the venue for holding Shareholders' Meetings:**

To amend Article 13 ("Call to the Shareholders' Meeting") as follows:

***"Article 13.- Calls for Shareholders' Meetings***

*Both Annual and Special Shareholders' Meetings must be called by means of a notice published in the Official Gazette of the Mercantile Registry and on the Company website or, if no such website exists, in one of the largest circulation newspapers in the province where the registered office is situated, at least one month prior to the date set for holding the Meeting. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, and the agenda with all the business to be transacted thereat. The date on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.*

*Shareholders owning five percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders' Meeting and the date on which the Board resolves to call the next Meeting, to include*

*any item on the agenda for the next Shareholders' Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders' Meeting. The Board shall include on the agenda the items requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders' Meeting.*

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

*Shareholders representing at least five percent of the capital stock may request the publication of a supplement to the call notice for a Shareholders' Meeting, including one or more items on the agenda. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice.*

*The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders' Meeting.*

*Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for rendering the Shareholders' Meeting void.*

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

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

### **AMENDMENT OF THE SHAREHOLDERS' MEETING REGULATIONS TO UPDATE THEIR PROVISIONS AS A RESULT OF VARIOUS LEGISLATIVE REFORMS RELATING TO CORPORATIONS:**

To approve the amendment of the Regulations of the Shareholders' Meeting as set forth in the report prepared by the Directors in accordance with Article 1 of the Regulations of the Shareholders' Meeting of the Company, which provides for a report from the Board of Directors to support such amendment, to be separately voted on in each block, as set out below:

#### **One. Amendments of adaptation to the latest legislative reforms and other amendments of a formal or stylistic nature to make the wording of the Regulations of the Shareholders' Meeting more precise:**

- A. To delete the introductory paragraph of the Regulations of the Shareholders' Meeting.
- B. To amend Article 1 ("Purpose and entry into force of the Regulations") as follows:



**“Article 1.- Purpose and entry into force of the Regulations**

*These Regulations regulate the Shareholders’ Meeting of Red Eléctrica Corporación, S.A., establishing the principles of its organization and operation and the rules which govern its legal and bylaw activity. They must be disseminated by the Board of Directors among the shareholders and the investing public and published on the Company website. They shall apply as from the first Shareholders’ Meeting held following their approval.*

*They may be amended by the Shareholders’ Meeting at the proposal of the Board of Directors, which shall attach a report justifying the amendment. The amendment of the Regulations shall require a majority of votes in accordance with the provisions of Article 17 of the Corporate Bylaws and Article 159 of the Corporate Enterprises Law.”*

C. To amend Article 2 (“Company website”) as follows:

**“Article 2.- Company website**

*As an instrument to ensure the transparency of corporate actions and at the same time to allow greater efficacy in the exercise by the shareholders of their rights, as well as to facilitate relations between the shareholders and the Company, the latter shall maintain a website, incorporating the latest technologies, which shall be regulated in accordance with the provisions of the law and the Bylaws and with these Regulations. The following, inter alia, shall be included on this website, in accordance with the applicable provisions:*

1. *the Corporate Bylaws;*
2. *the Regulations of the Shareholders’ Meeting and of the Board of Directors, the Internal Code of Conduct and other provisions on corporate governance;*
3. *quarterly reports for the year and annual reports for the last two years, together with reports by the external auditors;*
4. *the Annual Corporate Governance Report prepared by the Board;*
5. *the composition of the Board and of its Committees;*
6. *shareholders identified with stable holdings, direct and indirect, and their representation on the Board, as well as all side agreements between shareholders which have in any way been disclosed to the Company and to the market;*
7. *the shareholdings of each Board member;*
8. *the information contained in presentations made to the different market operators and to analysts, intermediaries and significant shareholders;*
9. *material facts notified to the National Securities Market Commission;*

10. *resolutions adopted at the most recent Shareholders' Meetings held, indicating in detail their composition and the result of voting;*
11. *the current call for the next Shareholders' Meeting;*
12. *any information which must be made available to the shareholders along with the call notice for the Shareholders' Meeting;*
13. *responses to proposals and suggestions made by shareholders;*
14. *communication channels between the Company and the shareholders and the relevant explanations regarding the exercise of the right to information, indicating the postal and electronic mail addresses to which shareholders may send their questions;*
15. *the means and procedures for granting proxies for Shareholders' Meetings, as well as the means and procedures for casting votes remotely, with the ballots approved for doing so.*
16. *The Shareholders' Electronic Forum, as provided in Article 8.4 of these Regulations.*

*Directors shall be responsible for keeping the information on the Company website updated and for coordinating its content with that of the public Registries in accordance with the provisions of the applicable law."*

D. To amend Article 3 ("Powers of the Shareholders' Meeting") as follows:

***"Article 3.- Powers of the Shareholders' Meeting***

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

- a) *approving the financial statements of Red Eléctrica Corporación, S.A. and the consolidated financial statements of Red Eléctrica Corporación, S.A. and its subsidiaries, the conduct of management by the Board of Directors and the proposed distribution of income or allocation of loss;*
- b) *appointing and removing Directors, (including ratification or revocation of appointments by co-optation), liquidators and auditors, as well as filing a corporate action for liability against any of them;*
- c) *resolving on the amendment of the Corporate Bylaws;*
- d) *resolving on capital increases and reductions;*
- e) *resolving on the removal or limitation of the preemptive right of subscription;*

- f) *resolving on an alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office;*
- g) *resolving on the dissolution of the Company;*
- h) *approving on the final liquidation balance sheet;*
- i) *resolving on any other matters determined by the law, the Bylaws or these Regulations, in particular:*
  - i) *resolving on programs or authorizing transactions relating to treasury stock;*
  - ii) *approving the establishment of Directors' compensation systems linked to share value;*
  - iii) *resolving on the issue of debentures;*
  - iv) *authorizing the Board of Directors to increase capital stock in accordance with the provisions of the Corporate Enterprises Law;*
  - v) *approving transactions the effect of which is equivalent to the modification of the corporate purpose or the liquidation of the Company.*

*In exercising its powers, the Shareholders' Meeting shall not interfere with the powers and functions specific to the Board of Directors."*

E. To amend Article 6 ("Shareholders' rights") as follows:

**"Article 6.- Shareholders' rights**

**6.1 List**

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

- a) *the right to a share in the distribution of corporate income and in the liquidation dividend;*
- b) *a preemptive right to subscribe new shares or convertible debentures, unless such right has been duly excluded;*
- c) *the right to attend and vote at Shareholders' Meetings;*
- d) *the right to object to corporate resolutions and to seek, if appropriate, directors' liability;*
- e) *the right to information;*
- f) *the right to participate in corporate affairs.*

*The Company must afford equal treatment to shareholders who are on an identical footing.*

## **6.2 Manner of exercise**

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

## **6.3 Limitations**

*Shareholders' rights are subject to the limitations stipulated in Additional Provision No. 3 of Law 17/2007, of July 4, 2007 ("Law 17/2007") and in Article 34 of the Electricity Industry Law, and contained in the current Bylaws."*

F. To amend Article 8 ("A shareholder's right to information") as follows:

### **"Article 8.- Shareholders' right to information**

#### **8.1 Supply of information to shareholders**

*Once the call notice for a Shareholders' Meeting has been published, the documentation and information relating to the Meeting agenda, and at least the following documentation, shall be made available to the shareholders, free of charge, both at the Shareholder Information Office and on the Company website:*

- a) call notice for the Shareholders' Meeting with the proposed resolutions and related reports of the Board of Directors;*
- b) financial statements of Red Eléctrica Corporación, S.A., consolidated financial statements and the proposed distribution of income or allocation of loss;*
- c) management report of Red Eléctrica Corporación, S.A. and consolidated management report for the fiscal year;*
- d) auditors' reports on the consolidated financial statements and on the financial statements of Red Eléctrica Corporación, S.A.;*
- e) Annual Corporate Governance Report;*
- f) Annual Corporate Responsibility Report, if any;*
- g) Environmental Report, if any;*
- h) report on Directors' and senior executives' compensation;*
- i) any other report the inclusion of which is obligatory or is determined by the Board of Directors.*

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

## **8.2 Requests for information by shareholders**

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

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

*The Board of Directors must furnish the shareholders with the documentation requested unless, in the Chairman's opinion, it could harm the interests of the Company. This exception shall not apply where the request is supported by shareholders who represent at least one fourth of the capital stock.*

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

## **8.3 Shareholders' inquiries**

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

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

*The Board of Directors shall be obliged to provide the appropriate response to these questions unless public disclosure of the information could harm the interests of the Company.*

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

## **8.4 Shareholders' Electronic Forum**

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

*the Forum set up for the Shareholders' Meeting, and which shall be publicly disclosed on the Company website."*

- G. To amend Article 9 ("Right to attend") as follows:

***"Article 9.- Right to attend***

*Shareholders may attend the Shareholders' Meeting if they are up to date in the payment of calls on unpaid capital and prove their ownership, by means of a certificate issued in their name on the accounting record of book entries five days before the date on which the Meeting is to be held.*

*Shareholders shall ask the Entity in charge of the accounting record to issue the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company's securities, in order to obtain, where necessary, the appropriate attendance card from the Company.*

*Attendance cards must be issued bearing the holder's name to shareholders who prove that their shares were entered on the accounting record at least five days prior to the first call. The Entity in charge of the accounting record must send Red Eléctrica Corporación, S.A., before the date set for holding the Shareholders' Meeting, the list of cards it has issued at the request of its respective clients. The registration of attendance cards shall commence two hours prior to the time set for holding the Shareholders' Meeting.*

*Company Directors and executives must attend Shareholders' Meetings.*

*In general, in order to promote the widest dissemination of proceedings and the resolutions adopted, the media shall be allowed access to Shareholders' Meetings. Furthermore, in order to facilitate such dissemination, the Meeting may be recorded in audiovisual form."*

- H. To amend Article 11 ("Quorum") as follows:

***"Article 11.- Quorum***

*The Shareholders' Meeting shall be validly convened on first call when the shareholders, attending in person or by proxy, hold at least twenty-five percent of the subscribed voting capital stock.*

*On second call the Shareholders' Meeting shall be validly convened regardless of the capital stock attending thereat.*

*In order for an Annual or Special Shareholders' Meeting to be able to validly adopt a resolution for a capital increase or reduction or any other amendment of the Corporate Bylaws, the issue of debentures, the removal or limitation of the preemptive right of acquisition of new shares, or an alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, or the transfer abroad of the registered office, shareholders holding at least 50 percent (50%) of the subscribed voting capital stock must attend in person or by proxy on first call. On second call, the attendance of 25 percent (25%) of said capital stock shall be sufficient.*

*When shareholders representing less than fifty percent (50%) of the subscribed voting capital stock attend, the resolutions referred to in the previous paragraph*

*may only be adopted validly with the affirmative vote of two thirds of the capital stock attending in person or by proxy at the Meeting.*

*Non-voting shares and those whose holders are not up to date in the payment of calls on unpaid capital, shall not be counted as present at any Shareholders' Meeting.*

*Shareholders entitled to attend and vote and who cast their votes remotely, in the manner provided for in Article 15.8 of these Regulations, must be counted as present for the purposes of convening the Shareholders' Meeting."*

- I. To amend Article 15 ("Constitution, deliberation and adoption of resolutions") as follows:

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

***15.1 Attendance list***

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

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

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

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

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

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

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

### **15.3 Presentations**

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

### **15.4 Request for information**

*While the Shareholders' Meeting is being held, shareholders may orally request such reports or explanations as they deem appropriate concerning the items on the agenda. If this right cannot be satisfied at that time, the Board of Directors must provide the information in writing within seven days after the holding of the Shareholders' Meeting.*

*Directors must provide the information requested except in cases in which, in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the request is supported by shareholders who represent at least twenty-five percent (25%) of the capital stock.*

### **15.5 Debate**

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

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

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

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

- (i) redistribute the time assigned to each shareholder;*
- (ii) ask speakers to clarify or expand on the issues they have set forth;*



- (iii) *call shareholders addressing the Meeting to order so that they limit their speech to matters specific to the Shareholders' Meeting and refrain from making inappropriate comments;*
- (iv) *withdraw the use of the floor from speakers who abuse their right or have used up the time assigned;*
- (v) *expel from the premises those who are disorderly and disrupt the normal proceedings of the Shareholders' Meeting, with the necessary ancillary measures.*

#### **15.6 Temporary adjournment**

- (i) *Exceptionally, if disturbances occur which substantially disrupt the orderly progress of the meeting, or any other extraordinary circumstance arises which temporarily prevents the normal proceedings of the Shareholders' Meeting, the Chairman of the Shareholders' Meeting may resolve the adjournment of the session for such period of time as he deems adequate, under no circumstances exceeding two hours, in order to seek to reestablish the conditions necessary for its continuation. The Chairman of the Shareholders' Meeting shall take such additional measures as he deems appropriate to guarantee the safety of those present and to avoid the repetition of circumstances which could again disrupt the orderly progress of the meeting.*
- (ii) *If, after the meeting is resumed, the situation which gave rise to the adjournment persists, the Chairman may, after consulting the Presiding Panel of the Shareholders' Meeting, resolve an extension for the following day. If the resolution regarding the extension is, for any reason, not adopted by the Presiding Panel, the Chairman shall immediately bring the session to a close.*

#### **15.7 Extension**

- (i) *At the proposal of the Chairman, after consulting the Presiding Panel, or at the request of shareholders who represent at least one fourth of the capital stock present at the Shareholders' Meeting, those attending may decide to extend its sessions for one or more consecutive days.*
- (ii) *After the holding of the Shareholders' Meeting has been extended, it shall not be necessary at successive sessions to repeat compliance with the requirements stipulated by the Law or in the Corporate Bylaws in order for it to be validly convened. If any shareholder included on the list of attendees drawn up at the beginning of the meeting subsequently fails to attend successive sessions, the majorities necessary for the adoption of resolutions shall continue to be those determined at the sessions having regard to information derived from that list.*

#### **15.8 Voting**

*Each share confers the right to one vote pursuant to the Bylaws, subject to the limitations contained therein in accordance with the mandate under the Electricity Industry Law and under Additional Provision No. 3 of Law 17/2007.*

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

- (i) the appointment, ratification or removal of each Director; and*
- (ii) in the event of an amendment of the Bylaws, each Article or group of Articles which are substantially independent.*

*The Chairman shall decide on the most appropriate method for voting in each case, which he shall announce publicly at the Shareholders' Meeting sufficiently in advance of the vote.*

*However, the following deductive methods may be adopted to expedite voting:*

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

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

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

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

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

*A vote cast by any of the means described in the previous two paragraphs must be received by the Company before midnight (24:00) on the day immediately prior to that set for holding the Shareholders' Meeting on first call. Otherwise, the vote shall be deemed not to have been cast.*

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

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

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

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

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

#### **15.9 Adoption of resolutions**

*Resolutions shall be adopted by a majority of the votes, unless the Law requires a greater majority.*

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

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

- J. To amend Article 16 ("Minutes of the Shareholders' Meeting and certificate") as follows:

#### **"Article 16. Minutes of the Shareholders' Meeting and certificate**

*The matters debated and the resolutions adopted at Shareholders' Meetings shall be recorded in minutes, which may be approved by the Shareholders'*

*Meeting itself immediately after it has been held or, otherwise, within fifteen days, by the Chairman of the Shareholders' Meeting and two tellers, one representing the majority and the other representing the minority.*

*Regardless of the number of sessions over which the Shareholders' Meeting is held, it shall be considered a single Shareholders' Meeting and a single set of minutes shall be drawn up for all sessions.*

*Corporate resolutions may be implemented as from the date of approval of the minutes recording them.*

*If the Shareholders' Meeting has been held in the presence of a notary required by the Board of Directors to draw up minutes in accordance with Article 203 of the Corporate Enterprises Law, the notarial minutes shall be regarded as the minutes of the Shareholders' Meeting and shall therefore not have to be approved, and the resolutions recorded in them may be implemented as from the date of their completion.*

*The Directors shall require a notary to be present whenever this is requested by shareholders who represent at least one percent of the capital stock five days prior to the date set for holding the Shareholders' Meeting.*

*The minutes shall be entered in the Company's Minutes Book kept in accordance with the legal formalities.*

*Resolutions adopted at Shareholders' Meetings, as recorded in the Minutes Book, shall be evidenced by the appropriate certificates issued in accordance with the provisions of the Law and of Chapter Three, Section Three and other provisions of the Mercantile Registry Regulations."*

**Two. Amendment of the Regulations of the Shareholders' Meeting not only to adapt them to the latest legislative reforms, but also to add flexibility to the venue for holding Shareholders' Meetings:**

To amend Article 5 ("Call") as follows:

**"Article 5. Call**

*Both the Annual and the Special Shareholders' Meetings shall be called by the Board of Directors by means of a notice published in the Official Gazette of the Mercantile Registry and on the Company website or, if none exists, in one of the largest circulation newspapers in the province where its registered office is situated at least one month prior to the date set for holding the Meeting, although it shall seek to call the Meeting sufficiently in advance with a view to making it as easy as possible for all the shareholders to be able to plan for their participation.*

*The call notice shall state the name of the Company, the date and time of the Meeting on first call and the agenda on which the business to be transacted shall appear. The date for the second call may also be set. A minimum period of twenty-four hours must elapse between the two calls. Where a second call is not provided for and the Shareholders' Meeting cannot be held, the Meeting must be announced in the same way as the first call, within fifteen days from the*

*date on which it was not held and at all times eight days prior to holding the second meeting. In the call notice the Board shall endeavor to indicate the probable date of holding the Meeting on first or second call.*

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

*The call notice shall indicate the place and times at which the shareholders may consult the documents which are to be submitted for their approval at the Shareholders' Meeting, notwithstanding their right to ask to have such documents sent to them free of charge. The call notice for the Shareholders' Meeting shall also be posted on the Company website and a copy shall be sent to the stock exchanges on which the shares are listed.*

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

*The Board must call a Special Shareholders' Meeting when shareholders holding five percent of the capital stock send a request stating the reasons and describing the business to be transacted, which must relate to matters falling within the jurisdiction of the Shareholders' Meeting. In this case the Shareholders' Meeting must be called to be held within thirty days from the date on which the Board of Directors was asked by way of a notary to call it and it shall fall to the Board of Directors to draw up the agenda, including the items indicated in the request in the manner which best suits the interests of the Company.*

*Shareholders representing at least five percent of the capital stock may request the publication of a supplement to the call notice for a Shareholders' Meeting, including one or more items on the agenda. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice.*

*The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders' Meeting. If included by the aforesaid shareholders in their request, the Board shall make available to the shareholders the complete wording of the resolutions proposed on the same terms as indicated above.*

*Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for rendering the Shareholders' Meeting void.*

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

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

**AUTHORIZATION 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 Corporate Enterprises Law and other applicable legislation, the derivative acquisition of treasury stock of Red Eléctrica Corporación, S.A. by the Company itself and by the companies in the Red Eléctrica Group, directly or indirectly, and to the extent that the Board of Directors deems it advisable under the circumstances, provided that the following conditions are met:

- (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 consideration or for no consideration, as the circumstances so dictate. In the case of acquisition for no consideration, pursuant to the provisions of Article 146.4 of the Corporate Enterprises Law, the shares acquired may be partially paid-in.
- (iv) Pursuant to the provisions of Article 146.1 b) of the 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 classed as such pursuant to the criteria used to prepare the financial statements, reduced by the amount of income attributed directly to same and increased by the amount of uncalled subscribed capital stock, as well as by the nominal amount and the subscribed additional paid-in capital recorded for accounting purposes as shareholders' equity.

In accordance with paragraph three of Article 146.1 a) of the Corporate Enterprises Law, the Board of Directors of the Company may use some or all of the treasury stock acquired under this authorization and the treasury stock already owned by the Company on the date of approval of this resolution to implement compensation programs consisting of the direct award of shares to employees and Executive Directors of the Company and of the companies belonging to the RED ELÉCTRICA Group.

For all of the foregoing, an authorization as broad as may be necessary is granted to the Board of Directors to request all such authorizations and adopt all such resolutions as may be necessary or appropriate for 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 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 the companies belonging to the Red Eléctrica Group.
- Voluntary nature: Adhesion to the compensation plan is voluntary for participants.
- 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 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 resulting from the share value at the close of trading on the award date and the amount of the total compensation paid using this method of 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 come from treasury stock, new or existing, either directly or through companies of the Red Eléctrica Group
- Term: this compensation system will apply for the next eighteen (18) months.

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

To revoke and render ineffective the authorization for the derivative acquisition of treasury stock granted to the Board of Directors by the Annual Shareholders' Meeting held on May 20, 2010.

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

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

#### **One.- Approval of the Report on the compensation policy for the Board of Directors of Red Eléctrica Corporación, S.A.**

To approve the report on the compensation policy for the Board of Directors, reproduced below:

### **I. BACKGROUND AND SUBJECT MATTER OF THE REPORT**

The compensation of the managing and executive bodies of listed companies has awakened particular interest in recent years.

Both the Unified Good Governance Code approved by the National Securities Market Commission on May 19, 2006 and the European Commission Recommendation of December 14, 2004, for the fostering of an appropriate regime for the remuneration of directors of listed companies, advise that the Boards of Directors of such companies should adopt resolutions relating to the Board compensation policy, at the proposal of the corresponding Appointments and Compensation Committees.

In establishing the annual compensation to be received by the Company's Directors, the Corporate Responsibility and Governance Committee of Red Eléctrica Corporación, S.A. ("Red Eléctrica" or the "Company") has taken the above recommendations into consideration, although none of them are mandatory.

The purpose of this report is to comply with the recommendations and inform shareholders of the criteria, rules and parameters used to establish the compensation of the Board of Directors of Red Eléctrica. It also offers detailed information on the amount of such compensation, both in aggregate form and broken down by Director. Reference is also made to senior management compensation, as required by the most recent corporate governance practices.

Also noteworthy is the Company's practice of submitting this report for approval to the Annual Shareholders' Meeting.

## **II. GENERAL CONSIDERATIONS ON THE COMPENSATION POLICY OF RED ELÉCTRICA**

### **1. Introducción**

Article 27 of the Board Regulations of Red Eléctrica establish that, within the limits stipulated by law and in the Corporate Bylaws, and without prejudice to the powers of



the Shareholders' Meeting, it will be the Board, at the proposal of the Corporate Responsibility and Governance Committee, that establishes the Directors' compensation system applicable each year and the criteria for distribution of that compensation.

Equally, the Board Regulations establish that the Corporate Responsibility and Governance Committee will prepare an annual report on the Directors' compensation policy to be submitted each year by the Board of Directors to the Annual Shareholders' Meeting, following the recommendations of the Unified Good Governance Code.

Accordingly, the Board of Directors of Red Eléctrica Corporación, S.A., at the proposal of the Company's Corporate Responsibility and Governance Committee, must adopt a general resolution on Board compensation policy for 2010 and a resolution relating to the Board compensation program envisaged for 2011, both of which are set out below.

All of the foregoing is without prejudice to approval by the Shareholders' Meeting of all aspects falling under its jurisdiction.

## **2. Functions of the Corporate Responsibility and Governance Committee in preparing the compensation policy**

The policy contained in this report was proposed by the Corporate Responsibility and Governance Committee at its meeting of December 16, 2010 and approved by the Board of Directors at its meeting on the same date.

The Corporate Responsibility and Governance Committee has been analyzing the recommendations of the Unified Good Governance Code since its publication in 2006 with a view to keeping the Directors' compensation system in line with corporate governance principles and best practices. This analysis has given rise to the compensation policy for Red Eléctrica's Board, proposed by the Committee.

The Committee met on 11 occasions in 2010 to address compensation matters relating to the Company's Board and senior management, among other aspects.

## **3. Principles of the Red Eléctrica Board compensation policy**

The Board of Directors of Red Eléctrica is made up of a majority (ten) of External Directors (Nominee and Independent) and a single Executive Director (the Chairman).

The general policy described below takes into account the corporate governance recommendations made in relation to the different structure that ought to be given to the compensation of the Executive Director compared with the other Directors.

The economic crisis currently affecting capital markets worldwide has been borne in mind by both the Committee and the Board when drawing up the proposal to maintain the current compensation for all Board and Board Committee items in 2010 with no changes whatsoever to the amount or conditions thereof, thus maintaining the overall compensation that has applied since 2007.

Pursuant to the provisions of Article 20 of the Corporate Bylaws, reproduced below, Company Directors will receive, for the performance of their functions as members of the managing body, an amount established each year according to two compensation criteria: attendance fees and compensation linked to Company results. The overall,

annual compensation for the entire Board and for the above items may not exceed 1.5% of the net income of the Company, as expressly established in Article 20 of the Corporate Bylaws.

Directors who are members of any of the Board Committees will receive additional compensation for their membership of such Committees.

The amount of the compensation will be proposed to the Board by the Corporate Responsibility and Governance Committee each year.

#### **4. Compensation principles, items and criteria**

Article 22 of the Corporate Bylaws states that “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, the Board must have an Audit Committee and an Appointments and Compensation Committee (now called the Corporate Responsibility and Governance Committee) ...”.

Accordingly, the members of both Board Committees receive compensation for their attendance at and dedication to such Committees and such amounts must be established annually by the Board when it approves its own compensation, within the limits established by the law, the Bylaws and the regulations.

Pursuant to the Bylaws and the regulatory framework that regulates the compensation of the Board of Directors, Board compensation must observe the following compensation items and criteria:

1. Fixed fees for attendance at and dedication to the Board.
2. Compensation linked to the annual income of the Company.
3. Compensation for dedication to the Board Committees.
4. Bylaw limit on the overall, annual compensation for the entire Board: 1.5% of the net income of the Company approved by the Shareholders' Meeting.
5. Within the limits established in the law, the Bylaws and the regulations, the Board of Directors is responsible for allocating the amount of its annual compensation among all of the above items and among its members in the manner, at the time and in the proportion it so determines. This decision is adopted by the Board of Directors, at the proposal of the Corporate Responsibility and Governance Committee.
6. Possibility of compensation plans consisting of the award of Company shares.

Such plans are provided for in the Corporate Bylaws although they have not been used, except in the case of the Executive Director, in an amount similar to the rest of the executive team, since 2006, and subject to an annual limit of €12,000.

As in previous years, the Board compensation policy is guided by the following basic principles:

- Moderation

- Link to actual dedication.
- Link to the Company's performance.
- To act as an incentive but without conditioning Directors' independence (particularly in the case of Independent Directors).
- Transparency.
- Compatibility with, and independence from, the habitual risk coverage established by the Company for attendance at meetings and performance of their functions by Directors.
- Alignment with habitual practices at listed companies.
- Approval of the compensation by the Shareholders' Meeting.

## **5. Internal regulations:**

The internal rules and regulations approved by the Shareholders' Meeting and the Board regarding the compensation of the members of the Company's Board of Directors are set out in Article 20 and the Sole Additional Provision of the Corporate Bylaws, as well as in Article 27 of the Board Regulations.

### 5.1. Corporate Bylaws:

- Article 20:

"...The compensation of the Board of Directors shall consist of a fixed monthly fee for the attendance of Board meetings and a share in the Company's income. Overall annual compensation for the entire Board and for the foregoing items shall be equal to 1.5% of the Company's net income, approved by the Shareholders' Meeting. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely determines. Pursuant to Article 130 of the Corporations Law (now Article 218.2 of the Corporate Enterprises Law), compensation in the form of a share in income may only be received by Directors after the provisions to the statutory and bylaw reserves have been covered and shareholders have been recognized a dividend of not less than 4%.

Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders' Meeting, which must state the number of shares to be awarded, the price for exercising the options, the share value taken as a reference and the term of this compensation system.

The compensation contemplated in this Article shall be compatible with and independent of salaries, compensation, indemnification, pensions or compensation of any kind established in general or specifically for those members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which

relationships shall be compatible with the status of member of the Board of Directors...”.

Sole Additional Provision, second paragraph:

“Where a Director who is an individual holds office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be in keeping with the applicable provisions on incompatibility in the public sector, notwithstanding any compensation that may accrue to such public shareholder, either because it has been directly appointed as a member of the Board of Directors or because of the services provided to the Board or its delegated Committees by the individuals representing such public holder of shares in the capital of the Company, and which exceed any compensation to which he may be personally entitled under such legislation, all of the foregoing, pursuant to Transitional Provision Nine, while such ownership situation is maintained”.

## **5.2. Board Regulations (Article 27):**

The new Board Regulations approved at the Board meeting held on January 28, 2010, consolidated the Board compensation policy, since the previous text relating to Board compensation was retained with no changes whatsoever. Thus:

*“1. Directors shall be entitled to obtain such compensation as is established by the Shareholders’ Meeting and by the Board of Directors in accordance with the provisions of the Corporate Bylaws and those contained in these Regulations.*

*2. The compensation policy approved by the Board of Directors shall cover at least the following matters:*

*a) The amount of the fixed compensation items, itemizing any fees for attending Board and Committee meetings, with an estimate of the annual fixed compensation to which they give rise.*

*b) Variable compensation items, including, in particular:*

*i) The types of Director to which they apply, with an explanation of the relative weighting of variable to fixed compensation items;*

*ii) Criteria for evaluating results on which any right to compensation is based.*

*iii) Fundamental parameters and the basis for any system of annual bonuses or other benefits not paid in cash.*

*iv) An estimate of the absolute amount of the variable compensation arising from the proposed compensation plan, depending on the degree of compliance with the assumptions or objectives taken as a reference.*

*v) This shall also include the technical safeguards necessary to ensure that such variable compensation is in line with the professional*

*performance of its beneficiaries and is not merely the result of the general performance of the markets or of the industry in which the Company operates, or other similar circumstances.*

*c) The principal characteristics of the corporate welfare systems, with an estimate of their amount or equivalent annual cost.*

*d) Conditions that must be observed in the contracts of those exercising senior management functions as Executive Directors, including term, advance notice periods and any other clauses relating to signing bonuses, as well as indemnification for early termination or termination of the contractual relationship between the Company and the Executive Director.*

*3. Compensation by way of the award of Company shares, on the terms authorized by the Shareholders' Meeting, variable compensation linked to the Company performance and corporate welfare systems shall be reserved to Executive Directors.*

*4. Compensation linked to the Company's earnings shall take into account any qualifications stated in the external auditor's report that reduce such income.*

*5. Directors' compensation shall be transparent. For such purpose, the Corporate Responsibility and Governance Committee shall prepare an annual report on Directors' compensation, which shall include:*

*a) An individual breakdown of the compensation obtained by each Director, to include, where appropriate:*

- i) Any attendance fees and other fixed compensation as Director.*
- ii) Additional compensation as a member of any Board Committee.*
- iii) Any compensation in the form of a share in income or premiums, and the reason for which it is granted.*
- iv) Contributions on behalf of Executive Directors to fixed-contribution pension plans, or any increase in the vested rights of Executive Directors in the case of contributions to fixed-benefit plans.*
- v) Any severance agreed or paid in the event of termination of their functions.*
- vi) Any compensation received as a Director of other Group companies.*
- vii) Compensation for the performance of senior management functions by Executive Directors.*
- viii) Any other compensation item other than those listed above, regardless of its nature or the Group company that pays it, especially where it is deemed a related-party transaction or where its omission distorts the true and fair view of the compensation received by the Director.*

*b) An individual breakdown of any award of shares to Executive Directors, on the terms authorized by the Shareholders' Meeting.*

*c) Information on the relationship, in the preceding year, between the compensation obtained by Executive Directors and the earnings or other performance indicators of the Company.”*

### **5.3. Approval by the Shareholders' Meeting:**

Notwithstanding the above provisions of the Company's corporate governance rules, the Board of Directors resolved, as it has done for several years, to submit the compensation of the Board of Directors for approval by the Shareholders' Meeting under a separate item on the agenda.

## **III. COMPENSATION OF THE BOARD OF DIRECTORS IN 2010**

### **1. Compensation policy applied**

Pursuant to the bylaw and regulatory provisions set out above, at the meeting held on December 16, 2010, the Board of Directors resolved, at the proposal of the Corporate Responsibility and Governance Committee, to propose to the Shareholders' Meeting that the current compensation for all Board and Board Committee items be maintained in 2010 with no changes whatsoever to the amount or conditions thereof, thus maintaining the overall compensation that has applied since 2007.

The 2010 compensation items are the same as those established for 2009 (attendance fees for Board meetings, amounts for dedication to Board Committees and compensation linked to the annual net income of the Company).

The amount of all Board compensation items, excluding the compensation of the Executive Director under his employment relationship with the Company, amounted to 0.48% of the net income of the Red Eléctrica Group in 2010, compared with 0.57% in 2009.

The following table gives a comparison of the amounts of Board compensation in the last five years:

Year	2006	2007	2008	2009	2010
<b>Percentage</b>	<b>0.91%</b>	<b>0.78%</b>	<b>0.66%</b>	<b>0.57%</b>	<b>0.48%</b>

The portion of the Board compensation linked to 2010 results will be paid, in the corresponding amount, once the 2010 consolidated financial statements have been approved by the Annual Shareholders' Meeting to be held in April 2011.

The authorization given by the Annual Shareholders' Meeting held on May 20, 2010, allowing managers and Executive Directors of the Company and those of companies belonging to its Consolidated Group to request that part of their compensation, up to an annual limit of €12,000, be paid in the form of an award of Company shares remains in force, and the proposed renewal of this authorization for a further period of eighteen months will be submitted for approval to the next Annual Shareholders' Meeting.

## 2. Information on Board compensation, broken down by item, type of director and director

The compensation of the Board of Directors in 2010 is set out below, in thousands of euros, by compensation item, by type of Director and by Director.

### 2.1. By compensation item:

<b>Fixed compensation</b>	<b>388</b>
<b>Variable compensation</b>	<b>1,193</b>
<b>Attendance fees</b>	<b>902</b>
<b>Pension funds and plans: contributions</b>	<b>6</b>
<b>Life insurance premiums</b>	<b>6</b>
<b>Total</b>	<b>2,495</b>

### 2.2. By type of Director:

<b>Executive (1 Director)</b>	<b>796</b>
<b>External Nominee (3 Directors)</b>	<b>535</b>
<b>External Independent (7 Directors)</b>	<b>1,164</b>
<b>Total</b>	<b>2,495</b>

### 2.3. By Director:

	<u>Fixed compensation</u>	<u>Variable compensation</u>	<u>Attendance fees for Board Meetings</u>	<u>Dedication to Committees</u>	<u>Contributions to life insurance and pension plan</u>	<u>Total</u>
Luis María Atienza Serna	388	301	66	29	12	796
Antonio Garamendi Lecanda	-	93	66	29	-	188
Manuel Alves Torres <sup>(1)</sup>	-	93	66	29	-	188
Rafael Suñol Trepal	-	93	66	-	-	159
María de los Ángeles Amador Millán	-	93	66	29	-	188
Francisco Javier Salas Collantes	-	93	66	29	-	188
Martín Gallego Málaga <sup>(2)</sup>	-	38	25	-	-	63
José Folgado Blanco	-	93	66	-	-	159
Arantza Mendizabal Gorostiaga	-	93	66	29	-	188

María Jesús Álvarez <sup>(1)</sup>	-	93	66	29	-	188
Miguel Boyer Salvador		55	40	-		95
Rui Manuel Janes Cartaxo		55	40	-		95
Total compensation earned	388	1,193	699	203	12	2,495

(1) Amounts received by SEPI

(2) He stood down as Director in May 2010

In his capacity as a member of the Board of Directors of REN, the Executive Director received compensation of €29,000 in 2010 (€30,000 in 2009). At the request of the Executive Director himself, this amount was deducted from his annual fixed compensation.

The annual variable compensation of the Executive Director is established by the Corporate Responsibility and Governance Committee at the start of each year using quantifiable and pre-determined objective criteria. The targets are in line with the strategies and steps established in the Company's Strategic Plan and the Corporate Responsibility and Governance Committee is also responsible for assessing the level of achievement of the targets.

In 2009, a compensation plan for executives (2009-2013 "*Plan Extraordinario 25º aniversario*") was established, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the Executive Director, will be assessed at the end of its term in 2014. Depending on the level of achievement of the targets set, the overall assessment for the five years may be up to 1.8 times the fixed annual compensation. As with the annual targets, this plan takes into account quantifiable and pre-determined objective criteria which are in keeping with the medium- and long-term vision of the Company's Strategic Plan, and the establishment and assessment of the targets falls to the Corporate Responsibility and Governance Committee. In 2010 the Company liquidated a long-term compensation plan in the amount of €429,000.

There are safeguard or golden parachute clauses in favor of the Executive Director to cover dismissal or changes in control. These clauses were proposed by the Appointments, Compensation and Corporate Governance Committee (now called the Corporate Responsibility and Governance Committee) and approved by the Board of Directors. The clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of one year's salary, unless the applicable legislation provides for a higher amount.

At December 31, 2010, there were no loans, advances or guarantees established 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 at that date.

In 2010, the members of the Board of Directors did not engage in any transactions with the Company or Group companies, whether directly or through persons acting on their behalf, that were outside the ordinary course of business or were not performed at arm's length.



#### **IV. REFERENCE TO THE SENIOR MANAGEMENT COMPENSATION POLICY**

In 2010, compensation, and life insurance and pension plan contributions for senior executives amounted to €957,000 and €30,000, respectively.

There were no loans or advances to senior executives at December 31, 2010.

There are safeguard or golden parachute clauses in favor of two senior executives. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to two years' salary, unless the applicable legislation provides for a higher amount. The contracts containing these clauses were approved by the Appointments, Compensation and Corporate Governance Committee (now called the Corporate Responsibility and Governance Committee) and they were duly notified to the Board of Directors.

In 2009, a compensation plan for executives (2009-2013 "*Plan Extraordinario 25º aniversario*") was established, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the executives, will be assessed at the end of its term in 2014. Depending on the level of achievement of the targets set, the overall assessment for the five years may be up to 1.8 times the fixed annual compensation. In 2010 the Company liquidated a long-term compensation plan in the amount of €689,000.

#### **V. BOARD COMPENSATION IN 2011**

In relation to compensation for 2011, the Board of Directors, at the meeting held on December 16, 2010, resolved, at the proposal of the Corporate Responsibility and Governance Committee, that the attendance fees for Board and Board Committee meetings established for 2010 be maintained in 2011 with no changes whatsoever to the amount or conditions thereof, without prejudice to the overall compensation for all items in 2011 which, pursuant to the provisions of the Bylaws, will be established in due course by the Board of Directors.

The above compensation will apply as from January 01, 2011.

#### **VI. PROJECTIONS FOR FUTURE YEARS**

The Board of Directors takes into account at all times the performance of the markets and the global economic and financial situation when adopting its decisions on the Board compensation policy. It is envisaged that the Board will continue its policy of moderation and adaptation to the economic circumstances, so that its decisions are the most appropriate for the Company's interests and those of its shareholders, as in previous years.

*(End of the report on the compensation of the Board of Directors)*

#### **Two.- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A. in 2010.**

To approve, with effect from January 1, 2011, the Board compensation agreed at the Board meeting of December 16, 2010, which established the

compensation for 2010 and 2011 in accordance with the provisions of Articles 20 and 24.2.b) of the Corporate Bylaws and Article 16.2 of the Board Regulations, in relation to Board compensation, at the proposal in both cases of the Corporate Responsibility and Governance Committee, on the following terms:

1) Overall compensation for all items:

To maintain the current compensation for all Board and Board Committee items in 2010 with no changes whatsoever to the amount or conditions thereof, thus maintaining the overall compensation that has applied since 2007.

2) Attendance fees for Board and Board Committee meetings:

Without prejudice to the overall compensation for all items in 2011 which, pursuant to the provisions of the Bylaws, will be established in due course by the Board of Directors, the attendance fees for Board and Board Committee meetings established for 2010 will be maintained in 2011 with no changes whatsoever to the amount or conditions thereof.

Pursuant to Article 20 of the Corporate Bylaws, the above amounts are compatible with and independent of salaries, compensation, indemnification, pensions or compensation of any kind established in general or specifically for those members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors.

**RESOLUTION RELATING TO ITEM TEN 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 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, as well as the Secretary and Deputy Secretary of the Board, so that they may exercise them, individually, with a view to the implementation, execution and registration of each and every one of the resolutions adopted by this Shareholders' Meeting, including the signature of the corresponding contracts and documents, with the clauses and conditions they deem appropriate, and interpret, remedy and complete the aforementioned resolutions and have them notarized, according to their effectiveness and the comments of any body or authority, in particular the oral or written comments of the Mercantile Registrar, performing all such steps as may be necessary or appropriate to ensure their successful outcome and, in particular, to ensure the registration at the Mercantile Registry of the registrable resolutions.

## II. ITEMS FOR INFORMATION

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

#### **INFORMATION TO THE SHAREHOLDERS' MEETING ON THE 2010 ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A.**

The Shareholders' Meeting is informed that pursuant to the provisions of Article 38 of the Board Regulations, the Board of Directors, at the meeting held on February 24, 2011, has agreed to unanimously approve the 2010 Annual Corporate Governance Report of Red Eléctrica Corporación S.A. This report has been notified to the National Securities Market Commission as a material event.

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

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

#### **INFORMATION TO THE SHAREHOLDERS' MEETING ON THE ELEMENTS CONTAINED IN THE MANAGEMENT REPORT RELATING TO ARTICLE 116 BIS OF THE SECURITIES MARKET LAW.**

The Shareholders' Meeting is informed of the content of the elements of the 2010 Management Report relating to Article 116 *bis* of the Securities Market Law, on the following terms:

The company has included the full text of the 2010 Corporate Governance Report as an Exhibit to the Management Report, which documents have been made available to shareholders together with the rest of the Shareholders' Meeting documentation and are available on the Company website ([www.ree.es](http://www.ree.es)).

In addition, in relation to the reporting requirements contained in Article 116 *bis* of the Securities Market Law, it is indicated that the aspects referring to the Company's capital structure, share transfer restrictions, significant holdings, restrictions on the exercise of voting rights, side agreements, rules on the appointment and removal of directors, bylaw amendments, powers of the members of the Board of Directors, significant corporate resolutions relating to tender offers, and agreements on indemnification for managers, executives or employees of the Company in the case of resignation or unjustified dismissal, are detailed in full in the Company's Management Report.

Very truly yours,

Rafael García de Diego Barber  
Secretary of the Board of Directors