



RED ELÉCTRICA
CORPORACIÓN

Board of Directors

12 June 2015

Report and proposal for the appointment of a new executive director (Chief Executive Officer)



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1. Justification and legal regime

Pursuant to the provisions of Article 16.1.b) of the Board of Directors Regulations, the Appointments and Remuneration Committee has to inform, upon request from the Board of Directors, on the proposal to appoint a new executive director in Red Eléctrica Corporación, S.A. ("Red Eléctrica" or the "Company") in relation to the Process of splitting positions of Chairman of the Board of Directors and Chief Executive Officer (CEO) of the company, by means of a detailed analysis and assessment of the proposal for appointment transferred by the Chairman of the Board of Directors.

In accordance with the provisions of Article 529 *decies*.6 of the Spanish Companies Act (LSC), and Articles 16, 19 and 21 of the Board Regulations, proposals for the appointment of non-independent directors, such as executive directors, will be approved by the Board of Directors, following a report from the Appointments and Remuneration Committee.

In addition, in order to comply with the provisions of sections 4 and 5 of Article 529 *decies* LSC, the Board of Directors will also have to draft the corresponding report and proposal for appointment for executive directors, evaluating "the competence, experience and merits of the proposed candidate".

The procedure and the requirements for appointing executive directors of the Company are regulated by the LSC in Articles 529 *decies* to 529 *duodecies* and 529 *quindecies*, Article 24 of the By-laws and Articles 7, 16, 19 and 21 of the Regulations of the Board of Directors. These rules establish the criteria for evaluation, conditions and circumstances that must be considered when appointing executive directors.

2. Ideal profile of the director and review of candidacies

The Appointments and Remuneration Committee and the Board of Directors, following a general structure of abilities that contain the criteria that define the profile and the requirements considered appropriate for performing the role of director of the company, analyse the qualities, abilities and experience that the ideal director for the post should have, regardless of his/her category.



The appropriate profile for the post of executive director with a view to becoming the CEO of the company, responsible for directing and promoting the management of the Group's activities at the highest level, requires specific qualities, different from those required for discharging the duties of an external director.

In drawing up this report, the Appointments and Remuneration Committee and the Board of Directors obtained the opinion of an international top-ranking external advisor, specialising in selection processes for top-level executives, who issued a detailed report on the abilities of the candidate, among other things, which was carefully analysed and assessed by the Appointments and Remuneration Committee and by the Board prior to issuing its opinion.

The final outcome of the analysis is the following proposal transferred by the Chairman of the Board of Directors, Mr Folgado Blanco, which the Committee and the Board of Directors have analysed and evaluated and, consequently, this report is issued, as set out below.

3. Analysis of the candidate's profile

The candidate proposed to perform the role of executive director (Chief Executive Officer) of the company and the Group is Mr Juan Francisco Lasala Bernad, who has been the Chief Financial Officer of the Company and the Red Eléctrica Group since December 2012, an internal candidate.

The above-mentioned report of the external advisor concludes, following a thorough analysis of the candidate, that Mr Juan Francisco Lasala Bernad is a very valid option to hold the position of Chief Executive Officer (CEO) of Red Eléctrica Corporación, S.A.

The professional background of Mr Lasala Bernad, born 25 February 1967, is the following:

As already mentioned, he is currently the Chief Financial Officer of the Company, a post he has held since December 2012.

He joined the company in 2001, following a selection process carried out by a prestigious international head-hunter, and since then he has performed management functions in the International and Telecommunications areas of the Company, as well as holding the post as Planning and Control Manager.

Prior to Red Eléctrica, he held the posts of Planning and Control manager of Grupo Avanzit and Financial manager of the same group in Spain; Financial manager of Midas, Spain; assistant Financial manager at Burger King, Spain; and Auditor at KPMG Peat Marwick.



In line with the opinion expressed by the external advisor, the Committee and the Board of Directors highlight that his exposure to a variety of strategy scenarios in Red Eléctrica over the last 15 years has represented significant professional development. He handles strategic scenarios and their impact in ratings/business and he contributes to the creation of strategy for the rest of the Management Committee, having actively participated in the strategic design of company in the last years.

He has specifically been instrumental in the evolution of the telecommunications business and is also prepared to develop a new international strategy due to his full involvement on both fronts in recent years.

He also is a very effective communicator, knows the investors and has specific experience in corporate development.

As a manager, he is clearly focussed on prioritising designs for what really affects efficiency and enables the company to optimise negotiation with a variety of interest groups (regulatory model, investment, useful life of assets, etc.)

He has developed significant internal credibility and the ability to exercise influence. He is a good negotiator with regulators, clients and partners.

Therefore, having analysed the professional background of the candidate, the Committee and the Board of Directors consider that his profile is ideal for performing the role of executive director (CEO) of the Company.

4. Category assigned to the candidate

The proposal to appoint Mr Juan Francisco Lasala Bernad as executive director of the company complies with the definition established in the Regulations of the Board of Directors, in Article 7.2.a), and in Article 529 *duodecies*, section 1, LSC.

The proposal respects the prohibition established in said rule of the Board Regulations which prevents executive directors holding the post of director on more than one (1) board of directors of other companies, with the exception of the posts of director in subsidiaries or entities in which the Company holds a stake, to which said limitation does not apply.

Prior to its appointment, Mr Lasala Bernad will have to sign a declaration stating that he is not affected by any legal, regulatory or corporate incompatibilities in terms of performing the role of executive director of the Company.



5. Favourable report and proposal for appointment by the Board of Directors

With the corresponding analysis having concluded, and notwithstanding the necessary formal declaration by Mr Juan Francisco Lasala Bernad on the absence of legal, regulatory and corporate incompatibilities affecting his holding of the role of executive director, and having seen the favourable report from the Appointments and Remuneration Committee, the Board of Directors approves the following report and proposal for the appointment of Mr Juan Francisco Lasala Bernad, as executive director of Red Eléctrica Corporación, S.A., for the term of four years set out in the By-laws, to be submitted to the next Extraordinary General Meeting of Shareholders, in accordance with the provisions of Article 529 *decies* of the Spanish Companies Act, Article 24 of the By-laws and Articles 7, 15, 16, 19 and 21 of the Regulations of the Board of Directors.