



Board of Directors

22 February 2017

Annual General Meeting of Shareholders:
Report on the proposal to re-elect Ms.
María José García Beato as independent
director



1. Background and justification

On 18 April 2013, the Annual General Meeting of Shareholders of the company adopted the following resolution, among others:

“To ratify the appointment as independent director of Red Eléctrica Corporación, S.A., made by the Board of Directors at its meeting held on 29 November 2012, pursuant to the provisions of Article 244 of the Spanish Companies Act, of Ms María José García Beato, as the replacement for Mr. Francisco Javier Salas Collantes as a result of his resignation, and consequently proceed to appoint her as independent director of Red Eléctrica Corporación, S.A. for the 4-year term established in the company's By-laws”.

Since said 4-year term will end on the date of the next Annual General Shareholders' Meeting, it is necessary to subject the proposal to re-elect Ms. García Beato as independent director to the consideration of the Board, for its subsequent presentation, as the case may be, to the next General Meeting of Shareholders.

Pursuant to the provisions of Article 529 *decies*, section 4, of the Spanish Companies Act (*Ley de Sociedades de Capital*, "LSC") and Articles 18, 21 and 23 of the Board of Directors Regulations, proposals to appoint independent directors, even by the "cooptation" procedure, must be approved by the Appointments and Remuneration Committee.

Since, at the meeting to be held on 22 February 2017, the Board of Directors is expected to call the Annual General Meeting of Shareholders of the company corresponding to financial year 2016, and considering that the term of Ms. García Beato's mandate as director ends on the date of said Annual General Meeting of Shareholders, to be held on 30 and 31 March 2017 (on first and second call, respectively), it is necessary to report on said proposal for the re-election of Ms. María José García Beato as independent director made by the Appointments and Remuneration Committee at its meeting of 21 February 2017, and to subject it to approval, as the case may be, by the next Annual General Meeting of Shareholders, pursuant to the provisions of Article 529 *decies*, section 5, of the LSC, and to assess in the present report the skills, experience and merits of the director proposed.

The procedure and requirements for appointing independent directors of the company are established in Articles 529 *decies* to 529 *duodecies* and 529 *quindecies* of the LSC, in Article 24 of the company's By-laws and in Articles 7, 18, 21, 22 and 23 of the Board of Directors Regulations. The evaluation criteria, conditions and circumstances to be considered when appointing independent directors are set out in said rules.

2. Profile of a suitable director

The Appointments and Remuneration Committee has set criteria to define the profile and requirements considered appropriate in order to perform the post of director, listing those



qualities, skills and experience the suitable director should have to hold the post; in this case, as independent director.

Said profile considers the following to be fundamental values for analysing candidates for the post of director: their experience in business and on boards of directors and other governing bodies of public and private entities and on the board of directors of listed companies, their financial skills and experience with financial markets, their experience in the energy sector and human resource management and on management teams, as well as their knowledge of languages.

On 21 February 2017, the Appointments and Remuneration Committee has formally made the proposal to the Board to appoint Ms. María José García Beato as independent director, considering her to have a suitable profile to cover the vacant post of independent director, subject to an analysis of the applicable legal and corporate rules.

3. Role within the company, professional profile and assessment of her circumstances

The director was appointed to the Board of Directors of the company by cooptation by virtue of a resolution of the Board of Directors adopted on 29 November 2012, just over four years ago, and was ratified as an independent director by a resolution of the Annual General Meeting of Shareholders held on 18 April 2013; therefore, she now completes her first term as director, and she will now begin her second term if she is re-elected by the General Meeting of Shareholders.

During her term as director of the company, she held the following posts on the Board of Directors Committees:

- Member of the Appointments and Remuneration Committee (from 28 October 2014 until 26 April 2016, the date on which she took up the post as member of the Audit Committee).
- Member of the Audit Committee (from 26 April 2016 to the present).

Regarding her professional profile (which is available on the corporate website www.ree.es), it should be noted that Ms. García Beato, born in 27 May 1965, is a State Attorney. Throughout her distinguished career, she has held some very relevant posts, initially in the judicial areas of the State Administration. She has held the post of (among others): Head of the Legal Department at the Spanish Data Protection Agency (1995), State Attorney at the Sub-Directorate for Advisory Services of the Directorate for the State Legal Service (1998), Spanish representative on the Advisory Committee of the Council of Europe with regard to data protection (1995-1998), State Attorney at the Secretariat General for Communications of the Ministry of Public Works (1999) and Deputy Secretary of the Ministry of Justice (2002). In relation to the Administration of Justice, she has occupied the following posts (among others): State Attorney at the High Court of Justice of Madrid (1992), General Manager of the Ministry of Justice's Cabinet (2000), and State Attorney at the Department of Justice before the Spanish National Court (2004). She also has



experience in regulated sectors, such as the telecommunications sector (in addition to the post she held at the Secretariat General for Communications of the Ministry of Public Works as mentioned above), holding posts such as secretary of the Board of Directors of Retevisión (2000). She has significant experience as a director, having been director of the State Corporation for the Management of Real Estate Assets and of Infoinvest (2000-2002), director of the Spanish National Postal Service and of the State Society for International Exhibitions (2002-2004).

The Committee and the Board mainly wish to highlight, with regard to her recent professional experience, her posts as a specialist and director in the banking and finance sector that she has held from 2005 to the present; she has been the Head of the Legal Department at Banco Sabadell S.A. (2005-2008), secretary of the Board of Directors of Banco Urquijo, S.A. (2006-2012), director of the company Banco Gallego S.A., director of Banco Guipuzcoano, S.A. (2010-2012), director of Banco CAM S.A., and she currently holds the posts of non-director vice-secretary of the Board of Directors of Banco Sabadell S.A., secretary general and member of the Steering Committee of Banco Sabadell S.A., secretary of the Board of Directors of Sabadell United Bank (Miami), trustee of the Banc Sabadell Private Foundation, trustee of the Spanish Banking Foundation for Financial Studies and a member of the Advisory Board of the Cajasur Foundation.

After analysing the summary of her professional experience, both within and outside the company, the Committee and the Board firstly greatly value the director's contribution and dedication over the past 4 years in performing her duties as an independent director of the company, on both the Board of Directors and the Appointments and Remuneration Committee and the Audit Committee as well. They also note the candidate's excellent contribution in relation to economic-financial matters, her solid training, skills and experience in the legal and judicial areas, her vast corporate experience as director and her knowledge of regulated sectors and of Public Administrations.

Her professional experience makes Ms. García Beato suited to continue to hold this post on the Board of Directors of Red Eléctrica Corporación, S.A., while it complements her professional skills and knowledge and adds to the diversity of the professional profile of the Board members, especially with regard to her experience in regulatory and financial areas.

4. Category assigned to the director

From the information available to the Board of Directors, and in light of both the legislation in force and the Board of Directors Regulations, Ms. García Beato can be classified as an independent director, since she is not subject to any of the incompatibilities established in the LSC or the Board Regulations. Regarding the 12-year time limit established in Article 7 of the Board of Directors Regulations and in Article 529 *duodecies* of the LSC for holding the post of independent director, this limit would not be breached with the new proposal to re-elect Ms. García Beato as independent director, since with the current proposal she would be beginning her second 4-year mandate.



After analysing the director's professional experience, the Board of Directors, in accordance with the proposal made by the Appointments and Remuneration Committee, considers that her profile matches that of directors as determined by the Committee, and that it likewise fulfils the requirements of impartiality, objectiveness, professional prestige, credit-worthiness, skills and experience set out in the LSC and the Board of Directors Regulations for holding the post of independent director.

The qualities this director possesses support the company's aim of preserving the interests of minority shareholders, who are represented on the Board by all independent directors.

Furthermore, after analysing the experience of Ms. García Beato, it makes a distinguished valuation of her career.

Prior to her appointment, Ms. García Beato must re-state her declaration confirming that she is not subject to any legal, regulatory or corporate incompatibilities with regard to holding her post as independent director of the company.

5. Favourable report on the proposal for re-election

Consequently, upon the conclusion of the analysis, and notwithstanding that Ms. García Beato must re-state her formal declaration regarding the inexistence of incompatibilities with holding the post of independent director, the Board of Directors considers that Ms. García Beato continues to fulfil the conditions considered necessary to match the suitable profile for the post of independent director on the Board of Directors of the company.

Having read this report of the Board of Directors, and having analysed the proposal made by the Appointments and Remuneration Committee on 21 February 2017, pursuant to the provisions of Article 529 *decies* of the LSC, Article 24 of the company's By-laws and Article 21 of the Board of Directors Regulations, the proposal is presented to the Annual General Meeting of Shareholders as follows:

To re-elect Ms. María José García Beato as independent director of Red Eléctrica Corporación, S.A., for the term of four years established in the company's By-laws, pursuant to the provisions of Article 529 decies of the Spanish Companies Act.