



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

## **Board of Directors**

23 February 2016

Annual General Meeting of  
Shareholders: Report and proposal  
of reelection as a director of Mr. José  
Folgado Blanco as an "other  
external" director



---

## 1. Explanation and background

---

In accordance with the provisions of article 529 decies.6 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital, or "LSC"), and articles 16, 19, 20 and 21 of the Board of Directors Regulations, it is the responsibility of the Board of Directors to approve proposals for appointment of external directors to be referred to the Annual General Meeting of Shareholders, after a report from the Appointments and Remuneration Committee, except in the case of proposals related to independent directors, the proposal of which corresponds to the aforesaid Committee.

Given the fact that it is contemplated that, in the meeting of 23 February 2016, the Board of Directors will call the Annual General Meeting of Shareholders of the company corresponding to the 2015 financial year, and that the term of position as an Executive Director of Mr. José Folgado Blanco will end on the date of holding the aforesaid General Meeting (he was appointed as a director by the Annual General Meeting of Shareholders of 19 April 2012), contemplated for 14 and 15 April 2016 (on first and second calls, respectively), it is necessary for the Board of Directors to issue the corresponding report and proposal in relation to the possible re-election as a director of Mr. José Folgado Blanco, for referral to the next Annual General Meeting of Shareholders.

The fact is that Mr. Folgado Blanco currently is the Executive Chairman of the company. In accordance with the "report on the Process of separation of the positions of the Chairman of the Board of Directors (Chairman) and the Chief Executive Officer (CEO) of the company", submitted to the Extraordinary General Meeting of Shareholders of the company held on 17 July 2015, a transition period was established, which will end at the Annual General Meeting of Shareholders in 2016, with full separation of the functions of the Chairman of the Board and the CEO.

In the aforesaid process it also was provided that, from the aforesaid Annual General Meeting of Shareholders in 2016, the Chairman of the Board of Directors would have only the responsibilities inherent in that position, having no executive functions once they were definitively transferred to the CEO, for which reason he could not be re-elected as an Executive Director.

Therefore, it is necessary to analyse the proposed re-election of Mr. Folgado Blanco as a director of the company, in any case an "other external" director, as provided in article 529 decies.2 of the LSC, and in compliance with the provisions of subsections 4 and 5 of article 529 decies of the LSC. Having reviewed the favourable report issued by the Appointments and Remuneration Committee, dated 17 February 2016, the Board of Directors issues this report and makes its proposal for re-election of Mr. José Folgado Blanco as an "other external" director of the company, for submission to the next Annual General Meeting of Shareholders.



---

## 2. Analysis of the functions and the profile of the director

---

The Board of Directors has considered the qualities, skills and experience that must be held by a director in order to hold the position within the new "other external" legal category, that is, now without executive functions.

It also has analysed the functions inherent in and required for the role of Chairman of the Board of Directors, not of an executive nature, if the Board of Directors considers the possibility of appointing Mr. Folgado Blanco as the chairman thereof, if he is re-elected as a director at the next General Meeting. The aforesaid functions are set forth in new article 529 sexies of Act 31/2014 of 3 December 2014 amending the Spanish Corporate Enterprises Act to improve Corporate Governance (the "LSC"), and in recommendation no. 33 of the Uniform Code of Good Governance of Listed Companies. The Board of Directors therefore has analysed the special responsibility, dedication and experience demanded by the position of Chairman of the Board of Directors without executive functions.

Finally, the Board of Directors also has evaluated the corporate criteria established by the Appointments and Remuneration Committee and by the Board of Directors to define the profile and requirements considered to be appropriate for serving as a director of the company.

To prepare this report and the corresponding proposal, the Board of Directors also has taken account of the career and performance of Mr. Folgado Blanco within the Board of Directors of the company: since his appointment in May of 2008 as an independent director, his subsequent service on the Audit Committee and, since 8 March 2012, his performance as Chairman of the Board of Directors, which position he currently holds; the Board also has reviewed the evaluation made by the Board of Directors itself in the successive processes of annual self-evaluation it has conducted, in relation to the functions performed by Mr. Folgado Blanco as Chairman of the Board.

All of the foregoing has served as the basis for the Board of Directors' issuing this report and making the following proposal for re-election of Mr. Folgado Blanco as an "other external" director of the company, for referral to the Annual General Meeting of Shareholders.

Some elements of his CV are highlighted below. The CV is published on the company's website ([www.ree.es](http://www.ree.es)):

He was born on 3 April 1944. He was Chaired Professor of Public Finance and Tax Systems at the Universidad Autónoma de Madrid. Head of the Economics Department of the CEOE. Member of the Economic and Social Board representing Business Organisations. State Secretariat for Budget and Expenditure at the Ministry of Economy and Finance, from May 1996. Secretary of State for Economy, Energy and Small and Medium-Sized Enterprises at the Ministry of Economy, from April 2000. State Secretariat for Energy, Industrial Development and Small and Medium-Sized Enterprises at the Ministry of Economy, from July 2002. Member of the Spanish Parliament representing the province of Zamora and Vice-Chairman of the Finance Committee, from March 2004. Mayor of Tres Cantos (Madrid) from June of 2007. Currently he is a member of the Social Board of the Universidad Autónoma de Madrid.



---

Having reviewed his professional career, his important positions held in the business world, public Administrations and public educational institutions stand out.

The Board of Directors also would note his experience as Chairman of the Board of the company over recent years, his leadership and conciliation qualities, openness to dialogue and consensus within the Board, which have contributed to the mission and the efficient exercise of the responsibilities of the Board.

Also notable in respect of his service as Chairman is his broad experience in institutional relations, in particular with the public Administrations and regulatory agencies, which has facilitated the Board of Directors' performance of its responsibilities.

Also notable is the proactive role promoting good Corporate Governance of Mr. Folgado Blanco, since he was appointed Chairman of the Board, which has contributed to strengthening the commitment of the Board of Directors with its shareholders and other stakeholders, improving transparency and aligning the interests of the company and its shareholders. It is not in vain to now note that, among other measures, he was the first to promote and conduct the process undertaken for the separation of the positions of Chairman and CEO; and that his re-election as an external director would contribute to maintaining the current balance of powers in the structure and composition of the Board of Directors, independently of the fact that he may later be appointed Chairman of the Board. The Board would also emphasise his character as a promoter of dialogue, consensus, conciliation, active listening, and commitment to the shareholders and other stakeholders.

Finally, it is appropriate to underline the excellent evaluation, by the Board of Directors in the successive processes of annual self-evaluation it has conducted, in relation to the functions of Mr. Folgado Blanco as Chairman of the Board of Directors.

In conclusion, in view of the professional career, both outside and inside the Board of Directors of the company, of Mr. José Folgado Blanco, his performance as Chairman of the Board of Directors and his outstanding personal and professional qualities and strengths, the Board of Directors, sharing the previous evaluation of the Appointments and Remuneration Committee, concludes that not only does he meet the legal and regulatory requirements applicable to be re-elected as an external director of the company, but his personal and professional profile, qualities and conditions are highly suitable therefor, meeting the conditions of recognised solvency, experience and competence recommended by the Board of Directors Regulations for service as an external director of the company.

### **3. Category assigned to the director**

---

As indicated above, Mr. Folgado Blanco cannot be re-elected as an "Executive" Director, based on the commitment established in the aforesaid "report on the Process of separation of the positions of Chairman of the Board of Directors (Chairman) and Chief Executive Officer (CEO) of the company", submitted to the Extraordinary General Meeting of Shareholders of the company held on 17 July 2015. Nor can he be re-elected as an "independent" director, in view of the express legal prohibition contained in article 529 duodecies.4. a) of the LSC, and in



---

article 7.2.c) i) of the company's Board Regulations, which provide that, in order for Executive Directors to be appointed as independent directors, a term of 3 years must have elapsed after the termination of that relationship with the company.

Therefore, the category that will be assigned to Mr. Folgado Blanco, in the event of re-election, will be the "other external" category, established in the aforesaid article 529 duodecies.2. of the LSC.

As is the case for any director of the company, Mr. Folgado Blanco, before his re-election, must sign the declaration that he is not affected by legal, regulatory or corporate rule incompatibilities for his service as a director of the company, in the indicated category.

#### **4. Favourable report and proposal of re-election**

---

Accordingly, the analysis having been concluded, and without prejudice to the required signing of the formal declaration of Mr. Folgado Blanco as to the absence of incompatibilities for serving as an external director, the Board of Directors issues a favourable report in relation to the proposed re-election of Mr. José Folgado Blanco, as an "other external" director of Red Eléctrica Corporación, S.A., for the term of four years fixed in the Bylaws, for submission to the Annual General Meeting of Shareholders.

Having reviewed the foregoing report, and in accordance with the provisions of article 529 decies, subsections 4 and 5, of the LSC, article 24 of the Bylaws and articles 7, 16, 19, 20 and 21 of the Board of Directors Regulations, the following proposed resolution is referred to the Annual General Meeting of Shareholders:

*To re-elect Mr. José Folgado Blanco, as an "other external" director of Red Eléctrica Corporación, S.A. for the term of four years fixed in the Bylaws, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.*