



RED
ELÉCTRICA
CORPORACIÓN

Appointments and Remuneration Committee

17 February 2016

Annual General Meeting of
Shareholders: Report on proposed
reelection as a proprietary director of
Mr. Fernando Fernández Méndez de
Andés

1. Explanation and background

In accordance with the provisions of article 529 decies.6 of the Spanish Corporate Enterprises (Ley de Sociedades de Capital, or "LSC"), and Articles 16, 19 and 21 of the Board Regulations, proposals for the appointment of proprietary directors will be approved by the Board of Directors, after a report from the Appointments and Remuneration 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 given the fact that the term of office as a proprietary director of Mr. Fernando Fernández Méndez de Andrés (for and on behalf of Sociedad Estatal de Participaciones Industriales (SEPI) ends on the date of holding the aforesaid General Meeting (he was appointed 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 to report the corresponding proposal to the Board of Directors, regarding re-election as a proprietary director of Mr. Fernando Fernández Méndez de Andrés, for referral to the next General Meeting.

To comply with the provisions of subsection 6 of article 529 decies of the LSC, the Appointments and Remuneration Committee prepares this report so that, if applicable, it may be attached to the Board of Directors' proposal for re-election of Mr. Fernando Fernández Méndez de Andrés as a member of the Board of Directors of the company, as a proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI), for submission to the next Annual General Meeting of Shareholders.

2. Analysis of the profile of the director

To prepare this report the Appointments and Remuneration Committee has relied on a general matrix of skills that sets forth the criteria defining the profile and the requirements that are considered to be appropriate in order to serve as a director of the company, and has analysed the qualities, skills and experience the director should have in order to hold the position. In addition this Committee has followed the procedure established in the corporate rules for the appointment of proprietary directors, after analysing the corporate criteria established by the Appointments and Remuneration Committee and by the Board of Directors to define the profile and the requirements that are considered to be appropriate in order to serve as a director of the company. It also has evaluated the circumstances and professional career of the current proprietary director, Mr. Fernando Fernández Méndez de Andrés, before submitting this report to the Board of Directors on the proposed re-election of the aforesaid proprietary director, for referral to the Annual General Meeting of Shareholders.

Having analysed the CV of the proprietary director Mr. Fernando Fernández Méndez de Andrés, which is published on the company's website (www.ree.es), the Appointments and Remuneration Committee concludes that the profile of the proposed director continues to be appropriate to cover the vacancy occurring on the date of holding the next General Meeting, and meets the requirements of the Board of Directors Regulations and the LSC for serving as a proprietary director. The principal elements of his CV are noted below.

The director was born on 10 February 1956. His broad academic and professional experience as an Economist is notable. He is a Doctor of Economics and professor of Economics at the IE Business School. Currently he is, inter alia, an International Consultant on macroeconomic, regulatory and financial matters, Chairman of Pividal Consultores, an external advisor of the

Strategy Committee of Grupo Financiero Arcano, a contributor to the Fundación de Estudios Financieros and an independent director of Bankia, S.A.

He has been, inter alia, a member of the Committee of Experts for the 2013-14 Tax Reform, a member of the 2013 Bruegel Evaluation Committee, a principal Economist of the International Monetary Fund, Chief Economist and Director of the Research Department of Banco Central Hispano (BCH) and Banco Santander, and Rector of the Universidad Europea de Madrid and the Universidad Antonio de Nebrija.

After reviewing his professional career, the Committee emphasises his strong training and experience in economic, financial and tax matters. Also notable is his broad experience in the regulatory environment and in institutional relations, in particular with the Administration and regulatory agencies. Also notable is his experience in the management of teams in the public sphere, as a result of the responsibilities undertaken over the course of his professional career.

The Commission concludes it is particularly appropriate to re-elect Mr. Fernández Méndez de Andrés, furthermore taking account of his professional career and experience as a proprietary director of the company since 2012 and as a member of the Audit Committee starting in the same year, having been re-elected as a member of the aforesaid Committee in May of 2015.

In conclusion, having analysed the professional career of Mr. Fernando Fernández Méndez de Andrés, the Appointments and Remuneration Committee concludes that the legal and regulatory requirements applicable to a proprietary director are satisfied, and his profile is appropriate to fill the vacancy that will occur at the next Annual General Meeting of Shareholders, fulfilling the requirements of recognised solvency, experience and competence, recommended by the Board of Directors Regulations, in order to act as a proprietary external director.

3. Category assigned to the director

From the information available to the Committee, and in view of current legislation and the Board of Directors Regulations, Mr. Fernando Fernández Méndez de Andrés must be classified as a proprietary director, in representation of Sociedad Estatal de Participaciones Industriales (SEPI), also satisfying the requirements of those Board of Directors Regulations, in article 7.2.b thereof, and in the LSC, in its article 529 duodecies, subsection 3.

Before his re-election Mr. Fernández Méndez de Andrés must renew his declaration that he is not affected by legal, regulatory or corporate rule incompatibilities for his service as a proprietary director of the company.

4. Favourable report on the re-election proposal

Accordingly, the analysis having been concluded, and without prejudice to the required renewal of the formal declaration of Mr. Fernández Méndez de Andrés as to the absence of incompatibilities for serving as a proprietary director, this Committee favourably reports the proposed re-election of Mr. Fernando Fernández Méndez de Andrés, as a proprietary director of Red Eléctrica Corporación, S.A. representing Sociedad Estatal de Participaciones Industriales (SEPI), for the term of four years fixed in the Bylaws, for submission to the Annual General Meeting of Shareholders, and resolves to submit this report to the Board of Directors, which is prepared in accordance with the provisions of article 529 decies of the LSC, article 24 of the Bylaws, and articles 7, 16, 19, 20 and 21 of the Board of Directors Regulations.