



RED ELÉCTRICA
CORPORACIÓN

**Appointments and Remuneration
Committee**

13 February 2018

Annual General Meeting of Shareholders: Proposal for the re-
appointment of Ms. Socorro Fernández Larrea as independent
director

1. Background and justification

On 9 May 2014, the Annual General Meeting of Shareholders adopted the following resolution, among others:

“To appoint Ms. Socorro Fernández Larrea as independent director of Red Eléctrica Corporación, S.A., for the term of four years as established in the corporate By-laws, to substitute the independent director Mr. Miguel Boyer Salvador, according to the report and proposal made by the company's Corporate Governance and Responsibility Committee”.

Since the above-mentioned term is coming to an end, it is necessary to submit for consideration of the Board, as a matter to be raised, if appropriate, at the next Annual General Meeting of Shareholders, the proposal to re-appoint Ms. Fernández Larrea as independent director.

Pursuant to the provisions of Article 529 *decies* of the Spanish Companies Act (*Ley de Sociedades de Capital*, LSC) and Articles 18, 21 and 23 of the Regulations of the Board of Directors, in the case of independent directors, the Appointments and Remuneration Committee must make a proposal assessing the competence, experience and merits of the director, to be forwarded to the Board of Directors, so that the latter may, in turn, issue its report pursuant to Article 529 *decies*, section 5, of the LSC and submit the proposal to the next Annual General Meeting of Shareholders.

The procedure and the requirements for appointing independent directors of the company are regulated in Articles 529 *decies* to 529 *duodecies* and 529 *quindicies* of the LSC, Article 24 of the By-laws and Articles 7, 18, 21, 22 and 23 of the Regulations of the Board of Directors. These rules establish the criteria for evaluation, conditions and circumstances that must be considered when appointing independent directors.

2. Ideal profile of the director

Both the Appointments and Remuneration Committee and the Board of Directors have criteria which define the profile and requirements considered appropriate for holding the position of director, defining the qualities, abilities and experience that the ideal director for the position should have, in this case as independent director.

Such profile considers, as prerequisite qualities when analysing candidates for the position of director: business experience and experience on boards of directors and on other management bodies of public or private entities, experience on boards of directors of listed companies, financial experience and experience in financial markets, as well as experience in

the energy sector, managing human resources and management teams, and also having a knowledge of other languages.

In addition, the professional profiles of those directors currently holding a position on the Board of Directors serve as a initial point of reference when analysing candidates for director, notwithstanding that both the Appointments and Remuneration Committee and the Board of Directors likewise consider these when deciding which profiles, conditions and personal and professional qualities the new candidates for the position of director should have, at the time of issuing their report.

The Board of Directors also endeavours, as does the Appointments and Remuneration Committee, to apply the principle of diversity set out in the company's Corporate Governance Policy approved by the Board of Directors itself on 25 November 2014 and published on the company's website. In this regard, it attempts to promote diversity in the broad sense, understood as diversity of knowledge, experience, age and gender in the makeup of the Board of Directors, as being an essential factor which enables the Board to fulfil its mission and its responsibilities, from a plural and balanced perspective in terms of its makeup.

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

The director was appointed to the Board of Directors of the company four years ago by means of a resolution of its Annual General Meeting of Shareholders held on 9 May 2014; therefore, she is now finishing her first term as the company's director and would thus be beginning her second term as director, if she were re-appointed by the General Meeting.

During her term as a director of the company, she has held the following positions on Board of Directors' Committees:

- Member of the Appointments and Remuneration Committee from 23 December 2014 until 31 October 2017, the date on which she became a member of the Audit Committee.
- Member of the Audit Committee since 31 October 2017, a position she still currently holds.

Regarding her professional profile included on the company's website, which may be viewed via this link: [-Ms. Socorro Fernández Larrea-](#), it is important to note that Ms. Fernández Larrea, born 7 April 1965, has a Degree in Roads, Canals and Ports' Engineering from Universidad Politécnica de Madrid as well as the Senior management business programme (PADE) from the IESE Business School.

The director has held the position of (among others): member of the Board of Directors of AMPER, S.A. as proprietary director, representing the company Emilanteos, S.L., General Manager of COPISA Constructora Pirenaica S.A., Vice-President of the Spanish Independent Builders Association (ANCI), member of the Governing Board of the Association of Road, Canal and Port Engineers, Regional Manager of the construction company Seop, Obras y Proyectos, S.A., national delegate for Ferrovial Conservación, S.A., delegate for the region of Castilla la Mancha for Ferrovial-Agroman, S.A., delegate for Castilla La Mancha for Agroman Empresa Constructora, S.A., general manager of Motorways, Hydraulic Works and Transport of the Regional Department of Public Works of the Council of Communities of Castilla la Mancha and project manager for Ferrovial, S.A.

This Committee also wishes to highlight, within her recent professional experience, the position she holds as Executive Director of the consulting firm JUSTNOW, S.L., a company that advises on both commercial and financial transactions in the infrastructure construction sector, Member of the Board of Directors of GRUPO CEMENTOS MOLINS, Member of the Board of Directors of Spanish engineering firm SEG, S.A., Member of the Board of Directors of Spanish construction and real estate company ACR, Member of the Territorial Board of the IESE Business School in Madrid and Advisor on the Board of Directors of Mexican engineering firm CAL Y MAYOR. In addition, the director is also currently a Member of the advisory board of the daily newspaper EXPANSION, Member of Women Corporate Directors and co-chairman of its Spanish chapter, Member of the Spanish Association of Directors (AED) and Member of its Management Board, Member of the Latin American Business Council (CEAL) and Member of the Management Board of the Iberian chapter, Member of the Young Presidents' Organization, Member of the executive committee of the Eurolatam chapter and Member of the International Women's Forum.

Having summarised her professional experience both within the company and within other entities, this Committee firstly values very positively the director's contribution and dedication during the past four years when performing her duties as an independent director of the company, as a member of both the Board of Directors and the Appointments and Remuneration Committee, and recently as a member of the Audit Committee. The Committee also values the candidate's significant experience in the infrastructures sector, both in the private and in the public areas, as well as her relevant technical profile regarding the activities of the Red Eléctrica Group. The fact that she has held senior management positions in different companies of the infrastructure's sector supports her suitability in the area of institutional relations, in particular with the Public Administration and regulatory bodies. In addition, she also stands out for her experience in human resource management and her extensive international work, especially in Latin America, where the Red Eléctrica Group has strategic interests.

Her professional profile makes Ms. Fernández Larrea an ideal candidate to continue being a member of the Board of Directors of Red Eléctrica Corporación, S.A., complementing its professional capabilities and knowledge and enhancing the diversity of the professional profile

of its members, especially with regard to her experience in the infrastructures sector, both in the private and in the public areas, and her international knowledge and experience, which help to reinforce the strategic vision of the Board.

4. Category assigned to the director

The Committee considers that the profile of the director meets the requirements of impartiality, objectivity, professional prestige, creditworthiness, competence and experience set out in the Regulations of the Board of Directors to hold the position of an external independent director.

The re-appointment of Ms. Fernández Larrea as independent director would help to benefit the interests of the minority shareholder who in this way would continue to be duly represented on the Board, together with the other independent directors.

Additionally, after analysing Ms. Fernández Larrea's professional experience, the Board of Directors rates her as very highly qualified.

The Committee has likewise considered the twelve-year maximum term for holding the position of independent director established in Article 7 of the Regulations of the Board of Directors and in Article 529 *duodecies* of the LSC, which this proposal for the re-appointment of Ms. Fernández Larrea as independent director would not breach, since she would be beginning her second four-year term. Nor are any of the other incompatibilities established in the LSC and in the Board Regulations observed.

In light of the foregoing, this Appointments and Remuneration Committee considers it appropriate to propose the re-appointment of Ms. Socorro Fernández Larrea as independent director. Lastly, it wishes to note that prior to her appointment, as is customary, Ms. Fernández Larrea will have to sign a declaration stating that she does not fall under any legal, regulatory or corporate incompatibilities with regard to holding the position of independent director of the company.

5. Proposal for re-appointment

Consequently, with the corresponding analysis concluded, and notwithstanding the necessary formal declaration by Ms. Fernández Larrea regarding the inexistence of incompatibilities with the position of independent director, the Appointments and Remuneration Committee considers that the director fulfils the required conditions to continue to hold the position of independent director of the Board of Directors of the company.

Having read the above-mentioned report, and pursuant to the provisions of Article 24.2 of the corporate By-laws and Article 21.2 of the Regulations of the Board of Directors, the following resolution is proposed to the Board of Directors, to be subsequently submitted to the Annual General Meeting of Shareholders for its approval:

To re-appoint Ms. Socorro Fernández Larrea as independent director of Red Eléctrica Corporación, S.A., for the term of four years established in the corporate By-laws, pursuant to the provisions of Article 529 decies of the Spanish Companies Act.