



RED
ELÉCTRICA
CORPORACIÓN

Appointments and Remuneration Committee

14 February 2019

General Meeting of Shareholders:
Report on the proposal to ratify and appoint
Mr Jordi Sevilla Segura as director, in the
"other external" category



1. Background and justification

On 31 July 2018, and further to the favourable report regarding the proposal to appoint Mr Jordi Sevilla Segura, as an "other external" director of Red Eléctrica Corporación, S.A., made by the Appointments and Remuneration Committee on 30 July 2018, pursuant to the provisions of Articles 244, 529 decies, 529 duodecies and 529 quidecies of the Spanish Companies' Act (Ley de Sociedades de Capital, LSC); 20 and 24 of the company's Articles of Association; and 7, 18, 21, 22 and 23 of the Board of Directors Regulations, the Board of Directors of the company approved, among others, the following resolution:

"Pursuant to the provisions of Articles 244, 529 decies, 529 duodecies and 529 quidecies of the Spanish Companies' Act (Ley de Sociedades de Capital, LSC); 20 and 24 of the company's Articles of Association; and 7, 18, 21, 22 and 23 of the Board of Directors Regulations, to appoint Mr Jordi Sevilla Segura as an "other external" director of Red Eléctrica Corporación, S.A., until the time the first General Meeting of Shareholders is held, in order to cover the vacancy existing on the Board of Directors, before this resolution was passed, as a result of the resignation of the chairman of the Board of Directors of Red Eléctrica Corporación, S.A., Mr José Folgado Blanco, from the position of "other external" director, for which he was reappointed for a term of four years by resolution of the Annual General Meeting of Shareholders held on 15 April 2016, a resignation and, consequently, departure of director which has been accepted by the Board of Directors at this meeting."

Pursuant to the provisions of Article 529 decies, section 4, of the LSC and Articles 18, 21 and 23 of the Board of Directors Regulations, proposals to appoint external directors, even by the "co-optation" procedure, must be approved by the Board of Directors and directors appointed by co-optation will perform the duties of their position until the date of the first Annual General Meeting of Shareholders, at which time they may be ratified or other directors appointed.

Since, at the meeting to be held on 19 February 2019, the Board of Directors is expected to call the Annual General Meeting of Shareholders of the company corresponding to financial year 2018, and considering that Mr Sevilla Segura's mandate as director ends on the date of such General Meeting of Shareholders, to be held on 21 and 22 March 2019 (on first and second call, respectively), it is necessary to report on the corresponding proposal made by the Board of Directors to ratify and appoint Mr Jordi Sevilla Segura as an "other external" director, to be presented at the 2019 Annual General Meeting of Shareholders.

Therefore, in order to comply with the provisions of section 6 of Article 529 decies of the LSC, the Appointments and Remuneration Committee has drafted this report to be submitted, as the case may be, together with the Board of Directors' proposal to ratify and appoint Mr Jordi Sevilla Segura as member of the Board of Directors of the company, in the "other external" category, to be presented at the next Annual General Meeting of Shareholders.

The procedure and requirements for appointing external directors of the company are established in Articles 529 decies to 529 duodecies and 529 quidecies of the Spanish Companies' Act (LSC); in Article 24 of the company's Articles of Association; 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 external directors are set out in such corporate legislation.



2. Corporate profile

In order to draft this report, the Appointments and Remuneration Committee has followed the procedure established in corporate legislation for appointing external directors of the company and analysed the corporate criteria and the new matrix of individual competences of the Board of Directors, which reflects the competences, experience, knowledge, professionalism, suitability, impartiality, qualities and abilities established by the Corporate Governance Policy for members of the Board of Directors, approved by the Appointments and Remuneration Committee and by the Board of Directors; in order to facilitate supervision of the balance, diversity and overall and individual quality of the Board of Directors at all times and define the profile and requirements at this time considered appropriate for holding the position of director of the company, in this case as an external director, in the "other external" category.

In issuing this report, the Committee re-evaluated the circumstances and professional career of the current external director, Mr Sevilla Segura, in the "other external" category, before submitting the report to the Board of Directors.

The Committee already reported favourably to the Board, in July 2018, on the proposal to appoint Mr Jordi Sevilla Segura as an "other external" director, as it considers him to have a profile suitable for occupying the vacancy resulting from the resignation of the former chairman of the Board of Directors, Mr José Folgado Blanco, also including in the "other external" category, , subject to an analysis of the applicable legislation and articles of association; and the Board of Directors, at its meeting of 31 July 2018, approved his appointment using the "co-optation" procedure, until the date of the next Annual General Meeting of Shareholders.

During this meeting, and regarding the professional profile of Mr Sevilla Segura that was recently assessed, the Committee, on the basis set out below, ratifies the reasons and grounds contained in its report dated 30 July 2018, given that, in light of the short time that has passed, no significant changes have occurred which need to be assessed.

3. Professional qualifications and new assessment of his circumstances

After having again considered the *curriculum vitae* of the "other external" director Mr Jordi Sevilla, published on the company's website, which can be found here –[Mr Jordi Sevilla Segura](#)–, the Appointments and Remuneration Committee considers that the proposed director's profile continues to be appropriate to cover the vacancy that will occur on the date of the next General Meeting of Shareholders, and it fulfils the requirements set out in the Regulations of the Board of Directors of the company and in the LSC for holding the position of director in said category. We include some of the highlights of his *curriculum vitae* below.

Mr Jordi Sevilla Segura was born on 19 March 1956 and holds a degree in Economic Sciences from the University of Valencia and is a member of the Superior Corps of Commercial Technicians and State Economists (Funcionario del Cuerpo Superior de Técnicos Comerciales y Economistas del Estado).

He is currently the Chairman of the Social Council of the International University of La Rioja, Member of the new Advisory Board of the Circle of Entrepreneurs, Advisor to the Social Observatory of the La Caixa Foundation and Trustee of the Spain Digital Foundation.



From his long professional career of over thirty-five years it should be highlighted that during the first fifteen years he assumed important responsibilities as a senior civil servant in the public sector, in the following ten years he was involved in politics, and in the last ten years he has focused on the private sector.

In his first positions as a senior official, his positions as international economic relations advisor to the Cabinet of the Presidency of the Government of Spain, participating in the negotiations of the Treaty of Maastricht (1986-1991); and as Director of the Cabinet of the Minister of Economy and Treasury, participating in the management of the European Monetary System crisis and the European economic crisis associated with German unification (1993-1996), are noteworthy.

He also represented the State as a member on the Boards of Directors of the company Tabacalera and of the National Institute of Industry (INI) (1991-1996).

During the second stage of his career, he carried out political duties in several positions, of which the following stand out: Economic Advisor of the Socialist Parliamentary Group in the Congress, providing special assistance to the Secretary General and the candidate for the Presidency of the Government (1998-2000); economic spokesman for the Socialist Group and Chairman of the Joint Commission on Climate Change (2000-2009); Minister of Public Administration (2004-2007); and, more recently, Economic Officer of the Electoral Program for the Socialist Candidate for the Presidency of the Government in two electoral campaigns (2015 and 2016).

Finally, during the most recent stage in the private sector, his responsibilities as Vice Chairman of the Spanish consulting company Llorente y Cuenca, specializing in reputation management, communication and public affairs (2016-2018), and as Senior Councillor of PriceWaterhouseCoopers (PwC) (2009-2015), stand out.

He was a professor at the School of Industrial Organization (EOI) and at the Business Institute (IE), is the author of several books on economic and political issues, has published numerous articles in specialized journals and has maintained a weekly column in the Mercados section of the El Mundo newspaper.

Following the summary of his professional career, the Committee considers it necessary to evaluate the competencies of Mr. Sevilla Segura not only as an external director but also, and to a certain extent, to hold the position of Chairman of the Board of Directors, a position he currently holds as a result of his ratification as an external director by the General Meeting of Shareholders; if this occurs, he would automatically continue to hold the office of Chairman of the Board, as established in Article 146.1 of the Mercantile Registry Regulations.

The first thing that stands out is his wide breadth of knowledge and experience in the public sector and with public administrations, as well as his expert capacity for management and dialogue with these institutions, circumstances that are highly valued in a regulated sector such as that in which the main company of the Red Eléctrica Group operates, dedicated to electrical power transportation and to operation of the electrical system.

The Committee also highlights his international experience and vision, including of the European and Latin American business landscapes, the latter being exercised through the consulting firm Llorente y Cuenca.

His proactivity and knowledge gained of the world and the digital environment not only in his capacity as a leader of foundations and teaching institutions but also as a personal user is also



highly valued, as the digital transformation strategy is one of the keys to the present and future of the Red Eléctrica Group, which is directly linked to innovation.

Mr Sevilla Segura is a specialist with knowledge on the national, European and international environments as well as on the markets, not only bringing experience to the table but also providing critical thinking as a writer, analyst and instructor.

His experience as chairman of the Joint Commission on Climate Change of the Socialist Group is highly valued in today's world of corporate governance and sustainability and will undoubtedly add value to and complement the commitment and sustainability objectives assumed by the Red Eléctrica Group.

In addition, his leadership ability and ability to obtain a consensus at the highest levels, in particular in his positions in public administrations, are values that are essential to performing the position of Chairman of the Board of Directors of the company and of the Red Eléctrica Group, taking on a leadership role that builds on Red Eléctrica's leading positions for excellence and quality.

Likewise, it should be noted that the ratification and appointment of Mr Sevilla Segura as external director will ensure an orderly and reasonable succession from the current corporate model of balance of powers in the structure and composition of the Board of Directors, coexisting with the supervision of the Board, led by its non-executive chairman, external director, with the management of the business, directed directly by the managing director, a model that has been highly recognized by the investment world in the field of corporate governance.

As Chairman of the Board of Red Eléctrica, his direct commitment to sustainability since July 2018, to which he has given strategic importance on the Board; his leadership to help the company assume a key role in the Energy Transition; and his full commitment to digitalization and innovation, both in the organization and within the Board of Directors, stand out.

In conclusion, the Committee considers it very appropriate to issue a favourable report regarding the proposal made by the Board of Directors to ratify and appoint Mr Jordi Sevilla Segura as member of the company's Board of Directors, as an "other external" director, to be presented at the next Annual General Meeting of Shareholders.

4. Category assigned to the director

From the information available to the Committee, and in light of both the legislation in force and the Board of Directors Regulations, Mr Sevilla Segura can be classified as an "other external" director, since this is in line with the provisions of both the LSC and the Board of Directors Regulations.

Prior to his appointment, as is customary, Mr Sevilla Segura will have to renew his declaration stating that he does not fall under any legal, regulatory or corporate incompatibilities with regard to holding the position of "other external" director of the company.



5. Favourable report on the ratification and appointment proposal

Consequently, with the corresponding analysis having concluded, and notwithstanding that Mr Sevilla Segura must re-state his formal declaration regarding the inexistence of incompatibilities with regard to holding the position of "other external" director, the Appointments and Remuneration Committee issues a favourable report on the proposal to ratify and appoint Mr Jordi Sevilla Segura as "other external" director of Red Eléctrica Corporación, S.A., for the term of four years established in the company's Articles of Association, to be presented at the Annual General Meeting of Shareholders, and the Committee resolves to forward, to the Board of Directors, this report, which is drafted pursuant to the provisions of Articles 529 decies to 529 duodecies and 529 quindecies; Article 24 of the company's Articles of Association; and Articles 7, 18, 21, 22 and 23 of the Board of Directors Regulations.