



Grupo Red Eléctrica

Board of Directors

31 March 2020

General Meeting of Shareholders:
Report and proposal for the ratification
and appointment of Mr. Roberto García
Merino as executive director



1. Background and justification

On 27 May 2019, and further to the favourable report regarding the proposal to appoint Mr. Roberto García Merino as an executive director of Red Eléctrica Corporación, S.A., made by the Appointments and Remuneration Committee on that same day of 27 May 2019, pursuant to the provisions of articles 244, 529 decies, 529 duodecies and 529 quindecies 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, and 23 of the Board of Directors Regulations, the company's Board of Directors approved, among others, the following resolution:

“Pursuant to the provisions of articles 244, 529 decies, 529 duodecies and 529 quindecies 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, and 23 of the Board of Directors Regulations, to appoint Mr. Roberto García Merino as executive 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 Mr. Juan Francisco Lasala Bernad, from the position of executive director, for which he was appointed for a term of four years by resolution of the Extraordinary General Meeting of Shareholders held on 17 July 2015, all of the above in accordance with the report issued by the Appointments and Remuneration Committee and the Board of Directors.”

Pursuant to the provisions of article 529 decies and 529 quindecies of the LSC and articles 18, 21 and 23 of the Board of Directors Regulations, proposals to remove and appoint directors, including the appointment by the "co-optation" procedure, must be approved by the Board of Directors, after receiving the report and/or proposal from the Appointments and Remuneration Committee and they will serve in their office until the date of the first Annual General Meeting of Shareholders.

On the other hand, the procedure to appoint the managing director is regulated in article 11 of the Board of Directors Regulations, which provides that its appointment falls within the powers of the Board, after considering the Appointments and Remuneration Committee's report.

Since the Annual General Meeting of Shareholders of the company for the financial year 2019 is expected to be called at the Board of Directors meeting to be held on 31 March 2020, and considering that Mr. García Merino's term as director ends on the date of such General Meeting of Shareholders, scheduled for 13 May and 14 May 2020 (on first and second call, respectively), the Board of Directors needs to submit to the shareholders, at the next Annual General Meeting, the proposal to ratify and appoint Mr. Roberto García Merino as executive director, after analysing the relevant legal and other circumstances and conditions as provided in the company's corporate rules, and taking into consideration the report of the Appointments and Remuneration Committee.

In this regard, it should be noted that the Appointments and Remuneration Committee, at its meeting held on 24 March 2020, reported favourably to the Board of Directors on the proposal to ratify and appoint Mr Roberto García Merino as executive director of Red Eléctrica Corporación, S.A., to be submitted to the shareholders at the next Annual General Meeting.

Therefore, in order to comply with the provisions of section 6 of article 529 decies of the Spanish Companies Act, the Board of Directors has prepared this report and the proposal to ratify and appoint Mr. Roberto García Merino as executive director of the company, to be submitted at the next Annual General Meeting of Shareholders.



2. Corporate profile

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

The Board of Directors has considered the favourable report issued by the Appointments and Remuneration Committee, at its meeting held on 24 March 2020, at which it evaluated the circumstances, career and professional profile of the current executive director, Mr. García Merino, before approving this report and making the relevant proposal to ratify and appoint the same as executive director, to be submitted to the shareholders at the Annual General Meeting.

The Board of Directors, in issuing this report, has re-evaluated the circumstances and professional career of the current executive director, Mr. García Merino, to be submitted to the shareholders at the next Annual General Meeting, and ratifies -for the reasons indicated below- the rationale and grounds contained in its report dated 27 May 2019, given that, in light of the short time that has passed, no significant changes that require assessment have occurred.

3. Professional career and new evaluation of circumstances

After having again considered the *curriculum vitae* of the executive director Mr Roberto García Merino, published on the company's website, which can be consulted at the following link -[Mr. Roberto García Merino](#)-, the Board of Directors considers that the proposed director's profile continues to be appropriate to fill the vacancy that will occur on the date of the next General Meeting of Shareholders, and it fulfils the requirements set out in the company's Board of Directors Regulations and in the Spanish Companies Act for holding the position of executive director. We include some of the highlights of his *curriculum vitae* below.

Mr. Roberto García Merino, was born on 20 March 1973 and holds a degree in Economic and Business Sciences from the University of Valladolid, Postgraduate Degree from the IESE (2016) and MBA from the Instituto de Empresa (1999).

As of the date of this report, he is currently the managing director of Red Eléctrica Corporación, S.A. and a member of the management body of the following companies in the Red Eléctrica Group: Hispasat, S.A., Infraestructuras de Telecomunicación, S.A.U. (REINTEL), Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (RETEL), Red Eléctrica Internacional, S.A.U. (REI), Red Eléctrica del Sur, S.A. (REDESUR) and Transmisora Eléctrica del Norte, S.A. (TEN). In addition, in the subsidiary Red Eléctrica de España, S.A.U he is the natural person who acts as representative of its sole director, which is the legal entity Red Eléctrica Corporación, S.A.

Since he joined the Red Eléctrica Group in 2004, he has performed various functions related to strategic planning and business development, especially in the international sphere and in the telecommunications area, including the following management positions: executive director of Telecommunications and International Affairs of the Red Eléctrica Group (since March 2019), Corporate Director of Business Diversification (2015-2019), Director of Strategy and Business Development (2012-2015) and Head of the Strategic Planning Department (2007-2012).



In his professional career outside the Red Eléctrica Group, he held the position of internal analyst in investment banking at Banco Espírito Santo (2000-2004).

Following the summary of his professional career, the Board considers it necessary to evaluate simultaneously the qualities, competencies and experience of Mr. García Merino not only as an executive director but also to hold the position of managing director and chief executive in the Company, a position he currently holds, given that if he is ratified as an executive director by the General Meeting of Shareholders, the Board of Directors must approve again, if appropriate, the appointment of Mr. García Merino as the company's managing director, in accordance with the provisions of article 22 of the Articles of Association, and article 22 of the Board of Directors Regulations and article 146.2 of the Mercantile Registry Regulations.

The Board of Directors has taken into account, in the first place, the corporate criteria established by the Appointments and Remuneration Committee and by the Board to define the profile and requirements considered suitable for the position of company director, as well as the matrix of individual competencies of the Board of Directors.

In addition, the Board must take into account all the skills, knowledge, experience and leadership capacity deemed necessary to perform the position of chief executive of the company.

After the summary of his professional career path, the first thing that stands out is his wide breadth of knowledge and experience in strategic planning matters and business development, which are key competencies for the position of any executive director at the head of a business group that seeks to assume executive leadership in its sector.

In second place, the Board also highlights his international experience and outlook on the Latin American business landscapes, since for years Mr. García Merino has been one of the top management officers in the Red Eléctrica Group, in connection with the Group's main international investments in Peru and Chile.

Thirdly, Mr. García Merino is currently a key figure in managing the Group's telecommunications activity, which he has been running for many years, currently through the subsidiary Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. (REINTEL), an activity that the Group intends to continue developing and expanding in view of the current Strategic Plan of the Group.

In addition, the recent entry of the Red Eléctrica Group into the satellite business through the acquisition of the Hispasat Group, as well as the acquisition of 50% of the ordinary shares of Argo Energía in Brazil, which is the main market in the electricity transmission sector in Latin America with high needs for expansion of its power grid, requires a high degree of commitment and leadership to achieve efficient management of both businesses to enable rapid integration into the Red Eléctrica Group as well as adequate returns, requiring solid executive leadership which, without doubt, can be conveniently exercised by Mr. García Merino in view of his experience and qualities.

His executive capacity and ability to obtain consensus at the highest levels are values that are also essential to serve as executive director of the company and of the Red Eléctrica Group, taking on a leadership role in management that builds on the Red Eléctrica Group's leading positions for excellence and quality.

On the other hand, it should be noted that Mr. García Merino also has in-depth knowledge of the responsibilities and duties of directors of public limited companies, since for years he has been a director of the main Group companies in Peru and Chile, and of the Group companies belonging to the telecommunications sector in Spain, qualities that are of great value for a chief executive of a Group such as Red Eléctrica.

Likewise, it should be noted that the ratification and appointment of Mr. García Merino as executive 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, according to which the supervision of the Board is led by its non-executive chairwoman and external director, and the management of the business is directed directly by the managing director, a model that has been highly recognized by the investment world in the field of corporate governance.

It should also be noted that following the irrevocable resignation of Mr. Jordi Sevilla Segura as director and, consequently, as non-executive chairman of the Board of Directors and of the company presented in an unexpected



manner on 28 January 2020, the Board triggered, on that date, the Contingency Plan for the succession of the chair of the Board and, as a consequence, Mr. García Merino, in addition to his own functions as the head of ordinary management and effective direction of the business of the company and the group, assumed temporarily the management and representation of the company with the Government and the State Administration as well as the communication with the media, investors and shareholders, responsibilities that he carried out in an efficient and orderly manner, until the appointment of the new chairwoman, Ms. Beatriz Corredor Sierra, at the meeting of the Board of Directors held on 25 February 2020.

Finally, his full commitment to digitalization and innovation, pursuant to the key actions set in the new 2018-2022 Strategic Plan, must also be noted.

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, Mr. García Merino can be appointed executive director of the company, in the category established in the mentioned article 529 duodecies.1. of the Spanish Companies Act and pursuant to the provisions of the Board of Directors Regulations.

Prior to his appointment, as is customary, Mr. García Merino will have to renew his declaration stating that he has no conflicts of interest and that he does not fall under any legal, regulatory or corporate incompatibilities that would prevent him from holding the position of director of the company under the indicated category.

5. Favourable report and proposal for ratification and appointment

Consequently, after having reviewed the report of the Appointments and Remuneration Committee issued at its meeting of 24 March 2020, upon concluding the relevant analysis, and without prejudice to the necessary renewal of Mr. García Merino's formal declaration regarding the non-existence of incompatibilities and conflicts of interest for the exercise of his position as executive director, the Board of Directors reports favourably and proposes to submit the following proposal of resolutions to the Annual General Meeting of Shareholders for its approval:

To ratify the designation of Mr. Roberto García Merino as executive director of Red Eléctrica Corporación, S.A., agreed by the Board of Directors at its meeting held on 27 May 2019 and, consequently, appoint him as executive director for the term of four years established in the Articles of Association, in accordance with the provisions of article 529 decies of the Spanish Companies Act.