

**NATIONAL SECURITIES  
MARKET COMMISSION**

Markets Area  
Pº de La Castellana, 19  
28046 MADRID

Madrid, March 15, 2012.

Dear Sir,

In accordance with Article 82 of the Securities Market Law, we set forth below the following event relating to Red Eléctrica Corporación, S.A.:

**I. CALL NOTICE FOR THE ANNUAL SHAREHOLDERS' MEETING**

**Call Notice for the Annual Shareholders' Meeting**

The Board of Directors of Red Eléctrica Corporación, S.A. (the "Company"), at a meeting held on March 12, 2012, resolved to call an Annual Shareholders' Meeting, to be held on first call on April 18, 2012 at **12.30 p.m.** at **Auditorio del Complejo de los Duques de Pastrana**, Paseo de la Habana 208, Madrid and, as the case may be, on second call on **April 19, 2012**, at the same time and venue, with a view to deliberating and resolving on the items contained on the following

**AGENDA**

**I. ITEMS FOR APPROVAL**

**One.** Examination and approval, as the case may be, of the Financial Statements (balance sheet, income statement, statement of changes in total equity, statement of recognized income and expense, cash flow statement, and notes to financial statements) and the Directors' Report of Red Eléctrica Corporación, S.A. for the year ended December 31, 2011.

**Two.** Examination and approval, as the case may be, of the Consolidated Financial Statements (consolidated balance sheet, consolidated income statement, consolidated overall income statement, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the

consolidated financial statements) and the Consolidated Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A. for the year ended December 31, 2011.

**Three.** Examination and approval, as the case may be, of the proposed distribution of income of Red Eléctrica Corporación, S.A. for the year ended December 31, 2011.

**Four.** Examination and approval, as the case may be, of the conduct of management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2011.

**Five.** Reappointment and appointment of Company Directors.

**5.1** Reappointment of Mr. José Folgado Blanco as a Company Director.

**5.2** Appointment of Mr. Alfredo Parra García-Moliner as a Company Director.

**5.3** Appointment of Mr. Francisco Ruiz Jimenez as a Company Director.

**5.4** Appointment of Mr. Guillermo Kessler Sáiz as a Company Director.

**5.5** Appointment of Mr. Alberto Nadal Belda as a Company Director.

**5.6** Appointment of Mr. Ignacio López del Hierro Bravo as a Company Director.

**5.7** Appointment of Mr. Juan Iranzo Martín as a Company Director.

**Six.** Reappointment of the auditors of the Parent Company and of the Consolidated Group.

**Seven.** Amendment of the Corporate Bylaws:

**7.1** Amendment of the Corporate Bylaws in order to adapt them to the latest legislative reforms in the area of corporate enterprises and other amendments of style and order to make the wording of the Corporate Bylaws more precise: Amendment of Articles 11 ("Shareholders' Meeting"), 12 ("Types of Shareholders' Meeting"), 13 ("Calls for Shareholders' Meetings"), 15 ("Right to information and attendance at Shareholders' Meetings"), 17 ("Presiding panel, deliberations"), 17 Bis ("Absentee Vote"), 21 ("Functioning of the Board of Directors"), 32 ("Rules and method of liquidation") of the Corporate Bylaws.

**7.2** Amendment to eliminate the submission to arbitration and replace it with submission to the courts: Elimination of Article 34 ("Resolution of Disputes") of the Corporate Bylaws.

**Eight.** Amendment of the Regulations of the Shareholders' Meeting in order to adapt them to the latest legislative reforms in the area of corporate enterprises and other amendments of style and order to make the wording of the Regulations of the Shareholders' Meeting more precise: Amendment of Articles 5 ("Call"), 6 ("Shareholders' rights"), 8 ("Shareholders' right to information"), 10 ("Representation") and 15 ("Constitution, deliberation and adoption of resolutions" – in its subarticles 15.4 "Request for information", 15.5 "Debate", 15.8 "Voting", 15.9 "Adoption of resolutions" and adding the subarticle 15.11 "Publication of resolutions on the website") – of the Regulations of the Shareholders' Meeting.

**Nine.** Authorizations granted to the Board of Directors for the derivative acquisition of treasury stock:

**9.1** Authorization for the derivative acquisition of treasury stock by the Company or by companies of the Red Eléctrica Group, and for the direct award of treasury stock to employees and Executive Directors of the Company and of the companies of the Red Eléctrica Group, as compensation.

**9.2** Approval of a Compensation Plan for members of Management and the Executive Directors of the Company and of the companies of the Red Eléctrica Group.

**9.3** Revocation of previous authorizations.

**Ten.** Compensation of the Company's Board of Directors:

**10.1** Approval of the Annual Report on Directors' Compensation at Red Eléctrica Corporación, S.A.

**10.2** Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2011.

**Eleven.** Ratification of the creation of the Company's website.

**Twelve.** Delegation of authority to fully implement the resolutions adopted at the Shareholders' Meeting.

## **II. ITEMS OF INFORMATION**

**Thirteen.** Information to the Shareholders' Meeting on the 2011 Annual Corporate Governance Report of Red Eléctrica Corporación, S.A.

### **SUPPLEMENT TO CALL NOTICE FOR THE SHAREHOLDERS' MEETING AND PRESENTATION OF PROPOSED RESOLUTIONS**

In accordance with the provisions of Articles 172 and 519 of the Corporate Enterprises Law, shareholders representing at least five percent of the capital stock are informed that they may request the publication of a supplement to the call notice for the Annual Shareholders' Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. Shareholders representing at least five percent of the capital stock may submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders' Meeting called. These rights must be exercised by serving duly authenticated notice on the Company which must be received at the registered office, Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders' Meeting.

### **RIGHT TO ATTEND, RIGHT TO VOTE AND RIGHT OF REPRESENTATION**

According to the Corporate Bylaws, the Regulations of the Shareholders' Meeting and the Corporate Enterprises Law, shareholders may attend the

Shareholders' Meeting if they prove their share ownership by means of a certificate issued in their name on the accounting record of book entries five days before the date on which the Meeting is to be held. Shareholders may request, through any of the member institutions (banks, savings banks, financial institutions, in general) of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Sole-Shareholder Company (Iberclear), the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company's securities in order to obtain, as the case may be, the relevant attendance card.

Shareholders who are entitled to attend may cast their vote by attending the Shareholders' Meeting and casting their vote in person, or by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote and the security of the electronic communications are duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Corporate Bylaws, the Regulations of the Shareholders' Meeting and all such supplementary rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.

In accordance with the provisions of the Electricity Industry Law and Article 5 of the Corporate Bylaws, no shareholder may exercise voting rights exceeding three percent of the capital stock. Parties that engage in activities in the electricity industry, and individuals or legal entities that directly or indirectly hold more than five percent of the capital of such parties, may not exercise voting rights exceeding one percent of the capital stock. Pursuant to the Electricity Industry Law, the above limits will not apply to the State-Owned Industrial Holdings Company (SEPI).

Shareholders who are entitled to attend may be represented at the Shareholders' Meeting by another person, even where such person is not a shareholder. Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders' Meeting.

The appointment and revocation of the proxy-holder may also be made by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate Bylaws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.

The same means as provided in the preceding paragraph may be used to notify the Company of the appointment of the proxy-holder and of the revocation of the appointment.

Personal attendance at the Shareholders' Meeting by the shareholder represented shall revoke any vote or proxy cast or granted beforehand.

Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the

instructions received from each shareholder. Prior to his appointment, the proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Corporate Enterprises Law. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.

Where a public proxy solicitation is made, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item.

The proxy may include items which, while not included on the agenda, may be addressed as permitted by law, and the provisions on conflict of interests contained in the preceding paragraphs will also apply in these cases.

Proxies must be conferred in writing and specifically for each Meeting.

In accordance with the provisions of Article 524 of the Corporate Enterprises Law, a firm that provides investment services, in its capacity as professional financial intermediary, may exercise the right to vote in the name of its individual or corporate clients who have conferred a proxy on it. In this case, a financial intermediary may, in the name of its clients, cast differing votes, in accordance with the different voting instructions received, if any. For such purpose, it must notify the issuing Company of the direction in which it will cast the votes. The financial intermediary may delegate the vote to a third person designated by the client, with no limitation on the number of proxies conferred. Intermediaries upon whom proxies are conferred must communicate to the Company within the seven days prior to the date set for holding the Shareholders' Meeting a list indicating the identity of each client, the number of shares with respect to which it exercises the right to vote in the client's name, and the voting instructions received, as the case may be.

No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of the Bylaws.

## **RIGHT TO INFORMATION**

Pursuant to the provisions of the Corporate Enterprises Law, the Corporate Bylaws and the Regulations of the Shareholders' Meeting, any shareholders who so wish may examine and obtain, as from publication of this notice, at the registered office (Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid), on the Company website ([www.ree.es](http://www.ree.es)) under the *Shareholders and investors* section, and from the Shareholder Information Office as from April 9, 2012 (Hotel Aitana AC, Paseo de la Castellana, 152), and request the delivery or sending, immediately and free of charge, of: the individual and consolidated financial statements and directors' reports to be submitted for approval by the Shareholders' Meeting, together with the respective auditors' reports; the full text of the call notice and of all such proposed resolutions as may already have been adopted by the Board of Directors, without prejudice in this last-mentioned

case to the fact that they may be amended up to the date of the Shareholders' Meeting, where legally possible; and, in particular, the full text of the proposed resolutions contained in Item Seven on the Agenda relating to the amendment of the Corporate Bylaws and in Item Eight relating to the amendment of the Regulations of the Shareholders' Meeting, in both cases to adapt them to the latest legislative reforms in the area of corporate enterprises and make other amendments of style and order (and, in particular, in the Corporate Bylaws, to eliminate the submission to arbitration and replace it with submission to the courts), and the Directors' reports on both items on the Agenda; the Annual Corporate Governance Report regulated under Article 61 bis of the Securities Market Law (LMV) and the Annual Report on Directors' Compensation regulated under Article 61 ter of the LMV. In relation to Article 538 of the Corporate Enterprises Law, the Company has incorporated the full text of the Annual Corporate Governance Report as a schedule to the Directors' Report.

Pursuant to the provisions of Articles 197 and 520 of the Corporate Enterprises Law and Article 8 of the Regulations of the Shareholders' Meeting, until the seventh day prior to the date set for holding the Meeting, shareholders may pose questions or request information or clarification from the Directors concerning the items on the Agenda or concerning any publicly available information furnished by the Company to the National Securities Market Commission since April 13, 2011, the date of the last Shareholders' Meeting, and on the auditor's report.

Any other supplementary information concerning the holding of the Shareholders' Meeting that is not expressly contained in this notice may be consulted on the Company website ([www.ree.es](http://www.ree.es)).

### **SHAREHOLDERS' ELECTRONIC FORUM**

Pursuant to Article 539.2 of the Corporate Enterprises Law, the Company has set up on its website—[www.ree.es](http://www.ree.es)—a Shareholders' Electronic Forum on the occasion of holding its Shareholders' Meetings, the Operating Rules for which were approved by the Board of Directors at the meeting on March 12, 2012.

The Forum will go live on the date of the call for the Shareholders' Meeting and will be open through the date on which the Meeting is held.

The Forum is not a mechanism for online electronic conversations among shareholders, nor is it a venue for virtual debates. The Forum does not constitute a channel of communication between the Company and its shareholders, either. The Forum's aim is to facilitate communication among the Company's shareholders on the occasion of the holding of the next Annual Shareholders' Meeting. In this connection, shareholders may send, for posting on the Forum, communications which, in accordance with the Law, consist of posting proposals that are intended to be submitted as a supplement to the agenda announced in the call notice, requests for seconding such proposals, initiatives for achieving a sufficient percentage to exercise a minority right provided for in the law, or offers or solicitations for voluntary proxies.

The personal data furnished by shareholders in using the Shareholders' Electronic Forum will be included in a filing system belonging to the Company, the purpose of which is to manage and supervise the functioning of the Forum, as well as manage the Shareholders' Meetings of the Company and carry out statistical studies on the shareholder structure of the Company.

The obtainment of personal data by the Company is revocable and does not have retroactive effect, pursuant to the provisions of personal data protection legislation. Shareholders may exercise their rights of access, rectification, objection and cancellation concerning the data obtained by the Company by writing to the registered office, located at Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, through the Shareholder Information Office or on the Company website.

For more information on accessing and using the Shareholders' Electronic Forum, the Operating Rules can be consulted on the Company website ([www.ree.es](http://www.ree.es)) in the section called *Shareholders' Electronic Forum*.

## **PROCEDURE FOR PROXIES, VOTING AND INFORMATION BY REMOTE MEANS**

### 1. PROXIES AND VOTING BY REMOTE MEANS.

#### 1.1. PROXIES BY REMOTE MEANS.

*The means of remote communication that are valid for granting proxies at the Shareholders' Meeting are: (i) electronic and (ii) delivery or postal correspondence.*

##### **1.1.1. Electronic means**

*Shareholders wishing to use the electronic proxy must be in possession of an electronic national identity card or of an electronic user certificate issued by the Spanish Royal Mint (FNMT-RCM), in accordance with Electronic Signature Law 59/2003, in its capacity as a Certificate Services Provider.*

*The user certificate will be obtained by the shareholder, at no cost to the Company, and must be in force when the proxy is granted.*

*Shareholders who have an electronic national identity card or user certificate evidencing their identity may, through the remote proxies, voting and information service available in the section provided for such purpose on the Company's website ([www.ree.es](http://www.ree.es)), grant the proxy by completing the "proxy form" according to the instructions indicated on such form, as well as any others that may be specified on each of the relevant screens of the computer application, and must effect the electronic signature by using their electronic national identity card or user certificate.*

*To be effective and valid, the electronic proxy must be granted as from zero (00:00) hours on **April 3, 2012** and must be received by the Company before twenty-four (24:00) hours on the day immediately preceding the day on which the Shareholders' Meeting is scheduled to be held on first call, that is, before twenty-four (24:00) hours on **April 17, 2012**. Proxies received outside this period will be deemed not granted.*

*For these purposes, the Company will implement an electronic dating system, through a third party and based on an objective time source (a time stamping system) to evidence the time of receipt of the electronic proxy, as well, as the case may be, of the acceptance or rejection of such proxy.*

The reason for establishing the above-mentioned period is to enable the Company to verify the shareholder status of the person granting the proxy electronically and that the number of shares corresponding to the proxy granted is correct; for such purpose, the Company will check the information furnished by each shareholder against that which is furnished to it by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR), in its capacity as the entity in charge of the accounting register of book entries representing the Company's shares.

Shareholders who grant a proxy electronically must notify the designated proxy-holder of the proxy granted. Where the proxy is granted to a Director, the notice will be deemed served when the Company receives the electronic proxy.

To be effective and valid, electronic proxies must be accepted by each proxy-holder, for which purpose they must be printed, signed and presented by the designated proxy-holder in each case to the Company personnel in charge of the share register, no later than **up to one hour before the start of the Shareholders' Meeting, on first or second call**, with the exception of those granted to a Director, which will be deemed accepted once they are received by the Company.

Electronic proxies that meet all of the conditions established in this procedure and are granted and received by the Company within the time period established for such purpose will only be deemed valid once the shareholder status of the person granting the proxy is verified.

#### **1.1.2. Delivery or postal correspondence**

Shareholders wishing to use this form of proxy must complete and sign the "proxy" section of the attendance, proxy and voting card issued by the relevant depositaries of their shares or by the Company through the mechanism established for such purpose on its website in the section on proxies, voting and information by remote means.

Proxies must be accepted by the proxy-holder, therefore, unless they are granted to a Director, they must be signed by each proxy-holder to indicate acceptance; the person to whom the vote is delegated may only cast it by attending the Meeting in person.

The relevant card, duly completed and signed, must be sent by postal correspondence to the registered office of the Company or through the shareholder information service.

In addition, the proxy card, duly completed and signed, may also be submitted by the proxy-holder who physically attends the Meeting, to the personnel in charge of the shareholder register on the day and at the venue of the Shareholders' Meeting, **within the hour immediately prior to the time the Meeting is scheduled to begin, on first and second call, respectively.**

#### **1.1.3 Revocation**

The revocation of the appointment of the proxy-holder and its notification to the Company may be made using the same means indicated for proxies.



## 1.2 VOTING BY REMOTE MEANS

Shareholders may use the following means to vote remotely: (i) electronic and (ii) delivery or postal correspondence:

### 1.2.1. Electronic means

Shareholders wishing to vote electronically must be in possession of an electronic national identity card or of an electronic user certificate issued by the Spanish Royal Mint (FNMT-RCM), in accordance with Electronic Signature Law 59/2003, in its capacity as a Certificate Services Provider.

The user certificate will be obtained by the shareholder, at no cost to the Company, and must be in force when the vote is cast.

Shareholders who have an electronic national identity card or user certificate evidencing their identity may, through the electronic voting service provided for such purpose on the Company's website ([www.ree.es](http://www.ree.es)), cast their vote by completing the "vote form" according to the instructions indicated on such form, as well as any others that may be specified on each of the relevant screens of the computer application, and must effect the electronic signature by using their electronic national identity card or user certificate.

To be effective and valid, votes cast electronically must be cast as from zero (00:00) hours **on April 3, 2012** and must be received by the Company before twenty-four (24:00) hours on the day immediately preceding the day on which the Shareholders' Meeting is scheduled to be held on first call, that is, before twenty-four (24:00) hours on **April 17, 2012**. Votes received outside this period will be deemed not cast.

As with the electronic proxy and for the same purpose, the Company will implement an electronic dating system to evidence the time of receipt of the electronic vote, as well, as the case may be, of the acceptance or rejection of such vote.

Votes cast electronically that meet the conditions established in this procedure and are received by the company within the time period established for such purpose will only be deemed valid once the shareholder status of the voter is verified.

### 1.2.2. Delivery or postal correspondence.

To cast a remote vote by delivery or postal correspondence, shareholders must complete and sign the "voting by remote means" section of the attendance, proxy and vote card issued on paper, either by the relevant depositaries, or by the Company through the mechanism established for such purpose on its website ([www.ree.es](http://www.ree.es)) in the section on proxies, voting and information by remote means.

The duly completed and signed card must be delivered or sent to the Company, either to its registered office – Paseo del Conde de los Gaitanes, 177, 28.109 Alcobendas, Madrid – or through the shareholder information service.

### **1.2.3 Revocation**

*Remote voting carried out by electronic means or by delivery or postal correspondence shall be revocable by the same means.*

### **1.3. ISSUANCE OF DUPLICATES OF THE ATTENDANCE, PROXY AND VOTING CARD**

*Shareholders who do not have the appropriate attendance, proxy and voting card on paper, either to be able to physically attend the Shareholders' Meeting or to be able to grant a proxy or vote by postal correspondence, may obtain a duplicate of the card through the section provided for such purpose on the Company's website ([www.ree.es](http://www.ree.es)) in the section on proxies, voting and information by remote means.*

*In order to guarantee the security of the system used and the identity of the shareholder wishing to use this option, the issuance of duplicate cards will require the shareholder to have an electronic national identity card or the relevant user certificate issued by the Spanish Royal Mint, subject to the same conditions established in this procedure for electronic proxies and voting.*

## **2. REQUEST FOR INFORMATION BY ELECTRONIC MEANS**

*Notwithstanding the usual communication and information channels that the Company makes available to its shareholders, through ordinary e-mail and the shareholder information service, shareholders may exercise their right to information by electronic means through mechanism specially established by the Company on its website ([www.ree.es](http://www.ree.es)) in the section on proxies, voting and information by remote means relating to the Shareholders' Meeting.*

*Shareholders wishing to use this procedure must have an electronic national identity card or the relevant user certificate issued by the Spanish Royal Mint (referred to above) for the same purposes of guaranteeing authenticity and identification of each shareholder.*

*The Company may attend to the request for information by replying to the e-mail address designated by the requesting shareholder or by delivering or sending the response by mail to the address indicated by the shareholder.*

For more information on using the procedure for proxies, voting and information by remote means, shareholders may consult it on the Company website ([www.ree.es](http://www.ree.es)) in the section called *Remote voting*.

## **PRESENCE OF A NOTARY AT THE SHAREHOLDERS' MEETING**

The Board of Directors has resolved to request the presence of a Notary to draw up the Minutes of the Shareholders' Meeting.

## GENERAL INFORMATION

For all aspects relating to the Annual Shareholders' Meeting not contained in this call notice, shareholders may consult the Regulations of the Shareholders' Meeting available on the Company website ([www.ree.es](http://www.ree.es)). In addition, as from **April 9, 2012, a Shareholder Information Office will be made available (Hotel Aitana AC, Paseo de la Castellana, 152)** with the following opening hours: Monday through Friday from 10:00 a.m. to 2:30 p.m. and from 4:00 p.m. to 7:30 p.m., and Saturdays from 10:00 a.m. to 2:00 p.m. Shareholder Information Offices will also be available at the registered office, the regional offices (La Coruña, Barcelona, Bilbao, Seville, Valencia and Zaragoza) and the Balearic Islands and Canary Islands offices, with the following opening hours: Monday through Thursday from 9:00 a.m. to 2:00 p.m. and from 3:00 p.m. to 6:00 p.m., and Fridays from 9:00 a.m. to 2:00 p.m. **For further information, please call the Shareholder Hotline: 900 100 182 or send an e-mail to: [accionistas@ree.es](mailto:accionistas@ree.es) - [www.ree.es](http://www.ree.es).**

## EXPECTED DATE OF THE SHAREHOLDERS' MEETING

Shareholders are informed that, in light of previous years' experience, the Shareholders' Meeting is expected to be held on **SECOND CALL** on **April 19, 2012**, at the time and venue stipulated above.

Alcobendas (Madrid), March 15, 2012.  
The Secretary of the Board of Directors  
Rafael García de Diego Barber

## II. RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS TO THE ORDINARY SHAREHOLDERS' MEETING

The resolutions proposed by the Board of Directors at the meeting held on March 12, 2012, and to be submitted to the Ordinary Shareholders' Meeting called, are as follows:

### I. ITEMS FOR APPROVAL

#### **PROPOSED RESOLUTION RELATING TO ITEM ONE ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE FINANCIAL STATEMENTS (BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CHANGES IN TOTAL EQUITY, STATEMENT OF RECOGNIZED INCOME AND EXPENSE, CASH FLOW STATEMENT, AND NOTES TO FINANCIAL**

**STATEMENTS) AND THE DIRECTORS' REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED December 31, 2011**

The following resolution is proposed, for submission to the Shareholders' Meeting:

To approve the 2011 Financial Statements (balance sheet, income statement, statement of changes in total equity, statement of recognized income and expense, cash flow statement, and notes to financial statement) and the 2011 directors' report of Red Eléctrica Corporación, S.A.

The Financial Statements and Directors' Report of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to the Financial Statements and Directors' Report prepared by the Board of Directors at the meeting held on February 27, 2012.

**PROPOSED RESOLUTION RELATING TO ITEM TWO ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONSOLIDATED BALANCE SHEET, CONSOLIDATED INCOME STATEMENT, CONSOLIDATED OVERALL INCOME STATEMENT, CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED CASH FLOW STATEMENT, AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS) AND THE CONSOLIDATED DIRECTORS' REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2011**

The following resolution is proposed, for submission to the Shareholders' Meeting:

To approve the 2011 Consolidated Financial Statements (consolidated balance sheet, consolidated income statement, consolidated overall income statement, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements) and the 2011 Consolidated Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A.

The Consolidated Financial Statements and Consolidated Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to the Consolidated Financial Statements and Consolidated Directors' Report prepared by the Board of Directors at the meeting held on February 27, 2012.

**PROPOSED RESOLUTION RELATING TO ITEM THREE ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE PROPOSED DISTRIBUTION OF INCOME AT RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE YEAR ENDED DECEMBER 31, 2011**

The following resolution is proposed, for submission to the Shareholders' Meeting:

To approve the distribution of income proposed by the Board of Directors at the meeting held on February 27, 2012 and, as a result, to distribute 2011 income, amounting to €440,683,563.90, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	141,976,857.03
TO DIVIDENDS:	
INTERIM DIVIDEND	90,931,986.87
SUPPLEMENTARY DIVIDEND (calculated on basis of all shares)	207,774,720.00
<hr/>	
TOTAL	440,683,563.90

It is expressly resolved to pay the shares entitled to a dividend a gross dividend of €2.2124 per share. Payment of the dividend will be made on July 2, 2012, at the banks and financial institutions to be duly announced, deducting therefrom the gross amount of €0.6764 per share, which was paid as an interim dividend on January 2, 2012, pursuant to the Board resolution dated December 22, 2011.

**PROPOSED RESOLUTION RELATING TO ITEM FOUR ON THE AGENDA:**

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, OF THE MANAGEMENT CARRIED OUT BY THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A. IN 2011**

The following resolution is proposed, for submission to the Shareholders' Meeting:

To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2011.

## **PROPOSED RESOLUTIONS RELATING TO ITEM FIVE ON THE AGENDA:**

### **REAPPOINTMENT AND APPOINTMENT OF COMPANY DIRECTORS**

#### **One.- Reappointment of Mr. José Folgado Blanco as a Company Director**

To reappoint Mr. José Folgado Blanco as Executive Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.

Mr. Folgado Blanco, until now an Independent Director, changed his status to that of Executive Director, by virtue of the resolutions adopted by the Board of Directors of the Company at its meeting on March 8, 2012, and disclosed to the markets as a material event on the same day, March 8, 2012.

#### **Two.- Appointment of Mr. Alfredo Parra García-Moliner as a Company Director**

To appoint Mr. Alfredo Parra García-Moliner as a Nominee Director of Red Eléctrica Corporación, S.A. on behalf of the shareholder Sociedad Estatal de Participaciones Industriales (SEPI) for the four-year period stipulated in the Corporate Bylaws.

#### **Three.- Appointment of Mr. Francisco Ruiz Jimenez as a Company Director**

To appoint Mr. Francisco Ruiz Jimenez as a Nominee Director of Red Eléctrica Corporación, S.A. on behalf of the shareholder Sociedad Estatal de Participaciones Industriales (SEPI) for the four-year period stipulated in the Corporate Bylaws.

#### **Four.- Appointment of Mr. Guillermo Kessler Sáiz as a Company Director**

To appoint Mr. Guillermo Kessler Sáiz as a Nominee Director of Red Eléctrica Corporación, S.A. on behalf of the shareholder Sociedad Estatal de Participaciones Industriales (SEPI) for the four-year period stipulated in the Corporate Bylaws.

#### **Five.- Appointment of Mr. Alberto Nadal Belda as a Company Director**

To appoint Mr. Alberto Nadal Belda as an Independent Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.

#### **Six.- Appointment of Mr. Ignacio López del Hierro Bravo as a Company Director**

To appoint Mr. Ignacio López del Hierro Bravo as an Independent Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.

#### **Seven.- Appointment of Mr. Juan Iranzo Martín as a Company Director**

To appoint Mr. Juan Iranzo Martín as an Independent Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.

**PROPOSED RESOLUTION RELATING TO ITEM SIX ON THE AGENDA:**

**REAPPOINTMENT OF THE AUDITORS OF THE PARENT COMPANY AND OF THE CONSOLIDATED GROUP**

The following resolution is proposed, for submission to the Shareholders' Meeting:

To reappoint PricewaterhouseCoopers Auditores, S.L., with taxpayer identification number B-79031290, with registered office in Madrid, at Paseo de la Castellana, 43, 28046, registered at the Madrid Commercial Registry (volume 9267, sheet 75, section 3, page number 87.250-1, entry number 1) and on the Official Auditors' Register (ROAC) under number S0242, as auditors of the parent company, Red Eléctrica Corporación, S.A., and of its Consolidated Group, for a period of one (1) year, comprising the 2012 fiscal year, pursuant to the provisions of Article 264 of the Corporate Enterprises Law currently in force.

**PROPOSED RESOLUTIONS RELATING TO ITEM SEVEN ON THE AGENDA:**

**AMENDMENT OF THE CORPORATE BYLAWS IN ORDER TO (I) ADAPT THEM TO THE LATEST LEGISLATIVE REFORMS IN THE AREA OF CORPORATE ENTERPRISES AND OTHER AMENDMENTS OF STYLE AND ORDER TO MAKE THE WORDING OF THE CORPORATE BYLAWS MORE PRECISE AND (II) ELIMINATE THE SUBMISSION TO ARBITRATION AND REPLACE IT WITH SUBMISSION TO THE COURTS (Items 7.1 and 7.2 on the agenda)**

It is resolved to propose to the Shareholders' Meeting the amendment of the Company's Bylaws as set forth in the report prepared by the Directors in accordance with Article 286 of the Corporate Enterprises Law and Article 158 of the Mercantile Registry Regulations, to be separately voted on in each block, as set out below:

**One. Amendments of adaptation to the latest legislative reforms and other amendments of style and order to make the wording of the Corporate Bylaws more precise:**

A. To amend Article 11 ("Shareholders' Meeting") as follows:

***"Article 11.- Shareholders' Meeting***

*Shareholders, met together in a Shareholders' Meeting which has been duly called, shall decide by majority on the matters within the powers of the Shareholders' Meeting or on those which are submitted by the Board of Directors, notwithstanding the fact that the Shareholders' Meeting cannot usurp or assume powers which are under the exclusive jurisdiction of the Board of Directors.*

*In accordance with the Corporate Enterprises Law, the Shareholders' Meeting has power to deliberate and resolve on the following matters:*

- a) *The approval of the financial statements, the distribution of income or allocation of loss, and approval of the conduct of management of the Company.*
- b) *The appointment and removal of Directors, liquidators and, as the case may be, auditors, as well as the filing of a corporate action for liability against any of them.*
- c) *The amendment of the Corporate Bylaws.*
- d) *Capital increases and reductions.*
- e) *The removal or limitation of the preemptive right of subscription or assumption.*
- f) *An alteration of legal form, merger, spin-off or transfer en bloc of assets and liabilities, and transfer abroad of the registered office.*
- g) *The dissolution of the Company.*
- h) *The approval of the final liquidation balance sheet.*
- i) *Any other matters determined by the law or the Corporate Bylaws.*

*In particular, the Shareholders' Meeting shall have the power to approve transactions the effect of which is equivalent to that of the modification of the corporate purpose or to the liquidation of the Company.*

*All shareholders, including dissenting and absent shareholders, shall be subject to the resolutions of the Shareholders' Meeting notwithstanding the statutory rights and remedies acknowledged to them.*

*The Shareholders' Meeting shall be governed by the applicable legislation, by these Bylaws and by its Regulations.*

*The Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholder's Meeting."*

- B. *To amend Article 12 ("Types of Shareholders' Meetings") as follows:*

***"Article 12.- Types of Shareholders' Meetings***

*Shareholders Meetings may be Annual or Special and must be called by the Company's Board of Directors.*

*The Annual Shareholders' Meeting must be held, following the relevant call, within the first six months of each fiscal year, with a view to ratifying the conduct of management of the Company, approving, if appropriate, the financial statements and the management report for the previous fiscal year and*



*resolving, as the case may be, on the distribution of income or allocation of loss.*

*Any other matter reserved by law or in the Bylaws to the authority of the Shareholders' Meeting may be decided at an Annual or Special Meeting.*

*The Annual Shareholders' Meeting shall be valid even where called or held late.*

*A Special Shareholders' Meeting shall be held whenever so resolved by the Board of Directors or when requested by a number of shareholders representing at least five percent of the capital stock, stating in their request the business to be transacted at the Meeting. In such case, the Shareholders' Meeting must be called to be held within the two months following the date on which the Board of Directors was asked, by way of a notary, to call the Meeting, and the business requested must be included in the Meeting agenda."*

C. To amend Article 13 ("Calls for Shareholders' Meetings") as follows:

***"Article 13.- Calls for Shareholders' Meetings***

*1. Both Annual and Special Shareholders' Meetings must be called by means of a notice published in, at least, one of the following media: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the Spanish National Securities Market Commission; and (iii) the Company website. The notice published on the Company website shall remain accessible on the website at least until the Shareholders' Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.*

*2. The call shall be made at least one month prior to the date set for holding the Meeting. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Special Shareholders' Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders' Meeting by at least two-thirds of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.*

*3. The call notice shall indicate the name of the Company, date and timing of the Meeting on first call, the agenda with all the business to be transacted thereat, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders' Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date on which, if appropriate, the Meeting is to be held on second call may also be stated. A minimum period of 24 hours must elapse between the two Meetings.*

*The notice shall also contain clear and exact information on the formalities to be*

*completed by shareholders in order to be able to participate in and vote at the Shareholders' Meeting, including, in particular, the following aspects:*

- a) The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.*
- b) The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.*
- c) The procedures established for casting votes by remote means, whether by post or electronic means.*

*The call notice must state the right of shareholders to examine at the registered office and to obtain immediately free of charge the documents that are to be submitted to the approval of the Shareholders' Meeting, and the technical reports established in the Law. Should the Shareholders' Meeting have to decide on any amendment to the Bylaws, the call notice must state, with due clarity, the points which are to be amended.*

*4. Shareholders owning five percent of the capital stock may ask the Board of Directors, within the period between the Company's last Shareholders' Meeting and the date on which the Board resolves to call the next Meeting, to include any item on the agenda for the next Shareholders' Meeting. Said request must be made in the manner and on the terms stipulated in the Regulations of the Shareholders' Meeting. The Board shall include on the agenda the items requested in the manner which best suits the interests of the Company, provided that they relate to matters which are within the powers of the Shareholders' Meeting.*

*5. From the publication of the call notice and until the holding of the Shareholders' Meeting, the Company must publish, on an uninterrupted basis, at least the following information on its website:*

- a) The call notice.*
- b) The total number of shares and voting rights at the date of the call, broken down by share class, if any.*
- c) The documents to be submitted to the Shareholders' Meeting and, in particular, reports from directors, auditors and independent experts.*
- d) The full text of the proposed resolutions or, if none, a report by the competent bodies on each of the items on the agenda. Proposed resolutions submitted by shareholders shall also be included when they are received.*

e) *The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder. Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.*

6. *Shareholders representing at least five percent of the capital stock may request the publication of a supplement to the call notice for an Annual Shareholders' Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposed resolution. In no case may such right be exercised with respect to the call for Special Shareholders' Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders' Meeting. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for rendering the Shareholders' Meeting void.*

7. *Shareholders representing at least five percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders' Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of subarticle 5 d) hereof.*

8. *Shareholders' Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice."*

D. To amend Article 15 ("Right to information and attendance at Shareholders' Meetings") as follows:

***"Article 15.- Right to information and attendance at Shareholders' Meetings.***

*Shareholders may attend the Shareholders' Meeting if they are up to date in the payment of calls on unpaid capital and evidence their ownership by way of certification of the registration of their name in the accounting record of book entries at least five days before the date on which the Shareholders' Meeting is to be held. Shareholders shall ask the entity in charge of the accounting record of book entries for the appropriate certificate of entitlement or equivalent document from the accounting record of book entries of the Company's securities, in order to obtain, where necessary, the appropriate attendance card from the Company.*

*Directors must attend Shareholders' Meetings.*

*Shareholders who are entitled to attend may be represented at the Shareholders' Meeting by another person, in the manner established by Articles 184 through 187 and 521 through 524 of the Corporate Enterprises Law, in relation, in any*

*case, to the provisions of these Bylaws. Proxies must be conferred in writing and specifically for each Meeting.*

*Proxies may be also granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications is duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Article 17 bis of these Corporate Bylaws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.*

*The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment. The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.*

*Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders' Meeting.*

*Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders' Meeting.*

*Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Corporate Enterprises Law. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.*

*Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Corporate Enterprises Law.*

*A financial intermediary may, in the name of its client-shareholders who have conferred a proxy on it, cast differing votes, in accordance with the different*

*voting instructions received, if any. For such purpose, it must notify the Company of the direction in which it will cast the votes. In this connection, intermediaries upon whom proxies are conferred must communicate to the Company within the seven days prior to the date set for holding the Shareholders' Meeting a list indicating the identity of each client, the number of shares with respect to which it exercises the right to vote in the client's name, and the voting instructions received, as the case may be.*

*Personal attendance at the Shareholders' Meeting by the shareholder represented shall be deemed to revoke the proxy granted.*

*Shareholders may request such reports or explanations as they deem necessary concerning the items of interest to them, in the manner stipulated by the applicable laws, and shall receive information via the Company website as stipulated by the Law, these Bylaws and the rules on corporate governance.*

*From the date of publication of the call notice for the Shareholders' Meeting until the seventh day prior to the date set for holding the Meeting on first call, shareholders may request in writing such information or clarifications as they deem necessary or pose in writing such questions as they deem relevant concerning the items on the agenda. During the same prior period and in the same manner, or orally during the Meeting, shareholders may request information, clarifications or pose questions concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders' Meeting was held and concerning the auditor's report. Directors shall not be obliged to respond to specific questions from shareholders where, prior to their formulation, the requested information is clearly and directly available to all shareholders on the Company website in a question and answer format. Directors must furnish the information in writing up to the date of holding the Shareholders' Meeting.*

*While the Shareholders' Meeting is being held, Company shareholders may orally request such information or clarifications as they deem appropriate concerning the items on the agenda and, if this shareholders' right cannot be satisfied at that time, the Directors must provide that information in writing within seven days after the end of the Meeting.*

*Directors must provide the information requested pursuant to the foregoing two paragraphs except in cases in which, in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the request is supported by shareholders who represent at least one fourth of the capital stock.*

*No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of that shareholder that exceed the limits established in Article 5 of these Bylaws."*

- E. To amend Article 17 ("Presiding Panel, deliberations") as follows:

***“Article 17.- Presiding Panel, deliberations***

*The Shareholders’ Meeting shall be chaired by the Chairman of the Board of Directors and, in his absence, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or to seniority in the office, if no rank has been established, and, in their absence, by the person designated by the Board of Directors and, in the absence of such designation, by such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders’ Meeting.*

*The Secretary or Deputy Secretary, if any, of the Board of Directors shall act as Secretary of the Shareholders’ Meeting. In the absence of both, such Director or shareholder as is freely designated by the shareholders in attendance, for each Shareholders’ Meeting, shall act as Meeting Secretary.*

*The Chairman is responsible for directing and establishing the order of deliberations and speeches; for deciding on the form of voting on resolutions; for resolving any doubts, clarifications or complaints which are raised in relation to the agenda, the list of attendees, ownership of shares, delegations of authority or proxies, the requirements for the valid convening of, and adoption of resolutions by, the Shareholders’ Meeting, or regarding the Bylaw limit on the right to vote; and for granting the floor to any shareholders requesting it, withdrawing it or refusing it and ending debates when he considers the matter being debated to have been sufficiently discussed.*

*Each share confers the right to one vote. Resolutions shall be adopted by a majority of the votes, unless the Law requires a greater majority.*

*No person, by virtue of his own right or of a proxy, may exercise voting rights which exceed the shareholding limits stipulated in Article 5 of these Bylaws, with the exception of the provisions on public proxy solicitations set forth in the last paragraph of Article 15 above.*

*The statutory limit on shareholding in the Company shall also apply to the maximum number of votes that may be cast, collectively or separately, by two or more shareholders, one of whom owns indirect holdings in the capital stock of the Company (as defined in Article 5).*

*The limitations on voting rights stipulated by the Law and in these Bylaws shall operate with respect to all matters submitted to a vote at a Shareholders’ Meeting, including the right to proportional representation referred to in Article 243 of the Corporate Enterprises Law, but shall not prevent the shares to which said right applies from being counted as voting capital stock in attendance for the purpose of calculating the necessary quorums for convening Shareholders’ Meetings.*

*For each resolution submitted to a vote the Shareholders’ Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution*

*and, as the case may be, the number of abstentions.*

*The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders' Meeting."*

F. To amend Article 17 bis ("Absentee vote") as follows:

***"Article 17 bis.- Absentee vote***

*Shareholders entitled to attend and vote may cast their vote on the proposals relating to items included on the agenda by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote and the security of the electronic communications are duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Regulations of the Shareholders' Meeting and all such supplementary rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.*

*The Shareholders' Meeting Regulations may regulate the remote exercise of such rights, including, in particular, some or all of the following forms:*

*a) The real-time broadcast of the Shareholders' Meeting.*

*b) Two-way communication in real time so that shareholders can address the Shareholders' Meeting from a venue other than the one where it is held.*

*c) A mechanism for exercising the vote before or during the Shareholders' Meeting without the need to appoint a proxy-holder who is physically present at the Shareholders' Meeting.*

*The Board of Directors, having regard to the technical and legal bases making it possible and duly guaranteeing the identity of the individual exercising his right to vote, is authorized to implement the foregoing provisions by establishing the appropriate rules, means and procedures according to the state of the art with a view to instrumenting the casting of votes and the grant of proxies by electronic means, in compliance with any legislation which may be enacted for this purpose.*

*The implementing provisions adopted by the Board of Directors under the provisions of this Article, as well as the means, procedures and forms established for granting a proxy and exercising the right to vote absentee shall be posted on the Company's website.*

*The personal attendance of the Shareholders' Meeting by the shareholder or by his proxy-holder shall constitute the revocation of a vote cast by postal or electronic correspondence or by any other means of remote communication."*

G. To amend Article 21 ("Functioning of the Board of Directors") as follows:

***“Article 21.- Functioning of the Board of Directors***

*The Board shall designate a Chairman from among its members and, if it deems appropriate, one or more Deputy Chairmen. The Board shall also freely appoint the person who is to hold office as Secretary of the Board of Directors and, if it deems appropriate, shall also appoint a Deputy Secretary. Neither the Secretary nor the Deputy Secretary need be a Director.*

*In the absence of the Chairman of the Board, Board meetings shall be chaired, if there are Deputy Chairmen, by the relevant Deputy Chairman according to rank or, if no rank has been established, by the Director who has held office for the longest time. In the Secretary’s absence, his functions shall be discharged by the Deputy Secretary, if any, and in his absence, by the youngest Director from among those attending the meeting.*

*The Board shall meet where required by the Company’s interests and at least once per quarter and, in any case, within not more than three months from the end of the financial year, with a view to drawing up the financial statements, the management report and the proposal for the distribution of income and allocation of loss.*

*Each Director may have another Director represent him and vote on his behalf at meetings of the Board of Directors, by virtue of delegation in writing especially for each Board meeting.*

*Board meetings shall be called by the Chairman or by whoever is acting as Chairman and shall meet on the days which the Chairman decides and whenever deemed appropriate by the Chairman or requested in writing by three (3) Directors, who must state in their request the matters to be discussed at the meeting. In such case, the Chairman, or whoever is acting as Chairman, shall call the Board to meet within fifteen (15) days after the request. In addition, Directors constituting at least one-third of the members of the Board may call a Board meeting, setting the agenda, to be held in the municipality in which the registered office is located, if, after making a request to the Chairman, the Chairman fails to call the meeting within one month without just cause. The call shall be issued in writing, addressed personally to each Director and sent by any means capable of leaving record of the contents of the notice and of its receipt, sufficiently in advance of the date set for the Board meeting.*

*A Board meeting may be held without a call where all Directors are present and all agree to the holding of the meeting.*

*Board meetings shall be validly convened where one half plus one of the Board members are present or represented at the meeting.*

*Voting in writing without a meeting being held shall only be admitted when no Director objects to this procedure.*

*When the Chairman deems a matter to have been sufficiently debated, he shall*



*submit it to a vote. Each Director present or duly represented shall have one vote. Resolutions shall be adopted by a majority of the votes, except in cases where the Law requires resolutions to be adopted by a greater majority. In the case of a tie, the Chairman shall have the casting vote.*

*Minutes shall be approved by the Board of Directors itself at the end of the meeting or at the beginning of the next meeting, and shall be signed by the Secretary of the Board, or the meeting Secretary, and countersigned by the person acting as Chairman. Board minutes shall be transcribed in a minutes book, which shall be signed by the Secretary of the Board and countersigned by the Chairman.*

*If vacancies arise during the term for which Directors were appointed, the Board may designate from among the shareholders such persons as are to cover those vacancies until the next Shareholders' Meeting is held."*

- H. To amend Article 32 ("Rules and method of liquidation") as follows:

***"Article 32.- Rules and method of liquidation***

*After the Company has been dissolved, a liquidation period shall commence, and all Directors currently appointed and registered at the Mercantile Registry shall become de iure liquidators and must comply with the rules stipulated in the legislation in force when liquidating and distributing the Company's assets. In any case, this appointment as liquidators shall put an end to the powers of the Board of Directors of the Company. Where the dissolution arose as a result of the commencement of the liquidation phase of the Company in an insolvency proceeding, the appointment of liquidators shall not be applicable.*

*When it resolves to dissolve the Company, the Shareholders' Meeting may designate persons to participate, with the Directors, in any transactions performed.*

*The Company's liquidation must comply with the provisions of Articles 371 et. seq. of the Corporate Enterprises Law.*

*The Shareholders' Meeting shall retain, during the liquidation period, the same powers as it had during the normal life of the Company and, especially, shall have the power to approve the financial statements and the final liquidation balance sheet. The Shareholders' Meeting shall also continue to hold annual meetings and all such special meetings as may be appropriate or necessary to call, pursuant to the legislation in force.*

*Following liquidation, the liquidators shall draw up the final balance sheet, which shall be reviewed by the receivers, if any have been appointed. They shall also determine the ratio of corporate assets which are to be distributed per share.*

*This balance sheet shall be submitted to the Shareholders' Meeting for approval and shall be published pursuant to the legislation from time to time in force.*

*If, after the deadline for challenging the balance sheet, no claims have been made against it, or after any judgment resolving the claims has been made final, the existing corporate assets shall be distributed among the shareholders, having regard to the balance sheet and in accordance with the legislation in force.”*

**Two. Elimination of Article 34 (“Resolution of disputes”) to modify the submission to arbitration for submission to the courts.**

To eliminate Article 34 (“Resolution of disputes”).

**PROPOSED RESOLUTIONS RELATING TO ITEM EIGHT ON THE AGENDA:**

**AMENDMENT OF THE REGULATIONS OF THE SHAREHOLDERS’ MEETING IN ORDER TO (I) ADAPT THEM TO THE LATEST LEGISLATIVE REFORMS IN THE AREA OF CORPORATE ENTERPRISES AND OTHER AMENDMENTS OF STYLE AND ORDER TO MAKE THE WORDING OF THE REGULATIONS OF THE SHAREHOLDERS’ MEETING MORE PRECISE (Item 8 on the agenda)**

It is resolved to propose to the Shareholders’ Meeting the amendment of the Regulations of the Shareholders’ Meeting as set forth in the report prepared by the Directors in accordance with Article 1 of the Regulations of the Shareholders’ Meeting of the Company, which requires a report from the Board of Directors supporting such amendment, to be separately voted on in each block, as set out below:

A. To amend Article 5 (“Call”) as follows:

**“Article 5. Call**

*Both the Annual and the Special Shareholders’ Meeting shall be called by the Board of Directors in a notice published in at least the following formats: (i) the Official Gazette of the Mercantile Registry or one of the largest circulation newspapers in Spain; (ii) the website of the National Securities Market Commission; and (iii) the website of the Company, and a copy shall be sent to the Stock Exchanges on which its shares are listed. The notice published on the Company website shall remain accessible on the website at least until the Shareholders’ Meeting is held. The Board of Directors may decide to publish the notice in such other media as it may see fit to give greater publicity to the call.*

*The call notice shall be made at least one month prior to the date set for holding the Meeting, although it shall seek to call the Meeting sufficiently in advance with a view to making it as easy as possible for all the shareholders to be able to plan for their participation. Notwithstanding the foregoing, where the Company offers shareholders the possibility of voting by electronic means that are accessible to all, Special Shareholders’ Meetings may be called a minimum of fifteen days in advance. The reduction of the call period shall require an express resolution adopted at the Shareholders’ Meeting by at least two-thirds*

*of the subscribed voting capital stock and the period of validity of which may not extend beyond the date of the next Meeting.*

*The call notice shall state the name of the Company, the date and time of the Meeting on first call, the agenda on which the business to be transacted shall appear, the office of the person or persons making the call, the date by which shareholders must have registered the shares in their name in order to be able to participate in and vote at the Shareholders' Meeting, the place and form in which the full text of the documents and proposed resolutions can be obtained, and the address of the Company website on which the information will be available. The date for the second call may also be set. A minimum period of twenty-four hours must elapse between the two calls. Where a second call is not provided for and the Shareholders' Meeting cannot be held, the Meeting must be announced, with the same agenda and the same publicity requirements as the first call within the fifteen days following the date of the Shareholders' Meeting not held and at least ten days prior to the date set for the meeting. In the call notice the Board shall endeavor to indicate the probable date of holding the Meeting on first or second call.*

*The notice shall also contain clear and exact information on the formalities to be completed by shareholders in order to be able to participate in and vote at the Shareholders' Meeting, including, in particular, the following aspects:*

- a) The right to request information, to include items on the agenda and to submit proposed resolutions, as well as the period for exercise of the right. Where it is placed on record that more detailed information on such rights can be obtained on the Company website, the notice may limit itself to indicating the period for exercise of the right.*
- b) The system for the casting of votes by proxy, with special indication of the forms to be used to grant the proxy and the means to be used so that the Company can accept notification by electronic means of the proxies granted.*
- c) The procedures established for casting votes by remote means, whether by post or electronic means.*

*Shareholders' Meetings shall be held in Spain at such venue as may be decided in each case by the Board of Directors, and as shall be duly indicated in the call notice.*

*The call notice shall indicate the place and times at which the shareholders may consult the documents which are to be submitted for their approval at the Shareholders' Meeting, notwithstanding their right to examine at the registered office and to ask to have such documents sent to them free of charge and immediately. In addition, should the Shareholders' Meeting have to decide on any amendment to the Bylaws, the call must state, with due clarity, the points which are to be amended.*

*The Board shall make available to the shareholders, on the terms indicated in the preceding paragraph, the complete wording of the resolutions to be adopted at the Shareholders' Meeting, where so required by the Law and, in other cases, provided that it is not prevented by imponderable circumstances. Insofar as permitted by the Law, the wording may be amended by decision of the Board of Directors where supervening circumstances so require, in which case the*

*new wording shall be made available to the shareholders in the same way or, should this not be possible, details shall be given at the Meeting itself.*

*The Board must call a Special Shareholders' Meeting when shareholders holding five percent of the capital stock send a request stating the reasons and describing the business to be transacted, which must relate to matters falling within the jurisdiction of the Shareholders' Meeting. In this case the Shareholders' Meeting must be called to be held within two months from the date on which the Board of Directors was asked by way of a notary to call it and the items indicated in the request must necessarily be included on the agenda.*

*Shareholders representing at least five percent of the capital stock may request the publication of a supplement to the call notice for an Annual Shareholders' Meeting, including one or more items on the agenda, provided that the new items are accompanied by a justification or, as the case may be, a justified proposal for a resolution. In no case may this right be exercised with respect to the call notice for Special Shareholders' Meetings. This right must be exercised by giving duly authenticated notice which must be received at the registered office within five days after the publication of the call notice. The supplement to the call notice must be published at least fifteen days prior to the date set for holding the Shareholders' Meeting. If included by the aforesaid shareholders in their request, the Board shall make available to the shareholders the complete wording of the resolutions proposed on the same terms as indicated above. Failure to publish the supplement to the call notice by the statutory deadline shall be a ground for rendering the Shareholders' Meeting void*

*Shareholders representing at least five percent of the capital stock may, in the same period indicated in the preceding paragraph, submit reasoned proposals for resolutions on items already included or to be included in the agenda for the Shareholders' Meeting called. The Company shall ensure the dissemination of these proposed resolutions and of any accompanying documentation to the rest of the shareholders, in accordance with the provisions of letter d) of paragraph seven of this Article.*

*If the Shareholders' Meeting is not called by the Board of Directors despite it being required to do so, it may be called, at the request of the shareholders and with the Board having been given the opportunity to be heard, by the judge having jurisdiction over the Company's registered office who, if applicable, will appoint the person to chair the Meeting."*

B. To amend Article 6 ("Shareholders' rights") as follows:

**"Article 6. Shareholders' rights**

**6.1 List**

*The shareholders of Red Eléctrica Corporación, S.A. have, inter alia, the following rights:*

- a) the right to a share in the distribution of corporate income and in the liquidation dividend;*
- b) a preemptive right to subscribe new shares or convertible debentures, unless such right has been duly excluded;*

- c) *the right to attend and vote at Shareholders' Meetings;*
- d) *the right to object to corporate resolutions and to seek, if appropriate, directors' liability;*
- e) *the right to information;*
- f) *the right to participate in corporate affairs.*

*The Company must afford equal treatment to shareholders who are on an identical footing. Furthermore, the Company guarantees at all times the equal treatment of all shareholders in the same position as regards information, participation and exercise of the right to vote at the Shareholder's Meeting.*

## **6.2 Manner of exercise**

*Shareholders shall exercise their rights in the manner stipulated by the Law, in the Bylaws and in these Regulations.*

## **6.3 Limitations**

*Shareholders' rights are subject to the limitations stipulated in Additional Provision No. 3 of Law 17/2007, of July 4, 2007 ("Law 17/2007") and in Article 34 of the Electricity Industry Law, and contained in the current Bylaws."*

- C. To amend Article 8 ("Shareholder's right to information") as follows:

### **"Article 8. Shareholders' right to information**

#### **8.1 Supply of information to shareholders**

*From the publication of the call notice and until the holding of the Shareholders' Meeting, the Company must publish, on an uninterrupted basis, on its website and shall make available at the Shareholder Information Office at least the following information:*

- a) *The call notice.*
- b) *The total number of shares and voting rights at the date of the call, broken down by share class, if any.*
- c) *The documents to be submitted to the Shareholders' Meeting and, in particular, reports from directors, auditors and independent experts.*
- d) *The full text of the proposed resolutions or, if none, a report by the competent bodies on each of the items on the agenda. Proposed resolutions submitted by shareholders shall also be included when they are received.*
- e) *Annual Corporate Responsibility Report, if any;*
- f) *Environmental Report, if any;*

- g) *any other report the inclusion of which is obligatory or is determined by the Board of Directors.*
- h) *The forms to be used for voting by proxy and remote voting, except when they are sent directly by the Company to each shareholder. Where they cannot be published on the website for technical reasons, the Company must indicate on the website how to obtain the forms on paper and must send them to any shareholder who so requests.*

*On the date on which the Shareholders' Meeting is held, the necessary documentation shall be furnished to shareholders at the venue of the Meeting.*

## **8.2 Requests for information by shareholders**

*Shareholders may also request in writing, on the terms established in the Law, prior to the Shareholders' Meeting or orally during the Meeting, such documentation, reports or clarifications as they deem relevant to the items on the agenda.*

*Shareholders may also request information, clarifications or pose questions in writing, or orally while the Meeting is being held, concerning publicly available information furnished by the Company to the National Securities Market Commission since the last Shareholders' Meeting was held and concerning the auditors' report.*

*Directors shall not be obliged to respond to specific questions from shareholders where, prior to their formulation, the requested information is clearly and directly available to all shareholders on the Company website in a question and answer format.*

*The Board of Directors must furnish the shareholders with the documentation requested unless, in the Chairman's opinion, it could harm the interests of the Company. This exception shall not apply where the request is supported by shareholders who represent at least one fourth of the capital stock.*

*If the information requested cannot be furnished at the Shareholders' Meeting itself, and may not be refused, the reports and documentation requested must be sent to the shareholders within seven days from the conclusion of the Shareholders' Meeting.*

## **8.3 Shareholders' inquiries**

*Shareholders may pose questions in writing concerning publicly available information or information which has been disclosed to the relevant authorities.*

*Shareholders may make their inquiries through the Shareholder Information Office, after furnishing proof of their identity as shareholders, subject to due verification. The Company shall disseminate such replies as it may decide on the website, individually or collectively, and if the Board of Directors deems it appropriate the matters shall be addressed at the Shareholders' Meeting.*

*The Board of Directors shall be obliged to provide the appropriate response to these questions unless public disclosure of the information could harm the interests of the Company.*

Information may not be refused when the request is supported by shareholders who represent at least twenty-five percent of the voting capital stock.

#### **8.4 Shareholders' Electronic Forum**

*While provided for in the legislation in force, and pursuant to the development of such legislation technically and legally, a Shareholders' Electronic Forum shall be set up on the Company website, and may be accessed with due safeguards by individual shareholders and by any voluntary associations that may be formed, with a view to facilitating their communication prior to the holding of Shareholders' Meetings. Proposals that are intended to be submitted as a supplement to the agenda announced in the call notice, requests for seconding such proposals, initiatives for achieving a sufficient percentage to exercise a minority right provided for in the law, or offers or solicitations for voluntary proxies, may be posted on the Forum. The Board of Directors of the Company shall determine the rules which are to govern, from time to time, the operation of the Forum set up for the Shareholders' Meeting, and which shall be publicly disclosed on the Company website."*

D. To amend Article 10 ("Representation") as follows:

#### **"Article 10. Representation**

*Shareholders who are entitled to attend may be represented at the Shareholders' Meeting by another person, in the manner established by law and in the Bylaws. The proxy must be granted in writing and specifically for each Shareholders' Meeting.*

*No person may accumulate proxies in the name of the same shareholder which confer on him voting rights in the name of such shareholder that exceed the limits established in Article 5 of the Corporate Bylaws.*

*Proxies may also be granted by means of postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual granting the proxy and the security of the electronic communications are duly guaranteed, pursuant to the provisions of the applicable legislation and subject, if appropriate, to the provisions of Articles 15 and 17 bis of these Corporate Bylaws on the casting of votes by the aforesaid means, insofar as this is not incompatible with the nature of the proxy granted.*

*The provisions of the preceding two paragraphs shall also apply to the notification to the Company of the appointment of the proxy-holder and to the revocation of the appointment. The Company shall establish the system for electronic notification of the appointment, with the formal, necessary and proportionate requirements in order to guarantee the identity of the shareholder and of the proxy-holder(s) appointed by him.*

*Where instructions are issued by the represented shareholder, the proxy-holder shall cast his vote in accordance with such instructions and shall be obliged to keep the instructions for a period of one year as from the date of the relevant Shareholders' Meeting.*

*Proxy-holders may hold the proxies of more than one shareholder with no limit on the number of shareholders they may represent. Where a proxy-holder holds*

*several proxies, he may cast votes in different directions, in accordance with the instructions received from each shareholder. In all cases, the number of shares represented shall be calculated for the valid constitution of the Shareholders' Meeting.*

*Prior to his appointment, a proxy-holder must provide detailed information to the shareholder on whether he has any conflict of interest, in accordance with the provisions of Article 523 of the Corporate Enterprises Law. If the conflict arises after his appointment and the proxy-holder has not warned the represented shareholder of its potential existence, he must inform the shareholder immediately. In both cases, if no new specific voting instructions have been received for each of the items on which the proxy-holder is to vote in the name of the shareholder, the proxy-holder must refrain from casting the vote.*

*Where the Directors of the Company, or another acting for the account or in the interests of any of them, have made a public proxy solicitation, the Director obtaining it may not exercise the right to vote attaching to the shares represented on those items on the agenda in respect of which he has a conflict of interest unless he has received specific voting instructions from the represented shareholder for each item, as provided in this Article, in accordance with Article 526 of the Corporate Enterprises Law.*

*A financial intermediary may, in the name of its client-shareholders who have conferred a proxy on it, cast differing votes, in accordance with the different voting instructions received, if any. For such purpose, it must notify the Company of the direction in which it will cast the votes. In this connection, intermediaries upon whom proxies are conferred must communicate to the Company within the seven days prior to the date set for holding the Shareholders' Meeting a list indicating the identity of each client, the number of shares with respect to which it exercises the right to vote in the client's name, and the voting instructions received, as the case may be.*

*Personal attendance of the Shareholders' Meeting by the shareholder represented shall be deemed to revoke the proxy granted.*

*Attendance shall have the same effect on votes cast absentee, as indicated in Article 15.8 of these Regulations.*

*The shareholder's proxy-holder may appoint a substitute to cast the vote where there is a conflict of interests."*

- E. To amend Article 15 ("Convening of meeting, deliberation and adoption of resolutions") as follows:

***"Article 15. Convening of meeting, deliberation and adoption of resolutions***

***15.1 Attendance list***

*Before discussing the first item on the agenda, the list of attendees shall be drawn up, indicating the nature or representation of each one and the number of shares, of their own or of others, with which they attend.*

*At the end of the list the number of shareholders attending in person or by proxy shall be determined, as well as the amount of capital stock they own, specifying*



*that belonging to shareholders with voting rights, by way of summary, verified by the Secretary's Office.*

*The list of attendees may also be drawn up by means of a file or included on a computerized medium. In such cases the means used shall be recorded in the minutes and the appropriate identification note, signed by the Secretary and countersigned by the Chairman, shall be affixed to the sealed cover of the file or of the medium.*

### **15.2 Calling the meeting to order**

*After the meeting is called to order, the Secretary shall read the information concerning the call and attendance on the basis of the list of attendees. In light of the list of attendees the Chairman shall, if appropriate, declare the Shareholders' Meeting to be validly convened. If a notary asked by the Company to draw up the minutes of the Shareholders' Meeting is present, he shall ask the attendees whether there are any reservations or protests regarding the information concerning the attendance of shareholders and capital stock stated by the Chairman.*

*Any shareholder who expresses reservations must display his attendance card to the personnel assisting the Presiding Panel and, if appropriate, the attending notary.*

*Before opening the debate on the agenda, the Chairman shall ask shareholders who wish to address the Shareholders' Meeting to approach the personnel assisting the Presiding Panel, displaying their attendance card, with a view to establishing the order in which they may take the floor.*

### **15.3 Presentations**

*At the Annual Shareholders' Meeting, the Chairman shall inform the Shareholders' Meeting of the most significant aspects of the fiscal year and of the Board's proposals, and his presentation may be completed by persons authorized by him. The Chairman of the Audit Committee shall be at the disposal of the Shareholders' Meeting to answer such questions as may be raised thereat by the shareholders on the matters within its jurisdiction.*

### **15.4 Request for information**

*While the Shareholders' Meeting is being held, shareholders may orally request such reports or explanations as they deem appropriate concerning the items on the agenda. If this right cannot be satisfied at that time, the Board of Directors must provide the information in writing within seven days after the holding of the Shareholders' Meeting.*

*Directors shall not be obliged to respond to specific questions from shareholders where, prior to their formulation, the requested information is clearly and directly available to all shareholders on the Company website in a question and answer format.*

*Directors must provide the information requested except in cases in which, in the Chairman's opinion, the public disclosure of the information requested could harm the interests of the Company. Information may not be refused where the*

request is supported by shareholders who represent at least twenty-five percent (25%) of the capital stock.

### **15.5 Debate**

*When the appropriate presentations have been concluded, the Chairman shall grant the floor to shareholders who have so requested, directing and coordinating the debate, and seeking to follow the established agenda, except as provided for in Articles 223.1 and 238 of the Corporate Enterprises Law.*

*The Chairman shall organize the manner in which replies are to be given to shareholders who have made any request or clarification in their oral exposition. In particular, he may decide that a joint reply be given to the speeches of shareholders at the end of their turn to speak.*

*The Chairman shall bring the debate to a close when the matter has, in his opinion, been sufficiently debated, whereupon the Chairman shall submit the proposed resolutions to a vote and they shall be read by the Secretary. The reading of proposals may be summarized by decision of the Chairman, provided that the shareholders representing the majority of the subscribed voting capital stock present at the Shareholders' Meeting do not object to it.*

*In exercising his powers to organize the proceedings of the Shareholders' Meeting, and notwithstanding other actions, the Chairman may, whenever he deems it appropriate and having regard to the existing circumstances:*

- (i) redistribute the time assigned to each shareholder;*
- (ii) ask speakers to clarify or expand on the issues they have set forth;*
- (iii) call shareholders addressing the Meeting to order so that they limit their speech to matters specific to the Shareholders' Meeting and refrain from making inappropriate comments;*
- (iv) withdraw the use of the floor from speakers who abuse their right or have used up the time assigned;*
- (v) expel from the premises those who are disorderly and disrupt the normal proceedings of the Shareholders' Meeting, with the necessary ancillary measures.*

### **15.6 Temporary adjournment**

- (i) Exceptionally, if disturbances occur which substantially disrupt the orderly progress of the meeting, or any other extraordinary circumstance arises which temporarily prevents the normal proceedings of the Shareholders' Meeting, the Chairman of the Shareholders' Meeting may resolve the adjournment of the session for such period of time as he deems adequate, under no circumstances exceeding two hours, in order to seek to reestablish the conditions necessary for its continuation. The Chairman of the Shareholders' Meeting shall take such additional measures as he deems appropriate to guarantee the safety of those present and to avoid the repetition of circumstances which could again disrupt the orderly progress of the meeting.*

- (ii) *If, after the meeting is resumed, the situation which gave rise to the adjournment persists, the Chairman may, after consulting the Presiding Panel of the Shareholders' Meeting, resolve an extension for the following day. If the resolution regarding the extension is, for any reason, not adopted by the Presiding Panel, the Chairman shall immediately bring the session to a close.*

### **15.7 Extension**

- (i) *At the proposal of the Chairman, after consulting the Presiding Panel, or at the request of shareholders who represent at least one fourth of the capital stock present at the Shareholders' Meeting, those attending may decide to extend its sessions for one or more consecutive days.*
- (ii) *After the holding of the Shareholders' Meeting has been extended, it shall not be necessary at successive sessions to repeat compliance with the requirements stipulated by the Law or in the Corporate Bylaws in order for it to be validly convened. If any shareholder included on the list of attendees drawn up at the beginning of the meeting subsequently fails to attend successive sessions, the majorities necessary for the adoption of resolutions shall continue to be those determined at the sessions having regard to information derived from that list.*

### **15.8 Voting**

*Each share confers the right to one vote pursuant to the Bylaws, subject to the limitations contained therein in accordance with the mandate under the Electricity Industry Law and under Additional Provision No. 3 of Law 17/2007.*

*The Chairman shall put to a separate vote those matters which are substantially independent, so that the shareholders can express their voting preferences separately. In particular, the following shall be put to a separate vote:*

- (i) *the appointment, ratification or removal of each Director; and*
- (ii) *in the event of an amendment of the Bylaws, each Article or group of Articles which are substantially independent.*

*The Chairman shall decide on the most appropriate method for voting in each case, which he shall announce publicly at the Shareholders' Meeting sufficiently in advance of the vote.*

*However, the following deductive methods may be adopted to expedite voting:*

- (i) *In voting on the Board's proposals relating to items included on the agenda, to treat as votes for those of all shares present, except for votes against, blank votes and any abstentions which were expressly declared by notification to the Secretary of the Shareholders' Meeting, or, if appropriate, to the notary present at the Meeting, in such manner as may be decided by the Chairman.*
- (ii) *In voting on proposed resolutions relating to items not included on the agenda or alternative proposals to those of the Board, to treat as votes*

*against those of all shares present, except for votes for, blank votes and any abstentions which were expressly declared by notification to the Secretary of the Shareholders' Meeting, or, if appropriate, to the notary present at the Meeting, in such manner as may be decided by the Chairman.*

*In the foregoing two cases, the declaration or casting of votes by notification to the Secretary or, if appropriate, to the notary, may be done individually in relation to each of the items on the agenda, or collectively for some or all of them. The Secretary shall furnish the Chairman with the list of the scrutineers drawn up together with the notary, if the latter was involved, with the result of the vote on each proposal. The list of votes counted must record all votes, indicating the voter's identity, the capacity in which he cast the vote (shareholder or proxy-holder) and whether he voted for or against or, if appropriate, his abstention. The notary, if any, shall record this in the minutes in the same way.*

*Shareholders entitled to attend and vote may cast their vote on the proposals relating to items included on the agenda by postal or electronic correspondence or by any other means of remote communication, provided that the identity of the individual exercising his right to vote and the security of the electronic communications are duly guaranteed, in accordance with the provisions of the applicable legislation, as well as of the Corporate Bylaws, the Regulations of the Shareholders' Meeting and such supplemental rules and rules implementing the aforementioned Regulations as may be approved by the Board of Directors.*

*Votes by postal correspondence shall be cast by sending the Company a document in which the vote is recorded, accompanied by the attendance card issued by the entity or entities in charge of keeping the record of book entries or, if appropriate, by the Company.*

*Votes by electronic communication shall be cast using a recognized electronic signature or such other kind of safeguard as the Board of Directors considers suitable to ensure the authenticity and the identity of the shareholder exercising the right to vote.*

*A vote cast by any of the means described in the previous two paragraphs must be received by the Company before midnight (24:00) on the day immediately prior to that set for holding the Shareholders' Meeting on first call. Otherwise, the vote shall be deemed not to have been cast.*

*The Board of Directors, having regard to the technical and legal bases making it possible and duly guaranteeing the identity of the individual exercising his right to vote, is authorized to implement the foregoing provisions by establishing the appropriate rules, means and procedures according to the state of the art with a view to instrumenting the casting of votes and the grant of proxies by electronic means, in compliance with any legislation which may be made for this purpose.*

*In particular, the Board of Directors may regulate the use of alternative safeguards to the electronic signature for the casting of an electronic vote and reduce the advance period for the Company's receipt of votes cast by postal or electronic correspondence or by any other means of remote communication, in accordance with the provisions of the previous paragraphs.*

*In any event the Board of Directors shall take the necessary measures to avoid duplications and to ensure that the person who cast the vote was duly entitled to do so in accordance with the provisions of Article 15 of the Corporate Bylaws.*

*Any implementing provisions adopted by the Board of Directors under the provisions of this Article, as well as the means, procedures and forms established for granting a proxy and exercising the right to vote remotely shall be posted on the Company website.*

*Personal attendance at the Shareholders' Meeting by the shareholder or by his proxy-holder shall constitute the revocation of the vote cast by postal or electronic correspondence or by any other means of remote communication.*

#### **15.9 Adoption of resolutions**

*Resolutions shall be adopted by a majority of the votes, unless the Law requires a greater majority.*

*For each resolution submitted to a vote the Shareholders' Meeting must determine, at minimum, the number of shares with respect to which valid votes have been cast, the proportion of the capital stock represented by such votes, the total number of valid votes, the number of votes for and against each resolution and, as the case may be, the number of abstentions.*

#### **15.10 Closing of the meeting**

*Once all the items on the agenda have been debated and any relevant voting held, the Chairman shall bring the Meeting to a close.*

#### **15.11 Publication of resolutions on the website**

*The resolutions approved and the result of the voting shall be published in full on the Company website within the five days following the end of the Shareholders' Meeting."*

### **PROPOSED RESOLUTIONS RELATING TO ITEM NINE ON THE AGENDA:**

#### **AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS FOR THE DERIVATIVE ACQUISITION OF TREASURY STOCK:**

As in previous years, it is proposed to the shareholders to renew the authorization granted by the Annual Shareholders' Meeting to the Board of Directors in previous years for the derivative acquisition of treasury stock by the Company or by companies of the Red Eléctrica Group, and for the direct award of treasury stock to employees and Executive Directors of the Company and of the companies of the Red Eléctrica Group, as compensation, with the limits contemplated in the proposal.

In addition, as a separate subitem on the agenda within this item, it is also intended to establish a Compensation Plan for members of Senior Management and the Executive Directors of Red Eléctrica Corporación, S.A., which may be extended to companies in its Consolidated Group, allowing part of their annual compensation to be awarded in

the form of Company shares, on the same terms as last year. This Plan requires the establishment of a number of basic conditions which are included in the relevant proposed resolution.

As a result, the following resolutions are proposed, for submission to the Shareholders' Meeting:

**One.- Authorization for the derivative acquisition of treasury stock by the Company or by companies of the Red Eléctrica Group, and for the direct award of treasury stock to employees and Executive Directors of the Company and of the companies of the Red Eléctrica Group, as compensation**

To authorize, pursuant to the provisions of Article 146 and related provisions of the Corporate Enterprises Law and other applicable legislation, the derivative acquisition of treasury stock of Red Eléctrica Corporación, S.A. by the Company itself and by the companies in the Red Eléctrica Group, directly or indirectly, and to the extent that the Board of Directors deems it advisable under the circumstances, provided that the following conditions are met:

- (i) The maximum number of shares to be acquired must not exceed the established legal limit, provided that the other applicable legal requirements can also be fulfilled.
- (ii) Acquisitions cannot be made for a consideration higher than the market value of the shares at the time of acquisition, or for a consideration lower than 50% of the market price at that time.
- (iii) The methods of acquisition may consist of sale and purchase, swap or any other type of transaction for consideration or for no consideration, as the circumstances so dictate. In the case of acquisition for no consideration, pursuant to the provisions of Article 146.4 of the Corporate Enterprises Law, the shares acquired may be partially paid-in.
- (iv) Pursuant to the provisions of Article 146.1 b) of the Corporate Enterprises Law, the acquisition, including any shares previously acquired by the Company and held as treasury stock, may not have the effect of leaving net worth below the amount of capital stock plus legal reserves or restricted reserves pursuant to the bylaws.

For these purposes, 'net worth' will be considered the amount classed as such pursuant to the criteria used to prepare the financial statements, reduced by the amount of income attributed directly to same and increased by the amount of uncalled subscribed capital stock, as well as by the nominal amount and the subscribed additional paid-in capital recorded for accounting purposes as shareholders' equity.

In accordance with paragraph three of Article 146.1 a) of the Corporate Enterprises Law, the Board of Directors of the Company may use some or all of the treasury stock acquired under this authorization and the treasury stock already owned by the Company on the date of approval of this resolution to implement compensation programs consisting of the direct award of shares to employees and Executive Directors of the Company and of the companies belonging to the Red Eléctrica Group.

For all of the foregoing, an authorization as broad as may be necessary is granted to the Board of Directors to request all such authorizations and adopt all such resolutions as may be necessary or appropriate for compliance with the legislation in force, and the implementation and successful outcome of this resolution.

The term of this authorization will be five (5) years as from the date of this Shareholders' Meeting.

## **Two.- Approval of a Compensation Plan for members of Management and the Executive Directors of the Company and of the companies of the Red Eléctrica Group**

To approve the participation of members of Management and Executive Directors of the Company and companies belonging to the Red Eléctrica Group in a compensation system whereby part of their compensation may be awarded in the form of Company shares.

The main characteristics of this system are as follows:

- Beneficiaries: members of Management and Executive Directors of the Company and members of management of the companies belonging to the Red Eléctrica Group.
- Voluntary nature: adhesion to the compensation plan is voluntary for participants.
- Maximum limit: the maximum amount of compensation that may be received in shares is €12,000 per participant, per year.
- Award date: the shares will be awarded within the term of this authorization.
- Number of shares to be received by each participant: calculated according to the amount of the compensation, with a maximum limit of €12,000 per year, and the price of the share at the close of trading on the award date.
- Maximum number of shares authorized: the maximum total number of shares to be awarded will be that resulting from the share value at the close of trading on the award date and the amount of the total compensation paid using this method of all participants, with the aforementioned limit of €12,000 per participant, per year.
- Share value: the share price of Red Eléctrica Corporación, S.A. at close of trading on the award date.
- Origin of the shares: the shares will come from treasury stock, new or existing, either directly or through companies of the Red Eléctrica Group.
- Term: this compensation system will apply for the next eighteen (18) months.

### **Three.- Revocation of previous authorizations**

To revoke and render ineffective the authorization for the derivative acquisition of treasury stock granted to the Board of Directors by the Annual Shareholders' Meeting held on April 13, 2011.

## **PROPOSED RESOLUTIONS RELATING TO ITEM TEN ON THE AGENDA:**

### **COMPENSATION OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A.:**

#### **One.- Approval of the Annual Report on Directors' Compensation at Red Eléctrica Corporación, S.A.**

The Annual Report on Directors' Compensation is submitted for approval to the Annual Shareholders' Meeting in accordance with the provisions of Article 61 ter of the Securities Market Law, as well as with the reporting requirements for foreign investors and their advisers, and the most recognized national and international corporate governance practices.

<p><b><i>ANNUAL REPORT ON THE COMPENSATION OF THE DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A.</i></b></p>
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This report on the compensation of the Directors of Red Eléctrica Corporación, S.A. has been prepared, in terms of its structure and contents, in light of the new Article 61 ter of the Securities Market Law, the reporting requirements for and requests for information from foreign investors and their advisers, and the most accepted national and international practices in the area of Corporate Governance.

Supplementary information has also been included on the remuneration of senior management.

In addition, a section "D" has been included to make mention of certain facts and resolutions that have taken place recently or will take place simultaneously or subsequently to the drafting of this report and which affect its content.

#### **A. COMPENSATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS (2012)**

##### **A.1 Compensation policy of the Company**

In the current economic climate, transparency regarding the compensation of members of the Boards of Directors of listed companies has become a key



issue, among other reasons, due to the repercussion that such information may have on the stock markets. This concern has given rise to increased regulatory activity at national and international level.

Both the Unified Good Governance Code approved by the National Securities Market Commission on May 19, 2006 and the European Commission Recommendation of December 14, 2004, for the fostering of an appropriate regime for the remuneration of directors of listed companies, advise that the Boards of Directors of such companies should adopt resolutions relating to the Board compensation policy, at the proposal of the corresponding Appointments and Compensation Committees.

In Spain, a significant part of the contents of these recommendations has been included in Article 61.ter of Securities Market Law 24/1988, of July 28, 1988, as amended by Sustainable Economy Law 2/2011, of March 4, 2011.

In recent years, the Corporate Responsibility and Governance Committee of Red Eléctrica Corporación, S.A. (hereinafter, “Red Eléctrica” or the “Company”) has played a key role in establishing, reviewing and applying the Red Eléctrica compensation policy and each one of the items making up the policy and has taken into account the above-mentioned recommendations when proposing the annual compensation of Company Directors to the Board of Directors.

Particularly noteworthy in this regard is the fact that the Board of Directors has resolved for a number of years now to submit, as two separate items on the agenda, and on a binding basis, both the compensation of the Board of Directors and the annual report on the Board compensation policy for approval to the Annual Shareholders’ Meeting.

#### **A.1.1 Composition of the Board of Directors**

In order to adequately describe the compensation policy for the Directors of Red Eléctrica it is necessary to know the composition of the Board.

As established in Article 20 of the Corporate Bylaws of Red Eléctrica, the Board of Directors shall be formed by at least nine and not more than thirteen members, with the exact number to be determined by the Shareholders’ Meeting. The Board currently has eleven members.

The term of office is four years and Directors may be reappointed for successive periods of equal duration.

At the date of preparation of this report, the Board of Directors of Red Eléctrica is made up of ten External Directors (three Nominee Directors and seven Independent Directors) and a single Executive Director (the Chairman).

In relation to the regime applicable to the Board of Directors, Article 20 of the Corporate Bylaws of Red Eléctrica establishes that:

*“The Board of Directors shall be formed by at least nine (9) and not more than thirteen (13) members, who shall be designated by the Shareholders’ Meeting. The Shareholders’ Meeting shall set the final number of Directors within the aforesaid maximum and minimum limits.*”

*When selecting the Directors, regard shall be had to the Company's capital composition and structure. It shall be sought to have External Directors (Independent and Nominee) represent a broad majority. In any case, the Board shall be composed in such a way as to ensure that the capital stock is most suitably represented.*

*The Directors appointed shall hold office for four years and may be reappointed indefinitely, notwithstanding the power of the Shareholders' Meeting to remove them at any time.*

*Directors need not be Company shareholders or members, except in the case stipulated in Article 244 of the Corporate Enterprises Law. Both individuals and legal entities may be appointed as Directors.*

*Directors shall be elected in observance of Article 243 of the Corporate Enterprises Law and supplemental provisions.*

*Persons who, pursuant to the Law, are incompatible cannot be Directors.*

*The compensation of the Board of Directors shall consist of a fixed monthly fee for the attendance of Board meetings and a share in the Company's income. Overall annual compensation for the entire Board and for the foregoing items shall be equal to 1.5% of the Company's net income, approved by the Shareholders' Meeting. The foregoing compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating its amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely determines. Pursuant to Article 218.2 of the Corporate Enterprises Law, compensation in the form of a share in income may only be received by Directors after the provisions to the legal and bylaw reserves have been covered and the shareholders have been recognized a dividend of not less than 4%.*

*Compensation consisting of the award of shares or stock options or compensation linked to share value shall require a resolution of the Shareholders' Meeting, which must state the number of shares to be awarded, the price for exercising the options, the share value taken as a reference and the term of this compensation system.*

*The compensation stipulated in this Article shall be compatible with and independent of salaries, wages, severance pay, pensions or compensation of any kind established generally or individually for members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors.*

*The members of the Board of Directors shall discharge their office and their functions with the diligence of an organized businessman and loyal representative, and must at all times be faithful and loyal to the Company's interests and comply with the duty of secrecy pursuant to the Law and to these Bylaws."*

The following table gives details of all of the members of the Board of Directors, specifying the type of Director, the date of their appointment and the

positions they hold on the Board:

Name of Director	Type of Director	Position on the Board	Date of first appointment	Date of last appointment by the Shareholders' Meeting
Luis Maria Aienza Serna <sup>(1)</sup>	Executive	Chairman	07.08.04	05.21.09
Antonio Garamendi Lecanda	Independent <sup>(2)</sup>	Member	07.20.99	05.22.08
Manuel Alves Torres	Nominee	Member	10.26.99	05.22.08
Rafael Suñol Trepas <sup>(3)</sup>	Nominee	Member	12.16.04	05.21.09
María Ángeles Amador Millán	Independent	Member	05.26.05	05.21.09
Francisco Javier Salas Collantes	Independent	Member	06.28.05	05.20.10
José Folgado Blanco <sup>(1)</sup>	Independent	Member	05.22.08	05.22.08
Arantza Mendizábal Gorostiaga	Independent	Member	05.22.08	05.22.08
María Jesús Alvarez González	Nominee	Member	05.22.08	05.22.08
Rui Manuel Janes Cartaxo	Independent	Member	05.20.10	05.20.10
Miguel Boyer Salvador	Independent	Member	05.20.10	05.20.10

<sup>(1)</sup> The Board of Directors of Red Eléctrica resolved to remove Mr. Luis Maria Aienza as Chairman of the Board of Directors and Chief Executive at the meeting held on March 8, 2012. At the same meeting, the Board of Directors approved the appointment of the Director José Folgado Blanco as Chairman of the Board of Directors and Chief Executive of the Company

<sup>(2)</sup> Until the end of his mandate, which expires in April/May 2012.

<sup>(3)</sup> The Board of Directors, at the meeting held on February 27, 2012, resolved to accept the resignation submitted by Rafael Suñol Trepas, from his position as Nominee Director on behalf of the State-Owned Industrial Holdings Company (SEPI).

### **A.1.2 Principles and general grounds of the compensation policy**

In accordance with the provisions of Article 20 of the Corporate Bylaws, the office of Director is remunerated.

Pursuant to the Bylaws and the regulatory framework that regulates the compensation of the members of the Board of Directors of Red Eléctrica Corporación S.A., their compensation is made up of the following compensation items and criteria:

1. Fixed fees for attendance at and dedication to the Board.
2. Compensation linked to the results of the Company.
3. Compensation for dedication to the Board Committees.

Overall annual compensation for the entire Board and for the above items shall be 1.5 percent of the Company's net income, approved by the Shareholders' Meeting. The above compensation is, in all cases, a maximum

figure and the Board itself shall be in charge of allocating the amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely deems.

Article 22 of the Corporate Bylaws provides that:

*“The Board shall act in plenum or in committees which may be set up on a permanent basis or for a specific matter, with delegated and executive powers, or powers to research, advise or propose. Pursuant to the Law and to these Bylaws, there must be an Audit Committee and a Corporate Responsibility and Governance Committee, notwithstanding any other name they may be ascribed by the Board of Directors from time to time, with the functions indicated in the following Articles. Additionally the Board shall set up, having regard to the recommendations on corporate governance from time to time in force, such other committees as it deems suitable to the Company’s optimum organization and operation.”*

Accordingly, Board members receive compensation for their attendance at and dedication to Board Committees and such amounts must be approved annually by the Board, within the limits established by the law, the Bylaws and the regulations

When drafting the proposed compensation policy for 2012, both the Corporate Responsibility and Governance Committee and the Board have taken into account the current situation of economic crisis in the capital markets worldwide and have decided to maintain in 2012 the attendance fees for Board and Board Committee meetings established for 2011 with no changes whatsoever to the amount or conditions thereof, without prejudice to the overall compensation for all items in 2012 which, pursuant to the provisions of the Bylaws, will be established in due course by the Board of Directors and by the Shareholders' Meeting.

As part of the principles of the compensation policy, the Corporate Responsibility and Governance Committee of Red Eléctrica, in line with the best international corporate governance practices, plans to reinforce the mechanisms so that the compensation policy is in keeping with the Company's long-term values and objectives, avoiding the assumption of excessive risks by Directors and ensuring that formulas are included in order to seek the return or reduction of the variable compensation (claw-back clauses) where such components are paid on the basis of information that is later clearly shown to be false or seriously inaccurate.

As in previous years, the Board compensation policy is guided by the following basic principles:

- Moderation
- Link to actual dedication.
- Link to the Company’s performance.
- To act as an incentive but without conditioning Directors’ independence

- (particularly in the case of Independent Directors).
- Transparency.
  - Compatibility with, and independence from, the habitual risk coverage established by the Company for attendance at meetings and performance of their functions by Directors.
  - Alignment with habitual practices at listed companies.
  - Approval of the Board compensation by the Shareholders' Meeting.
  - Approval of the annual report on Directors' compensation by the Shareholders' Meeting, on a binding basis.

### **A.1.3 Compensation policy applicable to the Chairman in his capacity as Executive Director**

The compensation policy applicable to the Executive Director is in line with the general compensation policy of the Company, adapted according to the level of responsibility and functions inherent in the position, taking in account the following elements, among others:

- A fixed annual component commensurate with the services and responsibilities assumed.
- A variable annual component linked to indicators associated with the achievement of the Company's targets and strategies.
- The possibility of choosing to receive up to €12,000 in Company shares at the share price on the date the shares are awarded, with a charge to the annual variable component or the flexible compensation fund.
- A flexible compensation fund which the Executive Director may distribute among a specific range of products, at his discretion.
- A welfare component, to include the relevant corporate welfare and insurance systems.
- A multi-year variable component as described in section A.4 of this Report.

The compensation for the executive functions of the Chairman is compatible with the compensation he receives as a Director of Red Eléctrica and this is expressly established in Article 20 of the Corporate Bylaws.

The Corporate Responsibility and Governance Committee plays an important role in all matters relating to the compensation policy for senior executives and the Executive Director of the Company, and is the body that proposes such compensation to the Board.

The determination of the amount of these compensation items is guided by market conditions and takes into account the responsibility and level of commitment entailed by the functions and responsibilities to be performed and taken on by the Executive Director.

#### **A.1.4 Compensation components of the Chairman in his capacity as Executive Director**

The envisaged gross amounts to be paid to the Chairman in 2012, in his capacity as Executive Director, and in respect of fixed and variable compensation, are described below.

The envisaged total amount of the fixed compensation and the flexible compensation is €429,000, broken down as follows:

- Fixed compensation: €399,000.
- Flexible compensation, which enables him to allocate some or all of a compensation fund to different compensation in kind products. The maximum estimated amount of the flexible compensation fund in 2012 is €30,000.

The envisaged annual and multi-year variable compensation is as follows:

- Annual variable compensation, up to a maximum of €199,000, where 100% of the established targets are met. This sum represents 50% of the fixed compensation and 31.75% of the total gross annual compensation.

In any case, receipt of the variable compensation indicated in this section is conditional upon the achievement of the targets previously established by the Board of Directors, through the Corporate Responsibility and Governance Committee.

- Multi-year variable compensation:

Linked to the compensation plan for the 25th anniversary of the Company (2009-2013 "*Plan Extraordinario 25º aniversario*") as a management tool and an incentive for fulfilling the five-year Strategic Plan, the characteristics and conditions of which are detailed in section A.4.4 of this Report.

It takes into account quantifiable and pre-determined objective criteria which are in keeping with the Company's Strategic Plan, and the establishment and assessment of the criteria falls to the Corporate Responsibility and Governance Committee.

Where 100% of the targets established for such purpose are met, the amount of the incentive to be received by the Executive Director may reach a maximum of 1.8 times the annual fixed compensation.

In relation to the configuration of the items making up the compensation of the Executive Director, the Corporate Responsibility and Governance Committee of Red Eléctrica carries out a periodic analysis of their suitability, based on the functions performed and responsibilities assumed by the Executive Director, the principle of wage moderation and the link to the Company's performance.

## **A.2 Process for determining the compensation policy and role of the Corporate Responsibility and Governance Committee**

### **A.2.1 Composition of the Corporate Responsibility and Governance Committee**

The Regulations of the Board of Directors and the Corporate Bylaws of Red Eléctrica establish that the Corporate Responsibility and Governance Committee shall be formed by a minimum of three and a maximum of five Directors, the majority being External Directors, and at least one half of its members being Independent Directors. At the date of approval of this Report, the composition of the Committee is as follows:

- Antonio Garamendi Lecanda (Chairman – Independent Director <sup>(2)</sup>).
- Maria Ángeles Amador Millán (Member – Independent Director).
- Luis Maria Atienza Serna (Member – Executive Director <sup>(1)</sup>).
- Manuel Alves Torres (Member – Nominee Director).

<sup>(1)</sup> The Board of Directors of Red Eléctrica resolved to remove Mr. Luis Maria Atienza as Chairman of the Board of Directors and Chief Executive at the meeting held on March 8, 2012.

<sup>(2)</sup> Until the end of his mandate, which expires in April/May 2012.

The members of the Committee are appointed by the Board of Directors for a period of three years at the proposal of the Chairman of the Board of Directors following a report by the Corporate Responsibility and Governance Committee.

The Executive Director and Chairman of the Company, Mr. Luis Maria Atienza Serna, is a member of the Committee by unanimous decision of the Board of Directors, which considers his presence on the Committee to be of special interest, without prejudice to his abstaining or absenting himself during discussion of any matters that could affect him personally or give rise to a conflict of interest.

In the context of the ongoing process to strengthen the corporate governance

policies carried out by the Board of Directors and the Corporate Responsibility and Governance Committee of Red Eléctrica Corporación, S.A., and with a view to keeping the Company at the forefront of the best international corporate governance practices, the Corporate Responsibility and Governance Committee is reassessing the appropriateness of whether or not the Executive Director should remain a member of the Corporate Responsibility and Governance Committee and, therefore, the appropriateness of having the Committee entirely composed of External Directors.

### **A.2.2 Functions of the Corporate Responsibility and Governance Committee**

In accordance with the authorization contained in the Corporate Bylaws of Red Eléctrica, the basic responsibility of the Corporate Responsibility and Governance Committee as regards compensation is to propose the compensation policy for Directors and senior managers to the Board of Directors and ensure its observance

Article 16 of the Board Regulations sets out the above-mentioned basic responsibility in the context of the authorization under Article 24.2 of the Company Bylaws, attributing the following compensation functions to the Corporate Responsibility and Governance Committee:

- a) *To propose to the Board:*
  - i) *the compensation policy applicable to Directors and Senior Managers of the Company and of Red Eléctrica de España, S.A. (Sole-Shareholder Company);*
  - ii) *the individual compensation of Executive Directors and the other terms of their contracts;*
  - iii) *the basic terms of the contracts of Senior Managers of the Company and of Red Eléctrica de España, S.A. (Sole-Shareholder Company).*
- b) *To consult the Chairman of the Company, especially where dealing with matters relating to Executive Directors and Senior Managers of the Company and of Red Eléctrica de España, S.A. (Sole-Shareholder Company).*
- c) *To ensure compliance with the Company's compensation policy.*

### **A.2.3 Meetings of the Corporate Responsibility and Governance Committee**

The Committee meets as often as is appropriate for the sound performance of its functions and, in all cases, at least once every quarter, as required by the Board Regulations, whenever called by its Chairman or so requested by two of its members, and whenever the Board of Directors or its Chairman requests that a report be issued or proposals be adopted.



The Committee shall meet on any other occasions that are appropriate in order to consider the suggestions made by the Chairman, the members of the Board of Directors, the executives of the Company and of Red Eléctrica de España, S.A. (Sole-Shareholder Company) or Company shareholders in matters affecting the appointment of Directors, including Managing or Executive Directors, and compliance with corporate governance principles, the Corporate Bylaws and the Board Regulations.

According to the schedule established for 2012, the Corporate Responsibility and Governance Committee will hold at least ten meetings during the year, without prejudice to any special meetings that may be held in the same period. As in 2010, the Committee met eleven times in 2011.

#### **A.2.4 External advice**

In accordance with the provisions of the Board Regulations, in order to better perform its functions the Corporate Responsibility and Governance Committee may request that the Board of Directors engage independent advisers (legal, accounting, financial or other experts) at the expense of the Company.

For the design and implementation of the compensation policy set out in this Report and for assistance with its drafting, Red Eléctrica has received advice and collaboration from J&A Garrigues, S.L.P.

### **A.3 Amount and nature of the fixed compensation components**

In relation to the 2012 compensation, the Board of Directors, at the meeting held on December 22, 2011, resolved, at the proposal of the Corporate Responsibility and Governance Committee, to maintain in 2012 the attendance fees for Board and Board Committee meetings established for 2011 with no changes whatsoever to the amount or conditions thereof, without prejudice to the overall compensation for all items in 2012 which, pursuant to the provisions of the Bylaws, will be established in due course by the Board of Directors and subsequently submitted for approval, with binding effects, to the Annual Shareholders' Meeting.

The above-mentioned compensation apply as from January 1, 2012.

The estimated amount of the fixed compensation of the Board of Directors in 2012 is set out below, in thousands of euros, and broken down according to the following criteria:

- a) Fixed compensation of the members of the Board of Directors:
- Fixed fees for attendance at Board meetings and dedication to the Board:

Executive (1 Director) .....	56
External Nominee (3 Directors) .....	168

External Independent (7 Directors).....	392
<b>Total .....</b>	<b>616</b>

- Compensation for dedication to the Audit Committee (3 Directors): 87.
- Compensation for dedication to the Corporate Responsibility and Governance Committee (4 Directors): 116.

b) Fixed compensation of the Executive Director:

The envisaged total amount of the fixed compensation and the flexible compensation is €429,000, of which €399,000 correspond to fixed compensation and €30,000 correspond to flexible compensation, as set out in section A.1.4 above. The fixed compensation of the Executive Director remains unchanged since 2008.

#### **A.4 Amount, nature and principal characteristics of the variable compensation components**

##### **A.4.1 Annual variable compensation system**

The variable compensation system is described below:

a) Variable compensation of the Board of Directors:

Directors receive annual variable compensation linked to the achievement of the strategies and targets established by the Board of Directors at the start of the year, at the proposal of the Corporate Responsibility and Governance Committee, and linked to the actions provided for in the Company's Strategic Plan. The level of achievement will be assessed at the end of the year by the Corporate Responsibility and Governance Committee and, at the proposal of the Committee, the Board of Directors will propose the variable compensation of the Board and the overall Board compensation for 2012 to the Shareholders' Meeting that is held in 2013 and approves the 2012 financial statements.

In recent years, despite the positive results posted by the Company, and in view of the current crisis, the variable compensation of the Board of Directors has not increased in proportion to such results, as would have been appropriate following their assessment, but rather has been set at the amount necessary to maintain unchanged the overall compensation of the Board that has been in effect since 2007.

b) Variable compensation of the Executive Director:

Notwithstanding his compensation as a Director, the annual variable compensation of the Executive Director as Chief Executive is configured

as additional and supplementary to his fixed compensation, and will be subject to the achievement of the targets established by the Board of Directors before the start of each year.

In this regard, the percentage set as variable compensation for the achievement of 100% of the targets established for 2012 in relation to the basic strategies amounts to 50% of the fixed compensation, giving a maximum gross amount of €199,585.

In accordance with Red Eléctrica's compensation policy, the variable compensation of the Executive Director is linked to the achievement of quantifiable and pre-determined targets in keeping with the Company's Strategic Plan.

#### **A.4.2 Targets for receipt of the annual variable compensation**

Receipt of the annual variable compensation by the Directors and by the Executive Director for their functions as such is conditional upon the achievement of the targets established by the Board of Directors at the start of the year, at the proposal of the Corporate Responsibility and Governance Committee.

The quantifiable and pre-determined targets set for 2012 concern the following actions provided for in the Strategic Plan:

- The level of consolidated EBITDA of the Red Eléctrica Group.
- Consolidated income of the Red Eléctrica Group.
- Progress in other actions contemplated in the Strategic Plan.

#### **A.4.3 Annual variable compensation in shares**

In accordance with the provisions of Article 20 of the Corporate Bylaws, the Shareholders' Meeting may resolve that Directors can be beneficiaries of compensation systems consisting of the award of shares or stock options, or of any other compensation systems linked to share value.

Notwithstanding the above, Article 27.3 of the Board Regulations reserves compensation through the award of Company shares to Executive Directors and therefore Directors may not be compensated by way of the award of shares of Red Eléctrica.

In this regard, on April 13, 2011, the Shareholders' Meeting approved the participation of members of management and of the Executive Director of the Company – as for all other Company employees – in a compensation system based on the award of shares of Red Eléctrica. This system enables the beneficiaries to voluntarily allocate part of their gross annual variable compensation or flexible compensation fund to the award of Company shares, with an annual limit of twelve thousand euros (€12,000). This item does not entail a greater cost for the Company.

#### **A.4.4 Multi-year variable compensation**

On April 23, 2009, the Corporate Responsibility and Governance Committee approved a compensation plan for executives (2009-2013 “*Plan Extraordinario 25º aniversario*”), including the Executive Director, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan will be assessed at the end of its term, that is, in 2014.

Where 100% of the targets established for such purpose are met, the amount of the incentive to be received by the Executive Director may reach a maximum of 1.8 times the annual fixed compensation.

A minimum level of overall achievement of the targets has been set, below which the Executive Director and the executive beneficiaries of the Plan will not be entitled to receive any incentive whatsoever.

As with the annual targets, this plan takes into account quantifiable and pre-determined objective criteria which are in keeping with the vision of the Company’s Strategic Plan, and the Corporate Responsibility and Governance Committee is responsible for establishing and assessing the targets. In line with the Company’s 2009-2013 Strategic Plan, these targets concern the following key actions:

- Acquisition of electricity transmission system assets from electricity companies for less than a pre-determined value.
- Investment of a specific amount in the electricity transmission system in the period 2009-2013.
- Start-up of the electricity interconnection with the Balearic Islands prior to a date set at the start of the multi-year variable compensation program.
- Completion of a certain level of progress with the electricity interconnection project with France.
- Obtainment of a certain level in the system operation quality indicators in the period 2009-2013.
- Achievement of a certain level of operating return on electricity transmission assets in the period 2009-2013.

#### **A.5 Principal characteristics of long-term savings plans**

The Executive Director participates in the pension plan established by the Company on the same terms as the other members of the Red Eléctrica Management Committee.

This plan, a long-term savings instrument, is a defined-contribution occupational pension plan in which participants decide on the level of contribution between 1% and 3% of the regulating salary. The sponsor of the pension plan, the Company, also contributes an amount equal to that chosen by each participant to the plan. With respect to the Executive Director, the additional amount paid by the sponsor does not entail a higher cost for the Company since it already forms part of his flexible compensation fund.

## **A.6 Severance agreed or paid in the event of termination of functions as Director**

There is no agreed severance in relation to the termination of a Director's relationship with the Company, without prejudice to the severance established for the Executive Director on the terms established in section A.7 below.

## **A.7 Characteristics of the contract binding the Executive Director to Red Eléctrica**

The contract regulating the performance of the senior management functions executed between the Executive Director and Red Eléctrica includes the clauses customarily included in this type of contract.

In particular and without limitation, this contract includes clauses on the following essential aspects:

- Term of the contract.
- Compensation.
- Working conditions.
- Confidentiality.

In addition to the confidentiality established in the contract, the Executive Director is bound by the duty of confidentiality established in Article 29.1 of the Board Regulations. In accordance with that Article, he must maintain secrecy regarding the deliberations of the Board of Directors and the Committees of which he is a member and, in all cases, must refrain from disclosing any information, data, reports or background information to which he may have access in the discharge of his office. The confidentiality obligation will subsist even after he has vacated office.

- Additional regulations.
- Severance clause.

The agreed severance for the early termination of the contractual relationship between the Executive Director and Red Eléctrica amounts to one year's pay received on the date of termination.

- Noncompetition

In his capacity as a Director of Red Eléctrica, the Chairman has a noncompetition undertaking with the Company on the terms on which this obligation is regulated for Company Directors under Article 29.2 of the Board Regulations.

Notwithstanding the above, no right to indemnification has been established in the Executive Director's contract for this post-contractual noncompetition undertaking.

### **A.8 Supplementary compensation earned by Directors for services other than those inherent in their office**

Directors do not receive any supplementary compensation for services other than those inherent in their office.

In addition, the Executive Director does not receive any supplementary compensation for services other than those inherent in his office that have not been described in this Report.

### **A.9 Other compensation**

At the date of approval of this Report, there were no loans, advances or guarantees established by the Company in favor of members of the Board of Directors reflected on the balance sheet. There were also no pension liabilities incurred vis-à-vis members of the Board of Directors.

The Directors have not received any other compensation items in addition to those set out in this Report.

### **A.10 Compensation policy for senior executives**

Up to the date of this Report, the individuals who occupy senior executive positions at the Company in 2012, excluding the Executive Director, are as follows:

<u>Name</u>	<u>Position</u>
Carlos Collantes Pérez-Ardá.....	Director-General of Transmission
Esther Maria Rituerto Martínez.....	Director-General of Finance and Administration
Alberto Carbajo Josa.....	Director-General of System Operation

The purpose of the compensation policy applicable to this group is to act as an incentive for the achievement of the strategic targets of value creation at the Company by attracting, retaining and motivating the best talent available in the market.

As can be observed in the annual reports on the Board compensation policy approved by the Board of Directors and by the Annual Shareholders' Meeting in recent years, the compensation of senior executives of the Company reflects the principles of moderation and actual dedication and is linked to the results of the Company.

The items making up the annual compensation applicable to senior executives under this policy are:

1. Annual fixed compensation.
2. Annual variable compensation.
3. Multi-year variable compensation.
4. Compensation in kind.

The annual variable compensation is linked to quantifiable and measurable objectives that were set by the Corporate Responsibility and Governance Committee at the start of the year and will be monitored every quarter. The Corporate Responsibility and Governance Committee will also be responsible, in early 2013, for evaluating the level of achievement of the targets previously set for 2012. These targets related to the strategies and criteria established in the Strategic Plan approved at the end of 2011 by the Board of Directors.

The amount of the total annual compensation of these executives is included in the Financial Statements, in the Annual Corporate Governance Report and in the Annual Report on Directors' Compensation. The Annual Shareholders' Meeting held in 2013 will be responsible for approving, as the case may be, the annual information relating to 2012.

In 2009, a multi-year variable compensation plan for executives (2009-2013 "*Plan Extraordinario 25º aniversario*") was established, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the senior executives, will be assessed at the end of its term in 2014. The characteristics and conditions of the program are detailed above in section A.4.4 of this Report.

As in previous years, in 2012 there are safeguard or golden parachute clauses for dismissal in favor of two of these executives. These clauses are in keeping with the provisions of the applicable labor legislation, although they provide for minimum indemnification of two years' salary, unless the applicable labor legislation provides for a higher amount. The contracts containing these clauses were approved by the Appointments, Compensation and Corporate Governance Committee (now called the Corporate Responsibility and Governance Committee) and they were duly notified to the Board of Directors.

## **B. COMPENSATION POLICY OF THE COMPANY FOR FUTURE YEARS (2013 ONWARDS)**

### **B.1 Compensation policy for future years**

The compensation system established by Red Eléctrica for the members of the Board of Directors and detailed in this Report shall apply for the year in progress in implementation of the resolutions adopted for such purpose by the relevant corporate bodies, as explained in this Report, and shall continue to be applied, in general, in future years, unless the relevant corporate bodies decide on a new system in the light of circumstances that make it advisable.

In accordance with the foregoing, the compensation policy for the Board of

Directors in the coming years shall be inspired by the following basic principles:

- Moderation
- Link to actual dedication.
- Link to the Company's performance.
- To act as an incentive but without conditioning Directors' independence (particularly in the case of Independent Directors).
- Transparency.
- Compatibility with, and independence from, the habitual risk coverage established by the Company for attendance at meetings and performance of their functions by Directors.
- Alignment with habitual practices at listed companies.
- Approval of the compensation by the Shareholders' Meeting.
- Binding approval of the annual report on Directors' compensation by the Shareholders' Meeting.

In relation to the annual and multi-year variable compensation that may be received by the Directors and Executive Director in the future, the Corporate Responsibility and Governance Committee must ensure that such compensation is linked to quantifiable and pre-determined targets that are in line with the strategies and objectives established by the Board of Directors of the Company.

The compensation plan linked to the 25<sup>th</sup> anniversary of the Company (2009-2013 "*Plan Extraordinario 25º aniversario*") is scheduled to be settled in 2014. Where 100% of the targets established for such purpose are met, the amount of the incentive to be received by the Executive Director may reach a maximum of 1.8 times his/her annual fixed compensation.

The characteristics and conditions of the program are detailed above in section A.4.4 of this Report.

## **B.2 Process of configuration of the envisaged compensation policy for future years**

The Corporate Responsibility and Governance Committee of Red Eléctrica shall continue to play a key role in establishing, reviewing and applying the Red Eléctrica compensation policy and each one of the items making up the policy, taking into account, when establishing the annual compensation policy, the national and international recommendations and legislation approved since 2004.

In exercising its functions, the Corporate Responsibility and Governance



Committee periodically reviews the compensation policy of the Board of Directors and this review involves comparing the compensation policy of Red Eléctrica against the benchmark electricity companies in Europe and Spain. In coming years, the Corporate Responsibility and Governance Committee will continue to carry out these periodic studies in order to check the suitability and moderation of Directors' compensation with respect to the market.

In any case, the Board of Directors will be responsible for proposing directors' compensation within the framework established by the Corporate Bylaws (fixed fees for attendance at Board meetings and dedication to the Board, compensation for dedication to the Board Committees and compensation linked to the annual results of the Company) with a limit of 1.5% of the net income of the Company approved by the Shareholders' Meeting.

In relation to the variable compensation of the Board and of the Executive Director, the Corporate Responsibility and Governance Committee will incorporate quantifiable and pre-determined targets which are in keeping with the objectives and strategies of the Company in the design of future multi-year plans and in the annual variable compensation system and receipt of the variable compensation will be linked to the achievement of such targets. The Committee will also be responsible for the ongoing analysis of the most advanced corporate governance practices concerning compensation matters in order to incorporate those they deem most appropriate at the Company, such as the preparation of a variable compensation policy that enables unpaid amounts to be retained or refunded where such amounts are determined on the basis of information that is clearly shown to be false or seriously inaccurate.

Furthermore, for the purposes of preparing the proposed compensation policy for future years, the Corporate Responsibility and Governance Committee will continue to take into account the situation of the company and the economic and financial climate and, in particular, the economic crisis suffered by capital markets worldwide, which has led the compensation for all Board and Board Committee items to be maintained in recent years with no changes whatsoever to the amount or conditions thereof.

## **C. 2011 COMPENSATION:**

### **C.1 GLOBAL SUMMARY OF HOW THE COMPENSATION POLICY FOR DIRECTORS WAS APPLIED IN 2011**

#### **Principal characteristics of the compensation policy for directors applied during 2011**

- The attendance fees for Board and Board Committee meetings in 2011 were maintained, unchanged, with the same amount and conditions set in 2010, as resolved by the Board of Directors at its meeting of December 16, 2010.
- After evaluating the level of compliance with the strategies and objectives established by the Board of Directors for 2011 before the start of the year and in reference to: i) the level of investment in the system; ii) operating income; iii) system operation quality; iv) the integration of systems acquired

in 2010; v) the strength of the financial structure; and (vi) excellence in management, as well as the estimated year-end results, which represent growth of around 18.0%, the Corporate Responsibility and Governance Committee considered that an increase in the variable component of the Board compensation would be justified, according to the valuation and quantification carried out by the Committee.

However, given the current social and economic climate, the Board of Directors, at the proposal of the Corporate Responsibility and Governance Committee, resolved to maintain the overall compensation of the Board of Directors on the terms established, overall, for 2010 and, as a result, to set the variable component of the compensation, determinable according to the Company's results, at the amount necessary to maintain the overall compensation that has applied since 2007.

- The Board of Directors of Red Eléctrica, at its meeting on December 22, 2011, approved the following resolution proposed by the Corporate Responsibility and Governance Committee:

*To maintain in 2011 the attendance fees for Board and Board Committee meetings established for 2010 for all items with no changes whatsoever to the amount or conditions thereof, thus maintaining the overall compensation that has applied since 2007. (And, as indicated above, the variable component of the compensation, determinable according to the Company's results, has been set at the amount necessary to maintain such overall compensation).*

- In 2011 the Board of Directors submitted a Compensation Plan for the members of Management and Executive Directors of the company and of the companies belonging to the Red Eléctrica Group, whereby part of their compensation may be awarded in the form of Company shares, for approval to the Annual Shareholders' Meeting held on April 13, 2011.

This plan, approved by the Shareholders' Meeting, enables the beneficiaries to voluntarily replace part of their gross annual compensation in cash with the award of Company shares, with an annual limit of twelve thousand euros (€12,000).

- With respect to the annual compensation of the Executive Director, in his capacity as executive, the structure of recent years has been maintained, and his compensation is divided into a fixed component, a variable component and certain life insurance and pension plan contributions, with figures and percentages similar to those of the last two years (the amount, broken down by item, is detailed in section C.2 below).
- In addition to the above items, the Executive Director received specific compensation (the amount, in thousands of euros, is specified in section C.2 below) in his capacity as Director of REN – Redes Energéticas Nacionales, SGPS, S.A. (REN), until April 2011. Red Eléctrica Corporación, S.A. now holds the position of legal entity director on the Board of Directors of REN and the Company receives the corresponding compensation directly as of such date.
- The most significant actions taken by the Corporate Responsibility and Governance Committee in 2011 concerning compensation matters were:

- Analysis of the findings of the 2010 executive team evaluation process.
- Approval and review of the proposed Business, Managerial and Management Committee objectives for 2011.
- Analysis of the proposal to grant extraordinary bonuses.
- Approval of the proposed 2011 compensation policy for the executives of Red Eléctrica Corporación, S.A., Red Eléctrica de España, S.A. (Sole-Shareholder Company) and of Red Eléctrica Internacional, S.A. (Sole-Shareholder Company).
- Evaluation of the level of achievement of the 2010 Business, Managerial and Management Committee objectives.
- Review and monitoring (quarterly) of the level of achievement of the Business, Managerial and Management Committee objectives for 2011.
- Review and monitoring of 2009-2013 long-term objectives.
- Analysis and review of the proposals submitted by the Board to the Annual Shareholders' Meeting on the compensation of the Board of Directors and on the Report on Board Compensation Policy for 2010.
- Analysis of the proposed annual share award program for non-executive personnel, reporting favorably to the Board of Directors.
- Referral to the Board of Directors of the proposed compensation of the Board and its Committees in 2011 and 2012.
- Review of aspects of senior management compensation.

## **C.2** DETAILS OF THE INDIVIDUAL COMPENSATION EARNED BY DIRECTORS IN 2011

### **C.2.1 Board compensation (in thousands of euros), broken down by item and type of director, compared with 2010:**

In accordance with the information model established by the National Securities Market Commission, which was approved in Circular 4/2007, of December 27, 2007, for the Annual Corporate Governance Report, the breakdown of compensation at December 31, 2011 and 2010, in thousands of euros, is as follows:

	<u>2011</u>	<u>2010</u>
Compensation item:		
Fixed compensation (2)	404	388
Variable compensation	1,286	1,193
Attendance fees (3)	819	902
Life insurance and pension plan contributions (2)	17	12
	-----	-----
Total compensation (1)	2,526	2,495
	=====	=====

(1) The compensation of the Board of Directors, excluding the compensation of the Chairman in his executive capacity, amounts to €1,886,000, the same amount as in 2010. The compensation has remained unchanged since 2007.

(2) The fixed compensation of the Chairman in his executive capacity amounted to €429,000, the same amount as in 2010. This fixed compensation has remained unchanged since 2008. In his capacity as member of the Board of Directors of REN, the Executive Director received compensation of €8,000 in 2011 (€29,000 in 2010) which, as in previous years, was discounted from his fixed compensation. Since April 2011, REC holds the office of legal entity Director on the Board of Directors of REN and the Company has therefore received the relevant compensation directly since then. Accordingly, for the Executive Director, the sum of the fixed compensation and contributions to life insurance and pension plans, together with the compensation obtained in his capacity as member of the Board of Directors of REN amounted to €429,000 in 2011 (€429,000 in 2010).

(3) This difference is due to the fact that 11 Board meetings were held in 2011, compared to 13 in 2010.

The compensation by type of Director at December 31, 2011 and 2010, in thousands of euros, is as follows:

	<u>2011</u>	<u>2010</u>
Type of Director:		
Executive	822	796
External Nominee	517	535
External Independent	1,187	1,164
	-----	-----
Total compensation	2,526	2,495
	=====	=====

The compensation of the Executive Director, including the compensation received from REN, amounted to €831,000 in 2011 (€825,000 in 2010). The variation in compensation in 2011 with respect to 2010 is fundamentally due to the variable compensation.

### C.2.2 Breakdown of compensation, by director, in 2011

The compensation earned by the members of the Company's Board of Directors in 2011, in thousands of euros, broken down by Director, was as follows:

	<u>Fixed</u> <u>compensation</u>	<u>Variable</u> <u>compensation</u>	<u>Attendance</u> <u>Fees for</u> <u>Board</u> <u>Meetings</u>	<u>Dedication</u> <u>to</u> <u>Committees</u>	<u>Contributions</u> <u>to life insurance</u> <u>and pension plan</u>	<u>Total</u>
Luis Maria Atienza Serna	404	316	56	29	17	822
Antonio Garamendi Lecanda	-	97	56	29	-	182
Manuel Alves Torres <sup>(1)</sup>	-	97	56	29	-	182
Rafael Suñol Trepas	-	97	56	-	-	153
María de los Angeles Amador Millán	-	97	56	29	-	182
Francisco Javier Salas Collantes	-	97	56	17	-	170
José Folgado Blanco	-	97	56	12	-	165
Arantza Mendizabal Gorostiaga	-	97	56	29	-	182
María Jesús Álvarez <sup>(1)</sup>	-	97	56	29	-	182
Miguel Boyer Salvador	-	97	56	-	-	153
Rui Manuel Janes Cartaxo	-	97	56	-	-	153
Total compensation earned	404	1,286	616	203	17	2,526

(1) Amounts received by SEP)

The Executive Director also allocated €56,000 to life insurance-group savings linked to retirement, with a charge to outstanding compensation from previous years.

The annual variable compensation of the Executive Director is established by the Corporate Responsibility and Governance Committee at the start of each year using quantifiable and pre-determined objective criteria. The targets are in line with the strategies and actions established in the Company's Strategic Plan and the Corporate Responsibility and Governance Committee is also responsible for assessing the level of achievement of the targets.

In 2009, a compensation plan for executives (2009-2013 "*Plan Extraordinario 25º aniversario*") was established, including the Executive Director, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the

five-year Strategic Plan. Compliance with the plan will be assessed at the end of its term in 2014. At December 31, 2011, the Company recorded an accrual proportional to the period elapsed under the hypothesis that the targets set in the plan will be reached in 2013. This accrual will not be individually allocated as compensation until compliance with the plan is assessed in 2014 or, failing that, if, prior to that date, the relationship between the Company and the executives included in the plan is terminated for the reasons provided for in the plan.

There are safeguard or golden parachute clauses in favor of the Executive Director to cover dismissal or changes in control. These clauses were proposed by the Appointments, Compensation and Corporate Governance Committee (now called the Corporate Responsibility and Governance Committee) and approved by the Board of Directors. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of one year's salary, unless the applicable legislation provides for a higher amount.

At December 31, 2011 and 2010, there were no loans, advances or guarantees established by the Company in favor of members of the Board of Directors reflected on the balance sheet. There were also no pension liabilities incurred vis-à-vis members of the Board of Directors at that date.

### **C.2.3 Board compensation in 2011 in comparison with previous years**

The total amount of all Board compensation items in 2011, excluding the compensation of the Executive Director under his contractual relationship with the Company, amounted to 0.41% of the net income of the Red Eléctrica Group in 2011.

The following table gives a comparison of the amounts of Board compensation in recent years:

<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Percentage	0.91%	0.78%	0.66%	0.57%	0.48%	0.41%

### **C.2.4 Result of the vote by the Annual Shareholders' Meeting held on April 13, 2011, on the proposed compensation of the Board of Directors, with details of the number of votes cast:**

	<b>Votes cast %</b>
<b>For</b>	96.54
<b>Against</b>	2.96
<b>Abstentions</b>	0.50

### **C.3 INFORMATION ON THE TOTAL COMPENSATION EARNED BY SENIOR EXECUTIVES IN 2011**

The individuals who held senior executive positions at the Company in 2011, excluding the Executive Director, were as follows:

<b>Name</b>	<b>Position</b>
Carlos Collantes Pérez-Ardá	Director-General of Transmission
Esther María Rituerto Martínez	Director-General of Finance and Administration
Alberto Carbajo Josa	Director-General of System Operation

In 2011, compensation, and life insurance and pension plan contributions for senior executives amounted to €966,000 and €57,000, respectively (€957,000 and €30,000, respectively in 2010). These executives also allocated €34,000 to life insurance-group savings linked to retirement, with a charge to outstanding compensation from previous years.

There were no loans or advances to senior executives at December 31, 2011, as in 2010.

There are safeguard or golden parachute clauses for dismissal in favor of two of these executives. These clauses are in keeping with the provisions of the applicable labor legislation, although they provide for minimum indemnification of two years' salary, unless the applicable labor legislation provides for a higher amount. The contracts containing these clauses were approved by the Appointments, Compensation and Corporate Governance Committee (now called the Corporate Responsibility and Governance Committee) and they were duly notified to the Board of Directors.

As in the case of the Executive Director referred to in section C.2.2 above, at December 31, 2011, the Company recorded an accrual proportional to the period elapsed under the compensation plan linked to the 25th anniversary of the Company (2009-2013 "*Plan Extraordinario 25º aniversario*"), established in 2009, under the hypothesis that the targets set in the plan will be reached in 2013. This accrual will not be individually allocated as compensation until compliance with the plan is assessed in 2014 or, failing that, if, prior to that date, the relationship between the Company and the executives included in the plan is terminated for the reasons provided for in the plan.

### **D. FACTS AND RESOLUTIONS OCCURRING IMMEDIATELY BEFORE, AFTER OR SIMULTANEOUSLY TO THE DRAFTING OF THIS REPORT**

The Board of Directors of Red Eléctrica, at its meeting held on March 8, 2012, resolved to remove Mr. Luis Maria Atienza as Chairman of the Board of Directors and Chief Executive and accept his resignation as a Company Director.

At the same meeting, the Board of Directors approved the appointment of the Director José Folgado Blanco as Chairman of the Board of Directors and Chief Executive of the Company.

Accordingly, the references in this Report to the compensation policy for the Executive Director in 2012 and subsequent years must be deemed made in the light of the changes that may derive from the removal of Mr. Luis Maria Atienza as Chairman of the Board of Directors and Chief Executive of the Company, from his resignation as a Company Director and, therefore, from the appointment of José Folgado Blanco as the new Chairman of the Board of Directors and Chief Executive of the Company.

It should also be taken into account, for the purposes of the contents of this Report, that the Board of Directors, at the meeting held on February 27, 2012, resolved to accept the resignation submitted by Rafael Suñol Trepas from his position as Nominee Director on behalf of the State-Owned Industrial Holdings Company (SEPI).

*(End of the Annual Report on Directors' Compensation)*

## **Two.- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2011**

Pursuant to the provisions of Article 20 of the Corporate Bylaws, the Board of Directors is responsible for allocating the amount of the annual compensation among the different items established (fixed fees for attendance at Board meetings and dedication to the Board, compensation linked to the Company's annual income, compensation for dedication to Board Committees) within the Bylaw limit on the overall, annual compensation for the entire Board established in such Article as 1.5% of the Company's net income approved by the Shareholders' Meeting. This decision is adopted annually by the Board of Directors, at the proposal of the Corporate Responsibility and Governance Committee.

The resolutions adopted by the Board of Directors at the meeting held on December 22, 2011, maintained the overall amount of the Board's compensation unchanged, for all items, as in previous years.

As is customary, the Board of Directors has resolved to submit the approval of the resolutions establishing the Board compensation for 2011 to the Annual Shareholders' Meeting.

As a result, the following resolutions are proposed, for submission to the Shareholders' Meeting:

To approve, with effect from January 1, 2012, the Board compensation agreed at the Board meeting of December 22, 2011, which established the compensation for 2011 and 2012 in accordance with the provisions of Articles 20 and 24.2.b) of the Corporate Bylaws and Article 16.2 of the Board Regulations, in relation to Board compensation, at the proposal in both cases of the Corporate Responsibility and Governance Committee, on the following terms:



1<sup>o</sup>) Overall compensation for all items:

To maintain in 2011, with no changes whatsoever to its amount or conditions, the compensation set in 2010 for the Board and its Committees for all items, thus maintaining the overall amount of compensation that has applied since 2007.

The proposal to maintain unchanged the overall amount of the Board compensation is made after an evaluation of the Company's results in 2011 carried out by the Corporate Responsibility and Governance Committee and, in particular, after evaluating the level of achievement of the strategies and targets set by the Board of Directors for 2011 before the start of the year.

These strategies referring to the level of investment in the system, to operating income, to system operation quality, to the integration of the systems acquired in 2010, to the strength of the financial structure and to excellence in management, and presented to the markets and published on the Company website at the start of 2011, as well as the estimated year-end results, which represent growth of around 18.0%, would justify an increase in the variable component of the Board compensation, according to the valuation and quantification carried out by the Corporate Responsibility and Governance Committee.

However, given the current social and economic climate, the Board of Directors, at the proposal of the Corporate Responsibility and Governance Committee, resolved to maintain the overall compensation of the Board of Directors on the terms established, overall, for 2010 and, as a result, to set the variable component of the compensation, determinable according to the Company's results, at the amount necessary to maintain the overall compensation.

2<sup>o</sup>) Attendance fees for Board and Board Committee meetings:

The attendance fees for Board and Board Committee meetings established for 2011 will be maintained in 2012 with no changes whatsoever to the amount or conditions thereof, without prejudice to the overall compensation for all items in 2012 which, pursuant to the provisions of the Bylaws, will be established in due course by the Board of Directors and by the Shareholders' Meeting.

Pursuant to Article 20 of the Corporate Bylaws, the above amounts are compatible with and independent of salaries, compensation, indemnification, pensions or compensation of any kind established in general or specifically for those members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company.

## **PROPOSED RESOLUTION RELATING TO ITEM ELEVEN ON THE AGENDA:**

### **RATIFICATION OF THE CREATION OF THE COMPANY WEBSITE**

For the purposes of the provisions of the new Article 11 bis of the Revised Corporate Enterprises Law approved by Legislative Royal Decree 1/2010, of July 2, 2010, as amended by Article 1.1 of Law 25/2011, of August 1, 2011, the creation of the company website by corporate enterprises must be resolved on by the Shareholders' Meeting.

Since Red Eléctrica Corporación, S.A. already has a company website ([www.ree.es](http://www.ree.es)) that meets all of the necessary legal requirements and the existence of which was notified to the Madrid Commercial Registry on May 16, 2011, in accordance with the requirements and criteria of the competent authorities, it is therefore necessary to submit the ratification of the creation of the company website to the Company Shareholders' Meeting.

As a result, the following resolution is proposed, for submission to the Shareholders' Meeting:

To ratify the creation of the Company website, named "www.ree.es", for the purposes of the provisions of Article 11 bis of the Revised Corporate Enterprises Law.

## **PROPOSED RESOLUTION RELATING TO ITEM TWELVE ON THE AGENDA:**

### **DELEGATION OF AUTHORITY TO FULLY IMPLEMENT THE RESOLUTIONS ADOPTED AT THE SHAREHOLDERS' MEETING**

In order to implement any of the above resolutions which may be adopted by the Annual Shareholders' Meeting, the following resolution is proposed, for submission to the Shareholders' Meeting:

Without prejudice to the authorizations expressly conferred by the Shareholders' Meeting on the Board of Directors, the broadest powers are delegated to the Chairman and to each member of the Company's Board of Directors, as well as the Secretary and Deputy Secretary of the Board, so that they may exercise them, individually, with a view to the implementation, execution and registration of each and every one of the resolutions adopted by this Shareholders' Meeting, including the signature of the corresponding contracts and documents, with the clauses and conditions they deem appropriate, and interpret, remedy and complete the aforementioned resolutions and have them notarized, according to their effectiveness and the comments of any body or authority, in particular the oral or written comments of the Commercial Registrar, performing all such steps as may be necessary or appropriate to ensure their successful outcome and, in particular, to ensure the registration at the Commercial Registry of the registrable resolutions.

## II. ITEMS OF INFORMATION

### **MATTER RELATING TO ITEM THIRTEEN ON THE AGENDA:**

#### **INFORMATION TO THE SHAREHOLDERS' MEETING ON THE 2011 ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A.**

The Shareholders' Meeting is informed that in accordance with the provisions of Article 61 bis of Securities Market Law 24/1988, of July 28, 1988 ("LMV") and other applicable regulations, the Board of Directors, at its meeting on February 27, 2012, unanimously approved the 2011 Annual Corporate Governance Report of Red Eléctrica Corporación S.A. The Report has been disclosed to the National Securities Market Commission as a material event.

The 2011 Annual Corporate Governance Report is made up a main body comprising three Titles, divided into Chapters. The Titles refer to the legal framework applicable to RED ELÉCTRICA (Title I), to the main corporate governance aspects and principles at RED ELÉCTRICA (Title II) and to the year 2011 at RED ELÉCTRICA (Title III).

In addition, two Official Annexes are included: Annex 1 relating to the Annual Corporate Governance Report format established by Circular 4/2007, of December 27, 2007, of the Spanish National Securities Market Commission (the "CNMV"), and Annex 2 on additional information under Article 61 bis LMV, which was prepared following the instructions notified by the CNMV to listed corporations in December 2011.

The Annual Corporate Governance Report is available on the Company website ([www.ree.es](http://www.ree.es)) and in the Shareholders' Meeting documentation made available to shareholders.

Very truly yours,

Rafael García de Diego Barber  
Secretary of the Board of Directors