

**SPANISH SECURITY  
MARKETS COMMISSION**

Markets Division  
Edison, 4  
28006 MADRID

Madrid, 14 March 2013

Dear Sirs:

In accordance with the provisions of Article 82 of the Securities Market Act, we are sending you the following relevant event in relation to Red Eléctrica Corporación, S.A.:

**I. 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 13, 2013, resolved to call an Annual Shareholders' Meeting, to be held on first call on April 17, 2013 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 18, 2013, 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, 2012.

**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, 2012.

**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, 2012.

**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 2012.

**Five.** Examination and approval, as the case may be, effective as of January 1, 2013, of the Updated Balance Sheet of Red Eléctrica Corporación, S.A., in accordance with Law 16/2012, of 27 December.

**Six.** Reappointment and/or appointment of Company Directors.

**6.1** Reappointment of Ms María de los Ángeles Amador Millán as a Company Director.

**6.2** Ratification and appointment of Ms María José García Beato as a Company Director.

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

**7.1** Adaptation to the latest legislative reforms of Law 54/1997, of November 27, on the Electricity Industry and other related regulations: Amendment of Articles 2 ("Corporate Purpose"), 5 ("Capital Stock") and Sole Additional Provision ("Special Regime for the State Industrial Holding Company") of the Corporate Bylaws.

**7.2** Introduction of counterweights should the Chairman of the Board also be the chief executive of the Company and other measures permitting the separation of both posts: Amendment of Articles 21 ("Functioning of the Board of Directors"), 22 ("Board Committees and delegation of powers"), 25 ("Chairman of the Company") and addition of a new Article 25 bis ("Lead Independent Director") of the Corporate Bylaws.

**7.3** Adaptation of the rules on Board Committees to the main practices and international recommendations for good corporate governance and to the current composition of such Committees: Amendment of Articles 23 ("Audit Committee") and 24 ("Corporate Responsibility and Governance Committee") of the Corporate Bylaws.

**Eight.** Appointment of an auditor for the parent Company and the Consolidated Group.

**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 2012.
- 10.3** Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2013.

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

## **II. ITEMS OF INFORMATION**

**Twelve.** Information to the Shareholders' Meeting on the 2012 Annual Corporate Governance Report of Red Eléctrica Corporación, S.A.

**Thirteen.** Information to the Shareholders' Meeting on the amendment of the Regulations of the Board of Directors.

### **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, the Corporate Bylaws and the Regulations of the Shareholders' Meeting, 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. This right 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.

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. Moreover, they may make suggestions regarding those activities and interests of the Company that they believe should be discussed at the Shareholders' Meeting. In both cases they will be entitled to make these proposals and suggestions via the Shareholder Information Office (the details of which are published at the end of this announcement in the "General Information" section) within five days as of the publication of this call.

## **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. (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.

Representation will be conferred in writing and the proxy clause on the attendance cards issued specifically for this Meeting by the Iberclear participant entities or by the Company, if applicable, may be used.

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.

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 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 2, 2013 (Hotel Aitana AC, Paseo de la Castellana, 152), according to the times indicated in the "General Information" section below, 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 Updated Balance Sheet to be submitted for approval by the Shareholders' Meeting, together with the respective report drawn up by the auditor *PricewaterhouseCoopers Auditores, S.L.*; 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; as well as any proposed resolutions presented by shareholders, as they are received; 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 with respect to i) their adaptation to the latest legislative reforms of Law 54/1997, of November 27, on the Electricity Industry and other related regulations, ii) the introduction of counterweights should the Chairman of the Board also be the chief executive of the Company and other measures permitting the separation of both posts, and iii) the adaptation of the rules on Board Committees to the main practices and international recommendations for good corporate governance and to the current composition of such Committees, as well as the corresponding Report of the Board of Directors on the amendment of the said Bylaws; the Annual Corporate Governance Report regulated under Article 61 bis of the Securities Market Law included in full as a schedule to the individual and consolidated Management Reports; the Annual Report on Directors' Compensation regulated under Article 61 ter of the Securities Market Law; and the Report of the Board of Directors, as well as the full text of the Regulations of the Board of Directors including the amendments approved by the Board of Directors at its meeting held on March 13, 2013.

Pursuant to the provisions of Articles 197 and 520 of the Corporate Enterprises Law and Article 8 of the Regulations of the Shareholders' Meeting, the shareholders may pose questions to the Directors in writing, until the seventh day prior to the date set for holding the Meeting, or verbally during the Meeting, or request information or clarification concerning the items on the Agenda or concerning any publicly available information furnished by the Company to the National Securities Market Commission since April 19, 2012, 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 13, 2013

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 shareholders who use the Forum may exercise their rights of access, rectification, objection and cancellation in the terms established in the current legislation, by contacting the Shareholder Information Office of RED ELÉCTRICA CORPORACIÓN, S.A., at the address indicated at the end of this call notice in the section on General Information, during the Office opening hours on business days, by telephone on number 900 100 182 or using the telephone numbers made available by the Company for such purpose and indicated on its website, or by sending an e-mail to [juntaacconistas@ree.es](mailto:juntaacconistas@ree.es), attaching a copy of his/her National Identity Card or equivalent, and accrediting their status as shareholders.

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 after zero hours (00:00) on **April 2, 2013** and must be received by the Company before twenty-four hours (24:00) 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 hours (24:00) on **April 16, 2013**. Proxies received outside this period will be deemed not granted.

For these purposes, the Company will implement an electronic date 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 after zero hours (00:00) **on April 2, 2013** and must be received by the Company before twenty-four hours (24:00) 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 hours (24:00) **on April 16, 2013**. 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 date 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.

### **3. AVAILABILITY OF SERVICE**

The Company reserves the right to modify, suspend, cancel or restrict this procedure for proxies, voting and information requests by remote means where technical or security reasons prevent it from guaranteeing the safeguards indicated in the procedure and such circumstance is made public in the proper manner and sufficiently in advance by any means the Company may consider appropriate.

The Company will not be liable for any damage caused to shareholders as a result of malfunctions, overloads, line failures, failed connections or any other contingency of the same or a similar nature, beyond the control of the Company, which hinder the use of the procedure for proxies, voting and information requests by remote means.

### **4. PROTECTION OF PERSONAL DATA**

In accordance with Personal Data Protection Organic Law 15/1999, of December 13, 1999, the Company informs its shareholders that the personal data obtained throughout the procedure for proxies, voting and information requests by remote means, whether they originate from electronic user certificates or from any other data storage and retrieval device on shareholder computer terminals, with or without their involvement, or whether such data is furnished by the shareholder directly, will be included in a filing system controlled by the Company, for the purpose of managing the procedure for proxies, voting and information requests by remote means at the 2012 Annual Shareholders' Meeting and, in particular, to monitor, verify and validate the proxies granted and votes cast by remote means, the duplicate cards issued and the information requests made electronically by the shareholders at such Shareholders' Meeting.

Shareholders also expressly consent to the processing and disclosure of their personal data exclusively for the purpose described above, to authorized certificate service providers and to any of the companies forming part of the Red Eléctrica Group and operating in the electricity industry.

Data subjects are informed that the consent given above is revocable and that they may exercise their rights of access, rectification, objection and cancellation by writing to the registered office of the Company, located at Paseo del Conde de los Gaitanes, 177, 28109 Alcobendas, Madrid, through the shareholder information service or through the Company's website ([www.ree.es](http://www.ree.es)).

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 2, 2013, 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 18, 2013**, at the time and venue stipulated above.

Alcobendas (Madrid), March 14, 2013.  
The General Secretary and Secretary of the Board of Directors  
Rafael García de Diego Barber

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

The resolutions proposed by the Board of Directors in its above-mentioned meeting held on March 13, 2013, to be submitted to the called Ordinary General Shareholders Meeting, 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, 2012.**

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

To approve 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 the financial statements) and the directors' report of Red Eléctrica Corporación, S.A. for the year ended 2012.

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 drawn up by the Board of Directors at the meeting held on February 26, 2013.

**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, 2012.**

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

To approve 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, 2012.

The Financial Statements and Directors' Report of the Consolidated Group of Red Eléctrica Corporación, S.A., the approval of which is proposed in this act, correspond to those drawn up by the Board of Directors at the meeting held on February 26, 2013.

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

**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, 2012.**

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

To approve the distribution of income proposed by the Board of Directors at the meeting held on February 26, 2013, and as a result, to distribute 2012 income, amounting to €451,509,115.28 euros, as follows:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVES	131,862,647.55
TO DIVIDENDS:	
INTERIM DIVIDEND	91,216,018.73
SUPPLEMENTARY DIVIDEND (calculated on basis of all shares)	228,430,449.00
<hr/>	
TOTAL	451,509,115.28

It is expressly resolved to pay the shares entitled to a dividend a gross dividend of €2.3651 per share. Payment of the dividend will be made on July 1, 2013, at the banks and financial institutions to be duly announced, with a deduction therefrom of the gross amount of €0.6764 per share, which was paid as an interim dividend on January 2, 2013, pursuant to the Board resolution dated December 20, 2012.

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

**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 2012.**

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

To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2012.

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

**EXAMINATION AND APPROVAL, AS THE CASE MAY BE, EFFECTIVE AS OF JANUARY 1, 2013, OF THE UPDATED BALANCE SHEET OF RED ELÉCTRICA CORPORACIÓN, S.A., IN ACCORDANCE WITH LAW 16/2012, OF 27 DECEMBER.**

Law 16/2012 of December 27, introducing a number of tax measures focusing on the consolidation of public finances and promotion of economic activity and published in the B.O.E. Official State Journal on December 28, 2012, established an option for entities liable for Corporate Income Tax to volunteer for revaluation of certain assets owned by them, provided they comply with the provisions of this Law. This updated valuation entails taxation benefits, economic benefits and asset-related benefits for Red Eléctrica Corporación S.A., and thus it is considered advisable to submit this proposal.

To be eligible for this scheme, pursuant to the provisions of the Law it is necessary that the General Meeting of Shareholders of companies wishing to take up this option approve an Updated Balance Sheet which, in the case of Red Eléctrica Corporación S.A., has already been drawn up and subjected to a review in accordance with the procedures agreed with the auditors *PricewaterhouseCoopers Auditores, S.L.*

Thus the following resolution is proposed to the Board of Directors for submission to the General Shareholders' Meeting:

To approve, with effect as of January 1, 2013, the Updated Balance Sheet of Red Eléctrica Corporación, S.A., pursuant to the provisions of Article 9 of Law 16/2012 of December 27, introducing a number of tax measures focusing on the consolidation of public finances and promotion of economic activity.

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

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

The following resolutions are proposed for submission to the General Shareholders' Meeting:

#### **One.- Reappointment of Ms María de los Ángeles Amador Millán as a Company Director**

Reappointment of Ms. María de los Ángeles Amador Millán as an independent director of Red Eléctrica Corporación, S.A., for the four-year term laid down in the corporate bylaws.

#### **Two.- Ratification and appointment of Ms María José García Beato as a Company Director**

To ratify the appointment as independent director of Red Eléctrica Corporación, S.A. by the Board of Directors at its meeting on November 29, 2012, pursuant to the provisions of Article 244 of the Spanish Corporate Enterprises Law, of Ms. María José García Beato, in replacement of and as a result of the resignation of Mr. Francisco Javier Salas Collantes, and thus proceed to appoint her as an independent director of Red Eléctrica Corporación, S.A., for the four-year term stipulated in the corporate bylaws.

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

**AMENDMENT OF THE CORPORATE BYLAWS FOR THE PURPOSES OF (I) ADAPTATION TO THE LATEST LEGISLATIVE REFORMS OF LAW 54/1997, OF NOVEMBER 27, ON THE ELECTRICITY INDUSTRY AND OTHER RELATED REGULATIONS; (II) THE INTRODUCTION OF COUNTERWEIGHTS SHOULD THE CHAIRMAN OF THE BOARD ALSO BE THE CHIEF EXECUTIVE OF THE COMPANY AND OTHER MEASURES PERMITTING THE SEPARATION OF BOTH POSTS; (III) ADAPTATION OF THE RULES ON BOARD COMMITTEES TO THE MAIN PRACTICES AND INTERNATIONAL RECOMMENDATIONS FOR GOOD CORPORATE GOVERNANCE AND TO THE CURRENT COMPOSITION OF SUCH COMMITTEES (Item Seven, sections One, Two and Three on the Agenda of the General Shareholders' Meeting)**

It is agreed to propose the amendment of the Bylaws of the Company to the Shareholders' Meeting, in accordance with the terms set forth in the report drawn up by the directors pursuant to articles 286 of the Corporate Enterprises Law and 158 of the Commercial Registry Regulations, so that it may be voted on separately for each block, in accordance as is set out below:

**One. Adaptation to the latest legislative reforms of Law 54/1997, of November 27, on the Electricity Industry and other related regulations:**

A. To amend article 2 (“Corporate Purpose”), which shall read as follows:

**“Article 2. Corporate Purpose**

*The Company’s corporate purpose shall be:*

*1. to hold, pursuant to the legislation in force from time to time, the capital stock of the company to which the functions of system operator and electricity transmission network manager and electricity transmitter correspond, pursuant to the provisions of Law 54/1997 of 27 November, on the Electricity Industry (the “Electricity Industry Law”).*

*2. the management of its business group, constituting the holdings in the capital stock of the companies comprising it.*

*3. the research, study and plan investment and corporate organization projects, as well as to promote, create and develop industrial, commercial or services enterprises; to research, develop and operate communications, information technologies and other new technologies in all respects; to provide assistance or support services to investees, for which purpose it may provide to those companies such guarantees and deposits as may be appropriate.*

*4. the design, development, implementation and operation of services relating to the corporate information, management and organization specific to its activity.*

*5. this corporate purpose includes all activities which are necessary for or enable its fulfillment, provided that they comply with the law.”*

B. To amend article 5 (“Capital Stock”), which shall read as follows:

**“Article 5. Capital Stock**

*1. The capital stock of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with a par value of two euros (€2), fully subscribed and paid in, and represented by book entries.*

*2. Pursuant to the provisions of the Electricity Industry Law:*

*1) the total direct or indirect holding owned by any individual or legal entity in the capital stock of the Company can at no time be greater than five percent (5%) of the capital stock of the Company, unless otherwise authorized by the Law. These shares cannot be syndicated for any purpose. No shareholder may exercise more than three percent (3%) of non-economic rights. Parties pursuing activities in the Electricity Industry and individuals or legal entities which directly or indirectly own holdings in the capital thereof equal to more than five percent (5%) may not exercise more than one percent (1%) of non-economic rights. Furthermore, the direct or indirect holdings of parties pursuing activities*

*in the Electricity Industry, when added together, must not total more than forty percent (40%).*

- 2) *In order to calculate the holding of each shareholder, an individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by the entities belonging to its group, as defined in Article 4 of Securities Market Law 24/1988, those which are owned by:*
  - a) *persons acting in their own name but for the account of the aforesaid shareholder, on a specific basis or forming a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity.*
  - b) *the shareholders with whom the aforesaid shareholder exercises the control of a dependent company.*

*In any case, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights held under any title.*

3. *Notwithstanding the provisions of Article 6.2 of these Bylaws, the infringement of the limits indicated in Article 5.2 or of those imposed at any time by the legislation in force shall entail the legal consequences determined therein, including, if appropriate, the imposition of the relevant penalties and that which is provided for in these Bylaws.*

*The non-economic rights relating to shares or other securities which, pursuant to the provisions of the legislation force at any given time, exceed the limit stipulated in this Article, shall be held in abeyance until they are brought into line with that limit.*

4. *As an exception to the general rule and by reason of the singular regime conferred by the Electricity Industry Law on the State Industrial Holding Company (Sociedad Estatal de Participaciones Industriales), the holding and the voting rights of this Company shall be governed by the provisions of these Bylaws, except where provision is made in the Sole Additional Provision of same."*

- C. To amend the Sole Additional Provision ("Special Regime for the State Industrial Holding Company"), which shall read as follows:

***"Sole Additional Provision. Special Regime for the State Industrial Holding Company.***

1. *By virtue of the provisions of the Electricity Industry Law, neither the limitations stipulated in the Electricity Industry Law, nor the limitations stipulated in these Bylaws on the holding of shares in the Company and on non-economic rights shall apply to the State Industrial Holding Company. The State Industrial Holding Company shall in all cases have a shareholding of not less than 10%.*
2. *Where a Director, who is an individual, holds his office on behalf of the said shareholder, pursuant to the provisions of the Electricity Industry Law, his compensation must be brought into line with the applicable provisions on*

*matters of conflicts of interest in the public sector stipulated for such purpose, notwithstanding any compensation that might be due to the public shareholder, either because it is directly designated member of the Board of Directors or for services provided to the Board or to its standing committees by persons representing that public shareholder in the Company's capital and exceeding those which, pursuant to the aforesaid legislation, may relate to them personally, all of the foregoing for as long as ownership is maintained pursuant to the applicable legislation."*

**Two. The introduction of counterweights should the Chairman of the Board also be the chief executive of the Company and other measures permitting the separation of both posts:**

- A. To amend article 21 ("Functioning of the Board of Directors"), which shall read 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. It may also appoint, following a proposal by the Corporate Responsibility and Governance Committee, one of the independent directors to be the Lead Independent Director. 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, and should there be one, of the Lead Independent Director, 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 by the Lead Independent Director or three (3) Directors, stating in the request the matters to be discussed at the meeting. In addition, Directors constituting at least one-third of the members of the Board, and in the above case, the three (3) Directors who have made the request or the Lead Independent Director, 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 or the person chairing the meeting in the absence of 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 an absolute majority of the directors in attendance at the meeting, in person or by proxy, 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".*

- B. To amend article 22 ("Board Committees and delegation of powers") which shall read as follows:

***"Article 22. Board Committees and delegation of powers.***

*The Board shall approve its internal Regulations with the basic rules on its organization and operation, the rules of conduct of its members and its system of supervision and control, with a view to attaining the optimum professionalism and efficiency in its work, promoting the active participation of all its members, subordinating its own interests to those of the Company and of its shareholders, in compliance with the Law, the Bylaws and the principles of good corporate governance.*

*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.*

*The Committees shall keep the Board of Directors informed of their work at all times.*

*Notwithstanding such powers of attorney as may be conferred on any person, the Board of Directors may designate an Executive Committee, which shall be composed of such Directors as may be resolved by the Board and on which the Secretary of the Board shall act as Secretary.*

*Likewise, the Board of Directors may appoint one or more Managing Directors, who may be directors other than the Chairman of the Board of Directors, which, if applicable, will be members of the Executive Committee, and who shall be conferred such powers as may be considered appropriate. In the event that powers are delegated on a permanent basis in favour of various Directors, those powers which are to be exercised jointly and severally, and those which are to be exercised jointly, should be specified. Likewise, if all such powers are to be exercised in one form or the other, this should also be specified.*

*The setting up of the Executive Committee, the designation of the Directors who are to sit on it, the designation of Managing Director(s) and the permanent delegation of powers, if any, shall require the affirmative vote of two thirds of the members of the Company's Board of Directors to be valid. Notwithstanding delegation, the Board of Directors shall retain the powers delegated that may correspond to it."*

- C. To amend article 25 ("Chairman of the Company") which shall read as follows:

**"Article 25. Chairman of the Board.**

*The Chairman of the Board of Directors shall be deemed to be the Chairman of the Company, and shall be in charge of ensuring compliance with the resolutions of the Board of Directors, which he shall represent on a permanent basis.*

*In addition to the Board of Directors and, where appropriate, the Managing Director(s), the power to represent the Company, both in and out of court, may vest with the Chairman of the Board.*

*The existence of the Chairman of the Board shall be deemed to be without prejudice to the power of the Board of Directors to appoint one or more Managing Directors, as well as to confer on them such permanent powers as may be considered appropriate, pursuant to the provisions of article 22 of these Bylaws."*

- D. To include a new article 25 bis ("The Co-ordinating Independent Director"), which shall read as follows:

**"Article 25 bis. The Lead Independent Director**

1. *In the event the Board appoints one of the Independent Directors to the*

*office of Lead Independent Director, the essential duty of this position, which must be taken into account in the performance of the other duties envisaged in the Board of Directors Regulations, shall be to organize the possible common positions of the independent directors and serve as a channel for expressing or giving voice to these common positions before the Chairman of the Board of Directors, the Board itself, and the Board Committees.*

*2. The Lead Independent Director shall hold office for three (3) years, following which he/she may be re-elected. The Lead Independent Director shall cease to hold office when he/she ceases to be a Director, or when he/she ceases to be independent whilst remaining a director, or when the Board of Directors should so decide, following a proposal by the Corporate Responsibility and Governance Committee.”*

**Three. Adapting the rules on Board Committees to the main practices and international recommendations for good corporate governance and to the current composition of such Committees:**

A. To amend article 23 (“Audit Committee”), which shall read as follows:

**“Article 23. Audit Committee**

*1. The Company shall have an Audit Committee composed of a number of members to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5), from among the External Directors and with a majority of Independent Directors, all of whom are to be appointed taking into account their knowledge of and experience in accounting and/or audit from among its members. The Chairman shall be an Independent Director designated from among its members. The Secretary of the Board of Directors shall act as Secretary.*

*The Committee shall support the Board of Directors in supervising economic and financial processes and the independence of the External Auditor, and in the internal control of the Company.*

*2. The Audit Committee shall have at least the following powers:*

- (i) To report at Shareholders’ Meetings on matters falling within its jurisdiction which are raised in the course of such Meetings.*
- (ii) To supervise the efficacy of the Company’s internal control, any internal audit, and risk management systems, as well as discuss with the external auditors any significant weaknesses of the internal control system detected in the course of the audit.*
- (iii) To supervise the process of preparing and filing regulated financial information.*
- (iv) To propose to the Board of Directors the appointment of external auditors for submission to the Shareholders’ Meeting.*
- (v) To duly engage with the external auditors in order to receive information on any issues that may jeopardize their independence, for their*

*examination by the Committee, and any other issues relating to the audit process, as well as other communications provided for in audit legislation and audit standards. In any case, they must receive each year from the external auditors written confirmation of their independence from the Company or from entities related to the Company directly or indirectly, as well as information on additional services of any kind provided to such entities by those auditors or by persons or entities related to those auditors in accordance with the provisions of the legislation in force.*

*(vi) Before the auditors' report is issued, to issue a report each year expressing an opinion on the independence of the external auditors or audit firms. This report must, in any case, make a pronouncement on the provision of the additional services referred to in the preceding letter.*

*(vii) Any other power attributed to the Board, either in general in its Regulations or entrusted to it in particular.*

*3. Any member of the management team or Company personnel who is required for such purpose shall be obliged to attend Committee meetings and must provide assistance and allow access to the information available to him. In order to discharge its functions, the Committee shall have access to the means necessary for its functioning.*

*4. The Board of Directors shall expand on the powers and the rules of operation of the Audit Committee either in specific regulations or in special provisions of the Board Regulations.”*

B. To amend article 24 (“Corporate Responsibility and Governance Committee”), which shall read as follows:

**“Article 24. Corporate Responsibility and Governance Committee**

*1. The Company shall have a Corporate Responsibility and Governance Committee, which shall be formed by a number of Directors to be determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) from amongst the External Directors, and with the majority of its members being Independent Directors.*

*The Committee Chairman shall be an Independent Director elected by its members and the Secretary shall be the Secretary of the Board of Directors.*

*2. The Corporate Responsibility and Governance Committee shall have the following basic responsibilities, plus those assigned to it at any time by the Board of Directors:*

*a) to report on—and, in the case of Independent Directors, make—in advance, all proposals submitted by the Board of Directors to the Shareholders' Meeting for the appointment or removal of Directors; likewise to report on and propose – in the case of independent directors – the appointment of directors by co-optation approved by the Board, and to propose the appointment of the Lead Independent Director to the Board.*

- b) *to propose to the Board of Directors the compensation policy for Directors and senior executives and to ensure its observance.*
- c) *to assume such reporting, supervising and proposing functions in the area of corporate governance as may be determined by the Board of Directors, as long as no ad hoc Committee has been set up for those functions.*

3. *The Board of Directors shall expand on the powers and rules of operation of the Corporate Responsibility and Governance Committee either in specific regulations or in special provisions of the Board Regulations.”*

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

#### **APPOINTMENT OF AN AUDITOR FOR THE PARENT COMPANY AND THE CONSOLIDATED GROUP.**

The auditing firm PriceWaterhouseCoopers (PwC) has carried out functions as the external auditor of Red Eléctrica Corporación, S.A. and its Consolidated Group for the last seven years. At the end of last year, pursuant to an internal policy of the Red Eléctrica Group that recommends the external auditor be changed on a regular basis in accordance with the best international corporate governance practices, the Audit Committee decided to issue a tender to appraise a possible change to the external auditors of the Company and its Consolidated Group.

Following this process, which issued a call for bids from the main international audit firms, and when all the technical and economic conditions of the bids submitted had been analyzed by the Audit Committee, a decision was taken to propose a change in the auditors of the Company and its Group, and thus the following resolution is submitted to the General Shareholders' Meeting:

To appoint KPMG Auditores, S.L., with taxpayer identification number B-78510153 and registered office at Paseo de la Castellana, 95, C.P. 28046, Madrid, listed in the Madrid Commercial Registry (volume 11.961, sheet 90, section 8, page number M-188.007, entry number 9), and as number S0702 in the Official Auditors' Register (ROAC), as auditors of the parent company Red Eléctrica Corporación, S.A. and of its Consolidated Group, for an initial period of three (3) years, comprising the fiscal years 2013, 2014 and 2015, pursuant to the provisions of Article 264 of the Spanish Corporate Enterprises Law currently in force.

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

#### **AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS FOR THE DERIVATIVE ACQUISITION OF TREASURY STOCK.**

As in previous years, a proposal is made to shareholders to renew the authorization granted by the Ordinary General Shareholders' Meeting to the Board of Directors for the derivative acquisition of treasury stock by the Company or by companies of the Red Eléctrica Group, and for the direct allocation 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 sub-item on the agenda within this item, it is also intended to establish a Compensation Plan for the 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 the preceding year. This Plan requires the establishment of a number of basic conditions which are included in the resolution proposed.

As a result the following resolutions are proposed for submission to the General 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 Spanish Corporate Enterprises Law and other applicable legislation, the derivative acquisition of treasury stock in Red Eléctrica Corporación, S.A. by the Company itself and by companies of the Red Eléctrica Group directly or indirectly, insofar as the Board of Directors considers that the circumstances so advise, subject to the following conditions:

- (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 a consideration or without a consideration, as the circumstances so advise. In the case of acquisition without a consideration, pursuant to the provisions of Article 146.4 of the Spanish Corporate Enterprises Law, the shares acquired may be partially paid up.
- (iv) Pursuant to the provisions of Article 146.1 b) of the Spanish 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 classified as such pursuant to the criteria used to prepare the financial statements, less the amount of income attributed directly to it, plus the amount of uncalled subscribed capital stock, and also plus the nominal amount and the subscribed additional paid-up capital recorded for accounting purposes as liabilities.

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

For all of the foregoing, the Board of Directors is granted the broadest powers to request any authorizations and adopt any resolutions that may be necessary or appropriate for the purposes of 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 General 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 companies belonging to the Red Eléctrica Group.
- Voluntary nature: joining the compensation plan is voluntary.
- 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 validity 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 arising from the share value at the close of trading on the award date and the amount of the total

compensation paid using this method for 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 be taken from treasury stock, new or existing, either directly or through companies in the Red Eléctrica Group.
- Term: this compensation system will apply for the next eighteen (18) months.

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

To revoke and thus render null and void the authorization for the derivative acquisition of treasury stock granted to the Board of Directors at the Ordinary General Shareholders' Meeting held on April 19, 2012.

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

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

Firstly, in relation to the Annual Report on Directors' Compensation, the following resolution is proposed for submission to the General Shareholders' Meeting:

#### **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 Ordinary General Shareholders' Meeting, drafted in accordance with the provisions of Article 61 ter of the Securities Market Law, and also with the major international corporate governance practices among foreign investors and their advisers.

## **ANNUAL REPORT ON DIRECTORS' COMPENSATION**

### **1. INTRODUCTION**

This report on compensation policy for the Directors of Red Eléctrica Corporación, S.A. ("Red Eléctrica" or "the Company") has been prepared in accordance with the provisions of the Corporate Bylaws and the Board Regulations. For Red Eléctrica, it is a high priority to make ongoing progress in the field of Corporate Governance, and for this reason it conducts procedures for continuous improvement of the scheme of compensation and alignment with best practices in the market. To create this policy, Red Eléctrica has examined and considered the requirements and recommendations of

the regulatory environment applicable to listed corporations, the expectations and requirements of international investors, and Corporate Governance best practices at the domestic and international scales.

This report, in compliance with Article 61 ter of the Securities Market Law and with the Corporate Bylaws, provides an account of the application of compensation policy for Directors (including Executive Directors) in 2012, and outlines planned policy for the current year (2013) and later years. Supplementary information has also been included on the remuneration of senior management.

As proposed by the Corporate Responsibility and Governance Committee at its meeting of March 7, 2013, this report has been adopted by the Board of Directors of the Company at its meeting of March 13, 2013.

Since 2007, the Board of Directors submits its own proposed compensation to the Shareholders' Meeting for approval. Since 2010, the Board resolved also to submit the Annual Report on Directors' Compensation to a binding vote of the Shareholders' Meeting as a separate item on the agenda. In 2013, both Board compensation for 2012 and 2013 and this report on Directors' compensation policy, as two separate items on the agenda, will be laid before the Shareholders' Meeting for the purpose of being put to a binding vote.

The following table sets out the voting percentages that resulted at the Shareholders' Meetings of 2011 and 2012 in relation to the Annual Report on Directors' Compensation:

Annual Report on Directors' Compensation: Votes (%)			
Date of Shareholders' Meeting	For	Against	Abstentions
13/04/2011	68.68%	30.60%	0.72%
19/04/2012	94.54%	5.39%	0.07%

In light of recent trends in the focus of concern of international investors and proxy voting agencies, and with the aim of becoming aligned with the best practices in the market at the domestic and international levels, in early 2013 the Corporate Responsibility and Governance Committee resolved to undertake an in-depth review of the scheme of compensation of the Board of Directors. The immediate consequence was that the Board adopted a new scheme of compensation, applicable immediately in 2013, as explained below.

## 2. CORPORATE RESPONSIBILITY AND GOVERNANCE COMMITTEE

### 2.1. COMPOSITION

The Regulations of the Board of Directors and the Corporate Bylaws of Red Eléctrica establish that the Corporate Responsibility and Governance Committee must be formed by a minimum of three and a maximum of five Directors, who must be External Directors, with at least a majority of members being Independent Directors.

In 2012, the Shareholders' Meeting of April 19, 2012 approved a restructuring of the Board of Directors. This required the concomitant restructuring of the Board Committees, including the Corporate Responsibility and Governance Committee. To lend further strength and forward movement to Corporate Governance policies and achieve improved efficiency and agility, the Board resolved that all Committee members be External Directors, that Committee membership be limited to three – down from four – and that the Committee Chairman be an Independent Director.

As a result, 2012 witnessed a thorough overhaul of the Corporate Responsibility and Governance Committee:

	From January 1 April 19, 2012	From April 26 until the date of approval of this report
<b>Chairman</b>	- Antonio Garamendi Lecanda (external independent director)	- Juan Iranzo Martín (External Independent Director)
<b>Members</b>	- Maria Ángeles Amador Millán (External Independent Director) -Luis María Atienza Serna <sup>1</sup> (Executive Chairman) - Manuel Alves Torres (External Nominee Director)	-Carmen Gómez de Barreda Tous de Monsalve (External Independent Director) - Alfredo Parra García-Moliner (External Nominee Director)
<b>Non-Director Secretary</b>	- Rafael García de Diego Barber	- Rafael García de Diego Barber

This composition was unchanged as of the date of adoption of this report.

The Committee members have been appointed for a term of three years by the Board of Directors at the proposal of its Chairman, following a report by the Corporate Responsibility and Governance Committee.

All of the Committee members are demonstrably qualified to perform their functions within the Committee in light of their extensive track records and expertise, including in the field of executive compensation.

## 2.2 FUNCTIONS

In accordance with the authorization contained in the Corporate Bylaws of Red Eléctrica, the basic responsibility of the Corporate Responsibility and Governance

<sup>1</sup> Up to March 8, 2012, when the Board accepted his resignation as a Director.

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:

- 1) the compensation policy applicable to Directors and Senior Managers of the Company and of Red Eléctrica de España, S.A.U.;
- ii) the individual compensation and other contractual conditions of Executive Directors;
- iii) the basic terms and conditions of the contracts of senior executives of the Company and of Red Eléctrica de España, S.A.U.

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.U.

c) To ensure compliance with the compensation policy established by the Company.

In 2012, the Committee reviewed its own functions and duties as specified in the Board Regulations in the context of the process of review of those regulations, and is considering whether or not to take on new roles as to compensation policy of Directors and Senior Management in line with the newest Corporate Governance practices, which are expected to be implemented throughout 2013 if approved by the Board of Directors.

## **2.3 FUNCTIONING**

The Committee meets as often as is appropriate for the proper 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 or shareholders in matters affecting the appointment of Directors, including Managing or Executive Directors, or compliance with Corporate Governance principles, the Corporate Bylaws and the Board Regulations.

The Committee met twenty (20) times in 2012. 8 of those meetings took place from January 1 to April 26. The remaining 12 meetings took place from April 19 to December 31. In each of 2010 and 2011, the Committee met eleven times. The increased number of meetings in 2012 resulted from the key changes within the Board in that year, including changes in the composition of the Committee itself; and from the Company's intensive activity in order to improve its Corporate Governance practices.

The details of attendance throughout 2012 at meetings of the Corporate Responsibility and Governance Committee were as follows:

Percent attendance (up to 19/04/2012)		Percent attendance (since 26/04/2012)	
Antonio Garamendi Lecanda	100%	Juan Iranzo Martín	100%
Maria Ángeles Amador Millán	100%	Carmen Gómez de Barreda Tous de Monsalve	100%
Luis María Atienza Serna <sup>2</sup>	100%	Alfredo Parra García-Moliner	100%
Manuel Alves Torres	100%		

Meetings of the Corporate Responsibility and Governance Committee are immediately reported to the entire Board over the Directors' website. Minutes are taken, adopted and circulated to all Directors.

According to the schedule established for 2013, the Corporate Responsibility and Governance Committee will hold at least eleven (11) meetings during the year, without prejudice to any special meetings that may be held in the same period.

In 2012 the most significant actions taken by the Corporate Responsibility and Governance Committee concerning compensation matters were:

- Approval of the proposed Business, Managerial and Management Committee objectives for 2012.
- Analysis of performance of the proposed Business, Managerial and Management Committee objectives for 2012.
- Analysis of the 2009-2013 long-term objective monitoring report.
- Approval of proposals for submission to the Board of Directors relating to total remuneration for the Board of Directors and Executive Chairman of Red Eléctrica Corporación, S.A., and the senior managers of Red Eléctrica de España, S.A.U., in 2012.
- Approval of proposed remuneration for the management team.
- Analysis and approval of the contract with the Company's Chairman.
- Analysis of the proposed annual share award program for non-executive personnel, reporting favourably to the Board of Directors.
- Approval of the proposed new compensation structure and content for the Board of Directors and the Executive Director for 2013 for submission to the Board of

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<sup>2</sup> Resigned as Executive Director on March 8, 2012, after 4 meetings.

Directors, in accordance with international Corporate Governance recommendations (resolutions adopted following 2012 year-end).

### 3. EXTERNAL ADVISERS

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 preparation of this report, the Corporate Responsibility and Governance Committee has engaged the assistance of a consultancy firm specializing in Directors' and senior executives' compensation, Towers Watson.

### 4. COMPENSATION POLICY

#### 4.1. EXECUTIVE SUMMARY

As proposed by the Corporate Responsibility and Governance Committee, the Board of Directors has decided, despite the Company's outstanding performance, to keep in place a balanced compensation policy bearing the hallmarks of moderation and transparency, in line with the present economic scenario.

Performance-related compensation continues to be a key principle of our compensation program. Executives must be accountable for their performance and the Group's results. Compensation is accordingly tied to results using the metrics set out in the Group's Strategic Plan.

In line with this policy, the following steps were taken in 2012:

- The total compensation of the Board of Directors, of the Executive Chairman of Red Eléctrica Corporación, and of the Senior Officers (*Directores Generales*) of Red Eléctrica de España, S.A. was cut by approximately 5% with respect to 2011; Board compensation had in any event remained unchanged since 2007.
- Variable compensation was approved in line with expectations and targets.
- In line with best Corporate Governance practices, Red Eléctrica Corporación has enhanced the transparency of its compensation policies by making more detailed disclosures about its policy on variable compensation.
- In addition, with a view to 2013 and later years, Red Eléctrica will continue to review the compensation it pays to its Directors and Executive Chairman so as to modify its compensation schemes in alignment with market requirements as and when they emerge.

In addition to individual assessment of the targets and criteria laid down at the beginning of the financial period for the Board and the Executive Chairman, the following factors determine the amounts of their variable compensation:

- 2012 revenue came to €1,755.3 million, 7.2% up year on year, driven chiefly by the proceeds of bringing assets into operation in 2011, and offset in the amount of EUR 45 million by the impact of the measures under Royal Decree-Law 20/2012, enacted July 13, 2012, and of the removal from the Group's scope of consolidation of the Bolivian company Transportadora de Electricidad, S.A. (TDE), due to its expropriation by the Bolivian government.
- Gross operating earnings or EBITDA came to €1,299.2 million, 6.9% more than in 2011. The increase in EBITDA reflected the fact that revenue and operating costs grew at similar rates.
- Net operating earnings or EBIT were 1.9% above the 2011 figure, growing at a slower rate than EBITDA due to the recognition of a €46.4 million impairment of property, plant and equipment as a result of a conservative appraisal in the second quarter of certain auxiliary transmission assets. Depreciation and amortization in 2012 grew 6.0% year on year.
- Group investments in 2012 came to €705.8 million, 16.4% less than in 2011. The greater part of investments in the period were accounted for by domestic grid development projects worth €671.6 million.
- The dividend payout as of December 31, 2012 totalled €297.7 million, 17.8% year on year increase.
- Finally, consolidated earnings for the year were 6.9% higher than in 2011.

#### **4.2 PRINCIPLES OF COMPENSATION POLICY**

As part of its compensation policy principles, and in line with international best practice in the field of Corporate Governance, the Red Eléctrica Corporate Responsibility and Governance Committee sees to it that compensation policy follows the principle of adherence to the Company's long-term values and objectives.

Board compensation policy is guided by the following basic principles:

- Moderation.
- Linked to actual dedication.
- Partly linked to the Company's performance.
- Acts as an incentive but without conditioning Directors' independence (particularly in the case of Independent Directors).
- Transparency.
- Linked to attendance at meetings and performance of duties as Directors.
- Aligned with the practices most in demand among international investors.
- Board compensation approved by the Shareholders' Meeting.
- Binding approval of the Annual Report on Directors' Compensation by the Shareholders' Meeting.

## **4.3 APPLICATION OF COMPENSATION POLICY IN 2012**

### **4.3.1. Policy on Directors' compensation for their collegial supervisory and decision-making functions**

#### **- General principles and guidelines**

The principles guiding Directors' compensation – including compensation to executives in their capacity as Directors – for their collegial supervisory and decision-making functions were the following:

- Directors' compensation for performing their collegial supervisory and decision-making functions breaks down into the following components:
  - Fixed fees for attendance at and dedication to the Board.
  - Compensation for dedication to the Board Committees.
  - Compensation linked to the results of the Company.
- The Corporate Bylaws set a cap on overall annual compensation for the entire Board, for all items, of 1.5% of the Company's net income, as approved by the Shareholders' Meeting. The above compensation is, in all cases, a maximum figure and the Board itself is in charge of apportioning the amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely decides.

The specific amount awarded to each Director for the above items is determined on the basis of his or her attendance at Board meetings and membership of the various Board Committees.

In addition, each Director's variable compensation is calculated with reference to the year's results, after an assessment of the extent to which the targets set at the beginning of 2012 were reached and having regard to the number of days during which the Director held office.

#### **– Overall compensation to the Board of Directors for all applicable items in 2012**

At its meeting of February 1, 2013, the Board of Directors resolved to set total compensation for all applicable items in 2012 at an amount approximately 5% lower than in 2011: the previous year's figure of €1,886 thousand decreased to €1,790 thousand in 2012. Moreover, €61 thousand out of total approved compensation for all applicable items in 2012 finally went unallocated, in so far as it related to Board vacancies during a certain period of the year. Directors' compensation in their executive capacity in 2012 totaled €610 thousand (€640 thousand in 2011). The structure of compensation payable to the Board of Directors in 2012 and 2011, in thousands of euros, is as follows:

Item	2012 (€ Thousand)	2011 (€ Thousand)
Total compensation to the Board of Directors for all applicable items	1,790	1,886
Compensation to Directors in their executive capacity	610	640
<b>Total compensation for all functions listed above</b>	<b>2,400</b>	<b>2,526</b>

To determine the overall amount, the Corporate Responsibility and Governance Committee assessed the extent to which Board targets for 2012 had been achieved, as set out in the Annual Report on Directors' Compensation adopted by the Board of Directors at its meeting of March 12, 2012, and by the annual Shareholders' Meeting of April 19, 2012.

The targets were as follows:

- 1. Consolidated EBITDA of the Red Eléctrica Group.
- 2. Consolidated income of the Red Eléctrica Group.
- 3. Progress achieved with reference to the Strategic Plan.

Having evaluated the extent of attainment of these targets, the Corporate Responsibility and Governance Committee determined that target 1 (50% weighting) and target 2 (30% weighting) had been 100% fulfilled; and that the upper level had been achieved of target 3 as specified when the targets were set (20% initial weighting, reviewable to 30% if the upper level were achieved).

As a result, the Committee found that overall fulfillment of targets was 110%.

The amounts paid individually to Directors over the past two financial periods in their capacities as Directors – with compensation as executive Directors stated separately – and for their membership of the various Board Committees were as follows:

Director	2012 (€ Thousand)						2011 (€ Thousand)					
	Fixed compensation	Attendance fees per Board meeting	Committee dedication	Variable compensation	Contributions to life policies and pension plans	Total	Fixed compensation	Attendance fees per Board meeting	Committee dedication	Variable compensation	Contributions to life policies and pension plans	Total
José Folgado Blanco <sup>(3)</sup>	325	71	9	245		650		56	12	97		165
Luis María Añena Serna <sup>(3)</sup>	77	15	5	55	4	156	404	56	29	316	17	822
Alfredo Parra García-Moliner <sup>(1)</sup>		40	18	57		115						
Francisco Ruiz Jiménez <sup>(1)</sup>		40		57		101						
Fernando Fernández Méndez de Andés		40	20	57		117						
María de los Angeles Amador Millán		71	29	82		182		56	29	97		182
Miguel Boyer Salvador		71		82		153		56		97		153
Rui Manuel Janes Cartaxo		71		82		153		56		97		153
Paloma Sendin de Cáceres		40	20	57		117						
Carmen Gómez de Barreda Tous de Monsalve		40	20	57		117						
Juan Irazo Martín		40	20	57		117						
María José García Beato		5		7		12						
Rafael Suñol Trepal <sup>(3)</sup>		10		13		23		56		97		153
Antonio Garamendi Lecanda <sup>(2)</sup>		31	9	24		64		56	29	97		182
Arantza Mendizabal Gorostiaga <sup>(2)</sup>		31	9	24		64		56	29	97		182
María Jesús Álvarez González <sup>(1)(2)</sup>		31	9	24		62		56	29	97		182
Manuel Alves Torres <sup>(1)(2)</sup>		31	9	24		62		56	29	97		182
Francisco Javier Salas Collantes <sup>(2)</sup>		40		34		74		56	17	97		170
Unallocated amount relating to Board vacancies	-	-	-	-	-	61	-	-	-	-	-	-

TOTAL	402	718	177	1038	4	2400	404	616	203	1286	17	2526
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(1) Amounts paid to Sociedad Estatal de Participaciones Industriales (SEPI)

(2) Not a member of the Board of Directors of the Company as of December 31, 2012

(3) Amounts paid to José Folgado for Committee dedication relate to the period in which he was an independent external Director of the Company

Total compensation, by item, as of December 31, 2012 and 2011, in thousands of euros, is as follows:

Item	2012 (€ Thousand)	2011 (€ Thousand)
Fixed compensation	402	404
<b>Variable compensation</b>	1,038	1,286
<b>Attendance fees</b> <sup>(1)</sup>	895	819
<b>Contributions to life policies and pension plans</b>	4	17
<b>Unallocated owing to Board vacancies</b>	61	
<b>Total</b>	<b>2,400</b>	<b>2,526</b>

(1) This difference is due to the fact that 14 Board meetings were held in 2012, compared to 11 in 2011.

Total compensation by type of Director as of December 31, 2012 and 2011, in thousands of euros, is as follows:

Type of Director	2012 (€ Thousand)	2011 (€ Thousand)
Executive	767	822
<b>External Nominee</b>	480	517
<b>Independent External</b> <sup>(1)</sup>	1,092	1,187
<b>Unallocated owing to Board vacancies</b> <sup>(2)</sup>	61	
<b>Total</b>	<b>2,400</b>	<b>2,526</b>

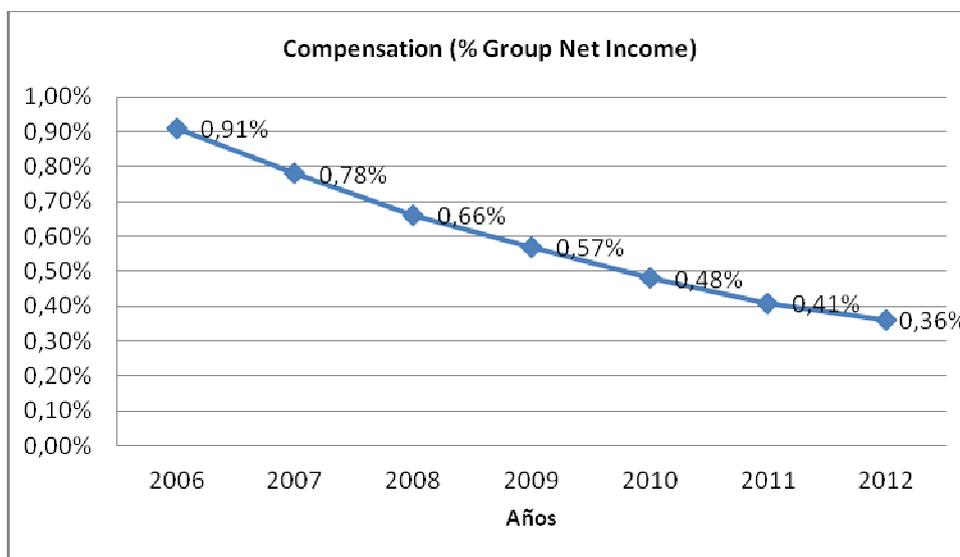
(1) José Folgado Blanco was appointed Executive Chairman of the Company on March 8, 2012. Before this, he had been an Independent External Director, having accrued EUR 39 thousand in this role over this period.

(2) This amount of €61 thousand relates to independent and nominee Director vacancies in 2012.

The total amount of all Board compensation items in 2012, excluding the compensation payable to the two executive chairmen who held office in the year under their contractual relationships with the Company, amounted to 0.36%<sup>3</sup> of the net income attributable to shareholders of the parent company of the Red Eléctrica Group in 2012.

<sup>3</sup> The income obtained by the RED ELÉCTRICA Group and attributed to the parent company in 2012 amounted to €492,288 thousand (€460,348 thousand in 2011).

The following chart graphically represents Board compensation as a proportion of net income in each of the past few years:



As of December 31, 2012 there were no loans, advances or guarantees granted 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.

#### 4.3.2. Compensation policy applicable to the Chairman in his capacity as Executive Director

##### - General principles and guidelines

The compensation policy applicable to the Executive Chairman is in line with the general compensation policy of the Company, as adapted to the level of responsibility and functions inherent in the position. The following table sets out the components and limits determining policy on compensation to the Company's chief executive:

Component	Key points	Limits
<b>Fixed compensation</b>	<p>Fixed compensation is determined on the basis of the executive's level of responsibility and leadership within the organization, in line with the going rate at comparable companies. The fixed component must represent a sufficient portion of total compensation to make for a suitable and balanced remuneration mix.</p> <p>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.</p>	Pay raises are in line with usual market practices.

<p><b>Annual Variable Compensation</b></p>	<p>The annual variable compensation plan is designed as an incentive to achieve the Company's annual targets. 80% of this compensation component is linked to achieving quantitative metrics measuring the Group's performance (50% EBITDA and 30% Group consolidated income); 20% is linked to qualitative metrics determined by the Corporate Responsibility and Governance Committee in alignment with the Company's Strategic Plan adopted by the Board.</p> <p>A quantitative target must be fulfilled to 95% of its extent; the maximum fulfillment is 100%. The Corporate Responsibility and Governance Committee assesses whether or not qualitative targets have been fulfilled at the threshold level. If the targets have been fulfilled at their upper level – up to 30% fulfillment – the Committee may find that total fulfillment of all targets has reached 110%.</p> <p>It is the Corporate Responsibility and Governance Committee's role to set targets at the beginning of the year and assess the extent of their fulfillment at the end of the year. All targets are contemplated in the Strategic Plan adopted by the Board.</p>	<p>Cap on annual variable compensation payable to the Executive Chairman for those executive functions: 50% of fixed compensation.</p>
<p><b>Multi-year Variable Compensation</b></p>	<p>The executive compensation plan for the period 2009-2013, known as “Plan Extraordinario 25 aniversario”, is a management tool and an incentive to drive fulfillment of the five-year Strategic Plan. The Corporate Responsibility and Governance Committee will evaluate the outcomes of this program – which includes the Executive Chairman – in 2014, once its term expires. Where 100% of the targets established for such purpose are met, the amount of the incentive to be received by the Executive Chairman may reach a maximum of 1.8 times the annual fixed compensation, pro rata the time elapsed since his/her joining the plan.</p> <p>A threshold of overall achievement of the targets has been set, below which the Executive Chairman and the executives beneficiaries of the Plan will not be entitled to receive any incentive.</p> <p>As with the annual targets, this plan takes into account quantifiable and pre-determined objective criteria that are in keeping with the vision of the Company's Strategic Plan. The role of setting the criteria and appraising the extent to which they are fulfilled rests with the Corporate Responsibility and Governance Committee. The Strategic Plan envisions the fulfillment of major milestones that underpin the program of long-term targets over the period 2009-2013:</p> <ul style="list-style-type: none"> <li>- Acquisition of electricity transmission system assets from electricity companies at prices specified in the plan.</li> <li>- Implementation of the Investment Plan in the electricity transmission system in the period 2009-2013.</li> <li>- Start-up of the electricity interconnection with the Balearic Islands by the date specified at the start of the program.</li> <li>- Implementation of the interconnection project with France in accordance with the rate of progress stipulated in the plan.</li> <li>- Maintenance of electricity system operation quality at the level specified in the plan over the period 2009-2013.</li> <li>- Achievement of target returns on electricity transmission assets over the period 2009-2013 as measured in terms of operating returns.</li> </ul>	<p>Ceiling: 1.8 x fixed compensation.</p>

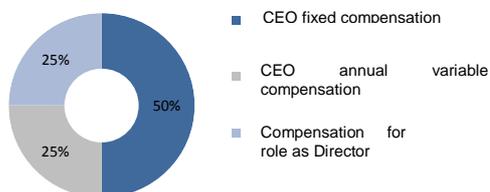
## - Application of compensation policy in 2012

- Current Executive Chairman.

At its meeting of March 8, 2012, the Board of Directors approved the appointment of the Director José Folgado Blanco as the Chairman of the Board of Directors and the

Company's chief executive. The application of compensation policy as regards the Executive Chairman as from that date is set out below.

EXECUTIVE CHAIRMAN: COMPENSATION MIX  
(compensation earned in 2012<sup>1</sup>)



(1) Note: the long-term component is excluded because fulfillment will be appraised at the end of its term in 2014, as indicated on the following page.

In 2012, the following principles were applied to compensation payable to the chairman for performance of his executive functions:

- Moderation in overall compensation: At its meeting of July 26, 2012, the Board of Directors resolved that total compensation for all applicable items payable to the Executive Chairman of Red Eléctrica in 2012 was to be 5% less than in 2011.
- Fixed compensation represented a significant portion of total compensation, commensurate with the services provided and responsibilities taken on.
- Annual variable compensation was set on the basis of the fulfillment of targets reflecting progress in terms of the Strategic Plan and Group income.
- Linked to the long-term Strategic Plan and the sustainability of Group performance via the multi-year variable compensation plan.

The following is a summary of total gross payments to the Executive Chairman in 2012:

Compensation to the Executive Chairman (from March 8 to December 31, 2012)				
Director	Fixed compensation	Annual variable compensation	Compensation for functions as a Director <sup>(1)</sup>	Total
José Folgado	325,000	163,000	162,000	650,000

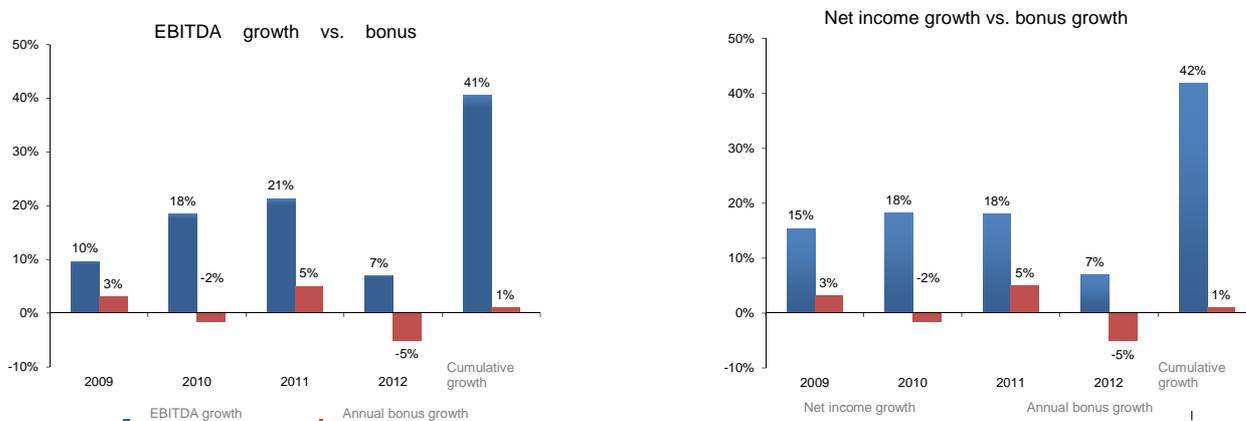
(1) Includes attendance and dedication fees for the Board (71,000) and Board Committees (9,000), and variable compensation (82,000)

The Executive Chairman's fixed compensation for 2012 under the contract approved by the Board at the proposal of the Corporate Responsibility and Governance Committee came to €325 thousand. This amount relates to the period running from his appointment as Executive Chairman on March 8, through to December 31, 2012.

Annual variable compensation was approved by the Corporate Responsibility and Governance Committee in reliance on its findings as to the extent of fulfillment of quantitative and qualitative targets. Performance-related compensation for 2012 was set at €245,000, of which €82,000 related to his role as a Director and €163,000 to his role as chief executive.

The considerations related to the appraisal of the fulfilment of the above-mentioned targets, made by the Corporate Responsibility and Governance Committee, are applicable to the Executive Chairman, as they refer to the same scheme of targets as that adopted for the Board as a whole.

The following charts graphically illustrate a comparison between the evolution of the earnings magnitudes considered as key targets when calculating the Executive Chairman's annual variable compensation, and incentives paid as a result of fulfillment:



In relation to the multiyear variable compensation plan, the Corporate Responsibility and Governance Committee will evaluate the outcomes in 2014, once its term expires in 2013.

The Executive Chairman has not received any manner of social provision benefits.

As of December 31, 2012 the balance sheet carried no loans, advances or guarantees granted by the Company in favour of the Executive Chairman, nor are there any pension obligations owed to him.

- Previous Executive Chairman.

Until March 8, 2012, Luis María Atienza Serna held office as chairman of the Board of Directors and chief executive of the Company. On that date, the Board of Directors resolved to remove him as chairman of the Board and chief executive of the Company and to accept his resignation as a Director.

From January 1, 2012 to the day of his removal, Luis María Atienza Serna received the following gross amounts in his capacity as a Director and as chief executive of the Company.

Compensation to the Executive Chairman (from January 1 to March 8, 2012)					
Director	Fixed compensation	Annual variable compensation	Compensation for functions as a Director <sup>(1)</sup>	Other compensation <sup>(2)</sup>	Total
Luis María Atienza Serna	77,000	41,000	34,000	4,000	156,000

(1) Includes attendance and dedication fees for the Board (15,000) and Board Committees (5,000), and variable compensation (14,000)

(2) Includes contributions to life policy and pension plan

In 2012, expenses associated with the departure of Mr. Atienza during the year were recognised amounting to €2.3 million. This includes accrual of the corresponding part of the multi-year compensation plan (“Plan Extraordinario 25 aniversario” 2009-2013).

#### 4.3.3. Compensation policy for senior executives

The senior managers who rendered services throughout 2012 are detailed below:

Name	Position
Carlos Collantes Pérez-Ardá	Director-General of Transmission
Andrés Seco García	Director-General of System Operation
Esther María Rituerto Martínez <sup>(1)</sup>	Director-General of Administration and Finance
Alberto Carbajo Josa <sup>(1)</sup>	Director-General of System Operation

(1) Ceased to work for the Company in the course of 2012

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.

Compensation for the Company’s senior executives is based on the principles of moderation, actual dedication and linkage to the results of the Company.

In 2012, compensation to senior executives under all headings amounted to 1,023 thousand euros (1,023 thousand euros at 31 December 2011).

Compensation to these executives in 2012 came to €996 thousand (€966 thousand in 2011), while contributions to life policies and pension plans totaled €27 thousand (€57 thousand in 2011):

Year	2012 (€ Thousand)	2011 (€ Thousand)	Change (%)
Compensation	996	966	3%
Contributions to life policies and pension plans	27	57	-53%
<b>Total</b>	<b>1,023</b>	<b>1,023</b>	<b>0%</b>

The agreed decrease, described in section 4.1 of this report, will become effective in 2013, charging it against the settlement of the variable compensation of financial year 2012 for the two senior managers that currently provide services to the Company.

The component items are set out below:

1. Annual fixed compensation

Fixed compensation is determined on the basis of the executive's level of responsibility and leadership within the organization, in line with the going rate at comparable companies. The fixed component must represent a sufficient portion of total compensation to make for a suitable and balanced remuneration mix.

2. Annual variable compensation

Annual variable compensation is linked to quantifiable and measurable targets set by the Corporate Responsibility and Governance Committee at the start of the year and monitored on a quarterly basis throughout the year. The Corporate Responsibility and Governance Committee is also responsible, in early 2013, for evaluating the level of achievement of the targets previously set for 2012. These targets are related to the strategies and criteria established in the Strategic Plan approved at the end of 2011 by the Board of Directors.

3. Multi-year variable compensation

Senior executives are involved in the "Plan Extraordinario 25 aniversario" 2009-2013 executive compensation plan linked to the Company's 25th anniversary, as is the Executive Chairman.

Depending on the level of achievement of the targets set, the overall assessment for the five years with a level of achievement of 100% would amount to 1.8 times fixed annual compensation.

As of December 31, 2012 the Company has recorded an accrual proportional to the period elapsed under the assumption that the targets set in the Plan will be met in 2013. This accrual will not be recognized individually as compensation until compliance with the Plan in 2014 is assessed, or failing this, if prior to that date the relationship between the Company and the Executives included in the program ends, for the causes envisaged in the Plan.

4. Flexible compensation pool

Some or all of a compensation pool may be allocated to various benefits in kind, such as medical insurance, IT equipment, savings insurance, etc.

## 5. Other benefits

There were no loans or advances to senior executives as of December 31, 2012.

There are safeguard or golden parachute clauses for members of the Company's current senior management. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to one year's salary, unless the applicable legislation provides for a higher amount. The contracts containing these clauses were approved by the Corporate Responsibility and Governance Committee and they were duly notified to the Board of Directors.

In 2012, costs associated with the departure of two senior executives during the year were recognised amounting to €2.2 million. This includes accrual of the corresponding part of the aforementioned executive compensation plan ("Plan Extraordinario 25th aniversario" 2009-2013).

### 4.4 COMPENSATION POLICY IN 2013 AND LATER YEARS

The Corporate Responsibility and Governance Committee of Red Eléctrica plays a key role in reviewing and proposing to the Board the compensation policy for the Board itself and the Company's senior management, and each one of the items making up the policy, having regard to applicable laws and regulations and to the latest international recommendations on Corporate Governance.

#### 4.4.1 Board of Directors

In light of the above, and against the background of the latest trends in international investors' focus of concern as to raising the proportion of the Board's fixed compensation while cutting back on the hitherto excessive significance of variable compensation, a new scheme of Board compensation has been proposed, which the Board adopted at its meeting of February 1, 2013. The new scheme, which is already in force in 2013, stipulates the following compensation components:

— Fixed components:

– Fixed compensation

€49,080 annually per Director paid in monthly instalments of €4,090 by the 10<sup>th</sup> day of the following month.

– Fees for attending meetings of the Board of Directors.

€4,462 for each Director's attendance at each of the eleven (11) ordinary meetings of 2013. This amount is paid within fifteen days of the given meeting being held.

In-person and remote extraordinary Board meetings do not give rise to attendance fees.

– Fees for attending meetings of Board Committees.

€27,900 annually per Board Committee member paid in monthly instalments of €2,325 each by the 10<sup>th</sup> day of the following month.

This amount is payable annually regardless of the number of Committee meetings held in 2013.

— Variable compensation:

Variable compensation to the Board in 2013 is set at €49,080 per Director assuming that approved targets are fulfilled.

The approved targets for the Board are:

- Quantitative targets measuring Group's ability to generate income, on the basis of the following metrics:
  - Consolidated EBITDA of the Red Eléctrica Group.
  - Consolidated income of the Red Eléctrica Group.
- Qualitative targets consisting of an annual assessment with reference to the Strategic Plan Review and Improvement conducted by the Corporate Responsibility and Governance Committee.

The target-linked parameters stipulated for calculating variable compensation to the Board are:

<b>Target</b>	<b>Weighting</b>		<b>Threshold</b>
<b>Overweighting</b>			
Red Eléctrica Group consolidated EBITDA	50%	95%	--
Red Eléctrica Group consolidated income	30%	95%	--
Review and Improvement of the Strategic Plan	20%	Assessment by the CRGC	30%

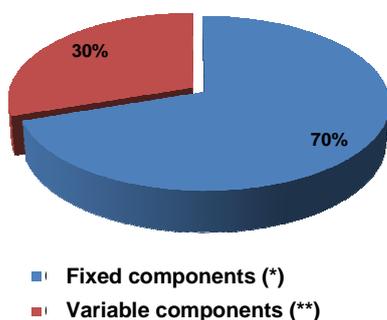
Variable compensation is calculated on the basis of the extent of fulfillment and weighting of each target, with reference to internal target assessment standards and procedures stipulated by the Company for its executives.

This amount is triggered if targets are fulfilled at an overall rate of 90% and the fulfillment threshold for each target has been hit. Up to 110% of that amount may be payable if targets are over-fulfilled if so determined upon target-setting.

After year-end 2013, the Corporate Responsibility and Governance Committee must assess the fulfillment of the targets set for the Board and submit its assessment to the Board. This assessment will determine the final amount of Board compensation.

The following chart graphically represents the compensation mix for Directors in 2013:

**DIRECTORS COMPENSATION MIX 2013**



(\*) Includes fixed compensation, attendance fees to the Board and dedication fees for Committees

(\*\*) Includes variable compensation if targets are 100% fulfilled

In accordance with Article 20 of the Corporate Bylaws, the compensation stipulated in the above resolutions is compatible with and independent from any salaries, emoluments, indemnities, pensions or other compensation of any kind established in general or in particular for members of the Board who are tied to the Company by virtue of an employment relationship – whether ordinary or of the special category applicable to senior management – or under a service provision contract.

No compensation has been agreed in relation to termination of ties with the Company through termination of Directorships; however, compensation has been agreed for the Executive Chairman under the terms specified in the following section.

#### **4.4.2 Executive Chairman**

The basic principles of compensation policy for the **Executive Chairman** in 2013 are as follows:

- Fixed compensation will continue to account for a significant proportion of total compensation. Annual gross compensation for the entire period of 2013 is expected to reach €399 thousand.
- The expected variable compensation for his executive functions is capped at 50% of fixed compensation. The Corporate Responsibility and Governance Committee will set the specific amount of annual variable compensation at the start of 2014

with reference to the fulfillment of targets, parameters and indicators as described above for the Board, subject to the qualifications set out below, after the Committee evaluates the extent of such fulfillment in January 2014.

The Corporate Responsibility and Governance Committee has decided to set the fulfillment threshold of quantitative targets that triggers the Executive Chairman's entitlement to variable compensation at 95%; the maximum possible fulfillment is 100%. The Corporate Responsibility and Governance Committee assesses whether or not qualitative targets have been fulfilled at the threshold level. If the targets have been fulfilled at their upper level, the Committee may find that total fulfillment of all targets has reached 110%.

As of today, no substantial change is expected in the basic principles of the compensation policy applicable to **Directors or the Executive Chairman**, as described above. Such principles will accordingly continue to apply in future years, unless in view of emerging circumstances the competent organs of the Company decide to modify the principles on regulatory, economic, strategic, Corporate Governance-related or other grounds. For this purpose, the Board and the Corporate Responsibility and Governance Committee, in the exercise of their powers, will continue regularly to review the principles of compensation policy applicable at the Company.

It is in any event the prerogative of the Board, in response to a proposal submitted by the Corporate Responsibility and Governance Committee, to draw up a proposal for Directors' compensation within the framework established by the Corporate Bylaws (fixed monthly allocation, fixed Board attendance and dedication fees, Board Committee dedication fees and compensation linked to the Company's annual income), subject to a ceiling of 1.5% of the Company's net income approved by the Shareholders' Meeting.

In addition, for the purposes of drawing up reports and proposals on Directors' and executives' compensation policy for future years the Corporate Responsibility and Governance Committee will continue to consider the state of affairs of the Company, the economic and financial background and, in particular, the economic downturn affecting global capital markets – this scenario has prompted the Board to halt the growth of its total compensation in the past four years and, in 2012, even to reduce its compensation by approximately 5%.

#### **4.5 TERMS OF THE EXECUTIVE CHAIRMAN'S CONTRACT**

The contract governing the Executive Chairman's performance of his functions and duties in his relationship with Red Eléctrica is formed under commercial law and includes the clauses constituting standard practice for this type of contract.

In addition to the duty of confidentiality expressly stipulated in that contract, the Executive Chairman is bound by the duty of confidentiality set out in Article 29.1 of the Board Regulations, which applies to all Directors. Under that provision, a Director must keep in confidence the discussions of the Board and of any Committees of which he or she is a member, and must abstain from disclosing any information, data, reports or background material to which he or she may have gained access in the performance of his or her office. The duty of confidentiality survives a Director's departure from office.

In his capacity as a Director of Red Eléctrica, the chairman is under a duty of non-competition with the Company under the terms governing such duty binding company Directors under Article 29 of the Board Regulations. In addition, the duty of non-competition is expressly set out in the contract with the Executive Chairman and has a term of two (2) years as from his departure from office. The Executive Chairman is not entitled to any indemnity for post-contractual non-competition.

The contract with the current Executive Chairman was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's Board of Directors. Following usual practice on market, the contract contemplates an indemnity equal to one (1) year's compensation in the event of the commercial relationship with the Executive Chairman coming to an end by reason of dismissal or a change of control.

This indemnity would be calculated on the basis of his annual fixed and variable compensation as Executive Chairman; his compensation as a Director is excluded from the calculation.

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

Pursuant to the provisions of Article 20 of the Corporate Bylaws, the Board of Directors is responsible for allocating the amount of annual compensation among the different items established (fixed monthly fee, fixed fee for attendance of 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 the aforementioned Article as 1.5% of the Company's net income approved by the General Shareholders' Meeting. This decision is adopted annually by the Board of Directors, following a proposal by the Corporate Responsibility and Governance Committee.

The resolutions adopted by the Board of Directors at the meeting held on February 1, 2013 reduced the overall amount of the Board's compensation for **the year 2012**, including all items, by approximately 5% with respect to the amount for 2011. The Board's compensation has been frozen since 2007.

In accordance with the best practices of corporate governance, the transparency of compensation policy has been enhanced, and the resolutions below as submitted for approval by the General Shareholders' Meeting include more detailed information concerning the pre-established objectives and their weightings, considered for the purposes of calculation of the overall sum of Board compensation, including all items, for the year 2012.

In relation to the Board's compensation for **the year 2013**, in due consideration of the tendencies manifested by investors in connection with the advisability of increasing the fixed compensation of the Board, to the detriment of an excessive weighting of variable compensation, a proposal has been made for a **new compensation scheme for the Board of Directors**, which was approved by the Board at the meeting held on February 1, 2013 and is now applicable for the year 2013.

Also for the year 2013, the resolutions submitted to the General Shareholders' Meeting contain detailed information on the fixed and variable amounts and considerations making up the Board's compensation, and on the objectives and parameters

established for the purposes of calculation of the variable component of the Board of Directors' compensation.

As is the custom, the Board of Directors has resolved to submit approval of Board resolutions establishing the Board compensation for 2012 and 2013 to the Ordinary General Shareholders' Meeting, as the resolutions concerning Board compensation for both years were approved at the meeting on February 1, 2013.

As a result, the following resolutions are proposed to the Board of Directors for submission to the General Shareholders' Meeting as separate items on the meeting's agenda:

## **Two.- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2012**

To approve, with effect as of January 1, 2012, the compensation of the Board of Directors agreed at the Board meeting of February 1, 2013, which established compensation for 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, following a proposal by the Corporate Responsibility and Governance Committee, in the following terms:

### Overall Board compensation for all items in 2012

1. The Board resolution adopted at the meeting held on July 26, 2012 established that the total compensation, for all items, of the Board of Directors and the Executive Chairman of Red Eléctrica Corporación, and of the Directors-General of Red Eléctrica de España, S.A. in 2012 will in any case be five per cent less than the compensation paid over in 2011.

In order to determine this overall amount, the Corporate Responsibility and Governance Committee carried out an assessment of the Board of Directors' achievement of objectives in 2012, as set out in the Annual Report on Directors' Compensation approved by the Board at the meeting held on March 12, 2012, and at the Ordinary General Shareholders' Meeting held on April 19, 2012.

The aforementioned objectives and their weightings were as follows:

<b><u>Objective</u></b>	<b><u>Weighting</u></b>
1. Consolidated EBITDA of the Red Eléctrica Group	50%
2. Consolidated income of the Red Eléctrica Group	30%
3. Progress on the Strategic Plan	20%

Following assessment of achievement of these objectives, the Corporate Responsibility and Governance Committee considers there has been 100% achievement of objectives 1 (50% of the total weighting) and 2 (30% of the total weighting), and the upper level of objective 3, established at the time of definition of the objectives (20% of the initial weighting, with the possibility of reaching 30% in the event of achievement of this upper level).

Thus the Corporate Responsibility and Governance Committee considers overall achievement of the objectives to be 110%.

Following assessment of achievement of these objectives, the overall sum of Board compensation, for all items, is to be set at €1,790,000.00 for the year 2012.

2. The amounts already received from this by directors as attendance fees and work on the Board of Directors and its Committees in 2012 must be deducted in the amount of €894,649.39 from the annual overall compensation as approved.

### **Three.- Approval of the compensation of the Board of Directors of Red Eléctrica Corporación, S.A., for 2013**

To approve, with effect as of January 1, 2013, the Board of Directors' compensation agreed at the Board meeting of February 1, 2013, which established compensation for 2013 in accordance with the provisions of Articles 20 and 24.2.b) of the Corporate Bylaws and Article 16.2 of the Board Regulations, following a proposal by the Corporate Responsibility and Governance Committee, in the following terms:

#### **Overall Board compensation, for all items, in 2013**

##### **1. Fixed compensation**

€49,080.00 annually per director, in monthly payments of €4,090.00 each, before the 10<sup>th</sup> of the following month.

## 2. Fees for attending meetings of the Board of Directors

€4,462.00 for attendance by each director of each of the eleven ordinary meetings scheduled for the year 2013 on the calendar approved by the Board of Directors. This amount will be paid within fifteen days of each meeting held.

Extraordinary meetings of the Board of Directors, either physically or through telematic means, will not give rise to any compensation as attendance fees.

## 3. Variable compensation

The variable component of the Board's compensation for 2013 will be established in accordance with achievement of the strategic objectives set by the Board of Directors at the beginning of the year.

The sum of the variable component of the Board's compensation for the year 2013 is set at €49,080.00 per director, if the objectives established are achieved.

For the purposes of calculation of the variable component of compensation, consideration will be taken of the level of achievement and the weighting of each of the objectives, and the internal procedures and regulations for assessment of objectives established by the Company will be applied.

The aforementioned amount will be attained if there is 90% overall achievement of objectives, provided the minimum achievement thresholds for all objectives have been exceeded. The possibility is established of a weighting of up to 110% of this amount in the event of a global overachievement of the objectives, when this is determined at the time the annual objectives are set.

The objectives and parameters to calculate the variable compensation of the Board of Directors for 2013 are as follows:

<b><u>Objective</u></b>	<b><u>Weighting</u></b>	<b><u>Minimum threshold</u></b>	<b><u>Overweighting</u></b>
1. Consolidated EBITDA of the Red Eléctrica Group	50%	95%	-
2. Consolidated income of the Red Eléctrica Group	30%	95%	-
3. Review and improvement of the Strategic Plan	20%	Valuation by the CRGC (1)	30%

(1) Corporate Responsibility and Governance Committee.

At year-end 2013, the Corporate Responsibility and Governance Committee must perform an assessment of the Board of Directors' achievement of the objectives, and this will determine the final sum of the Board's variable compensation.

4. **Fees for attending meetings of the Board of Directors' Committees**

€27,900.00 annually for each member of the Board's Committees, in monthly payments of €2,325.00 each, before the 10<sup>th</sup> of the following month.

This is an annual amount, irrespective of the number of Board meetings held in 2013.

**PROPOSED RESOLUTION RELATING TO ITEM ELEVEN 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 Ordinary General Shareholders' Meeting, the following resolution is proposed for submission to the General Shareholders' Meeting:

Without prejudice to the authorizations expressly conferred by the General 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, and also the Secretary and Deputy Secretary of the Board, so that

they may exercise them, jointly and severally, with a view to the implementation, execution and registration of each and every resolution adopted by this General Shareholders' Meeting, including the signature of the corresponding contracts and documents, with the clauses and conditions they deem appropriate, and interpret, rectify and complete the aforementioned resolutions and make arrangements for them to be notarized, according to their effectiveness and the observations of any body or authority, in particular the oral or written observations of the Commercial Registrar, taking all measures that may be necessary or appropriate to ensure a successful outcome and, in particular, to ensure that resolutions that may be registered are entered in the Commercial Registry.

## **II. ITEMS OF INFORMATION**

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

#### **INFORMATION TO THE SHAREHOLDERS' MEETING ON THE 2012 ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A.**

The General Shareholders' Meeting is informed that, in accordance with the provisions of Article 61 bis of Spanish Securities Market Law 24/1988, of July 28 ("LMV") and other applicable regulations, at its meeting on February 26, 2013 the Board of Directors unanimously approved the 2012 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 2012 Annual Corporate Governance Report is made up of a main body comprising four 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), to the year 2012 at RED ELÉCTRICA (Title III), and to RED ELÉCTRICA's outlook in terms of corporate governance (Title IV).

Title IV has been added this year. In view of their possible interest to current shareholders and potential investors and other third parties with an interest in RED ELÉCTRICA's future, and foreign shareholders in particular, the Board of Directors wished to include the tools used by the Company to assess the best international practices of corporate governance, and the issues it is now analyzing or will shortly be discussing to honor Red Eléctrica's undertaking to introduce the best international practices of corporate governance.

Finally, as in the preceding year, two Official Indexes have been included at the end of the Report: Annex 1 relating to the Annual Corporate Governance Report format established by the Spanish National Securities Market Commission's Circular 4/2007 of December 27, and Annex 2 on additional information under Article 61 bis of the LMV, drawn up on the basis of instructions notified by the CNMV to listed corporations in December 2011, which remain applicable to the 2012 Annual Corporate Governance Report.

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

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

**INFORMATION TO THE SHAREHOLDERS' MEETING ON THE AMENDMENT OF THE REGULATIONS OF THE BOARD OF DIRECTORS**

The General Shareholders' Meeting is informed that the main features added to Board Regulations following the modifications approved by the Board at its meeting on March 13, 2013 are as follows:

- 1.- Adaptation to the last legislative modifications following approval, at the 2011 and 2012 Ordinary General Shareholders' Meetings, of the modifications to the Corporate Bylaws and the Regulations of the General Shareholders' Meeting.
- 2.- The addition of new corporate governance practices, as follows:
  - a) The adoption of measures to counterbalance the concentration of power by the Chief Executive and Chairman of the Board of Directors of the Company and other measures, where applicable, for the separation of the two posts. The measures are as follows:
    - The possibility of creating a Lead Independent Director and a procedure for its appointment and removal, and regulation of its areas of competence and responsibilities.
    - The introduction of specific measures for the personal separation of the posts of Chief Executive and Chairman of the Board of Directors.
    - Express reservation for the Board of Directors of certain areas of competence and powers which, in urgent situations, were previously delegated to the Chairman of the Board of Directors.
  - b) The formalization of certain practices already carried out at the Company, particularly the following:
    - The annual assessment of the Board of Directors, its Committees and the Chairman, by an independent expert.
    - Approval by the Board of a policy for the appointment and appraisal of Board candidates, stipulating the practice deployed more recently.
  - c) Adaptation of the composition of the Board's Committees to the requirements demanded by investors, to enhance their independence requiring that they be composed of a majority of independent directors.
  - d) Increased transparency in terms of the policy of compensation for the Board and senior management, also including new items and compensation structures recently recommended by investors and proxy advisors.

The General Shareholders' Meeting is also informed that, at its meeting on March 13, 2013, the Board of Directors created the post of Lead Independent Director, subject to approval by the General Shareholders' Meeting.

The main responsibility of the Lead Independent Director is to organize common postures of the independent directors and act as spokesperson on these common postures vis-à-vis the Chairman of the Board of Directors, the Board itself and its Committees.

The post entails the main functions and responsibilities acknowledged internationally in connection with the Board of Directors, with independent directors and with shareholders, and these have been deployed in the Board's regulations pursuant to the stipulations of the Corporate Bylaws.

The term of this post is three (3) years, being it possible to be re-elected, and will leave the Board when they do so as directors, when they lose their status as independent directors, or when this is agreed by the Board of Directors, following a proposal by the Corporate Responsibility and Governance Committee.

Yours sincerely,

Signed: Rafael García de Diego Barber  
Secretary General and of the Board of Directors