

TITLE III

THE YEAR
2016
IN RED
ELÉCTRICA





CHAPTER I

MAIN SHAREHOLDER AGREEMENTS

The main shareholder agreements on corporate governance adopted by the Company during financial year 2016 are as follows:

1. At its meeting on 26 January 2016, the Company's Board of Directors appointed Mr. José Ángel Partearroyo Martín as a member of the Appointments and Remuneration Committee for a period of three (3) years.
2. At its meeting on 23 February 2016, after considering a favourable report from the Appointments and Remuneration Committee, the Board of Directors approved the Company's Annual Corporate Governance Report for 2015 and authorised the Financial Statements and Management Report for 2015 for issue.
3. At its meeting on 23 February 2016, the Board of Directors resolved to make recommendations to the Shareholders' Annual General Meeting for the reelection of Mr. José Folgado Blanco as a director in the 'other external' category, the re-election of Mr. Fernando Fernández Méndez de Andrés as a proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI), the ratification and appointment of Mr. José Ángel Partearroyo Martín as a proprietary director representing SEPI, the re-election of Ms. Carmen Gómez de Barreda Tous de Monsalve as an independent non-executive director and the appointment of Mr. Agustín Conde Bajén as an independent director

of the Company, all of them for the four-year term specified in the Bylaws.

4. Also at its meeting on 23 April 2016, the Board of Directors approved all the proposed resolutions and reports to be brought before the 2015 Shareholders' Annual General Meeting, which was then called.
5. At the Shareholders' Annual General Meeting held on 15 April 2016, the following resolutions were adopted as separate and independent items on the agenda:
 - Approve the Annual Accounts (Balance Sheet, Income Statement, Consolidated Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements) and the Management Report of Red Eléctrica Corporación, S.A. for the financial year ending 31 December 2015.
 - Approve the Consolidated Annual Accounts (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements) and the Consolidated Management Report of the Red Eléctrica Group for the financial year ending 31 December 2015.



- Approve the allocation of results proposed by the Board of Directors at its meeting of 23 February 2016 and, consequently, distribute the profit for the 2015 financial year.
- Approve the management of the Board of Directors of Red Eléctrica Corporación, S.A. over the 2015 financial year.
- Re-elect Mr. José Folgado Blanco, as an 'other external' director of Red Eléctrica Corporación, S.A., for the term of four years fixed in the Bylaws, in accordance with the provisions of Article 529 *decies* of the LSC.
- Re-elect Mr. Fernando Fernández Méndez de Andés as an 'other external' director of Red Eléctrica Corporación, S.A., representing Sociedad Estatal de Participaciones Industriales [SEPI], for the term of four years fixed in the Bylaws, in accordance with the provisions of Article 529 *decies* of the LSC.
- Ratify the appointment of Mr. Santiago Lanzuela Marina as proprietary director of Red Eléctrica Corporación, S.A., representing SEPI, as agreed by the Board of Directors at its meeting on 22 July 2015, and so appoint him as proprietary director of Red Eléctrica Corporación, S.A., representing SEPI, for the four-year term specified in the Bylaws, in accordance with Article 529 *decies* of the LSC and the reports issued by the Board of Directors and the Appointments and Remuneration Committee.

- Re-elect Ms. Carmen Gómez de Barreda Tous de Monsalve, at the proposal of the Appointments and Remuneration Committee, as an independent director of Red Eléctrica Corporación, S.A., for the term of four years set in the Bylaws, in accordance with the provisions of Article 529 *decies* of the LSC.
- Appoint Mr. Agustín Conde Bajén, at the proposal of the Appointments and Remuneration Committee, as an independent director of Red Eléctrica Corporación, S.A. for the four-year term specified in the Bylaws, to replace the independent non-executive director Ms. Paloma Sendín de Cáceres, in accordance with Article 529 *decies* of the LSC.
- Reappoint KPMG Auditores, S.L., with Tax ID No. [NIF] B-78510153, with registered office at Paseo de la Castellana, 95, C.P. 28046 Madrid, registered with the Madrid Mercantile Registry [Volume 11,961, Sheet 90, Section 8, Page number M-188,007, Entry 9] and with the Official Registry of Auditors [Registro Oficial de Auditores de Cuentas, or ROAC] under number S0702, as auditors of the parent company, Red Eléctrica Corporación, S.A., and its consolidated group, for a term of three [3] years covering the 2016, 2017 and 2018 financial years, in accordance with the provisions of Article 264 of the current LSC.
- Split the shares of the Company by reducing their par value from two euros [€2] to fifty euro cents [€0.50] per share, at the ratio of four new shares for each old share, with no change in the amount of share capital, amending Article 5.1 of the Bylaws accordingly.





- ▶ In relation to the remuneration of the Board of Directors:
 - ▶ Approve the Directors' Remuneration Policy of Red Eléctrica Corporación, S.A.
 - ▶ Approve the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for 2016.
 - ▶ Approve the Annual Directors' Remuneration Report of Red Eléctrica Corporación, S.A.

- ▶ Partially amend the resolution approving a Remuneration Plan for employees, executive directors and senior managers of the Company and companies belonging to the Red Eléctrica Group in Spain, passed by the Shareholders' Annual General Meeting of the Company held on 15 April 2015 (item 10.2 on the agenda of that meeting).

- ▶ Grant authority to execute the resolutions adopted by the 2015 Shareholders' Annual General Meeting.

- ▶ Report to the Shareholders' General Meeting on Red Eléctrica's Annual Corporate Governance Report for 2015.

6. At its meeting on 26 April 2016, the Board of Directors of Red Eléctrica Corporación, S.A. appointed Ms. M^a José García Beato as a member of the Audit Committee for a three-year term and Mr. Agustín Conde Bajén as a member of the Appointments and Remuneration Committee for the same three-year term, following the removal of Ms. M^a José García Beato as a member of the latter committee.

7. At its meeting on 31 May 2015, the Board of Directors approved the re-election of Ms. Carmen Gómez de Barreda Tous de Monsalve as Lead Independent director for a three-year term.

8. At its meeting on 28 June 2016, the Board of Directors approved the Report on the Self-Assessment of the Board of Directors for 2015, prepared with external advice from PwC.

9. At its meeting on 25 October 2016, the Board of Directors approved the Criteria for communication with shareholders, institutional investors and proxy advisors.

10. At its meeting on 29 November 2016, the Board of Directors accepted the resignation of the independent director, Mr. Agustín Conde Bajén.

11. At its meeting on 20 December 2016, the Board of Directors approved the amendment to the Board of Directors Regulations.

12. At the same meeting on 20 December 2016, the Board of Directors approved the amendment of the Integrated Risk Management Policy.

13. At that same meeting on 20 October 2016, the Board of Directors approved the Report on Gender Diversity and Equality Policy for 2015.



CHAPTER II

MAIN EXTERNAL RECOGNITIONS

Below are the main external recognitions awarded to the Company in 2016 in relation to corporate governance. Although some of them were obtained as part of a corporate responsibility award, corporate governance aspects were an important consideration.

1. Recognition as best European utility as regards corporate governance in 2016 by the respected English publication 'Ethical Boardroom Magazine'.
2. 'Silver Class' award in the 2017 Sustainability Yearbook, which each year analyses the sustainability of more than 2,000 companies in 60 industries worldwide and recognises those that have shown leadership in sustainability.
3. Inclusion in the Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index, reaching a corporate governance score of 82 points out of 100.
4. Constituent of FTSE4Good sustainability index ever since the Company was first included in 2008. This index includes listed companies all over the world that meet the index requirements.
5. Constituent of the MSCI ESG indices (MSCI Global Sustainability Indexes, MSCI Socially Responsible Indexes, MSCI Global Climate Index and MSCI Global Environmental Index) ever since it was first included in 2014. The companies included in these indices are the ones with the best ESG (Environmental, Social and Governance) performance in their sector.
6. Constituent, following initial inclusion in 2014, of the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120, World 120), which include the 120 most advanced companies in terms of corporate, social and environmental governance.



7. Constituent of the Ethibel Sustainability Index Excellence Europe family of indices ever since it was first included in 2009.
8. Renewed inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers. Selection by the ETHIBEL Forum indicates that the Company can be described as an industry leader in Corporate Social Responsibility (CSR).
9. Renewed inclusion in the ECPI index family, following initial inclusion in 2007.
10. Constituent of the STOXX Global ESG Leaders index family, which offers a representation of the leading global companies in terms of environmental, social and governance criteria, since 2011.
11. Red Eléctrica renewed its Sello Excelencia Europea 500+ excellence award, according to the EFQM model, granted by Club Excelencia en Gestión, obtaining more than 700 points.



CHAPTER III

RELEVANT EVENTS DISCLOSED TO THE MARKETS

The Company files the notice of Shareholders' General Meeting, the proposed resolutions and other Shareholders' General Meeting-related documents with the CNMV and publishes them on its website as soon as they have been approved by the Board of Directors.

On the day of the Shareholders' General Meeting or on the immediately following business day, the Company also submits the full text of all the resolutions adopted to the CNMV by filing a Relevant Event report.

Once the resolutions been notified to the CNMV, the text of all the resolutions adopted is also made available on the corporate website.

To allow shareholders of the Company resident outside Spain, who make up approximately 70% of the shareholders, to exercise the right of information, all the documents presented for approval and for information at the meeting, including the Annual Corporate Governance Report, are translated into English and published, in English, on the corporate website on the same day as the Relevant Event reports and related documentation are published.

During 2016, the following Relevant Events were reported to the CNMV:

- 1. Composition of the Board of Directors.** On 26 January 2016 the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on that date, had appointed the proprietary director representing Sociedad Estatal de Participaciones Industriales [SEPI], Mr. José Ángel Partearroyo Martín, as a member of the Appointments Committee for a term of three [3] years.
- 2. Other corporate governance items.** On 23 February 2016 the Company reported the home Member State of Red Eléctrica Financiaciones, S.A., Unipersonal.
- 3. Information on dividends.** On 25 February 2016, the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on 23 February 2016, had agreed to recommend to the Shareholders' General Meeting a gross dividend of 3.2100 euros per share to be paid to the holders of shares that carry dividend rights.
- 4. Information on results.** On 25 February 2016 the Company reported the results of Red Eléctrica Corporación, S.A. for financial year 2015.



5. Interim financial information. On 25 February 2016, the Company submitted information on its results for the second half of 2015.

6. Annual Corporate Governance Report. On 25 February 2016, the Company submitted the Annual Corporate Governance Report for 2015.

7. Annual Directors' Remuneration Report. On 25 February 2016, the Company submitted the Annual Directors' Remuneration Report for 2015.

8. Strategic plans, forecasts and presentations. On 25 February 2016, Red Eléctrica submitted the presentation of results for 2015 and strategy for 2014-2019.

9. General Meeting notices and resolutions. On 26 February 2016, the Company published the notice of Shareholders' Annual General Meeting and the proposed resolutions.

10. Issues of fixed income securities. On 7 April 2016 the Company reported that Red Eléctrica Corporación, S.A., through its subsidiary Red Eléctrica Financiaciones, S.A.U., had issued three hundred (300) million euros of Notes in the Euromarket.

11. General Meeting notices and resolutions.- Remuneration systems. On 15 April 2016, the Company published the full text of the resolutions adopted by the Shareholders' Annual General Meeting of the Company held on that date.

12. Composition of other management and control bodies. On 26 April 2016, the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on that date, had appointed Ms. M^a José García Beato as a member of the Audit Committee for a term of three (3) years and Mr. Agustín Conde Bajén as a member of the Appointments and Remuneration Committee, also for a term of three (3) years, Ms. M^a José García Beato having ceased to be a member of the latter committee.

13. Information on results. On 27 April 2016, the Company reported its results for the first quarter of 2016.

14. Interim financial information. On 27 April 2016, the Company submitted information about its results for the first quarter of 2016.

15. Ratings. On 30 May 2016, the Company reported that the rating agency Fitch Ratings had upgraded the long-term rating of Red Eléctrica Corporación, S.A. from 'A-' to 'A', with a stable outlook.

16. Other corporate governance items. On 1 June 2016, the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting on 31 May 2016, had agreed to reelect Ms. Carmen Gómez de Barreda Tous de Monsalve as Lead Independent director of the Company for a term of three (3) years.



17. Share split. On 28 June 2016, the Company notified the date of the start of trading of the new shares following the execution of the share split.

18. Information on results. On 28 July 2016, the Company reported its results for the first half of 2016.

19. Interim financial information. On 28 July 2016, the Company submitted information on its results for the first half of 2016.

20. Information on results. On 28 July 2016, the Company submitted the presentation of its results for the first half of 2016.

21. Ratings. On 3 August 2016, the Company reported that the rating agency Standard & Poor's had issued a new report on the Company, affirming the level and outlook of the Company's rating.

22. Information on results. On 26 October 2016, the Company reported that it had presented its results for the third quarter of 2016.

23. Interim financial information. On 26 October 2016, the Company submitted information on its results for the third quarter of 2016.

24. Composition of the Board of Directors. On 29 November 2016, the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on that date, had accepted the resignation of Mr. Agustín Conde Bajén as an independent director.

25. Information on dividends. On 20 December 2016, the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on that date, had resolved to distribute a gross interim dividend of €0.2382 per share out of profit for 2016.

26. Other corporate governance items. On 21 December 2016, the Company reported that the Board of Directors of Red Eléctrica Corporación, S.A., at its meeting on 20 December 2016, had resolved to amend the Board of Directors Regulations.



CHAPTER IV

ANNUAL ACTIVITY REPORTS OF THE BOARD COMMITTEES

The annual activity reports of the Appointments and Remuneration Committee and the Audit Committee for financial year 2016 are reproduced in full below.

Appointments and Remuneration Committee Activity Report for 2016

1. Introduction

The Action Plan of the Committee for the 2017 fiscal year, as provided in Article 18.6 a) of the Board Regulations, contemplates the preparation of an annual activities report, in this case for the 2016 fiscal year, which must be included in the Annual Corporate Governance Report, which is the subject matter of this document.

2. Legal background, structure, functions and composition

2.1 Legal background

The Board of Directors of the company, at a meeting held on 13 March 2013, resolved to amend the Board Regulations to adjust their content to the legislative amendments affecting public limited companies, to adapt to best practices regarding corporate governance, especially in the international sphere, and to introduce improvements in the organisation and functioning of the Board of Directors and its Committees.

As a result, the Shareholders' Annual General Meeting, held on 18 April 2013, approved the amendment of the Articles of Association, to adapt, inter alia, the regulation of the Audit Committee and the Corporate Governance and Responsibility Committee [currently called the Appointments and Remuneration Committee] in the Articles of Association of the company, to the principal international practices and recommendations regarding good corporate governance. Notable in this regard is the articles provision to the effect that the majority of members of both committees must be independent directors.

Act 31/2014 of 3 December 2014, which modified the Spanish Companies Act to improve corporate governance, caused an adaptation of the Articles of Association of the company at the Shareholders' Annual General Meeting held on 15 April 2015. The Board of Directors Regulations also were modified in the same sense on 20 December 2016, for their full adaptation to the most recent amendments of the Spanish Companies Act, to the Code of Good Governance of Listed Companies and to introduce improvements in the organisation and functioning of the Board Committees to adapt them to the new organisational structure, among other matters.

Following the most recent amendments of the Spanish Companies Act, the latest international practices and recommendations have been adopted as regards to the composition and independence of committees and



qualifications of their members. The main elements had already been incorporated in the amendment of the Articles of Association and the Board Regulations approved in 2013. Nevertheless, these corporate rules have been reviewed to ensure that they are fully adapted to the content of the new Act.

2.2 Structure and functions

Articles 24.2 of the Articles of Association and 17 and 18 of the Board of Directors Regulations regulate the structure, composition and functions of the Appointments and Remuneration Committee.

The Committee is given authority, inter alia, in relation to appointments, performance and removals of directors and senior managers, their remuneration, compliance with the duties of the directors, the rules and actions regarding Corporate Governance and regarding Corporate Responsibility and Sustainability.

The Committee meets as often as required for proper performance of its duties. In any event, it must meet at least on a quarterly basis, whenever called by its chairman or requested by two of its members, and also whenever the Board of Directors or its Chairman requests that a report be issued or proposals be referred.

In Article 17.5 of the Board of Directors Regulations it is provided that the call of the meetings, with the documentation associated therewith, may be made by telematic means guaranteeing the due security and confidentiality of the call and the corresponding documentation.

That call, which is to include the agenda, will be sent by the chairman or secretary of the Committee to each of its members, at least three days before the date indicated for

the meeting, unless the meeting needs to be called earlier for emergency reasons.

Article 17.7 of the Board Regulations establishes the possibility that, by reason of urgency and on an exceptional basis, meetings of the Committee may be held by conference call, video conference or any other means of remote communication that allows the meeting to be held, provided that all of the members of the Committee so agree.

There is a quorum for a Committee meeting with the attendance of a majority of its members and decisions or recommendations are adopted by absolute majority votes of the directors attending the meeting, in person or by proxy, reflecting said decisions and recommendations in the minutes at the end of the meeting. In order to better perform its duties, the Committee may receive advice from independent professionals and may access any type of information or documentation of the company that is required to perform its duties.

2.3 Composition

The composition of the Appointments and Remuneration Committee is governed by Article 24.1 of the Articles of Association and Article 17 of the new Board of Directors Regulations. The latter article provides that the Committee will be composed of five members, appointed from among the non-executive directors, with the majority of its members being independent directors. The chairman of the Committee will be an independent director appointed from amongst its members and the secretary will be the secretary of the Board of Directors.

The appointment and removal of Committee members is carried out by the Board of Directors on proposal of the Chairman of the Board of Directors, following a report from



the Appointments and Remuneration Committee. Committee members will hold their position for a term of not more than three years and may be re-elected, and will cease to be members of the Committee if they lose their director status or when agreed by the Board of Directors, following a report of the Appointments and Remuneration Committee. The chairman will be replaced every three years, and may be re-elected once one year has elapsed since he ceased to be a member.

Regarding the composition of the Appointments and Remuneration Committee, during the 2016 fiscal year the following occurred:

- The Board of Directors of Red Eléctrica Corporación, S.A., at the meeting of 26 January 2016, appointed the proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI), Mr. José Ángel Partearroyo Martín, as a member of the Appointments and Remuneration Committee for a term of three years, to fill the vacancy existing on the Appointments and Remuneration Committee as a result of the resignation of the proprietary director Mr. Francisco Ruiz Jiménez.
- The Board of Directors of Red Eléctrica Corporación, S.A., at the meeting held on 26 April 2016, appointed the independent director Mr. Agustín Conde Bajén as a member of the Appointments and Remuneration Committee of the company, for a term of 3 years, to fill the vacancy arising on the Appointments and Remuneration Committee as a result of the resignation of Ms. M^a José García Beato as a member of the aforesaid Committee to become a part of the Audit Committee.

➤ The Board of Directors at the meeting held on 29 November 2016 accepted the resignation presented by Mr. Agustín Conde Bajén, and as a result there was a vacancy on the Board of Directors and on the Appointments and Remuneration Committee.

At 31 December 2016 the composition of the Committee was as follows:

Director	Position	Type of Director
Carmen Gómez de Barreda Tous de Monsalve	Chairperson	Independent Director
Socorro Fernández Larrea	Member	Independent Director
María Ángeles Amador Millán	Member	Independent Director
José Ángel Partearroyo Martín	Member	Proprietary Director
Vacant [8]	Member	Independent Director

[8] The vacancy on the Appointments and Remuneration Committee arose upon resignation of the independent director Mr. Agustín Conde Bajén, which was accepted by the Board of Directors at the meeting held on 29 November 2016. At the date of approval of this report that vacancy remains unfilled.

All of the members of the Committee have demonstrated capacity to perform the functions of the Committee, due to their broad experience, skills and knowledge.

Set forth below are summaries of the professional careers of the members at 31 December 2016:

- **Carmen Gómez de Barreda Tous de Monsalve** has a degree in Economics and Business from the Universidad Pontificia de Comillas [ICADE] and a master's degree in Business Administration from IESE [Executive MBA], Universidad de Navarra.



She is currently General Manager of Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES).

She has served, inter alia, as the head of the cogeneration area of the Marketing Department of Enagás, the head of the international, petrochemical and marketing areas of Repsol, Services Development Manager of Unión Fenosa, Deputy Director of Petroleum Markets with the National Energy Commission (Comisión Nacional de Energía, or "CNE"), Institutional Relations and Communications Manager of BP Oil España, representative of the Spanish delegation on the Emergency Matters Group and the Markets Group of the International Energy Agency (Agencia Internacional de la Energía, or "AIE").

➤ **Socorro Fernández Larrea** is a Canals and Ports Engineer with a degree from the Universidad Politécnica de Madrid and holds an IESE Senior Management Programme (PADE) diploma.

Currently she is an executive director of the consulting firm JUSTNOW, S.L., a member of the Board of Directors of AMPER, S.A. as a proprietary director representing Emilanteos, S.L. She is a member of the Board of Directors of the Spanish engineering firm SEG, S.A., a member of the Board of Directors of the Spanish construction and real estate company ACR, a member of the advisory board of the Mexican engineering firm CAL Y MAYOR end of the real estate company ZELTEX, with activity in Senegal.

In the private sector, amongst other positions, she has worked as General Manager of COPISA Constructora Pirenaica S.A., Vice-President of ANCI, Asociación de Constructores Independientes, Regional Manager of the construction company Seop, Obras y Proyectos, S.A., National Representative of Ferrovial Conservación, S.A., and Representative in Castilla-La Mancha of Ferrovial-Agroman, S.A. In the public sector, she held the position of General Manager of Roads, Hydraulic Works and Transport, Regional Council of Public Works, Autonomous Community Board of Castilla-La Mancha.

➤ **María Ángeles Amador Millán** holds a law degree from the Universidad Complutense de Madrid.

She has served, among other positions, as Technical Secretary General of the Ministry of Public Works and Urban Development, Undersecretary of the Ministry of Health and Consumer Affairs, Minister of Health and Consumer Affairs and Vicepresident of the Constitutional Commission of the Congress. She also has served as the president of the Corporate Governance and Responsibility Committee (currently known as the Appointments and Remuneration Committee) of the Company, which she joined as a director in May of 2005. Currently she is a practicing attorney.

➤ **José Ángel Partearroyo Martín** holds a law degree from the Universidad de Salamanca. Master's Degree in Business Law [LLM] from the Instituto de Empresa. Studied for the public examinations to access the judicial and prosecutor career.

Currently, he is the General Manager of Sociedad Estatal de Participaciones Industriales (SEPI).



Among other positions, he has been Director of Investee Companies in the Communications Division of Sociedad Estatal de Participaciones Industriales (SEPI), an Associate Attorney with KPMG Abogados, S. L., a Senior Attorney with RAMÓN Y CAJAL ABOGADOS (in alliance with Mayer Brown), Senior Associate with BIRD & BIRD (Spain) LLP, Adjunct Professor of Commercial Law at the Law Faculty of the Colegio Universitario Cardenal Cisneros (a part of the Universidad Complutense de Madrid) and on the Law Faculty of the Universidad Rey Juan Carlos I.

3. Activities during 2016

The Board of Directors has been informed of the matters dealt with at meetings of the Committee through the Director Portal (the Board intranet), making the documents dealt with by the Committee available to the Board, and at the immediately following meetings of the Board of Directors, and copies of the minutes of the Committee have been made available to all directors once approved.

The most significant actions of the Appointments and Remuneration Committee during the 2016 fiscal year were the following:

3.1 In relation to appointments, performance and removals:

- Favourable report and proposals to the Board of Directors in relation to the appointment by co-option of a proprietary director.
- Favourable report to the Board of Directors, for referral to the Shareholders' General Meeting regarding the proposed re-election of a director in the "other outside" category.

- Favourable report to the Board of Directors, for referral to the Shareholders' General Meeting, regarding the proposed re-election of a proprietary director.
- Favourable report to the Board of Directors, for referral to the Shareholders' General Meeting, regarding the proposed ratification and appointment of a proprietary director.
- Favourable report and proposal to the Board of Directors, for referral to the Shareholders' General Meeting, of the proposed re-election of an independent director.
- Favourable report and proposal to the Board of Directors, for referral to the Shareholders' General Meeting, of the proposed appointment of an independent director.
- Evaluation of the criteria to be taken into account when filling vacancies occurring on the Board of Directors and its Committees, and analysis of the profile of candidates proposed in the process of selection thereof.
- Analysis of the replacement of the positions of the Chairman of the Board of Directors in other companies of the Group and revocation of powers of attorney held by the Chairman of the Board of Directors in those companies after completion of the process of separation of the positions of Chairman of the Board of Directors and managing director and the acquisition of executive authority by the managing director.
- Analysis of the proposed replacement of the individual representative of the Sole Director of Red Eléctrica de España, S.A.U., as a result of completion of the process of separation of the positions of Chairman of the Board of Directors and chief executive of the company.



➤ Analysis of the proposed revocation of delegated authority and powers of attorney of the Chairman of the Board of Directors and grant of new authority thereto after the loss of his status as an executive director.

➤ Favourable report on the Chairman of the Board of Directors' proposals for the appointment of an independent female director as a member of the Audit Committee and an independent director as a member of the Appointments and Remuneration Committee.

➤ Approval of the Board of Directors' proposal for the re-election of the lead independent director.

➤ Analysis of reports on the compatibility of positions of independent directors of Red Eléctrica Corporación S.A. with their possible appointment as directors of other companies.

3.2 In relation to remuneration:

➤ Analysis and favourable report to the Board of Directors of the proposed annual Programme for delivery of shares for employees, members of management and executive directors of the group companies.

➤ Favourable report to the Board of Directors regarding the proposed remuneration of the Board of Directors for the 2016 fiscal year, the Annual Report on Remuneration of directors for the 2015 fiscal year, and the proposed amendment of the Policy on remuneration of directors, for referral to the Shareholders' Annual General Meeting.

➤ Approval of the proposed evaluation of achievement of Business, Managerial and Management Committee objectives for 2015.

➤ Analysis of the report on the remuneration of the management team in 2016.

➤ Approval of the definition of business, managerial and Executive Committee objectives for 2016.

➤ Approval of the Framework for action regarding remuneration and contractual aspects of the Chairman of the Board of Directors and managing director deriving from the close of the transitional period of the process of separation of positions.

➤ Analysis of the report justifying and quantifying the variable long-term remuneration of the executive Chairman of the Board of Directors, as a result of the Long-Term Variable Remuneration Plan and the process of separation of the positions of Chairman of the Board and managing director.

➤ Analysis of the monitoring of the business, managerial and Executive Committee objectives for 2016.

➤ Analysis of the proposal for the remuneration of the Board of Directors for the 2017 fiscal year.

3.3 In relation to the Corporate Governance rules and actions:

➤ Analysis and referral to the Board of Directors of the proposed amendment of the Board of Directors Regulations.

➤ Analysis and favourable report on the proposed doubling of the par value of the shares and corresponding amendment of the Articles of Association.

➤ Analysis and favourable report to the Board of Directors on the proposed criteria for communication with shareholders, institutional investors and proxy advisors.



- Approval of the proposed Annual Corporate Governance Report for the 2015 fiscal year, for referral to the Board of Directors.
- Analysis of the call and agenda, and approval of proposed resolutions and reports to be presented to the Board of Directors, in relation to the 2015 Shareholders' Annual General Meeting.
- Analysis of the self-assessment report of the Board, the conclusions and recommendations of the process of external evaluation of the Board of Directors, its Committees and the Chairman of the Board of Directors corresponding to the 2015 fiscal year, prepared with the assistance of PricewaterhouseCoopers [PwC].
- Analysis of the design of the process for self-evaluation of the Board, for the 2016 fiscal year, for referral to the Board of Directors.
- Analysis of the Management Team Evaluation Report for the 2015 fiscal year.
- Analysis and favourable report to the Board of Directors of the Annual Gender Diversity and Equality Policy Report corresponding to the 2015 fiscal year.
- Analysis and referral to the Board of Directors of the Annual Criminal Risk Prevention Report corresponding to the 2015 fiscal year.

3.4 In relation to Corporate Responsibility:

- Analysis of the 2016 Corporate Responsibility Programme.
- Analysis and referral to the Board of the Annual Corporate Responsibility Report for the 2015 fiscal year.
- Analysis and referral to the Board of the Annual Corporate Responsibility Management Report for the 2015 fiscal year.
- Analysis of the periodic information on Corporate Responsibility.
- Analysis and referral to the Board of Directors of the Annual Code of Ethics Management Report corresponding to the 2015 fiscal year.
- Analysis of the reports on the results obtained by the company regarding Corporate Responsibility.

3.5. Other actions:

- Approval of the Committee's annual activity report for the 2015 fiscal year, for inclusion in the Annual Corporate Governance Report for that year.
- Approval of the Committee's Action Plan for the 2017 fiscal year.
- Approval of the Committee's schedule of meetings for the 2017 fiscal year.

4. Director attendance at meetings

In 2016 there were thirteen (13) meetings of the Appointments and Remuneration Committee, with three (3) absences of directors.



Audit Committee Activity Report for 2016

1. Introduction

In the Audit Committee's Annual Action Plan for the year 2017, it is envisaged the elaboration of a Report of the Committee's Activities performed throughout the year 2016, which shall be incorporated into the company's Annual Corporate Governance Report, and which is the object of this document.

2. Legal background, structure, functions and composition

2.1 Legal background:

The company's Board of Directors, at its meeting held on 13 March 2013, resolved to amend the Board of Directors Regulations for the purpose of updating their content with the legislative amendments that have affected the regime of public limited companies [*sociedades anónimas*], adapting to notable practices in connection with corporate governance, particularly in the international scope, and introducing improvements in the organisation and operation of the Board of Directors and its Committees.

Accordingly, at the Shareholders' Annual General Meeting held on 18 April 2013, the shareholders approved the amendment of the By-laws to adapt, among other aspects, the regulation of the Audit Committee and the Corporate Responsibility and Governance Committee (now called the Appointments and Remuneration Committee) contained in the company's By-laws, to the main international recommendations and practices in matters of good corporate governance. To such effect, the requirement provided for in the By-laws must be highlighted, which establishes that the majority of the members of both Committees shall be independent directors.

Act 31/2014, of 3 December, amending the Spanish Companies Act [*Ley de Sociedades de Capital*] to improve corporate governance, resulted in an adaptation of the company's By-laws at the Shareholders' Annual General Meeting held on 15 April 2015. In the same way, the Board of Directors Regulations were also amended on 20 December 2016, to fully adapt the same to the recent reforms of the Corporate Enterprises Act, the Code for Good Governance of Listed Companies, and to introduce improvements in the organisation and operation of the Board's Committees, to adapt them, among other aspects, to the new organisational structure.

After the latest reforms of the Spanish Companies Act, the latest international recommendation and practices have been consolidated with regard to the composition of the Committees, the independence and qualification of their members. The main aspects had already been incorporated in the amendment of the By-laws [Article 23] and the Board Regulations, which was approved in 2013. However, such corporate rules have been reviewed to achieve the full adaptation of their contents to the new Act.

Act 22/2015, of 20 July, on Account Auditing, has amended Article 529 *quater-decies* of the Spanish Companies Act and, accordingly, Articles 13 and 14 [currently Articles 15 and 16] of the Board of Directors Regulations regarding the composition, operation and functions of the Audit Committee, which have been amended for the purpose of, among others, adapting the same to the new Act.

2.2 Structure and functions:

Article 23 of the By-laws and Articles 15 and 16 of the Board of Directors Regulations, regulate the structure, composition and functions of the Audit Committee.



The Audit Committee has been assigned, among other functions, to support the Board of Directors in supervising the process for the elaboration of the company's economic-financial information, internal control and risk management systems, supervision of relationships with External Auditors, compliance with legal provisions and internal rules, and relationship with the company's shareholders, with regard to matters within its competence.

The Committee meets on a regular basis for the successful development of its functions. In any case, it must meet at least quarterly, and when called by the chairman or requested by two of its members and, likewise, every time the Board of Directors or its Chairman requests the issue of a report or the raising of proposals.

Article 15.4 of the Board of Directors Regulations establishes that the notice of the meetings, with all documentation associated with the same, may be made by electronic means that guarantee the due security and confidentiality of the notice and relevant documentation.

Such notice, which shall include the agenda, shall be sent by the chairman or secretary of the Committee to each one of its members at least three days prior to the date scheduled for the meeting, unless shorter notice is required due to urgency reasons.

Article 15.6 of the Board Regulations provides the possibility that, due to reasons of urgency and in an exceptional manner, the Committee meetings may be held via conference call, video conference or any other remote communication means permitting to hold the same, provided that all the members of the Committee give their consent.

The Committee will be set up with the attendance of the majority of its members and adopt decisions or recommendations by an absolute majority of the votes of the directors attending the meeting, either in person or by proxy, which must be included in the minutes at the end of the meeting. To better comply with its functions, the Committee may obtain advice from independent professionals, and may access any type of information or documentation of the company it needs to perform its functions.

2.3 Composition:

The composition of the Audit Committee is regulated in article 23.1 of the By-laws and in article 15 of the new Board of Directors Regulations. The latter article provides that the Audit Committee shall be formed by five members, designated among non-executive directors, the majority of its members being independent directors. The chairman of the Committee shall be an independent director elected from among its members, and the secretary shall be the one of the Board of Directors.

The appointment and removal of the members of the Committee shall be carried out by the Board of Directors at the proposal of the Chairman of the Board. The members of the Committee shall hold their position for a period not exceeding three years, and may be re-elected, and shall be removed when removed as directors or when so resolved by the Board of Directors, after obtaining a report from the Appointments and Remuneration Committee. The chairman will be replaced every three years and may be re-elected after the lapse of one year since his/her removal.



There have been the following changes in the composition of the Audit Committee during the year 2016:

- Ms Paloma Sendín de Cáceres has ceased being a member of the Audit Committee, upon the expiration of her position as independent director of the Company at the Shareholders' Annual General Meeting held on 15 April 2016.
- The Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on 26 April 2016, has appointed the independent director Ms M^a José García Beato as member of the Audit Committee of Red Eléctrica Corporación, S.A., for the three-year term provided for in the Board Regulations, to fill the vacancy in the Audit Committee left by Ms Sendín de Cáceres, upon removing Ms García Beato as member of the Appointments and Remuneration Committee.

The composition of the Committee, as of 31 December 2016, was the following:

Director	Position	Type of Director
Mr. José Luis Feito Higuera	Chairman	External independent
Mr. Fernando Fernández Méndez de Andrés	Member	External proprietary (SEPI)
Mr. Antonio Gómez Ciria	Member	External independent
Mr. Santiago Lanzuela Marina	Member	External proprietary (SEPI)
Ms. María José García Beato	Member	External independent

The Directors on the Committee are highly qualified to hold their positions, with extensive professional experience, having held positions of the highest responsibility outside Red Eléctrica, in functions related to those entrusted to the Committee. The members' professional profiles are noteworthy for their knowledge and expertise in accounting or audit

matters, or both, which have been taken into account for their appointment, as provided for in article 529 *quaterdecies* of the Spanish Companies Act, and in Recommendation 39 of the Code of Good Governance of Listed Companies. As an innovation, article 15.2 of the new Board of Directors Regulations provides that in addition to considering the knowledge and expertise in matters of accounting and auditing, when appointing the members of the Audit Committee and, especially, its chairman, his/her knowledge and expertise in matters of risk management will be taken into account.

The chairman of the Committee is elected by its members among the independent directors that are members of the same, and the secretary is the one of the Board of Directors. The secretary of the Committee is Mr Rafael García de Diego Barber, Secretary of the company's Board of Directors.

Below is a brief summary of the professional career of its members, as of 31 December 2016, who have knowledge and expertise in accounting, auditing and/or risk management matters:

- **Mr. José Luis Feito Higuera:** BSc in Business and Economic Science from the Universidad Complutense de Madrid. Commercial Expert and State Economist. Spanish Ambassador.

He has held, among others, the following positions, Chairman of the ASETA Asociación de Sociedades Españolas Concesionarias de Autopistas, Túneles, Puentes y Vías de Peaje [Spanish Association of Spanish Companies holding Highway, Tunnel, Bridge and Toll Road concessions]; Spanish Ambassador before the OECD-Organisation for Economic Cooperation and Development - in Paris; Partner and member of the Board of Directors of A.B. Asesores Bursátiles, S.A. in Madrid [Morgan Stanley]; Head of International Financial Entities of the Bank of Spain, member of the



European Monetary Committee (Brussels) and the Council of Governors of Central Banks of the European Union in Basel; Technical Advisor and Executive Director of the International Monetary Fund in Washington; Head of Department of Studies of the Foreign Sector and Data Processes, of the Spanish Ministry of Economy and Finance.

At present, he is the Chairman and General Manager of the IEE (Instituto de Estudios Económicos) since 2009; Chairman of the Economic and Financial Policy Committee of the CEOE and member of its Executive Committee and Governing Council since 2001; member of the Board of Directors of Bankia, S.A. and member of its Audit and Compliance Committee since 2012, and member of the Editorial Board of the newspaper *Expansión*, since 2001.

► **Mr. Fernando Fernández Méndez de Andrés**, PhD in Economic Science. Professor of Economics at the IE Business School.

Among other positions, he has been a member of the Expert Committee for the Tax Reform, 2013-2014; a member of the Bruegel Evaluation Committee, 2013; Senior Economist of the International Monetary Fund; Chief Economist and Head of Research of Banco Central Hispano (BCH) and Banco Santander; Rector of the European University of Madrid and Universidad Antonio de Nebrija.

At present, he is an international consultant on macroeconomic, regulatory and financial topics; Collaborator of Fundación de Estudios Financieros (Financial Research Foundation); regular lecturer at international conferences and symposia related to his professional and academic activity, and author of numerous articles and publications about the same, and independent director of Bankia, S.A.

► **Mr. Antonio Gómez Ciria**: BSc in Economics and Business Studies and BSc in Mathematics from the Universidad Complutense in Madrid. Executive MBA from the IESE. Certified Expert Accountant - AECA.

He has held, among other positions, the following: General Manager of Administration and Information Technology and member of the Management Committee of the FCC Group; General Manager for Internal Auditing and member of the Management Committee of the FCC Group; member of the Advisory Board of the Institute of Internal Auditors and member of the Management Committee; General Technical Secretary of InverCaixa, investment management company belonging to the La Caixa Group; Chairman of the Instituto de Contabilidad y Auditoría de Cuentas, ICAC; Director of Empresa Nacional de Uranio, S.A.; Director of Empresa Nacional de Autopistas, S.A.; Director of Tabacalera, S.A.; Market Inspection Manager for the Governing company of the Madrid Stock Exchange; Deputy Manager for Research and Budget Planning of Radio Televisión Española; Manager of the Controlling and Accounting Department of Banco de Crédito Agrícola; Comptroller and Auditor for the Comptroller General's Office.

At present, he is a member of the Advisory Board of Experts in Accounting and Financial Information [*Consejo Consultivo de Expertos en Contabilidad e Información Financiera*] (ECIF) of the General Board of Professional Association of Economists and member of the Board of Directors of Mapfre España and Mapfre Global Risks.



► **Mr. Santiago Lanzuela Marina:** BSc in Economics and Trade. State Civil Servant.

He has held, among other positions, the following: Head of the Spanish Technical Cooperation Mission in Nicaragua; Director of International Technical Cooperation Programs of the Ministry of Labour; Advisor to the Chairman of the Ibero-American Cooperation Institute; Head of the National Heritage Inspection Service; Founder and Chairman of the Public Works Institute of Aragón; Chairman of the European Business and Innovation Centre of Aragón; Member of Parliament of Aragón; Minister for Economy and Inland Revenue of the Government of Aragón; Chairman of the Autonomous Community of Aragón; Member of the Senate for the Autonomous Community of Aragón; Chairman of the Economy and Inland Revenue Commission in the Senate; Member of Congress; Chairman of the Economy and Inland Revenue Committee; Member of the Permanent Council of Congress; Vice-chairman of the Foreign Affairs Committee of Congress; Member of the Public Works Committee and Member of the Committee for Territorial Administration; Promoter of the "Subcommittee for the analysis of Spanish energy strategy for the next 25 years"; Chairman of the Economy and Competitiveness Committee in Congress and Member of the Spanish delegation to the Parliamentary Assembly of the Organisation for Security and Cooperation in Europe -OSCE.

► **Ms. María José García Beato** is a Law Graduate from the University of Córdoba and State Attorney.

She has held positions in the legal areas of the State Administration. Among other positions, she has been Head of the Legal Department of the Data Protection Agency, Sub-secretary of Justice, State Attorney in the Consultative Services Office of the State Legal Department, Spanish representative in the Consultative Committee of the Council

of Europe in matters of data protection, and State Attorney at the Secretary General's Office for Communications of the Ministry of Public Works. Within the scope of the Administration of Justice, she has held the positions of State Attorney in the High Court of Justice of Madrid, General Director of the Cabinet of the Ministry of Justice and State Attorney at the Legal Department of the Spanish National Court of Appeals. She has been a director of the State-owned Company for the Real Estate Management of Heritage and Infoinvest, director of the Spanish Post Office and Telegraph Service State-owned company and of the State-owned company for International Exhibitions.

In the banking and financial industry, she has been General Counsel for Banco Sabadell, S.A., secretary of the Board of Directors of Banco Urquijo, S.A., and board member of Banco Guipuzcoano, S.A., Banco CAM, S.A. and Banco Gallego, S.A.

At present, she holds the positions of vice secretary of the Board of Directors, secretary general and member of the Steering Committee of Banco Sabadell, S.A., secretary of the Board of Sabadell United Bank [Miami], trustee of the Fundació Privada Banc Sabadell, trustee of the Fundación Española de Banca para Estudios Financieros, Member of the Advisory Committee for the publishing company Wolters Kluwer España, S.A. and member of the Advisory Committee of Fundación Cajasur.

The secretary of the Committee is Mr Rafael García de Diego Barber, Secretary General and of the Board of Directors of the company.



Throughout the year 2016, the Committee's meetings have been regularly attended by Mr Carlos Méndez-Trelles García, Director of Audit and Risk Control, and by Ms Teresa Quirós Álvarez, Corporate Director of Economics-Finance, to inform about different matters related to the areas within the Committee's scope of responsibility. Other persons of the above and other Departments have joined, when called, to inform about the matters within their scope of responsibilities.

In the year 2016, regarding the review of the Annual Accounts of the Company and its Group for the year 2015, the external auditor for the company and its Group explained to the Committee the audit processes carried out in the Group. The Committee resolved to give a favourable opinion with regard to the Annual Accounts for the year 2015. Likewise, the Committee has met several times with the external auditor to analyse matters within its scope of responsibilities.

3. Activities developed during the year 2016

On 21 December 2015, the Audit Committee approved its Annual Action Plan for the year 2016, considering the responsibilities attributed to the same in the By-laws and in the Board of Directors Regulations.

The Audit Committee has informed the Board of Directors about its activities in the meetings of the latter immediately following each meeting of the Committee, and has made available to all the directors, through the directors' website, the documentation for the meetings and copy of the minutes of the same.

The Audit Committee has met eleven [11] times during the year 2016, informing the Board of Directors the same number of times about the activities carried out by the Committee.

The main tasks that the Committee has developed during the year 2016 have been the following:

3.1. Regarding economic-financial information:

- Review and favourable report of the Annual Accounts for the year 2015 of the company and its Consolidated Group and Report by the external auditor.
- Analysis of the closing forecast for the year 2015 of the Red Eléctrica Group, as well as the approval of the accounting and tax criteria adopted to carry out the same.
- Analysis and favourable report regarding the updating of the 2014-2019 Strategic Plan and analysis of its follow-up report.
- Analysis of proposed distribution of profits and dividends of Red Eléctrica Corporación, S.A. for the year 2015 and issuing of favourable report.
- Analysis of the six monthly and annual financial information for the market supervisory bodies and issuance of favourable report.
- Analysis and favourable report of the monthly Economic-Financial Reports.
- Analysis and favourable report of the proposal for a split of the company's shares to be submitted by the Board of Directors to the shareholders at their General Meeting.



- Supervision of the subsections of the company's Annual Corporate Governance Report for the year 2015, within the scope of the Committee's responsibilities.
- Follow-up of the monthly reports on treasury stock.
- Follow-up of the quarterly reports on transactions with related parties and favourable report submitted to the Board of Directors regarding the proposal for the authorisation of recurring transactions.
- Analysis and favourable report regarding the renewal of the Annual European Commercial Paper [ECP] Programme.
- Analysis of the proposal to renew the Annual plan for EMTNs and submission of favourable report to the Board.
- Analysis of the external auditor's report on the consolidated financial statements for the first half of 2016.
- Approval of the schedule for the economic closing of the year 2016.
- Analysis of the proposed distribution of interim dividends for the year 2016 and submission of the favourable report to the Board.
- Analysis of certain proposals for authorisation to cover the funding needs and issuing of favourable reports.
- Analysis and favourable report by the Board of Directors of the Budget for the years 2016 and 2017.

3.2 Regarding the internal control and risk management systems:

- Analysis of a follow-up report of the 2015 Action Plan for the Comprehensive Risk Management System.
- Analysis of the report on the System for Internal Control of Financial Information [SCIIF] for the year 2015.
- Analysis of a report made by the external auditor, KPMG, regarding the audit of the Group's System for Internal Control of Financial Information [SCIIF] for the year 2015.
- Analysis of the report on Internal Control within the international framework of internal control COSO, and its implementation in Red Eléctrica.
- Analysis of the Report on the Company's Map of Risks, as of 31 December 2015.
- Analysis of the report regarding risk indicators and its update.
- Analysis and favourable report submitted to the Board of Directors concerning the proposed Acceptable Level of Risk.
- Analysis and approval of the proposal to update the individual risk assessment parameters in the Comprehensive Risk Management System.
- Analysis and favourable report submitted to the Board of Directors of the Annual Report on Criminal Risk Prevention for the year 2015.
- Analysis of the Report on the status of the Criminal Risk Prevention Programme for the first semester of the year 2016.



➤ Analysis of the report on the review of the high-level risk situation of the Comprehensive Risk Management System.

➤ Analysis of the evolution of Key Risk Indicators (KRIs).

➤ Analysis and favourable report submitted to the Board of Directors regarding the proposal to update the Comprehensive Risk Management Policy.

➤ Approval of the Annual Activity Plan for the Comprehensive Risk Management System for the year 2017.

3.3 Regarding the internal audit services:

➤ Analysis of the Report on internal audits carried out in the year 2015 and the results of each of such audits.

➤ Analysis of the report on compliance with the 2015 Audits Plan.

➤ Analysis of quarterly reports of internal audits performed.

➤ Analysis of the Internal Audit Report on the Financial Information Internal Control System (SCIIF).

➤ Analysis of the quarterly reports on compliance with the Internal Audit recommendations.

➤ Approval of the budget, means and resources of the Internal Audit department for the year 2017.

➤ Approval of the Annual Internal Audit Plan for the year 2017.

3.4 Regarding the external auditors:

➤ Analysis of the reports by the external auditor regarding the annual accounts for the year 2015 and the External audit preliminary report for the year 2016.

➤ Analysis of the report on the independence of the external auditor issued by KPMG Auditores, S.L., and issuing of a report regarding such independence, pursuant to that provided for in Recommendation no. 6 of the Code of Good Governance of Listed Companies.

➤ Analysis of status report on the external auditor and favourable report of the proposal to re-elect the External Auditor for the company and its Consolidated Group.

➤ Review of the policy for the engagement of the external auditor for services other than auditing, and analysis of additional services engaged in the year 2015 and forecast for 2016.

3.5 Regarding compliance with the legal provisions and internal rules:

➤ Analysis of the status of internal rules.

➤ Analysis of the report on the Internal rules corporate management system.

➤ Analysis of the report on the annual evaluation of compliance with the Internal Conduct Regulations of the Securities Market.

➤ Review of the monthly reports and the Annual Report on Occupational Health and Safety for the year 2015.



- Analysis of the Annual Management Report covering the Ethics Code.
- Analysis of the proposal to update the Board of Directors Regulations within the scope of the Audit Committee's responsibilities.

3.6 Regarding the company's shareholders:

- Analysis of the Board's proposed resolutions for the Shareholders' Annual General Meeting on matters within their scope of responsibility.
- Follow-up of potential initiatives, suggestions and complaints raised by the shareholders throughout the year. During the year 2015 no initiatives, complaints or suggestions have been received from the company's shareholders.

3.7 Other activities:

- Approval of the Audit Committee's Activity Report for the year 2015, to be incorporated into the company's Annual Report on Corporate Governance for such year.
- Analysis of the reports on the renewals of the Red Eléctrica Corporate Insurance Programme.
- Approval of the meetings schedule for the year 2017.
- Approval of the Committee's Action Plan for the year 2017.

4. Attendance of directors to the meetings

No absence or delegation by the members has occurred throughout the eleven [11] meetings held.

5. Review of the annual accounts for the year 2016

At this meeting, in which the Committee's activity report for the year 2016 has been approved, the Audit Committee has proceeded, in connection with the financial year 2016:

- To review the Annual Accounts for the year 2016 of the company and its Consolidated Group and the External Auditor's Report.
- To analyse the relevant proposals for the allocation of profits and distribution of dividends in Red Eléctrica Corporación, S.A.

As usual, the external auditor of the company and its Group for the mentioned year, KPMG, has attended to offer the Committee the appropriate clarifications and explanations.

In both cases, the Committee has issued a favourable report on such proposals.