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The Board of Directors as the body responsible for control and supervision

The Board of Directors governs and represents the Company, without prejudice to the powers assigned to the General Meeting of Shareholders, and performs its tasks in accordance with the rules of organisation and functioning set out in the By-laws and the Board of Directors Regulations.





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3.1 Composition

With respect to the **qualitative composition** of the Board of Directors, Article 7 of the Board of Directors Regulations states that in exercising its power to make proposals to the General Meeting of Shareholders and to co-opt directors to fill vacancies, the Board should strive to achieve a Board composition so that:

- a) External directors represent an ample majority of the Board.
- b) The number of executive directors is the minimum necessary, having regard to the complexity of the corporate Group.
- c) The ratio of proprietary directors to independent directors should match the ratio of the number of shares represented by proprietary directors to the rest of the Company's shares; this strict proportionality rule may be

relaxed, so that the proportion of proprietary directors on the Board may be greater than would otherwise be the case given the percentage of share capital they represent.

- d) The number of independent directors is at least half of the total number of directors. When the chairman of the Board is also the Company's chief executive, independent directors should be a majority of the total number of directors.

As regards the **quantitative composition** of the Board of Directors, Article 20 of the By-laws provides that the Board of Directors must have no fewer than nine [9] and no more than thirteen [13] members and that the actual number of directors will be decided, within those limits, by the General Meeting of Shareholders.



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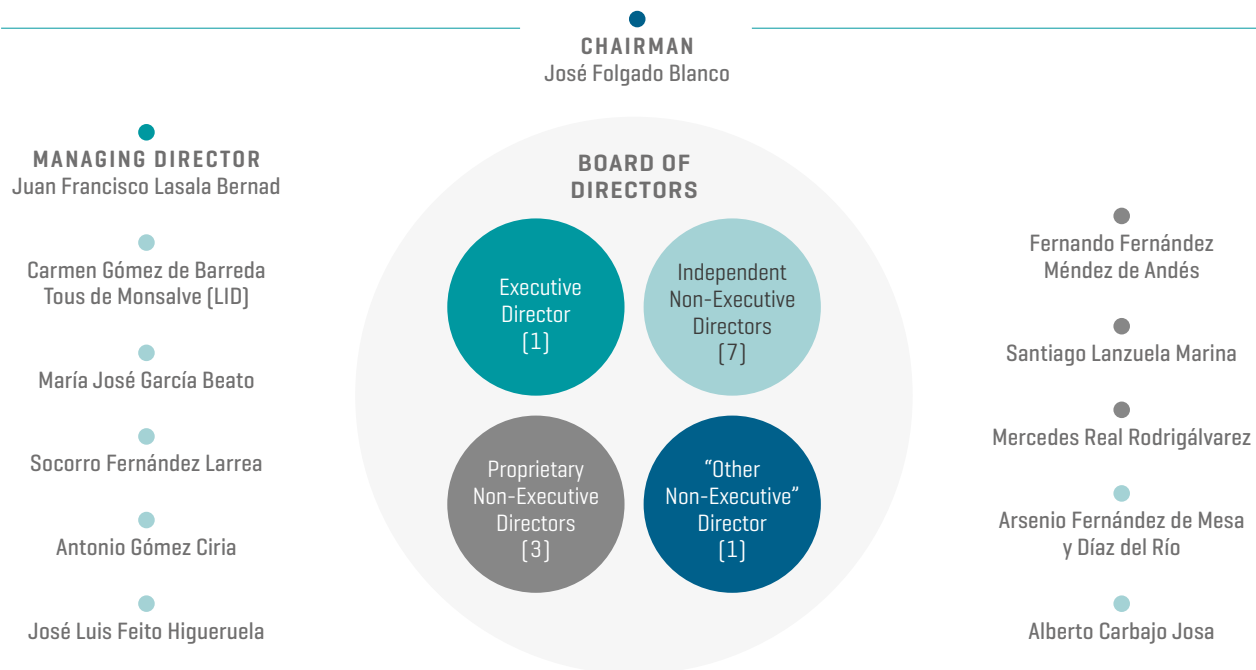
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At 31 December 2017, as decided by the Extraordinary General Meeting of Shareholders held on 17 July 2015,

the Company's Board of Directors was made up of twelve (12) directors, as shown in the following figure:



The Company also has a Lead Independent Director (LID), a role approved by the General Meeting of Shareholders and regulated in the corporate regulations and maintained even after the separation of the roles of Chairman of the Board of Directors and Managing Director of the Company,

in accordance with the most advanced international corporate governance standards. Both matters are discussed in more detail in Section 4 (Balance of power in the Board of Directors) of this report. It should also be noted that, at its meeting on 31 May 2016, the Board of Directors re-elected

a woman as the Company's lead independent director for another three-year term.

Functions of the Lead Independent Director

- Organise common positions of the non-executive directors, especially the independent non-executive directors.
- Request that a Board meeting is called.
- Chair Board meetings in the chairman's absence.
- Coordinate the preparation of succession plans for the chairman and the managing director
- Participate in the Board self-assessment and, in particular, lead the assessment of the chairman of the Board.
- Maintain contacts with shareholders and investors.

[Article 10 of the Board of Directors Regulations]

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Board member	Position on the Board	Type of director	First appointed	Last appointed	Age
José Folgado Blanco	Chairman	Other Non-Executive	22/05/08	15/04/16	73
Juan Francisco Lasala Bernad	Managing Director	Executive	17/07/15	17/07/15	50
Fernando Fernández Méndez de Andrés	Member	Proprietary Non-Executive (SEPI)	19/04/12	15/04/16	61
Santiago Lanzuela Marina	Member	Proprietary Non-Executive (SEPI)	29/07/14	15/04/15	69
Mercedes Real Rodríguez	Member	Proprietary Non-Executive (SEPI)	31/10/17	31/10/17	49
Carmen Gómez de Barreda Tous de Monsalve	Member	Independent Non-Executive	19/04/12	15/04/16	49
María José García Beato	Member	Independent Non-Executive	29/11/12	31/03/17	52
Socorro Fernández Larrea	Member	Independent Non-Executive	09/05/14	09/05/14	52
Antonio Gómez Ciria	Member	Independent Non-Executive	09/05/14	09/05/14	60
José Luis Feito Higuera	Member	Independent Non-Executive	13/02/15	15/04/15	65
Arsenio Fernández de Mesa y Díaz del Río	Member	Independent Non-Executive	31/01/17	31/03/17	62
Alberto Carbajo Josa	Member	Independent Non-Executive	31/03/17	31/03/17	68

The **SEPARATION OF POWERS** reflects the Chairman and the Board's commitment to international corporate governance best practices.

The steps taken to separate the roles of **Chairman of the Board** and **Managing Director** culminated in the full separation of the two functions at the 2016 General Meeting of Shareholders. Since then, the Chairman of the Board of Directors has had the responsibilities exclusively attached to the position of Chairman.



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To achieve the goal of **DIVERSITY**, the Company takes steps to ensure that diversity is understood in terms of gender, experience, knowledge, age, seniority, etc. and continues to apply policies and procedures designed to ensure a reasonable balance and diversity in all these respects both in the Board of Directors and its committees and throughout the organisation.

Without prejudice to the express commitment of the Board of Directors in this respect, the Appointments and Remuneration Committee also plays an important role in promoting diversity in the Board of Directors itself, insofar as it is responsible, among other things, for setting targets for Board representation of the less well represented gender, assessing the competences, knowledge and experience required to be on the Board, referring proposals for the appointment of independent directors to the Board and reporting on proposals for the appointment of other directors, as established in Article 24 of the By-laws and Article 18 of the Board of Directors Regulations.

The corporate governance practices set out in the Corporate Governance Policy, as approved by the Board of Directors on 25 November 2014, include “*Diversity in the Board of Directors*”, establishing that the Company will apply the principle of promoting diversity in knowledge, experience and gender among the members of the Board of Directors and its committees as an essential factor to enable the Board to achieve its objectives from a plural and balanced perspective.

It should be pointed out, moreover, that the Corporate Governance Policy embraces the goal of increasing diversity by adopting the principle of “*strengthening the Company’s commitment to diversity of knowledge, experience and gender in Board and committee composition.*”

· Since January 2013, Red Eléctrica has had an **Integrated Equality Plan**, which, together with the equality action guide and the general equality management procedure, makes up the new diversity management model.

· Review of the **Board competencies matrix** will facilitate supervision of overall diversity in Board composition, so that the most appropriate and informed decisions can be made at all times.

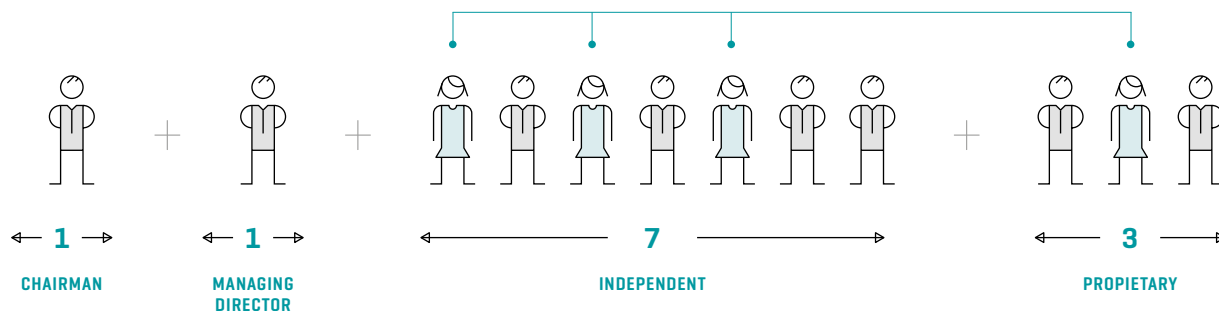
· In addition, each year the Board of Directors prepares and approves a **report on diversity and equality on the Board and in the organisation as a whole**, which contains a wide range of information and is published on the website.



DIVERSITY IN THE COMPOSITION OF THE BOARD OF DIRECTORS

AS AT 31 DIC 2017

33.3% WOMEN



- 4 women, who represent 33.3% of the total number of directors and 42.9% of the number of independent directors.
- 58.3% of independent directors.
- 3.6 years average length of service of the directors, well below the average for Ibx 35 companies, which was 6.9 years at 31/12/16.
- 59.1 years average age, below the average for the directors of 100 listed

companies in the Spanish market, including the Ibx 35 companies, which at 31/12/16 was 60.4 years.

- Diversity of knowledge and professional experience: professionals with very diverse training [Law, Economics and Business Studies, Civil Engineering, Accounting, Auditing, Energy, etc.], as well as significant professional experience in the public and private sectors, both in Spain and abroad.

One of the leading companies in the Ibx 35 as regards the presence of women on the Board of Directors, exceeding the target of a 30% female presence set for 2020 in Recommendation no. 14 of the CNMV's Code of Good Governance of Listed Companies.

Importance of diversity on the board of directors

The concern of both the Board of Directors and the Appointments and Remuneration Committee for diversity in Board composition is clearly apparent in the proposals and reports on the appointment of directors that the Company publishes on its website, both in Spanish and in English, for submission to the Annual General Meeting of Shareholders. The Appointments and Remuneration Committee and the Board of Directors prepare these proposals and reports using criteria that define the profile and requirements considered necessary in order to perform the duties of a director, specifying the qualities, competences and experience a candidate should have in order to be suitable for the post.

Notwithstanding the progress made to date and the external recognitions, the Board of Directors remains fundamentally committed to making further progress in diversity. The necessary resources and means will continue to be made available to develop mechanisms that promote the presence of qualified women both on the Board and its committees and in management positions and positions of responsibility within the organisation, so as to put into effect and consolidate the Company's diversity management model.



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As regards their **PROFESSIONAL PROFILES**, all the Company's directors are professionals of high standing, with extensive professional

experience, and so bring the necessary experience and knowledge to the task of supervising corporate management, so as to assist the

Company and the Red Eléctrica Group in the performance of their activities.

Chairman of the Board [Other Non-Executive]



José Folgado Blanco, born 3 April 1944. Degree in Economics. Final-year award with special distinction. Doctorate in Economics, Universidad Autónoma de Madrid.

CURRENTLY

- Chairman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, S.A.
- Vice-Chairman of the Social Board, Universidad Autónoma de Madrid.

FORMERLY

- Tenured Professor of Public Finance and Tax Systems, Universidad Autónoma de Madrid.
- Head of the Economics Department of the Spanish employers confederation CEOE.
- Member of the government advisory body Consejo Económico y Social, representing business organisations.
- Secretary of State for Budgets and Expenditure. Ministry of Economy and Finance, from May 1996.
- Secretary of State for Economy, Energy and Small and Medium-Sized Enterprises. Ministry of Economy, from April 2000.
- Secretary of State for Energy, Industrial Development and Small and Medium-Sized Enterprises. Ministry of Economy, from July 2002.
- Member of the Spanish Parliament representing the province of Zamora and Vice-Chairman of the Finance Committee from March 2004.
- Mayor of Tres Cantos [Madrid] from June 2007.

Managing Director [Executive]



Juan Francisco Lasala Bernad, born 25 February 1967. Degree in Business Studies, Universidad Complutense de Madrid.

CURRENTLY

- Managing director of Red Eléctrica Corporación, S.A.

FORMERLY

- A member of the Company since 2001, he has performed executive functions in the International area and in the Telecommunications area and has held the position of director of Planning and Control and Corporate Finance Director.
- Director of Planning and Control of the Avanzit group and group CFO for Spain.
- CFO of Midas, Spain.
- Assistant CFO at Burger King, Spain.
- Auditor at KPMG Peat Marwick.



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Proprietary Non-executive Director representing SEPI



Fernando Fernández Méndez de Andrés, born 10 February 1956. Doctorate in Economics. Professor of Economics, IE Business School.

CURRENTLY

- International Consultant on macroeconomic, financial and regulatory issues.
- External adviser to the Strategy Committee of the Arcano financial group.
- Member of the Scientific Committee of Bruegel.
- Member of the Advisory Committee of the Fundación de Estudios Financieros.
- Economic columnist and commentator in various media.
- Frequent speaker at international conferences and events related to his professional and academic activity, and author of numerous related articles and publications.
- Independent director of Bankia, S.A.

FORMERLY

- Member of the Expert Committee for Tax Reform, 2013-2014
- Member of the Evaluation Committee of Bruegel, 2013.
- Principal Economist at the International Monetary Fund.
- Chief Economist and Director of the Research Department of Banco Central Hispano (BCH) and Banco Santander.
- Vice-Chancellor of the Universidad Europea de Madrid and the Universidad Antonio de Nebrija.
- Director of the European Business Programme.

Proprietary Non-executive Director representing SEPI



Santiago Lanzuela Marina, born 27 September 1948. Degree in Economics and Trade. Civil Servant.

FORMERLY

- Adjunct Professor, Faculty of Economics and Business Studies, Universidad de Valencia (1971-1973).
- Head of the Spanish Mission for Technical Cooperation in Nicaragua (1974-1976).
- Head of International Technical Cooperation Programmes, Ministry of Employment (1976-1981).
- Advisor to the President of Instituto de Cooperación Iberoamericana (1982).
- Head of the National Heritage Inspection Service (1987).
- Regional Councillor of Economy and Finance, Government of Aragón (1989-1993).
- Founder and Chairman of Instituto Aragonés de Fomento (1990).
- President of Centro Europeo de Empresas e Innovación de Aragón (1992).
- Parliamentary Member for Aragón (1991-1999).
- President of the Autonomous Community of Aragón (1995-1999).
- Senator for the Autonomous Community of Aragón. Chairman of the Senate Economy and Finance Committee (1999-2000).
- Congressman, President of the Economics and Tax Commission in the Congress of Deputies (2000-2004).
- Congressman, Member of the Permanent Council, Vice-Chairman of the Committee for Foreign Affairs and Member of the Development Committee (2004-2008).
- Member of the Territorial Management Committee. Sponsor of the "Deputy Committee to analyze Spain's energy strategy for the next 25 years" (2008-2011).
- Congressman, President of the Economics and Competition Commission, Member of the Committee for Foreign Affairs, Member of the Development Committee, and member of the Spanish Delegation in the Parliamentary Assembly of the Organization for Security and Cooperation in Europe (OSCE). Chairman of the Spanish delegation to the Meeting of the OECD Global Parliamentary Network, Mexico 2014. Chairman of the Spanish delegation to the European Interparliamentary Conference on Space (CIEE), Warsaw 2012, Brussels 2013 and Toulouse 2014. (2011-28.7.2014).



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Proprietary Non-executive Director representing SEPI



Mercedes Real Rodríguez, born 6 January 1968. Degree in Economics and Business Science from the Universidad Pontificia de Comillas [ICADE E-3]. Degree in Law from the Universidad Pontificia de Comillas [ICADE E-3]. Management Development Program [PDD]. IESE Business School.

CURRENTLY

- Head of Investees of SEPI's Energy Division.
- Member of the Board of Directors of Enresa, S.A. S.M.E. M.P.
- Chairman of the Audit Committee of Enresa, S.A., S.M.And. M.P.

FORMERLY

- Member of the Board of Directors of Enusa Industrias Avanzadas, S.A. S.M.E.
- Financial and Control director, Contoller and Head of HR at Infobolsa, S.A. (BME Group and Deutsche Börse, AG Group).
- Member of the Board of Directors, Financial and Control Director at Open Finance, S.L.
- Head of financial sector entity audit team at Arthur Andersen [currently Deloitte & Touche].

Independent Non-executive director (Lead Independent Director)



Carmen Gómez de Barreda Tous de Monsalve, born 20 May 1968. Degree in Economics and Business Science from the Universidad Pontificia de Comillas [ICADE]. Executive MBA from IESE, Universidad de Navarra.

CURRENTLY

- General Manager of Corporación de Reservas Estratégicas de Productos Petrolíferos [CORES]
- Member of the Board of Directors of Grupo Ezentis, S.A.

FORMERLY

- Head of the Cogeneration Department, Business Management, Enagás.
- Head of the International, Petrochemical and Marketing Departments of Repsol.
- Director of Services Development at Unión Fenosa.
- Deputy Director of Oil Markets at the Comisión Nacional de Energía [CNE].
- Institutional Relations and Communications Manager for BP Oil España.
- Member of the Spanish Delegation in the Emergency Questions Group and the Markets Group of the International Energy Agency [IEA].
- Representative on various international working groups on issues of energy regulation and security of supply [ARIAE and CEER].
- Teacher/lecturer in various master's courses [Universidad de Barcelona, ICAI, Cesma, Club Español de la Energía]



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Independent Non-executive Director



María José García Beato, born 27 May 1965. Law Degree, Universidad de Córdoba. State Counsel.

CURRENTLY

- Non-director Vice-Secretary of the Board of Directors of Banco Sabadell, S.A.
- General Secretary and member of the Management Committee of Banco Sabadell, S.A.
- Non-director Secretary of the Board of Directors of Sabadell Consumer Finance S.A.U.
- Trustee of Fundació Privada Banc Sabadell.
- Trustee of Fundación Española de Banca para Estudios Financieros (FEBEF).
- Member of the Advisory Board of the publisher Wolters Kluwer España, S.A.
- Member of the Advisory Board of Fundación Cajasur.

FORMERLY

- State Counsel at the High Court of Justice in Madrid.
- Head of the Legal Services Department of the Spanish Data Protection Agency.
- Spanish representative on the Advisory Board of the European Committee on Data Protection.
- Advisor to the Board of Directors of the Fábrica Nacional de Moneda y Timbre for the CERES (Spanish certification of electronic transactions) project.
- State Counsel in the Consultative Services Sub-directorate of the State Legal Services Directorate.
- State Counsel in the Communications Secretariat at the Ministry of Development.
- Cabinet Chief at the Ministry of Justice.
- Director, Infoinvest, S.A.,
- Director, Sociedad Estatal de Gestión Inmobiliaria de Patrimonio, S.A. (SEGIPSA),
- Director, Sociedad Estatal para Exposiciones Internacionales, S.A. (SEEI),
- Director, Sociedad Estatal Correos y Telégrafos, S.A.,
- Director, Banco Guipuzcoano, S.A.
- Director, Banco CAM, S.A.
- Deputy Secretary for Justice.
- State Counsel in the Audiencia Nacional (National Court) Legal Department.
- Head of Legal Services, Banco Sabadell.
- Secretary of the Board of Directors of Retevisión, S.A.
- Secretary of the Board of Directors of Banco Urquijo, S.A.
- Director, Banco Gallego S.A
- Secretary of the Board of Trustees of Fundación de Estudios de Economía Aplicada (FEDEA).
- Secretary of the Board of Directors of Sabadell United Bank (Miami).



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Independent Non-executive Director



Socorro Fernández Larrea, born 7 April 1965. Degree in Civil Engineering, Universidad Politécnica de Madrid, and Senior Management Program (PADE), IESE.

CURRENTLY

- Managing Director of the consultancy firm JUST NOW, S.L., providing advice in the infrastructure construction sector, both in commercial and financial operations.
- Member of the Board of Directors of Grupo Cementos Molins.
- Member of the Board of Directors of the Spanish engineering firm SEG, S.A.
- Member of the Board of Directors of the Spanish construction and real estate firm ACR.
- Member of IESE's Regional Council in Madrid.
- Adviser to the Board of Directors of the Mexican engineering firm CAL Y MAYOR.

FORMERLY

- Member of the Board of Directors of AMPER, S.A. (proprietary director), representing Emilanteos, S.L.
- Managing Director of COPISA Constructora Pirenaica, S.A.
- Vice-Chairman of ANCI, the association of independent builders.
- Member of the governing council of the Civil Engineers Association.
- Regional Manager of the construction firm Seop, Obras y Proyectos, S.A.
- National representative, Ferrovial Conservación, S.A.
- Representative for Castilla-La Mancha, Ferrovial-Agroman, S.A.
- Representative for Castilla-La Mancha, Agroman Empresa Constructora, S.A.
- General Manager for Roads, Hydraulic Works and Transport, Regional Department of Public Works, Autonomous Community Board of Castilla-La Mancha.
- Site manager, Ferrovial, S.A.

OTHER

- Member of the advisory board of the daily newspaper Expansión.
- Member of WCD, Women Corporate Directors, and co-chairman of the Spain chapter.
- Member of AED, Asociación Española de Directivos, and member of its Executive Committee.
- Member of CEAL, Consejo Empresarial de América Latina, and member of the Executive Committee of the Iberian chapter.
- Member of WPO-YPQ, Young Presidents' Organisation, and member of the executive committee of the Eurolatam chapter.
- Member of IWF, International Women's Forum.



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Independent Non-executive Director



Antonio Gómez Ciria, born 25 March 1957. Degree in Economics and Business Studies, Universidad Complutense de Madrid Degree in Mathematics, Universidad Complutense de Madrid. Executive MBA, IESE. Accredited Accounting Expert – AECA.

CURRENTLY

- Member of the Advisory Board of Experts in Accounting and Financial Information (ECIF), General Council of the Association of Economists.
- Member of the Board of Directors of Mapfre España Compañía de Seguros y Reaseguros S.A., Mapfre Global Risks Compañía Internacional de Seguros y Reaseguros S.A. and Mapfre Re Compañía de Reaseguros S.A. and Member of the Management Committee.

FORMERLY

- General Manager of Administration and IT, Member of the Management Committee of Grupo FCC.
- Representative of Grupo FCC at the Large Businesses Forum, Ministry of Finance and Public Administrations.
- Among other positions, he is General Manager for Administration and IT and belongs to the Management Committee of Grupo FCC.
- Head of Internal Audit of the FCC group.
- Member of the Advisory Council of the Internal Auditors Institute and a Member of its Executive Committee.
- General Technical Secretary of InverCaixa, investments management company of La Caixa Group.
- Chairman of 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.
- Head of Market Inspection, Sociedad Rectora de la Bolsa de Valores de Madrid.
- Deputy Manager of Studies and Budgetary Planning, Radio Televisión Española.
- Head of the Auditing and Accounting Department of Banco de Crédito Agrícola.
- Auditor/Inspector of the General State Inspectorate.

OTHER

- Member of the CNMV Work Group to prepare a "Management report guide for listed entities".

Independent Non-executive Director



José Luis Feito Higuera, born 13 April 1952. Degree in Economics and Business Studies, Universidad Complutense de Madrid. State Trade Expert and Economist. Ambassador of Spain.

CURRENTLY

- Chairman and General Manager of IEE (Instituto de Estudios Económicos) since 2009.
- Member of the Executive Committee and Management Board of the Spanish employers confederation CEOE since 2001.
- Member of the Board of Directors of Bankia, S.A. and member of its Audit and Compliance Committee since 2012.
- Member of the editorial board of the daily newspaper Expansión since 2001.

FORMERLY

- Chairman of the concessionaires association ASETA, Asociación de Sociedades Españolas Concesionarias de Autopistas, Túneles, Puentes y Vías de Peaje (2001-2014).
- Ambassador of Spain to the OECD in Paris (1996-2000).
- Partner and Member of the Board of Directors of A.B. Asesores Bursátiles, S.A. in Madrid (Morgan Stanley), where he has been Chief Economist and head of various investment banking areas (1986-1996).
- Head of international financial institutions at the Banco de España, member of the European Monetary Committee (Brussels) and the Committee of Governors of the Central Banks of the European Economic Community in Basel (1984-1986).
- Technical Advisor and Executive Director of the International Monetary Fund in Washington (1980-1984).
- Head of the Foreign Sector Research and Data Processing Service of the Ministry of Economy and Finance in Madrid (1978-1980).
- Programmer, analyst and IT executive at Seresco, S.A. and Entel-Ibermática, S.A. in Madrid (1967-1978).



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Independent Non-executive Director



Arsenio Fernández de Mesa y Díaz del Río, born 20 July 1955.

CURRENTLY

- Career civil servant, on leave.
- Head of Fleet Technical Inspection at the multinational International Marine Coatings Ltd from 1982 to 1989, currently on forced leave.
- Master's degree in National Defence from Universidad Rey Juan Carlos.
- Graduate degree in Higher Military Studies from Centro Superior de Estudios de la Defensa Nacional (CESEDEN).
- Graduate degree in Higher Defence Studies from Centro Superior de Estudios de la Defensa Nacional (CESEDEN).
- Executive MBA for parliamentarians (EMBA) from IE Business School. Empresas Parlamento programme (Infopress, Iberdrola, Indra).
- Honorary Professor in the Real Forum de Alta Dirección Chair at Universidad Alfonso X El Sabio.
- Honorary Professor in the UNESCO Chair of Comparative Politics and Government, attached to the Defence and Industry and Security Areas, at Instituto Internacional de Ciencias Políticas.
- Professor at Sociedad de Estudios Internacionales. Higher International Studies course. Universidad Rey Juan Carlos.

FORMERLY

- Director General of the Spanish Civil Guard (2011-2016).
- Scientific Director of the Instituto Internacional de Ciencias Políticas (2010).
- Vice-Chairman of the Defence Committee of the Congress of Deputies (2004-2011).
- Defence spokesman of the Congress of Deputies (1996-2000).
- Adviser to the Minister of Public Administrations (2004).
- Government Delegate in Galicia (2000-2004).
- Member of Parliament, elected for the province of La Coruña, in seven legislatures (1989-2012), holding the following posts, among others: Spokesman for the Shipping Industry and Merchant Navy, Vice-Chairman of the Defence Committee of the Congress of Deputies, Defence Spokesman in the Congress of Deputies, Chairman of the National Defence Committee, Member of the OSCE International Assembly, Member of the NATO Parliamentary Assembly.
- First Deputy Mayor of El Ferrol (1987-1989).
- Member of the El Ferrol Municipal Council (1983-1991).
- Speaker at conferences and seminars on Defence, Fisheries, Shipping Industry, Merchant Navy, Security and the Civil Guard, at various Universities and in all kinds of national and international forums, including Europol, Centre des Hautes Études du Ministère de l'Intérieur de France (CHEMI) in Paris and the Accademia della Guardia di Finanza in Italy.



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Independent Non-executive Director



Alberto Carbajo Josa, born 8 August 1949. Degree in Mining Engineering from Universidad Politécnica de Madrid. Degree in Economics from Universidad Autónoma de Madrid. Master's degree on the European Union from the Diplomatic School in Madrid.

CURRENTLY

- Independent international consultant in the area of electricity.

FORMERLY

- Director General of the Oficina de Compensaciones del Sector Eléctrico (OFICO) (until 1991).
- Director General for Mines and Construction Industries at the Ministry of Industry and Energy (1992-1995).
- Member of the Boards of Directors of Endesa and Petronor (1992-1995).
- Director of the National Energy Committee (1995-2000).
- Consultant to the European Union for the liberalisation of the Romanian electricity system, defining the generation market, the methodology and the calculation of the distribution tariffs and preparing the regulatory changes to liberalise generation and supply (2000).
- International Regulation Director at Corporación Unión Fenosa, providing services in the Regulation Secretariat (2002-2004).
- General Manager of Operations at Red Eléctrica de España, S.A., with significant responsibilities in planning the industry's activities and infrastructure, the integration of renewable energy, interconnection capacity with the European electricity system and changes to electricity regulation (2004-March 2012).
- His academic experience includes work as associate professor in the Energy Systems Department at the Escuela Técnica Superior de Ingenieros de Minas in Madrid, professor in the master's degree in Renewable Energy at the Escuela de Organización Industrial, professor in the master's degree in Energy and Competitiveness sponsored by Orkestra (Basque Competitiveness Institute), professor in the Higher Energy Business Course given by the Club Español de la Energía and professor in energy supply-related subjects at Universidad de Alcalá de Henares.

Non-director Secretary of the Board of Directors



Rafael García de Diego Barber, born 27 July 1951. He was appointed Secretary of the Board of Directors and legal advisor at the Board meeting held on 4 May 1995. Law degree, Universidad Complutense, Master's Degree in Tax Counselling for Businesses, Instituto de Empresa.

CURRENTLY

- Secretary General and Secretary of the Board of Directors of Red Eléctrica de España, S.A.U., Member of the Madrid Bar Association, Director of the Dutch company Red Eléctrica de España Finance B.V., Joint Director of Red Eléctrica Financiaciones, S.A.U. and Director of the Luxembourg company REDCOR Reaseguros, S.A.

FORMERLY

- Lawyer, Loss Department, Zurich, S.A., Lawyer and Secretary of the Boards of Directors of companies in the Inmobiliario Pradis Group, Lawyer and tax advisor of Ageco, Sociedad de Gestión Financiera and tax manager of Banco Internacional de Comercio, S.A., Lawyer of the Legal Department of Sociedad Española de Carbón Exterior, S.A. (CARBOEX), Lawyer of the Legal Department, Head of the Legal Department and Director responsible for Legal Affairs at Red Eléctrica de España, S.A.U.



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Vice-Secretary of the Board of Directors (non-director)



Fernando Frías Montejo, born 11 March 1965. He was appointed Vice-Secretary of the Board of Directors at the meeting held on 21 April 2005. Degree in Law and Corporate Legal Adviser, Universidad Pontificia de Comillas (ICADE E-1). Management Development Program for TSOs, IESE, Universidad de Navarra.

CURRENTLY

- Member of the Madrid Bar Association and Head of the Corporate Governance Department of Red Eléctrica de España, S.A.U.

FORMERLY

- Legal Counsel in the Legal Department of Red Eléctrica de España, S.A.U. (REE) from 1990, Head of the Corporate Governance and Compliance Department at REE and Secretary of the Board of Directors of Infraestructuras de Alta Tensión, S.A., Red de Alta Tensión, S.A. and Tenedora de Acciones de Redesur, S.A.



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Responsibilities and activity

The Board of Directors Regulations set out the basic principles guiding the actions of the Company's Board of Directors and lay down the basic rules for the organization and functioning of the Board and its committees, the rules of conduct for its members, as well as the supervisory and control functions entrusted to the Board. All of this

is pursued by encouraging the active participation of directors, placing the interests of the Company and its shareholders

above the directors' own personal interests, while upholding the law, the By-laws and corporate governance principles.

Latest amendment to the board of directors regulations, of 20 December 2016:

- Adaptation to the provisions of Act 31/2014 of 3 December, amending the LSC to improve corporate governance and to the CGGLC, in line with the changes made to the By-laws and to the Annual General Meeting of Shareholders Regulations.
- Broadening of the essential non-delegable responsibilities of the Board of Directors in plenum in Article 5 of the Board of Directors

Regulations to adapt them to Articles 249 bis and 529 ter of the LSC.

- Adaptation to key corporate governance practices, especially at the international level.
- Introduction of improvements in the organization and functioning of the Board of Directors and its Committees.

- Adaptation to the new organizational structure of the Red Eléctrica Group, after the separation of the functions of the Board chairman and of the managing director.



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The **RULES ON THE ORGANIZATION AND FUNCTIONING** of the Board are contained in the By-laws [Article 19 to 26, inclusive] and the current Board of Directors Regulations [Article 5 to 14, inclusive, and Articles 19 and 20].

Also, pursuant to the By-laws and the Board of Directors Regulations, the principle guiding the Board's actions at all times is the corporate interest, understood as the Company's long-term profitability and sustainability so as to ensure the Company's long-term survival and the maximization of its value.

The following responsibilities, amongst others, rest with the Board:

- Approval of the **general policies and strategies of the Company and the Group**, with special emphasis on the risk management and control policy.

With the support of the Audit Committee and the Appointments and Remuneration Committee, the Board of Directors manages and represents the Company.

Specifically, the Board holds all powers to manage and represent the Company, both in and out of court, exercising such powers directly, via delegation or by means of a power of attorney in the terms established by law, the By-laws and the Board of Directors Regulations.

In any event, in accordance with the provisions of Article 6 of the Board of Directors Regulations,

- **Decisions regarding appointments of senior executives, director remuneration, financial reporting, strategic investments** [except for those that rest with the General Meeting of Shareholders].
- **Annual assessment of the quality and efficiency of the Board and of the functioning of its Committees.**

the Board of Directors will perform its duties with unity of purpose and independent judgement and will adopt the necessary measures in relation to the corporate organization to ensure that:

- The Company's management pursues the achievement of the corporate interest and has the proper resources and incentives for doing so.
- The management of the Company and of Group companies is under the effective supervision of the Board.
- No person or small group of persons holds decision-making power unfettered by checks and balances.
- The same treatment is dispensed to all shareholders who are in the same position and no shareholder receives preferential treatment over the others.
- In its relations with stakeholders and in pursuit of the corporate interest, the Company, in addition to respecting the applicable laws and regulations and to conduct guided by good faith, ethics and respect for customs

and generally accepted good practices, works to reconcile its own interest with, as applicable, the legitimate interests of its employees, suppliers, customers and the rest of the stakeholders who may be affected, as well as with the impact of the Company's activities in the community as a whole and on the environment, furthermore abiding by those additional principles of social responsibility and good corporate governance that it has voluntarily accepted.

The Board's policy is to delegate the ordinary management of the Company to the executive bodies and management team and to concentrate on its general supervisory function, the approval of basic operating guidelines and strategies and on decisions that are highly relevant to the interests of the Company.



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bodies and management team and to concentrate on its general supervisory function, the approval

of basic operating guidelines and strategies and on decisions that are

highly relevant to the interests of the Company.

Non-delegable responsibilities of the Board of Directors [Article 5 of the Board of Directors Regulations]:

- a) Approve the general policies and strategies of the Company and the Group.
- b) The following decisions:
 - i) Appointment and removal of the Company's managing directors and the setting of their contracts terms.
 - ii) Appointment and removal of senior managers of the Company who report directly to the Board or any of its members and the setting of the basic terms of their contracts, including their remuneration.
 - iii) The remuneration of directors, within the framework set by the By-laws and the remuneration policy approved by the Annual General Meeting of Shareholders, and in the case of executive directors the additional remuneration for their executive functions and any other terms that must be included in their contracts.
 - iv) Authorization or waiver of the obligations arising from the duty of loyalty, as provided in Article 230 of the LSC.
- v) The financial reports which, as a listed company, the Company must publish periodically or which it submits to the regulatory or market supervisory bodies for their publication.
- vi) Investments or transactions of any kind carried out by the Company or the Group which, because of their amount or special characteristics, are considered strategic, according to the criteria established by the Board of Directors, or entail special tax risk, unless the approval of the Annual General Meeting of Shareholders is required.
- vii) The creation or acquisition of interests in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens and any other similar transactions or operations which, on account of their complexity, could impair the transparency of the Company and the Group.
- c) The approval, after obtaining a report from the Audit Committee, of transactions carried out with directors by the Company or companies in its Group on the terms of the Spanish Companies Act, or with shareholders who, either individually or together with others, own a significant holding.
- d) Drawing-up of the financial statements and presentation to the Annual General Meeting of Shareholders.
- e) Calling of the Annual General Meeting of Shareholders and drafting of the agenda and proposals for resolutions.
- f) Delegation of any authority the Annual General Meeting of Shareholders may in turn have delegated to the Board of Directors, unless expressly authorized by the Annual General Meeting of Shareholders to subdelegate or substitute them.
- g) The drawing-up of any kind of report required of the Board of Directors by law, provided the transaction to which the report refers cannot be delegated.
- h) Annual assessment of:
 - i) The quality and efficiency of the functioning of the Board, the diversity of its composition and competencies, the performance of their functions by the chairman of the Board of Directors and the Company's chief executive and, where applicable, the performance and contribution of each director, paying special attention to the chairpersons of the different committees, all this based on the report submitted to the Board by the Appointments and Remuneration Committee in coordination with the lead independent director, if any, or the chairman, as the case may be.
 - ii) The composition and functioning of the Board's committees and of any other delegated body that may have been created, based on the report submitted to the Board by the Appointments and Remuneration Committee in coordination with the lead independent director or the chairman, as the case may be.



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Before the start of the year, at the proposal of its chairman, the Board of Directors approves an indicative schedule of **MEETINGS** for the year. In any event, in accordance with Article 19 of the Board of Directors Regulations, the Board of Directors will ordinarily meet on a monthly basis, eight times a year at least, in accordance with the calendar and, if applicable, the agendas set at the start of the year, to which each director will be entitled to propose the addition of initially unscheduled items for the agenda. Furthermore, at the chairman's initiative, it may meet as many times this is deemed appropriate for the Company's adequate operation.

During 2017, the Board of Directors held eleven (11) meetings. There were four (4) proxy attendances in all, bringing the number of attendances in person to 128, for an overall attendance rate of 97%.

The Company has a small, effective and efficient Board. In 2017, the Board met 11 times, with a high attendance rate by directors [97%].

Attendance at Board of Directors meetings

Director	Present	Represented	% attendance 2017
José Folgado Blanco	11	0	100%
Juan Francisco Lasala Bernad	11	0	100%
Fernando Fernández Méndez de Andés	10	1	91%
Santiago Lanzuela Marina	11	0	100%
Mercedes Real Rodríguez	3	0	100%
Carmen Gómez de Barreda Tous de Monsalve	11	0	100%
María José García Beato	11	0	100%
Socorro Fernández Larrea	10	1	91%
Antonio Gómez Ciria	11	0	100%
José Luis Feito Higuera	11	0	100%
Arsenio Fernández de Mesa y Díaz del Río	11	0	100%
Alberto Carbajo Josa	8	0	100%
María Ángeles Amador Millán	3	0	100%
José Ángel Partearroyo Martín	6	2	75%

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With respect to the number of attendances shown in the above table, it should be noted that certain directors did not hold their directorship during the whole of 2017, namely:

- Ms. Mercedes Real Rodríguez, nominated by the Spanish government's industrial holding company, Sociedad Estatal de Participaciones Industriales (SEPI), was appointed a proprietary director of Red Eléctrica Corporación, S.A. by the Board of Directors at its meeting of 31 October 2017 to represent SEPI until the next Annual General Shareholders' Meeting.
- Mr. Alberto Carbajo Josa was appointed independent director of Red Eléctrica Corporación, S.A. at the Annual General Shareholders' Meeting of 31 March 2017.

- Ms. María Angeles Amador Millán held an independent directorship in Red Eléctrica Corporación, S.A. until 31 March 2017, the date on which the Company held its Annual General Shareholders' Meeting and her term of position expired.

- Mr. José Ángel Partearroyo Martín was appointed independent director of Red Eléctrica Corporación, S.A. by the Annual General Meeting of Shareholders held on 15 April 2016, and at its meeting held on 31 October 2017 the Board of Directors accepted the resignation he had tendered in a letter received on 16 October 2017.

Furthermore, the Board of Directors Regulations make reference to the **INHERENT DUTIES OF DIRECTORSHIPS** and, in this regard,

Articles 30 to 38 set out the general duty of care, the duty of loyalty, the duty to avoid situations of conflict of interest, the duty to abstain from using non-public information, as well as the duty of disclosure of directors.

In all events, in accordance with Articles 5 and 6 of Board of Directors Regulations, the director's function is to guide and oversee the Company's management in order to achieve its interests.

GENERAL DUTY OF CARE

Directors must exercise their position and perform the duties imposed by law with the care of prudent businessmen, in line with the nature of their position and the functions assigned to each one of them. In particular, they have an obligation to:

- Be properly informed and prepared for meetings of the Board and of any committees of which they are members. For this purpose, directors have a duty to demand and a right to receive from the Company the information they need in order to fulfil their obligations.
- Devote the necessary time and take the necessary measures to ensure proper supervision and oversight of the Company. In particular, they must devote enough time to be able to perform their functions effectively and know the Company's business and rules of governance, taking part in any professional development programmes the

Company may organize, as provided by Article 26 of the Board of Directors Regulations

- Attend in person the meetings of the Board and any committees of which they are members and take active part in the deliberations, so as to make an effective contribution, with their judgment, to Board decision making.

If any director is unable, for good reason, to attend a meeting to which he or she has been called, such director must give instructions to the director who is to represent him or her, in accordance with Article 20 of the Board Regulations. Non-executive directors may only appoint another non-executive director to represent them and executive directors must endeavour to appoint another executive director, if possible.



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Non-attendances will be reported in the Annual Corporate Governance Report.

- d) Perform any specific task assigned to them by the Board of Directors that is reasonably within their time commitment.
- e) Support the investigation of any irregularity in the management of the Company or any Group company that may come to their notice and the surveillance of any risk situation.
- f) Instruct the persons with the necessary authority to call an extraordinary meeting of the Board of Directors or of a Committee when they consider there to be matters that require discussion, or to add such matters to the agenda of the next meeting that is to be held.
- g) Have at their disposal and gather the information they need in order to perform their functions effectively and regularly monitor any issues arising out of the Company's activity, it being their responsibility to identify and request such information from the chairman or the secretary of the Board.

- h) Oppose any resolutions that are contrary to the law, the By-laws or the corporate interest, expressing their opposition clearly. In particular, independent directors and those unaffected by any potential conflict of interest must oppose resolutions that may be contrary to the interests of shareholders who are not represented on the Board. The obligation also applies to the secretary of the Board, even if not a director. If the Board adopts significant or reiterated decisions about which a director or the secretary has serious doubts, they must draw the appropriate conclusions and, if they opt to resign, must explain the reasons as provided in Article 24.4 of the Board Regulations.

DUTY OF LOYALTY

Directors must carry out their duties with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company, and must comply with the duties imposed by law, the By-laws and these Regulations.

In particular, the duty of loyalty obliges directors to:

- a) Not use their authority for any purposes other than those for which it has been granted.
- b) Keep secret all information, data, reports or records to which they may have access in the performance of their duties, even after they have left its position, except where permitted or required by law.
- c) Refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest. Resolutions or decisions that affect a director as such, such as those concerning a director's appointment to or removal from positions on the Board of Directors or other such decisions, are excluded from the abovementioned obligation to refrain.
- d) Carry out their duties in accordance with the principle of personal responsibility, exercising their own judgment, independently of any instructions from or ties to third parties.
- e) Take the necessary steps to avoid situations in which their activities, whether for their own account or on behalf of others, conflict with the interests of the Company and their duties to the Company.

DUTY TO AVOID CONFLICT OF INTEREST SITUATIONS

1. In particular, the duty to avoid conflicts of interest referred to in paragraph e) of the previous section requires directors to refrain from:
 - a) Entering into transactions with the Company, unless they are small-scale, ordinary transactions carried out on the standard terms for customers, that is to say, transactions that do not need to be reported in order to give a true and fair view of the Company's assets and liabilities, financial position and results of operations.
 - b) Using the Company's name or their status as directors to unlawfully influence the execution of private transactions.
 - c) Using the Company's assets, including confidential information, for private ends.
 - d) Using the Company's business opportunities for their own benefit.
 - e) Seeking advantages or remuneration from parties other than the Company or the Group for the performance of their duties, unless the advantages or remuneration consist of mere business courtesies.



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f) Carrying on activities for their own account or on behalf of others that actually or potentially bring them into competition with the Company or that in any other way place them in permanent conflict with the interests of the Company.

2. The above provisions will also apply when the beneficiary of the prohibited acts or activities is a related person of a director, within the meaning given in the laws and regulations that apply from time to time.

3. In any case, directors must notify the Board of Directors of any direct or indirect conflict that may exist between their own interests, or those of persons related to them, and the interests of the Company

Any conflicts of interest directors may have will be reported in the notes to the financial statements.

NON-PUBLIC INFORMATION

Directors must also refrain from performing, or suggest that anyone perform, a transaction involving securities of the Company or its subsidiaries, associates or related parties, on the basis of information obtained from their position, or insider or reserved information, as long as this continues to be non-public information.

This is without prejudice to the rules applicable in each case in the Internal Code of Conduct in the Securities Market.

DIRECTORS' DUTY OF DISCLOSURE

1. Directors must disclose to the Company any interests they may have in the Company and any options on shares or derivatives linked to the value of the shares, whether held directly or through companies in which the director has a significant interest. This disclosure will include any changes to such interests or associated rights, independently of compliance with securities market regulations.

2. Directors must also disclose to the Company their other professional obligations, in case they could interfere with their duties as directors of the Company. In particular, they must disclose all the positions they hold and all the activities they carry out in other companies or entities whose business is the same, analogous or complementary to that of the Company or any Group company or that are in any way competitors of the Company; as well as any ownership interest in such companies and, in general, any other circumstance or situation that could be relevant to the performance of their duties or their independence of judgment as directors of the Company.

3. Directors must notify the Company of any material change in their situation which affects the characteristic or condition that was the basis for their appointment as directors or which might entail a conflict of interest.

4. Directors must disclose to the Company any proceedings brought against them in court, in administrative proceedings or in any other form that are important enough to have the potential to harm the Company's name and reputation, in particular any criminal proceedings in which they are the subject of investigation, as well as the progress and outcome of such proceedings.





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As regards **RELATED-PARTY TRANSACTIONS**, Article 5.5 c) of the Board of Directors Regulations sets out, amongst the direct and non-delegable duties of the Board of Directors, the approval, upon prior report from the Audit Committee (as stipulated in Article 16.6 c) of the Board of Directors Regulations), transactions the Company or any Group company may enter into with directors, in the terms of the Spanish Companies Act, or with shareholders who individually or in concert with others hold a significant interest, including shareholders represented on the Board of Directors of the Company or any Group company and persons related to them. The directors affected, or those who represent or are associated with the shareholders affected, must refrain from participating in the deliberations and voting on the resolution in question.

Only transactions that meet each of the following three criteria do not require such approval:

- They are carried out under contracts the conditions of which are standardized and apply en masse to a large number of customers.
- They are carried out at prices or rates set on a general basis by the person supplying the good or service concerned.
- Their amount does not exceed 1% of the Company's annual revenue.

Furthermore, Article 36 of the Board Regulations states that the Board of Directors has formally reserved the right to approve, subject to a report from the Audit Committee, any material transaction of the Company with significant shareholders, including shareholders represented on the Board of the Company or any Group company, and persons related to them, unless the nature and conditions of the transaction are such that, under Article 5.5 c) of said Regulations, it requires the approval of the General Shareholders' Meeting.

In 2016 the Company for the first time posted on its website the annual report of the Audit Committee on related-party transactions pursuant to the Recommendation 6 of the CGGLC. The accompanying link to the Company's website can be used to see the Annual Report of the Audit Committee on related-party transactions for 2017.

In this regard, under the Article 31 e) of the Board of Directors Regulations, directors must take the necessary measures to avoid situations in which their activities, whether for their own account or on behalf of others, conflict with the interests of the Company and their duties to the Company.

And Article 32 of the Board of Directors Regulations, previously cited in this Report, further develops the duty to avoid situations of conflict of interest referred to by Article 31 e), and specifies those in which the director must abstain,

stipulating that, in all events, directors must disclose to the Board of Directors any situation of direct or indirect conflict that they or their related persons may have with the interests of the Company. Any conflicts of interest directors may have will be disclosed in the notes to the financial statements.



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In May 2010, at the proposal of the Audit Committee, the Board of Directors approved certain resolutions on identifying related-party transactions and set out objective parameters for controlling such transactions (relevant or not relevant), annual recurring related-party transactions and transactions that must be disclosed to the markets. Pursuant to those resolutions, the Audit Committee conducts an annual review of related-party transactions and gives the Board of Directors timely reports thereon.

Nevertheless, as a result of the amendments of the Board of Directors Regulations on 20 December 2016, and of the Internal Code of Conduct in the Securities Market of 26 September 2017, the Board of Directors, based on the applicable laws and regulations governing related-party transactions and taking into consideration the Company's internal rules fully adapted to those laws and regulations, in January 2018 resolved to render those resolutions inapplicable and approved a new one whereby all related-party transactions that the Company or any Group company carry out with directors or with shareholders of the Company who individually or in concert own a significant holding, including shareholders represented on the Board of Directors of the Company or of a Group company, or with their related persons according to the applicable legislation, must

be submitted to the approval of the Board of Directors, upon prior report from the Audit Committee and before the transactions are executed.

Board approval is not required for transactions that meet all three of the conditions specified above [Article 5.5. c) of the **Board of Directors Regulations**].

Also, the reporting and disclosure obligations mandated by law for related-party transactions must be fulfilled.

The Board of Directors has also resolved that the Board be informed on a half-yearly basis, upon prior report from the Audit Committee and after the transaction is executed,

of any related-party transactions carried out by the Company or any Group company with directors and managers who may wield "significant influence" as well as with their close family relations, on the terms provided in the relevant legislation.





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Notable amongst the **MAIN CORPORATE RESOLUTIONS** on corporate governance approved by the Company's Board of Directors during 2017 were the following:

1. At its meeting of 31 January 2017, the Board appointed by co-optation Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director of Red Eléctrica Corporación, S.A., until the next following Annual General Meeting of Shareholders. The appointment filled the vacancy left on the Board of Directors as a result of independent director Mr. Agustín Conde Bajén's resignation, which was accepted by the Board of Directors on 29 November 2016.
2. At its meeting of 22 February 2017, upon a prior favourable report from the Appointments and Remuneration Committee, the Board approved the Company's Annual Corporate Governance Report for 2016, the Annual Directors' Remuneration Report, and authorized the Financial Statements and Management's Report for 2016.

3. At its meeting of 22 February 2017, the Board resolved to make recommendations to the Annual General Meeting of Shareholders for the re-election of Ms. María José García Beato as independent director, the ratification and appointment of Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director and the appointment of Mr. Alberto Carbajo Josa as independent director, all for the four-year term envisaged by the By-laws.

4. At that same meeting, the Board approved all the proposed resolutions and reports to be submitted to the Annual General Meeting of Shareholders in respect of 2016, which was then called. Those proposals were:

- To approve the Annual Accounts (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Recognized Income and Expense, Statement of Cash Flows and Notes to the Financial Statements) and Management Report of Red Eléctrica Corporación, S.A. for the 2016 financial year.

- To approve the Consolidated Annual Accounts (Consolidated Statement of Financial Position, 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 Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A. and subsidiaries for the 2016 financial year.

- Approve the allocation of results proposed by the Board of Directors at its meeting of 22 February 2017 and, consequently, distribute the profit for the 2016 financial year.

- To approve the management of the Board of Directors of Red Eléctrica Corporación, S.A. over the 2016 financial year.

- To re-elect Ms. María José García Beato as an independent non-executive director of Red Eléctrica Corporación, S.A. for the four-year term envisaged by the By-laws, in accordance with the provisions of Article 529 decies of the Spanish Companies Act.

- To ratify the appointment of Mr. Arsenio Fernández de Mesa y Díaz del Río as an independent director of Red Eléctrica Corporación, S.A., agreed by the Board of Directors at its meeting on 31 January 2017 and accordingly appoint him as an independent director for the four-year term specified in the By-laws, in accordance with the provisions of Article 529 decies of the Spanish Companies Act.

- To appoint Mr. Alberto Francisco Carbajo Josa as independent director of Red Eléctrica Corporación, S.A. for the four-year term of its position specified in the By-laws, in accordance with Article 529 decies of the Spanish Companies Act.



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• In relation to the remuneration of the Board of Directors:

- Approve the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for 2017.

- Approve the Annual Directors' Remuneration Report of Red Eléctrica Corporación, S.A.

• Grant authority to execute the resolutions adopted by the 2016 Annual General Meeting of Shareholders.

• Report to the Annual General Meeting of Shareholders on Red Eléctrica's Annual Corporate Governance Report for 2016.

• Report to the Annual General Meeting of Shareholders on the amendment of the Board of Directors Regulations.

5. At its meeting of 25 April 2017, the Board resolved to appoint Mr. Arsenio Fernández de Mesa y Díaz del Río as member of the Audit Committee for a term of three years, and Mr. Santiago Lanzuela Marina and Mr. Alberto

Francisco Carbajo Josa as members of the Appointments and Remuneration Committee for a term of three years.

6. At its meeting of 27 June 2017, the Board approved the Report on the Self-Assessment of the Board of Directors for 2016, prepared with specialized external advice.

7. At its meeting of 26 September 2017, the Board approved the adaptation of the Internal Code of Conduct in the Securities Markets to the Regulations on Market Abuse.

8. At that meeting, the Board also approved a revision of the Internal Audit Charter.

9. At its meeting of 31 October 2017, the Board appointed by co-optation Ms. Mercedes Real Rodríguez as proprietary director of Red Eléctrica Corporación, S.A., representing the Sociedad Estatal de Participaciones Industriales (SEPI), until the next following General Meeting of Shareholders. The appointment filled the vacancy left on the Board of

Directors as a result of the resignation of the proprietary director representing SEPI, Mr. José Ángel Partearroyo Martín, which was accepted by the Board of Directors on 31 October 2017.

10. At its meeting of 31 October 2017, the Board appointed Ms. Mercedes Real Rodríguez and Mr. José Luis Feito Higuera as members of the Appointments and Remuneration Committee for a term of three years and Ms. Socorro Fernández Larrea as member of the Audit Committee for a term of three years, and re-elected Mr. Antonio Gómez Ciria as member of the Audit Committee for a term of three years.

11. At its meeting of 28 November 2017, the Board approved the Induction Plan for new directors that was prepared for the purpose of expediting their integration into the Board of Directors.

12. At its meeting of 19 December 2017, the Board approved Contingency Plans for the succession of the chairman and the managing director.

13. At that meeting, the Board also approved an adaptation to the sustainability criteria of the syndicated credit facility contracted by the Company.

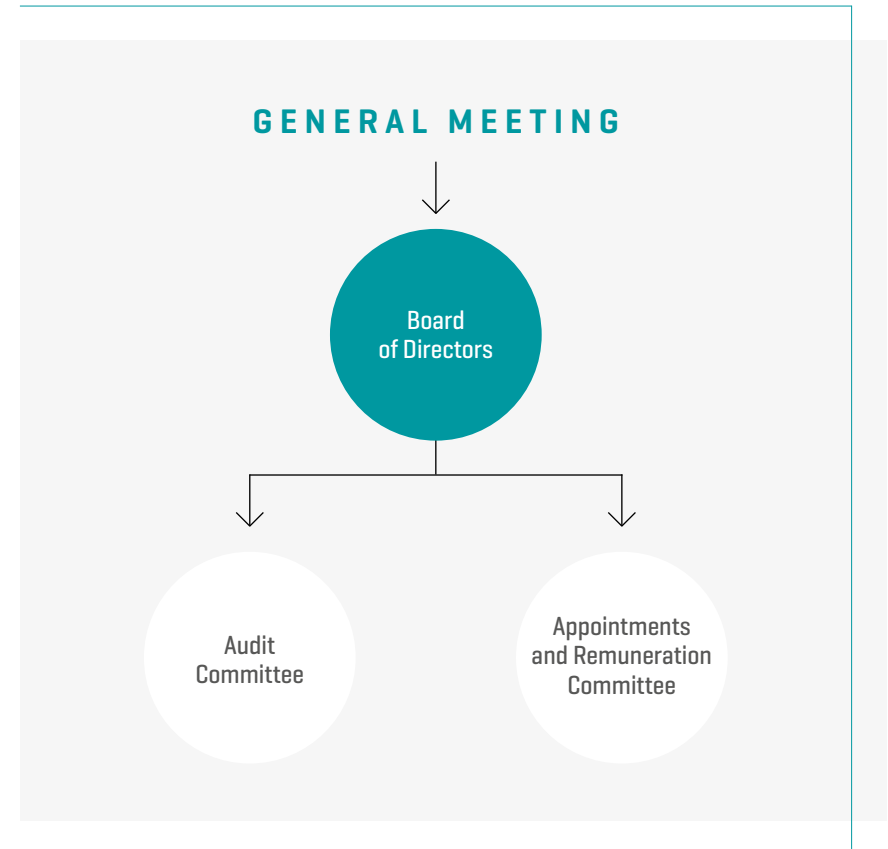
The **resolutions which have been reported to the CNMV as RELEVANT FACTS** during 2017 can be consulted on the Company's website, via this link, [Shareholders and Investors – Significant Events](#),

as well as on the website of the CNMV using the following link: [CNMV – Red Eléctrica Corporación Hechos Relevantes](#).

3.3 Committees

In accordance with the By-laws and the Board of Directors Regulations, the Company has two Board committees: the Audit Committee and the Appointments and Remuneration Committee. They have been created by the Board of Directors in order to support the Board in the performance of its duties, with a specially technical character, and to provide greater efficiency and transparency.

The structure, composition, functions and responsibilities of the Committees are laid down in Articles 22 to 24 of the By-laws and developed in Articles 14 to 18 of the Board of Directors Regulations. Both sets of corporate rules have fully adapted to the latest reforms of the LSC, the CGGLC and the most recent international practices and recommendations in relation to the composition of the committees and to the independence and qualifications of their members.



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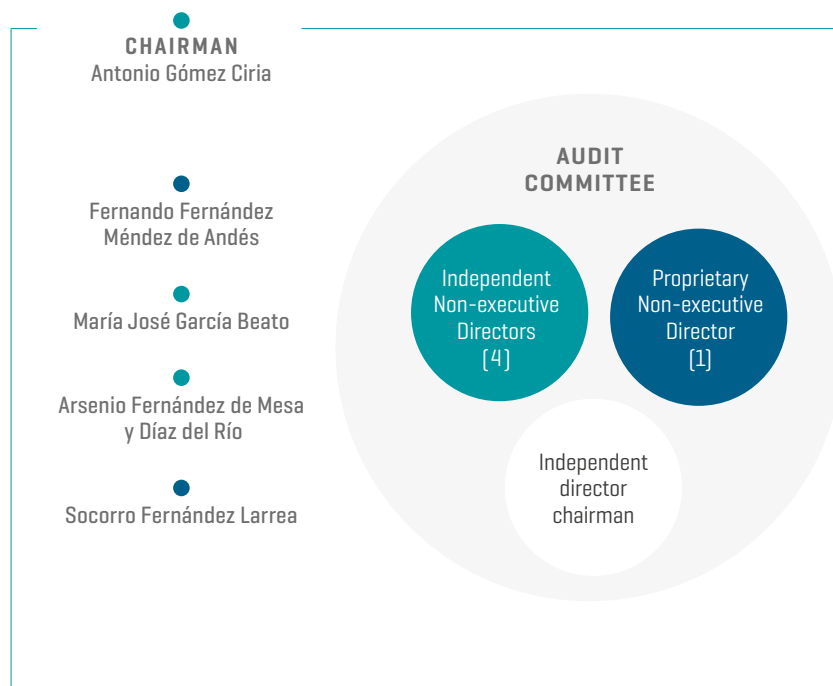
3.3.1 AUDIT COMMITTEE

3.3.1.1 Composition

The Audit Committee is made up of five members, all of them appointed from among the non-executive directors and a majority of them being independent directors, for a term of three years.

Throughout 2017 the committee was made up exclusively of non-executive external directors, with a majority of independent directors.

The composition of the Company's Audit Committee at 31 December 2017 was as follows:



CHANGES IN 2017:

- In November the Committee's chairman was changed, as the previous chairman was appointed to the Appointments and Remuneration Committee and cease to be member of the Audit Committee.
- The Audit Committee's composition has **increased the number of women** on with respect to 31 December 2016, with the inclusion of a female director to replace a male member of the committee. This raised the number of women from one to two, with a percentage of **40%** of the total.
- Prior to the approval of CNMV Technical Guidelines 3/2017 on Audit Committees in Public Interest Entities of 27 June, the Company was already following its recommendations in relation to **diversity in the**

Audit Committee's composition, given that its members have knowledge and experience in accounting or audit matters, or both, and in management, economics, finance and business.

Furthermore, an **expert in integral security** was incorporated to the Committee [as pointed out by the Board when proposing his appointment to the Annual General Meeting of Shareholders]. Integral security refers to physical and cybersecurity. This appointment complied with the recommendation made in the aforesaid Technical Guidelines so that at least one member has **experience in information technologies** given the growing importance of the digital transformation of businesses and processes.



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Director	Position	Type of Director
Antonio Gómez Ciria	Chairman	Independent non-executive
Fernando Fernández Méndez de Andrés	Member	External Proprietary [SEPI]
María José García Beato	Member	Independent non-executive
Arsenio Fernández de Mesa y Díaz del Río	Member	Independent non-executive
Socorro Fernández Larrea	Member	Independent non-executive

% proprietary directors	20,00 %
% independent directors	80,00 %
% other external directors	00,00 %

With respect to the **professional profile of the directors** who compose the Committee, they are particularly well qualified for their position and have extensive professional experience, having held positions of the highest responsibility outside the Company, in functions related to those entrusted to the Committee. Their professional profiles are noteworthy for their knowledge and experience in accounting or auditing, or both, which has been taken into account for their appointment, in accordance with

Article 529 quaterdecies of the LSC and Recommendation 39 of the CBGSC. Furthermore, Article 15.2 of the Board of Directors Regulations goes even further entering, in addition to knowledge and experience in accounting and auditing, knowledge and experience of risk management as criterion in assessing for positions on the Audit Committee, especially the position of chairman.

The Committee's chairman is chosen by its members from among the independent directors on the committee and may be re-elected one year after the cease of its position. The secretary of the Committee is the Board of Directors' secretary.

Over the course of 2017, at the request of the Committee itself, the Audit Committee meetings were regularly attended by the Director of Internal Audit and Risk Control and the Corporate Director of Economics and Finance, solely to report on matters within their remit.



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3.3.1.2 Responsibilities and Activity

Amongst other duties, the functions of the Audit Committee include those of providing support to the Board of Directors in its supervision of the financial reporting process,

of the risk management and internal control systems, overseeing the relations with the external auditors, compliance with the law and with internal regulations and the rules governing relations with the Company's shareholders, and any other responsibilities expressly assigned to it by the Board of Directors.

The Committee meets with the appropriate frequency for discharging its duties. In all events, it must meet at least on a quarterly basis and when is called by its chairman or upon request of two of its members, and, likewise, whenever the Board of Directors or the chairman require it to issue reports or submit proposals.

During 2017, the Audit Committee held eleven (11) meetings, and submitted reports on its activities to the Board of Directors the same number of times. At those meetings there was one (1) absence and one (1) attendance by proxy, giving a total of 53 attendances in all, for an attendance rate of 96.4%.

More detailed information on the matters addressed by the Audit Committee during 2017, and the changes in its composition during that year, is available at the Company's website via the following link to the [Activity Audit Committee Report](#).

In 2017, pursuant to key recommendations on corporate governance, the individual and consolidated annual accounts that are submitted to the Audit Committee for its approval by the Board of Directors were previously certified by the managing director and by the Corporate Director of Economics and Finance.



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3.3.2 APPOINTMENTS AND REMUNERATION COMMITTEE

3.3.2.1 Composition

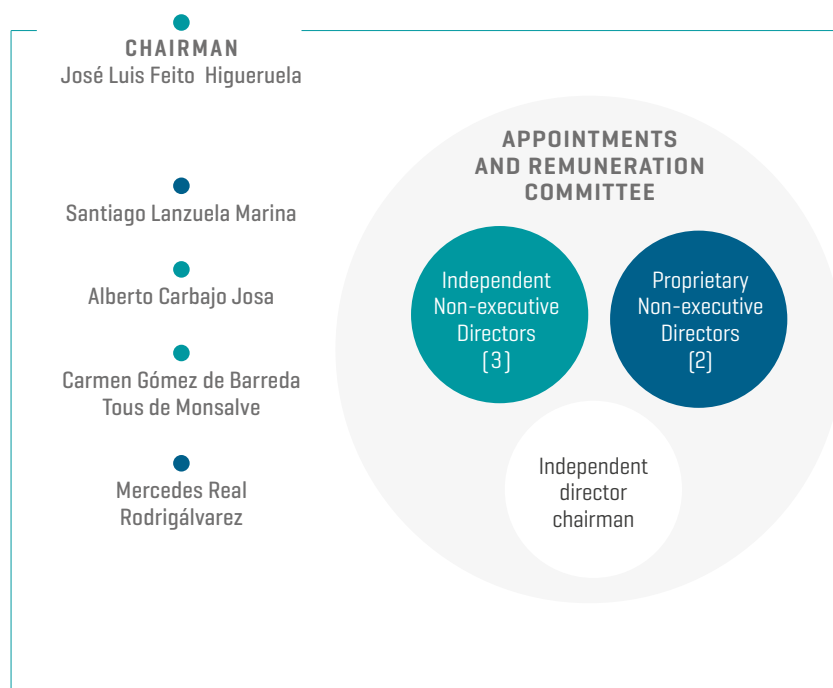
The Appointments and Remuneration Committee is composed of five members, all of whom are appointed from amongst the non-executive directors and with a majority of independent directors, all of them appointed for a three-year term.

Throughout 2017, the Appointments and Remuneration Committee was made up exclusively of non-executive directors, with a majority of independent directors.

The composition of the Company's Appointments and Remuneration Committee at 31 December 2017 was as follows:

Director	Position	Type of director
José Luis Feito Higuera	Chairman	Independent Non executive
Santiago Lanzuela Marina	Member	Proprietary Non executive (SEPI)
Alberto Carbajo Josa	Member	Independent Non executive
Carmen Gómez de Barreda Tous de Monsalve	Member	Independent Non executive
Mercedes Real Rodrigálvarez	Member	Proprietary Non executive (SEPI)

% proprietary directors	40,00%
% independent directors	60,00%
% other external directors	00,00%



Changes in 2017:

- Two new members joined the Committee on November, one independent and one proprietary director, replacing two outgoing directors.
- The number of women on the Appointments and Remuneration Committee decreased from 4 to 2, and women now represent 40% of the total; this reduction allowed the incorporation of one female member to the Audit Committee.
- A new chairman was also appointed in that month as consequence of the expiration of the term of the position of the former one.



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With respect to the **professional profiles of the directors** who compose the Committee, they are particularly well qualified for their position and have broad professional experience, having held positions of the highest responsibility outside the Company in functions related to those entrusted to the Committee, so all the Committee members have a proven capacity to perform the tasks entrusted to the Committee, based on their broad experience and knowledge.

The Committee's chairman is chosen by its members from among the independent directors on the Committee and may be re-elected one year after the cease of its position. The secretary of the Committee is the Board of Directors' secretary.

During 2017, when the Committee considered it convenient, the responsible members of the Company's management team attended the Committee's meetings in order to provide the appropriate explanations.

3.3.2.2 Responsibilities and Activity

The functions assigned to the Appointments and Remuneration Committee include responsibilities relating to appointments, performance and removal of directors and senior managers, their remuneration, the fulfilment of the duties of directors and the compliance with regulations and activities in the areas of corporate governance, corporate responsibility and sustainability.

The Committee meets with the appropriate frequency for discharging its duties. In all events, it must meet at least on a quarterly basis and when is called by its chairman or upon request of two of its members, and, likewise, whenever the Board of Directors or the chairman require it to issue reports or submit proposals.

During 2017, the Appointments and Remuneration Committee held eleven (11) meetings, and submitted reports on its activities to the Board of Directors the same number of times. At those meetings there was one (1) attendance by proxy, giving a total of 48 attendances in all, for an attendance rate of 98 %.

More detailed information on the matters addressed by the Appointments and Remuneration Committee during 2017, and the changes in its composition during that year, is available at the Company's website via the following link to the [Appointments and Remuneration Committee Activity Report](#).



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OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



OFFICIAL ANNEX

3.4

Relations with the management

The policy of the Board of Directors is to delegate the ordinary management of the Company and the Group to the executive bodies and the management team and to concentrate on its general supervisory function and the approval of basic operating guidelines.

Nevertheless, as a result of the separation of the positions of Board's chairman and managing director, the Company has two clearly differentiated management bodies composed of senior executives:

- Advisory Committee to the Chairman, headed by the chairman of the Board.

- Executive Committee, headed by the managing director.

The secretary of the Board of Directors serves as secretary to both committees.

The creation of the two separate committees was intended to replicate in the organization the model of separation of functions between the chairman and the managing director, with the committee headed by the chairman taking care of overall supervision and strategic oversight, while the committee headed by the managing director engages in permanent monitoring of the business and corporate activities.

