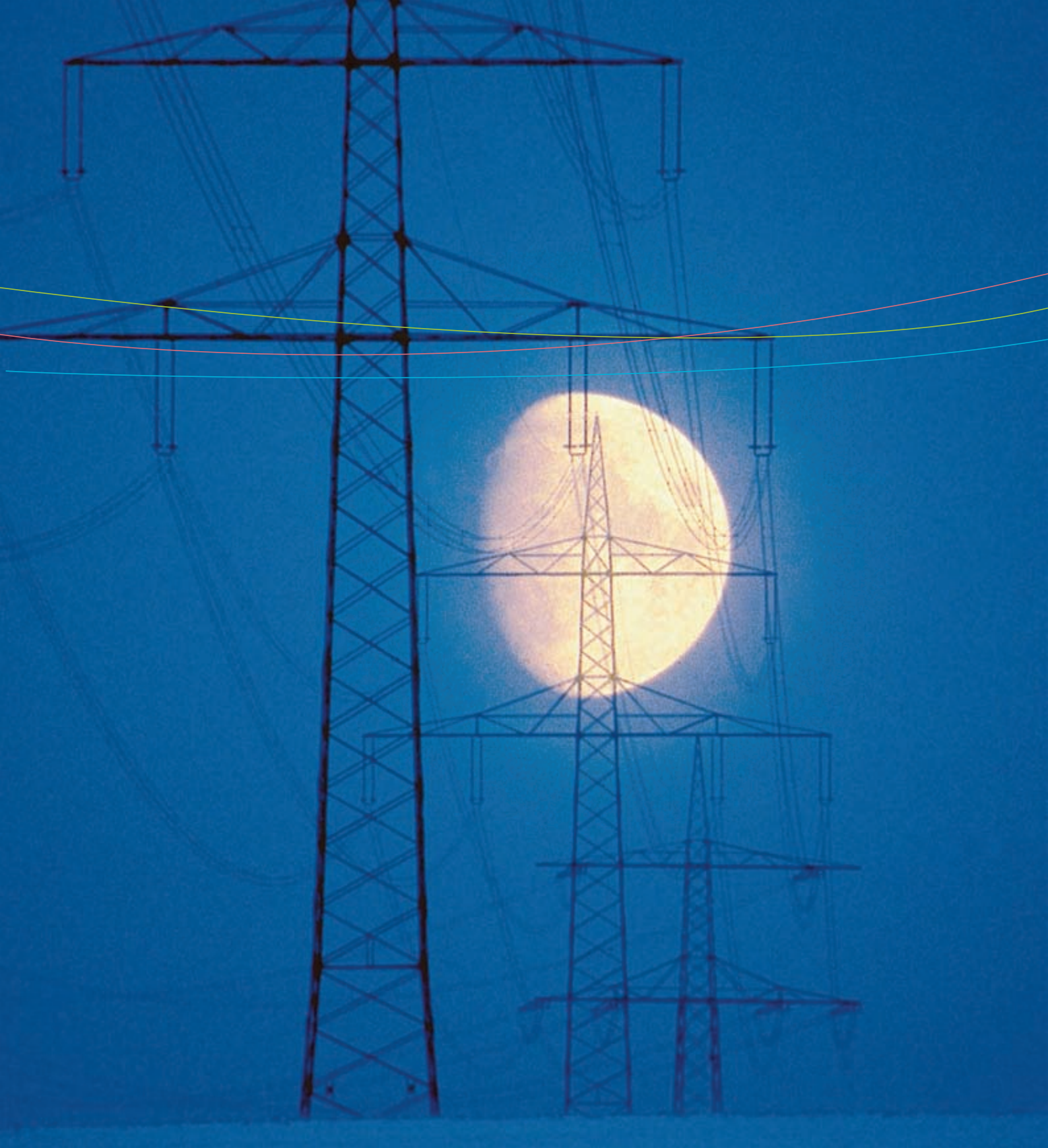


Corporate
Governance
Report

20
09



RED ELÉCTRICA CORPORACIÓN



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01

Corporate governance principles and practices at Red Eléctrica*

** The information contained in this section is summarized in the corresponding chapter of the Company's 2009 Corporate Responsibility Report.*

Governing and management bodies

1. Internal Legal Framework

1.1. Introduction

In the area of corporate governance, RED ELÉCTRICA CORPORACIÓN, S.A. (hereinafter, "RED ELÉCTRICA") is governed by the rules and procedures described below, which contain the in-house regulations, that go beyond the applicable legal requirements.

These regulations can be consulted on the website (www.ree.es). At December 31, 2009, they were comprised of:

- The Corporate Bylaws.
- The Shareholders' Meeting Regulations.
- The Board Regulations.**
- The Internal Code of Conduct on the Securities Market.
- The Procedure for proxies, voting and information by remote means for the Shareholders' Meeting.
- The Code of Ethics.

1.2. The Corporate Bylaws

The Corporate Bylaws are constantly adapted to best corporate governance practices and principles and have been successively amended for such purpose by the Annual Shareholders' Meeting in recent years. The Annual Shareholders' Meeting held on May 22, 2008 approved the most recent amendment to the Corporate Bylaws, within the framework of the corporate reorganization process, in order to adapt them to the requirements of Law 17/2007 of July 4, 2007 amending Electricity Industry Law 54/1997 of November 27, 1997 to adapt it to the provisions of Directive 2003/54/EC of the European Parliament and of the Council of June 26, 2003 concerning common rules for the internal market in electricity.

All of the amendments have been notified to the CNMV and registered at the Mercantile Registry.

*** Unless expressly indicated otherwise, references to the Board Regulations in this Report shall be understood to refer to the Regulations approved on December 20, 2007.*

1.3. Shareholders' Meeting Regulations

The Regulations were approved by the Shareholders' Meeting of July 17, 2003, and amended by the Annual Shareholders' Meeting of May 22, 2008, in order to adapt them to the aforementioned Law 17/2007 of July 4, 2007.

The Shareholders' Meeting Regulations are the legal charter for shareholders of Red Eléctrica, in line with best corporate governance practices, and include all of the new forms of shareholder protection and participation, with a view to recognizing, promoting and strengthening shareholder rights at the Company as far as possible.

All of the amendments have been notified to the CNMV and registered at the Mercantile Registry.

1.4. The Board Regulations

The Regulations were approved by the Board of Directors on December 20, 2007, amending the previous text of November 11, 2003.

As indicated in Article 22 of the Corporate Bylaws, the principal purpose of the Regulations is to establish the basic rules on the organization and functioning of the Board of Directors and its Committees, the rules of conduct for its members and the system of supervision and control of the Board of Directors and its Committees, with a view to ensuring the highest standards of professionalism and efficacy in its actions. All of this is carried out by encouraging the active participation of its members, placing the interests of the Company and of its shareholders above their own interests, while upholding the law, the Corporate Bylaws and corporate governance principles.

They have been notified to the CNMV and recorded at the Mercantile Registry.

At the proposal of the Appointments, Compensation and Corporate Governance Committee, the Board meeting of December 18, 2008 resolved to repeal the Independent Director's Statute since its content had been incorporated into the current Board Regulations.

In 2009, the Appointments, Compensation and Corporate Governance Committee carried out a review of the Board Regulations following the restructuring of the Red Eléctrica Group and in light of the

Board's commitment to constantly adapt to the best corporate governance practices. At the Board meeting held on January 28, 2010, the Board of Directors approved a new set of Board Regulations. The main amendments approved were as follows:

- The corporate name of the parent company has been changed to Red Eléctrica Corporación, S.A., following the restructuring of the Red Eléctrica Group.
- The Appointments, Compensation and Corporate Governance Committee has been renamed the Corporate Responsibility and Governance Committee and its powers in the area of corporate responsibility have been extended.
- The powers of the Board of Directors concerning the Red Eléctrica Group have been extended.
- Board and Committee meetings can now be called and held by telematic means.
- Authorization by the Board of Directors is required for related-party transactions that must be notified to the securities markets, subject to a report by the Audit Committee and information on the related-party transactions that, while not requiring authorization, the Audit Committee considers the Board should be made aware of.
- The number of positions that may be held by Independent Directors on the boards of other listed companies has been limited to two.
- A new function has been attributed to the Board of Directors concerning the approval of financial transactions.
- The Board Regulations have been brought into line with the new obligations established in the Internal Code of Conduct on the Securities Market following the approval of its amendment in June 2009.
- Certain amendments relating to the conclusions of the Board Self-Evaluation Report have been incorporated into the Board Regulations.
- A new Article has been added concerning breach by Directors.
- Various technical adjustments have been made in light of the experience gained in implementing the Regulations.

The new Regulations have been notified to the CNMV and are pending registration at the Mercantile Registry.

1.5. Internal Code of Conduct on the Securities Market

The Internal Code of Conduct on the Securities Market was approved by the Board of Directors on June 25, 2009, replacing the previous text approved on July 20, 2006. The new text responds to the need to bring the Internal Code of Conduct on the Securities Market into line with new legislation in this area and is as a result of the corporate restructuring process completed on July 1, 2008, in application of the provisions of Law 17/2007 of July 4, 2007, amending Electricity Industry Law 54/1997 of November 27, 1997.

The principal amendments approved in the new Internal Code of Conduct on the Securities Market were as follows:

- Corporate name change following the restructuring of the Red Eléctrica Group.
- Adaption of the Code to Royal Decree 1362/2007, of October 19, 2007, implementing Securities Market Law 54/1988, of July 28, 1998, in relation to transparency requirements concerning information on issuers whose securities are admitted to trading on an official secondary market or an another regulated market of the European Union. The main new features introduced by this Royal Decree and incorporated into the Internal Code of Conduct on the Securities Market consist of a reduction in the time periods for notification to the CNMV and the obligation on the affected parties to provide information in as much detail as possible.
- Referral to the Board Regulations in the event of breach of the Internal Code of Conduct on the Securities Market by any Board members.

The Code of Conduct has been registered with the CNMV.

1.6. Procedure for proxies, voting and information by remote means at the Shareholders' Meeting

The Board meeting held on March 26, 2009, approved the rules for proxies and voting by remote means and the exercise of the right to information by electronic means for the 2008 Annual Shareholders' Meeting. Once again, the electronic voting procedure was a success, with 379 shareholders holding 133,711 shares having voted and/or delegated their vote electronically (compared to the 315 shareholders holding 64,670 shares that used the procedure in 2008).

1.7. Code of Ethics

The Code of Ethics was approved at the Board meeting of July 26, 2007, after an extensive process of public disclosure during which more than one hundred comments were received from all employees of the Group.

The Code reflects the corporate identity and commitments made to the business community and to the various stakeholders affected by the activities of the Red Eléctrica Group. The Code contains the fundamental principles that must guide all members of the Board of Directors, the management bodies and employees of the Red Eléctrica Group and it can also be invoked by stakeholders. Particularly notable is the internal procedure for the management of inquiries and complaints contained in the Code to ensure it is fully complied with. This procedure is already in operation.

The Code was voluntarily prepared by the Company, and has been communicated to all Red Eléctrica Group personnel.

An Ethics Manager has been appointed, tasked with the administration of the system for the detection and handling of breaches and complaints, and the monitoring and development of the Code of Ethics.

Throughout 2009, the Audit Committee has closely monitored the implementation of the Company's Code of Ethics, continuing the work begun in this area in 2008.

In addition, the information sessions and presentations begun in 2008 regarding the Code of Ethics were completed in 2009 with the active participation of the Ethics Manager, both at the corporate headquarters and in all regional offices, in order to ensure the appropriate dissemination of the principles and recommendations of the Code, including those relating to the procedure for reporting financial and accounting irregularities, paying particular attention to any questions raised or clarification required.

In June 2009, the Ethics Manager presented the Annual Report on the Management of the Code of Ethics to the Board. This is the first report on the functioning of the Code of Ethics management system and the Company is committed to producing this report every year. The report highlights the absence of complaints to date and outlines some of the inquiries made to the Ethics Manager. In

general, the inquiries related to the scope of the commitments contained in the Code and guidelines on how to act in specific situations.

1.8. Constant Adaptation and Amendment of Regulations

The Corporate Governance rules are constantly amended in order to improve the company's corporate governance practices and ensure greater transparency in market information.

In 2007, on a voluntary basis and before it was legally required, the Corporate Bylaws, Shareholders' Meeting Regulations and Board Regulations were adapted to the recommendations contained in the Unified Code of Recommendations for the Good Governance of Listed Companies (the "Con-the Code"), approved on May 19, 2006 by the Special Working Group advising the CNMV on the harmonization and update of the Olivencia and Aldama Report recommendations for the good governance of listed companies.

The Corporate Bylaws and the Shareholders' Meeting Regulations were further amended in 2008 to bring them into line with Law 17/2007, of July 4, 2007, and a procedure for proxies, voting and information by remote means for the 2007 Annual Shareholders' Meeting was also approved.

Continuing in this line, the Internal Code of Conduct on the Securities Market was amended in 2009 and the Board Regulations were reviewed, leading to the approval of a new set of Regulations at the Board meeting held on January 28, 2010.



2. Annual Shareholders' Meeting

2.1. Organization, Powers and Composition

The Shareholders' Meeting, duly called and legally constituted, represents all of the shareholders and exercises the functions corresponding to it within the Company.

Its resolutions, adopted pursuant to the Shareholders' Meeting Regulations and the Corporate By-laws, are binding on all shareholders, notwithstanding their legal right to withdraw from the company. The Shareholders' Meeting shall be competent to adopt all resolutions inherent in its status as the Company's sovereign body. In particular, by way of illustration, it is competent to:

- Approve the individual and consolidated financial statements of Red Eléctrica, the management by the Board of Directors, and the proposed distribution of income.
- Appoint and remove Directors, ratify or revoke their appointment by co-optation, and appoint and re-elect the auditors.
- Approve programs or authorize transactions involving treasury stock.
- Approve the establishment of Director compensation systems linked to the share value.
- Resolve to issue debentures, increase or reduce capital, change the legal form, merge, spin off or dissolve the Company, and make any amendment to the Corporate Bylaws.
- Authorize the Board of Directors to increase capital pursuant to the provisions of the Corporations Law (*Ley de Sociedades Anónimas*).
- Approve transactions the effect of which is equivalent to the modification of the Company's corporate purpose.

The rules on the organization and functioning of the Shareholders' Meeting are contained in the Corporate Bylaws (Articles 11 through 18) and in the Shareholders' Meeting Regulations.

2.2. Shareholding Structure of the Company

The Company's capital is comprised of 135,270,000 fully subscribed and paid-in shares of a single class and series, each with a par value of €2, represented by book entries and listed on the four Spanish stock exchanges.

At December 31, 2009, the State-owned Industrial Holdings Company (Sociedad Estatal de Participaciones Industriales or “SEPI”) directly owned a significant stake in the Company, holding 27,054,000 shares, which represent 20% of capital.

There are no individuals or legal entities that exercise or may exercise control over the Company, pursuant to the provisions of Article 4 of the Securities Market Law.

Thus, the shareholding structure of the Company consists of a 20% stake held by SEPI, with the remaining 80% being free float. As explained below, no other shareholder may hold a stake greater than 5%.

2.3. Special Legal Status of Red Eléctrica and Limitations Imposed on Shareholdings in the Company

The entry into force of Law 17/2007 of July 4, 2007 introduced various changes affecting the Company’s shareholders.

The purpose of these changes is, inter alia, to guarantee the Company’s independence as regards the other activities and participants in the electricity sector, since the activities pursued by Red Eléctrica are considered by the State legislature to be an essential service. Specifically, the second paragraph of Additional Provision Three of Law 17/2007, of July 4, 2007, establishes new maximum limits on shareholdings in the Company, which are summarized below:

- Any individual or legal person may hold shares in the Company, provided that the sum of its direct and indirect holdings in the Company does not exceed five percent (5%) of capital and that it does not exercise more than three percent (3%) of voting rights. These shares may not be pooled for any purpose whatsoever.
- Parties engaging in activities in the electricity sector and any individuals or legal entities that directly or indirectly hold more than five percent (5%) of capital may not exercise more than one percent (1%) of voting rights at the Company.
- The special regime for SEPI is maintained, whereby it must hold at least ten percent (10%) of capital in all cases.

The legal provisions regarding the general and special shareholding regime are set out in Articles 5 and 14, the Sole Additional Provision and Transitional Provision Two of the Corporate Bylaws, and in Articles 6.3 and 15.8 of the Shareholders' Meeting Regulations, which were amended at the Annual Shareholders' Meeting of May 22, 2008 in order to adapt them to the provisions of Law 17/2007 of July 4, 2007, described above.

2.4. Shareholder Rights

Red Eléctrica's effort in recent years to meet the expectations of its shareholders and investors, beyond the requirements established by law, has led to its public recognition by the markets, institutions and specialists in the sector.

Shareholder rights are regulated in Article 15 of the Corporate Bylaws, which expressly refers to the right to information and attendance of Shareholders' Meetings, and in Articles 6 through 10 of the Shareholders' Meeting Regulations.

Right to Information

The Company pays special attention to the right to information, as reflected in Article 15 of the Corporate Bylaws and Article 8 of the Shareholders' Meeting Regulations. Article 8 of the Shareholders' Meeting Regulations establishes the obligation to make the documentation and information relating to the meeting agenda available to shareholders, free of charge, both at the Shareholder's Office and on the Company website.

In addition, during the meeting, shareholders can orally request any reports or clarification they deem appropriate regarding the items on the agenda. If such requests cannot be satisfied at the time, the Board of Directors must provide the information in writing within seven days of the meeting.

Right to Attend

Shareholders may attend the Shareholders' Meeting if they are up to date in the payment of capital calls and evidence their share ownership, by way of certification in their name, in the accounting register of book entries five days before the meeting is due to be held. Company Directors and Executives must attend Shareholders' Meetings.

As a general rule and in order for the proceedings of meetings and the resolutions adopted to reach the widest audience, the media are allowed access to Shareholders' Meetings. To this effect, Article 15 of the Corporate Bylaws and Article 10 of the Shareholders' Meeting Regulations provide that shareholders with the right to attend (which all shareholders enjoy, because there is no minimum requirement regarding the number of shares necessary to attend meetings) may be represented at the Shareholders' Meeting by another shareholder with the right to attend, in the manner established in the Corporations Law.

Right to Participate and New Technologies

The Shareholders' Meeting Regulations allow shareholders to participate to the fullest extent in matters of interest to them (right to attend, meeting calls, inclusion of items and proposals on the agenda, inquiries and requests for information and voting).

The Shareholders' Meeting Regulations provide that shareholders owning 5% of capital may request that the Board, prior to the call, include any item on the agenda for the next Shareholders' Meeting. The Board of Directors must include the items requested in the manner that best suits the Company's interests, provided that they refer to matters falling within the scope of the powers of the Shareholders' Meeting. Shareholders may also make proposals regarding items on the agenda and suggestions regarding any activities and interests of the Company that, in their opinion, should be discussed at the Shareholders' Meeting. In both cases, shareholders may make proposals and suggestions through the Shareholder Information Office.

Red Eléctrica introduced an electronic voting system in 2005. It was one of the pioneering companies to use the system, which allows shareholders to exercise their voting rights electronically via the Company website, www.ree.es.

Following the ongoing policy of providing shareholders with advanced telematic means of exercising their rights, the Board meeting held on March 26, 2009 approved the rules regarding voting and proxies by remote means and the exercise of the right to information by electronic means for the 2008 Annual Shareholders' Meeting. The procedure was a success once again: 379 shareholders holding 133,711 shares voted and/or delegated their vote electronically, more than doubling the 64,670 votes cast and/or delegated electronically at the 2007 Shareholders' Meeting.

In addition, Shareholders' Meetings and the principal presentations on the Company are followed via live webcast and simultaneously translated into English.

2.5. Best Corporate Governance Practices in relation to the Shareholders' Meeting and Shareholder Rights

Proposed Resolutions

- For some time now, proposed resolutions have been published in full upon call of the Shareholders' Meeting, with all relevant information for shareholders being posted on the Company website, which is designed to make it easier for shareholders to exercise their right to information.

Annual Reports

- Documentation submitted for approval to the Shareholders' Meeting, particularly the financial statements and the Annual Corporate Governance Report, is made available to all shareholders.
- An entire section of the agenda of the Shareholders' Meeting is devoted to reporting on the principal characteristics of the Annual Corporate Governance Report.
- The annual reports on the activities of the Audit Committee and the Appointments, Compensation and Corporate Governance Committee, which can be found at the end of the Annual Corporate Governance Report, are made available to all shareholders.
- A Shareholder Bulletin is published quarterly, containing the main news about the Company.

Presence of the Audit Committee Chairman

- The Chairman of the Audit Committee is available to all shareholders during Shareholders' Meetings to deal with any matters falling within his jurisdiction as may arise.

Separate voting on Items

- The items included on the agenda for the Shareholders' Meeting are as detailed as possible.
- Separate voting on each item is permitted, including via remote voting, with a view to giving shareholders full decision-making freedom and independence in respect of each item submitted to vote.

Electronic Voting and New Technologies

To avoid repetition, please see section 2.4 above.

Corporate Website

- Separate voting on each item is permitted, including via remote voting, with a view to giving shareholders full decision-making freedom and independence in respect of each item submitted to vote. Additional information has been made available on the Company website, which acts as a channel of communication with shareholders and investors, namely:
 - Inclusion of the quorum requirement and result of the votes on each of the proposals made to the Shareholders' Meetings in the previous year.
 - Addition of information relating to the right of attendance and procedures for granting proxies for Shareholders' Meetings, in accordance with the provisions of the Corporate Bylaws and Shareholders' Meeting Regulations.
 - Creation of a specific section regarding electronic voting and proxies.
 - Creation of a section relating to outstanding securities issues.
 - Creation of a section relating to the rating given by credit rating agencies.
 - Increased information on shareholdings, with greater detail on significant holdings, treasury stock and side agreements between shareholders.

Publication of Resolutions

- Immediately after their approval by the Board of Directors, the call notice and proposed resolutions of the Shareholders' Meeting are notified to the CNMV and published on the Company website.
- On the same day as the Meeting is held or on the immediately following business day, the Company sends the text of the approved resolutions to the CNMV by means of the relevant disclosure of a material event.
- Once they have been notified to the CNMV, the text of the approved resolutions is also made available on the Company website.

Webcasts. Simultaneous Translation

- Presentations to analysts and the Shareholders' Meeting are broadcast in real time on the Company website. Webcasts of presentations are available on the Company website.
- In 2007, 2008 and 2009, the Shareholders' Meeting was followed via live video webcast, with simultaneous translation into English.
- All documentation submitted for information purposes to and approval by the Shareholders' Meeting is translated into English, including the Annual Corporate Governance Report.

Right to Participate

- Prior to the call, shareholders owning 5% of capital may request that the Board include any item on the agenda for the next Shareholders' Meeting.
- Shareholders may formulate proposals concerning any items on the agenda and may make suggestions regarding any activities and interests of the Company that, in their opinion, should be discussed at the Shareholders' Meeting.
- In both cases, proposals and suggestions may be made via the Shareholder Information Office.

Right to Information

- An open, free-flowing and accessible dialog is maintained with shareholders. Communications are made with the utmost transparency, providing all available information to shareholders at the same time as it is received by other participants in the securities and financial markets.
- A specific Shareholder Information Office is in place to deal with any inquiries from minority shareholders.
- The Company undertakes to make documentation and information relating to the meeting agenda available to shareholders, free of charge, both at the Shareholder Information Office and on the Company website, including the following documentation:
 - The call notice of the Shareholders' Meeting, containing the proposed resolutions and the corresponding reports by the Board of Directors.
 - The Company's individual and consolidated financial statements and the proposed distribution of income for the year.
 - The Company's individual and consolidated management reports for the year.
 - The audit reports relating to the Company's individual and consolidated financial statements.
 - The Annual Corporate Governance Report.
 - The Corporate Social Responsibility Report.
 - The report on the compensation policy of the Board of Directors, included in the annual public documentation submitted to the Annual Shareholders' Meeting.
 - The environmental report.
 - Any other report required by law or as determined by the Board of Directors.

Requests for Information

- Shareholders may request the pertinent documentation, reports or clarification from the Com-

pany regarding the items on the agenda, and request any information or clarification or submit questions regarding information provided by the Company to the CNMV since the date of the last Shareholders' Meeting.

- During the meeting, shareholders may orally request any reports or clarification they deem appropriate regarding items on the agenda.
- If such requests cannot be satisfied at the time, the Board of Directors must provide the information in writing within seven days of the meeting, unless the Chairman deems that the disclosure of the information requested would be harmful to the Company's interests.

Shareholder Information Office

- The Shareholder Information Office specifically deals with requests made by Company shareholders.
- Shareholders may submit questions in writing regarding the information available to the public or notified to the competent authorities and make inquiries through the Shareholder Information Office.

Right to Attend

- There are no bylaw restrictions of any kind in this connection and no minimum number of shares is required in order to attend the Shareholders' Meeting (one share, one vote principle).
- Company Directors and Executives are required to attend Shareholders' Meetings.
- As a general rule and in order for the proceedings of meetings and the resolutions adopted to reach the widest audience, the media are allowed access to Shareholders' Meetings and Meetings are filmed.



3. The Board of Directors

3.1. Organization, Powers and Composition

In 2009, the Company was governed by a Board of Directors comprised of 11 members (1 Executive Director, 3 Nominee Directors and 7 Independent Directors) up to December 17, 2009. On that date, the Board of Directors accepted the resignation of one of its Independent Directors, José Rodrigues Pereira Dos Penedos, who tendered his resignation on December 3, 2009, *as a result of the court proceeding brought before the Regional Court of Aveiro (Portugal) and affecting the discharge of his duties as Chairman of REN-Redes Energéticas Nacionais, SGPS, S.A.* His resignation was disclosed as a material event to the CNMV on December 18, 2009. The consequent vacancy has yet to be filled, meaning that the Board of Directors is currently composed of 10 members: 1 Executive Director, 3 Nominee Directors and 6 Independent Directors.

At the meeting held on March 24, 2009, the Appointments, Compensation and Corporate Governance Committee reported favorably on the re-appointment of Mr. Luis María Atienza Serna as Executive Director for a period of 4 years and proposed to the Board, for referral to the Annual Shareholders' Meeting, the re-appointment of Ms. María Ángeles Amador Millán as an Independent Director and Mr. Rafael Suñol Trepas as a Nominee Director, both for a period of 4 years. At the Board meeting held on March 26, 2009, the Board of Directors referred the corresponding proposals for re-appointment to the Shareholders' Meeting of May 21, 2009, which approved the re-appointment of the three Directors on the terms proposed by the Board.

The Board of Directors governs and represents the Company with the support of the Audit Committee and the Appointments, Compensation and Corporate Governance Committee.

The rules on the organization and functioning of the Board are contained in the Corporate Bylaws (Articles 19 through 26) and in the Board Regulations recently approved on January 28, 2010.

Pursuant to the Corporate Bylaws and the Board Regulations, the principle guiding the Board's actions at all times is the defense of the viability and value of the Company in the long term, and the protection and promotion of the Company's general interests.

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 pursuant to a power of attorney on the terms established in the law, the Corporate Bylaws and Board Regulations.

The Board's policy is to delegate the ordinary management of the Company to the executive bodies and the 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.



The names of the Directors, the dates of their first and last appointment, position on the Board, type of Director, election procedure and Board Committee membership, at December 31, 2009, were as follows:

Name of Director	First Appointment	Last Appointment	Position on the Board	Type of Director	Appointment procedure	Board Committee Membership
Luis María Atienza Serna	07.08.04	05.21.09	Chairman	Executive	Shareholders' Meeting	Appointments, Compensation and Corporate Committee (member)
Antonio Garamendi Lecanda	07.20.99	05.22.08	Member	External Independent	Shareholders' Meeting	Appointments, Compensation and Corporate Committee (member)
Manuel Alves Torres	10.26.99	05.22.08	Member	External Nominee (SEPI)	Shareholders' Meeting	Appointments, Compensation and Corporate Committee (member)
Rafael Suñol Trepal	12.16.04	05.21.09	Member	External Nominee (SEPI)	Shareholders' Meeting	
María Ángeles Amador Millán	05.26.05	05.21.09	Member	External Independent	Shareholders' Meeting	Nominating, Compensation and Corporate Governance (Chairwoman)
Francisco Javier Salas Collantes	06.28.05	05.26.06	Member	External Independent	Shareholders' Meeting	Audit Committee (member)
Martín Gallego Málaga	06.28.05	05.26.06	Member	Externo Independent	Shareholders' Meeting	
José Folgado Blanco	05.22.08	05.22.08	Member	External Independent	Shareholders' Meeting	
Arantza Mendizábal Gorostiaga	05.22.08	05.22.08	Member	External Independent	Shareholders' Meeting	Audit Committee
María Jesús Álvarez González	05.22.08	05.22.08	Member	External Nominee (SEPI)	Shareholders' Meeting	Audit Committee

3.2. Professional Experience

Set out below are the principal activities pursued by Board members outside the Company at December 31, 2009:



Chairman, Executive Director

Luis María Atienza Serna, born August 30, 1957.

Degree in Economics and Business Studies, Universidad de Deusto; Certificate in Advanced European Studies, Universidad de Nancy (France), Centre for Advanced European Studies; Certificate in Development Economics (D.E.A.), Universidad de Nancy, Faculty of Law and Economics.

Formerly:

Minister for Agriculture, Fisheries and Food.

Secretary General for Energy and Mineral Resources, Ministry of Industry and Energy.

Chairman, Institute for Energy Saving and Diversification (IDAE).

Chairman, Geomining Technological Institute of Spain.

Chairman, Centre for Energy, Environmental and Technological Research (CIEMAT).

Secretary General, Agrarian Structures, Ministry of Agriculture, Fisheries and Food.

Economy Minister, Basque Autonomous Community Government. Member of the Basque Parliament.

Lecturer, School of Economics and Business Studies, International Business Administration Institute and Institute for European Studies, Universidad de Deusto.

Member of the Boards of Directors of Instituto Nacional de Hidrocarburos (INH), Corporación Logística de Hidrocarburos (CLH) and Ente Vasco de la Energía (EVE).

He has given many courses, seminars and lectures, and has published articles on economic, energy and agrarian policy and European research in the economic and general press, including working documents for university institutes and research centers.

Currently:

Member of the Board of Directors of Redes Eléctricas Nacionales, SGPS, S.A.



External Independent Director

Antonio Garamendi Lecanda, born February 8, 1958.

Entrepreneur. Law Degree, Universidad de Deusto.

Formerly:

General Representative of La Equitativa, S.A. in Vizcaya.

Managing Director of Bankoa, S.A. Correduría de Seguros.

Chairman, Handyman, S.L.

Chairman of the “Negocios de Comunicación” Group (La Gaceta de los Negocios, Dinero, Radio Intereconomía and OTR News Agency).

Director, Babcock & Wilcox Española, S.A.

Director, Albura, S.A. (Red Eléctrica de Telecomunicaciones)

Director, Tubos Reunidos, S.A.

Member, Strategic Committee, Grupo Alta Gestión, S.A.

Chairman, Spanish Confederation of Young Entrepreneurs (CEAJE).

Chairman, Business Creation Commission, CEOE.

Member, Vizcaya Chamber of Real Estate

Member, Board of Trustees, Guggenheim Museum

Deputy Chairman, Entel Ibai, S.A.

Currently:

Chairman, Galea Empresarial, S.L.

Chairman, Palacio de Moronati, S.L.

Managing Director, Iniciativas de Comunicación Económica, S.A. (ICESA)

Insurance Broker. Willis Iberia, S.A.

Member of the Strategic Committee of Sodexho Pass, S.A. Group

Chairman, Energy Committee, CEOE. Member, Executive Committee and Managing Board.

Member and Treasurer, Confemetal and Fundación Formetal.

Committee Member, Institute for Economic Studies (IEE)

Member, Managing Board, Empresarial de Vizcaya (CEBEK)

Member of the Executive Committee of the Vizcaya Federation of Metal Companies.

Member, Vizcaya Chamber of Commerce



External Nominee Director proposed by SEPI

Manuel Alves Torres, born March 18, 1954.

Degree in Economics and Business Studies.

Formerly:

Head of Budgeting, Standard Eléctrica, S.A.

Graduate Technical Expert, Deputy Enterprise Director, Deputy Corporate Director, INI.

Director of Planning and Supervision, Teneo.

Member of the Board of Directors of: Potasas de Subiza, Potasas de Suria, Grupo Ence, Grupo Inespal, Enatcar, Clínica Castelló, Minas de Almagrera, Agencia Efe, Binter Canarias, Hipódromo de la Zarzuela and Sedettur.

Currently:

Director of Planning and Control, SEPI.

Member, Management Committee, SEPI.

SEPI representative, Fundación SEPI (formerly Fundación Empresa Pública) and Fundación Laboral SEPI.

Member, Board of Directors, Tragsa.



External Nominee Director proposed by SEPI

Rafael Suñol Trepas, born July 4, 1944.

Degree in Economics and Business Studies, E-1969, ADE-ESADE 1980, PADE-IESE 1999.

Formerly:

Managing Director of Aurica, SCR, S.A., partner of Socios Financieros and president of Activa Ventures.

Director and Deputy Chairman of Fecsa and Director of Endesa.

Managing Director of Banco de Fomento. Chairman of Banco de Crédito Industrial and Director of ICO.

Assistant General Manager of GDS, Caja de Barcelona, after working for Banco Urquijo, Barcelona.

Chairman of Crédito & Docks and of Dinvergestión, and Director of companies related to Banco Central.

Director of Ericsson España, Frida Alimentaria and Visual Tools, and Chairman of Cobrhi.

Currently:

Executive Deputy Chairman, Catalana de Iniciatives SCR, Director of Abantia-Tycsa, Peugeot España, Inypsa, Telstar and Serveis Funeraris de Barcelona.

**External Independent Director**

María Ángeles Amador Millán, born October 10, 1949.

Law Degree, Universidad Complutense de Madrid.

Formerly:

Technical General Secretary, Ministry of Public Works and Urban Development.

Member, Governing Board of the Madrid Bar Association.

Undersecretary, Ministry of Health and Consumer Affairs.

Minister for Health and Consumer Affairs.

Member of Parliament for Segovia.

Spokeswoman for Health Matters for the Socialist Parliamentary Group.

Member of Parliament for Madrid.

Deputy Chairwoman, Constitutional Committee, Lower House of Parliament.

Currently:

Practicing attorney.

Member, Governing Board of the Madrid Bar Association.

Board member, Fundación Arte y Derecho.

Member, Advisory Board, Accenture.



External Independent Director

Francisco Javier Salas Collantes, born March 6, 1948.

Degree in Economics, specializing in Business Economics.

Formerly:

Specialist in credit analysis, International Division, Manufacturers Hanover Trust Co. (New York).

Director of Economic and Financial Planning and Director of Economy and Finance, Empresa Nacional del Uranio (ENUSA).

Financial Director of Instituto Nacional Industria (I.N.I.).

Director-General of Corporate Management, responsible for the following I.N.I. offices:

Finance, Planning and Control, Technology and Investment.

Chairman, I.N.I. and Teneo.

Chairman, Iberia, Líneas Aéreas de España, while also Chairman of I.N.I. and Teneo.

Currently:

Founding Member and Manager of SAGA Servicios Financieros (Management and M&A Consultants).

Director and Chairman of the Audit Committee of TELVENT, Director of GED CAPITAL DEVELOPMENT, S.A., SGEGR and GED IBERIAN PRIVATE EQUITY, S.A., SGEGR.

Member, Advisory Board, YOUNG & RUBICAM, S.L.

Chairman of Fundación Entorno, Empresa y Medioambiente. Trustee, Instituto de Cuestiones Internacionales y Política Exterior (INCIPE).

Trustee, APMIB Foundation (Deputy Chairman).

Member of the Advisory Board and of the Scientific Academic Committee of the Fundación de Estudios Financieros.



External Independent Director

Martín Gallego Málaga, born June 19, 1940.

Doctorate in Mining Engineering. Specialty: Power. Universidad Politécnica de Madrid.

Degree in Economics, Universidad Complutense de Madrid.

Certificate in Industrial Project Assessment, World Bank, Washington D.C.

Specialist in Economic Development and International Aid, Instituto Complutense de Estudios Internacionales de Madrid.

Ha sido:

Secretary General for Energy and Mineral Resources, Ministry of Industry and Energy.

Chairman, Nuclear Energy Board (currently CIEMAT), Institute for Energy Saving and Diversification (IDAE), Spanish Geological and Mining Institute (ITGM) and Coordinating Committee of Energy Sector Research Offices.

Chairman, Hidroastur, S.A. and Grupo Minero de Wolframio La Parrilla, S.A.

Consultant for Endesa, Chase Manhattan Bank, Campsa, Price Waterhouse, Hunosa and Ofico.

Expert and Consultant for the Commission of the European Communities (Brussels) and the World Bank (Washington).

Corporate General Manager for International Trade and Diversification, Grupo Endesa.

Member of following Boards of Directors: Instituto Nacional de Hidrocarburos, Campsa, Banco Saudí Español, Gas Andalucía, S.A., Tejo Energía, S.A., Electricidad de Caracas, S.A., Cable y Televisió de Catalunya, S.A., Cable y Comunicaciones Madrid, S.A., Aguas de Barcelona, Internacional del Agua, S.A. and managing director of Endesa Desarrollo, S.A. and Grupo Eléctrico de Telecomunicaciones, S.A.

Expert Director of the Spanish Economic and Social Council.

Counselor for Industry and Energy, Spanish Embassy in Washington.

En la actualidad es:

Coordinator, Foundation for Energy Studies.

Consultant, Escuela de Organización Industrial.

Member, Governing Board, CIEMAT.



External Independent Director

José Folgado Blanco, born April 3, 1944.

Degree in Economics. Final-year award with special distinction.

Doctorate in Economics, Universidad Autónoma de Madrid.

Formerly:

Manager of the economics department of the CEOE.

Member of the Economic and Social Board representing business organizations.

Secretary of State for Energy, Industrial Development and Small- and Medium-Sized Enterprises. Ministry of Economy.

Secretary of State for Budgets and Expenditure. Ministry of Economy and Finance, since May 1996.

Secretary of State for Economy, Energy and Small and Medium-Sized Enterprises. Ministry of Economy, member of parliament for the province of Zamora and Deputy Chairman of the Economy and Finance Committee.

Currently:

Tenured Professor of Public Finance and Tax Systems, Universidad Autónoma de Madrid.

Mayor of Tres Cantos (Madrid) since June 2007.



External Independent Director

Arantza Mendizábal Gorostiaga, born February 22, 1950.

Degree in Economics.

Doctorate in Economics.

Professor of Applied Economics.

Formerly:

Professor and researcher, industrial and technological policy.

Acting Rector, Universidad del País Vasco (UPV-EHU).

Visiting fellow, St. Anthony's College (Oxford).

Member of Parliament.

Spokeswoman, Industry, Tourism and Trade Committee, Lower House of Parliament.

MP member, Economy and Finance Committee, Lower House of Parliament.

MP member, Budget Committee, Lower House of Parliament.

Currently:

Professor of Applied Economics at the School of Economics and Director of the European Documentation Centre, Universidad del País Vasco.



External Nominee Director proposed by SEPI

María Jesús Álvarez González, born June 21, 1957.

Degree in Law, Economics and Business Studies.

Formerly:

Director of Enusa Industrias Avanzadas, S.A., Equipos Nucleares, S.A., Clínica Castelló, S.A., Indra Sistemas, S.A., Infoinvest, S.A., Infoleasing, S.A., Empresa Nacional de Residuos Radioactivos, S.A. (ENRESA) and Aluminio Español, S.A.

She has held various executive positions within SEPI and engaged in various activities in the banking and industrial sectors.

Currently:

Economic and Financial Director of SEPI and member of its Management Committee, member of the Board of Directors of Agencia Efe, S.A., Fundación SEPI and Fundación Laboral SEPI.



Nondirector Secretary of the Board of Directors

Rafael García de Diego Barber, born June 27, 1951. He was appointed Secretary of the Board of Directors and legal advisor at the Board meeting held on May 4, 1995.

Law degree, Universidad Complutense, Master's Degree in Tax Counseling for Businesses, Instituto de Empresa.

Formerly:

Lawyer, Loss Department, Zurich, S.A., Lawyer and Secretary to boards of directors of companies in the Inmobiliario Pradisa Group, Lawyer and tax advisor of Ageco, a financial and tax management company 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 and Head of the Legal Department of Red Eléctrica de España, S.A.

Currently:

Member of the Madrid Bar Association, head of the Legal Department of Red Eléctrica de España, S.A. since 1995, Director of Red Eléctrica de España Finance B.V. and Joint Director of Red Eléctrica Financiaciones, S.A.U.



Nondirector Deputy Secretary of the Board of Directors

Fernando Frías Montejo, born March 11, 1965. He was appointed Deputy Secretary of the Board of Directors at the meeting held on April 21, 2005.

Degree in Law and Certificate in Business Studies, Universidad Pontificia de Comillas (ICADE-E-I).

Formerly:

Member of the Legal Department of Red Eléctrica de España, S.A. since 1990 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.

Currently:

Member of the Madrid Bar Association, and member of the Legal Department of Red Eléctrica de España, S.A. since 1990.

3.3. Committees

Audit Committee

The powers, organization and functioning of the Audit Committee are governed by the Corporate Bylaws and by the Board Regulations of Red Eléctrica, adapted to current commercial legislation and the recommendations of the Conthe Code.

Throughout 2009, the Committee was comprised solely of External Directors, with a majority of Independent Directors. In 2009, the term of office of Francisco Javier Salas Collantes as Chairman of the Committee came to an end and Arantza Mendizábal Gorostiaga was appointed as his replacement for a period of three years at the meeting held on July 20, 2009.

The composition of the Audit Committee at December 31, 2009 was as follows:

Director	Office	Type of Director
Arantza Mendizábal Gorostiaga	Chairwoman	External Independent
Francisco Javier Salas Collantes	Member	External Independent
María Jesús Álvarez González	Member	External Nominee (SEPI)

The annual report on the activities of the Audit Committee in 2007 can be found at the end of section G) of the *Second Part* of this Report.

Appointments, Compensation and Corporate Governance Committee

In accordance with best corporate governance practices and particularly those indicated in the Conthe Code, in 2007 the Company's Board of Directors changed the name of the Committee to the Appointments, Compensation and Corporate Governance Committee. Pursuant to the Corporate Bylaws it was assigned functions relating to the corporate governance of the Company, among others.

In 2009, the Committee carried out a review of the Board Regulations which led to the approval of a new set of Regulations at the meeting held on January 28, 2010. Some of the most notable approved amendments, summarized earlier, included the change of name to the Corporate Responsibility

and Governance Committee and the express allocation to the Committee of broad powers in the area of corporate governance.

At 2009 year-end and on the date of approval of this Report, the Appointments, Compensation and Corporate Governance Committee was composed of four Directors: three External Directors and one Executive Director. Two of the External Directors are Independent Directors, one of whom is Ms. María Ángeles Amador Millán, Chairwoman of the Committee.

There were no changes to the composition of the Committee in 2009.

At 2009 year-end and on the date of approval of this Report, the composition of the Committee was as follows:

Director	Office	Type of Director
María Ángeles Amador Millán	Chairwoman	External Independent
Antonio Garamendi Lecanda	Member	External Independent
Luis María Atienza Serna	Member	Executive
Manuel Alves Torres	Member	External Nominee (SEPI)

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

The annual report on the activities of the Appointments, Compensation and Corporate Governance Committee in 2007 can be found at the end of section G) of the *Second Part* of this Report.

3.4. Attendance at and Failure to Attend Board and Committee Meetings

In accordance with best corporate governance practices, set out below are the data on attendance by Company Directors at meetings of the Board of Directors and the Audit and Appointments, Compensation and Corporate Governance Committees in 2009.

Board of Directors

Of the eleven (11) Board meetings held in 2009, only one Director did not attend in person, but he was represented by proxy.

Audit Committee

Of the eleven (11) Audit Committee meetings held in 2009, no Directors failed to attend and no proxies were granted.

Appointments, Compensation and Corporate Governance Committee

Of the eleven (11) Appointments, Compensation and Corporate Governance Committee meetings held in 2009, no Directors failed to attend and no proxies were granted.

3.5. Self-Evaluation

Once again, the Board concluded the yearly self-evaluation of the Board, its Committees and its Chairman, begun in late 2008.

The Chairwoman of the Appointments, Compensation and Corporate Governance Committee coordinated the process with the active participation of the Chairman of the Board of Directors and the Chairman of the Audit Committee. All members of the Board actively cooperated in the process.

The Board meeting held on July 23, 2009 approved the Self-Evaluation Report on the Functioning of the Board of Directors, its Committees and its Chairman in 2008, prepared by the Appointments, Compensation and Corporate Governance Committee.

A new annual self-evaluation of the Board of Directors began at the end of 2009.

3.6. Compensation Policy

In 2009, the total compensation earned by the members of the Board of Directors of the parent company was €2,493,000, including both the estimated compensation linked to earnings and the salaries of those members of the Board who are employees.

The breakdown of the compensation corresponding to the parent company by **compensation item** is as follows:

Compensation Item	€ Thousand
Fixed compensation	387
Variable compensation	1,286
Attendance fees	808
TOTAL	2,481

Other benefits	€ Thousand
Pension Funds and Plans: Contributions	6
Life insurance premiums	6
TOTAL	12

The breakdown of the compensation corresponding to the parent company by **type of Director** is as follows:

Type of Director	By company	By Group
Executive	789	
External Nominee	518	
External Independent	1,186	
Other External		
TOTAL	2,493	

Board compensation compared to **profit allocated to the parent company** is as follows*:

Total Directors' compensation (€ Thousand)	2,493
Total Directors' compensation / Profit allocated to parent company (as a %)	0.754

The **total compensation** earned by members of the Company's Board of Directors in 2009, in thousands of euros, **broken down by Director**, is as follows:

	€ Thousand				
	Fixed compensation	Variable compensation	Attendance fees for Board Meetings and dedication to Committees	Contributions to life insurance and pension plans	Total
Luis María Atienza Serna	387	306	84	12	789
Antonio Garamendi Lecanda	-	98	85	-	183
Manuel Alves Torres ⁽¹⁾	-	98	84	-	182
Rafael Suñol Trepát	-	98	56	-	154
María de los Ángeles Amador Millán	-	98	84	-	182
Francisco Javier Salas Collantes	-	98	84	-	182
Martín Gallego Málaga	-	98	56	-	154
José Folgado Blanco	-	98	56	-	154
Arantza Mendizábal Gorostiaga	-	98	84	-	182
José Rodrigues Pereira Dos Penedos ⁽²⁾	-	98	51	-	149
María Jesús Álvarez ⁽¹⁾	-	98	84	-	182
Total compensation accrued	387	1,286	808	12	2,493

(1) Amounts received by SEPI.

(2) He stood down as Director in December 2009.

In his capacity as member of the Board of Directors of REN, the Executive Director received compensation of €30,000 in 2009 (€30,000 in 2008). At the request of the Executive Director himself, this amount was deducted from his annual fixed compensation.

* The income obtained by the Red Eléctrica Group and attributed to the parent company in 2009 amounted to €330,402,000 (€286,119,000 in 2008).

In 2009, it was decided to establish a compensation plan for executives (2009-2013 ("*Plan Extraordinario 25º aniversario*"), linked to the 25th anniversary of the Company, as management tool and as an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the Executive Director, will be assessed at the end of its term in 2014. According to the level of achievement of the targets set, the overall assessment for the five years may be up to 1.8 times the fixed annual compensation.

There are safeguard or golden parachute clauses in favor of the Executive Director to cover dismissal or changes in control. This agreement was proposed by the Company's Appointments, Compensation and Corporate Governance Committee and approved by the Board of Directors in 2004. Said clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of one year's salary, unless the applicable legislation provides for a higher amount.

At December 31, 2009, there were no loans, advances or guarantees established by the Company in favor of members of the Board of Directors reflected on the balance sheet. Nor were there any pension liabilities incurred vis-à-vis members of the Board of Directors at that date.

In 2009, the members of the Board of Directors did not engage in any transactions with the Company or Group companies, whether directly or through persons acting on their behalf, that were outside the ordinary course of business or were not performed at arm's length.

3.7. Best Corporate Governance Practices within the Board of Directors

Composition of the Board

- The Company has a small, active and efficient Board of Directors composed of eleven (11) members (following the resignation of one of its members in late 2009 there is a vacancy on the Board, meaning that it is currently has 10 members), rather than opting for a larger Board operating with the support of an Executive Committee.
- Following the resignation of an Independent Director at the end of 2009, the Board is currently composed of six External Independent Directors, three External Nominee Directors and one Ex-

ecutive Director, in line with the Company's shareholding structure and the corporate governance recommendations.

Board Committees

- Pursuant to the Board Regulations and the Corporate Bylaws there is a specific Committee for corporate governance matters called the Appointments, Compensation and Corporate Governance Committee (renamed the Corporate Responsibility and Governance Committee on January 28, 2010).
- Since the Company's listing on the securities markets in 1999, its financial statements and economic and financial information have been prepared under the supervision and oversight of the Audit Committee, leading to greater transparency and reliability.

Functioning of the Board

- The Board approves the annual meeting calendar at the end of the preceding year and recognizes the right of Directors to make amendments to the agenda of each meeting, provided sufficiently in advance (in practice, at least 6 days beforehand), together with the call notice and meeting documentation.

Self-Evaluation of the Board

- A self-evaluation of the Board of Directors, its Committees and the Chairman of the Board of Directors is carried out on an annual basis.

Director compensation

- Full transparency and disclosure is observed in the breakdown of the individual compensation received by each Director.
- A maximum limit on Director compensation is established in the Corporate Bylaws.
- The Board compensation policy is subject to approval by the Shareholders' Meeting under a separate and independent item on the agenda.

Professional Experience and Term of Office of Directors

- The Company's Directors are professionals of high standing with broad professional experience. Their contribution to the management of the Company is the experience and knowledge necessary to meet the Company's needs.

- Pursuant to the Corporate Bylaws, Directors hold office for a term of 4 years.
- In line with the recommendations of the Unified Code of Recommendations for the Good Governance of Listed Companies (the “Conthe Code”), the maximum term of office for Independent Directors has been established in the Board Regulations at twelve (12) years. All other types of Director may be re-elected indefinitely by the Shareholders’ Meeting.
- Proposals for the removal of External Nominee or Independent Directors should not be made before the end of the term of office specified in the Corporate Bylaws for which they were appointed, except where there is sufficient cause, subject to a report by the Appointments, Compensation and Corporate Governance Committee.

Chairman of the Board

- The Chairman of the Board of Directors is also the Chairman of the Company, its Chief Executive and the person responsible for senior management, administration and full representation of the Company, acting with the powers delegated by the Board.
- He is subject to specific controls by the Board of Directors, to which he must make a subsequent report or, as the case may be, request prior authorization. The Committees effectively control the corporate management within the scope of their respective powers.

Directors’ Duties

- The internal corporate governance rules strictly regulate the duties of Directors, in general, and their diligence and loyalty obligations, in particular.
- Directors must act with due diligence, being required to play a proactive role on the Board and on its Committees.
- The new Board Regulations have introduced a new Article concerning breach of the corporate governance rules by Directors.

Principle of Security and Duty of Loyalty

- The Board Regulations establish, inter alia, the following obligations on Directors:
 - To gather the relevant information and adequately prepare for meetings of the Board and the Board Committees to which they belong, and regularly attend them.
 - To actively participate in deliberations so that their opinions effectively contribute to decision-making and to perform any specific tasks entrusted to them by the Board of Directors.

- To prompt the investigation of any irregularity in the management of the Company of which they may become aware, and the monitoring of any risk situation.
- To request the call of special Board meetings, as the case may be, and gather the information necessary for the efficient performance of their functions.
- To oppose resolutions that are contrary to the law, the Corporate Bylaws or the corporate interest.

Conflicts of Interest

- Directors must refrain from attending and participating in deliberations that touch on matters in which they have a direct or indirect personal interest.
- Directors must report any potential conflict of interest they may have with the Company and, where there is a conflict, they must refrain from participating in the transaction to which the conflict of interest relates.
- Nominee Directors must disclose to the Board any conflict of interest between the Company and the shareholder that proposed their appointment where the conflict of interest relates to matters submitted to the Board and must refrain from participating in the adoption of the corresponding resolutions.

Duty of Loyalty

- Directors will be deemed to have breached their duty of loyalty if, with prior knowledge, they allow or fail to disclose the existence of transactions performed by members of their family or other parties related to them or by companies at which they hold executive positions or significant holdings, which have not been subject to the prior controls and conditions provided for in the Board of Director Regulations.

Confidentiality

- Directors must maintain secrecy regarding the deliberations of the Board of Directors and the Committees of which they are members.
- Directors must refrain from disclosing any information, data, reports or background information to which they may have access in the discharge of their office, even after they have vacated office.

Noncompetition

- Directors may not engage in activities that may compete with the Company.
- Directors may not provide their professional services to companies with a corporate purpose that is analogous, in whole or in part, to that of the Company that may give rise to a conflict of interest between them.
- Independent Directors are required to consult the Board of Directors before accepting any executive position with another company or entity.
- Directors are required to report any holdings they may have in companies that engage in any activity that is identical, analogous or complementary to that of the Company or competes to some degree with the Company, as well as any positions or functions exercised at such companies and the performance, for their own account or for the account of another, of activities that are identical, analogous or complementary to the type of activity constituting the corporate purpose.
- The new Board Regulations establish a new restriction for Independent Directors, who may not sit on the board of directors of more than two listed companies.

Information not in the public domain

- Directors may not use Company information that is not in the public domain for private purposes, except with the prior approval of the Board of Directors.

Business Opportunities

- Directors may not, for their own benefit or the benefit of related persons or third parties, take direct or indirect advantage of any business opportunity of the Company, unless the opportunity is offered to the Company beforehand, and the Company declines to take it and Board authorizes the Director to do so, subject to a report by the Appointments, Compensation and Corporate Governance Committee.

Directors' Portal

An innovative project known as the “Director’s Portal” was launched in 2009 with a view to applying new technologies in the day-to-day work of the members of the Board of Directors and its Committees. The project was recently presented to the Directors.

This initiative seeks to use the most modern telematic means to ensure the most efficient functioning of the Board of Directors and its Committees. The content of the portal is divided into various sections on documentation, distinguishing between documents for Board meetings, Committee documents, other documents of special interest; corporate information, such as the internal corporate governance rules, the legislation affecting the main activities of the Company, corporate information of interest to Directors for the discharge of their duties, the organizational chart, the reports prepared annually by the Company (Corporate Governance, Corporate Responsibility, Environmental, Annual Report); on all information in the press affecting the Company and on other information of interest, such as the daily electricity demand curve and the Company's share price, which may be useful for Directors to gain a better understanding of the activity and functioning of the Company.

4. Senior Management

4.1. Positions

At December 31, 2009, the members of the senior management team providing services at the Red Eléctrica Group were as follows*:

Name	Office
Carlos Collantes Pérez-Ardá	Director-General of Transmission
Esther M ^a Rituerto Martínez	Director-General of Finance and Administration
Alberto Carbajo Josa	Director-General of System Operation

4.2. Compensation Policy.

In 2009, compensation, and life insurance and pension plan contributions for senior executives amounted to €962,000 and €31,000, respectively.

There were no loans or advances to executives at December 31, 2009.

* For the sole purposes of CNMV Circular 4/2007 of December 27, 2007, members of senior management are those individuals who manage the Company at the highest level and thus independently from their legal employment relationship with the Company.

There are safeguard or golden parachute clauses in favor of two of these executives. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to two years' salary, unless the applicable legislation provides for a higher amount. The agreements containing these clauses were approved by the Appointments, Compensation and Corporate Governance Committee and they were duly notified to the Board of Directors.

In 2009, a compensation plan for executives (2009-2013 ("*Plan Extraordinario 25º aniversario*") was established, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the executives, will be assessed at the end of its term in 2014. According to the level of achievement of the targets set, the overall assessment for the five years may be up to 1.8 times the fixed annual compensation.

5. Risk Policy

The purpose of the Risk Policy of the RED ELÉCTRICA Group, approved by the Board of Directors on July 24, 2008, is to establish principles and guidelines to ensure the systematic identification, analysis, assessment, management and control of material risks that may affect the Red Eléctrica Group's objectives and activities, applying uniform criteria, within the established risk limits.

The remit of the Audit Committee includes the periodic supervision of the internal risk management and control systems to ensure that the principal risks are appropriately identified, managed and disclosed. The report on the activities of the Audit Committee in 2009 sets out the functions performed by the Committee in this regard during the year.

Material risks to the Red Eléctrica Group are those that may significantly affect the overall objectives of the Red Eléctrica Group in relation to:

- Sustained creation of value over time.

- Sustained profit growth, which must allow appropriate returns for investors and enable the company to implement its strategy.
- The continuity and quality of the energy supply in the electricity systems.
- The achievement of this objective involves the management by the System Operator and is dependent on the reliability and availability of the transmission network.
- The construction of the electricity transmission infrastructure network necessary to meet future needs.
- The subsidiary Red Eléctrica de España, S.A. (Sole-Shareholder Company), as sole transmission company, must design, fulfil the formalities for, and construct the facilities specified by energy planning. This overall objective must be achieved on a cost-effective basis.
- The compatibility of the above objectives with social and environmental concerns.

This Policy establishes criteria regarding the acceptable level of risk for each of the overall objectives, which may be summarized as follows: all material risks that could jeopardize achievement of the overall objectives must have low probability/impact values. Steps must be taken to lower the level of any risks that do not meet these values.

The general guidelines contained in the Risk Policy are as follows:

- Risk management must be fundamentally proactive and also geared towards the medium and long term, taking into account possible scenarios in an ever more globalized environment.
- In general, risks must be managed according to the relationship between the importance of the risk (probability/impact) and the investment and resources necessary to reduce it.
- Notwithstanding the above, the impact the risks may have on the electricity system itself must be taken into account with respect to activities relating to the electricity system.
- Processes must be designed with efficiency and efficacy in mind and contemplate controls to mitigate risks, taking the form of systems based on international standards (good practices) that are periodically verified and improved.
- Contingency plans must be established to reduce the impact of material risks.
- The insurance necessary to cover any losses that may occur must be arranged.

The most significant risks to which the Group is exposed, which form part of the risk control system, are:

- a) **Regulatory**, since the principal business activities of the Group are subject to regulation,
- b) **Operational**, basically deriving from its assigned activities within the electricity system and the requirement to care for and protect the natural environment,
- c) **Market**, since most revenues, as well as certain expenses, are influenced by variables such as inflation and interest rates, and
- d) **Business and Credit** (or counterparty), although to a lesser extent due to the lesser weight of the subsidiaries in the overall Group and the existing regulation regarding invoicing and collection for transmission and operating activities.

The risk control system covers both risks from internal processes and risks from the environment in which it operates, covering all activities performed by the Group, evaluating the impact of each risk on four aspects: strategy, the income statement, the electricity system and reputation.

Of all risks monitored by the system, 12% relate to regulatory risks, 73% to operational risks and 15% to business, market or credit risks. These figures are consistent with a Group whose fundamental mission is to ensure the functioning of the electricity system as a whole in a heavily regulated environment and with the level of solvency supported by the ratings given to it by international rating agencies.



Principal corporate resolutions in 2009 relating to corporate governance. Awards and recognition

The principal corporate resolutions adopted by the Company in 2009 as regards corporate governance were as follows:

1. The Company's 2008 Annual Corporate Governance Report was approved following a favorable report by the Appointments, Compensation and Corporate Governance Committee at the Board meeting held on February 24, 2009.
2. The procedure for proxies, votes and information by remote means for the 2008 Annual Shareholders' Meeting was approved at the Board meeting held on March 26, 2009.
3. The following resolutions were adopted, as separate and independent items on the agenda, by the Annual Shareholders' Meeting held on May 21, 2009:
 - To approve the financial statements and management report of the consolidated group of Red Eléctrica Corporación, S.A. for the year ended December 31, 2008.
 - To approve the consolidated financial statements and management report of the consolidated group of Red Eléctrica Corporación, S.A. for the year ended December 31, 2008.
 - To approve the distribution of income proposed by the Board of Directors at the meeting held on February 24, 2009 and, as a result, distribute 2008 income.
 - To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2008.
 - Re-appointment and appointment of the following Directors, voting separately on each of them:
 - To re-appoint, in accordance with the law and the Corporate Bylaws in force, Mr. Luis María Atienza Serna as Executive Director of Red Eléctrica Corporación, S.A. for the four year period stipulated in the Corporate Bylaws.
 - To re-appoint, in accordance with the law and the Corporate Bylaws in force, Ms. María Ángeles Amador Millán as an Independent Director of Red Eléctrica Corporación, S.A. for the four year period stipulated in the Corporate Bylaws.

- To re-appoint, in accordance with the law and the Corporate Bylaws in force, Mr. Rafael Suñol Trepas as a Nominee Director of Red Eléctrica Corporación, S.A. for the four year period stipulated in the Corporate Bylaws.
- To re-appoint PricewaterhouseCoopers Auditores, S.L. as auditors of the parent company, Red Eléctrica Corporación, S.A., and of its consolidated Group for a period of 2 years, encompassing the 2009 and 2010 fiscal years, pursuant to the provisions of Article 204.1 of the Corporations Law.
- To delegate powers to the Board of Directors to issue and exchange fixed-income marketable securities and preferred participations, and to request, as the case may be, the admission, continued listing and delisting of same on organized secondary markets. To revoke and render ineffective the powers delegated by the Shareholders' Meeting held on May 26, 2006.
- To approve the following authorizations for the derivative acquisition of treasury stock, voting separately on each of them:
 - To authorize the Board of Directors, pursuant to Article 75 and related provisions and Additional Provision One of the Corporations Law and other applicable legislation, to make, directly or indirectly and to the extent deemed advisable under the circumstances, the derivative acquisition of shares of Red Eléctrica Corporación, S.A.
 - To approve the participation of managers and Executive Directors of the Company and companies in its consolidated group in a compensation system whereby part of their compensation may be awarded in the form of Company shares.
 - To revoke and render ineffective the authorization for the derivative acquisition of treasury stock granted to the Board of Directors by the Shareholders' Meeting held on May 22, 2008.
- To ratify, with effect from January 1, 2009, the resolutions adopted by the Board of Directors at the meeting held on December 18, 2008, establishing its compensation in 2008 and 2009.
- To delegate the broadest powers to be exercised on a several basis to the Chairman and to each of the members of the Board of Directors, and to the Secretary and Deputy Secretary of the

Board, so that they may implement, execute and register each and every one of the resolutions adopted by the Shareholders' Meeting.

- To report to the Shareholders' Meeting on each of the following matters:
 - The 2008 Annual Corporate Governance Report of Red Eléctrica Corporación, S.A.
- 4. The Board meeting held on July 23, 2009 approved the Self-Evaluation Report on the Functioning of the Board of Directors, its Committees and its Chairman in 2008, prepared by the Appointments, Compensation and Corporate Governance Committee.
- 5. As part of its ongoing commitment to adopt the best corporate governance practices, the Board of Directors has committed to approving an annual report on gender diversity matters at the proposal of the Appointments, Compensation and Corporate Governance Committee, and the first edition of the report was approved at the end of 2008.

The main awards won by the Company in 2009 in the area of corporate governance were as follows:

1. 2009 AEMEC Award for “Best Minority Shareholder Initiative”

Red Eléctrica won the award for “Best Minority Shareholder Initiative” presented by the Spanish Association of Minority Shareholders of Listed Companies (AEMEC) for its ongoing commitment to transparency and best corporate practices in its dealings with its minority shareholders.

2. 2009 Best corporate responsibility enterprise according to the CSR Observatory

For the third year running, Red Eléctrica was named the best corporate responsibility enterprise, according to the study “Corporate Responsibility Culture, Policy and Practices of IBEX 35 Companies” published by the Corporate Responsibility Observatory. Red Eléctrica Corporación, S.A. was ranked top in the areas of transparency and good governance practices.

3. 2009 Best corporate responsibility enterprise according to the CSR Observatory

Red Eléctrica took first place in the **ranking of corporate responsibility reports by companies in the IBEX 35**, according to the Corporate Social Responsibility Observatory. Red Eléctrica Corporación, S.A. was ranked among the top three in the area of corporate governance.

02

Annual corporate governance report for Red Eléctrica Corporación S.A. for the 2009 fiscal year, in accordance with CNMV circular 4/2007 format¹

FISCAL YEAR 2009

Company Name:

RED ELÉCTRICA CORPORACIÓN, S.A.

Registered Address:

Paseo Conde de los Gaitanes, 177

La Moraleja – Alcobendas

28109 MADRID

1 Unless another date is expressly indicated in this report, the content hereof is deemed to refer to December 31, 2009.

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A Ownership structure

A.1. Complete the following table on the company's capital:

Date of last change	Capital (€)	Number of shares	Number of voting rights
05.17.1999	270,540,000	135,270,000	135,270,000

State whether there are multiple classes of shares with different related rights: YES NO

Class	Number of shares	Par value per share	Number of voting rights per share	Other rights

All the shares belong to the same class and series and confer the same rights on their owners.

A.2. List the direct and indirect owners of significant holdings in the Company at year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
State-owned Industrial Holdings Company (SEPI)	27,054,000	--	20%

(*) Through:

Name of direct holder of the shares	Number of direct voting rights	% of total voting rights

Indicate the most relevant movements in the shareholder structure during the year:

Name of shareholder	Date of transaction	Description of transaction
---------------------	---------------------	----------------------------

A.3. Complete the following tables on the members of the Company's Board of Directors who own Company shares:

At December 31, 2009, the direct and indirect shareholdings of Directors in Red Eléctrica's capital, both in individual and aggregate terms, were as follows:

Name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Luis María Atienza Serna	20,804	--	0.01538
Antonio Garamendi Lecanda	6,710	--	0.00496
Manuel Alves Torres	10	--	0.00001
Rafael Suñol Trepát	20	--	0.00001
María Ángeles Amador Millán	0	--	--
Francisco Javier Salas Collantes	20	--	0.00001
Martín Gallego Málaga	20	--	0.00001
José Folgado Blanco	0	--	--
Arantza Mendizábal Gorostiaga	0	--	--
María Jesús Álvarez González	0	--	--

(*) Through:

Name of direct holder of the shares	Number of direct voting rights	% of total voting rights
% total of voting rights in possession of the Board of Directors		
0.02038		

Complete the following tables on the members of the Company's Board of Directors who hold share options:

Name of Director	Number of direct share options	Number of indirect share options	Equivalent number of shares	% of total voting rights

A.4. Give details of any relationships of a family, commercial, contractual or corporate nature existing between the owners of significant holdings, insofar as they are known to the Company, unless they have scant relevance or arise from the ordinary course of business:

Names of related parties	Type of relationship	Brief description
--	--	--

A.5. Give details of any relationships of a commercial, contractual or corporate nature existing between the owners of significant holdings and the Company, unless they have scant relevance or arise from the ordinary course of business:

Names of related parties	Type of relationship	Brief description
--	--	--

The significant shareholder of the Company, SEPI, does not have any relationship with the Company and/or its Group that is material or that is outside the Company's ordinary business of a contractual, corporate or business nature.

A.6. Indicate whether any side agreements affecting the Company have been disclosed to the Company as provided in Article 112 of the Securities Market Law. If so, provide a brief description and list the shareholders bound by the agreement: YES NO

Parties to side agreement	% of capital affected	Brief description of the agreement

At December 31, 2009, the Company had no record of any agreements or covenants between shareholders that require them to adopt a common policy through the concerted exercise of voting rights at Shareholders' Meetings, or which restrict or condition the unrestricted transfer of their shares.

State whether the Company is aware of the existence of concerted actions among its shareholders. If so, provide a brief description. YES NO

At 2009 year-end, there was no record at the Company of any agreements or accords between shareholders requiring the concerted exercise of their voting rights, or a common policy in the management of the Company, or having the aim of significantly influencing the Company.

Parties involved in concerted action	% of capital affected	Brief description of the concerted action
--	--	--

Expressly state whether any of the above agreements or concerted actions have been modified or terminated during the year.

A.7. Indicate whether there is any individual or legal entity that exercises or may exercise control over the Company, in accordance with Article 4 of the Securities Market Law: YES NO

Name

Comments

SEPI was the direct owner, at 2009 year-end, of a significant interest in the Company, holding 27,054,000 shares that represent 20% of capital. All of the foregoing is for the purposes contemplated in Royal Decree 1362/2007 of October 19, 2007.

There are no individuals or legal entities that exercise or may exercise control over the Company, as provided in Article 4 of the Securities Market Law.

A.8. Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of capital
341,865	--	0.253 %

(*) Through:

Name of direct holder of the shares	Number of direct shares
	--
Total:	--

Give details of any significant variations during the year, in accordance with Royal Decree 1362/2007:

Date of notice	Total shares acquired directly	Total shares acquired indirectly	Total % of capital
02.24.2009	1,362,187	—	1.007 %
06.10.2009	1,393,792	—	1.030 %
12.23.2009	1,366,036	—	1.009 %

Gain/(Loss) on treasury stock disposed of during the period (€ Thousand)
1,695.3

A.9. State the conditions and term of the current authority conferred by the Shareholders' Meeting on the Board of Directors for acquisitions or transfers of treasury stock:

The Shareholders' Meeting held on May 21, 2009 authorized the Board of Directors, as provided in Article 75 and related provisions and Additional Provision One of the Corporations Law to make, directly or indirectly and to the extent deemed to be advisable under the circumstances, derivative acquisitions of shares of Red Eléctrica Corporación, S.A. in accordance with the following conditions:

- The term of the above authorization is 18 months starting on the date indicated.
- The maximum number of shares to be acquired will not exceed the established legal limit, all of the foregoing provided that the other applicable legal requirements can also be fulfilled.
- Acquisitions may not be made at a price higher than the price on the stock exchange at the time of acquisition, or at a price lower than 50% of the share price at that time.
- The form of acquisition may be a sale and purchase, exchange, or any other business transaction for consideration, as the circumstances may advise.
- The Company's Board of Directors may use all or part of the treasury stock acquired and that already owned by the Company as provided in the third paragraph of Article 75.1 of the Corporations Law to implement compensation programs the purpose of which is the direct delivery of shares to employees and Executive Directors of the Company and the companies in its consolidated Group.

The Shareholders' Meeting expressly revoked and rendered ineffective the authorization to make derivative acquisitions of treasury stock given to the Board of Directors by the Shareholders' Meeting held on May 22, 2008.

A.10. Indicate, as appropriate, any statutory or bylaw restrictions on the exercise of voting rights, and any statutory restrictions on the acquisition or transfer of holdings in the capital:

State whether there are statutory restrictions on the exercise of voting rights: YES NO

Maximum percentage of voting rights that may be exercised by a shareholder pursuant to legal restrictions

3 %

1 % (electricity industry)

State whether there are bylaw restrictions on the exercise of voting rights: YES NO

Maximum percentage of voting rights that may be exercised by a shareholder pursuant to bylaw restrictions

3 %

1 % (electricity industry)

Description of the statutory and bylaw restrictions on the exercise of voting rights

Each share gives the right to one vote and all shareholders are entitled to attend Shareholders' Meetings, without any required minimum number of shares, as was the case until the Special Shareholders' Meeting of July 17, 2003, which removed the bylaw requirement to hold at least 50 shares in order to attend Shareholders' Meetings.

The entry into force of Law 17/2007 of July 4, 2007, amending Electricity Industry Law 54/1997 of November 27, 1997 to bring it into line with the provisions of Directive 2003/54/EC of the European Parliament and of the Council of June 26, 2003 concerning common rules for the internal market in electricity, introduced various amendments to Law 54/1997 which affect the restrictions on voting rights.

Specifically, the second section of Additional Provision Three of Law 17/2007 established maximum limits on the exercise of voting rights, in order to guarantee the independence of a company engaging in regulated activities in the electricity industry which, as provided in Electricity Industry Law 54/1997 of November 27, constitute an essential service.

As a result, the Corporate Bylaws were adapted to such legislation. The literal wording of the Articles referring to restrictions on the exercise of voting rights is as follows:

Article 5.- Capital

1. *The capital of the Company stands at two hundred and seventy million five hundred and forty thousand euros (€270,540,000), and is divided into one hundred and thirty-five million two hundred and seventy thousand (135,270,000) shares, of a single class and series, each with par value of two euros (€2), fully subscribed and paid in, and represented by book entries.*
2. *In accordance with the provisions of the Additional Provision Three of Law 17/2007 and the Electricity Industry Law:*

- 1) Unless otherwise permitted by law, the sum of the direct and indirect interests in the Company's capital held by any individual or legal person may not at any time exceed five percent of the Company's capital. These shares may not be pooled for any purpose whatsoever. No shareholder may exercise more than three percent of voting rights. Parties that engage in activities in the electricity industry and those individuals or legal entities that directly or indirectly hold more than five percent of their capital, may not exercise more than one percent of voting rights. Furthermore, the sum of the direct or indirect interests held by parties that pursue activities in the electricity industry must not exceed forty percent.
- 2) For the purposes of calculating the holding of each shareholder, a specific individual or legal entity shall be deemed to own, in addition to the shares and other securities owned or acquired by entities belonging to its group, as this term is defined in Article 4 of Securities Market Law 24/1988 of July 28, 1988, the shares or securities owned:
- a) By persons acting in their own name but for the account of the former, on a concerted basis or as a part of a decision-making unit, the members of a legal entity's Board of Directors being deemed, unless proven otherwise, to act for the account of or on a concerted basis with such entity.
 - b) By shareholders with whom it exercises control over a controlled entity.
- In any event, regard shall be had both to the nominee ownership of the shares and other securities and to the voting rights enjoyed by any means.
3. Without prejudice to the provisions of Article 6.2 of these Corporate Bylaws, the breach of the limits indicated in Article 5.2 or of those established at any time by the legislation in force shall entail the legal consequences specified therein, including, as the case may be, the imposition of the appropriate penalties and the provisions of these Bylaws.
- The voting rights corresponding to the shares or other securities which, pursuant to the provisions of the legislation in force from time to time, exceed the limit specified in this Article shall be held in abeyance until such time as they comply with the limit.
4. As an exception to the general rule, and by reason of the special regime applied by the Electricity Industry Law to SEPI, the holding and voting rights of that company shall be governed by the provisions of these Corporate Bylaws, except as provided for in the Sole Additional Provision thereof.

Sole Additional Provision.- Special Regime for SEPI

- 1) By virtue of the provisions of the Electricity Industry Law, neither the limitations stipulated in paragraph 2 of Additional Provision Three of Law 17/2007, nor the limitations stipulated in these Bylaws on the holding of shares in the Company and on voting rights shall apply to the State-owned Industrial Holdings Company. The State-owned Industrial Holdings Company shall in all cases have a holding of not less than 10%.
- 2) Where a Director who is an individual holds office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be in keeping with the applicable provisions on incompatibility in the public sector, notwithstanding any compensation that may accrue to such public shareholder, either because it has been directly appointed as a member of the Board of Directors or because of the services provided to the Board or its delegate Committees by the individuals representing such public holder of shares in the capital of the Company, and which exceed any compensation to which he may be personally entitled under such legislation, all of the foregoing, pursuant to Transitional Provision Nine, while such ownership situation is maintained".

In turn, the National Energy Commission is authorized to take legal action to enforce the aforementioned legal limits. Breach of the established shareholding limits constitutes a very serious infringement under the Electricity Industry Law and the individuals or legal persons that own the securities or to whom the excess shareholding is attributable shall be liable.

Indicate whether there are statutory restrictions on the acquisition or transfer of holdings in the capital: YES NO

Description of statutory restrictions on the acquisition or transfer of holdings in the capital

The transfer of the shares representing the capital of Red Eléctrica Corporación, S.A. is free and is not subject to any restriction. Electricity industry legislation establishes certain limits on shareholdings, on the terms set out above.

As for all listed entities, the acquisition of certain significant holdings must be notified to the issuer and to the National Securities Market Commission, as provided in Article 53 of Securities Market Law 24/1988 of July 28, 1988, in Royal Decree 1362/2007 of October 19, 2007, and in CNMV Circular 2/2007 of December 19, 2007, which establish the first notification threshold at 3% of capital or voting rights.

A.11. Indicate whether the Shareholders' Meeting has resolved to adopt countermeasures in the event of a tender offer pursuant to the provisions of Law 6/2007 YES NO

If so, explain the measures approved and the circumstances in which the restrictions would be ineffective.

B Management structure of the company

B.1. Board of Directors

B.1.1. Give details of the maximum and minimum number of Directors provided for in the Corporate Bylaws:

Maximum number of Directors	Minimum number of Directors
13	9

B.1.2. Complete the following table indicating the particulars of the Board members:

Name of Director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
Luis María Atienza Serna		Chairman	07.08.04	05.21.09	Shareholders' Meeting
Antonio Garamendi Lecanda		Member	07.20.99	05.22.08	Shareholders' Meeting
Manuel Alves Torres		Member	10.26.99	05.22.08	Shareholders' Meeting
Rafael Suñol Trepát		Member	12.16.04	05.21.09	Shareholders' Meeting
María Ángeles Amador Millán		Member	05.26.05	05.26.09	Shareholders' Meeting
Francisco Javier Salas Collantes		Member	06.28.05	05.26.06	Shareholders' Meeting
Martín Gallego Málaga		Member	06.28.05	05.26.06	Shareholders' Meeting
José Folgado Blanco		Member	05.22.08	05.22.08	Shareholders' Meeting
Arantza Mendizábal Gorostiaga		Member	05.22.08	05.22.08	Shareholders' Meeting
María Jesús Álvarez González		Member	05.22.08	05.22.08	Shareholders' Meeting

The Board Meeting held on December 17, 2009 accepted the resignation tendered on December 3, 2009 by Mr. José Rodrigues Pereira Dos Penedos from his position as Director of the Company (Independent Director).

The consequent vacancy has yet to be filled, meaning that the Board of Directors is currently composed of 10 members.

Total number of Directors
10

Indicate any Board members who vacated their office during the year:

Name of Director	Type of departing Director	Departure date
José Rodrigues Pereira dos Penedos	External Independent	12.17.09

B.1.3. Complete the following tables on the Board members and their status:

EXECUTIVE DIRECTORS

Name of Director	Nominated by (Committee)	Office per Company organizational chart
Luis María Atienza Serna	Appointments, Compensation and Corporate Governance	Chairman
Total number of Executive Directors		% Total of Board
1		10%

EXTERNAL NOMINEE DIRECTORS

Name of Director	Nominated by (Committee) ²	Name of significant shareholder represented or that nominated the Director
Manuel Alves Torres	Board of Directors since, at the time, the Appointments, Compensation and Corporate Governance Committee did not exist	State-owned Industrial Holdings Company (SEPI)
Rafael Suñol Trepal	Appointments and Compensation Committee	State-owned Industrial Holdings Company (SEPI)
María Jesús Álvarez González	Appointments, Compensation and Corporate Governance Committee	State-owned Industrial Holdings Company (SEPI)
Total number of Nominee Directors		% Total of Board
3		30

² The Shareholders' Meeting has established the number of Directors comprising the Board of Directors at 11. However, following the departure of Mr. Rodrigues Pereira Dos Penedos in December 2009, there is a vacancy on the Board which has yet to be filled.

EXTERNAL INDEPENDENT DIRECTORS

Name of Director

Antonio Garamendi Lecanda

Profile

February 8, 1958.

Entrepreneur. Law Degree, Universidad de Deusto.

Professional Career

Formerly:

General Representative of La Equitativa, S.A. in Vizcaya.

Managing Director of Bankoa, S.A. Correduría de Seguros.

Chairman, Handyman, S.L.

Chairman of the “Negocios de Comunicación” Group (La Gaceta de los Negocios, Dinero, Radio Intereconomía and OTR News Agency).

Director, Babcock & Wilcox Española, S.A.

Director, Albura, S.A. (Red Eléctrica de Telecomunicaciones).

Director, Tubos Reunidos, S.A.

Member, Strategic Committee, Grupo Alta Gestión, S.A.

Chairman, Spanish Confederation of Young Entrepreneurs (CEAJE).

Chairman, Business Creation Commission, CEOE.

Member, Vizcaya Chamber of Real Estate.

Member, Board of Trustees, Guggenheim Museum.

Deputy Chairman, Entel Ibai, S.A.

Currently:

Chairman, Galea Empresarial, S.L.

Chairman, Palacio de Moronati, S.L.

Managing Director, Iniciativas de Comunicación Económica, S.A. (ICESA).

Insurance Broker. Willis Iberia, S.A.

Member of the Strategic Committee of Sodexho Pass, S.A. Group.

Chairman, Energy Committee, CEOE. Member, Executive Committee and Managing Board.

Member and Treasurer, Confemetal and Fundación Formetal.

Committee Member, Institute for Economic Studies (IEE).

Member, Managing Board, Empresarial de Vizcaya (CEBEK).

Member of the Executive Committee of the Vizcaya Federation of Metal Companies.

Member, Vizcaya Chamber of Commerce.

María Ángeles Amador Millán

Profile

October 10, 1949.

Law Degree, Universidad Complutense de Madrid.

Professional Career

Formerly:

Technical General Secretary, Ministry of Public Works and Urban Development.

Member, Governing Board of the Madrid Bar Association.

Undersecretary, Ministry of Health and Consumer Affairs.

Minister for Health and Consumer Affairs.

Member of Parliament for Segovia.

Spokeswoman for Health Matters for the Socialist Parliamentary Group.

Member of Parliament for Madrid.

Deputy Chairwoman, Constitutional Committee, Lower House of Parliament.

Currently:

Practicing attorney.

Member, Governing Board of the Madrid Bar Association.

Board member, Fundación Arte y Derecho.

Member, Advisory Board, Accenture.

Francisco Javier Salas Collantes

Profile

March 6, 1948.

Degree in Economics, specializing in Business Economics.

Professional Career

Formerly:

Specialist in credit analysis activities, International Division, Manufacturers Hanover Trust Co. (New York).

Director of Economic and Financial Planning and Director of Economy and Finance, Empresa Nacional del Uranio (ENUSA).

Financial Director of Instituto Nacional Industria (I.N.I.).

Director-General of Corporate Management, responsible for the following I.N.I. offices: Finance, Planning and Control, Technology and Investment.

Chairman, I.N.I. and Teneo.

Chairman, Iberia, Líneas Aéreas de España, while also Chairman of I.N.I. and Teneo.

Currently:

- Founding Member and Manager of SAGA Servicios Financieros (Management and M&A Consultants).
 - Director and Chairman of the Audit Committee of TELVENT, Director of GED CAPITAL DEVELOPMENT, S.A., SGEGR and GED IBERIAN PRIVATE EQUITY, S.A., SGEGR.
 - Member, Advisory Board, YOUNG & RUBICAM, S.L.
 - Chairman of Fundación Entorno, Empresa y Medioambiente. Trustee, Instituto de Cuestiones Internacionales y Política Exterior (INCIPE).
 - Trustee, APMIB Foundation (Deputy Chairman).
 - Member of the Advisory Board and of the Scientific Academic Committee of the Fundación de Estudios Financieros.
-

Martín Gallego Málaga

Profile

June 19, 1940.

Doctorate in Mining Engineering. Specialty: Power. Universidad Politécnica de Madrid.

Degree in Economics, Universidad Complutense de Madrid.

Certificate in Industrial Project Assessment, World Bank, Washington D.C.

Specialist in Economic Development and International Aid, Instituto Complutense de Estudios Internacionales de Madrid.

Professional Career

Formerly:

- Secretary General for Energy and Mineral Resources, Ministry of Industry and Energy.
- Chairman, Nuclear Energy Board (currently CIEMAT), Institute for Energy Saving and Diversification (IDAE), Spanish Geological and Mining Institute (ITGM) and Coordinating Committee of Energy Sector Research Offices.
- Chairman, Hidroastur, S.A. and Grupo Minero de Wolframio La Parrilla, S.A.
- Consultant for Endesa, Chase Manhattan Bank, Campsa, Price Waterhouse, Hunosa and Ofico.
- Expert and Consultant for the Commission of the European Communities (Brussels) and the World Bank (Washington).
- Corporate General Manager for International Trade and Diversification, Grupo Endesa.
- Member of following Boards of Directors: Instituto Nacional de Hidrocarburos, Campsa, Banco Saudí Español, Gas Andalucía, S.A., Tejo Energía, S.A., Electricidad de Caracas, S.A., Cable y Televisió de Catalunya, S.A., Cable y Comunicaciones Madrid, S.A., Aguas de Barcelona, Internacional del Agua, S.A. and managing director of Endesa Desarrollo, S.A. and Grupo Eléctrico de Telecomunicaciones, S.A.
- Expert Director of the Spanish Economic and Social Council.
- Counselor for Industry and Energy, Spanish Embassy in Washington.

Currently:

Coordinator, Foundation for Energy Studies.
Consultant, Escuela de Organización Industrial.
Member, Governing Board, CIEMAT.

José Folgado Blanco

Profile

April 3, 1944.

Degree in Economics. Final-year award with special distinction.

Doctorate in Economics, Universidad Autónoma de Madrid.

Professional Career

Formerly:

Manager of the economics department of the CEOE.

Member of the Economic and Social Board representing business organizations.

Secretary of State for Energy, Industrial Development and Small- and Medium-Sized Enterprises. Ministry of Economy.

Secretary of State for Budgets and Expenditure. Ministry of Economy and Finance, since May 1996.

Secretary of State for Economy, Energy and Small and Medium-Sized Enterprises. Ministry of Economy.

Parliamentary representative of the province of Zamora and Deputy Chairman of the Economy and Finance Committee.

Currently:

Tenured Professor of Public Finance and Tax Systems, Universidad Autónoma de Madrid.

Mayor of Tres Cantos (Madrid) since June 2007.

Arantza Mendizábal Gorostiaga

Profile

February 22, 1950.

Degree in Economics.

Doctorate in Economics.

Professor of Applied Economics.

Professional Career

Formerly:

Professor and researcher, industrial and technological policy.

Acting Rector, Universidad del País Vasco (UPV-EHU).

Visiting fellow, St. Anthony's College (Oxford).

Member of Parliament.

Spokeswoman, Industry, Tourism and Trade Committee, Lower House of Parliament.

MP member, Economy and Finance Committee, Lower House of Parliament.

MP member, Budget Committee, Lower House of Parliament.

Currently:

Professor of Applied Economics at the School of Economics and Director of the European Documentation Centre, Universidad del País Vasco.

Total number of Independent Directors	% Total of Board
6	60 %

OTHER EXTERNAL DIRECTORS

Name of Director	Nominated by (Committee)
--	--

Total number of External Directors	% Total of Board
--	--

Give details of the reasons why they cannot be considered Nominee or Independent Directors and their relationships, either with the Company or its executives, or with Company shareholders:

Name of Director	Reasons	Company, executive or shareholder with which the relationship is held
--	--	--

Indicate any variations in the status of each Director that may have occurred during the year:

Name of Director	Date of change	Previous status	Current status
--	--	--	--

B.1.4. Explain, where applicable, the reasons why Nominee Directors have been appointed at the request of shareholders whose holdings are less than 5% of capital:

Name of shareholder	Justification
--	--

Indicate whether any formal requests for presence on the Board have not been honored from shareholders whose shareholdings are greater than or equal to those of others upon whose request Nominee Directors have been appointed Explain, where applicable, why the requests have not been honored: YES NO

Name of Director	Explanation
--	--

B.1.5. State whether any Director has resigned his position before the end of his term of office, whether that Director explained his reasons to the Board and, if so, in what way, and, where he did so in writing to the entire Board, explain at least the reasons given by that Director:

Name of Director
José Rodrigues Pereira dos Penedos
Reason for resignation
The Director tendered his resignation on December 3, 2009, <i>as a result of the court proceeding brought before the Regional Court of Aveiro (Portugal) and affecting the discharge of his duties as Chairman of REN-Redes Energéticas Nacionais, SGPS, S.A.</i> His resignation was accepted by the Board at the meeting held on December 17, 2008.

B.1.6. Indicate what powers, if any, have been delegated to the Managing Director(s):

Name of Director
Luis María Atienza Serna
Brief description
The Board meeting held on June 25, 2009 unanimously resolved, as proposed by the Appointments, Compensation and Corporate Governance Committee:

“To delegate to the Chairman of the Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A., Mr. Luis María Atienza Serna, pursuant to the provisions of Article 141 of the current Corporations Law, Article 149 of the Mercantile Registry Regulations, Article 22 of the Corporate Bylaws and Article 5 of the Board Regulations, all powers of the Board of Directors that may be delegated by law and pursuant to the Bylaws”.

B.1.7. Identify, as appropriate, which members of the Board hold office as Directors or executives at other companies forming part of the listed Company’s Group:

Name of Director	Name of Group entity	Office
Luis María Atienza Serna	Red Eléctrica Internacional, S.A. (Sole-Shareholder Company)	Joint Director
Luis María Atienza Serna	Red Eléctrica del Sur, S.A. (REDESUR)	Chairman of the Board of Directors
Luis María Atienza Serna	Transportadora de Electricidad, S.A. (TDE)	Chairman of the Board of Directors

B.1.8. Give details, as appropriate, of any Company Directors who are members of the boards of directors of other entities outside the Group that are listed on official securities markets in Spain, as disclosed to the Company:

Name of Director	Name of listed entity	Office
Rafael Suñol Trepal	INYPSA Informes y Proyectos, S.A.	Director

B.1.9. Indicate and explain, as appropriate, whether the Company has established rules on the number of Committees of which its Directors may be members: YES NO

Explanation of the rules

Article 16.1 of the Board Regulations³, as a part of the basic responsibilities of the Appointments, Compensation and Corporate Governance Committee in relation to the appointment and removal of Directors, provides for the evaluation of the time and dedication necessary for Directors to be able to perform their duties with the due level of quality and efficiency, also evaluating whether their position as a Director is compatible with serving on the managing bodies of other listed companies.

³ Unless expressly indicated otherwise, references to the Board Regulations in this Report shall be understood to refer to the Regulations approved on December 20, 2007.

In this regard, the Appointments, Compensation and Corporate Governance Committee has the power to analyze and authorize, as the case may be, the members of the Board of Directors of Red Eléctrica to join the boards of directors of other companies.

In 2009, the Appointments, Compensation and Corporate Governance Committee was not asked to grant authorization to any Director to join other boards of directors.

The new Board Regulations approved on January 28, 2010 established that Independent Directors can sit on a maximum of two boards of other listed companies outside the Red Eléctrica Group.

B.1.10. Regarding Recommendation 8 of the Unified Code, state the general policies and strategies of the Company reserved for approval to the plenary session of the Board:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the corporate Group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, as well as annual management objectives and budget	X	
Policy regarding compensation and performance evaluation of senior executives	X	
Risk control and management policy, as well as periodic monitoring of internal reporting and control systems	X	
Dividend and treasury stock policy and, in particular, their limits	X	

B.1.11. Complete the following tables on the aggregate compensation of Directors during the year:a) At the Company to which this report relates⁴:

Compensation Item	€ Thousand
Fixed compensation	387
Variable compensation	1,286
Attendance fees	808
Bylaw-stipulated fees	
Stock options and/or other financial instruments	
Other ⁵	12
TOTAL	2,493

Other benefits	€ Thousand
Advances	
Loans granted	
Pension funds and plans: contributions	6
Pension funds and plans: agreed obligations	
Life insurance premiums	6
Guarantees provided by the Company for Directors	
TOTAL	12

b) Due to membership of the Company's Directors of other boards of directors and/or senior management of Group companies:

Compensation Item	€ Thousand
Fixed compensation	
Variable compensation	
Attendance fees	
Bylaw-stipulated fees	
Stock options and/or other financial instruments	
Other	
TOTAL	

⁴ Section G of this report includes this information, broken down by Director.

⁵ This section is broken down in the following table under "Other benefits".

Other benefits	€ Thousand
Advances	
Loans granted	
Pension funds and plans: contributions	
Pension funds and plans: agreed obligations	
Life insurance premiums	
Guarantees provided by the Company for Directors	

c) Total compensation by type of Director:

Type of Director	By company	By Group
Executive	789	
External Nominee	518	
External Independent	1,186	
Other External		
TOTAL	2,493	

d) With respect to income attributed to the parent company⁶:

Total Directors' compensation (€ thousand)	Total Directors' compensation / Income allocated to parent company (as a %)
2,493	0.754

B.1.12. Identify the members of senior management who are not, in turn, Executive Directors, and indicate the total compensation paid to them during the year⁷:

Set forth below is the information regarding the members of senior management that provide services within the Red Eléctrica Group:

Name	Office
Carlos Collantes Pérez-Ardá	Director-General of Transmission
Esther María Rituerto Martínez	Director-General of Finance and Administration
Alberto Carbajo Josa	Director-General of System Operation
Total senior management compensation (€ Thousand)	
993 ⁸	

⁶ The income obtained by the RED ELÉCTRICA Group and attributed to the parent company in 2009 amounted to €330,402,000 (€286,119,000 in 2008).

⁷ Exclusively for the purposes of CNMV Circular 4/2007 of 27 March 2007, members of senior management are those individuals who manage the Company at the highest level and, consequently, independently of any employment or legal relationship with the Company.

⁸ This amount includes €31,000 of life insurance and pension plan contributions.

B.1.13. Identify, in aggregate terms, whether there are any safeguard or golden parachute clauses for members of senior management, including the Executive Directors of the Company or of its Group, in the event of dismissal or changes in control. Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the Company or of its Group:

Number of beneficiaries	3	
	Board of Directors	Shareholders' Meeting
Body authorizing the clauses	X	
	YES	NO
Is the Shareholders' Meeting informed of the clauses?	X	

There are safeguard or golden parachute clauses in favor of the Executive Director to cover dismissal or changes in control. This agreement was proposed by the Company's Appointments, Compensation and Corporate Governance Committee and approved by the Board of Directors in 2004. Said clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of one year's salary, unless the applicable legislation provides for a higher amount.

There are also safeguard or golden parachute clauses in favor of two executives. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to two years' salary, unless the applicable legislation provides for a higher amount. The agreements containing these clauses were approved by the Appointments, Compensation and Corporate Governance Committee and they were duly notified to the Board of Directors.

B.1.14. Indicate the process for establishing the compensation of the members of the Board and the relevant Bylaw provisions:

Process for establishing compensation of Board members and Bylaw clauses

Provisions regarding the compensation of the members of the Board of Directors are contained in Article 20 and in the Sole Additional Provision of the Bylaws, as well as in Article 27 of the Board Regulations. These provisions are set forth below:

I. Corporate Bylaws:

Article 20:

“...The compensation of the Board of Directors shall consist of a fixed monthly fee for the attendance of Board meetings and a share in the Company’s income.

Overall annual compensation for the entire Board and for the above items shall be 1.5 percent of the Company’s net income, approved by the Shareholders’ Meeting. The above compensation is, in all cases, a maximum figure and the Board itself shall be in charge of allocating the amount among the aforesaid items and among the Directors in such manner, at such time and in such proportion as it freely determines. Pursuant to Article 130 of the Corporations Law, compensation in the form of a share in income may only be received by the Directors after the requirements of the legal and Bylaw reserves have been met and after a minimum dividend of 4% has been paid to shareholders.

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

The compensation contemplated in this Article shall be compatible with and independent of salaries, compensation, indemnification, pensions or compensation of any kind established in general or specifically for those members of the Board of Directors who hold an ordinary or special senior management employment relationship or an independent professional relationship with the Company, which relationships shall be compatible with the status of member of the Board of Directors...”

Sole Additional Provision, second paragraph:

Where a Director who is an individual holds office on behalf of the shareholder referred to in Transitional Provision Nine in relation to Article 34.1 of the Electricity Industry Law, his compensation must be in keeping with the applicable provisions on incompatibility in the public sector, notwithstanding any compensation that may accrue to such public shareholder, either because it has been directly appointed as a member of the Board of Directors or because of the services provided to the Board or its delegate Committees by the individuals representing such public holder of shares in the capital of the Company, and which exceed any compensation to which he may be personally entitled under such legislation, all of the foregoing, pursuant to Transitional Provision Nine, while such ownership situation is maintained”.

II. Board Regulations (Article 27):

“1. Directors shall be entitled to obtain such compensation as is established by the Shareholders’ Meeting and by the Board of Directors in accordance with the provisions of the Corporate Bylaws and those contained in these Regulations.

2. The compensation policy approved by the Board of Directors shall cover at least the following matters:

a) *The amount of the fixed compensation items, itemizing any fees for attending Board and Committee meetings, with an estimate of the annual fixed compensation to which they give rise.*

b) *Variable compensation items, including, in particular:*

- i) *The types of Director to which they apply, with an explanation of the relative weighting of variable to fixed compensation items;*
- ii) *Criteria for evaluating results on which any right to compensation is based.*
- iii) *Fundamental parameters and the basis for any system of annual bonuses or other benefits not paid in cash.*
- iv) *An estimate of the absolute amount of the variable compensation arising from the proposed compensation plan, depending on the degree of compliance with the assumptions or objectives taken as a reference.*

This shall also include the technical safeguards necessary to ensure that such variable compensation is in line with the professional performance of its beneficiaries and is not merely the result of the general performance of the markets or of the industry in which the Company operates, or other similar circumstances.

c) *The principal characteristics of the corporate welfare systems, with an estimate of their amount or equivalent annual cost.*

d) *Conditions that must be observed in the contracts of those exercising senior management functions as Executive Directors, including term, advance notice periods and any other clauses relating to signing bonuses, as well as indemnification for early termination or termination of the contractual relationship between the Company and the Executive Director.*

3. *Compensation by way of the award of Company shares, on the terms authorized by the Shareholders' Meeting, variable compensation linked to the Company performance and corporate welfare systems shall be reserved to Executive Directors.*

4. *Compensation linked to the Company's earnings shall take into account any qualifications stated in the external auditor's report that reduce such income.*

5. *Directors' compensation shall be transparent. For such purpose, the Appointments, Compensation and Corporate Governance Committee shall prepare an annual report on Directors' compensation, which shall include:*

a) *An individual breakdown of the compensation obtained by each Director, to include, where appropriate:*

- i) *Any attendance fees and other fixed compensation as Director.*
- ii) *Additional compensation as a member of any Board Committee.*
- iii) *Any compensation in the form of a share in income or premiums, and the reason for which it is granted.*
- iv) *Contributions on behalf of Executive Directors to fixed-contribution pension plans, or any increase in the vested rights of Executive Directors in the case of contributions to fixed-benefit plans.*
- v) *Any severance agreed or paid in the event of termination of their functions.*

- vi) Any compensation received as a Director of other Group companies.
 - vii) Compensation for the performance of senior management functions by Executive Directors.
 - viii) Any other compensation item other than those listed above, regardless of its nature or the Group company that pays it, especially where it is deemed a related-party transaction or where its omission distorts the true and fair view of the compensation received by the Director.
- b) An individual breakdown of any award of shares to Executive Directors, on the terms authorized by the Shareholders' Meeting.
- c) Information on the relationship, in the preceding year, between the compensation obtained by Executive Directors and the earnings or other performance indicators of the Company.

Indicate whether approval of the following decisions is reserved to the plenary session of the Board:

	YES	NO
At the proposal of the Company's Chief Executive, the appointment and removal of senior executives and their indemnification clauses.	X	
Directors' compensation and, in the case of Executive Directors, the additional consideration for their executive functions and other contractual conditions that must be observed.	X	

B.1.15. Indicate whether the Board of Directors approves a detailed compensation policy and specify the matters addressed by it: YES NO

	YES	NO
The amount of the fixed compensation items, broken down, where necessary, into attendance fees for Board and Board Committee meetings, and an estimate of the fixed annual compensation to which they give rise.	X	
Variable compensation items.	X	
The principal characteristics of corporate welfare systems, with an estimate of their amount or equivalent annual cost.	X	
Conditions to be respected in the contracts of those individuals exercising senior management functions as Executive Directors.	X	

B.1.16. Indicate whether the Board submits a report on the Directors' compensation policy to the advisory vote of the Shareholders' Meeting, as a separate item on the agenda. As appropriate, explain the aspects of the report on the compensation policy approved by the Board for future years, the most significant changes in that policy by comparison with the policy applied during the year, and an overall summary of how the compensation policy was applied during the year. Describe the role

of the Compensation Committee and, where external advisors have been used, identify the external consultants engaged: YES NO

Matters addressed by the compensation policy report

The report on Red Eléctrica's compensation policy is prepared following the recommendations of the Conthe Code, section 40, and European Commission Recommendation of December 14, 2004 (the European Commission Recommendation of April 30, 2009 as regards the regime for the remuneration of Directors of listed companies is currently being analyzed by the CNMV and by companies in the industry for the forthcoming adaptation of the Conthe Code). Resolutions approving the Company's compensation policy are submitted for approval to the Shareholders' Meeting. At this time, the compensation policy report and the resolution to be proposed to the Shareholders' Meeting regarding Board compensation are currently being prepared (together with the other proposals) for submission to the Board of Directors and subsequent referral to the Shareholders' Meeting.

Notwithstanding the foregoing, it may be stated that the report, as is customary, first describes the bylaw provisions and regulatory framework governing Board compensation, as indicated in section B.1.14 above, which establish the compensation items and criteria.

The report will cover the resolutions adopted by the Board meeting held on December 17, 2009, to establish the overall compensation for 2009, at which, in line with the approach taken in 2008, it was resolved to propose to the Shareholders' Meeting that the compensation for all Board and Board Committee items established for 2008 be maintained in 2009 with no changes whatsoever to the amount or conditions thereof.

Role of the Compensation Committee

The policy for applying the bylaw compensation criteria was proposed by the Appointments, Compensation and Corporate Governance Committee and approved by the Board of Directors, without prejudice to its subsequent submission to the Shareholders' Meeting for approval.

The policy was established by the Compensation Committee following an in-depth analysis, begun in 2006, of the recommendations of the Conthe Code and of the European Commission. The purpose was to adjust the Directors' compensation system to best corporate governance practices.

The Committee met on 11 occasions in 2009, for the most part to address compensation matters relating to the Company's Board and senior management, as indicated in section G of this Report.

	YES	NO
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Was external advice sought?		x
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Identity of external consultants		x
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B.1.17. Indicate, as appropriate, which members of the Board are, in turn, members of the boards of directors, executives or employees of companies that own significant holdings in the listed Company and/or in entities of its Group:

Name of Director	Name of significant shareholder	Office
Manuel Alves Torres	State-owned Industrial Holdings Company (SEPI)	Director of Planning and Control and member of the Management Committee
María Jesús Álvarez González	State-owned Industrial Holdings Company (SEPI)	Director of Economy and Finance and member of the Management Committee

Give details, as appropriate, of any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or entities in its Group:

Name of related Director	Name of related significant shareholder	Description of relationship
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B.1.18. Indicate whether there have been any amendments to the Board Regulations during the year: YES NO⁹

Description of amendments

B.1.19. Indicate the procedures for the appointment, reappointment, evaluation and removal of Directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

1. Appointment and reappointment

Article 19 of the Board Regulations provides that Directors shall be appointed by the Shareholders'

⁹ In 2009, the Board Regulations were reviewed and analyzed by the Appointments, Compensation and Corporate Governance Committee, although the final proposed amendment was not approved by the Board until January 28, 2010.

Meeting or by the Board of Directors by way of co-optation. The Appointments, Compensation and Corporate Governance Committee must report in advance on the proposed appointment of Directors, including by way of co-optation. Within the scope of its powers, the Board of Directors shall procure that the candidates elected are of good standing, competence and experience, as provided in Article 20 of the Regulations.

As provided in Article 21 of the Regulations, Directors shall hold office for the period stipulated in the Corporate Bylaws. Proposals submitted by the Board to the Shareholders' Meeting for the appointment or reappointment of Directors, as well their provisional appointment by co-optation, shall be approved by the Board:

- i) At the proposal of the Appointments, Compensation and Corporate Governance Committee, in the case of Independent Directors.
- ii) Following a report by the Appointments, Compensation and Corporate Governance Committee in the case of all other Directors.

Article 20 of the Corporate Bylaws establishes a four-year term of office for Directors, who may be reappointed indefinitely. As provided in Article 7 of the Board Regulations, Independent Directors may not remain in office for a continuous period of more than twelve years.

2. Evaluation of Directors

In 2009, as in every year, the Board of Directors carried out a process of self-evaluation of its internal functioning in 2008, as well as that of its two Committees, the Chairman of the Board and the Directors.

The Chairwoman of the Appointments, Compensation and Corporate Governance Committee coordinated the process with the active participation of the Chairman of the Board of Directors and the Chairman of the Audit Committee. All members of the Board actively cooperated in the process.

The Board meeting held on June 25, 2009 approved the Self-Evaluation Report on the Functioning

of the Board of Directors, its Committees and its Chairman in 2008, prepared by the Appointments, Compensation and Corporate Governance Committee.

A new annual self-evaluation of the Board of Directors began at the end of 2009.

3. Removal

Article 22 of the Board Regulations provides that Directors shall cease to hold office at the end of the term for which they were appointed or when so decided by the Shareholders' Meeting in exercise of the authority conferred upon it by law or the Bylaws. The Board of Directors may not propose the removal of an Independent Director prior to the completion of the term of office specified in the bylaws for which the Director was appointed, except due to just cause and subject to a report from the Appointments, Compensation and Corporate Governance Committee.

Directors must tender their resignation from office to the Board of Directors and, if the Board deems it appropriate, formally submit their resignation in the cases contemplated in Article 22.2 of the Board Regulations and listed in section B.1.20 below.

Article 22.3 of the Board Regulations provides that Committee members shall cease to hold office when they cease to be Directors.

When a Director stands down before the end of his term of office, by reason of resignation or otherwise, he shall explain the reasons in a letter to be sent to all members of the Board, the matter being reported in the Annual Corporate Governance Report, as provided in Article 22.4 of the Board Regulations.

B.1.20. Indicate the cases in which Directors must resign:

Article 22.2 of the Board Regulations provides that Directors must tender their resignation from office to the Board of Directors and, if the Board deems it appropriate, formally submit their resignation, in the following cases:

a) Upon reaching 70 years of age.

b) When they are subject to any of the grounds of incompatibility or prohibition provided for by law.

- c) *When they are convicted of an offence or penalized for a serious or very serious infringement in disciplinary proceedings conducted by the supervisory authorities of the securities, energy and telecommunications markets.*
- d) *When they have seriously breached their obligations as Directors.*
- e) *When they stand down from the executive positions with which their appointment as Director was associated.*
- f) *When their continued presence on the Board jeopardizes the Company's interests, in particular, in relation to Article 30.4 of these Regulations, and the Board deems this to be the case with the affirmative vote of two-thirds of its members.*
- If a Director is indicted or a decision is rendered to bring him to trial for any of the crimes referred to in Article 124 of the Corporations Law, the Board shall review the matter as soon as possible and, in light of the specific circumstances, shall decide, as provided for in the preceding paragraph, whether or not it is appropriate for the Director to remain in office. All of the foregoing shall be reported on in the Annual Corporate Governance Report.*
- g) *In the case of a Nominee Director, when the shareholder whose shareholding interests he represents on the Board disposes of its shareholding in the Company or reduces it below the level which reasonably justified his appointment as such”.*

B.1.21. Explain whether the function of Company Chief Executive falls to the Chairman of the Board. As appropriate, indicate what measures have been taken to limit the risks of power being concentrated in the hands of one person: YES NO

Measures to limit risks

Article 25 of the Corporate Bylaws states that the Chairman of the Board is the Chairman of the Company and of its governing and management bodies.

Furthermore, he is the person responsible for senior management and full representation of same in all matters, acting with the powers delegated by the Board.

The Chairman has the power to adopt, for reasons of urgency, the measures he deems appropriate in the interests of the Company, but must immediately report on such measures to the Board of Directors. All of the foregoing is without prejudice to regular reporting to ordinary Board meetings on the corporate management of the different areas of the Company, requesting, as the case may be, approval of the resolutions submitted.

In particular, pursuant to the provisions of Article 5.6 of the Board Regulations, the Board retains “the direct

exercise of the following responsibilities that cannot be delegated, except for those contemplated in letters b) and c) below, which may be adopted for reasons of urgency by the Chairman of the Company and subsequently ratified by the Board, without prejudice to the validity of the acts vis-à-vis third parties pursuant to the provisions of Article 129 of the Corporations Law:

a) Approval of the general policies and strategies of the Company and, in particular:

- i) Approval of the strategic or business plan of the Company and its Group, as well as the annual budget and management objectives.*
- ii) Approval of the investment and financing policy.*
- iii) Approval of the definition of the structure of the corporate Group.*
- iv) Approval of the corporate governance policy.*
- v) Approval of the corporate social responsibility policy.*
- vi) Approval of the policy regarding compensation and evaluation of senior executives.*
- vii) Approval of the policy for control and management of the principal risks of the Company and of the Group, and knowledge and periodic monitoring of internal control, prevention and reporting systems.*
 - The risk control and management policy shall identify at least the following:*
 - The different kinds of risk (operating, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks.*
 - The determination, as appropriate, of the risk level the Company deems to be acceptable.*
 - The measures envisaged to mitigate the impact of the identified risks, should they materialize.*
 - The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.*
- viii) Approval and, if applicable, proposal to the Shareholders' Meeting of the dividend and treasury stock policies, in particular, the limits thereof.*
- ix) Those specifically stipulated in these Regulations.*

b) The following decisions:

- i) Directors' compensation and, in the case of Executive Directors, the additional consideration for their executive functions and other contractual conditions that must be observed.*
- ii) Financial information that the Company must periodically disclose as a listed company.*
- iii) Investments or transactions deemed to be strategic by virtue of their high amount or special characteristics, unless their approval corresponds to the Shareholders' Meeting.*
- iv) The creation or acquisition of holdings in special-purpose vehicles or entities domiciled in countries or territories that are considered tax havens, and any other transactions and operations that could impair the transparency of the Group.*

c) *Related-party transactions, in accordance with the legislation in force from time to time, following a report by the Appointments, Compensation and Corporate Governance Committee.*

Where a related-party transaction involves a Director, in addition to not exercising or delegating his right to vote, the Director shall leave the meeting while the Board of Directors deliberates and votes on the transaction, after having informed the Board of the transaction.

The authorization of the Board of Directors shall not be required for transactions excluded or exempted pursuant to the applicable legislation.

d) *The annual evaluation of:*

i) The quality and efficiency of the functioning of the Board and the performance by the Chairman of his functions, based on a report by the Appointments, Compensation and Corporate Governance Committee.

ii) The functioning of its Committees, based on the reports furnished by them”.

To all of the foregoing it should be added that the existence of the Audit Committee and the Appointments, Compensation and Corporate Governance Committee (now the Corporate Responsibility and Governance Committee), which are entirely composed of members of the Board of Directors with expertise in the matters falling within their jurisdiction, reinforces the specific control exercised over the basic and strategic responsibilities of the Board of Directors, which are not performed exclusively by the Chairman under any circumstances.

Indicate and, as appropriate, explain whether rules have been established allowing Independent Directors to request the call of Board meetings or the inclusion of new items on the agenda in order to coordinate and give voice to the concerns of External Directors and to lead the evaluation by the Board of Directors YES NO

Explanation of the rules

Directors may request the inclusion of new items on the agenda for Board meetings without limitation. In this regard, pursuant to Article 17 of the Board Regulations, a Board meeting may be called by three Directors.

Therefore, any Director may request the call of a Board meeting, and, where jointly requested in writing by three Directors, independently of the type of Director, the Corporate Bylaws and the Board Regulations establish that the Board must meet, thus providing greater flexibility for the call of Board meetings.

Management of the evaluation process is expressly delegated to the Corporate Responsibility and Governance Committee.

The new Board Regulations attribute to the Chairman of the Corporate Responsibility and Governance Committee the function of communication and coordination between and among External and/or Independent Directors in the performance of their functions, and include the possibility of requesting the call

of a Board meeting or the inclusion of new items on the agenda at the request of any Director, as well as the coordination of the concerns of External Directors and management of the evaluation by the Board of its Chairman.

B.1.22. Are qualified majorities, other than the statutory majorities, required for any type of decision?

YES NO

Article 3.4 of the Board Regulations provides that, in order to be valid, any amendment of the Regulations shall require a resolution adopted by a two-thirds majority of the Directors present.

Indicate how resolutions are adopted on the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

Type of resolution	Adoption of resolutions	
	Quorum	Type of majority
Any resolution, with the exception of amendments to the Board Regulations	Half plus one of the Directors present in person or by proxy	Simple

No provision is made for resolutions that require a qualified majority for their adoption, apart from those specifically contemplated in the applicable legislation and those relating to amendments to the Board Regulations.

Except in cases where other quorum requirements have been specifically established, the Board shall be validly constituted where at least half plus one of its members are present, in person or by proxy. Where an odd number of Directors are present, a sufficient quorum shall be deemed to exist if the next whole number immediately exceeding half of the Directors is present.

Article 21 of the Corporate Bylaws establishes that any Director may grant a proxy to another Director, in writing and specifically for each meeting, to attend and vote on his behalf at meetings of the Board of Directors, procuring that the proxy is granted to a Director of the same type as the Director represented (Article 28.2 b) of the Board Regulations).

The Chairman shall be tasked with organizing the debate, ensuring and encouraging the participation of all Directors in Board deliberations, and submitting the items to a vote once he deems them to have been sufficiently debated. Each Director, present in person or by proxy, shall have one vote.

Article 21 of the Corporate Bylaws and Article 18 of the Board Regulations establish that resolutions shall be adopted by a majority of the votes cast, unless the law requires that resolutions be adopted by a higher majority or in the aforementioned case of amendment to the Board Regulations established in Article 3.4 thereof.

B.1.23. Explain whether there are any specific requirements, apart from those relating to the Directors, to be appointed Chairman: YES NO

Description of requirements

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B.1.24. Indicate whether the Chairman has a casting vote: YES NO

Matters on which there is a casting vote

In the event of a tied vote, the Chairman shall have the casting vote and shall decide upon the issue independently of the subject matter of the resolution being voted on (Article 21 of the Corporate Bylaws and Article 18.3 of the Board Regulations).

B.1.25 Indicate whether the Bylaws or the Board Regulations impose any limit on the age of Directors: YES NO

Age limit for Chairman	Age limit for Managing Director	Age limit for Director
70		70

Article 22 of the Board Regulations provides that Directors must tender their resignation from office to the Board of Directors and, where the Board deems it appropriate, formally submit their resignation once they reach seventy (70) years of age.

B.1.26. Indicate whether the Bylaws or Board Regulations establish any limit on the term of office of Independent Directors: YES NO

Maximum number of years in office
12

As with all other Company Directors, Independent Directors shall hold office for four years and may be re-elected indefinitely.

Notwithstanding the foregoing, as provided in Article 7.2 c) *in fine* of the Board Regulations, Independent Directors may not remain in office for a continuous period of more than twelve years.

As already indicated in Section B.1.19 above, unless there is sufficient cause and subject to a report by the Appointments, Compensation and Corporate Governance Committee, the Board of Directors may not propose the removal of any External Directors before the end of the term for which they were appointed.

B.1.27. Where female Directors are few or non-existent, explain the reasons why and the initiatives adopted to correct the situation

Explanation of reasons and initiatives

In line with Recommendation 15 of the Conthe Code, the aim of gradually adding female Directors with the appropriate qualifications and experience to the Board served as a guide for the reports and proposals of the Appointments, Compensation and Corporate Governance Committee and the Board of Directors. As a result, two female Directors were appointed by Shareholders' Meeting held on May 22, 2008.

At the meeting held on March 24, 2009, the Appointments, Compensation and Corporate Governance Committee, subject to a specific report, proposed to the Board of Directors, which in turn proposed to the Annual Shareholders' Meeting, the reelection and appointment of Ms. María Ángeles Amador Millán as an Independent Director for a period of four years.

At 2009 year-end, the Board of Directors of Red Eléctrica Corporación S.A. was comprised of 3 female Directors and 7 male Directors, meaning that women represented 30% of the Board.

The commitment by the Board of Directors of RED ELÉCTRICA to strengthen the presence of women is an objective of good corporate governance policies, both on the Board of Directors and in Company Management and in the rest of the organization at the level of the main companies of the Red Eléctrica Group. Its pursuit must be ongoing in order to consolidate a responsible corporate management model based, among other aspects, on active management of the principles of equality and non-discrimination.

As part of its ongoing commitment to adopt the best corporate governance practices, the Board of Directors has committed to approving an annual report on gender diversity matters at the proposal of the Appointments, Compensation and Corporate Governance Committee, and the first edition of the report was approved at the end of 2008.

In particular, indicate whether the Appointments and Compensation Committee has established procedures so that selection processes do not suffer from implicit bias preventing the selection of female Directors and consciously seek candidates that meet the required profile: YES NO

Identify the main procedures

As stated, the measures put in place by the Company are aimed at actively promoting the selection of female Directors and their incorporation onto the Board of Directors, on the terms provided in Recommendation 15 of the Conthe Code.

B.1.28. Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details:

Each Director may grant a proxy to another Director, in writing and specifically for each meeting, to represent him/her and vote on his/her behalf at the meetings of the Board of Directors. This is provided in Article 21 of the Corporate Bylaws.

Where a Director cannot, with just cause, attend the Board meeting(s) to which he has been called, he must give instructions to the Director that is to represent him, endeavoring to ensure that he is represented by a Director of the same type, as provided in Article 28.2 b) of the Board Regulations.

B.1.29. Indicate the number of Board meetings held during the year. Also indicate, as appropriate, how often the Board met without the Chairman's attendance:

Number of Board meetings	Number of Board meetings not attended by the Chairman
11	0

Indicate how many meetings of the various Board Committees were held during the year:

Number of Executive or Delegate Committee meetings	--
Number of Audit Committee meetings	11
Number of Appointments and Compensation Committee meetings	11
Number of Appointments Committee meetings	--
Number of Compensation Committee meetings	--

B. 1.30. Indicate how many Board meetings held during the year were not attended by all members. Proxies granted with no specific instructions shall be treated as absences:

Number of Director absences during the year	Absences as a percentage of total number of votes during the year
0	0 %

B. 1.31. Indicate whether the individual and consolidated financial statements submitted for approval by the Board are certified beforehand: YES NO

Indicate, as appropriate, the person(s) who certified the Company's individual and consolidated financial statements for their preparation by the Board:

Name	Office
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B.1.32. Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Shareholders' Meeting with a qualified auditors' report:

The Board Regulations expressly establish that the Company's Board of Directors shall formulate the definitive financial statements, procuring that they do not give rise to any qualifications by the auditor. Nevertheless, where the Board considers that it must maintain its position, it shall publicly explain the substance and scope of the discrepancy.

In this regard, the Audit Committee plays a particularly important role, as it continuously monitors the process of preparing the economic and financial information sent to the market supervisory bodies, thereby increasing the likelihood that there will be no qualifications in the annual audit reports.

Since the formation of the Company in 1985, it has not been subject to any qualifications in the audits of its financial statements. This demonstrates the high degree of accuracy, reliability and sufficiency of the financial statements of the Company and its consolidated Group since its formation, guaranteeing at all times the maximum transparency in its reporting.

B.1.33. Is the Board Secretary a Director? YES NO

B.1.34. Explain the procedures for appointment and removal of the Board Secretary, indicating whether his/her appointment and removal was reported to the Appointments Committee and approved by the plenary session of the Board.

Procedure for appointment and removal

As provided in Article 10.4 of the Board Regulations, the Appointments, Compensation and Corporate Governance Committee shall report on proposals for the appointment and removal of the Board Secretary, prior to their submission to the Board.

The Secretary of the Board of Directors is Mr. Rafael García de Diego Barber, a member of the Madrid Bar Association. He is not a Company Director and has served as Secretary since May 4, 1995, for which reason the Appointments Committee could not report on his appointment, since it did not exist at that time.

	YES	NO
Does the Appointments Committee report on the appointment?	X	
Does the Appointments Committee report on removal?	X	
Does the plenary session of the Board approve the appointment?	X	
Does the plenary session of the Board approve the removal?	X	

Is the Board Secretary specifically tasked with monitoring good governance recommendations?
YES NO

Comments

As provided in Article 26 e) of the Bylaws and Article 10.3 b) of the Board Regulations, the duties of the Secretary of the Board of Directors include ensuring compliance by the Board of Directors and its Committees with the Corporate Bylaws, the Shareholders' Meeting Regulations, the Board Regulations, and other corporate governance rules at the Company.

In addition, Article 26 f) of the Corporate Bylaws and the corresponding Article 10.3 c) of the Board Regulations provide that the Secretary of the Board of Directors is responsible for *“ensuring that the Company’s corporate governance rules and the actions of the Board of Directors are in line with the good corporate governance recommendations in force from time to time”*.

B.1.35. Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, of investment banks, and of rating agencies:

The Audit Committee is the body within the Board of Directors that is responsible for the relationship with external auditors. In this regard, the Audit Committee assists the Board of Directors in monitoring the independence of the Company’s external auditor.

In exercise of the power contemplated in Article 23.2 of the Corporate Bylaws, Article 14.3 b) of the Board Regulations, in relation to the independence of external auditors, tasks the Audit Committee with establishing procedures to ensure the independence and professionalism of the external auditors and receiving information regarding matters that might jeopardize their independence and professionalism.

In this regard, the Audit Committee must ensure that the Company (i) discloses any change of auditor to the CNMV as a material event and, if applicable, any disagreements with the outgoing auditor; and (ii) complies with the rules in force regarding the provision of non-audit services, limits on concentration of the auditor’s business and, in general, all other rules established to safeguard the independence of the auditor. In the event of resignation of the auditor, the Audit Committee must examine the underlying circumstances.

Moreover, Article 38 of the Board Regulations imposes the duty on the Board to refrain from engaging audit firms whose envisaged fees for all items exceed 10% of the total income in the preceding year.

In addition, Article 38 of the Board Regulations imposes the obligation on the Board of Directors to provide yearly information on the overall fees paid by the Company to the audit firm for non-audit

services. The Company frequently makes all manner of presentations to financial analysts and investment banks to report on the key economic and financial variables of the Group, and to review its business performance.

These presentations are regularly attended by the most prominent industry professionals and experts. After these presentations, all participants are offered the opportunity to be included on a list of entities that periodically receive the most relevant Company information of interest to them.

All presentations to analysts are sent to the Spanish National Securities Market Commission beforehand so that they may be consulted by the markets on its website. The presentations are also posted immediately on the Company website.

The Company has an Investor Relations Department reporting to the Directorate-General of Administration and Finance the main purpose of which is to act as a channel for communications with financial professionals and to handle inquiries from investors.

B.1.36. Indicate whether the Company changed external auditors in the year. If so, identify the new and outgoing auditors: YES NO

Outgoing auditor	New auditor
--	--

The Annual Shareholders' Meeting held on May 21, 2009, reappointed PricewaterhouseCoopers S.L. as the external auditor of the Company and of its consolidated Group for a period of 2 years.

If there were any disagreements with the outgoing auditor, explain the substance thereof: YES NO

Explanation of disagreements
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B.1.37. Indicate whether the audit firm performs any non-audit work for the Company and/or its Group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the Company and/or its Group: YES NO

	Company	Group	Total
<i>Fees for non-audit work (€ thousand)</i>	-	-	-
<i>Fees for non-audit work / Total fees billed by audit firm (as a %)</i>	0 %	0 %	0 %

B.1.38. Indicate whether the audit report on the financial statements for the preceding year contains any reservations or qualifications. If so, state the reasons given by the Chairman of the Audit Committee to explain the substance and scope of such reservations or qualifications YES NO

Explanation

B.1.39. Indicate the number of consecutive years the current audit firm has audited the financial statements of the Company and/or its Group. Indicate the number of years the current audit firm has audited the Company's financial statements as a percentage of the total number of years during which the Company's financial statements have been audited:

	Company	Group
Number of consecutive years	4	4

	Company	Group
Number of years audited by current audit firm / Number of years the company has been audited (as a %)	16.7 %	44.4 %

B.1.40. Indicate any holdings, as disclosed to the Company, owned by the members of the Company's Board of Directors in the capital of entities engaging in business of a kind identical, similar or complementary to the business constituting the corporate purpose of the Company or of its Group. Also indicate the offices they hold or the functions they perform at these companies:

Name of Director	Name of company in which shares are held	% Holding	Office or functions
Arantza Mendizábal Gorostiaga	Iberdrola, S.A.	0.0001	--
	Endesa, S.A.	0.0000	--
	Iberdrola Renovables, S.A.	0.0000	--

B.1.41. Indicate whether there is a procedure to allow Directors to seek external professional advice? If so, give details: YES NO

Details of the procedure

There is a specific procedure in place at the Company to allow Directors to seek external advice.

In order to receive assistance in exercising their functions, Article 26 of the Board Regulations establishes that External Directors may request that the Board of Directors engage legal, accounting, financial or other expert consultants, at the expense of the Company.

The engagement must refer to specific problems of a certain scale and complexity arising in the discharge of their office.

The request must be addressed to the Chairman. The request may be rejected by the Board of Directors if it transpires or can be inferred that:

- a) it is not necessary for the proper performance of the functions entrusted to External Directors;
- b) the cost thereof is not reasonable in view of the significance of the problem and the assets and income of the Company; or
- c) the technical assistance sought may be adequately provided by Company experts or technical personnel, or has been entrusted to other external experts.

Articles 13.5 and 15.6 of the Board Regulations provide that the Audit Committee and the Appointments, Compensation and Corporate Governance Committee may propose that the Board of Directors seek independent professional advice.

Furthermore, said Committees may access any type of Company information or documentation necessary for the better performance of their duties, pursuant to the provisions of the aforementioned articles of the Board Regulations.

B.1.42. Indicate whether there is a procedure to ensure that Directors have the necessary information in order to prepare for meetings of the management bodies sufficiently in advance. If so, give details: YES NO

Details of the procedure

Board meetings are called at least six (6) days in advance and all relevant information is sent out with the call notice. The call notice always includes the agenda of the meeting and, in general, except where it is not possible, the relevant information, duly summarized and prepared.

Notwithstanding the foregoing, Article 17.3 of the Board Regulations establishes that the call notice for Board meetings shall be sent at least three (3) days prior to the date of the meeting. As an exception and for reasons of urgency, the Board may be called by telephone and the advance notice period shall not apply where the Chairman deems that the circumstances justify it. The reasons of urgency shall be explained in the Minutes of the meeting.

Article 25 of the Board Regulations provides that Directors have the broadest rights to be informed of and to inspect any aspect of the Company. In this regard, Directors may, at any time, examine the books, registers, documents and other background information on corporate transactions and may even inspect all Company facilities. The right to information extends to subsidiary companies, both domestic and foreign.

In accordance with Article 25 of the Board Regulations and so as not to disturb the ordinary management of the Company, the exercise of the right to information shall be channeled through the Chairman of the Board of Directors, who shall handle all requests from Directors, providing the information directly to them. The Chairman shall also offer the appropriate contact persons at the relevant level within the organization or make arrangements to allow Directors to conduct the desired examination and inspection in situ.

Article 25 of the Board Regulations provides that the Chairman of the Company may restrict access to certain information on an exceptional and temporary basis, informing the Board of Directors of this decision at its next meeting.

Both the Audit Committee and the Appointments, Compensation and Corporate Governance Committee may access any kind of Company information or documentation that they may need for the better performance of their duties, as indicated in section B.1.41 above.

B.1.43. Indicate whether the Company has established rules requiring Directors to report on and, as the case may be, resign in cases that could harm the credit and reputation of the Company. If so, give details: YES NO

Details of rules

Article 30 of the Board Regulations provides, among the disclosure obligations of Directors, that Directors must inform the Company of all judicial, administrative and any other claims that by reason of their significance

could harm the credit and reputation of the Company and, in particular, of any criminal proceedings in which they appear as an accused party, and of subsequent progress in the case.

Pursuant to Article 22.2 of the Board Regulations, Directors must tender their resignation from office to the Board of Directors and, where the Board deems it appropriate, formally submit their resignation where their continued presence on the Board may jeopardize the interests of the Company, as envisaged above, and where the Board deems this to be the case with the affirmative vote of two-thirds of its members.

Where a Director is indicted or a decision is rendered to bring him to trial for any of the crimes referred to in Article 124 of the Corporations Law, the Board shall review the matter as soon as possible, and in light of the specific circumstances, shall decide, as provided for in the preceding paragraph, whether or not it is appropriate for the Director to remain in office. All of the foregoing shall be reported on in the Annual Corporate Governance Report.

B.1.44. Indicate whether any member of the Board of Directors has informed the Company that he has been indicted or that a decision has been rendered to bring him to trial for any of the crimes stated in Article 124 of the Corporations Law: YES NO

Name of Director	Criminal proceeding	Comments
--	--	--

Indicate whether the Board of Directors has reviewed the case. If yes, give a reasoned explanation of the decision adopted as to whether or not it is appropriate for the Director to remain in office
 YES NO

The Board simply accepted the resignation tendered by the Director, as indicated.

Decision adopted	Reasoned explanation

B.2. Committees of the Board of Directors**B.2.1. List all of the Committees of the Board of Directors and their members:****EXECUTIVE OR DELEGATE COMMITTEE**

Name	Office	Type
--	--	--

AUDIT COMMITTEE

Name	Office	Type
Arantza Mendizábal Gorostiaga	Chairwoman	Independent
Francisco Javier Salas Collantes	Member	Independent
María Jesús Álvarez González	Member	Nominee

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Office	Type
M ^a Ángeles Amador Millán	Chairwoman	Independent
Antonio Garamendi Lecanda	Member	Independent
Luis M ^a Atienza Serna	Member	Executive
Manuel Alves Torres	Member	Nominee

APPOINTMENTS COMMITTEE

Name	Office	Type

COMPENSATION COMMITTEE

Name	Office	Type

_____ COMMITTEE

Name	Office	Type

B.2.2. State whether the Audit Committee performs the following functions:

	YES	NO
Supervises the preparation and integrity of the financial information relating to the Company and, as the case may be, the Group, reviewing compliance with legal provisions, the appropriate definition of the consolidation group, and the correct application of accounting principles.	X	
Reviews internal control and risk management systems on a regular basis, so that the main risks are adequately identified, managed and disclosed.	X	
Ensures the independence and efficacy of the internal audit function; proposes the selection, appointment, reappointment and removal of the head of the internal audit service; proposes the budget for this service; receives regular reports on its activities; and verifies that senior management is acting on the conclusions and recommendations contained in its reports.	X	
Establishes and supervises a mechanism to enable staff to report, on a confidential and, if appropriate, anonymous basis, any potentially significant irregularities, particularly financial or accounting irregularities, they may detect at the Company.	X	
Makes recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement.	X	
Receives regular information from the external auditor on the progress and findings of the audit plan, and verifies that senior management is acting on its recommendations.	X	
Ensures the independence of the external auditor.	X	
In the case of groups, encourages the group auditor to take responsibility for auditing all the companies in the Group.	X	

B.2.3. Describe the rules of organization and functioning, and the responsibilities attributed to each of the Board Committees:

I. AUDIT COMMITTEE

a) Background

At the meeting held on November 18, 2003, the Board of Directors of Red Eléctrica created the Audit Committee to replace the former Audit and Compliance Committee, pursuant to the provisions of Article 23 of the Corporate Bylaws and Chapter V, Articles 15 and 16 of the new Board Regulations, approved at that meeting. The foregoing was also consistent with the provisions of

Article 47 of Law 44/2002 of November 22, 2002 on Measures to Reform the Financial System.

Specifically, the Audit Committee was created by a resolution adopted by the Board of Directors of Red Eléctrica on November 30, 1999, under the name of the Audit and Compliance Committee. This Committee was created as part of the process to adapt the Company's governance rules to the new situation resulting from the tender offer launched by the State-Owned Industrial Holdings Company(SEPI) and from the Company's listing on the stock markets on July 7, 1999.

The Annual Shareholders' Meeting of the Company on May 31, 2007, approved an amendment to the Corporate Bylaws to bring them into line with the Single Text of Corporate Governance Recommendations, known as the Unified Good Governance Code, approved by the Spanish National Securities Market Commission by way of the resolution dated May 19, 2006.

The Annual Shareholders' Meeting amended Article 23 of the Corporate Bylaws to bring it into line with Recommendation 22 of the Unified Good Governance Code, regarding the composition of the Audit Committee, and changed the name of the Audit Committee from Audit Commission to Audit Committee, more in keeping with commercial practices.

There were no amendments to the Corporate Bylaws regarding the Audit Committee in 2009.

b) Composition

Article 13 of the Board Regulations provides that the Committee shall be comprised of a minimum of three (3) and a maximum of five (5) members, as determined by the Board, the majority being External Directors, and appointed by the Board of Directors, reasonably endeavoring to reflect the composition of the Board.

As already mentioned, the Directors on the Audit Committee are particularly qualified to hold their positions, with broad professional experience in positions of the highest responsibility outside the Red Eléctrica Group, in functions similar to those entrusted to the Committee. A brief description is given below of each member's professional career (further details are provided in Section B.1.3 above):

- Mr. Francisco Javier Salas Collantes has a degree in Economics, specializing in Business Economics, and during his career he has held important professional positions in the areas of economy and finance, as well as positions of the highest corporate responsibility. Among other positions, he has been a Director of Banco Exterior de España, Argentaria and Infoleasing, he is a Founding Member and Manager of SAGA Servicios Financieros; he has been Chairman of INI, TENERE and IBERIA and is currently a Director of TELVENT and Chairman of its Audit Committee, and a Director of GED CAPITAL DEVELOPMENT, S.A., SGEGR and GED IBERIAN PRIVATE EQUITY, S.A., SGEGR, among others. He was Chairman of the Audit Committee for 3 years (2006-2009), having vacated this office upon expiration of the term envisaged in the Board Regulations.
- Ms. Arantza Mendizábal Gorostiaga holds a Doctorate in Economics and is Professor of Applied Economics at the Faculty of Economics of Universidad del País Vasco. She has been a distinguished researcher in the areas of industrial and technological policy, an MP member of the Economy and Finance Committee, the Budget Committee and Spokeswoman for the Industry, Trade and Tourism Committee of the Lower House of Parliament. In addition to her duties as Professor, she is currently the Director of the European Documentation Center of Universidad del País Vasco. She was appointed Chairwoman of the Audit Committee on July 20, 2009, for a period of three years.
- Ms. María Jesús Álvarez González holds degrees in Law, Economics and Business Studies from Universidad Pontificia de Comillas. She has been a member of the board of directors of Enusa Industrias Avanzadas, S.A., Clínica Castelló, S.A., Indra Sistemas, S.A., Infoinvest, S.A., ENRESA, and Aluminio Español, S.A. She is currently the Economic and Financial Director of SEPI and is a member of the Board of Directors of Agencia Efe, S.A., Fundación SEPI and Fundación Laboral SEPI, among other positions.

The members of the Committee hold office for a term of not more than three years, may be re-elected indefinitely and stand down on expiration of that term, when they cease to be Directors, or when so resolved by the Board of Directors, in the latter case following a report by the Appointments, Compensation and Corporate Governance Committee. The Chairman of the Audit

Committee is elected by its members from among the External Directors and the Committee Secretary is the Secretary of the Board of Directors. The Chairman must be replaced every three years and may be re-elected after one year has elapsed since he left office. The appointment and removal of Committee members is carried out by the Board of Directors at the proposal of the Board Chairman.

c) Organization and functioning

The Audit Committee meets at least once every quarter and any time it is called by its Chairman or two of its members so request, and whenever the Board or its Chairman requests that it issue a report. The Committee met eleven (11) times in 2009.

The call notice, including the agenda, shall be sent by the Committee Chairman or Secretary to each of its members at least three days in advance of the date scheduled for the meeting, unless the meeting needs to be called sooner for reasons of urgency.

The Committee may be constituted with the attendance of the majority of its members and shall adopt decisions or recommendations by a majority vote, which decisions or recommendations must be recorded in the Minutes at the end of the meeting. Members of the management team or Company personnel who are requested by the Chairman of the Audit Committee shall be obliged to attend Committee meetings and must provide assistance and allow access to any information they have, in relation to the matters discussed.

In order to better perform its functions, the Committee may propose to the Board of Directors that advice be sought from independent professionals and may access any type of Company information or documentation it may require.

d) Powers

The basic powers of the Committee are set out in Article 14 of the Board Regulations and can be summarized in six major groups: i) economic and financial information; ii) internal control and risk management systems; iii) external auditors; iv) compliance with legal provisions and internal rules; v) Company shareholders; and vi) other general powers.

The Committee, composed entirely of External Directors, formally met with the external auditor on various occasions in 2009, whenever it deemed it appropriate for the better performance of its functions, passing on the questions, clarification and comments it saw fit.

Its remit includes most notably the procedure for fulfilling the functions assigned in relation to the financial statements. Since its creation in 1999, the Audit and Compliance Committee has been responsible for reviewing the Company's financial statements, ensuring compliance with legal requirements and the correct application of the generally accepted accounting principles, and reporting on any amendments to the accounting principles and methods proposed by Company management.

When the Committee became the Audit Committee in November 2003, with the functions and responsibilities established by law and the Bylaws, it also assumed responsibility for approving the accounting principles and methods to be used in preparing the Company's financial statements and those of its consolidated Group, and for verifying their accuracy, reliability and sufficiency.

Also notable is the specific procedure for supervision by the Committee of any financial information sent on a periodic or ad hoc basis to the market supervisory bodies. The Committee is also responsible for ensuring that Company's financial information complies with legal accounting standards and, in particular, with any applicable EU recommendations and obligations on bookkeeping by electricity companies.

All of the foregoing leads to more direct control over the preparation of the Company's economic and financial information. Since this control is carried out by a collegiate body consisting of Directors with the highest professional qualifications in relation to the matters falling under the Committee's jurisdiction (as can be seen from the professional careers of Directors as described above), the accounting principles of reliability, certainty, accuracy and sufficiency are reinforced, as is the transparency of the process for the preparation of corporate economic information.

The new Board Regulations approved in January 2010 attributed new powers to the Audit Committee concerning material Group financing transactions and extended its powers in relation to related-party transactions.

Section G of this report includes a summary of the activities of the Audit Committee in 2009.

II. APPOINTMENTS, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

a) Background

Following the listing of Red Eléctrica on the stock exchange in 1999, an Appointments Committee was created within the Board of Directors and began to perform functions as regards the appointment of Directors and senior executives. Following the recommendations of the Aldama Report of November 18, 2003, the Company's Board of Directors converted this Committee into the Appointments and Compensation Committee. The Committee's initial powers regarding appointments were expanded and it assumed new functions in relation to the compensation of the Board of Directors and the management team of the Company and of its Group.

In accordance with corporate governance recommendations and particularly those set out in the Conthe Code, pursuant to the amendments made by the Shareholders' Meeting held on May 31, 2007, the Company's Board of Directors changed the name of the Committee in 2007 to the Appointments, Compensation and Corporate Governance Committee and extended its powers. Particularly noteworthy among the powers expressly attributed to this Committee are those relating to corporate governance.

In 2009, the Appointments, Compensation and Corporate Governance Committee proposed the review of the Board Regulations, which resulted in the approval of a new set of Regulations at the Board meeting held on January 28, 2010. The most significant amendments approved were the renaming of the Appointments, Compensation and Corporate Governance Committee (from January 28, 2010 onwards, it will be called the Corporate Responsibility and Governance Committee) and the attribution of broad powers to the Committee in the area of corporate responsibility (for more details, see Section G of this report).

b) Structure

Article 24.2 of the Corporate Bylaws and Article 15 and 16 of the Board Regulations govern the structure, composition and functions of the Appointments, Compensation and Corporate Governance Committee.

The Committee must consider the suggestions made by the Chairman, the members of the Board, and Company executives or shareholders in matters affecting the appointment of Directors, including Managing or Executive Directors, and compliance with corporate governance principles, the Corporate Bylaws and the Board Regulations.

The Committee meets as often as is appropriate for the sound performance of its functions. In any event, the Committee must meet at least once every quarter, whenever called by its Chairman or so requested by two of its members, and whenever the Board of Directors or its Chairman requests that a report be issued or proposals be adopted. The call notice, which must include the agenda, is sent by the Committee Chairman or Secretary to each Committee member at least three days in advance of the date scheduled for the meeting, unless the meeting needs to be held sooner for reasons of urgency.

The Committee met eleven (11) times in 2009.

The Committee may be constituted with the attendance of the majority of its members and adopt decisions or recommendations by a majority vote, which decisions or recommendations must be recorded in the Minutes at the end of the meeting. In order to better perform its functions, the Committee may propose to the Board of Directors that advice be sought from independent professionals and may access any type of Company information or documentation it may require to perform its functions.

Article 15 of the Board Regulations provides that the Appointments, Compensation and Corporate Governance Committee shall be comprised of a minimum of three and a maximum of five members, as determined by the Board, with a majority of External Directors and at least half of its members must be Independent Directors. The Chairman of the Committee is elected by its members and the Committee Secretary is the Secretary of the Board of Directors.

The appointment and removal of Committee members is carried out by the Board of Directors at the proposal of the Board Chairman. The members of the Committee hold office for a term of three years, may be re-elected indefinitely and stand down when they cease to be Directors or when so resolved by the Board of Directors, subject to a report by the Appointments, Compensation and Corporate Governance Committee. The Chairman may be re-elected after one year has elapsed since he vacated office, as in the case of the Audit Committee.

c) Composition

At 2009 year-end and on the date of approval of this Report, the Appointments, Compensation and Corporate Governance Committee was composed of four Directors: three External Directors and one Executive Director. Two of the External Directors are Independent Directors, one of them being the Chairman of the Committee.

At 2009 year-end and on the date of approval of this Report, the composition of the Committee was as follows:

Director	Office	Type of Director
María Ángeles Amador Millán	Chairwoman	Independent
Antonio Garamendi Lecanda	Member	Independent
Luis María Atienza Serna	Member	Executive
Manuel Alves Torres	Member	Nominee

The Chairman of the Committee is elected by its members and the Committee Secretary is the Secretary of the Board of Directors, Mr. Rafael García de Diego Barber. The appointment and removal of Committee members is carried out by the Board of Directors at the proposal of the Board Chairman.

d) Powers

The basic responsibilities of the Appointments, Compensation and Corporate Governance Committee are regulated in Article 24 of the Corporate Bylaws and Articles 15 and 16 of the Board Regulations.

Pursuant to the authorization contained in Article 24.2 of the Corporate Bylaws, the Appointments, Compensation and Corporate Governance Committee has a series of basic responsibilities concerning appointments and removals, compensation, fulfillment of Director duties, corporate governance rules and other generic functions.

The new Board Regulations approved on January 28, 2010 established a specific section on the powers of this Committee in the area of corporate responsibility.

Section G of this report includes a summary of the activities of the Appointments, Compensation and Corporate Governance Committee in 2009.

B.2.4. Indicate the advisory and consultative powers and any delegated powers held by each of the Committees:

Name of Committee
Audit
Brief description
<p>The basic responsibilities of this Committee, pursuant to Article 23 of the Corporate Bylaws, are as follows:</p> <ul style="list-style-type: none"> i) To report to the Shareholders' Meeting on any matters falling within its jurisdiction which are raised by shareholders during meetings. ii) To propose the appointment of external auditors to the Board of Directors, for submission to the Shareholders' Meeting. iii) To supervise the internal audit function. iv) To be familiar with the financial reporting process and internal control systems of the Company. v) To maintain a relationship with the external auditor in order to receive information on any matters that may jeopardize the auditor's independence and any other matters relating to the audit process, as well

as any other communications provided for in audit legislation and technical auditing rules.

- vi) Any other powers attributed to it by the Board, whether generally in the Board Regulations or by specific assignment.

The above basic responsibilities are detailed in Article 14 of the Board Regulations, which establishes the following:

- As regards economic and financial information:
 - a) To approve the accounting principles and methods to be used in the preparation of the financial statements of the Company and of its consolidated Group, and to verify their accuracy, reliability and sufficiency.
 - b) To supervise the preparation and integrity of the financial information of the Company and, as appropriate, of the Group, ensuring that regulatory requirements are respected, the consolidation group is adequately defined, and the applicable accounting principles and methods are correctly applied.
 - c) To review and report to the Board in advance on the economic and financial information the Company must disclose and send to the market supervisory bodies. The Committee must ensure that any interim financial statements are prepared using the same accounting methods as annual financial statements and, where it sees fit, it may ask the external auditor to conduct a limited review.
- As regards internal control and risk management systems:
 - a) To approve the Company's internal control procedures in the areas of expenditure and investment, making the appropriate amendments.
 - b) To supervise the internal audit function, which shall ensure the sound functioning of the internal reporting and control systems and must address requests for information from the Audit Committee in the performance of its functions.
 - c) To ensure the independence and efficacy of the internal audit function; to supervise and control the process for selection, appointment, re-election and removal of the head of the internal audit function, and its action plans; to supervise and control the media and resources assigned to the internal audit function, including its budget; to receive periodic information on its activities; and to verify that senior management is acting on the conclusions and recommendations of its reports.

The head of internal audit must present an annual work program to the Committee, directly report on any incidents arising during its implementation and submit an activities report at the end of each year.

- d) To periodically supervise the internal control and risk management systems, so that the main risks are identified, managed and appropriately disclosed.
 - e) To supervise the procedure established by the Board to enable staff to report any potentially significant irregularities, particularly financial or accounting irregularities, they may detect at the Company.
The persons in charge of internal control must inform the Committee when they detect irregularities or breaches that may significantly impact or harm the net worth, earnings or image of the Company or of its Group.
- As regards the external auditor:
- a) To propose the appointment of external auditors to the Board of Directors for submission to the Shareholders' Meeting, procuring that it be the same audit firm for all Group companies, and the terms of the audit contract, the scope of the professional mandate and the renewal or termination thereof.
 - b) To establish procedures to ensure the independence and professionalism of the external auditors and to receive information regarding matters that might jeopardize their independence and professionalism.
To that end:
 - i) It shall ensure that any change of auditor and, if applicable, any disagreements with the outgoing auditor are disclosed to the CNMV as material events.
 - ii) It shall ensure that the Company, within the scope of its responsibilities, complies with rules in force regarding the provision of non-audit services, limits on concentration of the auditor's business and, in general, all other rules established to safeguard the independence of the auditor.
 - iii) The Committee shall investigate the circumstances giving rise to the resignation of any external auditor.
 - c) To receive any relevant information relating to the Audit Plan, the process and results of its implementation, as well as any other information provided for in the accounting standards.
 - d) To act as a communication channel between the Board and the external auditor; to evaluate the results of each audit and verify that senior management acts on its recommendations, mediating in the event of discrepancies between the former and the latter in relation to the principles and methods applicable in the preparation of the financial statements.
 - e) To supervise compliance with the audit contract, seeking to ensure that the principal content of the audit report is drafted clearly and precisely.
 - f) To be informed of the material situations detected by the external auditor, in the same way as information from the internal control systems is received, which may adversely affect the net worth, earnings, or image of the Group.
 - g) To periodically request from the external auditors, at least once a year, an evaluation of the quality of the Group's internal control procedures.

- As regards compliance with legal provisions and internal regulations:
 - a) To supervise compliance with the Code of Conduct on the Securities Market and, in general, the procedures for reporting financial and accounting irregularities and aligning related-party transactions to the Company's interests, making proposals for improvement to the Board of Directors, and to receive information in this respect and, as appropriate, to issue a report on the measures to be implemented.
 - b) To review compliance with the actions and measures resulting from reports or inspections by the supervisory and control authorities of the Securities Market.

- As regards the Company's shareholders:
 - a) To entertain and, as appropriate, respond to the initiatives, suggestions or complaints that may be made by shareholders in respect of the scope of the Committee's functions.
 - b) To report, as appropriate, to the Shareholders' Meeting on issues raised at the meeting by shareholders in relation to matters falling within its jurisdiction.

- Other:
 - a) To keep the Board of Directors duly informed of its activities and to prepare an annual report to be included in the Annual Corporate Governance Report and an Action Plan for each year.
 - b) To report to the Board on extraordinary investment transactions when so requested by the Board and, in all cases, on transactions for the creation or acquisition of holdings in special-purpose vehicles or entities domiciled in countries or territories that are considered tax havens, as well as any transactions and operations that could impair the transparency of the Group.
 - c) To report to the Board in advance on related-party transactions.
 - d) To propose and report on any other matter related to the foregoing that may be requested by the Chairman or by the Board of Directors.
 - e) Any other powers attributed to it by the Board.

Name of Committee

Appointments, Compensation and Corporate Governance

Brief description

The basic responsibilities of this Committee, pursuant to Article 24 of the Corporate Bylaws, are as follows:

- a) To report on (and, in the case of Independent Directors, make) any proposals to be submitted by the Board of Directors to the Shareholders' Meeting for the appointment or removal of Directors, including in cases of co-optation.
- b) To propose the compensation policy for Directors and senior executives to the Board of Directors and ensure its observance.
- c) To assume such reporting, supervision and proposal functions in the area of corporate governance as may be determined by the Board of Directors, unless an ad hoc Committee is created for such functions".

The above basic responsibilities are detailed in Article 16 of the Board Regulations, which establishes the following:

- In relation to appointments and removals:
 - a) To report in advance on (and, in the case of Independent Directors, make) any proposals to be submitted by the Board of Directors to the Shareholders' Meeting for the appointment or removal of Directors, including in cases of co-optation.
 - b) To report, prior to their submission to the Board of Directors, on proposals for the appointment or removal of the Secretary and the Deputy Secretary of the Board of Directors.
 - c) To propose the system for selecting Independent Directors to the Board of Directors.
 - d) To evaluate the skills, knowledge and experience required on the Board and consequently define the functions and skills required of the candidates for each vacancy.
 - e) To evaluate the time and dedication necessary for Directors to be able to perform their duties with the due level of quality and efficiency, evaluating for these purposes whether their position as a Director is compatible with membership on other management bodies of listed companies.
 - f) To report on the appointment and removal of senior executives proposed by the Chairman to the Board of Directors.
 - g) To examine or organize, in the manner deemed appropriate, the process for succession of the Chairman and, as appropriate, to make proposals to the Board so the handover takes place in a planned and orderly fashion.
 - h) To ensure that gender diversity is taken into account when filling vacancies.
 - i) To consult with the Chairman, particularly when dealing with matters relating to Executive Directors.

- In relation to compensation:
 - a) To propose to the Board:
 - The compensation policy for Directors and senior executives.
 - The individual compensation and other contractual conditions of Executive Directors.
 - The standard conditions for senior executive contracts.
 - b) To consult with the Chairman of the Company, particularly when dealing with matters relating to Executive Directors and senior executives.
 - c) To ensure compliance with the compensation policy established by the Company.

- In relation to fulfillment of Director duties:
 - a) To ensure the fulfillment by the Directors of the obligations established in these Regulations, to report to the Board on their fulfillment, and to issue the relevant reports and proposals and, as applicable, on the measures to be adopted in the event of breach.
 - b) To authorize Directors to use corporate assets.

- In relation to corporate governance rules:

To supervise compliance with the corporate governance rules, making proposals for improvement to the Board of Directors, and to receive information in this respect and, as appropriate, issue an annual report on the measures to be implemented and submit it to the Board.

- Other functions:

- a) To keep the Board informed of its activities and to prepare an annual report to be included in the Annual Corporate Governance Report and an Action Plan for each year.
 - b) To propose and report on any other matter related to the foregoing that may be requested by the Chairman or by the Board of Directors.
 - c) To report to the Board on the performance of their duties by the Chairman and the plenary session of the Board.
 - d) To verify the type of each Director for the purposes of the pertinent explanations by the Board to the Shareholders' Meeting that is to make or ratify the Director's appointment and the recording of the appointment in the Annual Corporate Governance Report.
 - e) Any other powers attributed to it by the Board.
-

B.2.5. Indicate, as appropriate, whether there are any regulations for the Board Committees, where they can be consulted, and whether any amendments have been made during the year. Also indicate whether any annual report on the activities of each Committee has been prepared voluntarily:

There are no specific internal regulations for the Committees, the preference having been for comprehensive regulation in the Board Regulations.

The Regulations may be consulted on the Company website, www.ree.es, in the Corporate Governance area of the Shareholders and Investors section, without prejudice to the fact they are registered at the CNMV and the Madrid Mercantile Registry and are therefore generally available to investors.

Each of the Board Committees prepares an annual report on their activities. Copies of these reports are included in section G) of this Report.

As mentioned above, the Board Regulations were reviewed in 2009 by the Appointments, Compensation and Corporate Governance Committee, which resulted in the approval of a new set of Regulations at the Board meeting held on January 28, 2010. Section G) of this Report contains more information in this regard.

B.2.6. Indicate whether the composition of the Executive Committee reflects the participation of the various Directors on the Board according to their status: YES NO

If no, explain the composition of the Executive Committee

Not applicable as there is no Executive Committee.

C Related-party transactions

C.1. State whether the plenary session of the Board has reserved approval, subject to a favorable report by the Audit Committee or any other Committee to which that function has been delegated, of any transactions performed by the Company with Directors, significant shareholders or shareholders represented on the Board, or persons related to them: YES NO

C.2. Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its Group and the significant shareholders of the Company:

Name of significant shareholder	Name of Group company	Nature of the relationship	Type of transaction	Amount (€ Thousand)
--	--	--	--	--

C.3. Give details of material transactions entailing a transfer of funds or obligations between the Company or entities of its Group and the Company's Directors or executives:

Name of Director or executive	Name of Group company	Nature of the relationship	Tipo de la transaction	Amount (€ Thousand)
--	--	--	--	--

There are no material transactions with company Directors and executives.

At December 31, 2009, there were no loans, advances or guarantees granted by Group companies to or for members of the Company's Board of Directors. There were also no pension commitments with respect to the members of the Company's Board of Directors on that date.

C.4. Give details of material transactions by the Company with other companies of the same Group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and do not fall with the course of the Company's ordinary business, as regards their subject matter or terms and conditions:

Name of Group company	Brief description of the transaction	Amount (€ Thousand)
Red Eléctrica del Sur (REDESUR)	Transactions of no material significance, carried out in the ordinary course of the business, which are included merely for informational purposes.	840

C.5. Indicate whether any members of the Board of Directors were subject to any conflict of interest during the year, as provided for Article 127 ter of the Corporations Law: YES NO

Name of Director	Description of conflict of interest
--	--

C.6. Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group and its Directors, executives or significant shareholders:

Article 29.3 a) of the Board Regulations establishes that Directors must refrain from attending and participating in deliberations affecting matters in which they have a direct or indirect personal interest.

A personal interest will also be considered to exist when the matter relates to a person related to the Director or to a company with which he has an employment or professional relationship or at which he has an executive position or significant shareholding. For these purposes, persons related to the Director are those defined as such from time to time in the applicable legislation.

In accordance with the provisions of Article 29.3 b) of the Board Regulations, Nominee Directors must disclose to the Board of Directors any conflict of interest between the Company and the shareholder that proposed their appointment where said conflict affects matters submitted to the Board and they must refrain from participating in the adoption of the corresponding resolutions.

In addition, Article 2 of the Internal Code of Conduct on the Securities Market, approved on July 20, 2006, includes within its scope of application Directors, the Secretary and Deputy Secretary of the Company's Board of Directors, executives (as defined in Chapter I of the Board Regulations) and the persons expressly designated by the Oversight Body created pursuant to the Code.

Under Article 7 of the Internal Code of Conduct on the Securities Market, persons subject or temporarily subject thereto must generally attempt to avoid situations of direct conflict of interest or conflicts concerning persons related to them and must inform the Oversight Body of any situations of conflict of interest that may reasonably arise within fifteen (15) days of such situations coming to their attention, so that the Oversight Body may adopt the corresponding decisions in advance. Directors must give notice of the situations described in the preceding paragraph through the Secretary of the Board of Directors.

Persons subject or temporarily subject to the Code must keep up to date the information regarding conflicts of interest they have disclosed, reporting any such changes as may have occurred. Without prejudice to the obligations specified in the preceding paragraph as regards conflicts of interest, Directors must comply with the requirements contained in the Corporate Bylaws and the Board Regulations and, in general, with all requirements deriving from the corporate/commercial legislation applicable to corporations.

The Oversight Body will keep an up-to-date itemized Register of the conflict of interest situations disclosed by the various persons subject or temporarily subject to the Code, and will adopt the appropriate security measures for its safekeeping and storage. In any event, access to the register will be restricted.

It should be noted that for the above purposes, in accordance with Article 11 of the Internal Code of Conduct on the Securities Market, the Oversight Body is the Directorate-General of Administration and Finance, which will act in collaboration with the Secretary of the Board of Directors as regards any legal issues resulting from the application or interpretation of the Code. In addition, the Oversight Body has been entrusted with the general functions of ascertaining, registering, disseminating and monitoring compliance with the obligations and duties established in the Internal Code of Conduct. The **Oversight Body** will have all necessary powers to perform the duties entrusted to it in the Internal Code of Conduct and must periodically report to the Audit Committee on the degree of compliance with the Code and any incidents that may occur.

The Audit Committee is responsible for supervising compliance with the Internal Code of Conduct and the performance of the functions of the Oversight Body, the person responsible for the material transaction and the office of the Secretary of the Board of Directors contemplated therein, as well as the internal resolution of any questions and conflicts raised by parties subject or temporarily subject to the Code as may be submitted by the Oversight Body. The Audit Committee will evaluate compliance with the Internal Code of Conduct on an annual basis and will adopt any appropriate measures for its optimum implementation and improvement. It is also responsible for proposing to the Appointments, Compensation and Corporate Governance Committee, for referral to the Board of Directors, any amendments it deems necessary in light of the Board's commitment to continuous adaptation, as well as the adoption of the best corporate governance practices in the area and of the applicable legislation.

Article 2.1.3 of the Internal Code of Conduct on the Securities Market establishes that Company executives, as defined in Chapter 1, are deemed to be subject to the Code and, accordingly, will be subject to potential conflicts of interest. Article 5.2.2 of the Internal Code provides that, when circumstances so require, the **Oversight Body** may decide to include as persons subject to the Code, on a temporary basis, any persons participating in a material transaction that have access to privileged information. The parties affected will be given individual written notice of their inclusion in or exclusion from those lists.

In accordance with the provisions of Article 31 of the Board Regulations, the Board of Directors formally reserves the right to be informed of any material transaction of the Company with a significant shareholder, unless as a result of its nature and conditions it falls within the jurisdiction of the Shareholders' Meeting.

C.7. Is more than one Group company listed in Spain? YES NO

List the subsidiaries listed in Spain:

Listed subsidiaries

--

Indicate whether the areas of activity they engage in and any business dealings between them, and between the listed subsidiary and other Group companies, have been publicly and precisely disclosed: YES NO

Define any business dealings between the parent company and the listed subsidiary, and between the listed subsidiary and other Group companies

--

Identify the mechanisms envisaged for the resolution of potential conflicts of interest between the listed subsidiary and other Group companies:

Mechanisms for the resolution of any conflicts of interest

--

D Risk control systems

D.1. General description of the risk policy of the Company and/or its Group, giving details and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk:

The purpose of the Risk Policy of the Red Eléctrica Group, approved by the Board of Directors on July 24, 2008, is to establish principles and guidelines to ensure the systematic identification, analysis, assessment, management and control of material risks that may affect the Red Eléctrica Group's objectives and activities, applying uniform criteria, within the established risk limits.

Material risks of the Red Eléctrica Group are those that may significantly affect the overall objectives of the Red Eléctrica Group, related to:

- Sustained creation of value over time.
Sustained profit growth, which must allow appropriate returns for investors and enable the company to implement its strategy.
- The continuity and quality of the energy supply in the electricity systems.
The achievement of this objective involves the management by the System Operator and is dependent on the reliability and availability of the transmission network.
- The construction of the electricity transmission infrastructure network necessary to meet future needs.
Red Eléctrica, as the sole transmission company, must design, fulfill the formalities for and construct the facilities specified by energy planning. This overall objective must be achieved on a cost-effective basis.
- The compatibility of the above objectives with social and environmental concerns.

This Policy establishes criteria regarding the acceptable level of risk for each of the overall objectives, which may be summarized as follows: all material risks that could jeopardize achievement of

the overall objectives must have low probability/impact values. Steps must be taken to lower the level of any risks that do not meet these values.

The general guidelines contained in the Risk Policy are as follows:

- Risk management must be fundamentally proactive and also geared towards the medium and long term, taking into account possible scenarios in an ever more globalized environment.
- In general, risks must be managed according to the relationship between the importance of the risk (probability/impact) and the investment and resources necessary to reduce it.
- Notwithstanding the above, the impact the risks may have on the electricity system itself must be taken into account with respect to activities relating to the electricity system.
- Processes must be designed with efficiency and efficacy in mind and contemplate controls to mitigate risks, taking the form of systems based on international standards (good practices) that are periodically verified and improved.
- Contingency plans must be established to reduce the impact of material risks.
- The insurance necessary to cover any losses that may occur must be arranged.

The most significant risks to which the Group is exposed, which form part of the risk control system, are:

- a) **Regulatory**, since the principal business activities of the Group are subject to regulation,
- b) **Operational**, basically deriving from its assigned activities within the electricity system and the requirement to care for and protect the natural environment,
- c) **Market**, since most revenues, as well as certain expenses, are influenced by variables such as inflation and interest rates, and
- d) **Business and Credit (or counterparty)**, although to a lesser extent due to the lesser weight of the subsidiaries in the overall Group and the existing regulation regarding invoicing and collection for transmission and operating activities.

The risk control system covers both risks from internal processes and risks from the environment in which it operates, covering all activities performed by the Group, evaluating the impact of each risk on four aspects: strategy, the income statement, the electricity system and reputation.

Of all risks monitored by the system, 12% relate to regulatory risks, 73% to operational risks and 15% to business, market or credit risks. These figures are consistent with a Group whose fundamental mission is to ensure the functioning of the electricity system as a whole in a heavily regulated environment and with the level of solvency supported by the ratings given to it by international rating agencies.

D.2. Indicate whether any of the various kinds of risk (operating, technological, financial, legal, reputational, tax, etc.) to which the Company and/or its Group are exposed arose during the year:
 YES NO

If yes, describe the underlying circumstances and whether the established control systems functioned:

Risk during the year	Underlying circumstances	Functioning of the control systems
<p>The transmission network facilities are constantly exposed to operating events that may affect the continuity and security of the electricity supply.</p> <p>Events of this kind occurred throughout 2009, the main event being as a result of Cyclone Klaus, between January 23 and 25, which downed supports in 10 lines, from Galicia to Cataluña.</p>	<p>In general, these events were caused by third parties and meteorological phenomena.</p> <p>Cyclone Klaus was a result of extraordinary weather conditions (explosive cyclone) and hit the north and east of Spain and southern France, with winds reaching speeds of 220 kilometers an hour.</p>	<p>The control systems functioned adequately, as shown by the transmission network availability index, which reached 98.06% in 2009 (compared to 98.17% in 2008), with an average interruption time of 0.44 minutes (1.15 minutes in 2008).</p> <p>The Company has insurance policies that limit the potential impact of these events on the income statement.</p>

D.3. Indicate whether any Committee or other governing body is responsible for establishing and supervising those control mechanisms: YES NO

If yes, give details of their functions

Name of Committee or body	Description of functions

The **Board of Directors** is responsible for approval of the integral risk management policy of the Company and of the Group, and for the knowledge and periodic monitoring of the internal control, prevention and reporting systems.

The **Audit Committee** is responsible for the periodic supervision of the risk management system, to ensure that the main risks are adequately identified, managed and disclosed.

The **Management Committee**, comprised of executives from the key strategic areas of the Company, is responsible for:

- Promoting implementation of the integral risk management policy.
- Monitoring the Risk Map, and agreeing on the appropriate actions to facilitate the achievement of the global objectives.

The risk control function is performed on a centralized basis by the **Regulation Office**, which reports to the Office of the Chairman.

D.4. Identification and description of the procedures for compliance with the various regulations affecting the Company and/or its Group:

Procedures

The Red Eléctrica Group constantly designs and implements processes to ensure its compliance with the various regulations and to mitigate or reduce the related risks.

These processes have been integrated into systems structured according to a set of internal standards and procedures based on international standards (ISO 9001, ISO 14001 and OHSAS 18001), which are subject to systematic audits of the adequacy of their design and compliance, and include mechanisms for controlling the objectives that they must meet.

Projects

All proposals for significant projects from an economic or strategic point of view include the corresponding risk analysis, allowing risks to be evaluated when the related decisions are to be made. These decisions are made by the competent corporate body according to the established limits, with the most important projects requiring the approval of the Board of Directors.

Verification

The design and adaptation to existing regulations of, and correct compliance with, the internal rules and procedures is systematically reviewed by the Internal Audit and Risk Management functions, which form an integral part of the Regulation Office, and these procedures are also supervised by the Audit Committee.

Internal rules and their compliance are also subject to external audits on a periodic basis, by international ISO and OHSAS standards certification bodies.

E Shareholders' meeting

E.1. Indicate and, as appropriate, give details of any differences between the minimum quorum requirements provided for in the Corporations Law (LSA) and the quorum required for the Shareholders' Meeting YES NO

	Percentage quorum other than as provided in Article 102 LSA for general matters	Percentage quorum other than as provided in Article 103 LSA for special matters under Article 103
Quorum required on first call	--	--
Quorum required on second call	--	--

E.2. Indicate and, as appropriate, give details of any differences between the regime provided for in the Corporations Law (LSA) and the regime for adopting corporate resolutions: YES NO

Describe how it differs from the regime provided for in the LSA

	Qualified majority other than as provided in Article 103.2 LSA for matters under Article 103.1	Other instances of qualified majority
Percentage established by the Company for adoption of resolutions	--	--
Describe the differences		
--		

E.3. List any shareholder rights in connection with Shareholders' Meetings that differ from those established in the Corporations Law:

Shareholder rights in relation to Shareholders' Meetings are regulated in Article 15 of the Corporate Bylaws, which expressly refer to the right to information and the right to attend Meetings, and in Articles 6 to 10 of the Shareholders' Meeting Regulations.

In accordance with the corporate legislation currently in force, Article 6 of the Shareholders' Meeting Regulations sets out the rights of shareholders, introducing, over and above the provisions of the Corporations Law, a new right to participate in company matters on the terms established in Article 7 of the Shareholders' Meeting Regulations.

Right to Information

The Company pays particular attention to the shareholders' right to information, as reflected in Article 15 of the Corporate Bylaws and Article 8 of the Shareholders' Meeting Regulations. Thus, Article 8 of the Shareholders' Meeting Regulations establishes an obligation to make available to shareholders, free of charge, both through the Shareholder Information Office and on the Company website, the documentation and information relating to the agenda of the Shareholders' Meeting, including the following:

- The call notice of the Shareholders' Meeting, containing the proposed resolutions and the corresponding reports by the Board of Directors.
- The Company's individual and consolidated financial statements and the proposed distribution of income for the year.
- The Company's individual and consolidated management reports for the year.
- The audit reports for the consolidated financial statements and the Company's financial statements.
- The Annual Corporate Governance Report.
- The Corporate Social Responsibility Report.
- The Environmental Report.
- The report on the compensation policy of the Board of Directors, included in the annual public documentation submitted to the Annual Shareholders' Meeting.
- Any other report required by law or as determined by the Board of Directors.

In order to reinforce the shareholders' right to information, shareholders may request the pertinent documentation, reports or clarification from the Company on the items included on the agenda, as well as request any information or clarification or ask questions in writing regarding any information provided by the Company to the CNMV since the date of the last Shareholders' Meeting.

The Shareholder Information Office specifically deals with requests made by Company shareholders. Shareholders may also submit questions in writing regarding any information available to the public or communicated to the competent authorities, and make inquiries through the Shareholder Information Office.

In addition, Article 15.4 of the Shareholders' Meeting Regulations establishes that shareholders may orally request any reports or clarification during the Meeting that they consider appropriate regarding items on the agenda. If such requests cannot be satisfied at the time, the Board of Directors must provide the information in writing within seven days of the meeting.

Right to Attend

Article 15 of the Corporate Bylaws and Article 9 of the Shareholders' Meeting Regulations establish that shareholders may attend the Shareholders' Meeting if they are up to date in the payment of capital calls and evidence their share ownership, by way of certification in their name, in the accounting register of book entries five days before the meeting is due to be held.

Board members and Company executives must attend the Shareholders' Meetings. As a general rule and in order for the proceedings of meetings and the resolutions adopted to reach the widest audience, the media are allowed access to Shareholders' Meetings and Shareholders' Meetings are filmed.

The Corporate Bylaws and the Shareholders' Meeting Regulations establish specific conditions for the representation of shareholders at Shareholders' Meetings, but there is no specific policy established by the Company regarding proxies for Shareholders' Meetings.

In this regard, Article 15 of the Corporate Bylaws and Article 10 of the Shareholders' Meeting Regulations provide that shareholders with the right to attend (which all shareholders enjoy as indicated below, given that there is no minimum number of shares required to attend meetings) may be represented at the Shareholders' Meeting by another shareholder with the right to attend, as established in Articles 106 through 108 of the Corporations Law and in the Corporate Bylaws. Proxies must be conferred in writing and specifically for each meeting.

Except for cases of public proxies, which are subject to the prevailing legal provisions, no person may accumulate proxy votes that together with their own votes give them voting rights exceeding 3% of capital, as indicated in this Report (Section A.10).

Law 17/2007 amended Article 34 of Electricity Industry Law 54/1997, of November 27, 1997, by establishing various limits on shareholdings. Law 17/2007 provides that the voting rights corresponding to shares that exceed the maximum percentage established by law shall be held in abeyance until the amount of shareholdings or voting rights is adjusted, establishing certain limits on shareholdings and voting rights at the Company.

Consequently, according to Article 5 (Capital Stock), Article 14 (Quorum) and the Sole Additional Provision (Special Regime for the State-Owned Industrial Holdings Company) of the Corporate By-laws, and Article 6.3 (Limitations) and Article 15.8 (Vote) of the Shareholders' Meeting Regulations, the sum of the direct or indirect holdings in the Company's capital of any individual or legal entity may not exceed five percent of the Company's capital stock at any time, unless otherwise authorized by law. These shares may not be pooled for any purpose whatsoever. No shareholder may exercise more than three percent of voting rights. Parties that engage in activities in the electricity industry and those individuals or legal entities that directly or indirectly hold more than five percent of their capital, may not exercise more than one percent of voting rights. Furthermore, the sum of the direct or indirect interests held by parties that pursue activities in the electricity industry must not exceed forty percent.

As an exception to the above general rule, a special regime is applicable to the State-Owned Industrial Holdings Company (SEPI) pursuant to the new Sole Additional Provision of the Corporate By-laws, according to which, in line with the provisions of the Electricity Industry Law, the limitations established in section 2 of Additional Provision Three of Law 17/2007 and those established in the Corporate Bylaws on shareholdings in the Company and voting rights do not apply to SEPI. The State-owned Industrial Holdings Company shall in all cases have a holding of not less than 10%.

Article 14 of the Corporate Bylaws provides that shares or other securities the voting rights of which exceed the limits set forth in Article 5 shall not be taken into account when calculating the quorum

for holding the corresponding Shareholders' Meetings, or when calculating the majorities for adoption of resolutions.

Moreover, in accordance with Article 15 of the Corporate Bylaws and Article 10 of the Shareholders' Meeting Regulations, as required by Law 17/2007, except in cases of public proxies, which are subject to the prevailing legal provisions in each case, no person may accumulate proxy votes that together with their own votes give them voting rights exceeding 1% of share capital.

Right to Participate and New Technologies

The Shareholders' Meeting Regulations allow shareholders to participate to the fullest extent in matters of interest to them (right to attend, meeting calls, inclusion of items and proposals on the agenda, inquiries and requests for information and voting).

In line with the most well-known recommendations in this area, the Shareholders' Meeting Regulations are in line with the regime established by Law 26/2003 of July 17, 2003 regarding the development of shareholder rights and the rules regarding the organization and functioning of the Shareholders' Meeting.

Thus it is provided that shareholders owning 5% of capital may request that the Board, prior to issuing the call, include any item on the agenda for the next Shareholders' Meeting. The Board of Directors must include the items requested in the manner that best suits the Company's interests, provided that they refer to matters falling within the scope of the powers of the Shareholders' Meeting.

Shareholders may also make proposals regarding items on the agenda and suggestions regarding any activities and interests of the Company that, in their opinion, should be discussed at the Shareholders' Meeting. In both cases, shareholders may make proposals and suggestions through the Shareholder Information Office.

Red Eléctrica introduced the electronic voting system in 2005. It was one of the pioneers of this system, which allows shareholders to exercise their voting rights electronically via the Company website, www.ree.es.

In 2006, in line with the Company's policy of adopting good corporate governance practices, an additional step was taken and new improvements were introduced to facilitate shareholder participation at meetings by telematic means. These measures included:

- the possibility of obtaining duplicates of attendance cards by electronic means; and
- the option of requesting information by electronic means regarding items on the agenda for the meeting.

In line with the ongoing policy of providing shareholders with advanced telematic means of exercising their rights, the Board meeting held on April 17, 2008 approved the rules regarding voting and proxies by remote means and the exercise of the right to information by electronic means for the 2007 Annual Shareholders' Meeting, which also introduced the possibility of using the electronic national identity document.

The procedure was a success once again: 315 shareholders holding 64,670 shares voted and/or delegated their vote electronically, exceeding the 53,186 votes cast and/or delegated electronically at the 2007 Shareholders' Meeting.

The Board meeting held on March 26, 2009 approved the rules regarding voting and proxies by remote means and the exercise of the right to information by electronic means for the 2008 Annual Shareholders' Meeting. Following the trend, the Shareholders' Meeting held on May 21, 2009 surpassed shareholder attendance by electronic means in previous years, more than doubling the number of votes cast electronically at the 2008 Shareholders' Meeting. Specifically, 379 shareholders holding 133,711 shares voted and/or delegated their votes electronically at the last Shareholders' Meeting.

E.4. Indicate, as appropriate, the measures adopted to encourage participation by shareholders at Shareholders' Meetings:

The Shareholders' Meeting Regulations pay particular attention to the right to participate, stipulated in Article 7, explained in detail in Section E.3 above, which should be consulted for further information.

Regarding the use of electronic voting, please refer to section E.3 above.

E.5. Indicate whether the Chairman of the Board of Directors chairs Shareholders' Meetings. Give details, as appropriate, of what measures are adopted to ensure the independence and sound functioning of the Shareholders' Meeting: YES NO

Details of measures

As provided in the Company's regulations, the office of Chairman of the Shareholders' Meeting falls to the Chairman of the Board of Directors.

Article 12 of the Shareholders' Meeting Regulations establishes that the Shareholders' Meeting will be chaired by the Chairman of the Board of Directors and, in his absence, by the corresponding Deputy Chairman, either by rank or longest time in office. Failing that, it will be chaired by the person appointed by the Board of Directors and, if no appointment has been made, by the Director or shareholder freely chosen by the shareholders attending each meeting.

The Secretary or, as the case may be, Deputy Secretary of the Board of Directors will act as Secretary of the Shareholders' Meeting. If both are absent, the Secretary of the Shareholders' Meeting will be the Director or shareholder freely chosen by the shareholders attending each meeting.

The Chairman is tasked with chairing the meeting and establishing the order of deliberations and speeches; deciding on the method of voting on resolutions; handling any questions, clarification or claims arising in relation to the agenda, the list of attendees, share ownership, delegations or proxies, quorum requirements for the valid constitution of the Shareholders' Meeting and the adoption of resolutions, or the bylaws limit on voting rights; and granting the floor to the shareholders who so request, withdrawing or refusing the floor when he deems the matter in question have been sufficiently debated.

Article 5 of the Shareholders' Meeting Regulations establishes a series of measures to ensure the independence and sound functioning of the Shareholders' Meeting. It provides that the Board of Directors will call annual and special Shareholders' Meetings by publishing a notice in the Official Gazette of the Mercantile Registry and in one of the newspapers with widest circulation in Madrid at least one month before the date scheduled for the Shareholders' Meeting, without prejudice to endeavoring to call the Meeting sooner than as required by law and the Corporate Bylaws, as is the habitual practice at the Company, in order to make it as easy as possible for shareholders to plan their participation.

The notice will indicate the date of the meeting on first call and the items on the agenda. It may also state the date of the meeting on second call. A period of at least twenty-four hours must elapse between the two calls. Where no second call is provided for and the Shareholders' Meeting cannot be held, the second call must be made in the same manner as the first call, within fifteen days of the date on which the meeting was not held and at least eight days prior to the holding of the second meeting. In the notice, the Board will endeavor to state the likely date for the meeting on first or second call.

Meetings may be held at the registered office or any other venue in the municipality where the Company's head office is located. The call notice will state the time and venue at which shareholders can consult the documents to be submitted for approval to the Shareholders' Meeting, without prejudice to the right of any shareholder to request and receive these documents free of charge. The call notice will also be posted on the Company website and a copy will be sent to the stock exchanges on which the Company shares are listed.

The Board must call a Special Shareholders' Meeting if shareholders owning 5% of capital submit a reasoned request to that effect, specifying the matters to be dealt with, which must fall within the jurisdiction of the Shareholders' Meeting. In this case, the Shareholders' Meeting will be called to be held within thirty days of the date the request was served by a notary on the Board of Directors, and the Board will draft the agenda, including the matters stated in the request in the form that best suits the Company's interests.

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

The quorum necessary for constitution of the Shareholders' Meeting is established in Article 14 of the Corporate Bylaws and in Article 11 of the Shareholders' Meeting Regulations. The Corporate Bylaws and the Shareholders' Meeting Regulations do not differ from the provisions established in Articles 102 and 103 of the Corporations Law. As indicated below, the minimum share requirement (50) in order to be able to attend Shareholders' Meetings was eliminated from the Corporate Bylaws in 2003.

Article 15 of the Shareholders' Meeting Regulations contains detailed rules for the sound functioning of the Shareholders' Meeting. This article provides that, prior to addressing the items on the agenda, a list of attendees will be drawn up, detailing the status or representative authority of each attendee and the number of shares with which they attend, whether in person or by proxy. The number of shareholders present in person or by proxy and the amount of capital held by them will be stated at the bottom of the list, summarizing the capital corresponding to shareholders with the right to vote, and all such data will be verified by the Secretary.

Once the meeting has been called to order, the Secretary will read the call and attendance data based on the list of attendees. Based on the list of attendees, the Chairman will declare the meeting to be validly constituted, as appropriate. If a notary is present at the request of the Company to draw up the Minutes of the meeting, he will ask those attending if there are any reservations or objections to the shareholder attendance and capital data stated by the Chairman.

At the Annual Shareholders' Meeting the Chairman will inform the meeting of the most significant matters in the year and the proposals of the Board, and his presentation may be completed by the individuals authorized by him.

The Chairman of the Audit Committee will be available to the Shareholders' Meeting to respond to any questions raised by the shareholders on matters falling within its jurisdiction.

Once the pertinent presentations and speeches have been given, the Chairman will give the floor to the shareholders who so request, directing and coordinating the debate, and endeavoring to follow the established

agenda, except as provided for in Articles 131 and 134 of the Corporations Law.

Article 15.8 of the Shareholders' Meeting Regulations establishes that each share gives the right to one vote on the terms established in the Corporate Bylaws, with the limits set out therein as required by the Electricity Industry Law.

The Chairman will also decide on the most suitable method for voting in each case, announcing it publicly at the Shareholders' Meeting sufficiently in advance and prior to the vote.

Article 15 of the Shareholders' Meeting Regulations allows for the possibility of establishing electronic voting systems, provided that the identity of the voter and his status as shareholder or proxy are evidenced and that the number of shares with which he votes, as well as the direction of the vote or, as the case may be, his abstention, are stated clearly and unequivocally.

Article 17 of the Corporate Bylaws and Article 15.9 of the Shareholders' Meeting Regulations do not differ from the provisions established in the legislation in force, since they simply establish that resolutions will be adopted by majority vote, except when a higher majority is required by law.

The above is also without prejudice to the rights to participate, to information and to attend, which are described in detail in Section E.3 of this Report.

E.6. Indicate, as appropriate, any amendments made to the Shareholders' Meeting Regulations during the year:

No amendments were made to the Shareholders' Meeting Regulations in 2009.

E.7. Indicate the data on attendance at the Shareholders' Meetings held in the year to which this Report refers:

Attendance Data			Electronic voting		
Date of Shareholders' Meeting	% Attendance in person	% Attendance by proxy	% Remote voting	Other	Total
05.21.09	1.15	57.21	5.57	--	63.93

E.8. Briefly indicate the resolutions adopted at the Shareholders' Meetings held in the year to which this Report refers and the percentage of votes with which each resolution was adopted:

Resolutions adopted	For	Against	Abstentions
1. To approve the individual financial statements and management report of Red Eléctrica Corporación, S.A. for the year ended December 31, 2008.	97.722 %	0.002 %	2.276 %
2. To approve the consolidated financial statements and management report of the consolidated group of Red Eléctrica Corporación, S.A. for the year ended December 31, 2008.	97.722 %	0.002 %	2.276 %
3. To approve the distribution of income proposed by the Board of Directors at the meeting held on February 24, 2009 and, as a result, to distribute 2008 income.	99.531 %	0.003 %	0.466 %
4. To approve the management by the Board of Directors of Red Eléctrica Corporación, S.A. in 2008.	99.187 %	0.025 %	0.788 %
5. To re-elect and appoint Directors.			
5.1 To re-appoint, in accordance with the statutory and bylaw provisions in force, Mr. Luis María Atienza Serna as Executive Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.	94.550 %	4.788 %	0.662 %
5.2 To re-appoint, in accordance with the statutory and bylaw provisions in force, Ms. María Ángeles Amador Millán as an Independent Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.	99.004 %	0.325 %	0.671 %
5.3 To re-appoint, in accordance with the statutory and bylaw provisions in force, Mr. Rafael Suñol Trepas as a Nominee Director of Red Eléctrica Corporación, S.A. for the four-year period stipulated in the Corporate Bylaws.	99.004 %	0.323 %	0.673 %
6. To re-appoint PricewaterhouseCoopers Auditores, S.L. as auditors of the parent company, Red Eléctrica Corporación, S.A., and of its consolidated Group for a period of 2 years, encompassing the 2009 and 2010 fiscal years, pursuant to the provisions of Article 204.1 of the Corporations Law.	99.275 %	0.056 %	0.669 %
7. To delegate powers to the Board of Directors to issue and exchange fixed-income marketable securities and preferred participations, and to request, as the case may be, the admission, continued listing and delisting of same on organized secondary markets. To revoke and render ineffective the powers delegated by the Shareholders' Meeting held on May 26, 2006.	97.824 %	1.493 %	0.683 %

8. To authorize the Board of Directors to make derivative acquisitions of treasury stock.

8.1 To authorize the Board of Directors, pursuant to Article 75 and related provisions and Additional Provision One of the Corporations Law and other applicable legislation to make, directly or indirectly and to the extent it deems advisable under the circumstances, derivative acquisitions of shares in Red Eléctrica Corporación, S.A.	99.058 %	0.262 %	0.680 %
8.2 To approve the participation of managers and Executive Directors of the Company and companies in its consolidated Group in a compensation system whereby part of their compensation may be awarded in the form of Company shares.	98.995 %	0.161 %	0.844 %
8.3 To revoke and render ineffective the authorization to make derivative acquisitions of treasury stock granted to the Board of Directors by the Shareholders' Meeting held on May 22, 2008.	99.160 %	0.096 %	0.744 %
9. To ratify, with effect from January 1, 2009, the resolutions adopted by the Board of Directors at the meeting held on December 18, 2008, establishing its compensation in 2008 and 2009.	79.253 %	0.697 %	20.050 %
10. To delegate the broadest powers to be exercised on a several basis to the Chairman and to each of the members of the Board of Directors, and to the Secretary and Deputy Secretary of the Board, so that they may implement, execute and register each and every one of the resolutions adopted by the Shareholders' Meeting.	99.567 %	0.003 %	0.430 %
11. To report to the Shareholders' Meeting on the 2008 Annual Corporate Governance Report of Red Eléctrica Corporación, S.A.	For information	For information	For information
12. To report to the Shareholders' Meeting on items contained in the management report related to Article 116 bis of the Securities Market Law.	For information	For information	For information

E.9. Indicate whether there is any restriction in the Bylaws regarding the minimum number of shares necessary to attend the Shareholders' Meeting: YES NO

Number of shares necessary to attend the Shareholders' Meeting

1

E.10. Indicate and provide support for the policies followed by the Company with respect to proxy voting at Shareholders' Meetings:

The Company has no specific policy for granting proxies to vote at Shareholders' Meetings. Notwithstanding the above, the Corporate Bylaws and the Shareholders' Meeting Regulations establish specific conditions for the representation of shareholders at Shareholders' Meetings.

In this regard, Article 15 of the Corporate Bylaws and Article 10 of the Shareholders' Meeting Regulations provide that shareholders with the right to attend may confer a proxy for the Shareholders' Meeting on another shareholder with the right to attend, in the manner established in Articles 106 through 108 of the Corporations Law, respecting the provisions of the Corporate Bylaws. Proxies must be conferred in writing and specifically for each meeting.

Except for cases of public proxies, which are subject to the prevailing legal provisions, no person can accumulate proxy votes that together with their votes give them voting rights exceeding 3% of capital. In addition, shares may not be pooled for any purpose.

As already discussed in this Report (section A), Law 17/2007 amended Article 34 of Electricity Industry Law 54/1997 of November 27, 1997. Specifically, the second section of Additional Provision Three of Law 17/2007 established new maximum limits on the exercise of voting rights, in order to guarantee the independence of a company engaging in regulated activities in the electricity industry which, pursuant to Electricity Industry Law 54/1997 of November 27, 1997, constitute an essential service.

These legal provisions have been included in the Corporate Bylaws and the Shareholders' Meeting Regulations, as indicated in sections E.5 and E.6 above.

Thus, any individual or legal entity may hold shares in the Company, provided that the sum of their direct and indirect interests in the Company's capital does not exceed five percent of capital and

they do not exercise more than three percent of voting rights. These shares may not be pooled for any purpose whatsoever.

Parties that pursue activities in the electricity industry, and those individuals or legal entities that directly or indirectly hold more than five percent of their capital, may not exercise more than one percent of voting rights at the company responsible for operation of the system.

The special regime for SEPI, whereby it must hold at least ten percent of capital in all cases, remains unchanged.

Accordingly, pursuant to Article 15 of the Corporate Bylaws and Article 10 of the Shareholders' Meeting Regulations, except for cases of public proxies, which are subject to the prevailing legal provisions in each case, no person may accumulate proxy votes that together with their own votes give them voting rights exceeding 3% of capital.

Also notable are the provisions of the Corporate Bylaws and Shareholders' Meeting Regulations regarding electronic voting and proxies, which have been successfully applied since 2005 and are discussed in detail in section E.3 above.

As is customary, the Company facilitated the use of electronic voting systems and proxies by shareholders for the Annual Shareholders' Meeting held on May 21, 2009, following approval of the corresponding procedure by the Board meeting held on March 26, 2009.

E.11. Indicate whether the Company is aware of the policy of institutional investors on whether or not to participate in the Company's decisions: YES NO

Describe the policy

Relations between the Company and institutional investors are general in nature and no specific or special relationships are held with any of them.

The Company regularly organizes road shows at the principal financial centers in Spain and abroad where there is a higher concentration of institutional investors, in order to inform them of its activities and its business performance in an attempt to forge closer ties with this group of investors.

Under no circumstances does the Company disclose any information to institutional shareholders that might place them in a privileged or advantageous situation vis-à-vis the other shareholders.

The Company does not receive any information flowing inversely, that is, from the institutional investor, apart from the specific information that such investors may disclose to the markets.

E.12. Indicate the URL and means of accessing corporate governance content on the website:

Article 2 of the Shareholders' Meeting Regulations establishes the content of the Company website, the purpose of which is to serve as an instrument to ensure transparency in the way the Company conducts itself and, at the same time, to allow shareholders to exercise of their voting rights more effectively, as well as to make dealings between shareholders and the Company easier. The Company has been using this form of communication since it was listed on the stock market in 1999. The content of the website is updated regularly and exceeds the requirements of the applicable legislation.

To this effect, the Company's website (www.ree.es) includes a "Shareholders and Investors" section accessible from the home page. Among other items, it includes a section specifically entitled "Corporate Governance" containing all information on this matter that may be of interest to shareholders. The website includes the following content, among other items, in accordance with the Shareholders' Meeting Regulations:

- The Corporate Bylaws.
- The Shareholders' Meeting Regulations, the Board Regulations and other corporate governance provisions.
- Quarterly reports for the year and annual reports for the past two years, together with reports by the external auditor.
- The Annual Corporate Governance Report prepared by the Board.

- The composition of the Board and its Committees.
- Details of shareholders with stable holdings, both direct and indirect, and their representation on the Board, as well as any side agreements between shareholders which have been disclosed to the Company and the market.
- The shareholdings of each of the members of the Board.
- The report on the compensation policy for the Board of Directors.
- Information contained in the presentations made to different market operators and analysts, intermediaries and significant shareholders.
- Material events disclosed to the CNMV.
- The resolutions adopted at the last Shareholders' Meeting, including details on the composition and result of the vote.
- The current call for the next Shareholders' Meeting.
- Any information that must be made available to shareholders along with the call to the Shareholders' Meeting.
- Responses to proposals and suggestions made by shareholders.
- Communication channels between the Company and shareholders and pertinent explanations regarding the exercise of the right to information, indicating e-mail and postal addresses to which shareholders may address their questions.
- Means and procedures for granting proxies for Shareholders' Meetings, as well as means and procedures for casting votes remotely, with the forms approved for that purpose.

As regards the disclosure of resolutions approved by the Shareholders' Meeting, Article 17 of the Shareholders' Meeting Regulations specifies that, without prejudice to the recording of all registrable resolutions at the Mercantile Registry and to any applicable legal provisions regarding disclosure of corporate resolutions, the Company will submit the text of the approved resolutions to the CNMV in a notice disclosing a material event, on the same day the meeting is held or on the immediately following business day. Once it has been reported to the CNMV, the text of the resolutions will also be made available on the Company website.

Work continued in 2009 to improve the content of the website as a means of communication with shareholders and investors, pursuant to Order ECO/3772/2003 of December 26, 2003 and CNMV Circular 4/2007. The following steps were particularly noteworthy:

- The live and simultaneous broadcast, in Spanish and English, of the Annual Shareholders' Meeting held on May 21, 2009.
- The live and simultaneous broadcast, in Spanish and English, of the presentation of 2008 year-end results and the 2009-2013 Strategic Plan.
- The publication in English of the call notice and proposed resolutions submitted for approval to the Shareholders' Meeting, including the Annual Corporate Governance Report.

F Degree of compliance with corporate governance recommendations

Indicate the degree to which the Company complies with the recommendations of the Unified Good Governance Code.

In the event of noncompliance with any of the recommendations, explain the recommendations, rules, practices or criteria used by the Company.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other restrictions that hinder the taking of control at the Company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23, E.1. and E.2.

Complies Explain

2. When a parent company and a subsidiary are listed, the two should provide detailed disclosure on:

- a) Their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other Group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Complies Complies partially Explain Not applicable

3. Even when not expressly required under corporate/commercial law, any decisions involving a structural change should be submitted to the Shareholders' Meeting for approval or ratification.

In particular:

- a) The conversion of listed companies into holding companies by way of "subsidiarization", or the transfer to dependent entities of core activities previously pursued by the original company, even where the latter retains full control of the former;

- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations the effect of which is equivalent to the company's liquidation.

Complies Complies partially Explain

4. Detailed proposals of the resolutions to be adopted at the Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the call notice.

Complies Complies partially Explain

5. Separate votes should be taken at the Shareholders' Meeting on substantially independent items, so that shareholders can express their preferences in each case. This rule will apply in particular to:

- a) The appointment or ratification of Directors, with separate voting on each;
- b) Amendments to the Corporate Bylaws, with votes taken on all articles or groups of articles that are substantially independent.

See section: E.8

Complies Complies partially Explain

6. Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of different clients can issue their votes according to their client's instructions.

Complies Explain

7. The Board should perform its duties with unity of purpose and independent judgment, treat all shareholders equally and be guided by the interests of the Company, understood to be maximizing the economic value of the Company on a sustained basis.

The Board also should ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and agreements in good faith; respects the customs and good practices of the industries and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies Complies partially Explain

8. The core mission of the Board should be to approve the company's strategy and authorize the organizational resources to implement it, and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the plenary session of the Board should reserve the right to approve:

- a) The general policies and strategies of the Company, in particular:
- i) The strategic or business plan, as well as annual management objectives and budgets;
 - ii) The investment and financing policy;
 - iii) Definition of the structure of the corporate Group;
 - iv) The corporate governance policy;
 - v) The corporate social responsibility policy;
 - vi) The policy regarding compensation and evaluation of senior executives;
 - vii) The risk control and management policy, as well as periodic monitoring of internal reporting and control systems;
 - viii) The dividend and treasury stock policies and, in particular, their limits.

See sections: B.1.10, B.1.13, B.1.14 and D.3

- b) The following decisions:
- i) On the proposal of the Company's Chief Executive, the appointment and removal of senior executives, and their indemnification clauses.

See section: B.1.14

- ii) Directors' compensation and, in the case of Executive Directors, the additional consideration for their executive functions and other contractual conditions that must be observed.

See section: B.1.14

- iii) The financial information that the Company must periodically disclose as a listed company.
 - iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the Shareholders' Meeting;
 - v) The creation or acquisition of shares in special-purpose vehicles or entities resident in countries or territories that are considered tax havens, and any other transactions or operations of an analogous nature whose complexity could impair the transparency of the Group.
- c) Transactions the Company enters into with Directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorization shall not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They are made at prices or rates generally set by the person supplying the goods or services in question;
3. Their amount is no more than 1% of the company's annual revenues.

It is recommended that related-party transactions should only be approved on the basis of a favorable report from the Audit Committee or any other Committee to which this function has been entrusted, and that any Directors involved should not exercise or delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally the powers attributed to the Board in this section should be deemed to be non-delegable with the exception of those mentioned in letters b) and c), which may be delegated to the Delegate Committee for reasons of urgency and later ratified by the plenary session of the Board.

See section: C.1 and C.6

Complies Complies partially Explain

9. To operate effectively and encourage participation, the Board of Directors should ideally comprise no less than five and no more than fifteen members.

See section: B.1.1

Complies Explain

10. External Directors, both Nominee and Independent, should occupy an ample majority of Board positions, while the number of Executive Directors should be the minimum necessary, bearing in mind the complexity of the corporate Group and the percentage holdings of Executive Directors.

See sections: A.2, A.3 and B.1.3

Complies Complies partially Explain

11. If any External Director cannot be deemed a Nominee or Independent Director, the Company should disclose this circumstance and the links that person maintains with the Company or its executives, or with its shareholders.

See section: B.1.3

Complies Explain Not applicable

12. Among External Directors, the ratio of Nominee Directors to Independent Directors should reflect the proportion between the capital represented on the Board by Nominee Directors and the remainder of the company's capital.

This proportionality rule may be relaxed so that the weighting of Nominee Directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no shareholdings are legally deemed significant shareholdings, but there are shareholders whose shareholdings have a high absolute value.
2. In companies with numerous shareholders represented on the Board but not otherwise related.

See sections: A.2, A.3 and B.1.3

Complies Explain

13. The number of Independent Directors should represent at least one-third of all Directors.

See section: B.1.3

Complies Explain

14. The category of each Director should be explained by the Board to the Shareholders' Meeting which is to make or ratify his/her appointment and should subsequently be confirmed or reviewed annually in the Annual Corporate Governance Report, after verification by the Appointments Committee. The report should also disclose the reasons for the appointment of Nominee Directors proposed by shareholders with shareholdings of less than 5% of capital, and explain why formal requests for presence on the Board have not been honored from shareholders whose holdings are greater than or equal to those of others upon whose request Nominee Directors have been appointed.

See sections: B.1.3 and B.1.4

Complies Complies partially Explain

15. When female Directors are few or nonexistent, the Board should state the reasons why and the initiatives adopted to correct the situation; in particular, with respect to vacancies, the Appointments Committee should take steps to ensure that:

- a) Selection processes do not suffer from implicit bias preventing the selection of female Directors;
- b) The Company makes a conscious effort to include women with the target profile among the candidates for Board positions.

See sections: B.1.2, B.1.27 and B.2.3

Complies Complies partially Explain Not applicable

16. The Chairman, as the person responsible for the sound functioning of the Board should ensure that Directors are supplied with sufficient information in advance of Board meetings, and prompt debate and encourage the active involvement of all members, safeguarding their rights to freely express and adopt positions; and organize and coordinate regular evaluations of the Board and, where appropriate, the Company's Chief Executive, along with the Chairmen of the relevant Committees.

See section: B.1.42

Complies Complies partially Explain

17. Where the Board Chairman is also the Company's Chief Executive, an Independent Director should be empowered to request the call of Board meetings or the inclusion of new items on the agenda in order to coordinate and give voice to the concerns of External Directors and to lead the Board's evaluation of the Chairman.

See section: B.1.21

Complies Complies partially Explain Not applicable

Thus any Director may request the call of the Board and, if so requested in writing jointly by three Directors (regardless of their category), the Corporate Bylaws and the Board Regulations provide that the Board must meet. Accordingly, it may be concluded that Red Eléctrica's internal regulations not only fulfill the aim of the Unified Code, but also offer greater flexibility when calling Board meetings.

The process of evaluation of the Board and its Chairman is expressly delegated to the Appointments, Compensation and Corporate Governance Committee.

The new Board Regulations attribute to the Chairman of the Corporate Responsibility and Governance Committee the function of communication and coordination between and among External and/or Independent Directors in the performance of their functions, and include the possibility of requesting the call of a Board meeting or the inclusion of new items on the agenda at the request of

any Director, as well as the coordination of the concerns of External Directors and management of the evaluation by the Board of its Chairman.

18. The Board Secretary should take special care to ensure that the Board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those approved by regulatory agencies;
- b) Comply with the Corporate Bylaws, the Shareholders' Meeting Regulations, the Board Regulations and other regulations at the Company;
- c) Are informed by the good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should be proposed by the Appointments Committee and approved by the plenary session of the Board and the relevant appointment and removal procedures should be stipulated in the Board Regulations.

See section: B.1.34

Complies Complies partially Explain

19. The Board should meet as often as needed to effectively perform its functions, in accordance with schedule of dates and items established at the beginning of the year, and each Director may propose other items not initially included on the agenda.

See section: B.1.29

Complies Complies partially Explain

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.29 and B.1.30

Complies Complies partially Explain

21. When Directors or the Secretary express concerns about any proposal or, in the case of Directors, about the company's performance, and such concerns are not resolved at the Board, the person expressing them can request that they be recorded in the Minutes.

Complies Complies partially Explain Not applicable

22. The plenary session of the Board should evaluate the following each year:

- a) The quality and efficiency of the functioning of the Board;
- b) Based on the report submitted by the Appointments Committee, the performance of their functions by the Board Chairman and the Company's Chief Executive;
- c) The performance of its Committees on the basis of the reports furnished by them.

See section: B.1.19

Complies Complies partially Explain

23. All Directors should be able to exercise their rights to receive any additional information they require on matters falling within the Board's jurisdiction. Unless otherwise indicated in the Corporate Bylaws or Board Regulations, such requests should be addressed to the Board Chairman or Board Secretary.

See section: B.1.42

Complies Explain

24. All Directors should be entitled to call on the Company for the advice and guidance they need to perform their functions. The Company should provide suitable channels for the exercise of this right, which may include external advice in special circumstances at the Company's expense.

See section: B.1.41

Complies Explain

25. Companies should organize induction programs for new Directors as a swift means of sufficiently familiarizing them with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programs when circumstances so advise.

Complies Complies partially Explain

26. Companies should require their Directors to devote sufficient time and effort to perform their functions effectively, and, as such:

- a) Directors should inform the Appointments Committee of any other professional obligations, in case they might affect the level of dedication required;
- b) Companies should establish rules about the number of directorships their Board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Complies Complies partially Explain

27. The proposal for the appointment or re-appointment of Directors submitted by the Board to the Shareholders' Meeting, as well as provisional appointments by way of co-optation, should be approved by the Board:

- a) On the proposal of the Appointments Committee, in the case of Independent Directors;
- b) Subject to a report from the Appointments Committee in all other cases.

See section: B.1.2 and B.1.3

Complies Complies partially Explain

28. Companies should post the following Director particulars on their websites, and keep them permanently updated:

- a) Professional profile and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the Director's category as Executive, Nominee or Independent; in the case of Nominee Directors, stating the shareholder they represent or have links with;
- d) The date of their first and subsequent appointments as a Company Director, and;
- e) Shares held in the company and any share options.

Complies Complies partially Explain

29. Independent Directors should not remain in office for a continuous period of more than 12 years.

See section: B.1.2 and B.1.26

Complies Explain

30. Nominee Directors should resign when the shareholder they represent fully disposes of their shareholding. The corresponding number of Nominee Directors should also resign if the shareholder they represent reduces its shareholding to such an extent that the number of its Nominee Directors must also be reduced.

See sections: A.2, A.3, B.1.2 and B.1.20

Complies Complies partially Explain

31. The Board of Directors should not propose the removal of any Independent Director prior to completion of the term of office specified in the Corporate Bylaws for which the Director was appointed, except when the Board finds that there is just cause after a report from the Appointments Committee. In particular, just cause will be deemed to exist when a Director is in breach of the duties inherent in his/her position or is subject to any of the circumstances described in section III.5 (Definitions) of this Code.

The removal of Independent Directors may also be proposed when a tender offer, merger or similar corporate transaction produces changes in the capital structure of the Company, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies Explain

32. Companies should establish rules obliging Directors to inform the Board of any circumstances that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal proceedings in which they appear as an accused party, and of subsequent progress in the case.

Where a Director is indicted or a decision is rendered to bring him to trial for any of the crimes referred to in Article 124 of the Corporations Law, the Board shall review the matter as soon as possible and, in light of the specific circumstances, shall decide whether or not it is appropriate for the Director to remain in office. The Board should give a reasoned account of the matter in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Complies Complies partially Explain

33. All Directors should express clear opposition when they feel a proposal submitted for the Board's approval could be contrary to the corporate interest. In particular, Independent and other Directors unaffected by the potential conflict of interest should challenge any decision that could harm the interests of shareholders not represented on the Board.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, he/she must draw the pertinent conclusions. Directors resigning for such causes should explain their reasons in the letter referred to in the next Recommendation.

This Recommendation should also apply to the Secretary of the Board; Director or otherwise.

Complies Complies partially Explain Not applicable

34. Directors who give up their positions before their term of office expires, through resignation or otherwise, should explain their reasons in a letter to be sent to all members of the Board. Regardless of whether such resignation is disclosed as a material event, the reasons for same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Complies Complies partially Explain Not applicable

35. The Company's compensation policy, as approved by its Board of Directors, should specify at least the following items:

- a) The amount of the fixed components, itemized where necessary, of Board and Board Committee attendance fees, with an estimate of the fixed annual payment they give rise to;
- b) Variable components, in particular:
 - i) The types of Director to which they apply, with an explanation of the relative weighting of variable to fixed compensation items;
 - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related compensation;
 - iii) The main parameters and grounds for any system of annual bonuses or other, non-cash benefits; and
 - iv) An estimate of the absolute amount of the variable compensation arising from the proposed compensation plan, depending on the degree of compliance with the assumptions or objectives taken as a reference.
- c) The principal characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) Conditions that must be respected in the contracts of Executive Directors exercising senior management functions. Among them:

- i) Term;
- ii) Notice periods; and
- iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between the Company and the Executive Director.

See section: B.1.15

Complies Complies partially Explain

36. Compensation in the form of the delivery of shares in the Company or other companies in the Group, share options or other share value-based instruments, payments linked to the Company's performance or pension plans should be confined to Executive Directors.

The delivery of shares is excluded from this limitation when Directors are required to retain them until they vacate office.

See sections: A.3, B.1.3 and E.8

Complies Explain

37. External Directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the position entails, but should not be so high as to compromise their independence.

Complies Explain

38. In the case of compensation linked to Company earnings, any qualifications stated in the external auditor's report that reduce those earnings should be taken into account.

Complies Explain Not applicable

39. In the case of variable compensation, compensation policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or of the industry in which the Company operates, or other similar circumstances.

Complies Explain Not applicable

40. The Board should submit a report on the Directors' compensation policy to the advisory vote of the Shareholders' Meeting, as a separate item on the agenda. This report can be supplied to shareholders separately or in the manner each Company sees fit.

The report will focus on the compensation policy approved by the Board for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also focus on the most significant changes in compensation policy compared with the previous year to which the Shareholders' Meeting refers. It also will include a global summary of how the policy was applied over the previous year.

The role of the Compensation Committee in designing the policy should be reported by the Board, along with the identity of any external advisors engaged.

See section: B.1.16 and E.8

Complies Complies partially Explain

41. The notes to the financial statements should list individual Directors' compensation in the year, including:

- a) A breakdown of the compensation of each Director, to include where appropriate:
 - i) Attendance fees and other fixed Director payments;

- ii) Additional compensation for acting as Chairman or a member of any Board Committee;
 - iii) Any payments made under profit-sharing or bonus plans, and the reason for their award;
 - iv) Contributions made on the Director's behalf to defined-contribution pension plans, or any increase in the Director's vested rights in the case of contributions to defined-benefit plans;
 - v) Any severance packages agreed or paid;
 - vi) Any compensation they receive as Directors of other companies in the Group;
 - vii) The compensation Executive Directors receive in respect of their senior management positions;
 - viii) Any compensation item other than those listed above, regardless of its nature and provenance within the Group, especially when it may be considered a related-party transaction or when its omission would detract from a true and fair view of the total compensation received by the Director.
- b) An individual breakdown of deliveries to Directors of shares, share options or other share value-based instruments, itemized by:
- i) Number of shares or options awarded in the year, and the terms set for their exercise;
 - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
 - iii) Number of options outstanding at the end of the year, specifying their price, date and other exercise conditions;
 - iv) Any change in the year in the terms of exercise of previously awarded options.
- c) Information on the relationship in the past year between the compensation obtained by Executive Directors and the Company's earnings, or other measures of the Company's performance.
- Complies Complies partially Explain

42. When the Company has a Delegated or Executive Committee (hereinafter, the Delegated Committee), the breakdown of its members by Director category should be similar to that of the Board itself. The Secretary of the Board should also act as Secretary to the Delegated Committee.

See sections: B.2.1 and B.2.6

Complies Complies partially Explain Not applicable

43. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Delegate Committee Minutes.

Complies Explain Not applicable

44. In addition to the Audit Committee required pursuant to the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, for Appointments and Compensation.

The rules governing the composition and functioning of the Audit Committee and the Appointments and Compensation Committee(s) should be set forth in the Board Regulations, and include the following:

- a) The Board of Directors should appoint the members of such Committees based on the knowledge, aptitudes and experience of its Directors and the tasks of each Committee; discuss their proposals and reports; and the Committees must report to the Board, at its first plenary session following each Committee meeting, on their activities and answer for their work;
- b) These Committees should be comprised exclusively of External Directors and have a minimum of three members. The above is without prejudice to the attendance at meetings of Executive Directors or senior executives, for information purposes, at the express invitation of Committee members.

- c) Committees should be chaired by Independent Directors.
- d) They may engage external advisors, when they feel this is necessary for the performance of their functions.
- e) Minutes should be drawn up of the proceedings and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Complies Complies partially Explain

The only limitation on full compliance with the Recommendation is the fact that the Executive Director and Chairman of the Company is a member of the Appointments, Compensation and Corporate Governance Committee, by unanimous decision of the Board of Directors, which believes it is of interest for him to be a member, so that the Committee functions more effectively, without prejudice to his abstention or absence in all matters that may personally affect him or may lead to a possible conflict of interest.

The above circumstances, their parallel with the content of Recommendations 56 and 58, which require the broad participation and collaboration of the Chief Executive with the Appointments, Compensation and Corporate Governance Committee; the content of Recommendation 45 attributing to the Committee the supervision and formulation of proposed improvements to the Board regarding corporate governance rules, a task in which the Chairman of the Board plays an important role; and finally the fact that the rest of Recommendation 44 is fully complied with, have led to the conclusion that the Company complies with the essential content of the Recommendation.

The above reasons were stated to the CNMV in July 2008, in relation to the 2007 Annual Corporate Governance Report.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or to the Compliance Committee or Corporate Governance Committee, where they exist separately.

Complies Explain

46. All members of the Audit Committee, particularly its Chairman, should be appointed on the basis of their knowledge and expertise in accounting, auditing and risk management matters.

Complies Explain

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the sound functioning of internal reporting and control systems.

Complies Explain

48. The head of the internal audit function should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies Complies partially Explain

49. The risk control and management policy should specify at least:

- a) The various types of risk (operating, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks;
- b) The determination of the risk level the Company deems to be acceptable;
- c) The measures in place to mitigate the impact of the identified risks, should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Complies Complies partially Explain

50. The Audit Committee's role should be:

1. As regards internal control and reporting systems:
 - a) To supervise the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, reviewing compliance with legal provisions, the appropriate definition of the consolidation group, and correct application of accounting principles;
 - b) To regularly review internal control and risk management systems, so that the principal risks are adequately identified, managed and disclosed.
 - c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit function; propose the department's budget; receive regular information on its activities; and verify that senior management acts on the conclusions and recommendations of its reports.
 - d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any potentially significant irregularities, in particular financial or accounting irregularities, they detect at the Company.
2. As regards the external auditor:
 - a) To make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of its engagement;
 - b) To receive regular information from the external auditor on the audit plan and the results of its implementation, and check that senior management is acting on its recommendations;
 - c) To ensure the independence of the external auditor, to which end:
 - i) The Company should disclose any change of auditor to the CNMV as a material event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for same.
 - ii) The Committee should ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services, the limits on concentration of the auditor's business and, in general, other requirements designed to safeguard the independence of the auditor;

- ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the group auditor should be encouraged to take responsibility for auditing all the companies in the Group.

See sections: B.1.35, B.2.2., B.2.3 and D.3

Complies Complies partially Explain

The Board of Directors considers it appropriate, as has been the case in the past, for the Audit Committee to supervise and control the process of selection, appointment and removal of the head of the internal audit function, and its action plans, supervising and approving the resources allocated thereto, including its budget.

Nevertheless, the Board of Directors unanimously believes that the powers to appoint and remove the head of the internal audit function and propose its budget should correspond to the Company's senior management.

The Board of Directors considers that the power to supervise and control the process, more extensive than that of simply making proposals, strengthens and clarifies the content of the Recommendation itself, ensuring the suitability of the person responsible for the internal audit function and the control by the Audit Committee of said suitability, at the same time respecting the customary channels for appointing the persons responsible for the various executive areas of the Company.

The above reasons were also stated to the CNMV in July 2008, in relation to the 2007 Annual Corporate Governance Report, and were reiterated in the 2008 Annual Corporate Governance Report.

51. The Audit Committee should be empowered to meet with any Company employee or executive, even ordering their appearance without the presence of any other executive.

Complies Explain

52. The Audit Committee should report to the Board, prior to the adoption by the Board of the corresponding decisions, on the matters indicated in Recommendation 8:

- a) The financial information that the Company must periodically disclose as a listed company. The Committee should ensure that interim statements are prepared using the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special-purpose vehicles or entities resident in countries or territories that are considered tax havens, and any other transactions or operations of an analogous nature whose complexity could impair the transparency of the Group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies Complies partially Explain

53. The Board of Directors should seek to present the financial statements to the Shareholders' Meeting without reservations or qualifications in the audit report. In the exceptional event that any reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Complies Complies partially Explain

54. The majority of Appointment Committee members (or Appointment and Compensation Committee members, as the case may be) should be Independent Directors.

See section: B.2.1

Complies Complies partially Explain

Of the four members of the Appointments and Compensation Committee, three are External Directors and two of the External Directors are Independent Directors, meaning that they constitute a relative but not absolute majority.

Further to the comments on Recommendation 44, it must again be stated that Independent Directors have a voting majority on the Appointments, Compensation and Corporate Governance Committee, since in the hypothetical event of a tie between Independent and other Directors, the Chairman, who must be an Independent Director, has a casting vote.

55. The Appointments Committee should have the following functions in addition to those stated in earlier Recommendations:

- a) To evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) To examine or organize, in appropriate form, the process for succession of the Chairman and Chief Executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c) To report on the appointment and removal of senior executives proposed by the Chief Executive to the Board;
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies Complies partially Explain Not applicable

56. The Appointments Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to Executive Directors.

Any Board member may request that the Appointments Committee take into consideration, if it deems them suitable, potential candidates for any vacant directorships.

Complies Complies partially Explain Not applicable

57. The Compensation Committee should have the following functions in addition to those stated in earlier Recommendations:

- a) To make proposals to the Board of Directors regarding:
 - i) The compensation policy for Directors and senior executives;
 - ii) The individual compensation and other contractual conditions of Executive Directors.
 - iii) The standard conditions for senior executive contracts.
- b) To ensure compliance with the compensation policy set by the Company.

See sections: B.1.14, B.1.15 and B.2.3

Complies Complies partially Explain Not applicable

58. The Compensation Committee should consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors and senior executives.

Complies Explain Not applicable

G Other information of interest

If there is deemed to be any material aspect or principle relating to the corporate governance practices followed by the Company that has not been addressed in this report, please give details:

This section can include any other information, clarification or qualification relating to the previous sections of the Report.

In particular, indicate whether the Company is subject to any legislation other than the Spanish legislation on corporate governance, and if so, include the information that it is required to furnish, where such information differs from that required in this Report.

Binding definition of Independent Director

State whether any of the Independent Directors has or has had any relationship with the Company, its significant shareholders or its executives that, had it been sufficiently significant or important, would have resulted in the impossibility of treating the Director as an Independent Director under the definition set forth in section 5 of the Unified Good Governance Code:

YES NO

Name of Director	Type of relationship	Explanation
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This Annual Corporate Governance Report was approved by the Company's Board of Directors at the meeting held on February 23, 2010, following a favorable report from the Corporate Responsibility and Governance Committee and from the Audit Committee, at the meetings held on February 15 and 18, respectively.

Indicate whether there are any Directors who voted against or abstained from voting to approve this Report.

YES NO

Name of Director who did not vote to approve this Report	Reason (against, abstained, absence)	Explain the reasons
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Compensation of the Board of Directors

In addition to the information contained in sections B.1.11 through B.1.16 of this Report, it must be noted that during 2009 the total compensation earned by members of the Board of Directors of the parent company was €2,493,000. This figure includes both the estimate of compensation tied to earnings and the salaries of those members of the Board who are employees.

The **total compensation** earned by members of the Company's Board of Directors in 2009, in thousands of euros, **broken down by Director**, is as follows:

	€ Thousand				Total
	Fixed compensation	Variable compensation	Attendance fees for Board Meetings and dedication to Committees	Contributions to life insurance and pension plans	
Luis María Atienza Serna	387	306	84	12	789
Antonio Garamendi Lecanda	-	98	85	-	183
Manuel Alves Torres ⁽¹⁾	-	98	84	-	182
Rafael Suñol Trepát	-	98	56	-	154
María de los Ángeles Amador Millán	-	98	84	-	182
Francisco Javier Salas Collantes	-	98	84	-	182
Martín Gallego Málaga	-	98	56	-	154
José Folgado Blanco	-	98	56	-	154
Arantza Mendizábal Gorostiaga	-	98	84	-	182
José Rodrigues Pereira Dos Penedos ⁽²⁾	-	98	51	-	149
María Jesús Álvarez ⁽¹⁾	-	98	84	-	182
Total Remuneraciones devengadas	387	1,286	808	12	2,493

(1) Amounts received by SEPI.

(2) He stood down as Director in December 2009.

In his capacity as member of the Board of Directors of REN, the Executive Director received compensation of €30,000 in 2009 (€30,000 in 2008). At the request of the Executive Director himself, this amount was deducted from his annual fixed compensation.

In 2009, it was decided to establish a compensation plan for executives (2009-2013 ("*Plan Extraordinario 25º aniversario*"), linked to the 25th anniversary of the Company, as management tool and as an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the Executive Director, will be assessed at the end of its term in 2014. According to the level of achievement of the targets set, the overall assessment for the five years may be up to 1.8 times the fixed annual compensation.

There are safeguard or golden parachute clauses in favor of the Executive Director to cover dismissal or changes in control. This agreement was proposed by the Company's Appointments, Compensation and Corporate Governance Committee and approved by the Board of Directors in 2004. Said clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of one year's salary, unless the applicable legislation provides for a higher amount.

At December 31, 2009, there were no loans, advances or guarantees established by the Company in favor of members of the Board of Directors reflected on the balance sheet. Nor were there any pension liabilities incurred vis-à-vis members of the Board of Directors at that date.

In 2009, the members of the Board of Directors did not engage in any transactions with the Company or Group companies, whether directly or through persons acting on their behalf, that were outside the ordinary course of business or were not performed at arm's length.

Senior Management Compensation Policy

At December 31, 2009, the members of the senior management team providing services at the Red Eléctrica Group were as follows¹⁰:

Name	Office
Carlos Collantes Pérez-Ardá	Director-General of Transmission
Esther María Rituerto Martínez	Director-General of Finance and Administration
Alberto Carbajo Josa	Director-General of System Operation

In 2009, compensation, and life insurance and pension plan contributions for senior executives amounted to €962,000 and €31,000, respectively.

There were no loans or advances to executives at December 31, 2009.

There are safeguard or golden parachute clauses in favor of two of these executives. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to two years' salary, unless the applicable legislation provides for a higher amount. The agreements containing these clauses were approved by the Appointments, Compensation and Corporate Governance Committee and they were duly notified to the Board of Directors.

In 2009, a compensation plan for executives (2009-2013 "Plan Extraordinario 25^o aniversario") was established, linked to the 25th anniversary of the Company, as a management tool and an incentive for fulfilling the five-year Strategic Plan. Compliance with the plan, which includes the executives, will be assessed at the end of its term in 2014. According to the level of achievement of the targets set, the overall assessment for the five years may be up to 1.8 times the fixed annual compensation.

¹⁰ For the sole purposes of CNMV Circular 4/2007 of December 27, 2007, members of senior management are those individuals who manage the Company at the highest level and thus independently from their legal employment relationship with the Company.

Director attendance at meetings

Of the 11 Board meetings held in 2009, only one Director did not attend in person, but he was represented by proxy.

Other information of interest:

In addition to the information provided in section B.1.3, which, together with other information, provides a brief summary of the profile and professional career of each of the External Independent Directors on the Board of Directors, and in order to expand on that information with respect to the other members of the Board of Directors of Red Eléctrica Corporación, S.A., set out below is the same information regarding the Executive Director and the External Nominee Directors:

Chairman, Executive Director

Luis María Atienza Serna, born August 30, 1957.

Degree in Economics and Business Studies, Universidad de Deusto; Certificate in Advanced European Studies, Universidad de Nancy (France), Centre for Advanced European Studies; Certificate in Development Economics (D.E.A.), Universidad de Nancy, Faculty of Law and Economics.

Formerly:

Minister for Agriculture, Fisheries and Food. Secretary General for Energy and Mineral Resources, Ministry of Industry and Energy. Chairman, Institute for Energy Saving and Diversification (IDAE). Chairman, Geomining Technological Institute of Spain. Chairman, Centre for Energy, Environmental and Technological Research (CIEMAT). Secretary General, Agrarian Structures, Ministry of Agriculture, Fisheries and Food. Economy Minister, Basque Autonomous Community Government. Member of the Basque Parliament. Lecturer, School of Economics and Business Studies, International Business Administration Institute and Institute for European Studies, Universidad de Deusto. Member of the Boards of Directors of Instituto Nacional de Hidrocarburos (INH), Corporación Logística de Hidrocarburos (CLH) and Ente Vasco de la Energía (EVE). He has given many courses, seminars and lectures, and has published articles on economic, energy and agrarian policy and European research in the economic and general press, including working documents for university institutes and research centers.

Currently:

Member of the Board of Directors of Redes Eléctricas Nacionales, SGPS, S.A.

External Nominee Director proposed by SEPI

Rafael Suñol Trepal, born July 4, 1944.

Degree in Economics and Business Studies, E-1969, ADE-ESADE 1980, PADE-IESE 1999.

Formerly:

Managing Director of Aurica, SCR, S.A., partner of Socios Financieros and president of Activa Ventures. Director and Deputy Chairman of Fecsa and Director of Endesa. Managing Director of Banco de Fomento. Chairman of Banco de Crédito Industrial and Director of ICO. Assistant General Manager of GDS, Caja de Barcelona, after working for Banco Urquijo, Barcelona. Chairman of Crédito & Docks and of Dinvergestión, and Director of companies related to Banco Central. Director of Ericsson España, Frida Alimentaria and Visual Tools, and Chairman of Cobrhi.

Currently:

Executive Deputy Chairman, Catalana de Iniciatives SCR, Director of Abantia-Tycsa, Peugeot España, Inypsa, Telstar and Serveis Funeraris de Barcelona.

External Nominee Director proposed by SEPI

Manuel Alves Torres, born March 18, 1954.

Degree in Economics and Business Studies.

Formerly:

Head of Budgeting, Standard Eléctrica, S.A. Graduate Technical Expert, Assistant Manager of Companies, Corporate Sub-Manager, INI. Director of Planning and Supervision, Teneo. Member, Boards of Directors of Potasas de Subiza, Potasas de Suria, Grupo Ence, Grupo Inespal, Enatcar, Clínica Castelló, Minas de Almagrera, Agencia Efe, Binter Canarias and Hipódromo de la Zarzuela and Sedettur.

Currently:

Director of Planning and Control, SEPI. Member, Management Committee, SEPI. SEPI representative, Fundación SEPI (formerly Fundación Empresa Pública) and Fundación Laboral SEPI. Member, Board of Directors, Tragsa.

External Nominee Director proposed by SEPI

María Jesús Álvarez González, born June 21, 1957.

Degree in Law, Economics and Business Studies.

Formerly:

Director of Enusa Industrias Avanzadas, S.A., Equipos Nucleares, S.A., Clínica Castelló, S.A., Indra Sistemas, S.A., Infoinvest, S.A., Infoleasing, S.A., Empresa Nacional de Residuos Radioactivos, S.A. (ENRESA) and Aluminio Español, S.A.

She has held various executive positions within SEPI and engaged in various activities in the banking and industrial sectors.

Currently:

Economic and Financial Manager of SEPI and member of its Management Committee, member of the Board of Directors of Agencia Efe, S.A., Fundación SEPI and Fundación Laboral SEPI.

The Board Regulations

The Regulations were approved by the Board of Directors on December 20, 2007, amending the previous text of November 11, 2003.

As indicated in Article 22 of the Corporate Bylaws, the principal purpose of the Regulations is to establish the basic rules on the organization and functioning of the Board of Directors and its Committees, the rules of conduct for its members and the system of supervision and control of the Board of Directors and its Committees, with a view to ensuring the highest standards of professionalism and efficacy in its actions. All of this is carried out by encouraging the active participation of its members, placing the interests of the Company and of its shareholders above their own interests, while upholding the law, the Corporate Bylaws and corporate governance principles.

They have been notified to the CNMV and recorded at the Mercantile Registry.

At the proposal of the Appointments, Compensation and Corporate Governance Committee, the Board meeting of December 18, 2008 resolved to repeal the Independent Director's Statute since its content had been incorporated into the current Board Regulations.

In 2009, the Appointments, Compensation and Corporate Governance Committee carried out a review of the Board Regulations following the restructuring of the Red Eléctrica Group and in light of the Board's commitment to constantly adapt to the best corporate governance practices. At the Board meeting held on January 28, 2010, the Board of Directors approved a new set of Board Regulations. The main amendments approved were as follows:

- The corporate name of the parent company has been changed to Red Eléctrica Corporación, S.A., following the restructuring of the Red Eléctrica Group.
- The Appointments, Compensation and Corporate Governance Committee has been renamed the Corporate Responsibility and Governance Committee and its powers in the area of corporate responsibility have been extended.
- The powers of the Board of Directors concerning the Red Eléctrica Group have been extended.
- Board and Committee meetings can now be called and held by telematic means.

- Authorization by the Board of Directors is required for related-party transactions that must be notified to the securities markets, subject to a report by the Audit Committee and information on the related-party transactions that, while not requiring authorization, the Audit Committee considers the Board should be made aware of.
- The number of positions that may be held by Independent Directors on the boards of other listed companies has been limited to two.
- A new function has been attributed to the Board of Directors concerning the approval of financial transactions.
- The Board Regulations have been brought into line with the new obligations established in the Internal Code of Conduct on the Securities Market following the approval of its amendment in June 2009.
- Certain amendments relating to the conclusions of the Board Self-Evaluation Report have been incorporated into the Board Regulations.
- A new Article has been introduced concerning breach of the corporate governance rules by Directors.
- Various technical adjustments have been made in light of the experience gained in implementing the Regulations.

The new Regulations have been notified to the CNMV and are pending registration at the Mercantile Registry.

Internal Code of Conduct on the Securities Market

The Internal Code of Conduct on the Securities Market was approved by the Board of Directors on June 25, 2009, replacing the previous text approved on July 20, 2006. The new text responds to the need to bring the Internal Code of Conduct on the Securities Market into line with new legislation in this area and is as a result of the corporate restructuring process completed on July 1, 2008, in application of the provisions of Law 17/2007 of July 4, 2007, amending Electricity Industry Law 54/1997 of November 27, 1997.

The principal amendments approved in the new Internal Code of Conduct on the Securities Market were as follows:

- Corporate name change following the restructuring of the Red Eléctrica Group.
- Adaption of the Code to Royal Decree 1362/2007, of October 19, 2007, implementing Securities Market Law 54/1988, of July 28, 1998, in relation to transparency requirements concerning information on issuers whose securities are admitted to trading on an official secondary market or an another regulated market of the European Union. The main new features introduced by this Royal Decree and incorporated into the Internal Code of Conduct on the Securities Market consist of a reduction in the time periods for notification to the CNMV and the obligation on the affected parties to provide information in as much detail as possible.
- Referral to the Board Regulations in the event of breach of the Internal Code of Conduct on the Securities Market by any Board members.

The Code of Conduct has been registered with the CNMV.

Directors' Portal

An innovative project known as the “Director’s Portal” was launched in 2009 with a view to applying new technologies in the day-to-day work of the members of the Board of Directors and its Committees. The project was recently presented to the Directors.

This initiative seeks to use the most modern telematic means to ensure the most efficient functioning of the Board of Directors and its Committees. The content of the portal is divided into various sections on documentation, distinguishing between documents for Board meetings, Committee documents, other documents of special interest; corporate information, such as the internal corporate governance rules, the legislation affecting the main activities of the Company, corporate information of interest to Directors for the discharge of their duties, the organizational chart, the reports prepared annually by the Company (Corporate Governance, Corporate Responsibility, Environmental, Annual Report); on all information in the press affecting the Company and on other information of interest, such as the daily electricity demand curve and the Company’s share price, which may be useful for Directors to gain a better understanding of the activity and functioning of the Company.

I. REPORT ON THE ACTIVITIES OF THE AUDIT COMMITTEE IN 2009

1. INTRODUCTION

The Audit Committee Action Plan for 2010 envisages the preparation of a report in February of the Committee's activities in the past year, to be included in the Annual Corporate Governance Report of the Company.

2. STRUCTURE, COMPOSITION AND FUNCTIONS

2.1 Structure and composition

The Audit Committee is comprised of three members, pursuant to Article 23 of the Corporate Bylaws and Article 13 of the Board Regulations¹¹, from between a minimum of three and a maximum of five members, all of whom are External Directors and are appointed for a period of three years.

The Chairman of the Committee is elected by its members from among the Independent Directors who are members, and the Committee Secretary is the Secretary of the Board of Directors.

Throughout 2009, the Committee was comprised of External Directors, with a majority of Independent Directors.

In 2009, the term of office of Francisco Javier Salas Collantes as Chairman of the Committee came to an end and Arantza Mendizábal Gorostiaga was appointed as his replacement for a period of three years at the meeting held on July 20, 2009.

Following the above changes, the composition of the Company's Audit Committee at December 31, 2009 was as follows:

¹¹ The Board Regulations approved by the Board of Directors on December 20, 2007 were applied throughout 2009.

- | | |
|---|------------------------|
| • Arantza Mendizábal Gorostiaga (Independent Director) | Chairwoman |
| • Francisco Javier Salas Collantes (Independent Director) | Member |
| • María Jesús Álvarez González (Nominee Director) | Member |
| • Rafael García de Diego Barber | Non-Director Secretary |

The Directors on the Committee are particularly qualified to hold their positions, with broad professional experience, having held positions of the highest responsibility outside the Red Eléctrica Group, in functions related to those entrusted to the Committee. Particularly notable is their appropriate background in economic, financial and accounting matters.

Set out below are brief summaries of the professional careers of its members:

- Mr. Francisco Javier Salas Collantes has a degree in Economics, specializing in Business Economics, and during his career he has held important professional positions in the areas of economy and finance, as well as positions of the highest corporate responsibility. Among other positions, he has been a Director of Banco Exterior de España, Argentaria and Infoleasing, he is a Founding Member and Manager of SAGA Servicios Financieros; he has been Chairman of INI, TENE0 and IBERIA and is currently a Director of TELVENT and Chairman of its Audit Committee, and a Director of GED CAPITAL DEVELOPMENT, S.A., SGEGR and GED IBERIAN PRIVATE EQUITY, S.A., SGEGR, among others. He was Chairman of the Audit Committee for 3 years (2006-2009), having vacated this office upon expiration of the term envisaged in the Board Regulations.
- Ms. Arantza Mendizábal Gorostiaga holds a Doctorate in Economics and is Professor of Applied Economics at the Faculty of Economics of Universidad del País Vasco. She has been a distinguished researcher in the areas of industrial and technological policy, an MP member of the Economy and Finance Committee, the Budget Committee and Spokeswoman for the Industry, Trade and Tourism Committee of the Lower House of Parliament. In addition to her duties as Professor, she is currently the Director of the European Documentation Center of Universidad del País Vasco. She was appointed Chairwoman of the Audit Committee on July 20, 2009, for a period of three years.

- Ms. María Jesús Álvarez González holds degrees in Law, Economics and Business Studies from Universidad Pontificia de Comillas. She has been a member of the board of directors of Enusa Industrias Avanzadas, S.A., Clínica Castelló, S.A., Indra Sistemas, S.A., Infoinvest, S.A., ENRESA, and Aluminio Español, S.A. She is currently the Economic and Financial Director of SEPI and is a member of the Board of Directors of Agencia Efe, S.A., Fundación SEPI and Fundación Laboral SEPI, among other positions.

The Committee Secretary is Mr. Rafael García de Diego Barber, the Secretary of the Board of Directors and the Head of the Company's Legal Department.

Mr. Luis Villafruela Arranz, the head of internal audit and Ms. Esther Rituerto Martínez, the Director-General of Administration and Finance also regularly attended Committee meetings to report on various matters falling within their areas of responsibility.

The Economic Director, Mr. José Manuel Rodríguez Gil, also attended the meeting concerning the audit of the financial statements of the Company and of its Group. The external auditor of the Company and of its Group, PriceWaterhouseCoopers, responded to all requests for information and clarification made by Committee members and fully approved the audited financial statements.

2.2 Functions

Under Article 23 of the Corporate Bylaws and Article 13 of the Board Regulations, the functions of the Audit Committee include the provision of support to the Board of Directors in its function of supervision of the process for preparing economic and financial information, the internal control of the Company, the independence of the external auditor, compliance with statutory provisions and internal regulations, provisions relating to the Company's shareholders and any powers expressly attributed to it by the Board of Directors.

Particularly notable among the above powers are the following:

- 1- In relation to **economic and financial information**, responsibility for supervising the process of preparation and integrity of the financial information of the Company and, where appropriate, its Group, ensuring that regulatory requirements are respected, the consolidation group is adequately defined, and the applicable accounting principles and methods are correctly applied.

In addition, it must report to the Board in advance on economic and financial information that the Company must disclose and send to the market supervisory bodies. Following the recommendations of the Unified Good Governance Code, the Committee must ensure that any interim financial statements are prepared using the same accounting methods as annual financial statements and, where it sees fit, it may ask the external auditor to conduct a limited review.

- 2- In relation to **internal control and risk management systems**, the internal audit function has been given responsibility for ensuring the sound functioning of the internal reporting and control systems; the Audit Committee has been assigned the functions of monitoring the independence and efficacy of the internal audit function; supervising and controlling the process of selection, appointment, reappointment and removal of the head of the internal audit function, as well as its action plans; supervising and controlling the resources allocated to the internal audit function, including its budget; receiving periodic information on its activities; and verifying that senior management is acting on the conclusions and recommendations in its reports.

The head of internal audit must present an annual work program to the Committee, directly report on any incidents arising during its implementation and submit an activities report at the end of each year.

In addition, following the recommendations of the Unified Good Governance Code, the Committee must periodically supervise the risk management systems, so that the principal risks are adequately identified, managed and disclosed; and must also supervise the procedure established by the Board to enable employees to communicate any potentially significant irregularities, particularly financial and accounting irregularities, that they may detect at the Company.

- 3- In relation to the **external auditor**, particularly noteworthy is the responsibility for ensuring that the Company discloses any change of auditor to the CNMV as a material event and, if applicable, any disagreements with the outgoing auditor, and also for ensuring that the Company, within the scope of its responsibilities, complies with current rules regarding the provision of non-audit services, limits on concentration of the auditor's business and, in general, any other rules established to safeguard the independence of auditors. In the event of resignation of the external auditor, it must review the underlying circumstances, and verify that senior management is acting on the recommendations of the external auditor.
- 4- In relation to **compliance with legal provisions and internal regulations**, the Regulations establish the obligation on the Audit Committee to supervise compliance with the Internal Code of Conduct on the Securities Market, the procedures for communication of financial and accounting irregularities, and alignment of related-party transactions with the Company's interests, of which it must inform the Board in advance.
- 5- In relation to the **Company's shareholders**, the Committee is responsible for entertaining and, if applicable, responding to any initiatives, suggestions or complaints raised by the shareholders within the scope of its jurisdiction and for reporting to the Shareholders' Meeting, as applicable, on any issues falling within its jurisdiction that are raised by shareholders.
- 6- The **Other Responsibilities** section provides for the Committee's duty to report to the Board on any transactions creating or acquiring interests in special-purpose vehicles or entities domiciled in countries or territories that are considered tax havens, and also on any transactions and operations that could impair the Group's transparency.

The principal activities undertaken by the Audit Committee in 2009 year, based on the above areas of responsibility, are described below.

3. ACTIVITIES CARRIED OUT IN 2009

On December 18, 2008, the Audit Committee approved the Annual Action Plan in light of the responsibilities assigned to it in the Corporate Bylaws and the Board Regulations. This plan served as a guide for the preparation of the corresponding schedule of Committee meetings.

In addition, the Audit Committee reported on its activities to the Board of Directors at the Board meetings immediately following each Committee meeting, and provided the Directors with copies of the Minutes of its meetings.

The Audit Committee met eleven (11) times in 2009, and reported eleven times to the Board on its activities.

In 2009, the Audit Committee performed the following tasks:

3.1 In relation to economic and financial information:

- Analysis and information on the criteria used in the 2008 preliminary year-end results.
- Analysis and reporting to the Board on the 2009 Budget.
- Monitoring of the quarterly reports on the management of treasury stock by the Company.
- Analysis and reporting to the Board on the 2009-2013 Investment Plan.
- Supervision of the content of the Document for Registration of Debentures and Derivatives of Red Eléctrica Corporación in 2010, to be registered with the National Securities Market Commission.
- Analysis and reporting to the Board on the proposed distribution of dividends at Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A. (Sole-Shareholder Company). The Committee reported favorably on these proposals.
- Analysis and reporting to the Board on the proposed distribution of 2009 interim dividends by Red Eléctrica Corporación.
- Review of the 2008 financial statements of Red Eléctrica and its Group, to be presented to the Board for their preparation, and review of the external auditor's opinion. The Committee agreed to report favorably on the 2008 Financial Statements.

- Supervision of the sections of the 2008 Annual Corporate Governance Report, within the scope of the Committee's jurisdiction.
- Analysis of aspects relating to the creation of a reinsurance subsidiary. The Committee reported favorably to the Board on the creation of this company.
- Analysis of the proposed creation of a corporation (*sociedad anónima*) with a view to issuing all kinds of fixed-income marketable securities and granting loans and credit to companies in the Red Eléctrica Group, as well as the establishment of an EMTN program for issuance by said corporation. The Committee agreed to report favorably on the proposal to the Board.
- Analysis of intragroup transactions within the Red Eléctrica Group.
- Review of the Red Eléctrica Group dividend policy.
- Analysis of the quarterly statements of Red Eléctrica Corporación, S.A.
- Analysis of the 2009 year-end schedule.
- Analysis of the content and scope of the 2010-2014 Investment Plan.
- Analysis of the 2010 Budget for the Red Eléctrica Group.
- Review of the official economic and financial information sent to the CNMV.

3.2 In relation to internal control and risk management systems:

- Analysis of the Report on Integral Risk Management at December 31, 2008 and the individual risk sheets; review of the Company's Risk Map at June 30, 2009.
- Monitoring of the Project for Review of the Internal Control of Financial Reporting (SOX Project).
- Analysis of certain high-level material risks selected by the Committee, as a part of the established annual process.

3.3 In relation to the internal audit function:

- Approval of the 2010 Internal Audit Plan.
- Supervision of the resources assigned to the Internal Audit function.
- Analysis of the periodic report on the prevention of occupational risks in 2009.
- Analysis of the report on internal audits conducted in 2008.
- Evaluation and analysis of the Company's internal rules and procedures. The Committee evaluated the criteria and level of compliance with the internal regulations and steps taken in 2009 and carried out a detailed review of internal policies and procedures pursuant to the Plan for review of internal regulations established above.
- Review of the report verifying compliance with recommendations deriving from the reports of the internal audit function.

3.4 In relation to external auditors:

- Reporting and proposal for referral to the Board of Directors, and submission, as the case may be, to the Annual Shareholders' Meeting, of the appointment of the external auditor of Red Eléctrica Corporación, S.A. and its consolidated Group. In line with the provisions of Article 14.3 a) of the Board Regulations, the Committee proposed to the managing bodies of the other companies in the Group that the same external auditor be designated for all Group companies for the 2009 and 2010 fiscal years.
- Analysis of the 2009 preliminary external audit report prepared by PricewaterhouseCoopers.

3.5 In relation to compliance with legal provisions and internal regulations:

- Annual evaluation report on compliance with the Company's Internal Code of Conduct on the Securities Market.
- Review, analysis and proposal of amendments to the Internal Code of Conduct on the Securities Market to the Board of Directors.
- Participation in the process for review of the Board Regulations in the areas falling within its jurisdiction.

3.6 In relation to the Company's shareholders:

- Review of the resolutions proposed by the Board to the Shareholders' Meeting in the areas falling within the Committee's jurisdiction.
- Follow-up of any initiatives, suggestions and complaints made by the shareholders during the year.
- Presence of the Chairman of the Audit Committee at the Annual Shareholders' Meeting of the Company, in order to respond in person to any questions raised by shareholders.

3.7 Other activities:

- Approval of the meeting calendar for 2009 and 2010.
- Approval of the Committee's Action Plan for 2010.
- Approval of the 2008 annual report on the activities of the Audit Committee, to be incorporated into the 2008 Corporate Governance Report.
- Ongoing monitoring of the process of renewal of the annual corporate insurance program of the Red Eléctrica Group.
- Ad hoc reporting to the Board of Directors on the activities pursued by the Committee, and sending of the Minutes of Committee meetings to each individual Director.

4. DIRECTOR ATTENDANCE AT MEETINGS

Of the eleven (11) meetings held, no Directors were absent and no proxies were granted by Directors.

II. REPORT ON THE ACTIVITIES OF THE APPOINTMENTS, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE IN 2009

1. INTRODUCTION

The Committee's Action Plan for 2010, as provided for in article 16.5 a) of the Board Regulations¹², provide for the preparation, during the first quarter of the year, of a report on the activities performed in 2009, for its incorporation, as is customary, into the Annual Corporate Governance Report, which is the subject matter of this document.

2. STRUCTURE, COMPOSITION AND FUNCTIONS

2.1. Structure

Article 24.2 of the Corporate Bylaws and Articles 15 and 16 of the Board Regulations govern the structure, composition and functions of the Appointments, Compensation and Corporate Governance Committee (at the Board meeting held on January 28, 2010, this Committee was renamed the Corporate Governance and Responsibility Committee).

The Committee is assigned powers regarding the appointment and removal of Directors and senior executives, their compensation, compliance with Director duties and observance of corporate governance principles and rules.

The Committee meets as often as is appropriate for the sound performance of its functions. In any event, the Committee must meet at least once every quarter, whenever called by its Chairman or so requested by two of its members, and whenever the Board of Directors or its Chairman requests that a report be issued or proposals be adopted. The call notice, which must include the agenda, is sent by the Committee Chairman or Secretary to each Committee member at least three days in advance of the date scheduled for the meeting, unless the meeting needs to be held sooner for reasons of urgency.

¹² The Board Regulations approved by the Board of Directors on December 20, 2007 were applied throughout 2009.

The Committee may be constituted with the attendance of the majority of its members and adopt decisions or recommendations by a majority vote, which decisions or recommendations must be recorded in the Minutes at the end of the meeting. In order to better perform its duties, the Committee may propose to the Board of Directors that advice be sought from independent professionals and may access any type of Company information or documentation that it may require to perform its functions.

Article 15 of the Board Regulations provides that the Appointments, Compensation and Corporate Governance Committee shall be comprised of a minimum of three and a maximum of five members, as determined by the Board, with a majority of External Directors and at least half of its members must be Independent Directors. The Chairman of the Committee is elected by its members and the Committee Secretary is the Secretary of the Board of Directors.

The appointment and removal of Committee members is carried out by the Board of Directors at the proposal of the Board Chairman. Committee members hold office for a period of three years, may be re-elected and stand down when they cease to be Directors or when so resolved by the Board of Directors, subject to a report by the Appointments, Compensation and Corporate Governance Committee. The Chairman is appointed by the Committee for a period of three years and may be reappointed after one year has elapsed since he vacated office.

2.2 Composición

At 2009 year-end, the Corporate Governance and Responsibility Committee was composed of four Directors: three External Directors and one Executive Director. Two of the External Directors are Independent Directors, one of them being the Chairman of the Committee.

There were no changes to the composition of the Committee in 2009.

At 2009 year-end, the composition of the Committee was as follows:

Director	Office	Type of Director
María Ángeles Amador Millán	Chairwoman	Independent
Antonio Garamendi Lecanda	Member	Independent
Luis María Atienza Serna	Member	Executive
Manuel Alves Torres	Member	Nominee

The Chairwoman of the Committee is an Independent Director, elected from among the Committee members.

2.3. Functions

Pursuant to Article 24 of the Corporate Bylaws, the basic responsibilities of the Corporate Governance and Responsibility Committee are as follows:

- “a) To report on (and, in the case of Independent Directors, make) any proposals to be submitted by the Board of Directors to the Shareholders’ Meeting for the appointment or removal of Directors, including in cases of co-optation.
- b) To propose the compensation policy for Directors and senior executives to the Board of Directors and ensure its observance.
- c) To assume the reporting, supervision and proposal functions in the area of corporate governance as may be determined by the Board of Directors, unless an ad hoc committee is created for such functions”.

The above basic responsibilities are detailed in Article 16 of the Board Regulations, the wording of which at December 31, 2009 established the following:

“16.1 In relation to appointments and removals:

- a) To report in advance on (and, in the case of Independent Directors, make) any proposals to be submitted by the Board of Directors to the Shareholders’ Meeting for the appointment or removal of Directors, including in cases of co-optation.
- b) To report, prior to their submission to the Board of Directors, on proposals for the appointment or removal of the Secretary and the Deputy Secretary of the Board of Directors.
- c) To propose the system for selecting Independent Directors to the Board of Directors.
- d) To evaluate the skills, knowledge and experience required on the Board and consequently define the functions and skills required of the candidates for each vacancy.

- e) To evaluate the time and dedication necessary for Directors to be able to perform their duties with the due level of quality and efficiency, evaluating for these purposes whether their position as a Director is compatible with membership on other management bodies of listed companies.
- f) To report on the appointment and removal of senior executives proposed by the Chairman to the Board of Directors.
- g) To examine or organize, in the manner deemed appropriate, the process for succession of the Chairman and, as appropriate, to make proposals to the Board so the handover takes place in a planned and orderly fashion.
- h) To ensure that gender diversity is taken into account when filling vacancies.
- i) To consult with the Chairman, particularly when dealing with matters relating to Executive Directors.

16.2 In relation to compensation:

- a) To propose to the Board:
 - i) the compensation policy for Directors and senior executives;
 - ii) the individual compensation and other contractual conditions of Executive Directors.
 - iii) the standard conditions for senior executive contracts.
- b) To consult with the Chairman of the Company, particularly when dealing with matters relating to Executive Directors and senior executives.
- c) To ensure compliance with the compensation policy established by the Company.

16.3 In relation to fulfillment of Directors' duties:

- a) To ensure the fulfillment by the Directors of the obligations established in these Regulations, to report to the Board on their fulfillment, and to issue the relevant reports and proposals and, as applicable, on the measures to be adopted in the event of breach.
- b) To authorize Directors to use corporate assets.

16.4 In relation to corporate governance rules:

To supervise compliance with the corporate governance rules, making proposals for improvement to the Board of Directors, and to receive information in this respect and, as appropriate, issue an annual report on the measures to be implemented and submit it to the Board.

16.5 Other functions:

- a) To keep the Board informed of its activities and to prepare an annual report to be included in the Annual Corporate Governance Report and an Action Plan for each year.
- b) To propose and report on any other matter related to the foregoing that may be requested by the Chairman or by the Board of Directors.
- c) To report to the Board on the performance of their duties by the Chairman and the plenary session of the Board.
- d) To verify the type of each Director for the purposes of the pertinent explanations by the Board to the Shareholders' Meeting that is to make or ratify the Director's appointment and the recording of the appointment in the Annual Corporate Governance Report.
- e) Any other powers attributed to it by the Board".

3. ACTIVITIES CARRIED OUT IN 2009

The Corporate Governance and Responsibility Committee met eleven (11) times in 2009.

The Board of Directors was timely advised of the matters considered at each Committee meeting and copies of the corresponding Minutes were sent to the Directors.

The most significant steps taken by the Corporate Governance and Responsibility Committee in 2009 were:

3.1. In relation to appointments, removals and reappointments:

Monitoring of the process for appointment/reappointment of Directors and preparation of reports and proposals to the Board of Directors for referral to the Annual Shareholders' Meeting.

In particular, the Committee reported on and/or proposed the following reappointments, ratified by the Board and approved by the Annual Shareholders' Meeting held on May 21, 2009:

- 1) Reappointment of Mr. Luis María Atienza Serna as Executive Director for the four-year term stipulated in the Corporate Bylaws.
- 2) Reappointment of Mr. Rafael Suñol Trepas as a Nominee Director for the four-year term stipulated in the Corporate Bylaws.
- 3) Reappointment of Ms. María de los Ángeles Amador Millán as an Independent Director for the four-year term stipulated in the Corporate Bylaws.

The Committee also reported favorably to the Board of Directors on the resignation tendered by the External Independent Director Mr. José Rodrigues Pereira Dos Penedos, since the petition met the requirements provided for in the Board Regulations, particularly as regards the adequate explanation of the reasons behind his decision to resign.

3.2. In relation to compensation:

- Approval of the proposed Business, Managerial and Management Committee objectives for 2009.
- Approval of the 2009-2013 long-term variable compensation plan for executives, linked to the 25th anniversary of the Company.
- Evaluation of the level of achievement of the 2008 Business, Managerial and Management Committee Objectives of the subsidiary Red Eléctrica Internacional, S.A. (Sole-Shareholder Company).
- Review and monitoring (quarterly) of the level of achievement of the Business, Managerial and Management Committee objectives for 2009.
- Analysis and review of the Compensation Policy Report and the proposed resolution to ratify Board compensation for the 2008 and 2009, which the Board submits to the Shareholders' Meeting.
- Evaluation of the level of achievement of the 2006-2008 long-term objectives.
- Referral to the Board of Directors of the proposed compensation of the Board and its Committees in 2009.

- Referral to the Board of Directors of the proposed resolution concerning treasury stock for its submission to the Shareholders' Meeting.

3.3. In relation to Corporate Governance:

- The 2008 self-evaluation process of the Board of Directors, its Committees and the Chairman of the Board of Directors and Chief Executive, commenced in the last quarter of 2008 and concluded on June 24, 2009 with the approval of the final report by the Board of Directors.
- Review of the tasks to be performed by the Board of Directors in the area of corporate governance.
- Commencement of the process of self-evaluation of the Board of Directors, its Committees and the Chairman of the Board of Directors and Chief Executive in relation to 2009.
- Report on the process of evaluation of the executive team in 2008.
- Review of the proposed 2008 Annual Corporate Governance Report, for approval by the Board of Directors.
- Analysis of the people management policy drawn up by the Human Resources Department, following the approval by the Management Committee of a new occupational classification system.
- Approval of the proposed amendment to the Internal Code of Conduct on the Securities Market made by the Audit Committee and subsequently approved by the Board of Directors at its meeting on June 25, 2009.
- Analysis, review and proposed amendment to the Board Regulations, approved by the Board of Directors at the meeting held on January 28, 2010.
- Review of the procedure for electronic voting at the 2008 Annual Shareholders' Meeting, for approval by the Board of Directors.
- Approval of the report on the monitoring and development of the Code of Ethics, presented by the Ethics Manager.
- Referral to the Board of Directors of the proposed program of Company familiarization activities for Directors in 2010.

3.4. Other steps:

- Approval of the annual report on the Committee's activities in 2008, for incorporation into the Annual Corporate Governance Report.
- Approval of the schedule of meetings for 2010.
- Instant reporting to the Board of Directors on the Committee's activities at each Board meeting, and sending of copies of the corresponding Minutes to the Directors.

4. ATTENDANCE BY DIRECTORS AT MEETINGS

Of the eleven (11) meetings held, no Directors were absent and no proxies were granted by Directors.

III. MATERIAL EVENTS DISCLOSED TO THE NATIONAL SECURITIES MARKET COMMISSION IN 2009

1. PRESENTATION OF INFORMATION

On February 18, 2009, it was announced that Red Eléctrica Corporación, S.A. would publish its FY2008 results on February 27, before the market opened. It was also announced that the FY2008 results and the 2009-2013 Strategic Plan would be presented on February 27 at 11 a.m.

2. INFORMATION ON RESULTS - STRATEGIC PLANS, FORECASTS AND PRESENTATIONS

(Publication of the presentation on February 27, 2009).

3. FY2008 RESULTS

The FY2008 results of the Red Eléctrica Group were published on February 27, 2009.

4. INFORMATION ON THE RESULTS OF THE SECOND HALF OF 2008

The results of the second half of 2008 were published on February 27, 2009.

5. INFORMATION ON DIVIDENDS AND THE OTHER FORMS OF SHAREHOLDER COMPENSATION

On February 27, 2009 the Company notified the CNMV that the Board of Directors of Red Eléctrica Corporación, S.A. had resolved to propose to the Shareholders' Meeting the payment to holders of shares entitled to a dividend of a gross dividend of €1.2797 per share.

6. ANNUAL CORPORATE GOVERNANCE REPORT

On February 27, 2009, the 2008 Annual Corporate Governance Report, approved by the Board of Directors on February 24, 2009, was communicated to the CNMV.

7. CALL OF THE ANNUAL SHAREHOLDERS' MEETING

On March 27, 2009, the Annual Shareholders' Meeting was called on first call for May 20 at 12.30 p.m. at Teatro Auditorio Ciudad de Alcobendas and, as appropriate, on second call for May 21, at the same time and same venue.

8. CALL NOTICE AND RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS TO THE ANNUAL SHAREHOLDERS' MEETING

On April 15, 2009, the CNMV was sent the agenda and the corresponding proposed resolutions of the Annual Shareholders' Meeting to be held on May 20, 2009 on first call or May 21, 2009 on second call.

9. INFORMATION ON THE RESULTS OF THE FIRST QUARTER OF 2009

The results of the first quarter of 2009 were published on April 30, 2009.

10. SHARE TRANSFERS AND ACQUISITIONS

On May 21, 2009, Unión Fenosa reported the sale of 1% of the shares of Red Eléctrica Corporación for €43.1 million.

11. RESOLUTIONS ADOPTED AT THE ANNUAL SHAREHOLDERS' MEETING

On May 22, 2009, the CNMV was sent the full text of the resolutions adopted by the Annual Shareholders' Meeting held on May 21, 2009.

12. CHANGES TO THE COMPOSITION OF THE BOARD OF DIRECTORS AND OTHER GOVERNING BODIES

On July 22, 2009, the CNMV was notified that the Audit Committee appointed the Independent Director Ms. Arantza Mendizábal Gorostiaga as Chairwoman of the Committee at its meeting of July 20, 2009.

13. INFORMATION ON THE RESULTS OF THE FIRST HALF OF 2009

The results for the first half of 2009 were sent to the CNMV on July 30, 2009.

14. STRATEGIC PLANS, FORECASTS AND PRESENTATIONS

On October 8, 2009, the Company sent various presentations on its activity to the CNMV.

15. INFORMATION ON THE RESULTS OF THE THIRD QUARTER OF 2009

The results for the third quarter of 2009 were sent to the CNMV on October 30, 2009.

16. INFORMATION ON DIVIDENDS

On December 17, 2009, the Company notified the CNMV that the Board of Directors of Red Eléctrica Corporación, S.A., at the meeting held on December 17, 2009, resolved to distribute an interim dividend against 2009 results in the gross amount of €0.5115 per share. It was also notified that payment would be made on January 4, 2010.

17. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of Red Eléctrica Corporación, S.A., at the meeting held on December 17, 2009, accepted the resignation tendered on December 3, 2009 by Mr. José Rodrigues Pereira Dos Penedos from his position as Director of the Company (Independent Director).

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