

RED ELÉCTRICA
CORPORACIÓN

Board of Directors

24 February 2015

Annual Report on Compensation of Directors

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1. Letter from the chairman of the Corporate Responsibility and Governance Committee

Dear Shareholders:

I am pleased to present you with the annual report on compensation of directors, which includes the compensation policy for the board of directors, the chief executive and the senior executives of the Company (hereinafter also called the "Group", the "Company" or "Red Eléctrica") for 2015, and application thereof in 2014.

The board of directors of Red Eléctrica approved my appointment as Chairman of the Corporate Responsibility and Governance Committee at its meeting of 6 November 2014. Currently, in my capacity as chairman of the committee, and throughout 2014 as a member thereof, I have had the opportunity to analyse complete information regarding the trends and recommendations of the various reference institutional investors and proxy advisors for Red Eléctrica, and have been able to share the vision and concerns thereof regarding compensation of directors and the management team with the members of the committee.

In 2014 there was a 5.0% increase in net turnover, a 6.4% increase in EBITDA by comparison with the prior year, as well as a 35.7% increase in net profits of the Group for the year.

The share price at 31 December 2014 increased by 50.9% by comparison with the prior year.

Regarding the dividend payment policy, the gross dividend corresponding to 2014 proposed by the board of directors to the next ordinary general shareholders meeting represents an increase of 18% by comparison with the gross dividend approved for 2013.

In 2014 the Standard & Poor's rating agency maintained the rating level of Red Eléctrica at "BBB" for the long term, and "A-2" for the short term, improving the outlook assigned to the company from neutral to positive.

The Corporate Responsibility and Governance Committee, regarding the annual variable compensation of the executive director for 2014, after evaluating achievement of his

objectives, found an overall level of achievement thereof of 100%, which resulted in annual variable compensation equivalent to 50% of his annual fixed compensation.

The Corporate Responsibility and Governance Committee, as a part of its function of ongoing review and monitoring of the compensation policy for senior executives, has reviewed the compensation policy applicable to the executive director, resolving three principal changes for 2015, regarding which it timely reported to the board of directors:

- In the process of review of the annual objectives (and the weighting thereof) tied to annual variable compensation of the executive director, the objective tied to EBITDA has been replaced by a new objective that takes account of return on invested capital (ROIC), and relates the net operating profit of the Group to the level of own and third party capital employed.
- Within the annual objectives, qualitative metrics may be considered that are related to corporate social responsibility (ESG) projects of the Red Eléctrica Group.
- The approval of a new multi-year variable compensation plan for the executive director and executives, for a term of six years, tied to objectives of the 2014-2019 strategic plan, subject to satisfaction of certain conditions.

The official form of report on compensation, duly completed, in accordance with Ministerial Order ECC/461/2013 and Circular 4/2013 of the National Securities Market Commission, is included as an annex.

Also, this report has been prepared in accordance with the provisions of the new text of article 541 of the Capital Companies Act and other applicable legislation.

The board of directors, as is its customary practice, will submit the board resolutions establishing the compensation of the board of directors for 2015 for approval of the ordinary general shareholders meeting. Separately, it will submit the director compensation policy to the meeting. Finally, it will submit this annual report on director compensation, going beyond the new legal requirements established in the Capital Companies Act.

Signed: Ms. Carmen Gómez de Barreda Tous de Monsalve

2. Corporate Responsibility and Governance Committee

During 2014 the board suffered certain changes in its composition. Leaving it was its prior chairman, Mr. Juan Iranzo Martín. He resigned as an independent outside director in October. The vacancy on the board was filled by the independent outside director Ms. M^a José García Beato, the position as chairman thereof was taken by Ms. Carmen Gómez de Barreda Tous de Monsalve, an independent outside director, in November. Finally, in December the board of directors resolved to expand each of the board committees by one additional member, appointing the independent outside director Ms. Socorro Fernández Larrea as a new member of the Corporate Responsibility and Governance Committee.

The committee met seventeen (17) times in 2014. Meetings of the committee will be reported to the board of directors, upon conclusion of meetings of the committee, making the documentation considered thereby available to the board, and minutes of the meetings held will be prepared and, once approved, made available to all of the directors.

According to the schedule established for 2015, the Corporate Responsibility and Governance Committee will hold eleven (11) ordinary meetings during the year, without prejudice to holding extraordinary meetings during that period.

During 2014 and 2015, up to the date of approval of this report, the most significant actions taken by the Corporate Responsibility and Governance Committee, regarding compensation, were as follows:

- Approval and monitoring of business objectives tied to the variable compensation of the executive director for 2014, and review and approval of those corresponding to 2015.
- Approval and monitoring of business, management and management committee objectives tied to variable compensation of senior executives for 2014, and approval of those corresponding to 2015.
- Evaluation of achievement of objectives tied to annual variable compensation of the executive director and senior executives, corresponding to 2013 and 2014.
- The approval of a new multi-year variable compensation plan for the executive director and executives, for a term of six years, tied to objectives of the 2014-2019 strategic plan, subject to satisfaction of certain conditions.

- Proposal for 2014 (consolidated for 2015) of board of directors compensation (for its non-executive functions) comprised solely of fixed elements of compensation.
- Proposals of annual director compensation reports, to be referred to the board and subsequently submitted to the ordinary general shareholders meeting, for 2014 and 2015.
- Report and proposal to the board of directors of the director compensation policy applicable for the next 3 years, for referral to the ordinary general shareholders meeting in 2015.

In 2014 (up to the date of approval of this report) Towers Watson, an independent advisor specialised in director and senior executive compensation, rendered services to the Corporate Responsibility and Governance Committee, regarding the following compensation matters: analysis of compensation policies and practices and other aspects of corporate governance, compensation benchmarking for the executive director, compensation benchmarking for outside directors, analysis of market practices related to long-term incentive plans within the IBEX35 and the Spanish energy sector, preparation of the report and proposal regarding director compensation policy and, finally, preparation of the corresponding annual reports on director compensation.

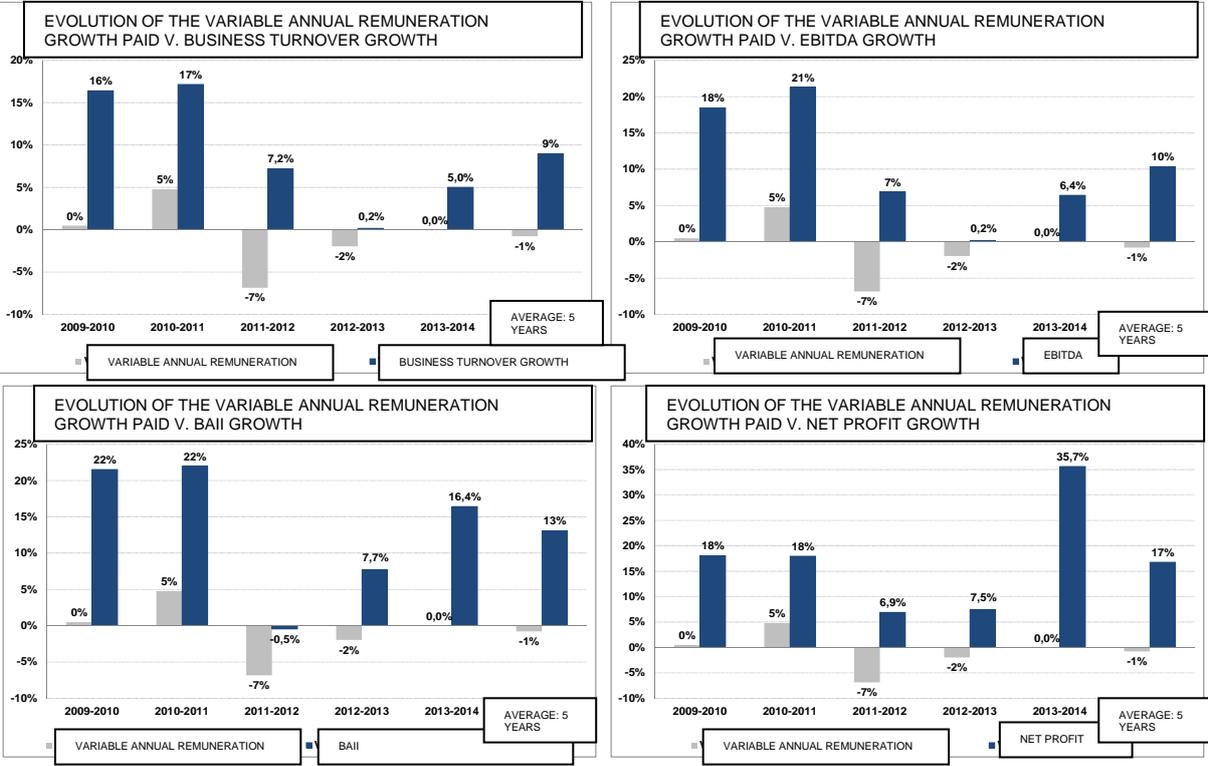
3. 2015 compensation policy

The compensation policy for 2015 corresponds to the principles and criteria contained in the director compensation policy that the board of directors, on proposal of the Corporate Responsibility and Governance Committee, has resolved to submit to the ordinary general shareholders meeting to be held in 2015, which will be applicable for the next 3 years. It defines the principles of the compensation policy of Red Eléctrica Corporación for directors (managing and outside), as well as the components, terms and conditions thereof.

3.1. Compensation policy for the executive director in 2015

In 2015 the compensation scheme for the executive director includes elements of a fixed nature and of a variable nature, the latter tied to the short and long-term and in alignment with the key objectives and strategies of the Company, as described below.

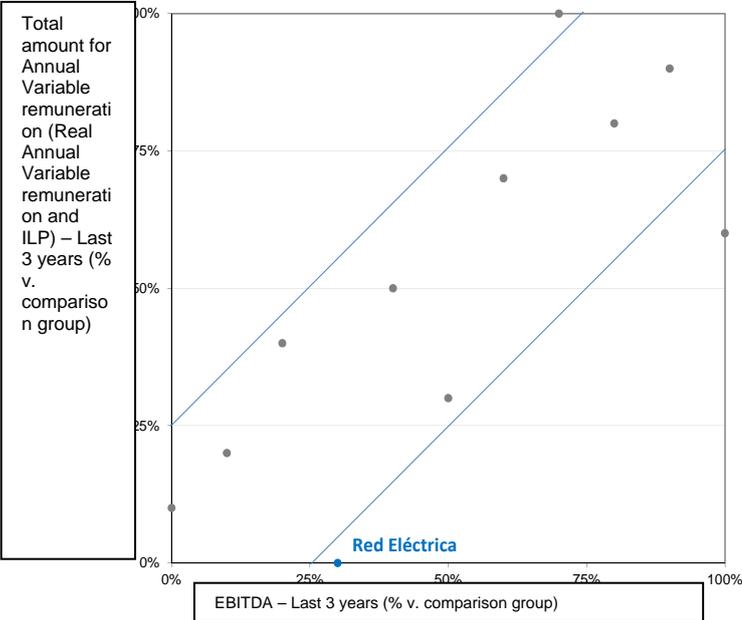
The following graphs illustrate the comparison between the evolution of the Red Eléctrica Group's turnover and profits, taken as objectives in the calculation of annual variable compensation of the executive director, and the evolution of the annual levels of compensation paid to the executive director from 2008 to 2014.



Note: The variable compensation information for all years of the managing director includes only the compensation received for his executive functions.

The following graphs reflect the positioning of the Red Eléctrica Group as against representative companies in the energy sector. The evolution of EBITDA and Total Shareholder Return (TSR) of each company over the last 3 years is compared to the growth of variable compensation (annual and long-term) of its executive director.

The transverse lines indicate the range of proportional correlation between growth of the indicator and of compensation. A position outside the lines shows a correlation of growth that is not proportional as between the measure being used and compensation. A position on the left indicates growth of compensation that is more than proportional as against the measure used, and a position to the right indicates a growth of the measure used (EBITDA and TSR in each graph) that is more than proportional as against compensation.



The companies included in the comparison group are as follows: CLH, Enagás, Enel, Eon, Iberdrola, National Grid, RWE AG, Snam Rete Gas, Terna, United Utilities.

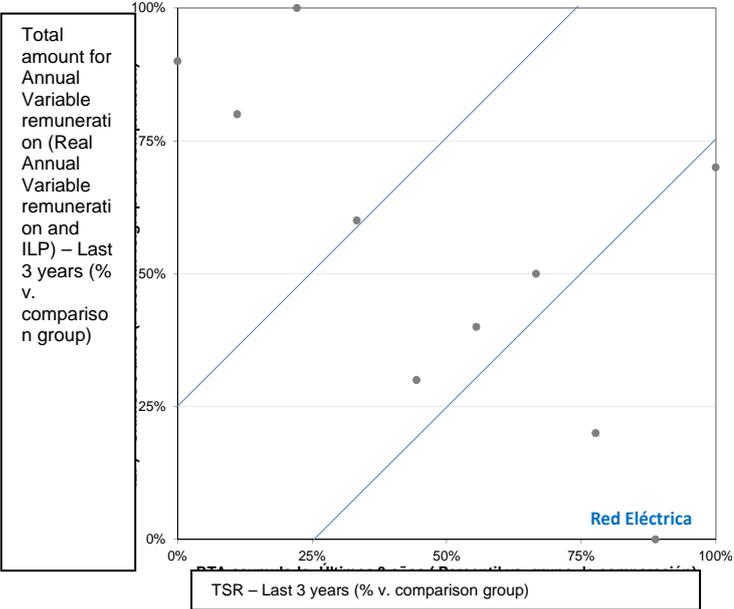
The evolution of the EBITDA of Red Eléctrica over the last 3 years places the Company above the 25th percentile in the comparison group, while the growth of variable compensation (annual and long-term) over the same period has been more moderate.

Total Shareholder Return (TSR) is the total yield of the share, including share price revaluation and dividends.

The companies included in the comparison group are as follows: CLH, Enagás, Enel, Eon, Iberdrola, National Grid, RWE AG, Snam Rete Gas, Terna, United Utilities. CLH was excluded from this analysis because it is not a listed company.

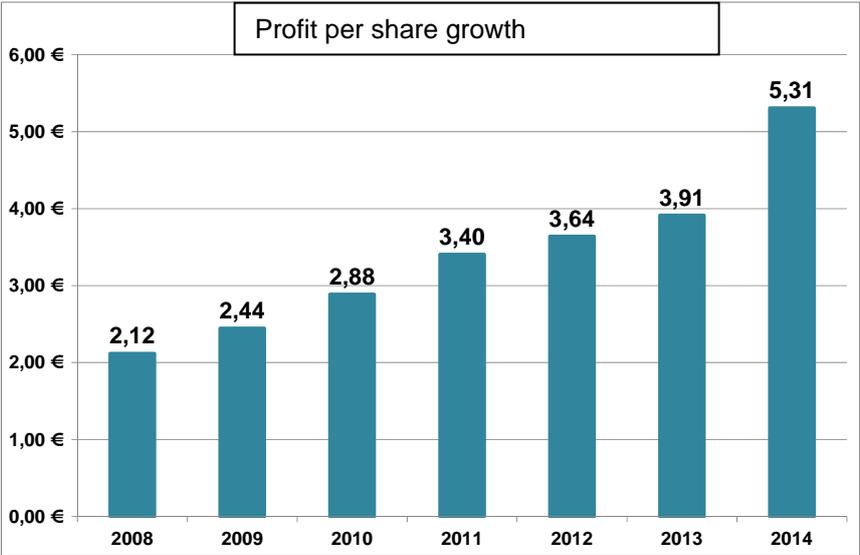
The evolution of the TSR of Red Eléctrica over the last 3 years places the Company above the 75th percentile in the comparison group, while the growth of variable compensation (annual and long-term) over the same period has been more moderate.

Source of TSR information: Bloomberg



Regarding the dividend payment policy, the gross dividend corresponding to 2014 proposed by the board of directors to the next ordinary general shareholders meeting represents an increase of 18% by comparison with the gross dividend approved for 2013.

The share price at 31 December 2014 reached a value of €73.21/share, which represents an increase of 50.9% (47.3 points above the IBEX35) by comparison with the same period of the prior year. Over the course of 2015, at 30 January, it continued increasing, to €75.56/share.



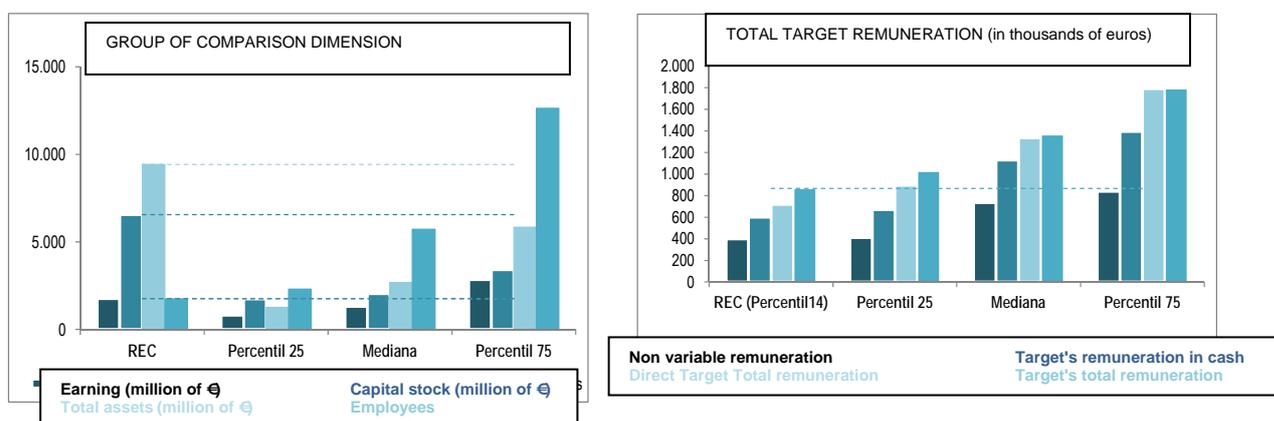
The Corporate Responsibility and Governance Committee believes it is essential to review the compensation policy for the board of directors and the executive director periodically, in line with best corporate governance practices adopted by institutional shareholders and recommendations of the principal proxy advisors.

In this regard, the committee in 2014 undertook benchmarking of the compensation of the executive director. That benchmarking took account of two comparison groups, one specific, and the other the IBEX35, the stock index to which the Group belongs.

The first comparison group is comprised of 21 companies, selected using the same criteria as were applied in the compensation analysis that was undertaken in 2013 (geographical scope, scope of responsibility, business sector and size). These criteria are set forth in detail in the compensation policy for directors that will be submitted for approval of the ordinary general shareholders meeting to be held in 2015. The companies comprising the comparison group are as follows:

<i>Abertis</i>	<i>Enagas</i>	<i>Jazztel</i>	<i>Técnicas Reunidas</i>
<i>Almirall</i>	<i>Ence</i>	<i>Mediaset</i>	<i>Viscofan</i>
<i>Amadeus</i>	<i>Europac</i>	<i>Meliá</i>	<i>Zardoya Otis</i>
<i>Atresmedia</i>	<i>Gamesa</i>	<i>NH Hotel Group</i>	
<i>Catalana Occidente</i>	<i>Grifols</i>	<i>OHL</i>	
<i>Duro Felguera</i>	<i>Indra</i>	<i>Sacyr</i>	

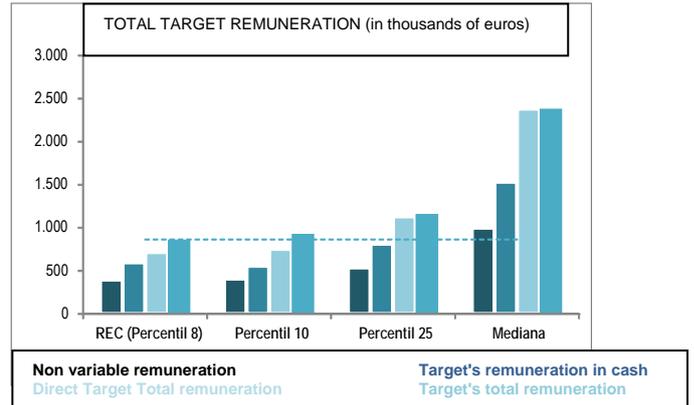
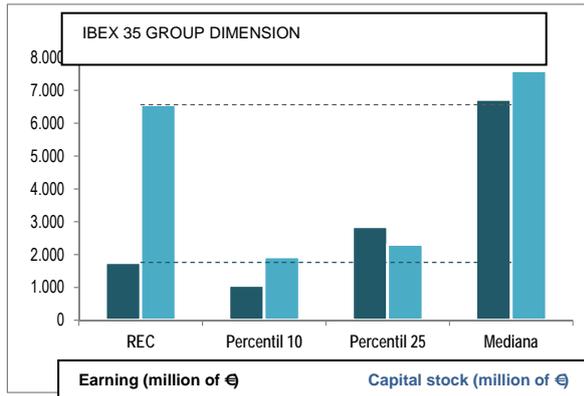
The following graph shows the results of this first analysis: an overall view of the size data of the Red Eléctrica Group points to a reference market between the median and the 75th percentile. In terms of "target" compensation (that is, for a standard level of achievement of objectives, the position of the Red Eléctrica Group is slightly above the 10th percentile).



- Fixed Compensation: those categories that are of a fixed nature stated in euros
- Target cash compensation includes fixed compensation and target variable compensation. The latter is the variable compensation assigned to the employee for the most recent period, assuming 100% achievement of objectives.
- Target direct total compensation includes target cash compensation plus the annualised expected value of long-term incentives.
- Target total compensation includes target direct total compensation plus compensation by reason of board membership and attendance at meetings of the board and, if applicable, its committees

The market data are broken down in the annual compensation reports of each company published in 2014, corresponding to the 2013 financial year.

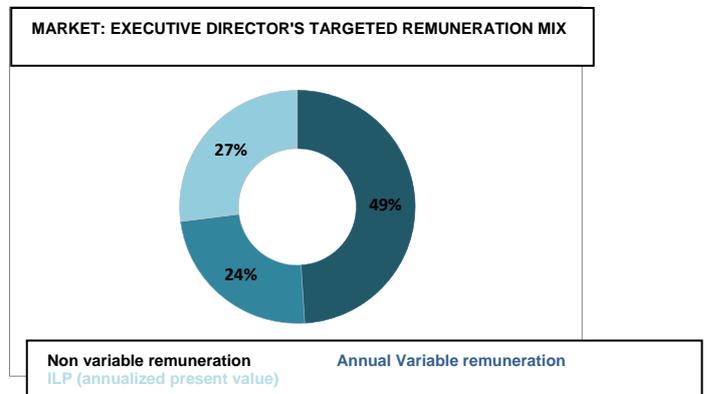
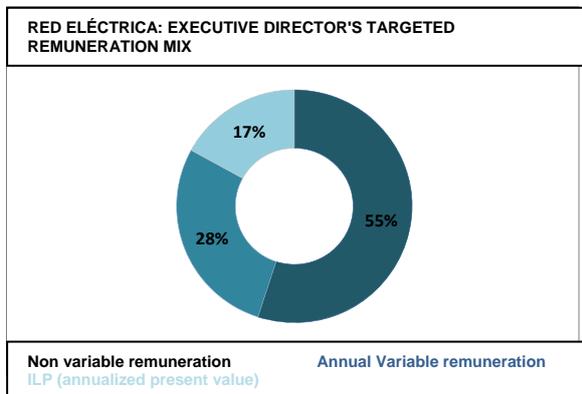
For purposes of the IBEX35 analysis the companies included in the index at the time of the analysis were selected (Arcelormittal was not included in the analysis since its board is located outside Spain and it was deemed not to be comparable). The following graph shows the results: an overall view of the information regarding the size of the Red Eléctrica Group points to a market reference between the 25th percentile and the median as regards the IBEX35. In terms of compensation, the position of the Red Eléctrica Group is at the minimums for the market.



- Fixed Compensation: those categories that are of a fixed nature stated in euros
- Target cash compensation includes fixed compensation and target variable compensation. The latter is the variable compensation assigned to the employee for the most recent period, assuming 100% achievement of objectives.
- Target direct total compensation includes target cash compensation plus the annualised expected value of long-term incentives.
- Target total compensation includes target direct total compensation plus compensation by reason of board membership and attendance at meetings of the board and, if applicable, its committees

The market data are broken down in the annual compensation reports of each company published in 2014, corresponding to the 2013 financial year.

Below are two graphs reflecting the mix of the compensation scheme for the executive director and a comparison thereof with the market for a scenario of standard (target) achievement of objectives.



The components of the executive director compensation scheme in 2015 are as follows:

Annual fixed compensation

Fixed compensation is reviewed annually. After detailed analysis of the Company's results, market data and the compensation conditions within the organisation, fixed compensation of 399,170 euros has been proposed, which is unchanged since the date of appointment of the executive director in 2012.

Annual variable compensation

The annual variable compensation for the executive director is based on achievement of a combination of business objectives, predetermined and quantifiable, measured at the Group level. A target level (50% of annual fixed compensation) is established, which will be reached in the event of achieving 100% of the pre-established objectives. The maximum level (55% of annual fixed compensation) will be reached in the event of exceeding the pre-established objectives to the maximum extent, in accordance with the described metrics and internal rules and procedures for evaluation of objectives established by the company for its executives. The current executive director, Mr. Jose Folgado Blanco, has his annual variable compensation limited contractually to 50% of his annual fixed compensation.

Approval of the objectives, at the beginning of each year, corresponds to the Corporate Responsibility and Governance Committee. All of the objectives are contemplated in the 2015 budget, which falls within the new 2014/2019 strategic plan for the Group, approved by the board of directors. They are as follows:

- 70% of the incentive depends on economic/financial objectives, which measure the Group's capacity to generate profits, reflected in the following metrics:
 - 35% consolidated profit of the Red Eléctrica Group.
 - 35% return on invested capital (ROIC) of the Red Eléctrica Group, which measures net operating profit as a percentage of capital employed.
- 30% of the incentive depends on aspects tied to the "Degree of Progress of the Strategic Plan".

The Corporate Responsibility and Governance Committee has decided to set the individual achievement threshold of economic/financial targets that triggers the entitlement to variable compensation at 95%; the maximum possible level of achievement is 100%.

Within the objectives tied to the "Degree of Progress of the Strategic Plan", the Corporate Responsibility and Governance Committee will evaluate the minimum threshold for individual compliance and may determine a maximum level of individual compliance of 133% (up to 40% of individual compliance with the objective, in the event of maximum weighting).

The Corporate Responsibility and Governance Committee will have the autonomy necessary to evaluate the degree of annual compliance with the "Degree of Progress of the Strategic Plan" objective. However, once the new strategic plan is approved a document will be prepared setting forth the principal aspects and elements the aforesaid committee must consider in objective evaluation of the degree of progress of the aforesaid plan. The annual report on director compensation for 2015 that is submitted to the ordinary general shareholders meeting in 2016 will expand on the information regarding the aforesaid elements.

METRICS	WEIGHTING	MINIMUM		TARGET		MAXIMUM	
		Achievement	Incentive	Achievement	Incentive	Achievement	Incentive
1. Net Profit	35%	95%	95%	100%	100%	100%	100%
2. ROIC	35%	95%	95%	100%	100%	100%	100%
3. Degree of Achievement of the Strategic Plan	30%	Valuation by the CRGC(1)	Valuation by the CRGC(1)	100%	100%	133%	133%

(1) Corporate Responsibility and Governance Committee

Variable compensation is calculated on the basis of the level of achievement and weighting of each objective, using the internal objective assessment standards and procedures established by the Company for its executives.

The Corporate Responsibility and Governance Committee may propose adjustments of the variable compensation to the board under exceptional circumstances, due to internal or external factors. The details of these adjustments, if any, will be broken down in the corresponding annual compensation report.

The overall maximum achievement of the three foregoing objectives may not exceed 110%.

Multi-Year Variable Compensation

The new multi-year cash variable compensation plan addressed to executives is applicable to the executive director. The plan is for a term of 6 years, in line with the new 2014-2019

strategic plan of the Red Eléctrica Group, and extends from 1 January 2014 to 31 December 2019.

The right to receive the cash incentive is conditioned on achievement of objectives tied to the 2014-2019 strategic plan, as well as remaining with the company over the term of the plan. The objectives and their weighting are described below:

- 20% of the incentive is tied to the expansion of the business. To measure this objective the amount of investment is used as the indicator;
- 25% of the incentive depends on fulfilling the investment plan for the transport network, which is measured based, inter alia, on positions placed in service;
- 20% of the incentive is tied to the quality of system operation; it is measured based on energy not supplied;
- 25% of the incentive is tied to the efficiency of operations. Two metrics are considered: yield on fixed assets and profit per share;
- The remaining 10% depends on compliance with the corporate responsibility plan.

When the plan measurement period has ended, the Corporate Responsibility and Governance Committee, in the first quarter of 2020, will evaluate the achievement of each of the objectives, and of the plan as a whole, using information provided by the company, and will propose the levels of incentive associated with achievement, based on the established achievement scales. In any event, it is established that the weighted-average achievement of the overall objectives must reach at least 70%. If not, no right to receipt of incentive will arise, regardless of individual achievement of each objective. Similarly, the maximum level of achievement of the overall objectives of the plan will be 110%, although weighted-average achievement of the objectives may be greater.

The target compensation of the executive director in this category is 1.8 times fixed compensation.

Ex post facto control of annual and multi-year variable compensation

In accordance with the provisions of the director compensation policy, the Corporate Responsibility and Governance Committee has authority to propose to the board the cancellation or return of payment of variable compensation, of short or long term, of the corresponding beneficiaries or managers in the event of supervening circumstances that show that the variable compensation has accrued or been paid based on inaccurate or

erroneous information, or that there have been breaches of applicable internal corporate or legislative rules that subsequently are proven. In addition, the Corporate Responsibility and Governance Committee, in such exceptional circumstances, will determine whether it may propose to the board of directors even termination of the contractual relationship with the corresponding beneficiaries or managers. It also may propose adoption of such measures as it deems to be appropriate.

Pensions and Other Benefits

The executive director in 2015 does not participate in pension plans or receive any kind of social benefits

Under the provisions of the director compensation policy, the possibility of delivery of shares of the Company to executive directors is contemplated, with express authorisation of the general shareholders meeting and within the limits and subject to the conditions established by applicable legislation.

Termination Clauses

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

Without prejudice to the confidentiality obligation expressly established in that contract, the executive director also is bound by the duty of confidentiality established in article 34.a) of the board regulations, applicable to all directors, in accordance with which a director is to keep the deliberations of the board of directors and its committees secret and, in any event, refrain from disclosing the information, data, reports or records to which the director has had access in the performance of his duties. The confidentiality obligation survives departure from office.

In his capacity as a director of Red Eléctrica, the executive director has a noncompete obligation to the Company, on the terms in which that obligation is regulated for directors of the Company in article 33 of the board of directors regulations. In addition, the noncompete obligation is expressly set forth in the contract with the executive director, for a term of two

(2) years after his departure, that obligation not giving him a right to post-contractual noncompetition indemnification, as it is deemed to have been compensated by way of his fixed compensation.

The contract with the current executive director was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's board of directors. This contract, following customary market practices, contemplates an indemnification equivalent to one year of compensation in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director), with no advance notice from the Company being required. The aforesaid indemnification will also apply if the executive director voluntarily resigns due to a serious and culpable breach of the Company or a material modification of the executive director's duties for reasons not attributable thereto.

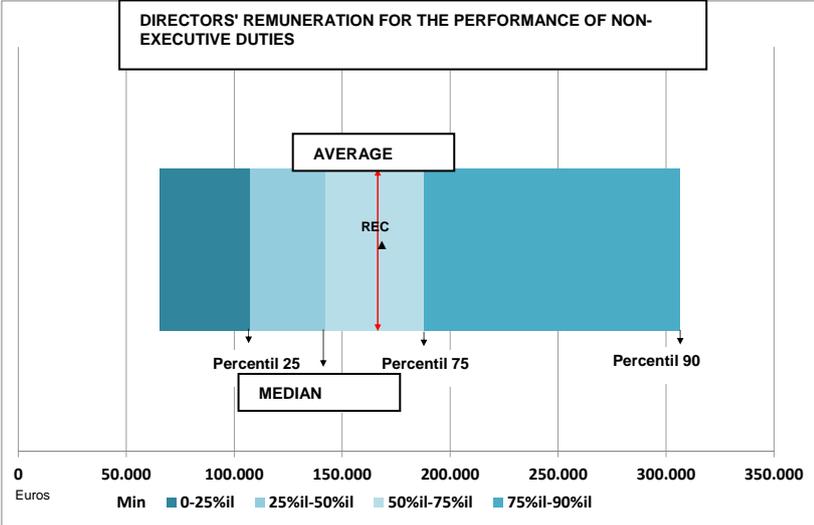
In the calculation of that indemnification the base is one year's fixed compensation, plus the amount corresponding to variable compensation as executive director, calculated assuming a 100% level of achieving objectives.

3.2. Policy for compensation of outside directors in 2015 (1)

In preparation of the corresponding proposal for compensation of the board of directors for 2015, undertaken by the Corporate Responsibility and Governance Committee last December and approved by the board of directors at its meeting of 23 December 2014, which will be submitted for approval of the next ordinary general shareholders meeting, an outside analysis of competitiveness undertaken in 2014 regarding compensation of outside directors was among the factors taken into account. In that analysis, also undertaken with the support of the Towers Watson consulting firm, the comparison group selected was comprised of the companies belonging to the IBEX-35, given the fact that the Red Eléctrica Group belongs to this index and is at the median thereof by market capitalisation.

¹ Also applicable to the executive director in his role as a director (and not for performing executive tasks)

The following graph shows the comparison between the compensation of outside directors of Red Eléctrica, in 2014, by reference to the indicated comparison group:



The compensation of the outside directors of the Company is in line with the average of the comparison group (IBEX-35).

The articles of association set a cap on overall annual compensation for the entire board, in all categories, of 1.5% of the company’s net profits, as approved by the general meeting. The above compensation is, in all cases, a maximum figure and the board itself is in charge of apportioning the amount among the items contemplated in the articles of association, among the directors, in such manner, at such time and in such proportion as it freely decides.

For 2015, the same amounts and categories are maintained as for 2014, as indicated below:

Fixed Compensation

- 130,742 euros per annum per director, to be paid monthly before the tenth (10th) of each month.

Per diems for attending meetings of the board of directors

- 1,500 euros for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for 2015 in the schedule approved by the board of directors. Proxies may be granted without losing the entitlement to receive the per diem for just

cause, a maximum of two (2) times per year. This amount is paid within fifteen (15) days of the given meeting being held.

The holding of extraordinary meetings of the board of directors, in person or electronically, does not result in compensation in the form of per diems.

Service on board of directors committees

- 27,900 euros per annum to each member of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.
- 15,000 euros per annum to each chairman of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

Coordinating Independent Director

- 15,000 euros per annum, to be paid monthly before the tenth (10th) of each month.

4. Implementation of the compensation policy in 2014

4.1. Implementation of the compensation policy for the executive director in 2014

Annual fixed compensation

In 2014 fixed compensation of the executive director amounted to 399,170 euros.

Annual variable compensation

The Corporate Responsibility and Governance Committee established the corresponding objectives at the beginning of 2014 and monitored compliance therewith quarterly over the course of the year. The year having concluded, the committee engaged in a process of evaluation of compliance therewith. In that evaluation it had the support of the Corporate Finance Office, which is responsible for control of management of the Group and provided information regarding the audited results of the Company and the consolidated Group. In this

evaluation the committee also considered the possible impact of the objectives in the long term, and any risk associated therewith.

The annual variable compensation for the executive director, established for 2014, is based on achievement of a combination of quantitative and qualitative business objectives measured at the Group level. Set forth below is a table with the objectives that were set, their weightings and the achievement of each of them (after the evaluation in February 2015 by the committee) as established to determine the amount of the incentive (annual variable compensation) to be paid to the executive director:

Types of Objectives and Weighting	Metrics	Weighting	Performance Range	Level Achieved	Level of Payment of Incentive for each Metric
QUANTITATIVE (80%)	1. EBITDA	50%	95% - 100%	100%	100%
	2. Net Profit	30%	95% - 100%	100%	100%
QUALITATIVE (20%)	3. Approval by Board of new Strategic Plan	20%	Up to 150%, evaluation by the CRGC(1)	100%	100%

(1) Corporate Responsibility and Governance Committee

To determine the level achieved and the amount of incentive applicable for 2014, regarding the "quantitative objectives", the Corporate Responsibility and Governance Committee, at its meeting of 17 February 2015, considered the following matters:

1. The book figure gives Group EBITDA for 2014 of 1.385 billion euros.
2. The book figure gives Group net profits for 2014 of 718 million euros.

Notwithstanding the foregoing, as indicated in the internal rules and procedures of the Company regarding evaluation of objectives for its executives, in the evaluation of achievement of "quantitative objectives" the economic effects deriving from exceptional events not contemplated in the definition of those objectives, if any, is to be discounted. In this regard, after adjusting for exceptional events occurring in 2014, all of them positive (the award to the Red Eléctrica Group of the ADIF high-speed fibre-optic bid, the definitive agreement signed with Bolivia regarding compensation for nationalisation of the Bolivian

subsidiary Transportadora de Electricidad TDE and the recent tax reform in Spain), the committee concluded as follows:

1. The Group's EBITDA figure for 2014, for purposes of evaluation of compliance with the objective, is 1.378 billion euros, resulting in a degree of achievement of the objective of 100%.
2. The Group's book net profit figure for 2014, for purposes of evaluation of compliance with the objective, is 558 million euros, resulting in a degree of achievement of the objective of 100%.

Regarding objective 3. "Approval by the Board of the New Strategic Plan" ("qualitative objective"), given the definition of the objective, the Corporate Responsibility and Governance Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%.

After the evaluation of achievement of the foregoing three objectives, the Corporate Responsibility and Governance Committee concluded that the executive director's overall degree of achievement of objectives was 100%. As a result the annual variable compensation for the executive director for 2014 amounts to 199,585 euros (100% of the target incentive).

Multi-year variable compensation

As was indicated in the annual corporate governance report approved by the ordinary general shareholders meeting held on 9 May 2014, during 2014 the Corporate Responsibility and Governance Committee of the Company evaluated various long-term incentive schemes, that would serve as management tools and a mechanism for fulfilling the new strategic plan, considering legal, economic, corporate governance and other aspects. As a result of this work, the board of directors at its meeting held on 24 February 2015, on proposal of the aforesaid committee, approved an executive compensation plan for 2014-2019, including the executive director, fulfilment of which is tied to the achievement of objectives established in the Group's strategic plan for that period and, in addition, satisfaction of certain conditions. The provision corresponding to 2014 accrual under that plan is included in the financial statements of the Company.

In the section corresponding to the compensation policy for the executive director in 2015, the basic terms and conditions of the aforesaid plan have been amply explained, for which reason we remit thereto to avoid repetition.

Pensions and other benefits

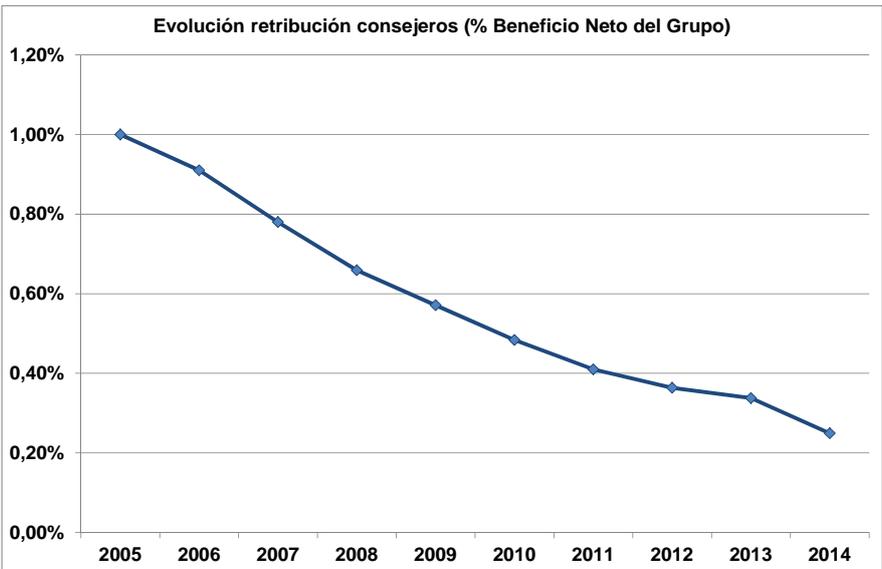
The executive director in 2014 did not receive any kind of pension.

At 31 December 2014 the balance sheet of the Company reflected no loans, advances or guarantees granted by the Company in favour of the executive director, nor are there any pension obligations owed to him.

4.2. Implementation of the policy for compensation of outside directors in 2014 ⁽¹⁾

Set forth below are a table with the percentages of compensation of the board of directors by reference to net profits for each year, over the last 10 years, and a graph showing the evolution:

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Compensation (% of net profit of the Group)	1.00%	0.91%	0.78%	0.66%	0.57%	0.48%	0.41%	0.36%	0.30%	0.25%



¹ Also applicable to the executive director in his role as a director (and not for performing executive tasks)

In 2014, the overall amount of compensation of the board of directors amounted to 1,788,013 euros, broken down by category and director as follows:

Fixed Compensation: 130,742 euros per annum per director.

Per diems for attending meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2014, the total amounting to 16,500 euros. In addition, there were two (2) extraordinary meetings of the board of directors, not resulting in compensation by way of per diems.

Service on Board of Directors Committees:

- 27,900 euros per annum to each member of the board committees.
- 15,000 euros per annum to each of the chairmen of the board committees.

Coordinating Independent Director: 15,000 euros per annum.

The compensation of the board of directors in 2014 should have been higher than in 2013 as a result of the new compensation resolved for the chairmen of the committees and for the position of coordinating independent director. However this new compensation was offset by lower compensation to directors due to changes in the composition of the board, the result in 2014 being that new additions did not earn compensation over the entire year.

5. Compensation of senior executives

The purpose of the compensation policy applicable to this group is to act as an incentive for the achievement of the strategic objectives of value creation at the Company to appropriately recognise the best professionals in the market. The compensation of the senior executives is aligned with the principles and criteria contained in the compensation policy applicable to the executive director described in this document.

Set forth below are the categories of the compensation policy applied by the Company to such executives:

Annual fixed compensation

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

Annual variable compensation

Annual variable compensation is linked to quantifiable and measurable objectives set by the Corporate Responsibility and Governance Committee at the start of the year and monitored on a quarterly basis throughout the year. The Corporate Responsibility and Governance Committee is also responsible, when the period has ended, for evaluating the level of achievement of the objectives previously established. These objectives are related to the strategies and criteria contemplated in the strategic plan approved by the board of directors.

Multi-year variable compensation

The senior executives participate in the new multi-year variable compensation plan, as does the executive director.

The basic objectives, criteria and components of the long-term compensation plan have been explained previously in the sections of this report applicable to the executive director.

The participation of the senior executive team in the multi-year variable compensation plan will be subject to the conditions established by the Company's regulations.

Flexible compensation pool

All or a part of a compensation pool may be used for various alternative in-kind products. That pool includes those products from time to time having a tax benefit.

Other categories

In "Other categories" of compensation there are no advances to these executives.

At 31 December 2014 there were loans extended to these executives on the terms described in the individual compensation table in section 6.3 of this report.

Contractual terms and conditions

There are guarantee or golden parachute clauses for dismissals in favour of the senior executives currently serving within the Red Eléctrica Group. These clauses are in line with standard market practices and cover the termination of the employment relationship, providing for indemnification of up to one year's salary, unless the applicable legislation provides for a higher amount. The contracts containing these clauses were approved by the Corporate Responsibility and Governance Committee and they were duly notified to the board of directors.

6. Individual compensation tables

6.1. Compensation of the executive director, in all categories, for 2014

The following is a summary of total gross compensation, in euros, earned by the executive director in 2014:

Director	Fixed compensation	Annual variable compensation	Compensation for his functions as director (1)	Total
Mr. José Folgado Blanco	399,170	199,585	147,242	745,997

(1) Includes fixed director compensation (130,742 euros) and per diems for attendance and dedication of the director (16,500 euros).

In 2014, as a result of the end of the 2009-2013 "25th Anniversary Extraordinary Plan", a compensation plan for executives that included the executive director, achievement of the objectives established in that plan was evaluated in accordance with the minimum and maximum limits contemplated therein (70%-110%). The plan having ended in 2013, the

Corporate Responsibility and Governance Committee of the Company, at its meeting held on 20 February 2014, evaluated the degree of achievement of the plan, placing it at 106.3%. It also resolved to fix compensation of the executive director under the aforesaid plan at 278,000 euros, corresponding to the aforesaid percentage and the time elapsed from the appointment of the executive director subject to the plan to the end thereof on 31 December 2013. This amount was paid in 2014 and was included within the amounts that the Group has been accruing annually in the 2009-2013 period.

The executive director, evidencing his firm personal commitment to social responsibility and best corporate governance practices, has given instructions that, in his name and for his account, the Company is to make cash contributions to certain foundations, in the total amount of his 2014 compensation corresponding to the 2009-2013 long-term compensation plan, as described in the Company's annual corporate governance report for 2014.

6.2. Compensation of the outside directors, in all categories, for 2014

The total amount of the compensation of the board of directors for 2014, excluding the compensation of the executive director by reason of his contractual relationship (executive duties) with the Company, is, in all categories, 0.25%¹ of the net profits of the Red Eléctrica Group attributable to the controlling company, for 2014.

The compensation earned by the members of the board of directors of the Company in 2014, in thousands of euros, broken down by director, as appearing in the annual accounts for 2014, is as follows:

¹ *The net profits obtained by the RED ELÉCTRICA Group and attributed to the parent company, in the 2014 financial year, amounted to 717,812,000 euros (529,139,000 euros in 2013).*

	Fixed Remuneration	Variable Remuneration	Per diem for BoD meeting assistance	Commitment to commission	Commission Chief	Independent Coordinator Director	Total
D. José Folgado Blanco		530	200	16	0	0	746
Dña. María de los Angeles Amador Millán		131	0	16	28	0	175
D. Miguel Boyer Salvador		46	0	7	0	0	53
D. Rui Manuel Janes Cartaxo		46	0	7	0	0	53
D. Fernando Fernández Méndez de Andés		131	0	16	28	0	175
Dña. Paloma Sendín de Cáceres		131	0	16	28	15	190
Dña. Carmen Gómez de Barreda		131	0	16	28	0	190
D. Juan Emilio Irazo Martín		108	0	12	23	12	155
Dña. María José García Beato		131	0	16	5	0	152
Dña. Socorro Fernandez Larrea		84	0	11	0	0	95
D. Antonio Gómez Ciria		84	0	11	0	0	95
D. Santiago Lanzuela Marina		55	0	6	0	0	61
D. Alfredo Parra García-Moliner ⁽¹⁾		10	0	0	2	0	12
D. Francisco Ruíz Jiménez ⁽¹⁾		131	0	16	24	0	171
D. Jose Angel Partearroyo Martin ⁽¹⁾		55	0	9	0	0	64
Total Remuneraciones devengadas	1.804	200	175	166	27	15	2.387

(1) AMOUNTS PERCEIVED BY SEPI

6.3. Compensation of senior executives, in all categories, for 2014

The senior executives who rendered services throughout 2014 are as follows:

Name (1)	Position
Carlos Collantes Pérez-Ardá	General Manager of Transmission
Andrés Seco García	General Manager of Operations

In 2014 the total compensation earned by senior executives amounted to 729,000 euros (685,000 euros at 31 December 2013). It was recorded as staff expense in the income statement. These amounts include the accrual of annual variable compensation based on achievement of the objectives fixed for each year. Once achievement of the aforesaid objectives has been evaluated, the variable compensation is paid in the first months of the following year, the compensation depending on the actual achievement.

The increase by comparison with 2013 is due to the increase of the percentage of variable compensation allocated to these executives in order to align the compensation with the achievement of the established annual objectives. Fixed compensation did not increase in 2014.

In 2014, as a result of the end of the 2009-2013 "25th Anniversary Extraordinary Plan", a compensation plan for executives that included the senior executives, achievement of the objectives established in that plan was evaluated in accordance with the minimum and maximum limits contemplated therein (70%-110%).

The plan having ended in 2013, the Corporate Responsibility and Governance Committee of the Company, at its meeting held on 20 February 2014, evaluated the degree of achievement of the plan, placing it at 106.3%. It also resolved to fix compensation of the two senior executives under the aforesaid plan at 579,000 euros, corresponding to the aforesaid percentage and the time elapsed from the appointment of the senior executives subject to the plan to the end thereof on 31 December 2013. This amount was paid in 2014 and was included within the amounts that the Group has been accruing annually in the 2009-2013 period.

Of the total compensation earned by these executives contributions to life insurance and pension plans amounted to 16,000 euros (15,000 euros in 2013)

At 31 December 2014 and 2013 there were no advances to these executives.

At 31 December 2014 there were loans extended with an outstanding balance of 218,000 euros, maturing in December 2023, on the same terms as apply to loans extended to those covered by a collective bargaining agreement, with the average interest rate applicable in 2014 being 1.55%.

7. Tables of voting results

The following table sets out the voting percentages obtained at the ordinary general meetings of shareholders of the Company held from 2012 to 2014, in relation to the annual report on directors' compensation:

Annual report on compensation of directors: votes (%)			
Meeting Date	For	Against	Abstention
9/05/2014	61.30%	2.75%	35.95%(1)
18/04/2013	95.70%	4.12%	0.18%
19/04/2012	94.54%	5.39%	0.07%

(1) Of the aforesaid percentage, 35.54% corresponds to the vote of Sociedad Estatal de Participaciones Industriales (SEPI).

**8. Annex 1: Official form of Annex I per CNMV Circular
4/2013**

ANNEX 1

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES

PARTICULARS OF ISSUER

ENDING DATE OF REFERENCE PERIOD	31/12/2014
C.I.F.	A-78003662
CORPORATE NAME	RED ELECTRICA CORPORACION, S.A.
REGISTERED OFFICE	PASEO DEL CONDE DE LOS GAITANES, 177, (LA MORALEJA-ALCOBENDAS) MADRID

FORM OF ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED COMPANIES

A COMPENSATION POLICY OF THE COMPANY FOR THE YEAR IN COURSE

A.1 Explain the company's compensation policy. Within this section include information regarding:

- General bases for and principles of the compensation policy.
- Most significant changes made to the compensation policy by reference to the policy used during the prior period, and the changes that have been made during the year in the terms for exercise of options already granted.
- Criteria used and composition of the groups of comparable companies the compensation policies of which have been reviewed in order to establish the company's compensation policy.
- Relative importance of the variable compensation categories by reference to the fixed categories, and criteria used to determine the various components of the compensation package of the directors (compensation mix).

Explain the compensation policy

The quality and commitment of the members of the board of directors and senior managers of Red Eléctrica are essential to success in fulfilling the strategies of the Red Eléctrica Group. To that end the Corporate Responsibility and Governance Committee prepares and proposes to the board of directors of Red Eléctrica Corporación, S.A. (hereinafter also called the "Company" or "Red Eléctrica") the policy and practices regarding compensation to be applied to the board of directors and senior management, to appropriately recognise the best professionals. The general principles underlying the compensation policy for directors are as follows: - Balance and moderation; - Alignment with the practices demanded by shareholders and investors; - Transparency; - Voluntary submission of any decision related to director compensation to approval of the general shareholders meeting. i) Regarding compensation of the executive director, the following principles are applied: - Alignment of the compensation policy for the executive director with the Company's strategy; - Maintenance of reasonable balance among the various components of fixed compensation (short-term) and variable compensation (annual and long-term), reflecting an appropriate assumption of risks combined with achievement of the defined objectives, tied to creation of sustainable value; - Alignment with the compensation established by comparable companies. ii) Regarding the compensation of outside directors the following are notable: - Relation to actual services rendered; - Tied to responsibility and performance of duties as directors; - No variable components in their compensation with a view to their total independence as regards the compensation of the executive director and the management team; - Incentives, but with the amount not compromising independence. The Corporate Responsibility and Governance Committee believes it is appropriate to review the compensation policy for the board of directors and the executive director periodically, in this review process including comparison with reference companies, selecting groups of comparable companies, and maintaining permanent contact with shareholders and proxy advisors, in order to verify the appropriateness and moderation of the compensation of its directors and the executive director by reference to the market. All of the foregoing principles are in accordance with the corporate governance policy of the Company, approved by the board of directors at its meeting of 25 November 2014, and published on the corporate website. Further, the aforesaid compensation principles generally are in compliance with the provisions for capital companies in new article 217.4 of the Capital Companies Act, regarding their adaptation to the size and importance of the company, its economic situation, comparability, profitability and sustainability; and regarding no excessive assumption of risks or reward of unfavourable results. The board of directors, on proposal of the Corporate Responsibility and Governance Committee, will submit a new long-term incentive plan to the next general shareholders meeting. The principal terms and conditions thereof are described in section A.4 below. The board, on proposal of the Corporate Responsibility and Governance Committee, has approved a review of the objectives of the annual variable compensation of the executive director for 2015, as described in section A.4. below. The other components and characteristics of the compensation policy to be applied during 2015 will be maintained on terms similar to those applied in 2014. The board, on proposal of the Corporate Responsibility and Governance Committee, among other matters considers the following when establishing the compensation policy:

a) The provisions of the articles of association and the board regulations: the articles of association set a cap on overall annual compensation for the entire board, in all categories, of 1.5% of the company's net profits as approved by the general meeting. The above compensation is in all cases a maximum figure and the board itself is in charge of apportioning the amount among the aforesaid items and among the directors in such manner, at such time and in such proportion as it freely decides. The compensation indicated above deriving from membership on the board is compatible with the other elements of compensation received by a director for performance of executive functions within the Company. b) The principles established in the corporate governance policy approved by the board of directors of the Company at its meeting of 25 November 2014. c) The applicable regulations. d) The objectives established pursuant to the budget for the year/strategic plan, allowing the establishment of the metrics to which the annual variable and medium/long-term compensation is tied. e) The market information and instructions of investors and proxy advisors. For greater detail regarding this matter, see section A.2. The total compensation of the executive director is comprised of the following compensation components: (i) fixed compensation, (ii) short-term variable compensation and (iii) long-term variable compensation. In a scenario of standard achievement of objectives (targets), as regards the compensation mix, it may be stated that approximately 55% of total compensation is fixed, the remaining 45% being variable. (See section E)

A.2 Information on preparatory work and the decision-making process that has been used to determine the compensation policy and the role, if any, played by the Compensation Committee and other supervisory bodies in setting the compensation policy. This information if appropriate will include the mandate and composition of the Compensation Committee and the identity of the outside advisors the services of which have been used in the determination of the compensation policy. It will also state the nature of the directors, if any, that have participated in determination of the compensation policy.

Explain the process for determination of the compensation policy

The Corporate Responsibility and Governance Committee believes it is appropriate to review the compensation policy for the board of directors and the executive director periodically, in line with the best corporate governance practices adopted by institutional shareholders and the recommendations of the principal proxy advisors. In this regard, the committee in 2014 undertook an analysis of external competitiveness regarding the compensation of the executive director. In it two comparison groups were used, one specific, and the other the IBEX35, the stock index to which the Group belongs.

The first comparison group is comprised of 21 companies, selected using the same criteria as were applied in the compensation analysis that was undertaken in 2013 (geographical scope, scope of responsibility, business sector and size). These criteria are set forth in detail in the compensation policy for directors that will be submitted for approval of the ordinary general shareholders meeting to be held in 2015. The companies comprising the comparison group are as follows: Abertis, Almirall, Amadeus, Atresmedia, Catalana Occidente, Duro Felguera, Enagas, Ence, Europac, Gamesa, Grifols, Indra, Jazztel, Mediaset, Meliá, NH Hotel Group, OHL, Sacyr, Técnicas Reunidas, Viscofan, Zardoya Otis. In summary, it may be concluded that an overall view of the data of companies of the size of the Red Eléctrica Group leads to a market position between the median and the 75th percentile, in terms of "target" compensation, that is, for a standard level of achievement of objectives, the position of the Red Eléctrica Group falls below the 10th percentile. For analysis as against the IBEX35 the companies included in the index at the time of conducting the study were selected (Arcelormittal was not included in the analysis because the board is located outside Spain and it was not considered to be comparable). In summary, it may be concluded that an overall view of the data of companies of the size of the Red Eléctrica Group leads to a market position between the median and the 25th percentile by reference to the IBEX35; in terms of compensation, the position of the Red Eléctrica Group is at the minimum market values. Regarding directors for their non-executive functions the reference market is comprised of the companies belonging to the IBEX-35 market index, since Red Eléctrica belongs to this index. In view of the results of this analysis and taking account of other factors to be considered, the committee has not proposed increases of the fixed compensation of the directors, either the executive director or the outside directors, for 2015. On the other hand, the committee has analysed market practices regarding long-term incentives within IBEX-35 companies, as well as important entities in the Spanish energy sector. The conclusions drawn from this study and other matters have been considered in the process of deciding on the new long-term incentive plan. The committee also is in constant contact with shareholders and proxy advisors to verify the appropriateness and moderation of the compensation of the directors and executive director by reference to the market. Also, the committee has analysed the annual variable compensation component in light of the new 2014-2019 strategic plan, submitting the corresponding decisions to the board in respect thereof. For this analysis the committee has reports prepared for that purpose by the Corporate Finance Office, responsible for controlling management of the Group, which has provided information regarding audited results of the Company and the consolidated Group. During 2014 and 2015, up to the date of approval of this report, the most significant actions taken by the Corporate Responsibility and Governance Committee, regarding compensation, were as follows: - Approval and monitoring of corporate objectives related to the variable compensation of the executive director for 2014, and review and approval of those corresponding to 2015.

- Approval and monitoring of corporate, management and management committee objectives, tied to the variable compensation of senior managers for 2014, and approval of those corresponding to 2015. - Evaluation of compliance with the objectives related to annual variable compensation of the executive director and the senior managers, for 2013 and 2014.

- Proposal of a new long-term compensation plan for the executive director and managers, with a term of six years, tied to the objectives of the new 2014-2019 strategic plan, subject to satisfaction of certain conditions. - Proposal for 2014 (consolidated for 2015) of compensation of the board of directors (non-executive functions) consisting solely of fixed elements of compensation. - Proposals of annual compensation reports for directors, for referral to the board and subsequent submission to the ordinary general shareholders meeting, held in 2014 and 2015. - Report and proposal to the board of directors of the compensation policy for directors, applicable for the next 3 years, for referral to the ordinary general shareholders meeting in 2015. (See section E).

A.3 Indicate the amount and nature of the fixed components, broken down, if applicable, of the compensation for performance of duties of senior management of the executive directors, the additional compensation as chairman or a member of any board committee, of the per diems for participation on the board and its committees or other fixed compensation as a director, as well as an estimate of the fixed annual compensation resulting therefrom. Identify other benefits that are not paid in cash and the basic parameters on the basis of which they are granted.

Explain the fixed components of compensation

As regards the executive director, the fixed compensation represents a significant portion of total compensation, and is appropriate to the duties and responsibilities assumed. It is reviewed annually. After detailed analysis of the Company's results, market data and the compensation conditions within the organisation, fixed compensation of 399,170 euros has been proposed, which is unchanged since the date of appointment of the executive director in 2012. No other kind of social benefit is established for the executive director.

Regarding outside directors, (and also applicable to the executive director in his role as a director -and not for performing executive tasks-), the articles of association set a cap on overall annual compensation for the entire board, in all categories, of 1.5% of the company's net profits, as approved by the general meeting. The above compensation is, in all cases, a maximum figure and the board itself is in charge of apportioning the amount among the items contemplated in the articles of association, among the directors, in such manner, at such time and in such proportion as it freely decides.

For 2015, the same amounts and categories are maintained as for 2014, as indicated below:

a) Fixed Compensation: 130,742 euros per annum per director, to be paid monthly before the tenth (10th) of each month;
b) Per diems for attending meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for 2015 in the schedule approved by the board of directors. Proxies may be granted without losing the entitlement to receive the per diem for just cause, a maximum of two (2) times per year. This amount is paid within fifteen (15) days of the given meeting being held.

The holding of extraordinary meetings of the board of directors, in person or electronically, does not result in compensation in the form of per diems.

c) Service on board of directors committees:

c.1) 27,900 euros per annum to each member of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

c.2.) 15,000 euros per annum to each chairman of a board committee, to be paid monthly before the tenth (10th) of each month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

d) Coordinating Independent Director: 15,000 euros per annum, to be paid monthly before the tenth (10th) of each month.

There are no pension obligations undertaken vis-à-vis members of the board of directors. Also, it is not provided that the directors will receive categories of compensation in addition to those described above.

A.4 Explain the amount, nature and main features of the variable components of the compensation schemes.

In particular:

- Identify each of the compensation plans of which the directors are beneficiaries, the scope thereof, the date of approval, the date of implementation, the term of validity and the main features. In the case of option plans on shares and other financial instruments, the general features of the plan are to include information regarding the conditions for exercise of the options or financial instruments for each plan.

- Indicate any compensation under profit-sharing or bonus plans, and the reason it is paid.

- Explain the basic parameters and basis for any annual bonus system.

- The classes of directors (inside directors, proprietary outside directors, independent outside directors and other outside directors) that are beneficiaries of compensation schemes or plans that incorporate variable compensation

- The underlying basis of such variable compensation schemes or plans, the criteria for evaluation of performance that are used, as well as the components of and methods for evaluation to determine whether or not the evaluation criteria have been met, and an estimate of the absolute amount of the variable compensation resulting from the current compensation plan, based on the degree of fulfilment of the hypotheses or objectives taken as a reference.

- If applicable, the information is to include a report on the payment deferral periods that have been established and/or the periods for retaining shares or other financial instruments, if any.

Explain the variable components of the compensation schemes

The compensation policy contemplates that only the executive director will have variable components. They are as follows:

i) Annual variable compensation:

The annual variable compensation for the executive director is based on achievement of a combination of business objectives, predetermined and quantifiable, measured at the Group level. A maximum level (55% of annual fixed compensation) is established, which will be achieved in the event of exceeding the pre-established objectives, using the described metrics, rules and internal procedures for evaluation of objectives established by the Company for its managers. Notwithstanding the foregoing, the current executive director, Mr. Jose Folgado Blanco, has his annual variable compensation limited contractually to 50% of his annual fixed compensation. As a result, the maximum annual variable compensation that could be achieved by the current executive director would be 200,000 euros.

Approval of the objectives, at the beginning of each year, corresponds to the Corporate Responsibility and Governance Committee. All of the objectives are contemplated in the 2015 budget, which falls within the new 2014/2019 strategic plan for the Group, approved by the board of directors. They are as follows:

a) 70% of the incentive depends on economic/financial objectives, which measure the Group's capacity to generate profits, reflected in the following metrics:

a.1) 35% consolidated profit of the Red Eléctrica Group.

a.2) 35% return on invested capital (ROIC) of the Red Eléctrica Group, which measures net operating profit as a percentage of capital employed.

b) 30% of the incentive depends on aspects tied to the "Degree of Progress of the Strategic Plan".

The Corporate Responsibility and Governance Committee has decided to set the individual achievement threshold of economic/financial targets that triggers the entitlement to variable compensation at 95%; the maximum possible level of achievement is 100%.

Within the objectives tied to the "Degree of Progress of the Strategic Plan", the Corporate Responsibility and Governance Committee will evaluate the minimum threshold for individual compliance and may determine a maximum level of individual compliance of 133% (up to 40% of individual compliance with the objective, in the event of maximum weighting). The Corporate Responsibility and Governance Committee will have the autonomy necessary to evaluate the degree of annual compliance with the "Degree of Progress of the Strategic Plan" objective. However, once the new strategic plan is approved a document will be prepared setting forth the principal aspects and elements the aforesaid committee must consider in objective evaluation of the degree of progress of the aforesaid plan.

Variable compensation is calculated on the basis of the level of achievement and weighting of each objective, using the internal objective assessment standards and procedures established by the Company for its managers. The Corporate Responsibility and Governance Committee monitors the objectives quarterly throughout the year. At the end of the year it determines the degree to which the objectives have been achieved. In this evaluation function the committee has the support of the Corporate Finance Office, which is responsible for the management control function within the Group. It provides audited results. For both establishment of objectives and evaluation of achievement thereof, the committee also considers the long-term impact and any associated risk.

The Corporate Responsibility and Governance Committee may propose adjustments of the variable compensation to the board under exceptional circumstances, due to internal or external factors. The details of these adjustments, if any, will be broken down in the corresponding annual compensation report.

The overall maximum achievement of the three foregoing objectives may not exceed 110%.

The annual variable compensation will be paid entirely in cash.

ii) Long-term variable compensation: (See section E)

A.5 Explain the principal features of the long-term savings schemes, including retirement and any other survival benefit, financed in whole or in part by the company, whether funded internally or externally, with an estimate of the amount thereof or the equivalent annual cost, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions for vesting of the economic rights in favour of directors and compatibility thereof with any kind of indemnification for early termination of the contractual relationship between the company and the director.

Also indicate the contributions 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 schemes.

Explain the long-term savings schemes

There are no pension obligations undertaken vis-à-vis any member of the board of directors.

A.6 Indicate any indemnification agreed or paid in the event of termination of a director's duties

Explain the indemnification

No indemnification is agreed or paid in the case of termination of duties as an outside director.

A.7 Indicate the conditions to apply to the contracts of inside directors exercising senior management functions. The report is to include, inter alia, the duration, the limits on amounts of indemnification, minimum-term-of-employment clause ("*cláusulas de permanencia*"), terms of advance notice, as well as payment as a substitute for the aforesaid advance notice, and any other clauses related to hiring bonuses, indemnification or golden parachutes for early termination of the contractual relationship between the company and the inside director. Include, inter alia, noncompetition, exclusivity, minimum terms or loyalty and post-contractual noncompetition clauses or agreements.

Explain the terms of the contracts of the inside directors

The contract governing the executive director's performance of his functions and duties in his relationship with Red Eléctrica is formed under commercial law and includes the clauses constituting standard practice for this type of contract. Without prejudice to the confidentiality obligation expressly established in that contract, the executive director is also bound by the duty of confidentiality established in article 34.a) of the board regulations, applicable to all directors, in accordance with which a director is to keep the deliberations of the board of directors and its committees secret and, in any event, refrain from disclosing the information, data, reports or records to which the director has had access in the performance of his duties. The confidentiality obligation survives departure from office.

In his capacity as a director of Red Eléctrica, the executive director has a noncompete obligation to the Company, on the terms in which that obligation is regulated for directors of the Company in article 33 of the board of directors regulations. In addition, the noncompete obligation is expressly set forth in the contract with the executive director, for a term of two (2) years after his departure, that obligation not giving him a right to post-contractual noncompetition indemnification, as it is deemed to have been compensated by way of his fixed compensation. The contract with the current executive director was proposed by the Corporate Responsibility and Governance Committee and approved by the Company's board of directors. This contract, following customary market practices, contemplates an indemnification equivalent to one year of compensation in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director), with no advance notice from the Company being required. The aforesaid indemnification will also apply if the executive director voluntarily resigns due to a serious and culpable breach of the Company or a material modification of the executive director's duties for reasons not attributable thereto.

In the calculation of that indemnification the base is one year's fixed compensation, plus the amount corresponding to variable compensation as executive director, calculated assuming a 100% level of achieving objectives.

A.8 Explain any additional compensation accrued to directors as consideration for services rendered other than those inherent in the position.

Explain the additional compensation

There is no additional compensation earned by the directors as consideration for services rendered other than those inherent in the position.

A.9 Indicate any compensation in the form of advances, loans and guarantees granted, indicating the interest rate, the essential features and the amounts eventually repaid, as well as the obligations assumed on their behalf by way of guarantee.

Explain the advances, loans and guarantees granted

There are no loans or advances granted, or guarantees established by the Company in favour of members of the board of directors. Nor are there pension obligations undertaken vis-à-vis members of the board of directors.

A.10 Explain the main features of in-kind compensation

Explain the in-kind compensation

No compensation other than as indicated above is granted to the executive director or the outside directors.

A.11 Indicate the compensation earned by a director by virtue of payments made by the listed company to a third party entity within which the director serves, when the purpose of such payments is to compensate the director's services within the company.

Explain the compensation earned by the director by virtue of payments made by the listed company to a third party entity within which the director serves

At the date of issue of this Report, no compensation of this nature has been earned.

A.12 Any category of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered to be a related party transaction or when payment thereof distorts the true and fair view of the total compensation received by the director.

Explain the other compensation categories

At the date of issue of this Report, no compensation category other than those explained in the preceding sections is contemplated in the director compensation scheme.

A.13 Explain the actions taken by the company regarding the compensation system to reduce exposure to excessive risk and to adapt it to the long-term interests, values and objectives of the company. This if applicable is to include reference to: measures contemplated to ensure that the compensation policy is responsive to the long-term results of the company, measures establishing appropriate balance between fixed and variable components of compensation, measures adopted regarding those categories of personnel the professional activities of which have a material impact on the company's risk profile, recovery clauses or formulas to allow claims for return of variable components of compensation based on results when those components of compensation have been paid based on data the inaccuracy of which is thereafter clearly demonstrated, and measures contemplated for the avoidance of conflicts of interest, if applicable.

Explain the actions taken to reduce risks

A.13.1. Red Eléctrica's compensation policy is designed based on the strategy and long-term results of the Company. The total compensation of the executive director is comprised of various compensation elements, consisting basically of (i) fixed compensation,

(ii) short-term variable compensation and (iii) long-term variable compensation. For the executive director, the weight of this long-term element is 17% of total compensation in the case of standard achievement of objectives (fixed + annual variable + long-term variable). - The long-term variable compensation plan exists in a multiyear framework to ensure that the evaluation process is based on long-term results and takes account of the underlying economic cycle of the Company.

This compensation is tied to objectives established in the 2014/2019 strategic plan, thus aligning the interests of the participants with the Company's strategy.

A.13.2. The Red Eléctrica compensation policy establishes an appropriate balance between the fixed and variable components of compensation: The design of the compensation scheme provides a balanced and efficient relationship between fixed components and variable components. The portion of the compensation of the executive director that is fixed is considered to be sufficient and not excessive, allowing the portions of annual variable compensation as executive director to reach up to a maximum of 45% of total compensation (fixed compensation + maximum annual variable compensation + maximum long-term variable compensation). The variable components of compensation are sufficiently flexible to allow compensation to be adjusted. If the minimum level of achievement of objectives tied to variable compensation is not reached, the executive director will only receive fixed compensation. There is no variable compensation that is guaranteed. As for the measures adopted regarding those categories of personnel the professional activities of which have a material impact on the company's risk profile: The Corporate Responsibility and Governance Committee is responsible for examination and analysis of compliance with the board's compensation policy and, if applicable, that of senior management, which is approved by the board. The board regulations (www.ree.es) establish, among the functions of this committee, the proposal to the board of the compensation policy for the board of directors and, if applicable, for senior management, as well as ensuring observance of the approved compensation policy applicable to the board of directors, the executive directors and, if applicable, senior management and the remainder of the Company's executive team. These groups include the professionals the activities of which may have a material impact on the risk profile of the entity. A.13.3. Regarding recovery clauses or formulas to claim return of variable components of compensation based on results when those components have been paid based on data the inaccuracy of which has thereafter been clearly demonstrated, and measures contemplated to avoid conflicts of interest, if any, note the following: The Corporate Responsibility and Governance Committee, by virtue of the functions established in the articles of association and the board of directors regulations, has authority to propose to the board the cancellation or return of payment of variable compensation, of short or long term, of the corresponding beneficiaries or managers in the event of supervening circumstances that show that the variable compensation has accrued or been paid based on inaccurate or erroneous information, or that there have been breaches of applicable internal corporate or legislative rules that subsequently are proven. In addition, the Corporate Responsibility and Governance Committee, in such exceptional circumstances, will determine whether it may propose to the board of directors even termination of the contractual relationship with the corresponding beneficiaries or managers. It also may propose adoption of such measures as it deems to be appropriate. The Corporate Responsibility and Governance Committee may propose to the board of directors that adjustments be made to the components, criteria, thresholds and limits of variable compensation, annual or multi-year, under exceptional circumstances resulting from internal or external extraordinary events or factors. The details and explanation of such adjustments will be included in the corresponding annual report on director compensation.

B COMPENSATION POLICY CONTEMPLATED FOR FUTURE YEARS

B.1 Make a general forecast of the compensation policy for future years that describes that policy in respect of: fixed components and per diems and compensation of a variable nature, relationship between compensation and results, retirement schemes, terms of contracts of inside directors, and a forecast of the most significant changes in the compensation policy by comparison with preceding periods.

General forecast of compensation policy

The compensation policy for 2015 and the one contemplated for the following three years correspond to the principles and criteria contained in the director compensation policy that the board of directors, on proposal of the Corporate Responsibility and Governance Committee, intends to submit to the ordinary general shareholders meeting to be held in 2015. It defines the principles of the compensation policy of Red Eléctrica Corporación for directors (either executive or outside), as well as the components, terms and conditions thereof.

If the competent corporate bodies resolve to implement changes if there are regulatory, strategic, financial or other facts or circumstances making it advisable to do so, the changes must be submitted for approval of the corresponding general shareholders meeting

B.2 Explain the decision-making process for establishment of compensation policy contemplated for future years, and the role, if any, played by the compensation committee.

Explain the decision-making process for establishment of the compensation policy

It is contemplated that the decision-making process for establishment of the compensation policy for future years, and the role, if any, played by the Corporate Responsibility and Governance Committee will proceed on terms comparable to those described in sections A.1. and A.2, no changes being contemplated in respect thereto.

B.3 Explain the incentives created by the company in the compensation scheme to reduce exposure to excessive risk and adapt it to the long-term interests, values and objectives of the company.

Explain the incentives created to reduce risks

Regarding annual variable compensation the Corporate Responsibility and Governance Committee monitors the objectives quarterly throughout the year. At the end of the year it determines the degree to which the objectives have been achieved. And as regards long-term variable compensation the committee undertakes annual monitoring of the objectives. Upon conclusion of the plan the degree of achievement of the objectives is determined. In both cases the committee has the support of the Corporate Finance Office, which is responsible for the management control function within the Red Eléctrica Group. It provides information on the audited results. For both establishment of objectives and evaluation of achievement thereof, the committee also considers the possible long-term impact and any associated risk.

C OVERALL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE MOST-RECENTLY CLOSED PERIOD

C.1 Explain in a summary manner the main features of the compensation categories and structure of the compensation policy applied during the most-recently closed period, which results in the details of individual compensation earned by each of the directors reflected in section D of this report, and summarise the decisions taken by the board for application of the aforesaid categories.

Explain the compensation categories and structure of the compensation policy applied during the period

1 - As regards the executive director:

- a) Fixed annual compensation: in 2014 fixed compensation of the executive director amounted to 399,170 euros.
- b) Annual variable compensation:

The Corporate Responsibility and Governance Committee established the corresponding objectives at the beginning of 2014, and monitored compliance therewith quarterly over the course of the year. The year having concluded, the committee engaged in a process of evaluation of compliance therewith. In that evaluation it had the support of the Corporate Finance Office, which is responsible for control of management of the Group and provided information regarding the audited results of the Company and the consolidated Group. In this evaluation the committee also considered the possible impact of the objectives in the long term, and any risk associated therewith.

The annual variable compensation for the executive director, established for 2014, is based on achievement of a combination of quantitative and qualitative business objectives measured at the Group level: 50% EBITDA of the Group; 30% net profits of the Group and 20% approval by the board of the new strategic plan.

To determine the level achieved and the amount of incentive applicable for 2014, regarding the "quantitative objectives", the Corporate Responsibility and Governance Committee, at its meeting of 17 February 2015, considered the following matters:

- The book figure gives Group EBITDA for 2014 of 1.385 billion euros.
- The book figure gives Group net profits for 2014 of 718 million euros.

Notwithstanding the foregoing, as indicated in the internal rules and procedures of the Company regarding evaluation of objectives for its managers, in the evaluation of achievement of "quantitative objectives" the economic effects deriving from exceptional events not contemplated in the definition of those objectives, if any, is to be discounted. In this regard, after adjusting for exceptional events occurring in 2014, all of them positive (the award to the Red Eléctrica Group of the ADIF high-speed fibre-optic bid, the definitive agreement signed with Bolivia regarding compensation for nationalisation of the Bolivian subsidiary Transportadora de Electricidad TDE and the recent tax reform in Spain), the committee concluded as follows:

- The Group's EBITDA figure for 2014, for purposes of evaluation of compliance with the objective, is 1.378 billion euros, resulting in a degree of achievement of the objective of 100%.
- The Group's book net profit figure for 2014, for purposes of evaluation of compliance with the objective, is 558 million euros, resulting in a degree of achievement of the objective of 100%.

Regarding objective 3. "Approval by the Board of the New Strategic Plan" ("qualitative objective"), given the definition of the objective, the Corporate Responsibility and Governance Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%. After the evaluation of achievement of the foregoing three objectives, the Corporate Responsibility and Governance Committee concluded that the executive director's overall degree of achievement of

objectives was 100%. As a result the annual variable compensation for the executive director for 2014 amounts to 199,585 euros (100% of the target incentive).

c) Multi-year variable compensation: As was indicated in the annual corporate governance report approved by the ordinary general shareholders meeting held on 9 May 2014, during 2014 the Corporate Responsibility and Governance Committee of the Company evaluated various long-term incentive schemes, that would serve as management tools and a mechanism for fulfilling the new strategic plan, considering legal, economic, corporate governance and other aspects. As a result of this work, the board of directors at its meeting held a 24 February 2015, on proposal of the aforesaid committee, approved an executive compensation plan for 2014-2019, including the executive director, fulfilment of which is tied to the achievement of objectives established in the Group's strategic plan for that period and, in addition, satisfaction of certain conditions. The provision corresponding to 2014 accrual under that plan is included in the financial statements of the Company.

In section E, together with section A.4, the basic terms and conditions of the aforesaid plan have been amply explained, for which reason we remit thereto to avoid repetition.

2- As for outside directors (and also applicable to the executive director in his role as a director (and not for performing executive tasks), set forth below are the structure and compensation categories of the compensation policy applied during 2014:

In 2014, the overall amount of compensation of the board of directors amounted to 1,788,013 euros, broken down by category and director as follows:

- i) Fixed Compensation: 130,742 euros per annum per director.
- ii) Per diems for attending meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2014, the total amounting to 16,500 euros. In addition, there were two (2) extraordinary meetings of the board of directors, not resulting in compensation by way of per diems.
- iii) Service on board of directors committees:
 - 27,900 euros per annum to each member of the board committees.
 - 15,000 euros per annum to each of the chairmen of the board committees.
- iv) Coordinating Independent Director: 15,000 euros per annum.

The compensation of the board of directors in 2014 should have been higher than in 2013 as a result of the new compensation resolved for the chairmen of the committees and for the position of coordinating independent director. However this new compensation was offset by lower compensation to directors due to changes in the composition of the board, the result in 2014 being that new additions did not earn compensation over the entire year.

D DETAILS OF COMPENSATION INDIVIDUALLY EARNED BY EACH OF THE DIRECTORS

Name	Type	Earned in 2014
JOSÉ ÁNGEL PARTEARROYO MARTÍN	Proprietary	From 25/02/2014 to 29/07/2014.
JUAN EMILIO IRANZO MARTIN	Independent	From 01/01/2014 to 28/10/2014.
JOSÉ FOLGADO BLANCO	Executive	From 01/01/2014 to 31/12/2014.
MIGUEL BOYER SALVADOR	Independent	From 01/01/2014 to 08/05/2014.
PALOMA SENDÍN DE CÁCERES	Independent	From 01/1/2014 to 31/12/2014.
ALFREDO PARRA GARCÍA-MOLINER	Proprietary	From 01/01/2014 to 27/01/2014.
FRANCISCO RUIZ JIMÉNEZ	Proprietary	From 01/01/2014 to 31/12/2014.
MARIA DE LOS ANGELES AMADOR MILLAN	Independent	From 01/01/2014 to 31/12/2014.
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	Proprietary	From 01/01/2014 to 31/12/2014.
MARÍA JOSÉ GARCÍA BEATO	Independent	From 01/01/2014 to 31/12/2014.
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Independent	From 01/01/2014 to 31/12/2014.
RUI MANUEL JANES CARTAXO	Independent	From 01/01/2014 to 08/05/2014.
ANTONIO GÓMEZ CIRIA	Independent	From 09/05/2014 to 31/12/2014.
SANTIAGO LANZUELA MARINA	Proprietary	From 30/07/2014 to 31/12/2014.
SOCORRO FERNÁNDEZ LARREA	Independent	From 09/05/2014 to 31/12/2014.

D.1 Complete the following tables regarding the individual compensation of each of the directors (including compensation for performance of executive duties) earned during the period.

a) Compensation earned within the reporting company:

i) Cash compensation (€000s)

Name	Salary	Fixed compensation	Per diems	Short-term variable compensation	Long-term variable compensation	Compensation for membership on board committees	Indemnifications	Other categories	2014 Total	2013 Total
JUAN EMILIO IRANZO MARTIN	0	108	12	0	0	35	0	0	155	175
ALFREDO PARRA GARCÍA-MOLINER	0	10	0	0	0	2	0	0	12	175
MIGUEL BOYER SALVADOR	0	46	7	0	0	0	0	0	53	147
JOSÉ FOLGADO BLANCO	399	131	16	200	0	0	0	0	746	726
MARIA DE LOS ANGELES AMADOR MILLAN	0	131	16	0	0	28	0	0	175	175
RUI MANUEL JANES CARTAXO	0	46	7	0	0	0	0	0	53	147
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0	131	16	0	0	28	0	0	175	175
PALOMA SENDÍN DE CÁCERES	0	131	16	0	0	43	0	0	190	175
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	0	131	16	0	0	28	0	15	190	175
MARÍA JOSÉ GARCÍA BEATO	0	131	16	0	0	5	0	0	152	147
SOCORRO FERNÁNDEZ LARREA	0	84	11	0	0	0	0	0	95	0
ANTONIO GÓMEZ CIRIA	0	84	11	0	0	0	0	0	95	0
SANTIAGO LANZUELA MARINA	0	55	6	0	0	0	0	0	61	0
FRANCISCO RUIZ JIMÉNEZ	0	131	16	0	0	24	0	0	171	147
JOSÉ ÁNGEL PARTEARROYO MARTÍN	0	55	9	0	0	0	0	0	64	0

ii) Compensation schemes based on shares

iii) Long-term savings schemes

b) Compensation earned by directors of the company for membership on boards of other group companies:

i) Cash compensation (€000s)

Name	Salary	Fixed compensation	Per diems	Short-term variable compensation	Long-term variable compensation	Compensation for membership on board committees	Indemnifications	Other categories	2014 Total	2013 Total
MIGUEL BOYER SALVADOR	0	0	0	0	0	0	0	0	0	0
PALOMA SENDÍN DE CÁCERES	0	0	0	0	0	0	0	0	0	0
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	0	0	0	0	0	0	0	0	0	0
ALFREDO PARRA GARCÍA-MOLINER	0	0	0	0	0	0	0	0	0	0
JOSÉ FOLGADO BLANCO	0	0	0	0	0	0	0	0	0	0
MARIA DE LOS ANGELES AMADOR MILLAN	0	0	0	0	0	0	0	0	0	0
RUI MANUEL JANES CARTAXO	0	0	0	0	0	0	0	0	0	0
JUAN EMILIO IRANZO MARTIN	0	0	0	0	0	0	0	0	0	0
MARÍA JOSÉ GARCÍA BEATO	0	0	0	0	0	0	0	0	0	0
FRANCISCO RUIZ JIMÉNEZ	0	0	0	0	0	0	0	0	0	0
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0	0	0	0	0	0	0	0	0	0
ANTONIO GÓMEZ CIRIA	0	0	0	0	0	0	0	0	0	0
SANTIAGO LANZUELA MARINA	0	0	0	0	0	0	0	0	0	0

ii) Compensation schemes based on shares

iii) Long-term savings schemes

c) Summary of compensation (€000s):

The summary must include the amounts corresponding to all compensation categories included in this report that have been earned by the director, in thousands of euros.

In the case of long-term savings schemes, the report is to include the contributions to or funding of this kind of scheme:

Name	Compensation earned in the Company				Compensation earned in group companies				Totals		
	Total cash compensation	Amount of shares granted	Gross profit on options exercised	2014 Total from company	Total cash compensation	Amount of shares delivered	Gross profit on options exercised	2014 Total from group	2014 Total	2013 Total	Contribution to savings schemes during period
MIGUEL BOYER SALVADOR	53	0	0	53	0	0	0	0	53	147	0
PALOMA SENDÍN DE CÁCERES	190	0	0	190	0	0	0	0	190	175	0
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	190	0	0	190	0	0	0	0	190	175	0
ALFREDO PARRA GARCÍA-MOLINER	12	0	0	12	0	0	0	0	12	175	0
JOSÉ FOLGADO BLANCO	746	0	0	746	0	0	0	0	746	726	0
MARIA DE LOS ANGELES AMADOR MILLAN	175	0	0	175	0	0	0	0	175	175	0
RUI MANUEL JANES CARTAXO	53	0	0	53	0	0	0	0	53	147	0
JUAN EMILIO IRANZO MARTIN	155	0	0	155	0	0	0	0	155	175	0
MARÍA JOSÉ GARCÍA BEATO	152	0	0	152	0	0	0	0	152	147	0
FRANCISCO RUIZ JIMÉNEZ	171	0	0	171	0	0	0	0	171	147	0
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	175	0	0	175	0	0	0	0	175	175	0
SOCORRO FERNÁNDEZ LARREA	95	0	0	95	0	0	0	0	95	0	0
ANTONIO GÓMEZ CIRIA	95	0	0	95	0	0	0	0	95	0	0
SANTIAGO LANZUELA MARINA	61	0	0	61	0	0	0	0	61	0	0
JOSÉ ÁNGEL PARTEARROYO MARTÍN	64	0	0	64	0	0	0	0	64	0	0
TOTAL	2,387	0	0	2,387	0	0	0	0	2,387	2,364	0

D.2 Report on the relationship between compensation obtained by directors and the results or other measures of profitability of the entity, if applicable explaining how the changes in profitability of the company may have influenced changes in compensation of directors.

Regarding the annual variable compensation of the executive director, in the process of evaluation of achievement of objectives, undertaken by the Corporate Responsibility and Governance Committee, on the basis of 2014 audited results for the entire year, the conclusions were as follows:

- The book figure gives Group EBITDA for 2014 of 1.385 billion euros.
- The book figure gives Group net profits for 2014 of 718 million euros.

Notwithstanding the foregoing, as indicated in the internal rules and procedures of the Company regarding evaluation of objectives for its managers, in the evaluation of achievement of "quantitative objectives" the economic effects deriving from exceptional events not contemplated in the definition of those objectives, if any, is to be discounted. In this regard, after adjusting for exceptional events occurring in 2014, all of them positive (the award to the Red Eléctrica Group of the ADIF high-speed fibre-optic bid, the definitive agreement signed with Bolivia regarding compensation for nationalisation of the Bolivian subsidiary Transportadora de Electricidad TDE and the recent tax reform in Spain), the committee concluded as follows:

- The Group's EBITDA figure for 2014, for purposes of evaluation of compliance with the objective, is 1.378 billion euros, resulting in a degree of achievement of the objective of 100%.
- The Group's book net profit figure for 2014, for purposes of evaluation of compliance with the objective, is 558 million euros, resulting in a degree of achievement of the objective of 100%.

Regarding objective 3. "Approval by the Board of the New Strategic Plan" ("qualitative objective"), given the definition of the objective, the Corporate Responsibility and Governance Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%. After the evaluation of achievement of the foregoing three objectives, the Corporate Responsibility and Governance Committee concluded that the executive director's overall degree of achievement of objectives was 100%. As a result the annual variable compensation for the executive director for 2014 amounts to 199,585 euros (100% of the target incentive).

D.3 Report on the result of the advisory vote of the general meeting on the annual report and compensation for the prior period, indicating the number of negative votes, if any:

	Number	% of total
Votes cast	75,805,645	56.10%

	Number	% of total
Votes against	2,086,496	2.75%
Votes for	46,464,885	61.30%
Abstentions	27,254,264	35.95%

E OTHER INFORMATION OF INTEREST

If there is any relevant aspect of director compensation that it has not been possible to include in the other sections of this report, but that it is necessary to include in order to set forth more complete and reasoned information regarding the compensation practices and structure of the company as regards its directors, briefly explain.

Regarding section A.1. (continuation): Regarding outside directors, the compensation policy seeks to compensate them in a manner appropriate to their professionalism and experience, and the dedication and responsibility assumed by them, without the compensation paid compromising their independence. Along these lines, the compensation of directors in their capacity as members of the board and/or its committees consists of fixed compensation, per diems for attending meetings of the board and a fixed amount for service on board committees, together with specific compensation for the chairmen of committees and the coordinating independent director. Therefore, all of the compensation is of a fixed nature.

Regarding section A.2 (continuation): During 2014 the board suffered certain changes in its composition. Leaving it was its prior chairman, Mr. Juan Irazzo Martín. He resigned as an independent outside director in October. The vacancy on the board was filled by the independent outside director Ms. M^a José García Beato, the position as chairman thereof was taken by Ms. Carmen Gómez de Barreda Tous de Monsalve, an independent outside director, in November. Finally, in December the board of directors resolved to expand each of the board committees by one additional member, appointing the independent outside director Ms. Socorro Fernández Larrea as a new member of the Corporate Responsibility and Governance Committee.

In 2014 (up to the date of approval of this report), Towers Watson, an independent advisor specialised in director and senior managers compensation, rendered services to the Corporate Responsibility and Governance Committee, regarding the following compensation matters: analysis of compensation policies and practices and other aspects of corporate governance, compensation benchmarking for the executive director, compensation benchmarking for outside directors, analysis of market practices related to long-term incentive

plans within the IBEX35 and the Spanish energy sector, preparation of the report and proposal regarding director compensation policy and, finally, preparation of the corresponding annual reports on director compensation.

Regarding section A.4 (continuation): The new multi-year cash variable compensation plan addressed to managers is applicable to the executive director. The plan is for a term of 6 years, in line with the new 2014-2019 strategic plan of the Red Eléctrica Group, and extends from 1 January 2014 to 31 December 2019.

The right to receive the cash incentive is conditioned on achievement of objectives tied to the 2014-2019 strategic plan, as well as remaining with the company over the term of the plan. The objectives and their weighting are described below:

-20% of the incentive is tied to the expansion of the business. To measure this objective the amount of investment is used as the indicator:

-25% of the incentive depends on fulfilling the investment plan for the transport network, which is measured based, inter alia, on positions placed in service;

-20% of the incentive is tied to the quality of system operation; it is measured based on energy not supplied;

-25% of the incentive is tied to the efficiency of operations. Two metrics are considered: yield on fixed assets and profit per share;

-The remaining 10% depends on compliance with the corporate responsibility plan.

When the plan measurement period has ended, the Corporate Responsibility and Governance Committee, in the first quarter of 2020, will evaluate the achievement of each of the objectives, and of the plan as a whole, using information provided by the company, and will propose the levels of incentive associated with achievement, based on the established achievement scales. In any event, it is established that the weighted-average achievement of the overall objectives must reach at least 70%. If not, no right to receipt of incentive will arise, regardless of individual achievement of each objective. Similarly, the maximum level of achievement of the overall objectives of the plan will be 110%, although weighted-average achievement of the objectives may be greater.

The target compensation of the executive director in this category is 1.8 times fixed compensation.

Regarding D.1.a) i), which sets forth information corresponding to 2013, it is necessary to note that in 2014, as a result of the end of the 2009-2013 "25th Anniversary Extraordinary Plan", a compensation plan for managers that included the executive director, achievement of the objectives established in that plan was evaluated in accordance with the minimum and maximum limits contemplated therein (70%-110%). The plan having ended in 2013, the Corporate Responsibility and Governance Committee of the Company, at its meeting held on 20 February 2014, evaluated the degree of achievement of the plan, placing it at 106.3%. It also resolved to fix compensation of the executive director under the aforesaid plan at 278,000 euros, corresponding to the aforesaid percentage and the time elapsed from the appointment of the executive director subject to the plan to the end thereof on 31 December 2013. This amount was paid in 2014 and was included within the amounts that the Group has been accruing annually in the 2009-2013 period.

The executive director, evidencing his firm personal commitment to social responsibility and best corporate governance practices, has given instructions that, in his name and for his account, the Company is to make cash contributions to certain foundations, in the total amount of his 2014 compensation corresponding to the 2009-2013 long-term compensation plan, as described in the Company's annual corporate governance report for 2014.

Regarding the table corresponding to section D.1.b) i), it is noted that it does not apply to the Company's directors, but has been completed by reason of requirements of the computer programme approved by the CNMV for preparation of this report.

The company voluntarily prepares, in accordance with international standards of good corporate governance, an annual report on director compensation, which was approved by the board of directors on 24 February 2015, and currently is available on the corporate website thereof (www.ree.es), in the section on corporate governance/reports and other documents. It also will be published on the aforesaid website in the section corresponding to the 2015 ordinary general shareholders meeting, when it is called.

This annual compensation report was approved unanimously by the board of directors of the company at its meeting of 24/02/2015.

State whether there are any directors who voted against or abstained from voting to approve this Report.

Yes No

Name or corporate name of the directors who have not approved the present report	Reasons (against, abstention, not assisting)	Explain the reasons
FRANCISCO RUIZ JIMÉNEZ	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake
SANTIAGO LANZUELA MARINA	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake