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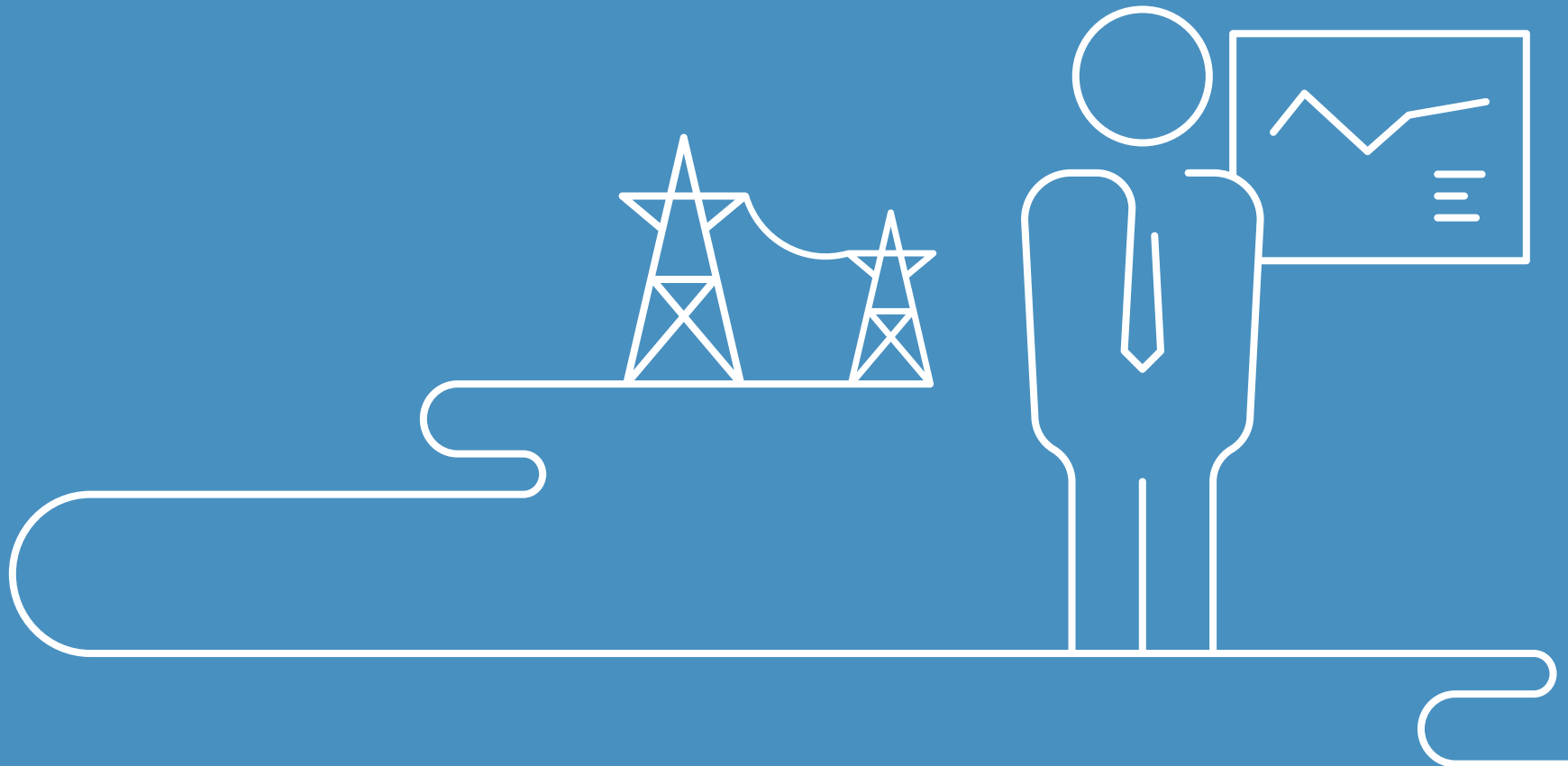
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# Chapter I

## Main Shareholder Agreements

The main shareholder agreements on corporate governance adopted by the company during financial year 2015 are as follows:

1. At its meeting on 24 February 2015, following consideration of a favourable report from the Appointments and Remuneration Committee, the Board of Directors approved the company's Annual Corporate Governance Report for 2014 and the Annual Report on Directors' Remuneration for 2014 and authorized the Financial Statements and Management Report for 2014 for issue.
2. At its meeting on 10 March 2015, the Board of Directors agreed to submit the proposal for the appointment of Mr. Santiago Lanzuela Marina as proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI) and the proposal for the appointment of Mr. José Luis Feito Higuera as independent director of the company for the four-year term envisaged in the By-laws to the Annual General Meeting for ratification.

3. Also at its meeting on 10 March 2015, the Board of Directors approved all proposed agreements and reports to be presented to the Annual General Meeting, for the 2014 financial year, which was then called.
4. At the Annual General Meeting held on 15 April 2015, the following resolutions were adopted as separate and independent points of the agenda:
  - ▶ To approve the Annual Accounts (Balance Sheet, P&L Account, total Statement of Changes in Net Wealth, Cash Flow Statement and Annual Report) and the Management Report of Red Eléctrica Corporación, S.A. for the financial year ending 31 December 2014.
  - ▶ To approve the Consolidated Annual Accounts (Consolidated Balance Sheet, Consolidated P&L Account, Consolidated Global P&L Statement, Consolidated Statement of Changes in Net Wealth, Consolidated Cash Flow Statement and Consolidated Annual Report) and the Consolidated Management Report of the Consolidated Red Eléctrica Group. for the financial year ending 31 December 2014.



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- To approve the allocation of results proposed by the Board of Directors at its meeting of 24 February 2015 and, consequently, to distribute the profit of the 2014 financial year.
- To approve the management of the Board of Directors of Red Eléctrica Corporación, S.A. over the 2014 financial year.
- To ratify the appointment of Mr. Santiago Lanzuela Marina as proprietary director of Red Eléctrica Corporación, S.A., representing SEPI, as agreed by the Board of Directors at its meeting on 29 July 2014, and so appoint him as proprietary director of Red Eléctrica Corporación, S.A., representing SEPI, for the four-year term specified in the By-laws, in accordance with art. 529 decies of the LSC and the reports issued by the Board of Directors and the Appointments and Remuneration Committee.
- To ratify the appointment of Mr. José Luis Feito Higuera as an independent director of Red Eléctrica Corporación, S.A., as agreed by the Board of Directors at its meeting on 13 February 2015, and so, in accordance with art. 529 decies of the LSC, at the proposal of the Appointments and Remuneration Committee and after consideration of a report from the Board of Directors, to appoint him as independent director for the four-year term specified in the By-laws.
- To approve the amendment of the By-laws in order to adapt them to the latest changes in the law introduced by Act 31/2014 of 3 December, amending the LSC for

the improvement of corporate governance, and other modifications of style or order, so as to give greater clarity to the text of the By-laws:

**One.** Amendments concerning the General Meeting and shareholder rights.: Amendments to articles 11 ["Annual General Meeting of Shareholders"], 12 ["Types of General Meeting"], 13 ["Notice of General Meeting"], 15 ["Right of information and attendance at General Meetings"] and 17 ["Constitution of the presiding committee, manner of deliberation"].

**Two.** Amendments concerning the legal status of directors and the Board of Directors: Amendments to articles 20 ["The Board of Directors"], 21 ["Functioning of the Board of Directors"], 25 ["The Company Chairman"], 25 bis ["The Lead Director"] and 26 ["The Secretary of the Board"].

**Three.** Amendments concerning the Board committees: Amendments to articles 22 ["Board committees and delegation of authority"], 23 ["Audit Committee"] and 24 ["Corporate Responsibility and Governance Committee"].

- To approve the amendment of the Annual General Meeting of Shareholders Regulations in order to adapt them to the latest changes in the law introduced by Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance, and other modifications of style or order, so as to give greater clarity to the text of the Annual General Meeting of Shareholders Regulations: amendments to articles 3 ["Competencies of the General Meeting"], 5 ["Notice of General Meeting"], 6 ["Shareholder's rights"], 7 ["Shareholder's right to participate"], 8 ["Shareholder's right to information"], 10 ["Proxies"] and 15 ["Constitution, deliberation and adoption of resolutions"].



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► To grant authority to the Board of Directors, for a period of five (5) years, to increase the share capital at any time, on one or more occasions, up to a maximum amount of one hundred and thirty-five million two hundred and seventy thousand [135,270,000] euros, equivalent to half the current share capital, in the amount and at the issue price the Board of Directors shall decide in each case, with authority to fully or partly disapply preferential subscription rights up to an overall limit of 20% of the capital and with express authority to amend the wording of art. 5 of the By-laws as appropriate and, where necessary, to request the initial or continued listing or delisting of the shares in organized secondary markets

► To grant authority to the Board of Directors, for a period of five (5) years and with an aggregate limit of five thousand million [5,000,000,000] euros, to issue, in one or more issuances, directly or through companies belonging to the Red Eléctrica Group, debentures, bonds and other fixed-income or debt instruments of a similar nature, both ordinary and convertible or exchangeable for shares of the company, other Red Eléctrica Group companies or other companies unrelated to the Red Eléctrica Group, including, without limitation, commercial paper, asset-backed securities, preferred participating securities and warrants that give a right to the delivery of shares of the company or other Red Eléctrica Group companies, whether newly issued or in circulation, with express authority to fully or partly disapply preferential subscription rights up to an overall limit of 20% of the capital; authority to give a company guarantee to new issues of fixed-income securities (including convertible or exchangeable securities) issued by Red Eléctrica Group companies;

authority to amend the wording of art. 5 of the By-laws as appropriate and, where necessary, to request the initial or continued admission to trading or removal from trading of said securities.

- To approve, each in a separate vote, the following proposals for the purchase the company's own shares in the secondary market:
  - Authority for the company or Red Eléctrica Group companies to purchase their own shares and to directly deliver such shares, as remuneration, to employees and executive directors of the company and of Red Eléctrica Group companies.
  - Approval of a remuneration plan for employees, executive directors and members of the Senior Management of the company and other Red Eléctrica Group companies in Spain.
  - Revocation of prior authorisations.
- In relation to the remuneration of the Board of Directors:
  - Approve the directors' remuneration policy of Red Eléctrica Corporación, S.A.
  - Approve the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for 2015.
  - Approve the Annual Directors' Remuneration Report of Red Eléctrica Corporación, S.A.
- Grant authority to execute the resolutions adopted by the 2014 Annual General Meeting of Shareholders.



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► Report to the Annual General Meeting of Shareholders on the Red Eléctrica's Annual Corporate Governance Report for 2014.

5. At its meeting on 26 May 2015, the Board of Directors approved the renewal of the Board committees, the Audit Committee and the Appointments and Remuneration Committee.
6. At that same meeting, the Board of Directors approved the Board's self-assessment report for 2014, prepared with external advice from PwC.
7. At its meeting on 12 June 2015, the Board of Directors approved the report on the process of splitting positions of Chairman of the Board of Directors and CEO [Chief Executive Officer] of the company.
8. At that same meeting, the Board of Directors approved the proposed resolutions and the report to be submitted to the Extraordinary General Meeting, which was convened at the meeting.
9. At its meeting on 24 June 2015, the Audit Committee appointed the independent director Mr. José Luis Feito Higuera to be chairman of the committee for a period of three years.

10. At the Annual General Meeting held on 17 May 2015, the following resolutions were adopted as separate and independent items on the agenda:

- To report to the Extraordinary General Meeting on the process of splitting positions of Chairman of the Board of Directors and CEO of the company.
  - To increase the number of directors of the company by one [1], bringing the actual total number of members of the Board of Directors to twelve [12], as proposed by the Board of Directors and following consideration of a favourable report from the Appointments and Remuneration Committee.
  - To appoint Mr. Juan Francisco Lasala Bernad as executive director of Red Eléctrica Corporación, S.A. for the four-year term specified in the By-laws, in accordance with art. 529 decies of the LSC, at the proposal of the Board of Directors and following consideration of a favourable report from the Appointments and Remuneration Committee.
  - To grant authority to execute the resolutions passed by the Extraordinary General Meeting.
11. At its meeting on 28 July 2015, the Board of Directors appointed Mr. Juan Francisco Lasala Bernad to be CEO of the company.
  12. At its meeting on 29 September 2015, the Board of Directors approved the Red Eléctrica Group's policy on the control and management of tax risks and its inclusion in the Integrated Risk Management Policy.



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13. At its meeting on 27 October 2015, the Board of Directors approved the report on gender diversity and equality policy for 2014.

14. At its meeting on 24 November 2015, the Board of Directors accepted the resignation of Mr. Francisco Ruiz Jiménez, the proprietary director representing Sociedad Industrial de Participaciones Industriales [SEPI].

15. At its meeting on 24 November 2015, the Board of Directors agreed to set the number of members of each of the Board committees at five and appointed Ms. María Angeles Amador Millán as a member of the Appointments and Remuneration Committee and Mr. Santiago Lanzuela Marina as a member of the Audit Committee, both of them at the proposal of the Chairman of the Board of Directors and following consideration of a report by the Appointments and Remuneration Committee.

16. Also at its meeting on 24 November 2015, the Board of Directors approved an update of the Corporate Responsibility Policy, which is published on the company's website.

17. At its meeting on 22 December 2015, the Board of Directors appointed Mr. José Ángel Partearroyo Martín, the proprietary director representing SEPI, to fill the vacancy left by the resignation of the proprietary director Mr. Francisco Ruiz Jiménez.





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## Chapter II

# Main External Recognitions

Below are the main external recognitions awarded to the company in 2015 in relation to corporate governance. Although some of them were obtained as part of a corporate responsibility award, corporate governance aspects were an important consideration.

1. Gold Class award in the 2016 Sustainability Yearbook, which each year analyzes the sustainability of more than 2,000 companies in 59 industries worldwide and recognises those with best responsibility practices. Red Eléctrica is the only Spanish company in the electric utilities sector to have obtained the highest distinction.
2. Inclusion in the Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index, reaching a corporate governance score of 85 out of 100, within one point of the industry leader.
3. Constituent of the FTSE4Good sustainability index ever since the company was first included in 2008. This index includes listed companies all over the world that meet the index requirements.
4. Constituent of the MSCI ESG indices (MSCI Global Sustainability Indexes, MSCI Socially Responsible Indexes, MSCI Global Climate Index and MSCI Global Environmental Index) ever since it was first included in 2014. The companies included in these indices are the ones with the best ESG (Environmental, Social and Governance) performance in their sector.



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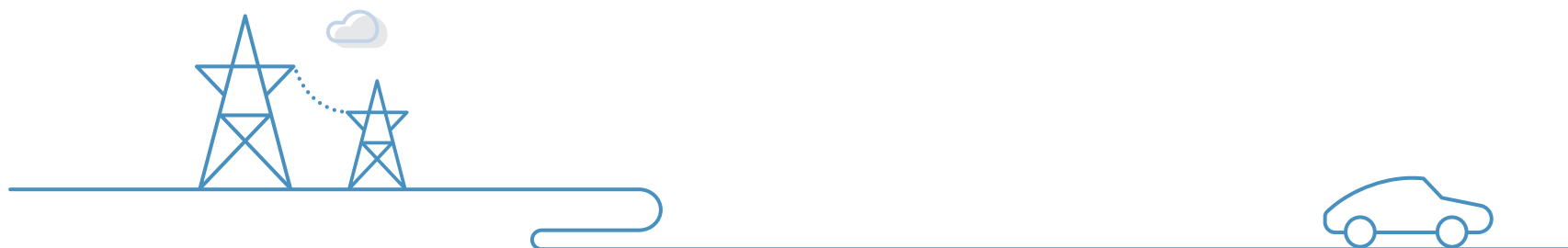


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5. Constituent, following initial inclusion in 2014, of the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120, World 120), which include the 120 most advanced companies in terms of corporate, social and environmental governance.
6. Constituent of the Ethibel family of indices since it was first included in 2009.
7. Renewed inclusion in the ECPI index family, following initial inclusion in 2007.
8. Constituent of the STOXX Global ESG Leaders index family, which offers a representation of the leading global companies in terms of environmental, social and governance criteria, since it was first included in 2011.
9. Special award to Red Eléctrica “for the planning and proposal to the Extraordinary General Meeting of the splitting of positions of Chairman and CEO” in Fundación Compromiso y Transparencia’s report on the five best and five worst practices of the Boards of Directors of listed Spanish companies in 2015.
10. Red Eléctrica renewed its Sello Excelencia Europea 500+ excellence award, according to the EFQM model, granted by Club Excelencia en Gestión, obtaining more than 700 points.







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## Chapter III

# Relevant Events Notified to the Markets

The company informs the CNMV and published on its website, immediately following approval by the Board of Directors, the call notice, proposed resolutions and other documentation related to the Annual General Meeting Shareholders.

Furthermore, the same day the meeting is held, or on the immediately following business day, the company sends to the CNMV the wording of all resolutions approved, by notifying a Relevant Event.

The text of all resolutions approved is also available on the company website, once the CNMV has been informed.

In order to reinforce the right of information held by company shareholders abroad, representing approximately 70%, all documentation presented for approval and information at the meeting, including the Annual Corporate Governance Report, is translated into English and is published, in English, on the company website, on the same publication date as the Relevant Events and related documentation.

During 2015, the following Relevant Events were notified to the CNMV:

- 1. Composition of the Board of Directors.** At its meeting on 13 February 2015, the Board of Directors of Red Eléctrica Corporación, S.A. appointed Mr. José Luis Feito Higuera as an independent director of the company.
- 2. Information on dividends.** At its meeting on 24 February 2015, the company's Board of Directors agreed to submit a proposal to the Annual General Meeting of Shareholders to pay the gross amount of 3 euros per share to the holders of shares that carry dividend rights.
- 3. Information on results.** On 25 February 2015, Red Eléctrica presented its results for financial year 2014.
- 4. Interim financial information.** On 25 February 2015, the company submitted information on its results for the second half of 2014.
- 5. Strategic plans, forecasts and presentations.** On 25 February 2015, Red Eléctrica submitted its presentation of 2014 results and its strategy for 2014-2019.



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**6. Annual Corporate Governance Report.** On 25 February 2015, the company submitted the Annual Corporate Governance Report for 2014.

**7. Annual directors' remuneration report.** On 25 February 2015, the company submitted the Annual Directors' Remuneration Report for 2014.

**8. General Meeting notices and resolutions.** On 12 March 2015, the company submitted the Notice of Annual General Meeting of Shareholders and draft resolutions.

**9. Ratings.** On 1 April 2015, the company reported that the rating agency Fitch Ratings had confirmed the long-term rating of Red Eléctrica Corporación, S.A. at A-, with a positive outlook.

**10. Ratings.** On 7 April 2015, the company reported that on that same date the rating agency Standard & Poor's had upgraded the long-term rating of Red Eléctrica Corporación, S.A. to BBB+, with a stable outlook.

**11. Public offers of fixed-income and other instruments for subscription or sale.** On 10 April 2015, the company reported that on that date Red Eléctrica placed 500 million euros of notes in the markets. The issue has a term of 10 years, with an annual coupon of 1.125% and a price of 99.521.

**12. General Meeting notices and resolutions. Remuneration systems.** On 16 April 2015, the company published the full text of the resolutions adopted by the company's Annual General Meeting.

**13. Public offers of fixed-income and other instruments for subscription or sale.** The company reported that on 24 April 2015 part of the "EUR 500,000,000 1.125 per cent Notes due April 2025" will be exchanged for other bonds already in issue.

**14. Information on results.** On 29 April 2015, the company submitted information about its results for the first quarter of 2015.

**15. Interim financial information.** On 29 April 2015, the company submitted information about its results for the first quarter of 2015..

**16. Composition of the Board of Directors.** At its meeting on 26 May 2015, the company's Board of Directors renewed the members of the Audit Committee and the Appointments and Remuneration Committee.

**17. General Meeting notices and resolutions.** On 12 June 2015, the Board of Directors called an Extraordinary General Meeting to approve the process of splitting positions of Chairman of the Board and CEO and to appoint a new CEO.

**18. General Meeting notices and resolutions.** On 15 June 2015, the company published the Notice of Extraordinary General Meeting and draft resolutions.



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- 19. Composition of the Board of Directors.** On 26 June 2015, the company reported that the Audit Committee had appointed the independent director Mr. José Luis Feito Higuera as committee chairman for a three-year term.
- 20. General Meeting notices and resolutions.** On 17 July 2015, the company published the full text of the resolutions adopted by the company's Extraordinary General Meeting.
- 21. Composition of the Board of Directors.** At its meeting on 28 July 2015, the Board of Directors appointed Mr. Juan Francisco Lasala Bernad to be CEO of the company.
- 22. Information on results.** On 29 July 2015, Red Eléctrica published its results of the first half of 2015.
- 23. Interim financial information.** On 29 July 2015, the company submitted information on its results for the first half of 2015.
- 24. Information on results.** On 29 July 2015, the company reported the presentation of its results for the first half of 2015.
- 25. Ratings.** On 14 October 2015, the company reported that on 13 October 2015 the rating agency Standard & Poor's had upgraded Red Eléctrica's rating to 'A-'.

- 26. Information on results.** On 28 October 2015, Red Eléctrica published its results for the first nine months of financial year 2015.
- 27. Interim financial information.** On 28 October 2015, the company submitted information on its results for the third quarter of 2015.
- 28. Composition of the Board of Directors.** On 24 November 2015, the company reported that the Board of Directors had accepted the resignation of Mr. Francisco Ruiz Jiménez, the proprietary director representing SEPI, and had set the number of members of each Board committee at five.
- 29. Other corporate governance items.** On 3 December 2015, the company submitted a report on the information requested by the CNMV from all listed companies and issuers in relation to certain provisions of the LSC.
- 30. Transfers and acquisitions of equity interests.** On 4 December 2015, the company reported that Red Eléctrica Chile, SpA and the Chilean company E-CL, S.A. had reached an agreement on the acquisition of 50% of the share capital of Transmisora Eléctrica del Norte, S.A.
- 31. Composition of the Board of Directors.** At its meeting on 22 December 2015, the Board of Directors appointed Mr. José Ángel Partearroyo Martín as a proprietary director of Red Eléctrica Corporación, S.A., representing SEPI.



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**32. Information on dividends.** At its meeting on 22 December 2015, the company's Board of Directors agreed on the payment of an interim dividend out of profit for 2015.

**33. Other corporate governance items.** On 28 December 2015, the company submitted a report on the determination of the home Member State of Red Eléctrica Corporación, S.A.

The Relevant Events reported to the CNMV in 2016, before the approval of this report at the Board meeting held in February 2016, are as follows:

**34. Changes in the Board of Directors.** At its meeting on 26 January 2016, the Board of Directors appointed Mr. José Ángel Partearroyo Martín, a proprietary director representing SEPI, to be a member of the Appointments and Remuneration Committee for a three-year term, in order to fill the vacancy arising in the Appointments and Remuneration Committee as a result of the resignation of the proprietary director Mr. Francisco Ruiz Jiménez.



# Chapter IV

## Annual Activity Reports of the Board Committees

The annual activity reports of the Appointments and Remuneration Committee and the Audit Committee for financial year 2015 are reproduced in full below.

### APPOINTMENTS AND REMUNERATION COMMITTEE ACTIVITY REPORT FOR 2015

#### 1. Introduction

The Action Plan of the Committee for the 2016 financial year, as provided in article 16.6 a) of the Board Regulations, contemplates the preparation of an annual activities report, in this case for 2015, which must be included in the Annual Corporate Governance Report, which is the subject matter of this document.

#### 2. Legal background, structure, functions and composition

##### 2.1 Legal background

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

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



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Even before amendment of the Board Regulations in 2013, it is worth noting the decision of the Board adopted in 2012 for the first time to configure the Appointments and Remuneration Committee to exclude participation of the Executive Chairman of the company.

Act 31/2014 of 3 December 2014, amending the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital, or "LSC") to improve corporate governance, established the obligation of listed companies to create an Appointments and Remuneration Committee, chaired by an independent director, comprised of at least two independent directors, with all of its members being non-executive. It also states certain minimum authority regarding appointments and remuneration. In the company, the Committee that for years has had all of these functions and responsibilities is the Appointments and Remuneration Committee. In both its composition and its functions, the Appointments and Remuneration Committee substantially complies with the requirements of the amendment of the LSC (Art. 529 quidecies of the LSC), although the corresponding modifications of the By-laws in order for it to adapt fully to the LSC were approved at the Annual General Meeting of Shareholders held on 15 April 2015.

As in the case of the By-laws, currently the Board of Directors Regulations are being reviewed, principally to adapt them to Act 31/2014 of 3 December 2014 and, to the extent that the Board of Directors deems it to be pertinent, to the new recommendations regarding good governance set forth in the new Code of Good Governance of Listed Companies.

## 2.2 Structure and functions.

Articles 24.2 of the By-laws and 15 and 16 of the Board of Directors Regulations regulate the structure, composition and functions of the Appointments and Remuneration Committee.

The Committee has authority assigned to it regarding appointment and removal of directors and senior managers, their remuneration, compliance with director duties, respecting the principles and rules of corporate governance and as regards corporate responsibility policy.

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

In article 15.5 of the Board of Directors Regulations it is provided that the call of the meetings, with the documentation associated therewith, may be made by telematic means guaranteeing the due security and confidentiality of the call and the corresponding documentation.

That call, which is to include the agenda, will be sent by the chairman or secretary of the Committee to each of its members, at least three days before the date indicated for the meeting, unless the meeting needs to be called earlier for emergency reasons.

Article 15.5 of the Board Regulations establishes the possibility that, by reason of urgency and on an exceptional basis, meetings of the Committee may be held by conference



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call, videoconference or any other means of remote communication that allows the meeting to be held, provided that all of the members of the Committee so agree.

There is a quorum for a committee meeting with the attendance of a majority of its members and decisions or recommendations are adopted by absolute majority vote and entered in the minutes at the end of the meeting. In order to better perform its duties, the committee may propose to the Board of Directors the advice to be requested from independent professionals and may access any type of information or documentation of the Company that is required to perform its duties.

### 2.3 Composition

Article 15.1 of the Board of Directors Regulations provides that the Appointments and Remuneration Committee will be comprised of the number of directors fixed by the Board of Directors, between a minimum of three and a maximum of five, from among non-executive directors, with the majority of the members being independent directors. Article 24.1 of the By-laws, already consistent with the amendment of the Spanish Corporate Enterprises Act, provides that the members of the Committee are appointed from among the non-executive directors, that being one of the provisions that will be incorporated in the Board of Directors Regulations after the review currently taking place.

The Committee Chairman will be an independent director chosen from amongst its members and the Secretary will be the secretary of the Board of Directors.

The appointment and removal of committee members is carried out by the Board of Directors on proposal of the Board Chairman. Committee members will hold its position for a three-year term and may be re-elected, and will abandon their position if they lose director status or if this is agreed by the Board of Directors, further to a report issued by the Appointments and Remuneration Committee. The Chairman will be replaced every three years, and may be re-elected once one year has passed since he ceased to be a member.

Regarding the composition of the Appointments and Remuneration Committee, during the 2015 financial year the following occurred:

- Upon expiration of the term of the position of Ms. Carmen Gómez de Barreda Tous de Monsalve [independent director] as a member of the Appointments and Remuneration Committee, the Board of Directors of the company at a meeting held on 26 May 2015 resolved to re-elect her as a member of that Committee for a term of three years, after a report thereon approved in the absence of the interested party.
- Mr. Francisco Ruiz Jiménez was a member of the Appointments and Remuneration Committee until 24 November 2015, on which date he presented his resignation as a proprietary director of Red Eléctrica Corporación, S.A., representing Sociedad Estatal de Participaciones Industriales [SEPI]. The resignation was accepted by the Board of Directors of the company at the meeting held on the same date, from that moment there was a vacancy on the aforesaid Committee [which vacancy was filled by Mr. José Ángel Partearroyo Martín at the meeting held on 26 January 2016, after his appointment as a director at the meeting of 22 December 2015].



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► The Board of Directors of the company, at the meeting held on 24 November 2015, on proposal of the Chairman of the Board of Directors, after a report from the Appointments and Remuneration Committee, resolved to increase the number of members of the Appointments and Remuneration Committee from four (4) members to five (5), and appointed Ms. María Ángeles Amador Millán to fill the position of the new member of the Appointments and Remuneration Committee.

At 31 December 2015 the composition of the Committee is as follows:

| Director                                 | Position    | Type of Director     |
|--|-------------|----------------------|
| Carmen Gómez de Barreda Tous de Monsalve | Chairperson | Independent External |
| María José García Beato                  | Member      | Independent External |
| Socorro Fernández Larrea                 | Member      | Independent External |
| María Ángeles Amador Millán              | Member      | Independent External |
| Vacant [5]                               | Member      | -                    |

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

Set forth below are summaries of the professional careers of the members at 31 December 2015:

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

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

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

► **María José García Beato** holds a law degree from the Universidad de Córdoba and serves as a Legal Counsel for the State.

Currently she serves as assistant secretary of the Board of Directors, Secretary General and member of the Management Committee of Banco Sabadell S.A., secretary of the Board of Sabadell United Bank (Miami), trustee of the Fundació Privada Banc Sabadell, trustee of the Fundación Española de Banca para Estudios Financieros, secretary of the Board of Trustees of the Fundación de Estudios de Economía Aplicada, Member of the Advisory Board of the publisher Wolters Kluwer España, S.A. and member of the Advisory Board of Fundación Cajasur.

She has held positions in the legal areas of the national government. Thus she has been, inter alia, the head of the Legal Department of the Data Protection Agency, Legal Counsel for the State in the Subdirectorate for Advisory Services of the Office for Legal Services of the State, Spanish representative on the Advisory Committee of the Council

[5] The Board of Directors at the meeting held on 26 January 2016 appointed the proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI), Mr. José Ángel Partearroyo Martín, as a member of the Appointments and Remuneration Committee to fill the vacancy existing on the aforesaid Committee as a result of the resignation of Mr. Francisco Ruiz Jiménez, which occurred at the meeting of the Board of Directors held on 24 November 2015.





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of Europe regarding data protection and Legal Counsel for the State in the Secretariat General for Communications of the Ministry of Development. In the Administration of Justice area she has, inter alia, served in the positions of Legal Counsel for the State in the Superior Court of Justice of Madrid, General Director of the Office of the Ministry of Justice, Undersecretary for Justice and Legal Counsel for the State in the Legal Service before the National Audience. She has been a director of the Sociedad Estatal de Gestión Inmobiliaria de Patrimonio and of Infoinvest, a director of the Sociedad Estatal Correos y Telégrafos and of the Sociedad Estatal para Exposiciones Internacionales.

- **Socorro Fernández Larrea** is a Roads, Canals and Ports Engineer with a degree from the Universidad Politécnica de Madrid and participated in an IESE Senior Management Programme [PADE].

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

In the private sector, among other positions, she has been General Manager of COPISA Constructora Pirenaica S.A., Vice Chairperson of ANCI, Asociación de Constructores Independientes, Regional Manager of the construction firm Seop, Obras y Proyectos, S.A., national representative of Ferrovial Conservación, S.A., and representative in Castilla la Mancha of Ferrovial-Agroman, S.A. In the public sector she

served as the General Manager of Roads, Hydraulic Works and Transport in the Public Works Ministry of the Regional Government of Castilla la Mancha.

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

She has served, inter alia, as Technical Secretary General of the Ministry of Public Works and Urban Development, Undersecretary of the Ministry of Health and Consumer Affairs, Minister of Health and Consumer Affairs and Undersecretary of the Constitutional Commission of the Congress. She also has served as the chairperson of the Corporate Governance and Responsibility Committee of the Company, which she joined as a director in May of 2005. Currently she is a practicing attorney.

### 3. Activities during 2015

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

The most significant actions of the Appointments and Remuneration Committee during the 2015 financial year were:

#### 3.1 In relation to appointments, discharge of functions and removals

- Favourable report and proposals to the Board of Directors in relation to the appointment by co-option of an independent director.



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➤ Favourable report to the Board of Directors, for referral to the General Meeting, regarding the proposed ratification and appointment of a proprietary director.

➤ Favourable report and proposal to the Board of Directors, for referral to the General Meeting, for ratification and appointment of an independent director.

➤ Evaluation of the criteria to be taken into account when filling vacancies occurring on the Board of Directors and its Committees, and analysis of the profile of candidates proposed in the process of selection thereof.

➤ Favourable reports to the Board of Directors on the proposals of the chairman of the Board related to renewal of the Board Committees by reason of the ending of the terms of some of their members.

➤ Favourable report to the Board of Directors on the proposal to appoint a new executive director for submission to the Extraordinary General Meeting of Shareholders.

➤ Favourable report to the Board of Directors on the proposed formal delegation of authority of the Board to the managing director.

➤ Favourable report to the Board of Directors on the proposal of the chairman to increase the number of members of the Board committees, in both cases proposed to be set at five, and to appoint the directors that are to fill the new positions.

➤ Favourable report to the Board of Directors on the proposals to appoint two senior managers.

➤ Analysis of a report on the compatibility of a position as an independent director of Red Eléctrica Corporación S.A. with possible appointment as a director of another company.

➤ Favourable report to the Board of Directors on the Structural Plan of the Management Team.

➤ Approval of the structural Management Plan Regulations of the Management Team.

➤ Revision of the form for annual declaration of independent directors.

### 3.2 In relation to remuneration

➤ Approval of the proposed corporate and management objectives for 2015.

➤ Analysis of the report on achievement of annual objectives in 2009-2013.

➤ Analysis of and favourable report to the Board of Directors on the 2014-2019 long-term variable remuneration proposal for the Management Team.

➤ Favourable report to the Board of Directors on the proposed resolution to be submitted to the General Meeting, related to the authorisations to the Board for derivative acquisition of own shares and approval of a plan of remuneration addressed to employees, executive directors and members of the management of the group companies, consisting of payment of a part of their remuneration by delivery of shares of the company.



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- Analysis and favourable report to the Board of Directors of the proposed annual Programme for delivery of shares for employees, members of management and executive directors of the group companies.
- Favourable report to the Board of Directors of the Annual Report on Remuneration of directors for the 2015 financial year, and the proposed Policy on remuneration of directors, for referral to the Annual General Meeting of Shareholders.
- Approval of the proposed evaluation of achievement of Business, Managerial and Management Committee objectives for 2014.
- Approval of the proposed 2014-2019 long-term Objectives.
- Approval of the definition of Management Committee Objectives for the 2015 financial year.
- Analysis of achievement of the proposed Business, Managerial and Management Committee objectives for 2015.
- Favourable report to the Board of Directors on the proposed partial amendment of the contract of the executive chairman and the proposed contract of the chief executive (managing director) of the company.
- Approval of the proposed objectives for the Corporate Economic/Financial Manager for 2015.

- Approval of the 2014-2019 Long-Term Variable Remuneration Programme Regulations.

- Approval of the proposal to the Board of Directors of the remuneration of the Board of Directors for the 2016 financial year, for its submission to the Annual General Meeting of Shareholders.

### 3.3 In relation to the rules and actions regarding Corporate Governance

- Analysis of the amendments of the corporate rules of the company, Bylaws and General Shareholders Meeting Regulations, deriving from the amendment of the Spanish Corporate Enterprises Act and favourable report to the Board of Directors related to the proposed amendment of both, for submission to the Annual General Meeting of Shareholders.
- Analysis and approval of the proposed amendment of the operating rules for treasury shares, which were approved and referred by the Audit Committee, for submission to the Board of Directors.
- Approval of the proposed Annual Corporate Governance Report for the 2014 financial year, for submission to the Board of Directors.
- Analysis of the text of the call and agenda, and approval of the proposed resolutions and reports to be referred to the Board of Directors, related to the Annual General Meeting of Shareholders for the 2014 financial year and the Extraordinary General Meeting of Shareholders held in July of 2015.



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- Analysis of the prior report on the process of amendment of the Board Regulations to adapt them to the Spanish Corporate Enterprises Act and the Code of Good Governance of Listed Companies.
- Analysis of the self-assessment report of the Board, the conclusions and recommendations of the process of external evaluation of the Board of Directors, its Committees and the chairman regarding the 2014 financial year, prepared with the assistance of PricewaterhouseCoopers [PwC].
- Analysis and approval of the proposed engagement of PwC regarding the process of evaluation corresponding to 2015, for its referral to the Board of Directors.
- Analysis of the Management Team Evaluation Report for 2014.
- Analysis and favourable report of the Annual Gender Diversity and Equality Policy Report corresponding to the 2014 financial year, for its referral to the Board of Directors.
- Analysis and favourable report to the Board of Directors of the Annual Criminal Risk Prevention Report in connection with the 2014 financial year.

- Analysis and favourable report to the Board of the Red Eléctrica Group Guide for the prevention of corruption, as well as the report on preparation thereof.

### 3.4 In relation to Corporate Responsibility

- Analysis and referral to the Board of the Report on Corporate Responsibility Management for the 2014 financial year.
- Analysis of the periodic information on Corporate Responsibility.
- Analysis and approval of the Annual Report on Code of Ethics Management in connection with the 2014 financial year, for its referral to the Board of Directors.
- Analysis and favourable report to the Board of Directors on the updating of the Corporate Social Responsibility Policy.
- Analysis of the reports on the results obtained as regards Corporate Responsibility

### 3.5 Other actions

- Approval of the committee's annual activity report for the 2014 financial year, and incorporation in the Annual Corporate Governance Report for that year.
- Approval of the committee's Action Plan for the 2016 financial year.
- Approval of the committee's schedule of meetings for the 2016 financial year.



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#### 4. Director attendance at meetings

In 2015 there were fourteen (14) meetings of the Appointments and Remuneration Committee, with no absences of directors.

### AUDIT COMMITTEE ACTIVITY REPORT FOR 2015

#### 1. Introduction

The Audit Committee's Annual Action Plan for the year 2016 provides that a Report shall be prepared describing the Committee's Activities developed throughout the year 2015, which shall be incorporated into the company's Annual Corporate Governance Report, and which is the object of this document.

#### 2. Legal background, structure, functions and composition

##### 2.1 Legal background

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

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

Act 31/2014, of 3 December, amending the Spanish Corporate Enterprises Act [Ley de Sociedades de Capital (LSC)] to improve corporate governance, has introduced in its article 529 quaterdecies certain rules regarding the composition and functions of the Audit Committee. Both regarding its composition and its functions, the Audit Committee complies substantially with the requirements of the LSC amendment, although specific amendments of the By-laws [article 23] to fully adapt the same to the LSC, have been approved at the Annual General Meeting of Shareholders held on 15 April 2015. The express incorporation, among the functions of the Audit Committee, of the supervision of the "tax risk" management system, may be highlighted.

In the same way as the By-laws, the Board of Directors Regulations are currently being reviewed, mainly to adapt the same to Act 31/2014, of 3 December and, to the extent that the Board of Directors considers it appropriate, to the new recommendations in matters of governance set out in the new Code for Good Governance of Listed Companies.



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## 2.2 Structure and functions

Articles 23 of the By-laws and, 13 and 14 of the Board of Directors Regulations, regulate the structure, composition and functions of the Audit Committee.

The Audit Committee has been assigned, among other functions, to support the Board of Directors in supervising the process for the elaboration of the company's economic-financial information, internal control, risk control management, external auditor's independence, compliance with legal provisions and internal rules, and relationship with the company's shareholders.

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

Article 13.4 of the Board of Directors Regulations establishes that the notice of the meetings, with all documentation associated to the same, may be made by electronic means that guarantee the due security and confidentiality of the notice and relevant documentation.

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

Article 13.4 of the Board Regulations provide the possibility that, due to reasons of urgency and in an exceptional manner, the Committee meetings may be held via conference call,

videoconference or any other remote communication means permitting to hold the same, provided that all the members of the Committee give their consent.

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

## 2.3 Composition

The Board of Directors Regulations provide in article 13.1 that the Audit Committee shall be formed by the number of directors fixed by the Board of Directors, between a minimum of three and a maximum of five, among external directors, the majority of its members being independent directors. In article 23.1 of the By-laws, already adapted to the reform of the Spanish Corporate Enterprises Act, it has been provided that the members of the Committee shall be designated among the non-executive directors, that being one of the formal adjustments that will be incorporated into the Board of Directors Regulations after the review that is being carried out at the moment.

The chairperson of the Committee shall be an independent director elected from among its members, and the secretary shall be the one of the Board of Directors.



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The appointment and removal of the members of the Committee shall be carried out by the Board of Directors at the proposal of the chairman of the Board. The members of the Committee shall hold their position for a three-year period, and may be re-elected, and shall be removed when removed as directors or when so resolved by the Board of Directors, after obtaining a report from the Appointments and Remuneration Committee. The chairperson will be replaced every three years and may be re-elected after the lapse of one year since his/her removal.

Regarding the composition of the Audit Committee during the year 2015, the following actions have occurred:

- As a result of the expiration of the term of Ms Paloma Sendín de Cáceres' position [independent director] as member of the Audit Committee, the company's Board of Directors, at the meeting held on 26 May 2015 resolved to re-elect her as member of the Audit Committee for a three-year term, after obtaining the report from the Appointments and Remuneration Committee.
- As a result of the expiration of the term of Ms M<sup>a</sup> Ángeles Amador Millán's position [independent director] as member of the Audit Committee, the Board of Directors of the company, at the meeting held on 26 May 2015, resolved to appoint Mr José Luis Feito Higuera as a member of the Audit Committee for a three-year term, after obtaining the report from the Appointments and Remuneration Committee.

The Committee agreed to appoint Mr Feito Higuera as chairman of the Audit Committee, in its meeting held on 24 June 2015 for a three-year period.

- Upon expiration of the term of Mr Fernando Fernández Méndez de Andés' position [proprietary director] as member of the Audit Committee, the company's Board of Directors, at the meeting held on 26 May 2015, resolved to re-elect him as member of the Audit Committee for a three-year term, upon obtaining the report from the Appointments and Remuneration Committee.
- The company's Board of Directors, at the meeting held on 24 November 2015, at the proposal of the chairman of the Board of Directors and upon obtaining a report from the Appointments and Remuneration Committee, resolved to increase the number of members of the Appointments and Remuneration Committee, from four [4] to five [5] members and appointed Mr Santiago Lanzuela Marina as new member of the Audit Committee.

The composition of the Committee, as of 31 December 2015, was the following:

| <b>Director</b>                        | <b>Position</b> | <b>Type of Director</b>     |
|--|-----------------|-----------------------------|
| Mr. José Luis Feito Higuera            | Chairman        | External independent        |
| Ms. Paloma Sendín de Cáceres           | Member          | External independent        |
| Mr. Fernando Fernández Méndez de Andés | Member          | External proprietary (SEPI) |
| Mr. Antonio Gómez Ciria                | Member          | External independent        |
| Mr. Santiago Lanzuela Marina           | Member          | External proprietary (SEPI) |



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The Directors on the Committee are highly qualified to hold their positions, with broad professional experience, having held positions of the highest responsibility outside Red Eléctrica, in functions related to those entrusted to the Committee.

In this regard, Article 13.1 of the Board of Directors Regulations provides that the Committee shall be formed by a majority of Independent Directors, all of whom shall be appointed on the basis of their knowledge and expertise in accounting and/or auditing.

Below is a brief summary of the professional career of its members, as of 31 December 2015, who have knowledge and expertise in accounting and auditing matters:

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

He has held, among others, the following positions, Chairman of the ASETA-Asociación de Sociedades Españolas Concesionarias de Autopistas, Túneles, Puentes y Vías de Peaje (Spanish Association of Spanish Companies holding Highway, Tunnel, Bridge and Toll Road concessions); Spanish Ambassador before the OECD-Organisation for Economic Cooperation and Development - in Paris; Partner and member of the Board of Directors of A.B. Asesores Bursátiles, S.A. in Madrid (Morgan Stanley); Head of International Financial Entities of the Bank of Spain, member of the European Monetary Committee (Brussels) and the Council of Governors of Central Banks of the European Union in Basel; Technical Advisor and Executive Director of the International Monetary Fund in Washington; Head of Department of Studies of the Foreign Sector and Data Processes, of the

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

➤ **Ms. Paloma Sendín de Cáceres**: BSc in Business and Economics from the Universidad Autónoma de Madrid. Commercial Expert and State Economist. Commercial Diploma by the State.

She has held, among others, the following offices: Chief Trade Counsellor of the Economic and Commercial Office of the Spanish Embassy in Dublin; Director General for Administration and International Relations of the Organization of Ibero-American States for Education, Science and Culture (OIAS); Member of the Spanish Nuclear Safety Board (CSN); Director General for Mines; Director General of the Institute for Restructuring of the Coal Mining Industry and Alternative Development, of the Spanish Ministry of Industry and Energy; Director General of Promotion of the Spanish Foreign Trade Institute (ICEX) and Member of the Board of Directors in several entities. At present, she is a member of the Advisory Committee of the Escuela Técnica Superior de Ingenieros de Minas y Energía (Higher Technical School of Mining and Energy Engineering) in Madrid and a member of the Advisory Committee of the Fundación para Estudios sobre la Energía (Foundation for Energy Studies).





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

Among other offices, he has been a member of the Expert Committee for the Tax Reform, 2013-2014; a member of the Bruegel Evaluation Committee, 2013; Senior Economist, International Monetary Fund; Chief Economist and Head of Research, Banco Central Hispano (BCH) and Banco Santander; Rector, European University, Madrid and Universidad Antonio de Nebrija; At present, he is an international consultant on macroeconomic, regulatory and financial topics; Chairman of Pividal Consultores; External Advisor to the Strategy Committee of Arcano Financial Group; Collaborator of Fundación de Estudios Financieros (Financial Research Foundation); regular lecturer at international conferences and symposia related to his professional and academic activity, and author of numerous articles and publications about the same, and independent director of Bankia, S.A.

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

He has held, among other offices, the following: General Manager of Administration and Information Technology and member of the Management Committee of the FCC Group; General Manager for Internal Auditing and member of the Management Committee of the FCC Group; member of the Advisory Board of the Institute of Internal Auditors and member of the Management Committee; General Technical Secretary of InverCaixa, investment management company belonging to the La Caixa Group; Chairman of the Instituto de Contabilidad y Auditoría de Cuentas, ICAC; Director of Empresa Nacional de Uranio, S.A.; Director of Empresa Nacional de Autopistas, S.A.; Director of Tabacalera, S.A.;

Market Inspection Manager for the Governing company of the Madrid Stock Exchange; Deputy Manager for Research and Budget Planning of Radio Televisión Española; Manager of the Controlling and Accounting Department of Banco de Crédito Agrícola; Comptroller and Auditor for the Comptroller General's Office. At present, he is a member of the Advisory Board of Experts in Accounting and Financial Information [Consejo Consultivo de Expertos en Contabilidad e Información Financiera] (ECIF) of the General Board of Professional Association of Economists.

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

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



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Chairman of the Economy and Competitiveness Committee in Congress and Member of the Spanish delegation to the Parliamentary Assembly of the Organisation for Security and Cooperation in Europe -OSCE.

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

The Committee's meetings have been regularly attended by Mr Luis Villafruela Arranz, Corporate Director of Regulation and Global Risk Control during 2015, and Mr Juan Lasala Bernad and Ms Teresa Quirós Álvarez, as corporate directors of economics-finance, in the periods during which they have respectively held such offices during 2015, to inform about different matters related to the areas within their scope of responsibility. Other persons of the above and other Departments have joined, when called, to inform about the matters within their scope of responsibility.

In the year 2015, regarding the review of the Annual Accounts of the Company and its Group for the year 2014, the external auditor for the company and its Group explained to the Committee the audit processes carried out in the Group. The Committee resolved to give a favourable opinion with regard to the Annual Accounts for the year 2014. Likewise, the Committee has met several times with the external auditor to analyse matters within its scope of responsibilities.

### 3. Activities developed during the year 2015

On 17 December 2014, the Audit Committee approved its Annual Action Plan for the year 2015, regarding the responsibilities attributed to the same in the By-laws and in the Board of Directors Regulations.

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

The Audit Committee has met eleven (11) times during the year 2015, informing the Board of Directors the same number of times about the activities carried out by the Committee.

The main tasks that the Committee has developed during the year 2015 have been the following:

#### 3.1 Regarding economic-financial information

- Review of the Annual Accounts for the year 2014 of the company and its Consolidated Group, and Report by the external auditor.
- Analysis of the closing forecast for the year 2014 of the Red Eléctrica Group, as well as the criteria adopted to carry out the same.
- Analysis of proposed distribution of profits and dividends of Red Eléctrica Corporación, S.A. for the year 2014 and issuing of favourable report.
- Review of financial information for the market supervisory bodies.
- Supervision of the subsections of the company's Annual Corporate Governance Report for the year 2014, within the scope of the Committee's responsibilities.



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- > Follow-up of the monthly reports on treasury stock.
- > Follow-up of the quarterly reports on transactions with related parties.
- > Analysis of the Report on transactions made between companies belonging to the Red Eléctrica Group as of 31 December 2015.
- > Approval of the Annual European Commercial Paper (ECP) Programme.
- > Analysis of the proposal to renew the Annual plan for EMTNs and submission of favourable report to the Board.
- > Analysis of the external auditor's report on the consolidated financial statements for the first half of 2015.
- > Analysis of the Reports on the issues of notes made during the year 2015.
- > Analysis of the proposed distribution of interim dividends for the year 2015 and submission of the favourable report to the Board.
- > Analysis of certain proposals for authorisation to cover the funding needs and issuing of favourable reports.
- > Analysis of 2016 Budget and issuing of favourable report

### 3.2 Regarding the internal control and risk management systems

- > Analysis of a report made by the external auditor, KPMG, regarding the quality of the Group's internal control systems with regard to the annual accounts for the year 2014.

- > Analysis of the report on the System for Internal Control of Financial Information (SCIIF) for the year 2014.
- > Analysis of the report on Internal Control within the international framework, issued by COSO, and its implementation in Red Eléctrica.
- > Analysis of the Report on the Company's Map of Risks, as of 31 December 2014.
- > Analysis of the quarterly and half-yearly status reports regarding high-level risks.
- > Analysis of the report on the integration of Tax Risks into the Comprehensive Risk Management Policy of the Red Eléctrica Group, and submission of a favourable report to the Board.
- > Review of the Annual Report for the year 2014 of the Control and Supervisory Body of the Criminal Risk Prevention Programme.
- > Analysis of the proposed Guide for the prevention of corruption

### 3.3 Regarding the internal audit services

- > Analysis of the Report on internal audits carried out in the year 2015 and the results of each of such audits.
- > Analysis of the report on means and resources allocated to the Internal Audit department.
- > Analysis of the report on the status and main developments in the internal rules.



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- > Analysis of the quarterly reports on compliance with the recommendations contained in the reports from the Internal Audit department.
- > Approval of the budgets, means and resources of the Internal Audit department.
- > Approval of the Internal Audit Plan for the year 2016.
- > Review of the Annual Activity Plan in the Comprehensive Risk Management System for the year 2016.
- > Supervision of the procedure to appoint the person in charge of internal audit.

### 3.4 Regarding the external auditors

- > Analysis of the reports by the external auditor regarding the annual accounts for the year 2014 and the External audit preliminary report for the year 2015.
- > Analysis of the reports on the independence of the external auditor issued by KPMG Auditores, S.L., pursuant to Act 12/2010, of 30 June.
- > Analysis of the report on the External Audit Plan for the year 2015 prepared by KPMG.
- > Approval of the criteria on the engagement of the external auditor, for services other than auditing.

### 3.5 Regarding compliance with the legal provisions and internal rules

- > Analysis of the half-year reports and the annual report on the follow-up of internal rules, as of 31 December 2014.
- > Analysis of the status and follow-up of the company's rules and procedures.
- > Analysis of the report on the evolution of the management of internal rules.
- > Analysis of the report on the annual evaluation of compliance with the Internal Conduct Regulations of the Securities Market.
- > Review of the Annual Report on Occupational Health and Safety for the year 2014.
- > Analysis of the Annual Management Report covering the Ethics Code.
- > Analysis of the tax implications resulting from the amendment of the Spanish Corporate Enterprises Act [Ley de Sociedades de Capital].
- > Analysis of the recommendations of the Code for Good Governance of Listed Companies affecting the Audit Committee.

### 3.6 Regarding the company's shareholders

- > Analysis of the Board's proposed resolutions for the Annual General Meeting of Shareholders on matters within their scope of responsibility.
- > Follow-up of potential initiatives, suggestions and complaints raised by the shareholders throughout the year.



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- During the year 2015 no initiatives, complaints or suggestions have been received from the company's shareholders.

### 3.7 Other activities

- Approval of the Audit Committee's Activity Report for the year 2014, to be incorporated into the company's Annual Report on Corporate Governance for such year.
- Analysis of the reports on the renewals of the Red Eléctrica Corporate Insurance Programme.
- Approval of the meetings schedule for the year 2016.
- Approval of the Committee's Action Plan for the year 2016.
- Analysis and reports for the Board of Directors regarding relevant investment transactions [setting up a subsidiary for the activity of constructing energy storage facilities, acquisition of 50% of Transmisora Eléctrica del Norte, S.A. (TEN) in Chile, process of investing in transmission facilities, tender proposals for new projects in Latin America, among others].
- Analysis of the Report on the corporate adaptation of the Telecommunications and International Businesses and issue of favourable report.
- Analysis of the report on total tax contribution of the Red Eléctrica Group in the year 2014.
- Analysis of the proposed tax strategy for the Group and issuing of favourable report.
- Analysis of the proposal to adhere to the Good Tax Practices Code and issuing of favourable report.

### 4. Attendance of directors to the meetings

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

### 5. Review of the annual accounts for the year 2015

At this meeting, in which the Committee's activity report for the year 2015 has been approved, the Audit Committee has proceeded, in connection with the financial year 2015:

- To review the Annual Accounts for the year 2015 of the company and its Consolidated Group and the External Auditor's Report.
- To analyse the relevant proposals for the allocation of profits and distribution of dividends in Red Eléctrica Corporación, S.A.
- It has assisted, as usual, the external auditor of the company and its Group for the mentioned year, KPMG, to offer the Committee the appropriate clarifications and explanations.
- In both cases, the Committee has issued a favourable report on such proposals.
- Additionally, the Audit Committee has issued a favourable report to the Board of Directors regarding the proposal to re-elect the external auditor, which shall be submitted to the shareholders at the upcoming Annual General Meeting of Shareholders, for a three-year term.