

TITLE III:
THE YEAR 2014
IN RED ELÉCTRICA



CHAPTER I.- MAIN SHAREHOLDER AGREEMENTS

The Company has adopted the main shareholder agreements during the 2014 financial year:

1. The Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 25 February 2014, agreed to appoint Mr. José Ángel Partearroyo Martín, as proprietary director of Red Eléctrica Corporación, S.A., on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), as a result of the vacancy left by Mr. Alfredo Parra García-Moliner's resignation from office as proprietary director representing Sociedad Estatal de Participaciones Industriales (SEPI).
2. The Board of Directors, at its meeting held on 25 February 2014, appointed Mr. Francisco Ruiz Jiménez proprietary director, as a member of the Governance and Corporate Responsibility Committee, for a 3-year term.
3. The Board of Directors Meeting of 25 February 2014 approved, subject to a prior favourable opinion from the Governance and Corporate Responsibility Committee, the 2013 Annual Corporate Governance Report of the company, the Annual Report on Independent directors' Remuneration for 2013, and drew up the Annual Accounts and Management Report for the 2013 financial year.
4. At the Board of Directors Meeting held on 2 April 2014, it was agreed to present to the Ordinary General Shareholders Meeting the appointment of Mr. Antonio Gómez Ciria and Ms. Socorro Fernández Larrea as independent directors of the Company, and to ratify the designation of Mr. José Ángel Partearroyo Martín a proprietary director, on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), pursuant to the provisions established in Article 244 of the Capital Companies Act issued by the Board of Directors at its meeting held on 25 February 2014, to replace and cover the resignation of Mr. Alfredo Parra García-Moliner.
5. Also at this meeting of 2 April 2014, the Board of Directors approved all proposed agreements and reports to be presented to the Ordinary General Shareholders Meeting, for the 2013 financial year, which was then called.
6. At the Ordinary General Shareholders Meeting held on 9 May 2014, 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 2013.
 - 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 2013.
 - To approve the allocation of results proposed by the Board of Directors at its meeting of 25 February 2014 and, consequently, to distribute the profit of the 2013 financial year.
 - To approve the management of the Board of Directors of Red Eléctrica Corporación, S.A. over the 2013 financial year.

- To approve the ratification and appointment of Mr. José Ángel Partearroyo Martín as proprietary director, on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), pursuant to the opinion delivered by the Governance and Corporate Responsibility Committee.
 - To approve the appointment of Ms. Socorro Fernández Larrea as independent director, replacing the independent director Mr. Miguel Boyer Salvador, further to the opinion and proposal made by the Governance and Corporate Responsibility Committee.
 - To approve the appointment of Mr. Antonio Gómez Ciria as independent director, replacing the independent director Mr. Rui Manuel Janes Cartaxo, further to the opinion and proposal made by the Governance and Corporate Responsibility Committee.
 - To approve the following proposals for a derivative acquisition of treasury stock, each one separately voted upon:
 - Authorisation for a derivative acquisition of treasury stock by the Company or by Red Eléctrica Group companies, and their direct delivery to employees and executive directors of the Company, and of Red Eléctrica Group companies, as remuneration.
 - Approval of a Remuneration Plan addressed to the Management and executive directors of the Company and of Red Eléctrica Group member companies.
 - Revocation of prior authorisations.
 - Regarding the Board's remuneration:
 - To approve the Annual Report on Remuneration and Remuneration Policy of the Board of Directors of Red Eléctrica Corporación, S.A.
 - To approve the payments made to the Board of Directors of Red Eléctrica Corporación, S.A., in 2013.
 - To approve the payments made to the Board of Directors of Red Eléctrica Corporación, S.A., in 2014.
 - To delegate powers for the execution and registration of each and every resolution adopted by the General Shareholders Meeting in the 2013 financial year.
 - To inform the General Shareholders Meeting of the Annual Corporate Governance Report of RED ELÉCTRICA for 2013.
7. The Board of Directors, at a meeting held on 29 July 2014, agreed to appoint the shareholder, Mr. Santiago Lanzuela Marina as proprietary director of Red Eléctrica Corporación, S.A., on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), until the first General Meeting is convened to cover the vacancy left on the Board of Directors as a result of Mr. José Ángel Partearroyo Martín's resignation from office as proprietary director, representing Sociedad Estatal de Participaciones Industriales (SEPI).
8. The Board of Directors, at a meeting held on 29 July 2014, approved the Self-Evaluation Report of the Board of Directors for the 2013 financial year; this process received external advice from PriceWaterhouseCoopers (PwC).
9. The Board of Directors Meeting of 28 October 2014, further to its permanent commitment to adopt the best practice in Corporate Governance matters, approved the Report on Gender Diversity and Equality Policy, which had been forwarded by the Governance and Corporate Responsibility Committee. This Report is published on the corporate website.

10. The Board of Directors, at its meeting of 28 October 2014, accepted Mr. Juan Iranzo Martín's resignation as independent director and designated the independent director Ms. María José García Beato as member of the Governance and Corporate Responsibility Committee, in order to hold office for a three-year term, as proposed by the chairman of the Board of Directors and subject to a prior opinion from the Governance and Corporate Responsibility Committee.
11. The Governance and Corporate Responsibility Committee, at a meeting held on 6 November 2014, named the independent director Ms. Carmen Gómez de Barreda Tous de Monsalve, chairwoman of the Governance and Corporate Responsibility Committee, for a 3-year term.
12. The Board of Directors Meeting of 25 November 2014 approved the Corporate Governance Policy and an update of the Integrated Risk Management Policy, further to a proposal from the Governance and Corporate Responsibility Committee. These Policies are published on the corporate website.
13. The Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 23 December 2014, agreed to set at four the number of members of each Board Committee and to designate Ms. Socorro Fernández Larrea as member of the Governance and Corporate Responsibility Committee, and Mr. Antonio Gómez Ciria as member of the Auditing Committee, both further to a proposal from the chairman of the Board of Directors and subject to a prior opinion from the Governance and Corporate Responsibility Committee.
14. The Board of Directors Meeting held on 23 December 2014 approved an update of the Corporate Responsibility Policy, which is published on the Company website.

CHAPTER II.- MAIN EXTERNAL RECOGNITIONS

Below are the main external recognitions awarded to the Company in 2014, related to Corporate Governance; although some of them were obtained as part of a corporate responsibility distinction, Corporate Governance aspects have also been positively evaluated.

1. "Bronze" Sustainability Yearbook 2015 award; this annual publication analyses sustainability performance is almost 2,000 companies belonging to 55 sector worldwide, distinguishing those with outstanding activity in sustainable development matters.
2. Permanence on the FTSE4Good sustainability index since the Company joined in 2008. This index includes listed companies all over the world that meet the requirements previously established by the index.
3. Inclusion in the MSCI ESG (MSCI Global Sustainability Indexes, MSCI Socially Responsible Indexes, MSCI Global Climate Index and MSCI Global Environmental Index) in 2014, which include companies with the best appraisal in sustainability of ESG (Environmental, Social and Governance) matters in the relevant sector.
4. Included for the first time in Euronext-Vigeo (Eurozone 120, Europe 120, Global 120) sustainability indexes, covering the 120 companies with the greatest progress in corporate governance, social and environmental matters.
5. Permanence on the Sustainability Index (ESI) Excellence Europe for the second consecutive years after it joined in 2009.
6. Renewed membership of the ECPI index family since it joined in 2007.

7. Permanence on the STOXX Global ESG Leaders indexes, providing a representative global sample of leading companies in environmental, social and good governance criteria.
8. First place, for the seventh consecutive year, in the 2013 report on “Social responsibility culture, policies and practice for IBEX 35 companies”, drawn up by the Observatory for Corporate Social Responsibility. The Company enjoys the leading position in Corporate Governance matters.
9. Single distinction awarded to Red Eléctrica “for its transparency and exhaustiveness in the corporate governance section of the company’s website”, in the “Fundación Compromiso y Transparencia” Report, on the governance of listed companies.

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 General Shareholders Meeting.

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 2014, the following Relevant Events were notified to the CNMV:

1. Information on regulations affecting remuneration for activities

On 9 January 2014, the Company sent a presentation explaining the new remuneration system applied to electricity transmission activities.

2. Changes in the Board of Directors

On 28 January 2014, the Company announced that the Board of Directors Meeting held on 28 January 2014 had accepted the resignation of Mr. Alfredo Parra García-Moliner from his post as proprietary director of Red Eléctrica Corporación, S.A., on behalf of Sociedad Estatal de Participaciones Industriales (SEPI).

3. Information on dividends

On 26 February 2014, the Company announced that the Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 25 February 2014, had agreed to propose to the Ordinary General Shareholders Meeting the payment of a gross amount of 2.5422 euros for each share entitled to dividends.

4. Information on results

On 26 February 2014, the Company informed of its 2013 results.

5. Intermediate financial information

On 26 February 2014, the Company sent information on the results of 2H2013.

6. Changes in the Board of Directors and Commission

On 26 February 2014 the Company announced that the Board of Directors, at its meeting held on 25 February 2014, had appointed Mr. José Ángel Partearroyo Martín by co-optation as proprietary director of the Company, on behalf of Sociedad Estatal de Participaciones Industriales (SEPI). At the same meeting, the proprietary director Mr. Francisco Ruiz Jiménez was appointed member of the Governance and Corporate Responsibility Committee.

7. Annual information on directors' remuneration

On 26 February 2014, the Company sent its Annual Report on directors' remuneration for the 2013 financial year.

8. Annual Corporate Governance Report

On 26 February 2014, the Company sent its 2013 Annual Corporate Governance Report.

9. Information on results and financial situation

On 26 February 2014, the Company presented its 2013 results and its estimates for 2014.

10. Call notices and resolutions of General Meetings

On 3 April 2014, the Company announced that the Board of Directors Meeting held on 2 April 2014 had agreed to call an Ordinary General Shareholders Meeting, to be held at first call on 8 May 2014, at 12:30 hours, at Auditorio del Complejo de los Duques de Pastrana, Paseo de la Habana 208, Madrid, and at second call, on 9 May 2014, in the same place and time, in order to discuss and resolve on the matters included in the agenda.

11. Business data and financial situation

On 10 April 2014, the Company sent information on the tender launched by ADIF for the assignment and commercial exploitation of its optic fibre network, not for railway use.

12. Intermediate financial information

On 30 April 2014, the Company forwarded information on 1Q2014.

13. Information on results

On 30 April 2014, the Company provided the results of 1Q2014.

14. Ratings

On 30 April 2014, the Company announced that the rating agency Standard & Poor's had increased the rating prospects of Red Eléctrica up to positive, from neutral. Red Eléctrica Corporación, S.A., Red Eléctrica de España, S.A.U. and Red Eléctrica de España Finance, B.V. still enjoy a long-term rating of A-, and of F2 for the short term.

15. Call notices and resolutions of General Meetings

On 9 May 2014, the Company forwarded the full text of the resolutions adopted by the Ordinary General Shareholders Meeting, held on 9 May 2014, following a proposal from the Board of Directors of Red Eléctrica de Corporación, S.A.

16. Offerings to subscribe and sell fixed income and other instruments

On 16 June 2014, the Company announced that Red Eléctrica Corporación, S.A., through its subsidiary Red Eléctrica Financiaciones, S.A.U. and further to its EMTN Programme, has launched an issue of Bonds on the Euromarket for three hundred (300) million euros.

17. Ratings

On 24 June 2014, the Company announced that the rating agency Standard & Poor's has increased the rating prospects of Red Eléctrica up to positive, from neutral. Red Eléctrica Corporación, S.A. and its subsidiary Red Eléctrica de España, S.A.U. still enjoy a long-term rating of 'BBB' and short-term rating of 'A-2'.

18. Changes in the Board of Directors

On 29 July 2014 the Company announced that the Board of Directors Meeting held on 29 July 2014 had appointed Mr. Santiago Lanzuela Marina proprietary director of Red Eléctrica Corporación, S.A., on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), as a result of Mr. José Ángel Partearroyo Martín's resignation.

19. Information on results

On 30 July 2014, the Company announced its 1H2014 results.

20. Intermediate financial information

On 30 July 2014, the Company sent information on its 1H2014 results.

21. Information on results

On 30 July 2014, the Company presented the results of 1H2014.

22. Ratings

On 22 September 2014 the Company announced that the rating agency Standard & Poor's had issued a new report on Red Eléctrica, maintaining the company's rating and prospects.

23. Loans, facilities and guarantees

On 7 October 2014, the Company announced that Red Eléctrica de España S.A.U. had formalized a credit facility agreement for 800 million euros and 5-year maturity, with the possibility of extending it to seven years.

24. Changes in the Board of Directors

On 13 October 2014, the Company announced that Mr. Juan Irazo Martín had resigned that same date as independent director of Red Eléctrica Corporación, S.A., in a letter addressed to the Company chairman.

25. Business data and financial situation

On 22 October 2014, the Company announced that Red Eléctrica had become aware of the enactment of a Supreme Decree in Bolivia, related to the nationalization process of Transportadora de Electricidad.

26. Composition of the Governance and Corporate Responsibility Committee

On 28 October 2014, the Company announced that the Board of Directors of Red Eléctrica Corporación, S.A. had designated the independent director Ms. María José García Beato as member of the Governance and Corporate Responsibility Committee.

27. Intermediate financial information

On 29 October 2014 the Company sent information on the results of 3Q2014.

28. Information on results

On 29 October 2014, the Company announced its results for 3Q2014.

29. Changes in the Board of Directors

On 7 November 2014, the Company announced that the Governance and Corporate Responsibility Committee, at a meeting held on 6 November 2014, had designated as its chairwoman the independent director Ms. Carmen Gómez de Barreda Tous de Monsalve.

30. Business data and financial situation

On 13 November 2014, the Company announced that Red Eléctrica Internacional, S.A.U., a 100% owned subsidiary of Red Eléctrica Corporación, S.A. and the Plurinational State of Bolivia, had reached a final agreement to compensate the nationalization of Transportadora de Electricidad (TDE).

31. Business data and financial situation

On 20 November 2014, the Company announced that Red Eléctrica Internacional, S.A.U. (REI) and ADIF Alta Velocidad (ADIF) had formalized an agreement to assign the use and management rights inherent to ADIF's optic fibre wire network exploitation, for a 20-year term.

32. Committee membership

On 23 December 2014, the Company announced that the Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 23 December 2014, had agreed to set at four the number of Committee members, designating at the same meeting the independent director Ms. Socorro Fernández Larrea, as member of the Governance and Corporate Responsibility Committee, and the independent director Mr. Antonio Gómez Ciria, as member of the Auditing Committee.

33. Information on dividends

On 23 December 2014, the Company announced that the Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 23 December 2014, had agreed to distribute dividends on account of the 2014 results for a gross amount of 0.8323 euros/share.

Furthermore, the Relevant Events notified to the CNMV in 2015, before the approval of this Report, have been:

34. Changes in the Board of Directors

The Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 13 February 2015, has appointed Mr. José Luis Feito Higuera as independent director of the Company.

CHAPTER IV.- ANNUAL ACTIVITY REPORTS OF BOARD COMMITTEES

Below is a complete reproduction of the Annual Activity Reports of the Governance and Corporate Responsibility Committee and Auditing Committee, for the 2014 financial year.

2014 ACTIVITY REPORT OF THE GOVERNANCE AND CORPORATE RESPONSIBILITY COMMITTEE

1. Introduction

The Committee's 2015 Action Plan, as foreseen in Article 16.6.a) of the Board Regulations, includes the issue of an annual report on activities carried out during 2014, to be included in the Annual Corporate Governance Report, which constitutes the object of this document.

2. Legal background, structure, duties and composition

2.1. Legal background.

The Company's Board of Directors, at a meeting held on 13 March 2013, agreed to modify the Board Regulations in order to update its content according to the legislative amendments affecting joint stock companies, to adjust to relevant practice in Corporate Governance- particularly of an international nature- and to improve the organisation and operation of the Board of Directors and its Committees.

As a result, the General Shareholders Meeting held on 18 April 2013 approved an amendment of the Company By-laws in order to, amongst other matters, adjust the provisions on the Auditing Committee and Governance and Corporate Responsibility Committee included in the Company By-laws to essential practice and international recommendations in good Corporate Governance matters. Of interest in this regard is the fact that the new By-laws foresee the need for the majority members in both Committees to be independent directors.

Act 31/2014, of 3 December, amending the Capital Stock Companies Act [*Ley de Sociedades de Capital*] (LSC) in order to improve Corporate Governance matters (in force since 24 December 2014), now requires that all listed companies create an Appointments and Remuneration Committee, chaired by an independent director, consisting of at least two independent directors, all the members of which must be non-executive directors. It also foresees minimum competences in appointment and remuneration matters. For years, Red Eléctrica's Governance and Corporate Responsibility Committee has already been executing all these duties and responsibilities. Both in terms of composition and duties, the Governance and Corporate Responsibility Committee materially meet all the requirements of the LSC reform (Article 529.15 LSC). However, the Company By-laws and Board of Directors Regulations should be accordingly adapted in 2015 in order to fully conform to the LSC.

2.2. Structure and duties.

Article 24.2 of the Company By-laws and Articles 15 and 16 of the Board of Directors Regulations regulate the structure, composition and duties of the Governance and Corporate Responsibility Committee.

The Committee has been assigned competences as regards the appointment and removal of directors and senior executives, their remuneration, fulfilment of administrators' duties, compliance with corporate governance principles and rules, and in Corporate Responsibility policy matters.

The Committee meets as often as necessary to ensure the adequate performance of its duties. In any case it will meet at least each quarter, if called by the Chairman or a meeting is requested by two of its members and, furthermore, each time the Board of Directors or the Chairman thereof request a report or adoption of proposals.

Article 15.5 of the Board of Directors Regulations provides that meetings may be called, including any associated documentation, through electronic means that guarantee the necessary security and confidentiality of the call and relevant documentation.

Any such call will include the agenda and will be forwarded by the Chairman or Secretary of the Committee to each one of its members at least three days before the date scheduled for the meeting, until it needs to be called in a shorter period of time for emergency reasons.

Article 15.5 of the Board Regulations foresees the possibility, in emergency and exceptional situations, of convening Committee meetings through a multiple telephone call, conference call or other means of distance communication allowing a meeting to be convened, provided that all the Committee members so agree.

The Committee may convene with the attendance of the majority members and will adopt its decisions or recommendations by an absolute majority of votes, which will be recorded in the minutes at the end of the meeting. To ensure adequate performance of its duties, the Committee may propose to the Board of Directors that advice be provided by independent professionals, and it may access any type of Company information or documentation it may need to that effect.

2.3. Composition.

Article 15.1 of the Board of Directors Regulations foresees that the Governance and Corporate Responsibility Committee will consist of the number of directors determined by the Board of Directors, ranging from at least three and a maximum of five, from amongst external directors, the majority of which will be independent directors. 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.

Committee members will be appointed and removed by the Board of Directors as proposed by the Board Chairman. Committee members will hold office for a three-year term and may be re-elected, and will abandon their post if they lose director status or if this is agreed by the Board of Directors, further to a report issued by the Governance and Corporate Responsibility Committee. The Chairman will be replaced every three years and may be re-elected once a year has transpired since he was removed from office.

During 2014 several changes have taken place in the composition of the Governance and Corporate Responsibility Committee:

- > The Board of Directors, at its meeting of 25 February 2014, has appointed Mr. Francisco Ruiz Jiménez as proprietary director, representing Sociedad Estatal de Participaciones Industriales (SEPI), as member of the Governance and Corporate Responsibility Committee, for the three-year term foreseen in the Board Regulations, in order to cover the vacancy arising on the Committee as a result of Mr. Alfredo Parra García-Moliner's resignation from his post of proprietary director, on behalf of Sociedad Estatal de Participaciones Industriales (SEPI), which was accepted by the Company's Board of Directors at its meeting held on 28 January 2014.
- > On 13 October 2014, Mr. Juan Irazo Martín resigned as independent director and Chairman of the Committee; said resignation was accepted by the Board of Directors on 28 October 2014. Following his resignation, the Board of Directors Meeting designated the independent director, Ms. Ma^a José García Beato, as members of the Governance and Corporate Responsibility Committee, for a three-year term, following a proposal made by the Chairman of the Board of Directors and after receiving a report from the Governance and Corporate Responsibility Committee. Furthermore, the Governance and

Corporate Responsibility Committee, at a meeting held on 6 November 2014, appointed the independent director Ms. Carmen Gómez de Barreda Tous de Monsalve, Chairperson of the Committee, also for a three-year term. Ms. Gómez de Barreda is currently acting as lead independent director since her designation by the Board of Directors, at a meeting held on 28 May 2013, as proposed by the Committee.

- > After increasing the number of Committee members, as agreed by the Board of Directors Meeting of 23 December 2014, the Governance and Corporate Responsibility Committee now has four members instead of three, three of whom are independent external directors (75%) and one a proprietary director. As a result of this increase, Ms. Socorro Fernández Larrea, independent director, has been appointed member of the Governance and Corporate Responsibility Committee for a three-year term.

At the end of the 2014 financial year and at the date of approval of this Report, the Committee has the following composition:

Director	Post	Type of director
Carmen Gómez de Barreda Tous de Monsalve	Chairperson	Independent & external
Francisco Ruiz Jiménez	Member	Proprietary & external (SEPI)
María José García Beato	Member	Independent & external
Socorro Fernández Larrea	Member	Independent & external

All the Committee members have proven their capacity to execute the duties entrusted to the Commission, based on their long-term experience and knowledge.

Below is a brief summary of each member's career at 31 December 2014:

Carmen Gómez de Barreda Tous de Monsalve is a Graduate in Economics & Business Studies, Universidad Pontificia de Comillas (ICADE), and holds a Masters in Business Administration, IESE (Executive MBA), Universidad de Navarra.

The currently works as General Manager of Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES).

Amongst other positions, she had worked as Head of the Co-generation Department, Sales Management of Enagás, Head of the International, Petrochemical and Marketing Departments of Repsol, Head of Services Development, Unión Fenosa, Deputy Manager for Oil Markets on the Spanish Energy Commission (CNE), Head of Institutional Relations and Communication, BP Oil España, Representative of the Spanish Delegation in the Emergency Matters and Markets Groups of Agencia Internacional de la Energía (AIE).

Francisco Ruiz Jiménez holds a Degree in Law, Universidad Pontificia de Comillas (ICADE E-1) and a Diploma in Business Consultancy, Universidad Pontificia de Comillas (ICADE E-1); he is also an Accounts Auditor and Real Estate Agent.

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

Amongst other positions, he has worked as a Credit Entity Inspector, General Supervision Directorate of the Bank of Spain, assigned to various tasks.

In the academic world, he has lectured in Accounting and the Spanish Financial System at Centro de Estudios Financieros.

María José García Beato is a Graduate in Law, Universidad de Córdoba, and works as Legal Counsel for the State.

She currently also holds positions as Vice-Secretary of the Board of Directors, General Secretary and member of the Management Committee of Banco Sabadell S.A.; Secretary of the Board of Sabadell United Bank (Miami); trustee of Fundació Privada Banc Sabadell; trustee of Fundación Española de Banca para Estudios Financieros; Secretary of the Board of Trustees of Fundación de Estudios de Economía Aplicada; member of the Advisory Council of Wolters Kluwer España, S.A.; and a member of the Advisory Council of Fundación Cajasur.

She has worked in legal matters related to the State Administration. Amongst others, she has been Head of the Legal Department of the Data Protection Agency; Legal Counsel for the State in the Deputy Management of Consultative Services, Legal Service Management of the State; Spanish representative on the Consultative Committee of the European Council in data protection matters; and Legal Counsel for the State in the General Communications Secretariat of the Ministry of Development. In the Administration of Justice, she has worked as Legal Counsel for the State in the High Court of Justice of Madrid; General Manager of the Cabinet of the Ministry of Justice;

Deputy Secretary of Justice and Legal Counsel for the State in the Legal Department, in relations with the Spanish National Court. She has been director of Sociedad Estatal de Gestión Inmobiliaria de Patrimonio and Infoinvest, director of Sociedad Estatal Correos y Telégrafos and Sociedad Estatal para Exposiciones Internacionales.

In the banking and financial sector, she has managed the Legal Department of Banco Sabadell, S.A., has worked as secretary of the Board of Directors of Banco Urquijo, S.A., and director of Banco Guipuzcoano, S.A., Banco CAM, S.A. and Banco Gallego, S.A.

Socorro Fernández Larrea is a Civil Engineer, Universidad Politécnica de Madrid.

She currently belongs to the Board of Directors of AMPER, S.A., as proprietary director, on behalf of Emilanteos, S.L. She is CEO of the consultancy firm JustNow, S.L., member of the Board of Directors of the engineering firm SEG, S.A., member of the Management Board of Asociación Española de Directivos and chairperson of its Internationalization Committee, and a member of the Board of Directors of the construction company ACR.

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

3. Activities carried out during 2014

The Board of Directors has been informed of the matters discussed at the Committee meetings, through the Director's Portal (Board Intranet), and at immediately subsequent Board meetings, and copies of the Committee minutes have been provided to all directors, once approved.

The most outstanding activities carried out by the Governance and Corporate Responsibility Committee during 2014 are described below:

3.1. In relation to appointments, performance and removals:

- > A favourable opinion delivered to the Board of Directors, as regards the inapplicability of the CEO's resignation, due to his upcoming 70th birthday, after the director formally handed over office to the Board.
- > Valuation of the criteria to be taken into account when covering the vacancies arising in the Board of Directors and Committees, and profile analysis of the candidates proposed during the selection process.
- > Favourable opinions delivered to the Board of Directors, on the proposals made by the Chairman of the Board, to appoint three directors as members of the Governance and Corporate Responsibility Committee.
- > Favourable opinions delivered to the Board of Directors, to be presented to the General Meeting, on the proposed appointment of proprietary directors.
- > Analysis and approval of the proposed appointment of three independent directors, to be presented to the Board of Directors.

- > Approval of the appointment of the Chairperson of the Governance and Corporate Responsibility Committee.
- > Analysis and favourable opinion delivered to the Board on the proposals made by the Board Chairman to increase the number of Board committee members, in both cases to four, and to appoint directors to cover any new openings.
- > Analysis of the report on the compatibility of independent director status in Red Eléctrica Corporación S.A.
- > Review of the standard annual statement provided by independent directors.

3.2. In relation to remuneration:

- > Approval of the proposed assessment of compliance with 2009-2013 Long-Term Objectives.
- > Approval of the proposed assessment of compliance with the 2013 Objectives of the Board of Directors and management team.
- > Approval of a new remuneration model and rewards for the management team.
- > Approval of the definition of 2014 Objectives for the Management Committee.
- > Approval of the 2014 Business and Administrative Objectives.
- > Analysis of supervision of 2014 Business, Administrative and Management Committee Objectives.

- > Approval of the proposed remuneration for the Board in 2014 and quantification of variable remuneration in 2013, to be presented to the Board.
- > Favourable opinion delivered to the Board of Directors on the 2014 Annual Remuneration and Remuneration Policy Report of the Board of Directors, to be presented to the General Meeting.
- > Analysis of the international benchmarking applied to the Board's remuneration plan and CEO of Red Eléctrica, together with the consultancy firm Towers Watson.
- > Approval of the proposed remuneration for the Board of Directors in 2015, to be presented to the Board of Directors, further to international Corporate Governance recommendations.

3.3. In relation to rules and activities in Corporate Governance matters:

- > Analysis and favourable opinion delivered to the Board of Directors on the Corporate Governance Policy.
- > Analysis and approval of the proposed amendment of the Internal Regulations on Stock Exchange Conduct, to be presented to the Board of Directors.
- > Approval of the proposed 2013 Annual Corporate Governance Report, to be presented to the Board of Directors.
- > Analysis of the call and agenda, and approval of proposed resolutions and reports to be presented to the Board, in relation to the 2013 Ordinary General Shareholders Meeting.

- > Analysis of the Board's self-evaluation report, conclusions and recommendations issued in the external evaluation process of the Board of Directors and its Committees and Chairman, for the 2013 financial year, along with PwC.
- > Analysis of the 2013 Evaluation Report of the Management Team.
- > Analysis and approval of the proposed assignment to PriceWaterhouseCoopers of the 2014 evaluation process to be presented to the Board of Directors. Commencement of the work.
- > Analysis of the 2013 Annual Report on Gender Diversity and Equality, to be presented to the Board.
- > Analysis and favourable opinion delivered to the Board of Directors on the 2013 Annual Report on Criminal Risk Prevention.

3.4. In relation to Corporate Responsibility:

- > Analysis and favourable opinion delivered to the Board of Directors on the Corporate Responsibility Policy.
- > Analysis and presentation to the Board of the 2013 Corporate Responsibility Management Report.
- > Analysis and approval of the 2013 Annual Report on Management of the Code of Ethics, to be presented to the Board of Directors.
- > Analysis of reports on results obtained in Corporate Responsibility matters.

3.5. Other activities:

- > Approval of the 2013 Annual Activity Report for the Committee, and incorporation into the 2013 Annual Corporate Governance Report.
- > Approval of the Committee's 2015 Action Plan.
- > Approval of the Committee meeting calendar for 2015.

4. Directors' attendance at meetings

During the seventeen (17) meetings held, there were 2 proxies and 1 non-attendance.

2014 ACTIVITY REPORT OF THE AUDITING COMMITTEE

1. Introduction

The 2015 Annual Plan for the Auditing Committee's Activity foresees the issue of a Committee Activity Report, for activities carried out during 2014, to be included in the Company's Annual Corporate Governance Report, which constitutes the object of this document.

2. Structure, duties and composition

2.1 Structure and duties:

Amongst other duties, the Auditing Committee is entrusted with providing support to the Board of Directors when supervising the process to prepare the Company's economic-financial data, as well as internal control, risk control management, the independence of external auditors, compliance with legal provisions and internal regulations, and relations with the Company shareholders.

Article 23 of the Company By-laws and Article 13 of the Board Regulations provides a minimum of three and a maximum of five members of the Board's Auditing Committee, all of whom will be non-executive external directors, with a majority of independent directors, appointed for a three-year term and designated according to their knowledge, experience in accounting or auditing matters, or both.

The Chairman of the Committee is chosen by its members from amongst the independent directors who belong to the same, and the Secretary is the Board of Directors' Secretary.

The Board of Directors of RED ELECTRICA, at its meeting held on 23 December 2014, decided to increase from three to four the number of Auditing Committee members, by appointing an independent director, Mr. Antonio Gómez Ciria, as a new member of the Auditing Committee. Further to this appointment, the percentage of independent directors belonging to the Auditing Committee has been reinforced (75%) and a new Committee member has been included, with an outstanding career in accounting, auditing and risk management matters.

Throughout the 2014 financial year, the Committee has exclusively consisted of external directors, with a majority of independent directors.

2.2 Composition:

The composition of the Company's Auditing Committee, at 31 December 2014, valid at the date of approval of this Report, is indicated below:

Director	Post	Type of Director
Paloma Sendín de Cáceres	Chairperson	Independent & external
M ^a Ángeles Amador Millán	Member	Independent & external
Fernando Fernández Méndez de Andés	Member	External proprietary director (SEPI)
Antonio Gómez Ciria	Member	Independent & external

The directors belonging to the Committee are particularly qualified for office, and offer long-term professional experience; they have held highly demanding positions outside Red Eléctrica, performing tasks related to those entrusted to the Committee.

Article 13.1 of the Board Regulations provides that the Committee will consist of a majority of independent directors, all of whom will be designated based on their knowledge and experience in accounting or auditing matters, or both.

Below is a brief summary of each member's professional career, describing their knowledge and experience in accounting and auditing matters:

Ms. Paloma Sendín de Cáceres holds a Degree in Economics and Business Studies from Universidad Autónoma de Madrid. Commercial Technician and State Economist. Commercial Representative of the State.

Amongst other positions, she has worked as Head Economic and Commercial Advisor, Economic and Commercial Office of the Spanish Embassy in Dublin; General Manager for Administration and International Relations, Organization of Latin American States for Education, Science and Culture (OEI); Director of the Nuclear Security Council (CSN); General Director of Mines; General Manager of the Institute for Coal Mining Restructuring and Alternative Development, Ministry of Industry and Energy; General Manager for ICEX Development and Director of several entities. Currently, she is a member of the Advisory Council of the Higher Technical School of Mining Engineers and Energy in Madrid, and a member of the Advisory Committee for the Foundation of Energy Studies.

Ms. Ma^a Ángeles Amador Millán holds a Degree in Law from Universidad Complutense de Madrid.

Amongst other positions, she is the General Technical Secretary of the Ministry of Public Works and Urban Planning, Deputy Secretary of the Ministry of Health and Consumers, Minister of Health and Consumers and Vice-President of the Constitutional Commission of Congress. She has also chaired the Company's Governance and Corporate Responsibility Committee, which she joined as director in May 2005. She is currently a practising lawyer.

Mr. Fernando Fernández Méndez de Andés holds a PhD in Economics. He is a Lecturer in Economics and Head of the International Financial System Chair, IE Business School.

Amongst other positions, he belongs to the Expert Commission for the 2013-2014 Tax Reform, is a member of the 2013 Bruegel Evaluation Committee, Chief Economist of the International Monetary Fund, Head Economist and Manager of the Studies Service of Banco Central Hispano (BCH) and Banco Santander, Vice-Chancellor of Universidad Europea de Madrid and Universidad Antonio de Nebrija and Head of the European Business Programme. Currently, he works as an international consultant in macroeconomic, regulatory and financial matters; Chairman of Pividal Consultores; External Advisor of the Strategic Committee of Grupo Financiero Arcano; Collaborator of Fundación de Estudios Financieros; Independent Director of Bankia, S.A.; and Independent Director of BFA Tenedora de Acciones, S.A.U., amongst others.

Mr. Antonio Gómez Ciria is a Graduate in Economics and Business Studies from Universidad Complutense de Madrid. He holds a Degree in Mathematical Science from Universidad Complutense de Madrid, and a Masters in Business Administration and Management (Executive MBA), IESE.

Amongst other positions, he is General Manager for Administration and IT and belongs to the Management Committee of Grupo FCC. Member of the Advisory Council of the Internal Auditors Institute and a Member of its Executive Committee. General Technical Secretary of InverCaixa, investments management company of La Caixa Group. Chairman of Instituto de Contabilidad y Auditoría de Cuentas, ICAC. Director of Empresa Nacional de Uranio, S.A.

Director of Empresa Nacional de Autopistas, S.A. Director of Tabacalera, S.A. Market Inspection Manager of the Governing Company of the Madrid Stock Exchange. Deputy Manager of Studies and Budgetary Planning, Radio Televisión Española. Head of the Auditing and Accounting Department of Banco de Crédito Agrícola. Auditor/Inspector of the General State Inspectorate. He currently belongs to the Consultative Expert Council in Accounting and Financial Information (ECIF), General Council of the Association of Economists.

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

Committee meetings have been regularly attended by **Mr. Luis Villafruela Arranz**, Corporate Manager for Regulation and Global Risk Control, and **Mr. Juan Lasala Bernad**, Corporate Economic-Financial Manager, in order to respectively report on several matters in their areas of competence. Other members of these departments, amongst others, have also joined the meetings when summoned, to inform on matters within their remit.

In 2014, as regards a review of the Annual Accounts of the Company and its Group for the 2013 financial year, the external accounts auditor of the Company and its Group explained to the Committee the auditing processes carried out in the Group. The Committee agreed to issue a favourable opinion on the 2013 Annual Accounts. Furthermore, the Commission has convened with the external auditor on other occasions to analyse various matters within its remit.

3. Activities carried out during 2014

On 10 December 2013, the Auditing Committee approved its Annual Plan of Action for 2014, based on the responsibilities allocated in the Company By-laws and in the Board of Directors' Regulations.

The Auditing Committee has reported its activities to the Board of Directors, at the Board meetings held immediately after each Committee meeting, and has made available to the directors, through the Director Portal, all documentation for the meetings and a copy of the minutes.

The Auditing Committee has convened over the 2014 financial year eleven (11) times, likewise informing the Board of Directors eleven times of the Committee's activities.

The Committee has executed the following main tasks over the 2014 financial year:

3.1. In relation to financial-economic information:

- > Review of the 2013 Annual Accounts of the Company and its Consolidated Group, and the External Auditor's Report.
- > Analysis of the estimated closing figures for 2013 of the Red Eléctrica Group, as well as the criteria used for the same.
- > Analysis of the proposed allocation of results and distribution of dividends of Red Eléctrica Corporación, S.A. for the 2013 financial year, and issue of a favourable opinion.
- > Review of financial information for market supervisory bodies.

- > Supervision of the Company's Annual Corporate Governance Report for the 2013 financial year, in relation to the Committee's competences.
- > Follow-up on monthly reports of the treasury stock.
- > Follow-up on quarterly reports on operations with related parties.
- > Analysis of the Report on Transactions executed amongst Red Eléctrica Group companies at 31 December 2014.
- > Analysis of quarterly reports on related transactions.
- > Favourable analysis and opinion on the proposed renewal of the European Commercial Paper (ECP) Programme.
- > Analysis of the External Auditor's Report on the consolidated financial statements for 1H2014.
- > Analysis of the Reports on bond issues launched during the 2014 financial year.
- > Analysis of the proposed distribution of an amount on account of dividends for the 2014 financial year and issue of a favourable opinion to the Board.
- > Analysis of certain proposals to authorise the coverage of funding needs and the issue of favourable opinions.
- > Analysis of the report on the Group's Financing Structure.
- > Analysis of the 2015 Budget and issue of a favourable opinion.

3.2. In relation to the internal control and risk management systems:

- > Analysis of a report drawn up by KPMG (external auditing firm) on the quality of the Group's internal control systems with respect to the 2013 annual accounts.
- > Analysis of the Internal Financial Information Control System (SCIIF) for the 2014 financial year.
- > Analysis of the Company's Risk Map at 31 December 2013.
- > Analysis of the high-level risk situation report, on a quarterly and six-monthly basis.
- > Review of the Annual Report for the 2013 financial year and of the Status Report for 1H2014, of the Control and Supervision Body of the Criminal Risk Prevention Programme.
- > Analysis of the report on adjustment of the Integrated Risks Policy to the new methodology and format of the Red Eléctrica Group Policies, and issue of a favourable opinion to the Board.

3.3. In relation to the internal auditing services:

- > Analysis of the Report on internal audits conducted during the 2014 financial year and the results of each one.
- > Analysis of the report on means and resources assigned to the Internal Auditing Service.
- > Analysis of the report on status and main novelties of the internal regulatory system.

- > Analysis of the Internal Auditing Report on the Internal Financial Information Control System (SCIIF) for the 2013 financial year and initiatives to control the risk of fraud.
- > Analysis of the report on the criteria used to classify occupational accidents in Red Eléctrica.
- > Analysis of the periodic report on occupational risk prevention throughout 2014.
- > Analysis of quarterly Reports on compliance with the recommendations included in the Internal Auditing Service reports.
- > Approval of the Internal Auditing Plan for 2015.
- > Review of the Annual Activity Plan for the 2015 Integrated Risk Management System.

3.4. In relation to external auditors:

- > Analysis of the external auditor reports on the 2013 annual accounts and the preliminary external auditing report for 2014.
- > Analysis of the reports on external auditor impartiality, issued by KPMG Auditores, S.L. further to Act 12/2010, of 30 June.
- > Analysis of the External Auditing Plan Report for the 2014, financial year, drawn up by KPMG.

3.5. In relation to compliance with legal provisions and internal regulations:

- > Analysis of the six-monthly reports and annual follow-up report on internal rules at 31 December 2013.
- > Analysis of the Status Report and compliance with the Company's rules and procedures.
- > Analysis of performance in internal regulatory management.
- > Annual evaluation of compliance with the Internal Regulations on Stock Exchange Conduct.
- > Review of the 2013 Annual Report on Occupational Health and Safety.
- > Analysis of the report on the Healthy Company Programme, for its implementation in the Company.
- > Analysis of the Annual Report on Management of the Code of Ethics.

3.6. In relation to the Company shareholders:

- > Analysis of proposed resolutions of the Board, presented to the General Meeting, in matters within its remit, and of the agreement to call the General Meeting.
- > Follow-up on possible initiatives, suggestions and complaints raised by the shareholders over the year.
- > Participation of the Chairperson of the Auditing Committee at the Company's Ordinary General Shareholders Meeting, in

order to explain the Auditing Committee's activities carried out during 2013 and to reply to the clarifications requested by the shareholders in relation to the Auditing Committee's activities.

- > During the 2014 financial year, no initiatives, complaints or suggestions from the Company shareholders have been received.

3.7. Other activities:

- > Approval of the 2013 Annual Activity Report of the Auditing Committee, to be included in the Company's Annual Corporate Governance Report for 2013.
- > Analysis of the reports on renovations in the Corporate Insurance Plan of Red Eléctrica.
- > Approval of the meeting calendar for 2015.
- > Approval of the Committee's Plan of Action for 2015.
- > Analysis and opinions provided to the Board of Directors on relevant investment transactions (compensation agreement further to TDE's nationalization, assignment of the Chira-Soria hydraulic plant project, assignment of ADIF's optic fibre network, amongst others).

4. Directors' attendance at meetings

No absence or proxy has been granted by any member at the eleven (11) meetings held.

5. Review of the 2014 annual accounts

This Auditing Committee Meeting, where the Committee's activity report for 2014 is approved, has taken the following steps in relation to the 2014 financial year:

- > Review of the 2014 Annual Accounts of the Company and its Consolidated Group and of the External Auditors Report.
- > Analysis of the relevant proposals to allocate results and distribute dividends in Red Eléctrica Corporación, S.A.

As usual, the external auditor of the Company and its Group, KPMG, has attended in relation to this financial year, to provide the necessary clarifications and explanations to the Committee.

The Committee has issued a favourable opinion for both proposals.