



TITLE I
LEGAL FRAMEWORK
APPLICABLE
TO RED ELÉCTRICA



TITLE II
MAIN
ASPECTS,
PRINCIPLES
AND PRACTICES
OF RED ELÉCTRICA
IN CORPORATE
GOVERNANCE
MATTERS



TITLE III
THE YEAR
2015 IN
RED ELÉCTRICA

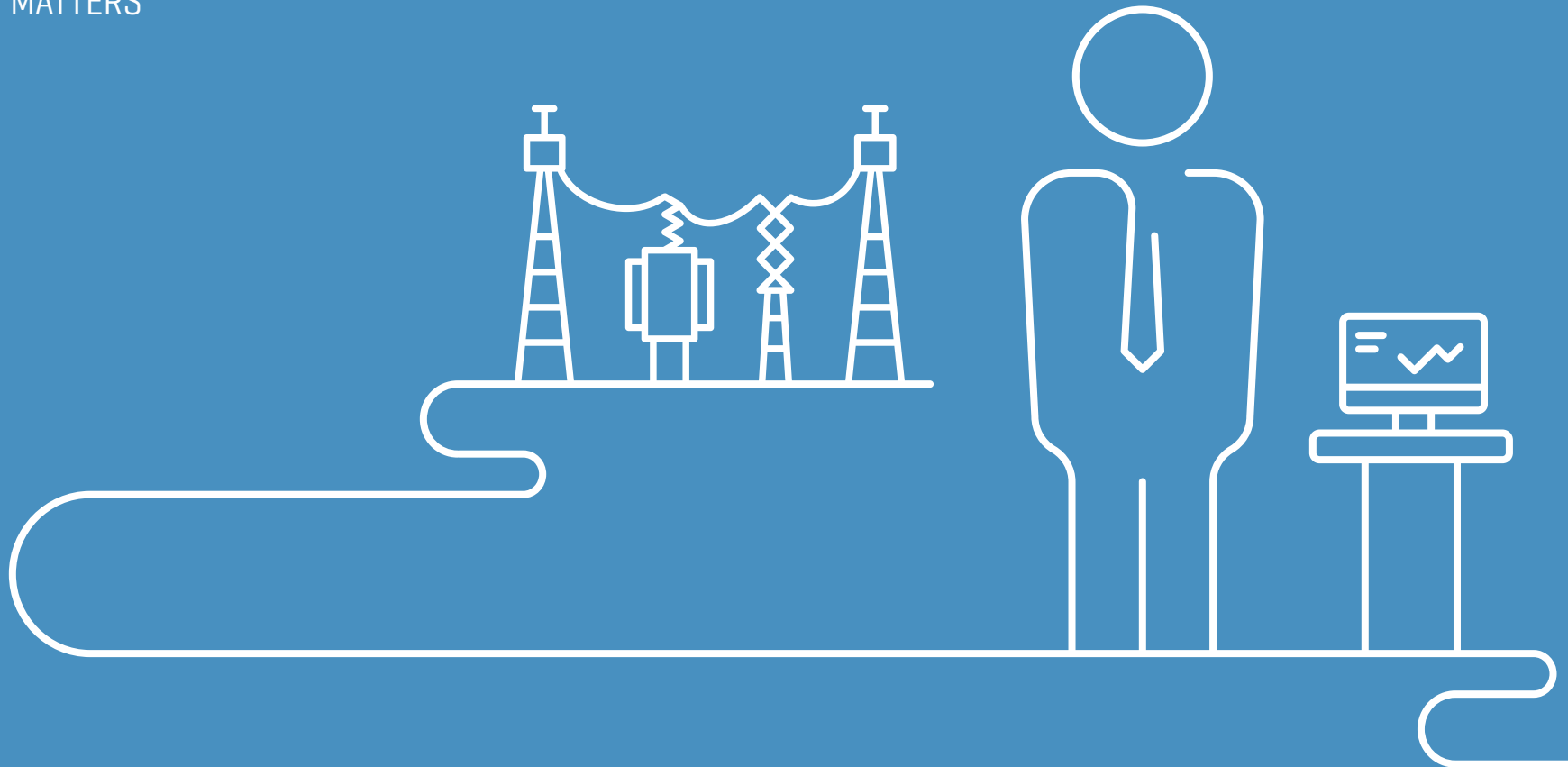
TITLE IV
RED ELÉCTRICA'S
FUTURE PLANS IN
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STANDARD
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TITLE IV

RED ELÉCTRICA'S FUTURE PLANS IN RESPECT OF CORPORATE GOVERNANCE MATTERS





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In the Annual Corporate Governance Report for this financial year, as in previous years, a section is dedicated to Red Eléctrica's future plans in respect of corporate governance matters, due to the relevance it has for current shareholders and potential investors, as well as future third parties interested in Red Eléctrica.

The statements made in this Title do not, per se, constitute any commitment or formal obligation for the company, enforceable by third parties; they are merely possible steps and measures to be taken in 2016 and subsequent years, according to Red Eléctrica's tradition to continue including the best corporate governance practices, in light of the progress made in shareholder requirements and its corporate governance commitment.

During 2015, the Board of Directors has used the following basic tools, among others, to analyze corporate governance best practices with a view to their adoption by Red Eléctrica: an annual self-assessment of the Board, with support [for several years now] from external advisors [PwC]; annual planning of corporate governance improvements, driven

by the Appointments and Remuneration Committee, with advice from specialized consultants; an annual schedule of visits to institutional investors and proxy advisors; an external audit [Deloitte] of the Annual General Meeting of Shareholders management processes to help identify possible improvements; and the new CGGLC, which has helped to identify improvement opportunities for 2015 and the following years.

The company's presence, as a member of the world's leading organization in the field of corporate governance, the International Corporate Governance Network, has been of help, one more year, to have first-hand knowledge of the most relevant international trends in corporate governance, and their progress, with the possibility of conducting an early analysis and implementation.

In the company's Corporate Governance Policy, approved by the Board of Directors in November 2014, certain commitments to good corporate governance were undertaken, which should be gradually included, or consolidated, by Red Eléctrica by adopting certain principles and practices, summarized in Title II above, which will be periodically supervised over a one-year period to guarantee compliance.





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Below we highlight certain relevant issues which, among others, are being analyzed or will be soon the object of discussion by the Board of Directors and its committees:

- Review and progress in the company's commitments to its shareholders, in order to consolidate a permanent relationship that is able to align the company's interests with those of its shareholders, in the medium and long-term, to encourage mutual trust.
- Completion of the splitting of the positions of Chairman of the Board of Directors and CEO at the end of the transitional period, which will take place at the 2016 Annual General Meeting.
- Adaptation of the company's Board of Directors Regulations to the latest legal reforms and the CGGLC and to include improvements in the functioning of the Board of Directors and its committees, as well other corporate governance reforms.
- Review and update of the succession plan for the Chairman of the Board of Directors and the Chief Executive Officer (CEO) on completion of the process of splitting those positions in the company.
- Strengthening of internal control tasks and risk management in certain fields of the company's activity, and improvement in the quality of public information available on the matter.
- Implementation of a new Compliance Plan for the company, and creation of an independent regulatory compliance unit.
- Consolidation of the structure of directors' remuneration and the company's policy on directors' remuneration, in accordance with corporate governance best practices and the principles of moderation, transparency and comparability.
- Permanent analysis, updating and improvement of the corporate governance information published on the corporate website to meet international standards.
- Monitoring and improvement of the process by which the annual corporate information for shareholders and other stakeholders is prepared and published, in accordance with the principles of quality, clarity, integrity and simplicity of information.