

**TITLE IV:**  
RED ELÉCTRICA'S  
PERSPECTIVES  
IN CORPORATE  
GOVERNANCE MATTERS

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In the ACGR for this financial year and as in previous years, a title is dedicated to Red Eléctrica's prospects in 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 2015 and subsequent years, according to Red Eléctrica's tradition to continue including the best Corporate Governance practice, in light of the progress made in shareholder requirements and its Corporate Governance commitment.

During 2014, the Board of Directors has used the following basic tools, amongst others, to analyse the best practice in Corporate Governance, for its possible adoption by Red Eléctrica: an annual self-assessment of the Board with support from an external advisors, as has been the case for some years now (PwC); annual planning for improvement in Corporate Governance matters, filed by the Governance and Corporate Responsibility Committee with advice from specialized consultants; development of annual visiting schedule to institutional investors and proxy advisors; an external audit (Deloitte) on the management processes of the General Shareholders Meeting, to help identify certain issues to be improved upon; a review of practice compared to other

listed companies, in order to draw up a new Corporate Governance Policy; and an analysis of the results obtained by the Company in 2014 in the Dow Jones Sustainability Index (DJSI), allowing room for improvement to be identified for the year 2015 and thereafter.

The Company's presence, as a member of the world's leading organization in Corporate Governance, the International Corporate Governance Network (ICGN), 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 have been undertaken, which should be gradually included, or consolidated, by Red Eléctrica by adopting certain principles and practice, summarized in Title II above, which will be periodically supervised over a one-year period to guarantee compliance.

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

**\_TITLE I. LEGAL FRAMEWORK  
APPLICABLE TO RED ELÉCTRICA**

\_TITLE II. MAIN ASPECTS, PRINCIPLES  
AND PRACTICE OF RED ELÉCTRICA IN  
CORPORATE GOVERNANCE MATTERS

\_TITLE III. THE YEAR 2014  
IN RED ELÉCTRICA

**\_TITLE IV. RED ELÉCTRICA'S  
PERSPECTIVES IN CORPORATE  
GOVERNANCE MATTERS**

**\_OFFICIAL ANNEX. STANDARD FORM  
ANNEX I, SPANISH STOCK EXCHANGE  
COMMISSION (CNMV)  
CIRCULAR 5/2013, OF 12 JUNE**

- > 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.
- > Progress in analysing and implementing new counterweight measures in the structure and composition of the Board of Directors, guaranteeing an adequate balance of responsibilities and tasks.
- > Full adaptation of the Company's corporate rules to the future Spanish Good Corporate Governance Code and best international practice in the matter.
- > 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 compliance unit.
- > Permanent supervision of the remuneration structure of the Board of Directors, and enforcement of the directors remuneration policy of the Company, according to best Corporate Governance practice.
- > Permanent analysis, update and improvement, under international standards, of the information contained on the Company website in Corporate Governance matters.
- > Supervision and progress in the process to draw up and publish annual corporate information for the shareholders or other stakeholders, further to the principles of quality, clarity, integrity and informative simplicity, which are the grounds of the Integrated Report.