



RED
ELÉCTRICA
CORPORACIÓN

Appointments and Remuneration Committee

17 February 2016

Activities Report of the Appointments
and Remuneration Committee for
2015.



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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 Bylaws, 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 Bylaws of the company, to the principal international practices and recommendations regarding sound corporate governance. Notable in this regard is the bylaws provision to the effect that the majority of members of both committees must be independent directors.

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 quincecies of the LSC), although the corresponding modifications of the Bylaws 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 Bylaws, 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 Bylaws 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 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 Bylaws, 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).
- 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
M ^a Ángeles Amador Millán	Member	Independent External
Vacant ¹	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.

¹ 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.



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 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.

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

-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.
- 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.



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- 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.
- 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.



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- 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.
- 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.



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- 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.

4. Director attendance at meetings.

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