

Complete text of the resolutions adopted by the Ordinary Shareholders' Meeting of the Company held on April 15, 2016, proposed by the Board of Directors of Red Eléctrica de Corporación, S.A.

I. ITEMS FOR APPROVAL

RESOLUTION REGARDING POINT ONE OF THE AGENDA:

EXAMINATION AND APPROVAL, IF APPLICABLE OF THE ANNUAL ACCOUNTS (BALANCE SHEET, PROFIT AND LOSS STATEMENT, STATEMENT OF CHANGES IN NET WEALTH, STATEMENT OF RECOGNISED INCOME AND EXPENSES, CASH FLOW STATEMENT AND ANNUAL REPORT) AND OF THE MANAGEMENT REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015.

To approve the Annual Accounts (Balance Sheet, Profit and Loss Statement, Statement of Changes in Net Wealth, Statement of Recognised Income and Expenses, Cash Flow Statement and Annual Report) and the Management Report of Red Eléctrica Corporación, S.A. for the 2015 financial year.

The Annual Financial Statements and Management Report of Red Eléctrica Corporación, S.A., which approval is proposed in this act, correspond to those that were formulated by the Board of Directors at its meeting held on 23 February 2016.

RESOLUTION REGARDING POINT TWO OF THE AGENDA:

EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE CONSOLIDATED ANNUAL ACCOUNTS (STATEMENT OF CONSOLIDATED FINANCIAL SITUATION, CONSOLIDATED PROFIT AND LOSS STATEMENT, CONSOLIDATED GLOBAL PROFIT AND LOSS STATEMENT, CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED CASH FLOW STATEMENT AND CONSOLIDATED ANNUAL REPORT) AND THE CONSOLIDATED MANAGEMENT REPORT OF THE CONSOLIDATED GROUP OF RED ELÉCTRICA CORPORACIÓN, S.A. AND SUBSIDIARIES, CORRESPONDING TO THE FINANCIAL YEAR ENDED 31 DECEMBER 2015.

To approve the Consolidated Annual Accounts (Consolidated Statement of Financial Situation, 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 Group of Red Eléctrica Corporación, S.A. and Subsidiaries, for the 2015 financial year.

The Annual Financial Statements and Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A., which approval is proposed hereby, correspond to those that were formulated by the Board of Directors at its meeting held on 23 February 2016.

RESOLUTION REGARDING POINT THREE OF THE AGENDA:

EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE PROPOSED ALLOCATION OF PROFITS OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015.

To approve the allocation of profits by the Board of Directors at its meeting held on 23 February 2016 and, therefore, distribute the profits of the 2015 financial year, amounting to 500.207.146,28 euros, in the following manner:

	<u>AMOUNT IN EUROS</u>
TO VOLUNTARY RESERVE	66.379.805,03
TO DIVIDENDS:	
INTERIM DIVIDEND	120.082.103,25
SUPPLEMENTARY DIVIDEND (calculated on all shares)	313.745.238,00
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TOTAL	500.207.146,28

It is expressly resolved to pay those shares with a par value of two euros (2€) and with dividend rights the gross amount of 3.21 euros per share. The dividend will be paid on 1 July 2016, at the banks and financial institutions announced at the appropriate time, deducting from the amount the gross amount of 0.8906 euros per share with a par value of two euros (2€) to be paid as an interim dividend on 4 January 2016, under the Board of Directors resolution dated 22 December 2015.

RESOLUTION REGARDING POINT FOUR OF THE AGENDA:

EXAMINATION AND APPROVAL, IF APPLICABLE, OF THE MANAGEMENT PERFORMANCE OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A. DURING THE 2015 FINANCIAL YEAR.

To approve the management performance of the Board of Directors of Red Eléctrica Corporación, S.A. for the 2015 financial year.

RESOLUTIONS REGARDING POINT FIVE OF THE AGENDA:

APPOINTMENT OF DIRECTORS OF THE COMPANY.

One.- Re-election of Mr. José Folgado Blanco as an "other external" director.

To re-elect Mr. José Folgado Blanco, as an "other external" director of Red Eléctrica Corporación, S.A., for the term of four years fixed in the Bylaws, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.

Two.- Re-election of Mr. Fernando Fernández Méndez de Andés as a proprietary director.

To re-elect Mr. Fernando Fernández Méndez de Andés, as an "other external" director of Red Eléctrica Corporación, S.A., representing the company Sociedad Estatal de Participaciones Industriales (SEPI), for the term of four years fixed in the Bylaws, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.

Three.- Ratification and appointment of Mr. José Ángel Partearroyo Martín as a proprietary director.

To ratify the appointment of Mr. José Ángel Partearroyo Martín as a proprietary director of Red Eléctrica Corporación, S.A., representing the company Sociedad Estatal de Participaciones Industriales (SEPI), which was resolved by the Board of Directors at the meeting held on 22 December 2015 and, as a result, to proceed with his appointment as a proprietary director of Red Eléctrica Corporación, S.A., representing the company Sociedad Estatal de Participaciones Industriales (SEPI), for the term of four years fixed in the Bylaws, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.

Four.- Re-election of Ms. Carmen Gómez de Barreda Tous de Monsalve as an independent director.

To re-elect Ms. Carmen Gómez de Barreda Tous de Monsalve, on proposal of the Appointments and Remuneration Committee, as an independent director of Red Eléctrica Corporación, S.A., for the term of four years set in the Bylaws, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.

Five.- Appointment of Mr. Agustín Conde Bajén as an independent director.

To appoint Mr. Agustín Conde Bajén, on proposal of the Appointments and Remuneration Committee, as an independent director of Red Eléctrica Corporación, S.A., for the term of four years set in the Bylaws, to replace the independent director Ms. Paloma Sendín de Cáceres, in accordance with the provisions of article 529 decies of the Spanish Corporate Enterprises Act.

RESOLUTION REGARDING POINT SIX OF THE AGENDA:

REAPPOINTMENT OF THE AUDITOR FOR THE PARENT COMPANY AND CONSOLIDATED GROUP.

To reappoint KPMG Auditores, S.L., with Tax ID No. (NIF) B-78510153, with registered office at Paseo de la Castellana, 95, C.P. 28046 Madrid, registered with the Mercantile Registry of Madrid (Volume 11,961, Sheet 90, Section 8, Page number M-188,007, Registration 9) and with the Official Registry of Auditors of Accounts (Registro Oficial de Auditores de Cuentas, or "ROAC") under number S0702, as auditors of the parent Company, Red Eléctrica Corporación, S.A., and its Consolidated Group, for a term of three (3) years covering the 2016, 2017 and 2018 financial years, in accordance with the provisions of article 264 of the current Spanish Corporate Enterprises Act .

RESOLUTION REGARDING POINT SEVEN OF THE AGENDA:

SPLITTING THE SHARES OF THE COMPANY BY REDUCING PAR VALUE FROM TWO EUROS (€2) TO FIFTY CENTS ON THE EURO (€0.50) PER SHARE, AT A RATIO OF FOUR NEW SHARES FOR EACH OLD SHARE, WITHOUT CHANGING THE AMOUNT OF SHARE CAPITAL; RESULTING AMENDMENT OF SECTION 1 OF ARTICLE 5 OF THE BYLAWS AND DELEGATION OF SUCH AUTHORITY AS MAY BE NECESSARY TO THE BOARD OF DIRECTORS, WITH EXPRESS AUTHORITY TO SUBDELEGATE, FOR IMPLEMENTATION OF THE RESOLUTION.

To split the shares of the company by reducing their par value from two euros (€2) to fifty cents on the euro (€0.50) per share, at the ratio of four new shares for each old share, with no change in the amount of share capital.

In a manner consistent with the foregoing, it is resolved to amend section 1 of article 5 of the Bylaws, related to share capital, which hereafter will read as follows:

"Article 5.- Share capital.

- 1. The capital of the company is two hundred seventy million five hundred forty thousand euros (€270,540,000), represented by five hundred forty-one million eighty thousand (541,080,000) shares, of a single class and series, with par value of fifty cents on the euro (€0.50) each, fully subscribed and paid up, represented by book entries."*

Also, it is resolved to seek admission to trading of the new shares resulting from the reduction of unit par value per share on the Madrid, Barcelona, Bilbao and Valencia stock exchanges, by way of the Exchange Interconnection System (Continuous Market), as well as simultaneous exclusion from trading of the old shares.

It is also resolved to authorise the Board of Directors, with express authority to delegate, to take such actions as may be necessary for implementation of this resolution, being authorised, in particular, to decide the date the change in the par value of the shares and the resulting amendment of the bylaws are to take effect.

RESOLUTIONS REGARDING POINT EIGHT OF THE AGENDA:

REMUNERATION OF THE BOARD OF DIRECTORS OF THE COMPANY:

One.- Approval of the amendment of the Remuneration Policy for Directors of Red Eléctrica Corporación, S.A.

To approve the amendment of the Remuneration Policy for Directors of Red Eléctrica Corporación, S.A.

(The full text of the amendment of the Remuneration Policy for Directors approved under this item is reproduced below)



RED ELÉCTRICA
CORPORACIÓN

Board of Directors

23 February 2016

Proposal for the amendment of the Remuneration
Policy for the Directors approved by the Annual
General Meeting of the Shareholders held on 15
April 2015

I. REPORT

I.1 Background

This report is hereby drawn up pursuant to the provisions established in Article 529.*novodecies* of Spanish Corporate Enterprises Act [*Ley de Sociedades de Capital*] (LSC), introduced by Law 31/2014, of 3 December, amending the LSC to improve corporate governance matters, which requires that the Annual General Meeting of Shareholders approve a directors remuneration policy. Furthermore, it establishes that the directors remuneration policy consequently approved will remain in force for the three financial years following the year it was approved by the General Meeting, and that **any amendment or replacement thereof during said term will require the prior approval of the Annual General Meeting of Shareholders, according to the approval procedure foreseen.**

Article 529.*novodecies* LSC establishes that this Directors Remuneration Policy (and, further to the foregoing, any amendment or replacement thereof) must be reasoned and will include a specific opinion delivered by the Appointments and Remuneration Committee. Both documents will be published on the corporate website following the call of a General Meeting and will expressly entitle the shareholders to request that such documents be delivered or handed over cost-free; this right will be expressly referred to in the call notice of the Meeting.

This document constitutes **a legal reasoned opinion, explaining the amendment made to the directors remuneration policy** approved by the 2015 Annual General Meeting of Shareholders of Red Eléctrica Corporación, S.A. (hereinafter, the Company or Red Eléctrica) described below, which will be presented to the Board of Directors for approval at the Annual General Meeting of Shareholders to be held in 2016.

Pursuant to the provisions established in Article 24 of the Company By-laws and Article 16 of the Board of Directors' Regulations, the Appointments and Remuneration Committee is entrusted, amongst other duties, with proposing to the Board of Directors a remuneration policy for directors and senior executives, and will ensure its compliance.

Since 2007, Red Eléctrica voluntarily submits the annual remuneration paid to the Board of Directors for the binding approval of the Annual General Meeting of Shareholders, the annual directors remuneration report since 2010 and, since the passing of Act 31/2014, the directors remuneration policy since 2015. Consequently, the idea is to continue along these same lines of action, i.e. to present the issues of directors' remuneration, amendments to the directors remuneration policy, the annual report on directors' remuneration and, as the case may be, share-based remuneration for executive directors, for approval, as separate and independent points of the Agenda of the General Meeting, in all cases- even when this is not mandatory pursuant to the LSC, as in the case of the annual report- and with binding effects.

As a result, Red Eléctrica will continue its alignment with best corporate governance practice, aimed at providing the shareholders with enough self-sufficiency and independence to be able to individually and separately vote on each different resolution entrusted to the Annual General Meeting of Shareholders.

I.2. Reasons to amend the directors remuneration policy approved by the Annual General Meeting of Shareholders held on 15 April 2015

As thoroughly explained at the 2015 Extraordinary General Meeting of Shareholders of Red Eléctrica, on 17 July 2015 a procedure commenced to splitting positions of Chairman of the Board and of the Chief Executive Officer (CEO) of Red Eléctrica from office. Following a transitional period that began on said date, the process should be completed at the latest by the 2016 Annual General Meeting of Shareholders, with a transfer of all executive duties inherent to the post of Chairman of the Board of Directors to the CEO. Thereinafter, the Chairman of the Board of Directors will exclusively hold the responsibilities inherent to said post and, consequently, will act as non-executive Chairman.

As regards the system used to remunerate the posts of Board Chairman and CEO, the report on the severance process, presented at said Extraordinary General Meeting, established as follows:

- a) During the **transitional period** that will end, at the latest, with the Annual General Meeting of Shareholders held in 2016:
- Remuneration payable to the **Chairman of the Board of Directors**, given that during this transitional period he will continue to hold executive duties, was established in accordance with the directors remuneration policy approved by the 2015 Annual General Meeting of Shareholders, subject to certain remuneration adjustments following its functional performance over this period and best practices and market studies on comparable companies, conducted by an independent external consultant.

As a result of the foregoing, during the transitional period, the remuneration payable to the Chairman of the Board of Directors consisted of the following components:

- Fixed remuneration: this amount remained unchanged with respect to what was being paid until then, i.e. 399,170 euros.
- Target annual variable remuneration, i.e. for 100% target achievement: this remuneration was reduced to half of the amount in force until then. Consequently, it was set as 25% of the annual fixed remuneration, i.e. 99,792 euros.
- Multi-year variable remuneration: this item was removed from the remuneration payable to the Chairman of the Board of Directors.

As a result of the foregoing changes, the total target remuneration payable to the Chairman of the Board of Directors during the transitional period amounted to 498,963 euros (annually) which, with respect to the target total annual remuneration established prior to the transitional period (718,506 euros), represents a decrease higher than 30%.

The table below shows how the remuneration payable to the Chairman of the Board of Directors has developed:

<i>Annually compounded figures in thousand euros</i>	Before the Transitional Period	Transitional Period
Fixed Remuneration (FR)	399	399
Target Annual Variable Remuneration	200 (50% FR)	100 (25% FR)
Target Multi-year Variable Remuneration	120 (30% FR)	--
Total Remuneration for executive duties	719	499
	Decrease	- 220 (- 31%)

The Executive Chairman is entitled to a life insurance since 28 July 2015, when his contract was amended.

During the transitional period the Chairman has received, in addition and as foreseen in the directors remuneration policy approved by the 2015 Annual General Meeting of Shareholders, remuneration as a member of the Board of Directors.

- The remuneration system applicable to the Chief Executive Officer was established according to said directors remuneration policy and further to the report on the process to splitting positions of Chairman of the Board and the Chief Executive Officer (CEO) of the Company from office, submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015.

As a result of the foregoing, the following basic remuneration items were established for the CEO during the transitional period: a) annual fixed remuneration (FR) of 235,000 euros; b) annual variable remuneration (50% FR), subject to meeting the targets established for the Executive Chairman in 2015, described in the Annual Report on Directors Remuneration, c) multi-year variable remuneration (30% FR, annually compounded Target value), subject to meeting the targets established in the multi-year variable remuneration payable to the Executive Chairman and described in the Annual Report on Directors Remuneration; d) cash in lieu of benefits; e) life insurance; and f) annual fixed remuneration for his director duties.

Therefore, with respect to the transitional period, please note that it is no longer necessary to change the current directors remuneration policy, as the remuneration system applicable to the Executive Chairman and CEO, based on their respective executive duties, was gathered both in the directors remuneration policy approved by the Annual General Meeting of Shareholders held on 15 April 2015, and in the adjustments made to the report on the process to splitting positions of Chairman of the Board and CEO of the company from office, presented to the Extraordinary General Meeting of Shareholders held on 17 July 2015.

- b) **As of the Annual General Meeting of Shareholders held in 2016**, the remuneration payable to the Chairman of the Board of Directors and CEO will be presented to this General Meeting for approval, and will be announced in the Annual Report on Directors Remuneration, which will include an individual breakdown by items and amounts.

The remuneration payable to the CEO, in accordance with consolidated practice on salary moderation and positioning on the remuneration market of Red Eléctrica's senior management, should be located approximately at the 25th percentile of market references, as approved by the Board of Directors on 12 June 2015.

Consequently, for this second period, which will begin upon expiration of the transitional period and will culminate upon the effective transfer of all executive duties by the Chairman of the Board of Directors to the CEO, given that the Board Chairman will be a non-executive Chairman (and director) and the CEO will undertake all executive duties, the specific remuneration system applicable to both positions should be accordingly adjusted.

In this context, this Report gathers the amendments required in the directors remuneration policy, approved at the last Annual General Meeting of Shareholders held in 2015, as a result of culmination of the process to splitting positions of Chairman of the Board and CEO from office, approved by the Extraordinary General Meeting of Shareholders held on 17 July 2015, which will be applicable once approved, as the case may be, by the next Annual General Meeting of Shareholders held in 2016.

I.3 Reasons to change the directors remuneration policy

The changes to be made to the directors remuneration policy, presented below for approval, follow the same reasons taken into account in 2015 when the policy was drawn up, as follows:

- a) The provisions of the Company By-laws, Board of Directors Regulations and principles established in the corporate governance policy approved by the Company's Board of Directors, at its meeting held on 25 November 2014, and published on the corporate website.

b) The following general principles and internal criteria:

- The quality and commitment provided by Red Eléctrica's human capital are essential to ensure successful execution of Red Eléctrica Group's strategies and, with this in mind, any remuneration policy and practice is applied to the Board of Directors and senior management to attract, motivate and hold onto the best professionals.
- Balance and moderation.
- Transparency.
- Voluntary presentation of any decision related to directors' remuneration to the General Shareholders Meeting's approval.

c) Applicable regulations.

The Appointments and Remuneration Committee has verified that the amendments proposed to the directors remuneration policy do not alter the conformity of the policy itself to the provisions generally established for corporate enterprises, in section 4 of Article 217 LSC:

"Directors' remuneration will in any case be reasonably proportional to the company's relevance, its economic situation at all times and market standards of comparable companies. The remuneration system established must focus on encouraging long-term profitability and sustainability in the company, establishing the necessary caution to avoid excessive risks being undertaken and the reward of unfavourable results".

d) Market data and guidelines from institutional investors and proxy advisors, as well as information provided by the latter during the engagement process conducted by the Red Eléctrica Group.

Each year, the Appointments and Remuneration Committee reviews the remuneration policy applicable to directors, including in this review process an analysis of comparable companies to Red Eléctrica, in order to verify that this remuneration is adequate and moderate with respect to the market. In order to determine the relevant parameters and amounts, the company draws up remuneration studies with the advice of internationally renowned firms established on the market.

Specifically, as part of the decision-making process to establish the remuneration payable to the (non-executive) **Chairman of the Board of Directors** as of the 2016 Annual General Meeting of Shareholders, a comparative analysis has been conducted on the remuneration paid to non-executive Chairmen belonging to Ibex-35 companies, a benchmark to which Red Eléctrica belongs. This analysis not only covers a quantitative approach to various remuneration items, but also a qualitative analysis of their dedication, background, experience, etc. for market positions of reference. The main conclusions of this analysis are provided below:

- Remuneration payable to non-executive Ibex-35 Chairmen consists of fixed items, not dependent on business targets.
- The average market remuneration totals 750,000 euros (although the amounts are broadly scattered).
- When calculating this remuneration, particular qualitative issues are taken into account, related to the specific person holding the post, such as trust, experience, criticality at historical moments, relevance from an institutional perspective, etc., amongst others.

Also, as part of the decision-making process to determine the remuneration payable to the Chief Executive Officer (**CEO**) entrusted with all executive duties, an analysis was conducted on external competitors in remuneration terms, compared with a group of reference. The criteria used to determine this reference market are the same ones used in previous years for this type of analysis, in relation to the remuneration paid to the company's Chief Executive Officer, indicated below:

- Geographical scope: companies with headquarters in Spain.
- Scope of responsibility: listed companies, belonging to Ibex-35- Spain's leading benchmark, which includes Red Eléctrica- or Ibex Medium Cap.
- Activity sector: multiple sectors. Of the group of companies meeting the foregoing criteria, we have excluded any that carry out an activity that significantly differs from that of Red Eléctrica, e.g. banking.
- Size factors: we have selected a group of companies falling within a turnover range of +/-2.5x the turnover figure of the Red Eléctrica Group. Other factors have also been taken into account, such as number of employees, total assets and stock market capitalization.

Complete lists of the companies used in the foregoing studies are published in the relevant annual reports on directors' remuneration.

I.4 Effects

As regards the effects of the amendments made to the directors remuneration policy, the reasonable effective date should coincide with its approval by the 2016 Annual General Meeting of Shareholders, in the terms and conditions established in the policy amendment, and will be valid until the 3-year term has elapsed, approved by the 2015 Annual General Meeting of Shareholders, i.e. until 31 December 2018.

II. PROPOSED RESOLUTION

The following resolution is hereby proposed to the Board of Directors for its approval:

To submit the following amendment of the directors remuneration policy applicable to Red Eléctrica Corporación, S.A. to the Annual General Meeting of Shareholders, for approval.

AMENDMENT TO THE DIRECTORS REMUNERATION POLICY APPLICABLE TO RED ELÉCTRICA CORPORACIÓN, S.A.

As established in the report on the process to splitting positions of Chairman of the Board and of the Chief Executive Officer (CEO) of the company from office, presented to the Extraordinary General Meeting of Shareholders held on 17 July 2015, it is expected that, at the very latest, by the Annual General Meeting of Shareholders held in 2016, the process will culminate to splitting positions of Chairman of de Board and CEO, transferring all executive duties inherent to the Chairman of the Board of Directors to the CEO. Consequently, the directors remuneration policy approved at the last 2015 Annual General Meeting of Shareholders (valid for a 3-year term) needs to be adjusted to the company's new governance structure.

Thus, by virtue of the report on which this proposal is based, the directors remuneration policy approved at the last 2015 Annual General Meeting of Shareholders is hereby amended in the following terms and conditions:

1. Section 3 of the directors remuneration policy is amended, entitled "*Remuneration policy for non-executive directors*", as follows:

The position of Chairman of the Board of Directors is entitled to an **annual fixed remuneration**, in line with the recommendations of institutional investors and proxy advisors, in order to adequately remunerate the specific responsibility, dedication and experience required by the position of **Chairman of the Board of Directors**, without executive duties. This remuneration amounts to 399,170 euros/year.

Nevertheless, given that this remuneration is significantly below the market median, the Board of Directors may review and update this amount in subsequent years, during the term of the policy and in accordance with its principles.

This remuneration represents a 44% decrease over the total remuneration paid to the Chairman for his executive duties, as shown in the comparative below:

<i>Annually compounded figures in thousand euros</i>	Before the Transitional Period	Transitional Period	As of the 2016 Annual General Meeting of Shareholders
Fixed Remuneration (FR)	399	399	399
Annual Variable Remuneration	200 (50% FR)	100 (25% FR)	--
Multi-year Variable Remuneration	120 (30% FR)	--	--
Total Remuneration for executive duties or others assigned to the non-executive Chairmanship	719	499	399
	Decrease	- 220 (- 31%)	- 320 (- 44%)

The Chairman of the Board of Directors will also receive the remuneration established in the remuneration policy for members of the Board of Directors, i.e. fixed remuneration of 130,742 euros/year and 1,500 euros allowances for attending each of the ordinary meetings of the Board of Directors.

Consequently, the remuneration policy for non-executive directors, including the Chairman of the Board of Directors, does not foresee any results-based variable items, or the granting of loans or advance payments or any guarantees established by the company in favour of Board members.

As a result, a new section has been included in "Table 4. Policy remuneration for non-executive directors", as follows:

	Purpose	Limits	Operation
Chairman of the Board of Directors	To adequately remunerate the dedication required by the position, including his particular level of responsibility, skills and experience needed for the performance of this task.	399,170 €/year for 2016. Annual adjustments may be conducted, within the maximum, global and annual limit for the entire	Settled in monthly payments, before day 10 of the month.

The remainder of Section 3, "Remuneration policy for non-executive directors", remains unchanged.

2. The following amendments have been made to Section 2.3 of the directors remuneration policy, entitled “Table on executive director remuneration policy”, as a result of appointing the **Chief Executive Officer** (CEO) and establishing a total splitting of functions between the positions of Chairman of the Board and CEO, due to effectively transferring all executive duties to the latter:

2.1. As announced at the Extraordinary General Meeting of Shareholders held on 17 July 2015, CEO remuneration must be positioned at the 25th percentile of market references (1,025,000 euros), although this objective is not met with the amendments now proposed to the remuneration policy. This is why the variation foreseen over the annual fixed remuneration has been changed, applicable to the period covered by the policy, in order to enable the Appointments and Remuneration Committee to establish the most adequate annual increase based on factors such as development and consolidation in the post, performance in the company’s results, business complexity, company’s geographical diversity, etc. Consequently, the Appointments and Remuneration Committee will also periodically check- as is standard practice- the positioning of the CEO’s total remuneration with respect to the market and will accordingly make the necessary adjustments in order to reach a positioning at the 25th percentile of market references, upholding Red Eléctrica’s consolidated practice in favour of salary moderation.

2.2. The target level of annual variable remuneration has been changed (reached in the event of 100% achievement of all pre-established targets); instead of 50% of the annual fixed remuneration, established in the directors remuneration policy approved at the 2015 Annual General Meeting of Shareholders, it will now be 75% of this annual fixed remuneration. The maximum of this annual variable remuneration continues to be equivalent to 110% of the target annual variable remuneration, in line with what is established in the directors remuneration policy approved at said General Meeting, i.e. 82.5% of annual fixed remuneration.

This increased variable remuneration is consistent with the assumption of all executive duties by the CEO, his leadership within the organization and- as indicated in the severance process report presented to the Extraordinary General Meeting of Shareholders held in July 2015- allows his total remuneration to be positioned in the 25th percentile of the reference market.

This change in annual variable remuneration entails an increase in the weight of variable remuneration over total remuneration, in line with the guidelines provided by institutional investors and proxy advisors, who recommend that a large percentage of the CEO’s total remuneration be linked to the company’s results and to the achievement of previously established targets. Both the annual and multiannual variable remuneration target constitutes 51% of the total remuneration.

2.3. The system used to settle annual gross variable remuneration has been changed, in such a way that 75% will be paid in cash and the remaining 25% in shares. The CEO undertakes a commitment vis-à-vis the company, whilst he remains in office, to maintain ownership of the shares received for at least five years. If the Annual General Meeting of Shareholders does not the delivery in shares as a form of remuneration to the CEO or establishes a lower maximum than the one indicated, the company will pay in cash the amount equivalent to any remuneration not payable in shares.

Payment of part of the variable remuneration in shares will better align the interests of the CEO with those of the shareholders, adjusting the directors remuneration policy to the recommendations of proxy advisors, institutional investors and the Spanish Code on Good Governance in Listed Companies.

Consequently, the sections entitled “Fixed Remuneration” and “Annual Variable Remuneration included in “Table 1. Executive director remuneration policy” will hereinafter read as follows:

	Purpose	Limits	Operation
Fixed Remuneration	To reward the executive, based on his level of responsibility and professional background.	<p>Amount: 399,170€</p> <p>Standard general update:</p> <p>Annual gross fixed remuneration may be updated each year according to the criteria approved at all times by the Appointments and Remuneration Committee, to include development and consolidation in the post, performance of the company's results, business complexity, geographical diversity, market references, etc.</p> <p>Irrespective of an update in the foregoing term, it must always be reasoned by the Appointments and Remuneration Committee.</p>	<p>Fixed remuneration must be made consistent with the executive's responsibility and leadership within the organization, in line with that paid on the market in comparable companies.</p> <p>In certain situations, the Appointments and Remuneration Committee may acknowledge, for instance, a change in responsibility, development in the position and/or any special needs for holding onto and motivating the executive. In these circumstances, the Committee may decide to apply a higher increase. The underlying reasons will be explained in the annual report on directors' remuneration.</p>

	Purpose	Limits	Operation
Annual Variable Remuneration	To incentivise achievement of the annual targets, in line with the Strategic Plan of the Red Eléctrica Group.	<p>Maximum The target level (75% of the annual fixed remuneration) will be reached upon 100% achievement of all pre-established targets.</p> <p>The maximum level (82.5% of the annual fixed remuneration) will be reached if there is over-achievement in the maximum of any pre-established targets, according to the metric figures described and any rules and internal procedures for target assessment established by the Company for its executives.</p> <p>Metrics Based on achieving a combination of specific, predetermined and quantifiable economic-financial, industrial, operational and qualitative objectives, aligned with the corporate interest and Red Eléctrica Group's Strategic Plan.</p> <p>The weight of economic-financial objectives will be 70% maximum of the overall incentive. They consist of metric figures that guarantee an adequate balance between financial and operating issues related to the Company's management.</p> <p>The weight of qualitative objectives will be 30% maximum, and may even be 40% in the event of over-achievement, of the overall incentive.</p>	<p>The Appointments and Remuneration Committee is in charge of approving the targets, at the beginning of each financial year, and evaluating their achievement, at year-end.</p> <p>The Committee will supervise the objectives each quarter, over the entire year; at the end of the year, their level of achievement will be calculated. In this appraisal, the Committee will be assisted by the Corporate Economic-Financial Management, in charge of management control in the Red Eléctrica Group, which will provide information about the audited results. Both to establish these objectives and to assess their achievement, the Committee will also take into account any potential long term impact and any associated risk.</p> <p>In order to ensure that annual variable remuneration is effectively related to the professional performance of its beneficiaries, when the level of achievement of quantitative objectives is determined, all positive or negative economic effects will be eliminated, arising from extraordinary events that may distort assessment results.</p> <p>The achievement scale determined at the beginning of the year includes a minimum threshold, below which no incentive is paid- a target level- representing 100% achievement of objectives, and a maximum level, specific for each metric figure. The maximum incentive is only paid if achievement is ascertained of the objectives established at the beginning of the year, as well as over-achievement if applicable to the objective.</p> <p>In order to calculate variable remuneration, the level of achievement and weighting of each individual and/or global objective will be taken into account, applying rules and internal procedures for the assessment of objectives, established by the Company for its executives.</p> <p>75% of this annual variable remuneration is paid in cash and the remaining 25% is paid in shares. The CEO undertakes vis-à-vis the company, whilst he remains in office, to maintain ownership of the shares received for at least five years. If the Annual General Meeting of Shareholders does not approve the delivery in shares as a form of remuneration to the CEO or establishes a lower maximum than the one indicated, the amount equivalent to any remuneration not payable in shares will be paid in cash.</p>

3. As regards section “**4. Effects**” of the directors remuneration policy, please note that any changes in this policy will be effective once approved by the Annual General Meeting of Shareholders to be held in 2016, in the terms and conditions established for policy amendments, and will remain valid for the 2016, 2017 and 2018 financial years, in accordance with the term approved by the 2015 Annual General Meeting of Shareholders for the directors remuneration policy.

Any amendment or replacement of the policy during this term will require the prior approval of the Annual General Meeting of Shareholders, in accordance with applicable law.

Annex

Directors Remuneration Policy (amended by the Annual General Meeting of Shareholders held on 15 April 2016 ^(*))

() The main amendments made to the policy currently in force are marked in **yellow**.*

DIRECTORS REMUNERATION POLICY FOR RED ELÉCTRICA CORPORACIÓN, S.A.

1. Remuneration Policy principles:

The quality and commitment offered by members of the Board of Directors and top-notch executives in Red Eléctrica are essential to ensure the successful execution of Red Eléctrica Group's strategies. With this aim, the Appointments and Remuneration Committee draws up its remuneration policy and practice, which is presented to the Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter, the Company or Red Eléctrica), for application to the Board of Directors and senior management, in order to adequately acknowledge the company's best professionals.

This Directors Remuneration Policy is based on the following general principles:

- Balance and moderation.
- Alignment with the practice requested by shareholders and investors.
- Transparency.
- Voluntary presentation of any decision related to directors' remuneration to the General Shareholders Meeting, for approval.

The following principles are applied to the remuneration of the Executive Director:

- Alignment of the Executive Director remuneration policy with the Company's strategy.
- Maintaining a reasonable balance between the various components of (short-term) fixed remuneration and (annual and long-term) variable remuneration, reflecting an adequate acceptance of risks, combined with the achievement of defined objectives and linked to the creation of sustainable value.
- Alignment with the remuneration of comparable companies.

In relation to the remuneration paid to non-executive directors:

- How it is related to the time effectively dedicated to the company.
- Linked to their responsibility and performance of director tasks.
- Absence of variable remuneration components in order to ensure their total independence with respect to the remuneration paid to the Executive Director and management team.
- Motivating amount, without affecting their independence.

The Appointments and Remuneration Committee considers it appropriate to periodically review the remuneration policy applied to the Board of Directors and Executive Director, including in this review process a comparison with reference companies, selecting comparable business groups and maintaining permanent contact with the shareholders and proxy advisors, in order to ascertain that the remuneration paid to directors and Executive Director is adequate and moderate in market terms.

All of the foregoing principles comply with the Company's corporate governance policy, approved by the Board of Directors at its meeting held on 25 November 2014 and published on the corporate website.

Furthermore, these remuneration principles fulfil the general provisions established for corporate enterprises in new Article 217.4 of the Spanish Corporate Enterprises Act, regarding their adequacy in terms of the company's size and relevance, economic situation, comparability, profitability and sustainability; and non-acceptance of risks or the reward of unfavourable results.

2. Remuneration Policy for the Executive Director:

2.1 Selection of objectives and metric figures linked to variable remuneration (Executive Director)

In the process conducted by the Appointments and Remuneration Committee to analyse, select and propose objectives and metric figures in order to determine the variable remuneration of the Executive Director, the short and long-term strategic priorities of the Red Eléctrica Group are taken into account, foreseen in the Strategic Plan approved by the Board of Directors.

For annual variable remuneration purposes, a combination of quantitative and qualitative objectives is established, linked to the Strategic Plan of the Red Eléctrica Group, which are reviewed each year to ensure that they are sufficiently stringent. These measurable and quantifiable objectives are approved by the Appointments and Remuneration Committee at the beginning of the year and are supervised each quarter. The Committee, at the end of the year, is also entrusted with evaluating compliance with previously established objectives.

In order to establish an adequate weighting and levels of achievement for each objective, the Appointments and Remuneration Committee takes into account Red Eléctrica Group's historical analyses, estimates and expected results, and periodically supervises the same.

With respect to long-term variable remuneration, this depends on certain multi-annual objectives linked to the Strategic Plan of the Red Eléctrica Group, subject to meeting certain conditions and considering the sustainability of Red Eléctrica Group's results over the period.

The remuneration policy established in this document for the Executive Director, for all his duties and responsibilities, is generally applicable to all newly appointed Executive Directors. Nevertheless, certain particularities exist, described below.

When defining the economic system applicable to a new Executive Director, the Appointments and Remuneration Committee will take into account the experience and knowledge of the new Executive Director, his previous position and remuneration level before his appointment.

Table 1 below describes the items to be taken into account to design and establish the remuneration system applied to new Executive Directors. Depending on the remuneration level enjoyed before they joined the Company, the Committee may establish different remuneration to achieve the economic system it deems appropriate.

The Appointments and Remuneration Committee will follow the criteria established in section I.3 of the preceding report, entitled “Reasons to change the directors remuneration policy”, explaining and reasoning the new remuneration as foreseen in the policy.

The remuneration policy for new appointments foresees the possible transitional co-existence of more than one Executive Director or splitting positions of Chairman of the Board and CEO, with different functions and responsibilities for each.

2.2 Ex post control of variable remuneration (Executive Director)

The Appointments and Remuneration Committee, by virtue of the duties established in the Company By-laws and Board of Directors Regulations, is competent to propose to the Board the cancellation or reimbursement of any short or long-term variable remuneration, paid to the relevant beneficiary/ies or manager(s), in unexpected circumstances indicating that variable remuneration has accrued or been paid based on inaccurate or mistaken information or data, or in breach of internal corporate regulations or applicable laws, as subsequently proved. Furthermore, the Appointments and Remuneration Committee will assess whether, in exceptional circumstances of this kind, it may even propose to the Board of Directors termination of the contractual relationship with the relevant beneficiary/ies or manager(s), and the adoption of any measures deemed appropriate.

The Appointments and Remuneration Committee may propose to the Board of Directors that adjustments be made in the components, criteria, thresholds and limits of any annual or multi-annual variable remuneration, in exceptional circumstances arising from internal or external extraordinary factors or events. Details and an explanation of these adjustments will be gathered in the annual report on directors’ remuneration.

2.3 Table-Executive Director´s remuneration policy

Table 1. – Executive Director´s remuneration policy

	Purpose	Limits	Operation
Fixed Remuneration	To reward the executive, based on his level of responsibility and professional background.	<p>Amount: 399,170€</p> <p>Standard general update: Annual gross fixed remuneration may be updated each year according to the criteria approved at all times by the Appointments and Remuneration Committee, to include development and consolidation in the post, performance of the company's results, business complexity, geographical diversity, market references, etc.</p> <p>Irrespective of an update in the foregoing term, it must always be reasoned by the Appointments and Remuneration Committee.</p>	<p>Fixed remuneration must be made consistent with the executive's responsibility and leadership within the organization, in line with that paid on the market in comparable companies.</p> <p>In certain situations, the Appointments and Remuneration Committee may acknowledge, for instance, a change in responsibility, development in the position and/or any special needs for holding onto and motivating the executive. In these circumstances, the Committee may decide to apply a higher increase. The underlying reasons will be explained in the annual report on directors' remuneration.</p>
Annual Variable Remuneration	To incentivise compliance with annual objectives, in line with the Strategic Plan of the Red Eléctrica Group.	<p>Maximum The target level (75% of annual fixed remuneration) will be reached if 100% of all pre-established objectives are met.</p> <p>The maximum level (82.5% of the annual fixed remuneration) will be reached if pre-established objectives are fulfilled above their maximum, according to the metric figures described and rules and internal evaluation procedures for Company objectives established for executives.</p> <p>Metric figures Based on achieving a combination of specific, predetermined and quantifiable economic-financial, industrial, operational and qualitative objectives, aligned with the corporate interest and Red Eléctrica Group's Strategic Plan.</p> <p>The weight of economic-financial objectives will be 70% maximum of the overall incentive. They consist of metric figures that guarantee an adequate balance between financial and operating issues related to the Company's management.</p> <p>The weight of qualitative objectives will be 30% maximum, and may even be 40% in the event of over-achievement, of the overall incentive.</p>	<p>The Appointments and Remuneration Committee will approve these objectives at the beginning of the year and will appraise their achievement at the end of the year.</p> <p>The Committee will supervise the objectives each quarter, over the entire year; at the end of the year, their level of achievement will be calculated. In this appraisal, the Committee will be assisted by the Corporate Economic-Financial Management, in charge of management control in the Red Eléctrica Group, which will provide information about the audited results. Both to establish these objectives and to assess their achievement, the Committee will also take into account any potential long-term impact and any associated risk.</p> <p>In order to ensure that annual variable remuneration is effectively related to the professional performance of its beneficiaries, when the level of achievement of quantitative objectives is determined, all positive or negative economic effects will be eliminated, arising from extraordinary events that may distort assessment results.</p> <p>The achievement scale determined at the beginning of the year includes a minimum threshold, below which no incentive is paid- a target level- representing 100% achievement of objectives, and a maximum level, specific for each metric figure. The maximum incentive is only paid if achievement is ascertained of the objectives established at the beginning of the year, as well as over-achievement if applicable to the objective.</p> <p>In order to calculate variable remuneration, the level of achievement and weighting of each individual and/or global objective will be taken into account, applying rules and internal procedures for the assessment of objectives, established by the Company for its executives.</p> <p>75% of this annual variable remuneration is paid in cash and the remaining 25% is paid in shares. The Chief Executive Officer (CEO) undertakes vis-à-vis the company, whilst he remains in office, to maintain ownership of the shares received for at least five years. If the Annual General Meeting of Shareholders does not approve the delivery in shares as a form of remuneration to the CEO or establishes a lower maximum than the one indicated, the amount equivalent to any remuneration not payable in shares will be paid in cash.</p>
Multiannual Variable Remuneration	To reward fulfilment of Red Eléctrica Group's strategies in the long term, the sustainability of Red Eléctrica Group results, and the creation of sustainable shareholder value.	<p>Target 1.8x the Annual Fixed Remuneration.</p> <p>Maximum 110% of the target.</p> <p>Metric figures: Economic-financial and operating objectives foreseen in the 2014-2019 Strategic Plan.</p>	<p>The Plan is structured into a single 6-year cycle. A cash award is made, equivalent to a number of times of annual fixed remuneration. This amount will be paid in full or as a percentage at the end of the Plan, depending on the achievement of certain metric figures linked to Red Eléctrica's Strategic Plan.</p> <p>In any case, the average weighted achievement of all objectives must be at least 70%. Otherwise, there will be no right to the incentive, irrespective of each objective's individual achievement. Likewise, the maximum</p>

	Purpose	Limits	Operation
		<p>The following objectives and weightings are established:</p> <ul style="list-style-type: none"> - 20% linked to extension of the business base, measured through the investment volume indicator; - 25% of the incentive depends on fulfilment of the Investment Plan of the transportation network, measured according to commissioned positions, amongst others; - 20% of the incentive is linked to the quality of system operation; any energy not supplied is taken into account in its measurement; - 25% of the incentive is linked to the effectiveness of operations and two metric figures are taken into account: return on fixed assets and profit per share; - The remaining 10% depends on fulfilment of the Corporate Responsibility Plan. 	<p>achievement of all of the Plan's objectives will be 110%, even if the average weighted achievement of objectives is higher.</p> <p>The Committee will supervise these objectives each year and, upon completion of the Plan, will determine the level of achievement. In this assessment, the Committee will be assisted by the Corporate Economic-Financial Management, entrusted with management control in the Red Eléctrica Group, which will provide information on the audited results. The Committee will also take into account any associated risk, both to establish objectives and to assess their achievement.</p> <p>When determining the level of achievement of these objectives, any positive or negative economic effects are eliminated, derived from extraordinary events, which could distort assessment results.</p>
Remuneration for membership, time assigned and attendance at meetings of the Board of Directors	To remunerate the responsibilities inherent to the post of director and time assigned to the Board of Directors.	<p>Maximum</p> <ul style="list-style-type: none"> -Individual: See Table 4 below. -Global: global and annual remuneration for the entire Board, for all items, in an amount equivalent to 1.5% of the Company's liquid earnings, approved by the General Meeting. In any case, the foregoing remuneration will act as a maximum, and the Board will propose how to distribute it amongst the items foreseen in the by-laws and amongst the administrators, in the manner, at the time and in the proportion freely determined. 	According to the remuneration policy of non-executive directors described in Table 4 below.

2.4 Other remuneration components of the Executive Director

The remuneration policy of the Executive Director foresees his participation in benefit systems, as well as the granting of other advantages, credits, advance payments and guarantees established by the Company, in line with the Group's executive policy.

The remuneration policy of Executive Directors also foresees their participation in remuneration systems with stock or share value-based options, if previously expressly authorised by the General Shareholders Meeting and within the limits and conditions established by current laws at all times.

2.5. Executive Director Contractual terms

A commercial agreement currently regulates performance of the Executive Director duties and responsibilities; it includes clauses which, in practice, are usually included in this type of contract. This agreement has been proposed by the Appointments and Remuneration Committee and approved by the Company's Board of Directors.

Both tables below summarize the main indemnification, exclusivity and non-compete clauses included in the Executive Director's contract:

Table 2. Indemnification in the event of contractual termination

	Dismissal as decided by the Company	Voluntary resignation by the Executive Director
Prior notice	N/A	2-month prior notice. If this prior notice is not provided, the Executive Director will indemnify the Company.
Indemnification	Contractual termination. Indemnification will be equivalent to an annuity, based on a fixed remuneration annuity plus applicable variable remuneration, calculated according to 100% achievement of objectives. Indemnification will not be payable if dismissal is a consequence of serious, wilful and intentional conduct on the part of the Executive Director when performing his tasks.	Contractual termination. If the director decides to terminate his relationship with the Company due to a serious and intentional breach by the Company or a material change in his duties, for reasons not attributable to the Executive Director, the latter will be entitled to receive the same indemnification foreseen for Company dismissal cases.

Table 3. Exclusivity and non-compete

	Operation
Confidentiality	Art. 34.a) of the Board of Directors Regulations provides that all directors will maintain the secrecy of any Board and Committee discussions in which they are involved and, in any case, will refrain from disclosing any information, data, reports or background details they may have accessed further to their post. This duty of confidentiality will remain after the director is no longer in office.
Non-compete	The Executive Director's contract includes an obligation to not compete with the Company during two (2) years after he is no longer in office, without this entitling him to any indemnification as a post-contractual non-compete obligation, given that this is presumed as covered with his fixed remuneration. In addition to his legal duties as a Red Eléctrica director, the Executive Director will also be bound by a non-compete obligation with the Company, in the terms in which this obligation is regulated for Company directors in the Board of Directors Regulations (Art. 33).
Limitation of posts and exclusivity	The contract foresees full-time work and excludes any other services whatsoever with other companies, whether or not competitors, whilst the director is bound to Red Eléctrica, unless this is expressly authorised by the Board of Directors. The Board of Directors' Regulations (Art. 7.2.a)) provides that the Executive Director may only hold office as director on one (1) Board in other companies (other than Red Eléctrica investee companies).

3. Remuneration policy of non-executive directors:

A breakdown of the key items of the remuneration policy of non-executive directors is provided below. According to the Company By-laws, the Board of Directors will propose how to distribute the annual remuneration amongst the possible items established; the limit of global and annual remuneration for the entire Board, for all items, will be 1.5% of the Company's liquid earnings, approved by the General Meeting. In any case, the foregoing remuneration will apply as a principle and the Board itself will propose how to distribute the amount amongst the foregoing items and amongst the directors, in the manner, at the time and in the proportion that is freely determined. Consequently, said percentage acts as a limit on the annual global remuneration of the Board of Directors, for the purposes of the Company By-laws and Article 529.septedecies of the Spanish Corporate Enterprises Act.

Every year, the Board presents its resolutions on Board remuneration, applicable to non-executive directors, to the Annual General Meeting of Shareholders for approval, as a separate point of the agenda.

Table 4. Remuneration policy of non-executive directors

	Purpose	Limits	Operation
Fixed Remuneration	To adequately remunerate the responsibility and time dedicated in the position in question, without reaching levels that could hinder the director's independence.	Maximum 130,742 €/year per director. Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Settled in monthly payments, before day 10 of the month.
Allowances for attendance at Board of Directors meetings	To remunerate personal and effective attendance at Board of Directors meetings.	Maximum Board of Directors: 1,500 €/director for each ordinary meeting Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Allowances for attendance at Board meetings will be paid for each director's personal attendance at each ordinary meeting scheduled for the year in the calendar approved by the Board of Director. A proxy may be granted without losing entitlement to this allowance, for duly justified reasons and twice a year at the most. This amount will be paid within fifteen days following the meeting. Extraordinary meetings of the Board of Directors, attended in person or by remote means, will not entail any remuneration for allowances.
Chairman of the Board of Directors	To adequately remunerate the dedication required by the position, including his particular level of responsibility, skills and experience needed for the performance of this task.	399,170 €/year for 2016. Annual adjustments may be conducted, within the maximum, global and annual limit for the entire	Settled in monthly payments, before day 10 of the month.

	Purpose	Limits	Operation
Time assigned to Board of Directors Committees	To remunerate the time assigned and attendance at meetings of Board of Directors Committees	Maximum - Audit Committee (members): 27,900 €/year per member. - Appointments and Remuneration Committee (members): 27,900 €/year per member. - Committee Chairmen: 15,000 €/year each. Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Allowances for attending Board Committee members and chairmen remuneration will be settled in monthly payments, before day 10 of the month. The foregoing amounts will be paid annually, irrespective of the number of Committee meetings held over the year.
Coordinating Independent Director	To adequately remunerate the extra time required by the post	Maximum 15,000 €/year Annual adjustments may be conducted, within the maximum, global and annual limit for the entire Board.	Settled in monthly payments, by day 10 of the month.

The remuneration policy of non-executive directors does not foresee the granting of loans, advance payments or guarantees established by the Company in favour of members of the Board of Directors.

Nor does it contemplate the participation of non-executive directors in social benefit systems, or indemnification for their supervision and collegiate decision-making in relation to cancellation of their relationship with the Company due to non-executive director status, or the granting of additional remuneration other than the foregoing.

4. Effects:

The amendments made to the directors remuneration policy will come into effect upon approval by the Annual General Meeting of Shareholders held in 2016, in the terms and conditions established in the policy amendment, and will cover the 2016, 2017 and 2018 financial years, according to the term approved by the 2015 Annual General Meeting of Shareholders for the directors remuneration policy.

Any change or replacement of this policy during said term will require the prior approval of the Annual General Meeting of Shareholders, in accordance with applicable law.

Two (of ITEM EIGHT ON THE AGENDA of the General Meeting).- Approval of the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A., for the 2016 financial year.

To approve the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for the 2016 financial year, which was approved by the Board of Directors at the meeting of 23 February 2016, in accordance with the provisions of the Bylaws and the Board of Directors Regulations, on proposal of the Appointments and Remuneration Committee, on the following terms:

REMUNERATION OF THE BOARD OF DIRECTORS, IN ALL CATEGORIES, FOR THE 2016 FINANCIAL YEAR:

The remuneration of the Board of Directors for the 2016 financial year will, as to all categories and amounts, be maintained equal to the remuneration for the 2015 financial year, with the exception of the new remuneration established for the position of Chairman of the Board of Directors, applicable from the time the Chairman ceases to have any executive functions, to read as follows:

1. Fixed Remuneration.

The Fixed Remuneration, in the 2016 financial year, is established as follows:

EUR 130,742.00 per annum per director, to be paid monthly before the 5th day the following month.

2. Per diems for attending meetings of the Board of Directors.

The per diems for attending the meetings of the Board of Directors and its Committees, during the 2016 financial year, will be as follows:

EUR 1,500.00 for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2016 in the schedule approved by the Board of Directors. Proxies may be granted without losing the entitlement to receive the per diem for duly justified cause and a maximum of twice per year. This amount is paid within fifteen days of the given meeting being held.

The holding of extraordinary meetings of the Board of Directors, in person or electronically, does not result in remuneration in the form of per diems.

3. Service on Board of Directors committees.

The remuneration for service on the Committees of the Board of Directors, during the 2016 financial year, is established as follows:

- a) EUR 27,900.00 per annum to each member of a Board's committee, to be paid monthly before the 5th day of the following month.

The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2016.

- b) EUR15,000.00 per annum to each Chairman of a Board's committee, to be paid monthly before the 5th day of the following month.

The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2016.

4. Chairman of the Board of Directors.

Fixed Remuneration is established for the 2016 financial year, applicable from the time the Chairman ceases to have any executive power, that is, from the date of the Annual General Meeting of Shareholders held in 2016, which must be appropriately prorated taking account of this circumstance, and which is established as follows:

EUR 399,170.00 per annum, to be paid monthly before the 5th day of the following month.

Until that time, the remuneration that was reported to the Extraordinary General Meeting of Shareholders held on 17 July 2015 will be maintained.

The Chairman of the Board in addition receives the annual remuneration established for all directors, as members of the Board of Directors, in the categories of "Fixed Remuneration" and "Per diems for attendance at meetings of the Board of Directors".

5. Lead Independent Director:

It is resolved to assign annual remuneration to the position of the Lead Independent Director in an amount of EUR 15,000.00 per annum, which will be paid monthly before the 5th day of the following month.

Thus, for 2016 the same amounts and categories as established for 2015 are maintained, with the exception of the new remuneration established for the position of Chairman of the Board of Directors, applicable from the time he ceases to have any executive power.

In accordance with Article 20 of the Bylaws, the amounts indicated in the preceding resolutions are compatible with and independent of any salaries, retributions, indemnities, pensions or other compensation of any kind, established in general or in a particular basis, for those members of the Board who perform executive functions.

The corresponding resolutions establishing the remuneration of the Board of Directors for the 2016 financial year must be submitted on their own terms, as has been the practice of the company for years, to approval of the Annual General Meeting of Shareholders held in 2016, without prejudice to submission, also to the aforesaid Annual General Meeting of Shareholders, of such amendments, if any, as may be made to the Remuneration Policy for directors and the Annual Report on Remuneration of Directors, as separate points on the Agenda thereof, on the terms contemplated in current legislation and, if applicable, the resolutions corresponding to remuneration in the form of shares applicable to the Chief Executive Officer.

Three (of ITEM EIGHT ON THE AGENDA of the General Meeting).- Approval of the Annual Report on Remuneration of the directors of Red Eléctrica Corporación, S.A.

To approve the Annual Report on Remuneration of the directors of the company, approved by the Board of Directors at the meeting of 23 February 2016.

(The Report approved under this item is reproduced below)



RED ELÉCTRICA
CORPORACIÓN

Board of Directors

23 February 2016

Annual Report on Remuneration of Directors

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1. Submission of the report from the Chairwoman of the Appointments and Remuneration Committee

Dear shareholders:

I am pleased to present you with Annual Report on remuneration of directors, which includes the remuneration policy for directors and senior executives of Red Eléctrica Corporación, S.A. (hereinafter also referred to as the “Company”, the “Corporation”, the “Group” or “Red Eléctrica”) for 2016, and application thereof in 2015.

In the year 2015, among others, the following results obtained by the Group may be highlighted:

- The Group’s net turnover has increased 5% with regard to the previous year, and the EBITDA has grown 5.3% with regard to the previous year.
- The year profit has been 606.0 million Euros, 8.3% higher than the one of 2014 in homogeneous terms and 15.6% lower if we consider one-off items included in the fourth quarter of last year.
- The price of the shares, as of 31 December 2015, has increased in 5.3% with regard to the previous year.
- Regarding the dividends policy, the gross dividend for 2015 proposed by the Board of Directors for the upcoming Annual General Meeting, entails a 7% increase with regard to the gross dividend approved for the year 2014.
- On 13 October 2015 the credit rating agency Standard & Poor’s has raised the rating of Red Eléctrica to ‘A-’ from ‘BBB+’.
- On 10 September 2015, Red Eléctrica joined the Dow Jones world and European indexes -Dow Jones Sustainability World Index and Dow Jones Sustainability Europe Index- according to the 2015 edition results.

In 2015, at the proposal of its Chairman, the Board of Directors of Red Eléctrica has considered convenient to call an Extraordinary General Meeting of Shareholders to approve the steps required to proceed to split the roles of Chairman of the Board of Directors and Chief Executive Officer, for the purpose of improving the Company's corporate governance structure, for the benefit of Red Eléctrica and its shareholders.

The approval by the shareholders at the Extraordinary General Meeting held on 17 July 2015, of the increase from eleven to twelve in the number of directors and the appointment of a new executive director, were decisive steps in the process of splitting roles of Chairman of the Board of Directors and Chief Executive Officer, which allowed the Board of Directors, at its meeting held on 28 July 2015, to appoint a Chief Executive Officer other than the Chairman of the Board of Directors. This process, after a transitional period of 9 months, will culminate at the Annual General Meeting of Shareholders to be held in 2016, with the final transfer of all executive functions by the Chairman of the Board to the Chief Executive Officer and, accordingly, after such General Meeting, the Chairman of the Board of Directors shall be attributed the responsibilities inherent in such position on an exclusive basis.

During the mentioned transitional period, the remuneration system for the positions of Chairman of the Board of Directors and Chief Executive Officer has been fixed in accordance with the provisions of the directors' remuneration policy, approved at the Annual General Meeting of Shareholders of 2015, as adjusted and amended by the Report on the process of splitting positions of Chairman of the Board of Directors and Chief Executive Officer, submitted to the Annual General Meeting of Shareholders held on 17 July 2015.

However, in 2016 it became necessary to adapt the remuneration scheme for both positions to the progressive transfer of executive functions and to the respective scope of responsibility of the Chairman of the Board of Directors and the Chief Executive Officer. To this effect, the intention is to submit the amendment of the current directors' remuneration policy to the approval of the next Annual General Meeting of Shareholders to be held in 2016, as a separate item on the Agenda with regard to the annual report on director remuneration. The main changes introduced in the directors' remuneration policy, are the following:

- Regarding the remuneration of the *Chairman of the Board of Directors*, to introduce, as part of the remuneration policy for non-executive directors, an additional component of annual fixed remuneration to allow conveniently remunerating the special responsibility, service and expertise that such position requires.

- Regarding the remuneration of the *Chief Executive Officer*:
 - To adapt the level of total remuneration considering the assumption of all executive functions and, in particular, his full leadership within the organisation and the Company's results, respecting Red Electrica's consolidated practice of salary moderation and its position in the senior executive remuneration market.
 - To increase the weight of the variable remuneration within the total remuneration, in line with the guidelines from institutional investors and proxy advisors, so that the variable, annual and multi-year remuneration weights 51% over the total remuneration.
 - To link the annual variable remuneration both to the Group's targets, set out in the 2016 year Budget, and included within the framework of the 2014/2019 Strategic Plan, as well as to operating targets linked to the Group's businesses.
 - To change the way of settling the annual gross variable remuneration, so that 25% of it shall be delivered in shares in the Company. Additionally, the *Chief Executive Officer* assumes the commitment towards the Company, while it holds such position, to retain ownership of the shares received for at least five years.

All of the above has been duly reported to the Board of Directors.

The Appointments and Remuneration Committee, with regard to the annual variable remuneration of executive directors for the year 2015, after evaluating the achievement of their targets, has considered a degree of overall achievement of 100%, which has determined an annual variable remuneration for the executive Chairman equivalent to 50% of his annual fixed remuneration up to 28 July 2015, and to 25% of his annual fixed remuneration, from such date and up to 31 December 2015; and, for the *Chief Executive Officer*, an annual variable remuneration equivalent to 50% of his annual fixed remuneration since 28 July 2015.

As usual, the Company includes as an Annex the official form of Report on directors' remuneration, duly filled in, pursuant to Ministerial Order ECC/461/2013 (amended by Ministerial Order ECC/2575/2015) and Circular 4/2013 from the Spanish Securities Exchange Commission (amended by Circular 7/2015 from such Commission).

The Board of Directors, pursuant to the usual practice of the Board of Directors, will submit the Board resolutions that establish the remuneration of the Board of Directors for the year

2016 to the approval of the Annual General Meeting of Shareholders and, separately, will submit to the General Meeting the amendment of the directors' remuneration policy and, lastly, this Annual Report on directors' Remuneration.

Signed: Ms Carmen Gómez de Barreda Tous de Monsalve

2. Appointments and Remuneration Committee

At the Company's Annual General Meeting of Shareholders held on 15 April 2015, the shareholders approved the adjustment of the Articles of Association to Act 31/2014, of 3 December, amending the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*, hereinafter "LSC") to improve corporate governance, which established the obligation for listed companies to create an Appointments and Remuneration Committee, chaired by an independent director, formed by at least two independent directors and, as a whole, only by non-executive directors. The mentioned amendment of the LSC also established such Committee's minimum powers in matters of appointments and remuneration. In Red Eléctrica, the Committee that has been meeting such requirements, functions and responsibilities for years, is the Appointments and Remuneration Committee, formerly designated as the Governance and Corporate Responsibility Committee, which changed its name in 2015, pursuant to such legal reform. The Board of Directors submitted to the 2015 Annual General Meeting of Shareholders the relevant amendments of the Articles of Association, to fully adapt the same to the LSC.

During the year 2015, the composition of the Committee has experienced certain changes.

On 24 November 2015, the Board of Directors resolved to increase in one the number of members of the two Board Committees, which was respectively fixed at five (5) members.

After the appointment, at the Board's meeting of 24 November 2015, of independent director, Ms María Ángeles Amador Millán, to occupy the new position created within the Committee, and in view of the resignation of proprietary director, Mr Francisco Ruiz Jiménez, presented on that same date, on 31 December 2015, the Appointments and Remuneration Committee was formed by four independent directors, with one vacancy generated by such resignation.

At the Board of Directors meeting held on 26 January 2016, the proprietary director, Mr Jose Angel Partearroyo Martín, was appointed new member of the Appointments and Remuneration Committee, to cover the vacancy existing in the same.

During 2015, the Committee has met on fourteen (14) occasions. The Board of Directors is informed of the meetings of the Committee, and upon conclusion of the meeting of the Committee, the documentation discussed during the same is made available to the Board,

through the Directors' portal; and minutes of the meetings are drawn up, upon approval of which, they are made available to all the directors.

According to the calendar scheduled for the year 2016, the Appointments and Remuneration Committee is intended to hold eleven (11) regular meetings during such year, without prejudice to the possibility of holding special meetings at any time during such period.

During the years 2015 and 2016, until the date of approval of this report, the most relevant actions carried out by the Appointments and Remuneration Committee, in matters of remuneration, have been the following:

- Approval and follow up of the Business Targets linked to the variable remuneration of executive directors (*Executive Chairman and Chief Executive Officer*) for the year 2015, and review and approval of ones for 2016 (for the *executive Chairman*, while such position continues to be an executive position, that is, until expiration of the transitional period culminating the process of splitting positions of Chairman of Board of Directors and Chief Executive Officer; for the *Chief Executive Officer*, during the year 2016).
- Approval and follow up of Business, Managerial and Management Committee Targets, linked to the variable remuneration of senior executives for the year 2015, and approval of the ones for 2016.
- Assessment of achievement of the targets linked to the executive directors' (Executive Chairman and Chief Executive Officer) and senior executives' annual variable remuneration, for the years 2014 and 2015.
- Multi-year Variable remuneration Scheme Proposal, to be submitted to the Board and then to the Annual General Meeting of Shareholders, as an element of the remuneration policy of executive directors and senior executives, for a term of 6 years and linked to the targets of the 2014/2019 Strategic Plan, subject to the satisfaction of certain conditions.
- Proposal of a structural management plan of the executive team, for the purpose of achieving management of the aging of the executive team in an orderly and efficient manner.
- Proposal of the Board of Directors' remuneration for the years 2015 and 2016 (for their non-executive functions) including fixed remuneration only, to be submitted to the Board and then to the Annual General Meeting of Shareholders.

- Proposed Annual Reports on directors' Remuneration, to be submitted to the Board and then to the shareholders at the General Meeting, made in 2015 and 2016.
- Report and proposal to the Board of Directors of the directors' remuneration policy applicable for the next 3 years, to be submitted to the Annual General Meeting of Shareholders, for the year 2015.
- Report justifying the remuneration proposal contained in the Report on the process to succeed the Chief Executive Officer and split the positions of Chairman of the Board of Directors and CEO (Chief Executive Officer) of the Company, submitted to the Extraordinary General Meeting of Shareholders of 17 July 2015.
- Report and proposal to the Board of Directors to amend the directors' remuneration policy, to be submitted to the 2016 Annual General Meeting of Shareholders.
- Report on contractual aspects regarding the Chairman and Chief Executive Officer resulting from the closing of the transitional period of the process for the splitting of positions.

In 2016 –until the date of approval of this report - *Willis Towers Watson*, independent advisor specialised on director and senior executive remuneration matters, has provided its services to the Appointments and Remuneration Committee, on the following aspects regarding remuneration: remuneration benchmarking for the position of *Chairman of the Board of Directors* and *Chief Executive Officer*, remuneration benchmarking for non-Executive directors, study on the holding of shares, preparing the report and proposed amendment to the directors' remuneration policy and, finally, preparation of the annual report on directors' remuneration.

3. 2016 remuneration policy

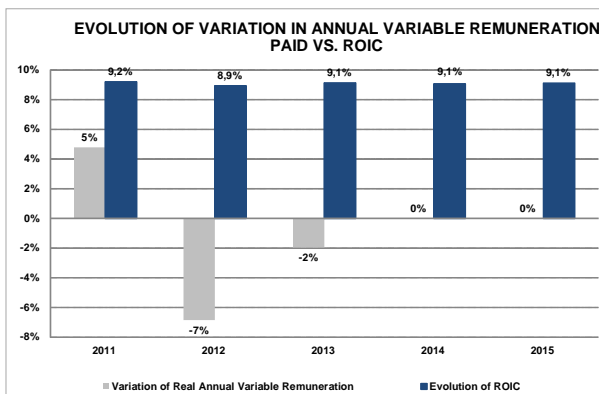
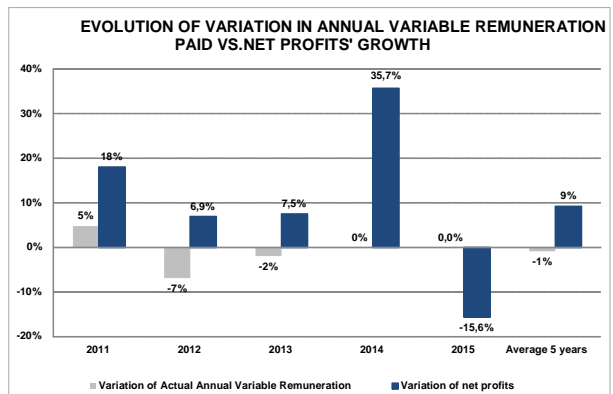
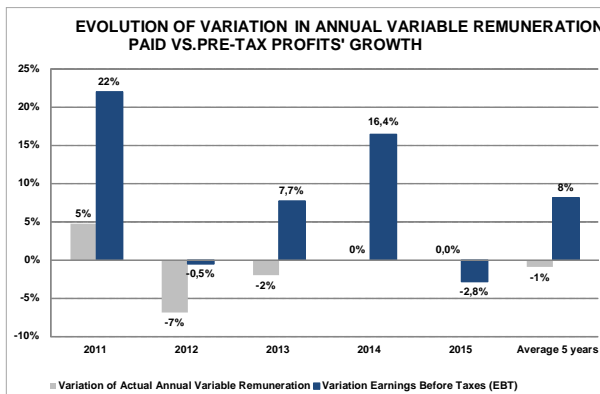
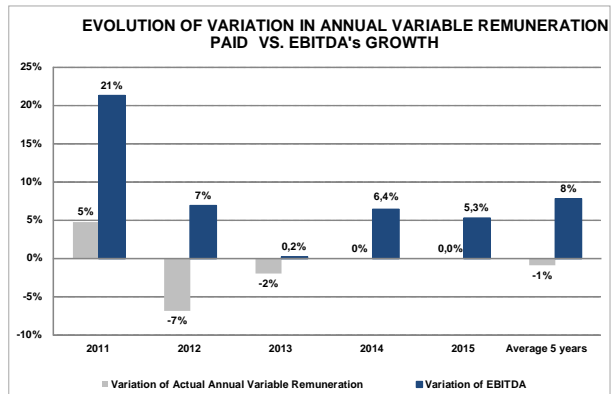
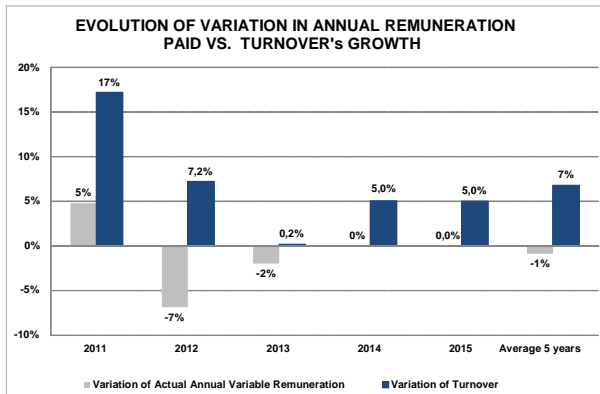
3.1. Remuneration policy for executive directors in 2016

In 2016, there are two different periods for the purposes of setting out the remuneration of the *Executive Chairman* and the *Chief Executive Officer*, which adjust to certain corporate milestones linked to the progressive transfer of executive functions from the former to the latter, a process that will culminate with the total transfer of such functions at the Company's next Annual General Meeting of Shareholders:

1º) From 1 January until the date the 2016 Annual General Meeting of Shareholders is held, date on which the transitional period for the transfer of all executive functions to the Chief Executive Officer will conclude. In this period, the remuneration policy corresponds with the principles and criteria contained in the directors' remuneration policy approved by the 2015 Annual General Meeting of Shareholders, and responds to the resolutions approved by the 2015 Extraordinary General Meeting of Shareholders.

2º) From the date on which the Company's Annual General Meeting of Shareholders was held in 2016, a period that shall commence with a Chairman of the Board of Directors with no executive powers, and a Chief Executive Officer with full executive powers. In this period, a proposal has been made to adapt the directors' remuneration policy so that it may adjust to the new corporate governance structure, likewise observing the original principles and criteria of the policy approved by the 2015 Annual General Meeting of Shareholders, an amendment that will be submitted to the approval of the 2016 Annual General Meeting of Shareholders.

In any case, the Executive directors' remuneration system includes fixed and variable elements, the latter of which are linked to the short and long term (the long-term ones, only for the *Chief Executive Officer* after 28 July 2015) and in line with the Company's key targets and strategies. The following charts show a comparison between the evolution of the different turnover and profit figures of the Red Eléctrica Group, considered as targets for the purpose of calculating the annual variable remuneration of Chief Executive Officers, and the evolution of the levels of annual remuneration paid to the Chief Executive Officer during the 2008-2015 period.



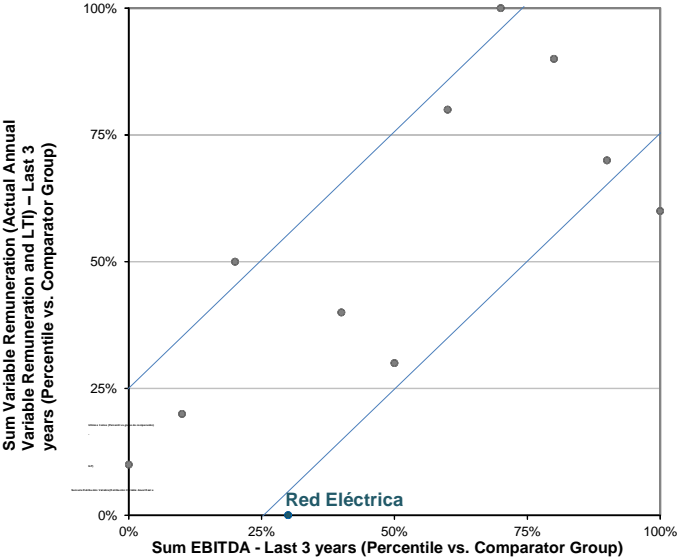
Notes:

- The pre-tax profit and net profit for 2014 include exceptional facts occurred during the year, all of them positive.
- To offer a complete overview of the remuneration, the variable remuneration data are the ones regarding the amounts paid in the covered year (accrued in the previous year). The information on the accrued remuneration is included in the charts of this report.
- The variable remuneration data are the ones regarding the remuneration received by the Executive Chairman for his executive functions. Given that the Chief Executive Officer was appointed in July 2015, he has not received any variable remuneration in such year for his functions in such office, and he has not been considered in the above charts.

The following charts show the positioning of the Red Eléctrica Group compared to other representative companies in the energy sector. The EBITDA and Total Shareholder Return (TSR) of each company are compared, for the last 3 years, with the increase in variable remuneration (annual and long term) of its Executive Director.

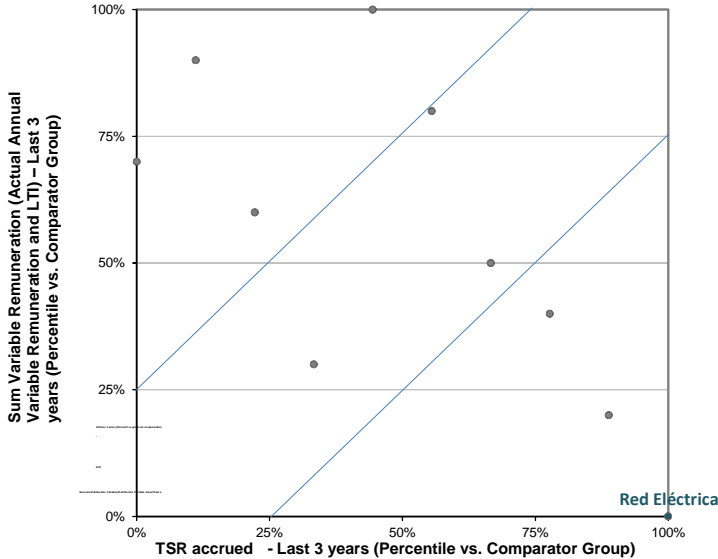
The transversal lines show the range of proportional correlation between the growth of the indicator and remuneration. A position outside the lines reveals a non-proportional growth correlation between the figure considered, and the remuneration. A position on the left part

shows a more than proportional growth in remuneration compared to the considered figure, and a position on the right part shows a more than proportional growth of the figure considered (EBITDA and TSR in each chart) compared to the remuneration.



The companies included in the comparator group are: CLH, Enagás, Enel, Eon, Iberdrola, National Grid, RWE AG, Snam Rete Gas, Terna, United Utilities.

The evolution of the EBITDA in Red Eléctrica in the last 3 years places the company between percentile 25 and the median of the group of comparison, while the evolution of the variable remuneration (annual and long term) in the same period, has been more moderate.



The Total Shareholder Return (TSR) is the total return of the share and includes the price revaluation of the share and dividends.

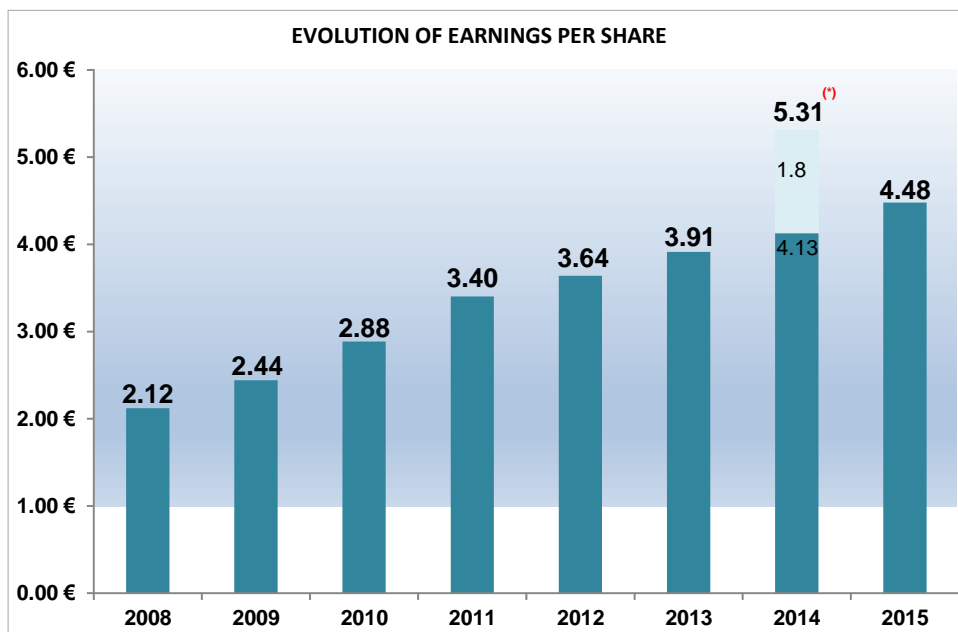
The companies included in the comparator group are: Enagás, Enel, Eon, Iberdrola, National Grid, RWE AG, Snam Rete Gas, Terna, United Utilities. CLH has been excluded from this analysis, given that it is not a listed company.

The evolution of TSR in Red Eléctrica in the last 3 years places the company within the top of the comparator group, while the evolution of variable remuneration (annual and long term) in the same period, has been the most moderate one.

TSR data source: Bloomberg.

Regarding the dividend policy, the gross dividend for 2015 proposed by the Board of Directors for the next Annual General Meeting of Shareholders entails a 7% increase with regard to the gross dividend approved for the year 2014.

The share listing at 31 December 2015 reached a value of 77.11 €/share, which entails a 5.3% increase since the beginning of the year 2015.



() Note: the net profit indicated for 2014 (EUR per share 5.31) incorporates exceptional events occurred in the year, all of them positive: the award to the Red Eléctrica Group of the ADIF High Speed fibre-optic tender, the final agreement signed with the State of Bolivia regarding remuneration for the nationalisation of the Bolivian subsidiary Transportadora de Electricidad TDE and the tax reform carried out in Spain.*

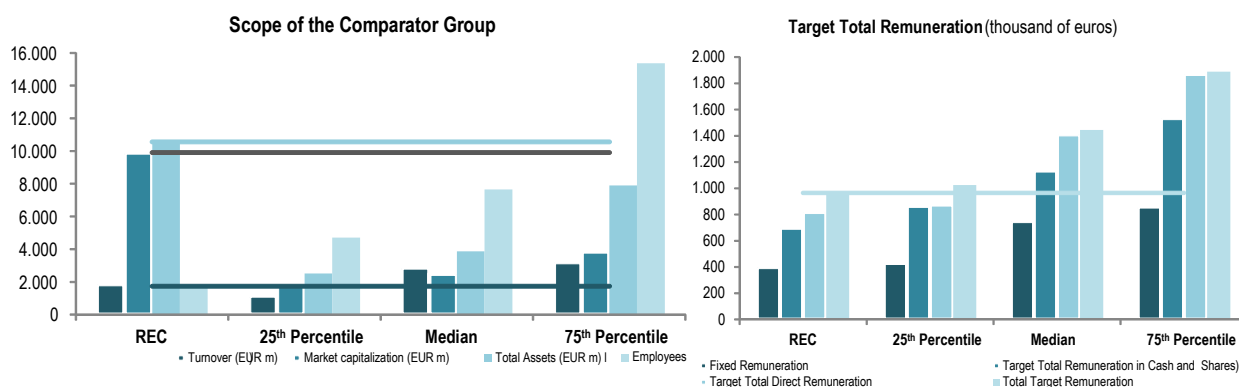
The Appointments and Remuneration Committee considers it essential to regularly review the directors' remuneration policy, in line with the best practices of corporate governance adopted by institutional shareholders and the recommendations of the main proxy advisors.

To this effect, for the purpose of proposing adequate levels of remuneration for the *Chief Executive Officer* after the Annual General Meeting of Shareholders to be held in 2016, the Committee has conducted in 2015 a remuneration benchmarking considering a comparator group formed by 16 companies which have been selected according to the same criteria that were applied in the remuneration analysis carried out in 2014 for the *Executive Chairman*. Such criteria (geographic scope, scope of responsibility, activity sector and size) are set out, in detail, in the proposal for the modification of directors' remuneration policy, which shall be submitted to the approval of the shareholders at the upcoming Annual General Meeting in 2016.

The companies forming the comparator group are the following:

Acerinox	Gamesa	OHL
Almirall	Grifols	Sacyr
Amadeus	Indra	Técnicas Reunidas
Atresmedia	Mediaset	Zardoya Otis
Catalana Occidente	Meliá	
Enagás	NH Hotel Group	

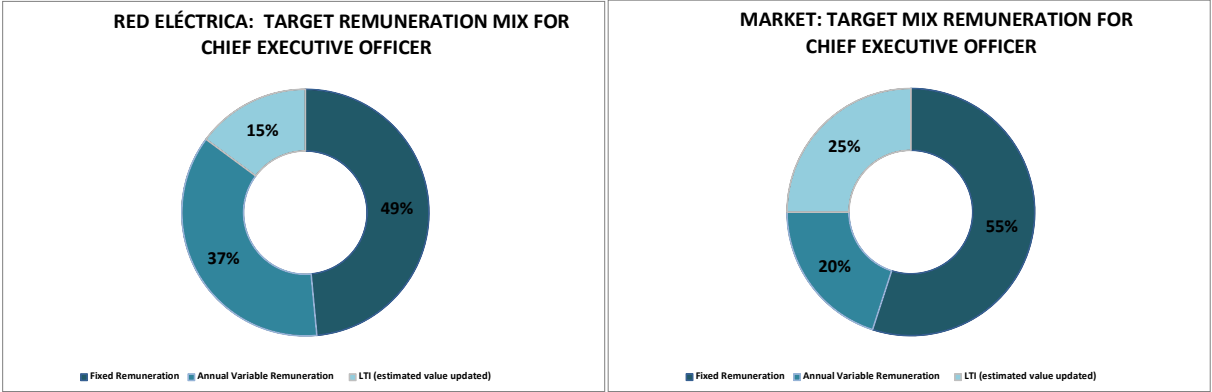
The following chart shows the results of the analysis: an overview of the data regarding the size of the Red Eléctrica Group, points towards a benchmark between the median and the 75 percentile. On terms of “target” remuneration (that is, for a standard level of achievement of the targets), the position of the Chief Executive Officer of the Red Eléctrica Group, after the Annual General Meeting of Shareholders to be held in 2016, is located in the 25 percentile.



- The Base Salary includes items that have a fixed nature expressed in Euros.
- The Target Total remuneration in Cash and Shares includes the Fixed Remuneration and the Target Variable remuneration. The latter is the variable remuneration assigned to the Chief Executive Officer for the last year, should the latter reach 100% of the targets.
- The Target Total Direct remuneration includes the Target remuneration in cash plus the yearly expected value of the long term incentives.
- The Target Total remuneration includes the Target total Direct remuneration plus the remuneration for being a member of the Board and attending the Board meetings and, as the case may be, its Committees.

The market data are the one detailed in the annual reports on remuneration of each company, published in 2015, and relating to the year 2014.

Below are two images that reflect the mix of the Chief Executive Officer's remuneration system (after the 2016 Annual General Meeting of Shareholders) and its comparison in the market for a standard scenario of target compliance. As a whole, the variable remuneration (“at risk”), annual and multi-year, represents 51% of the total remuneration.



The elements that form part of the executive directors' remuneration (*executive Chairman and Chief Executive Officer*) in 2016 are detailed below, considering the two periods mentioned above:

1º) From 1 January to the date the Annual General Meeting of Shareholders is held in 2016

A. Executive Chairman

Annual fixed remuneration

The fixed remuneration is maintained at EUR 399,170, with no variation with regard to the levels set out in the directors' remuneration policy approved at the Annual General Meeting of Shareholders of 15 April 2015 and the ones reported at the Extraordinary General Meeting of Shareholders held on 17 July 2015.

Annual variable remuneration

The annual variable remuneration for executive directors is based on achieving a set of pre-set and quantifiable business targets, measured at Group level. It is for the Appointments and Remuneration Committee to approve the targets at the beginning of each year. The

mentioned Committee approved the targets and weightings for the year 2016 at the meeting held on 17 February 2016, and which are detailed below.

All the targets are contemplated in the year 2016's Budget, within the Group's 2014/2019 Strategic Plan, approved by the Board of Directors, and are the following:

- 70% of the incentives depend on the economic-financial targets, which measure the ability to generate profits in the Group, and materialise in the following metrics:
 - 35% of the consolidated Net Result of the Red Eléctrica Group.
 - 35% Return on invested capital (*ROIC*) of the Red Eléctrica Group, which measures the net operating profit over the invested capital.
- 30% of the incentive depends on aspects linked to the “Degree of progress of the Strategic Plan”.

The Appointments and Remuneration Committee has decided to establish the individual achievement threshold for economic-financial targets, from which the right to receive variable remuneration arises, at 95%, being able to reach a maximum achievement of 100%.

In the targets linked to the “Degree of Progress of the Strategic Plan”, the Appointments and Remuneration Committee will evaluate the minimum threshold for individual achievement, and may determine a maximum level of individual achievement of 133% (up to 40% of individual achievement of target, in the case of maximum overweight).

The Appointments and Remuneration Committee will have the level of autonomy required to evaluate the level of annual achievement of target “Degree of progress of the Strategic Plan”. However, a document will be prepared setting out the main aspects and elements that the mentioned Committee must consider to carry out an objective evaluation of the degree of progress of the mentioned Plan. The annual report on directors' remuneration for the year 2016 submitted to the 2017 Annual General Meeting of Shareholders, shall contain the information on such evaluation.

METRICS	WEIGHT	MINIMUM		TARGET		MAXIMUM	
		Achievement	Incentive	Achievement	Incentive	Achievement	Incentive
1.Net profit	35%	95%	95%	100%	100%	100%	100%
2.ROIC	35%	95%	95%	100%	100%	100%	100%
3. Degree of Progress of Strategic Plan	30%	Assessment by the CNR ⁽¹⁾	Assessment by the CNR ⁽¹⁾	100%	100%	133%	133%

(1) Appointments and Remuneration Committee

To calculate the amount of the variable remuneration, the degree of achievement and the weight of each one of the targets will be considered, and the internal rules and procedures for the evaluation of targets established by the Company for its executives shall apply.

Under exceptional circumstances, the Appointments and Remuneration Committee may propose adjustments to the Committee regarding the variable remuneration, due to internal or external factors. The detail of such adjustments shall be broken down, if appropriate, in the relevant annual report on remuneration.

The global maximum compliance with the three targets above may not exceed 110%.

In the case of the *Executive Chairman*, for the period from 1 January 2016 until the Annual General Meeting of Shareholders is held in 2016, the target levels, which shall be reached in the case of achievement of 100% of the pre-established targets, remain unaltered with regard to the provisions of the directors' remuneration policy approved by the shareholders at the Annual General Meeting of Shareholders of 15 April 2015 and, likewise, in accordance with that established by the Extraordinary General Meeting of Shareholders in 2015. Therefore, the target annual variable remuneration amounts to 25% of the annual fixed remuneration and the maximum level may not exceed 27.5% of its annual fixed remuneration.

Multi-year variable remuneration

According to that provided for in the Report by the Board of Directors on the process to split roles, which was submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015, there is no justification to maintain the multi-year variable remuneration for the *Executive Chairman* to the extent that the end date of his executive functions is limited in

time by the process for the split of positions and, therefore, from the date of the mentioned Extraordinary General Meeting of Shareholders, the *Executive Chairman* is no longer allocated such element of remuneration.

Ex – post facto control of the annual variable remuneration

According to the provided in the directors' remuneration policy approved at the Annual General Meeting of Shareholders held on 2015, the Appointments and Remuneration Committee has authority to propose to the Board the cancellation and return of payment of the variable remuneration, of short term, of the relevant beneficiary/beneficiaries or manager/managers in the case of supervening circumstances that show that the variable remuneration has accrued or been paid based on inaccurate or erroneous information or data, or that there have been breaches of applicable internal corporate or legislative rules, which are proven at a later time. Additionally, the Appointments and Remuneration Committee will evaluate whether, in view of exceptional circumstances of this type, it may propose to the Board of Directors even termination of the contractual relationship with the relevant beneficiary/beneficiaries or manager/managers. It may also propose the adoption of as many measures as it considers appropriate.

Pensions and other benefits

The *Executive Chairman* is the beneficiary of a life insurance policy, with an annual premium amounting to EUR 10,000 in the year 2016, and expiring on 31 December 2016.

The *Executive Chairman* does not participate in 2016 in social insurance schemes, nor does it receive other types of social benefits.

Contractual terms and conditions

During the period comprised between 1 January 2016 and the holding of the Annual General Meeting of Shareholders to be held in 2016, the agreement that regulates the performance of functions and responsibilities of the *Executive Chairman* and Red Eléctrica is commercial in nature and includes the clauses that are usually included in this type of agreements. The executive Chairman's agreement has been proposed by the Appointments and Remuneration Committee and approved by the Company's Board of Directors.

Without prejudice to the confidentiality duty expressly provided in such agreement, the *Executive Chairman*, in his capacity as Chairman of the Board of Directors, is also bound by the duty of confidentiality provided in article 34.a) of the Board Regulations, which applies to

all the directors, according to which the directors shall keep secret the deliberations of the Board of Director and the Committees of which they are a member and, in any case, they shall refrain from revealing information, data, reports or background information that they have had access to as a result of exercising their position. The confidentiality duty shall survive, even after leaving the position.

Additionally, in his capacity as director of Red Eléctrica, he has an obligation not to compete with the Company, on the terms regulating such obligations for the Company's directors in article 33 of the Board Regulations, for a term of two (2) years from leaving position, without the same conferring a right to remuneration for post-contractual non-competition, since it is considered to be remunerated with his fixed remuneration.

The agreement, following the usual market practices, contemplates a remuneration equivalent to one year in the case of termination of the contractual relationship as a result of termination by decision of Red Eléctrica (provided that there is no serious, intentional and culpable misconduct by the executive director), and with no need to give prior notice to the Company. The mentioned remuneration shall also be paid if the termination takes place by decision of the executive director due to a serious and negligent breach by the Company, or a material change in its functions due to a reason not attributable to the executive director himself. To calculate such remuneration, his fixed remuneration shall be taken as a basis, plus the amount of his variable remuneration as executive director, calculated considering a degree of achievement of targets of 100%.

On the date of conclusion of the transitional period, by decision of the Company, the commercial agreement of the Executive Chairman shall be automatically considered terminated, and he shall cease in the exercise of his executive functions. At that time, the above-described remuneration shall accrue in favour of the same.

Notwithstanding the above, and without prejudice to the accrual of an indemnity on the date of termination of the commercial contract of the *Executive Chairman*, the latter will not be payable until the *Chairman of the Board of Directors* ceases being a director of the Company for any reason and, accordingly, stops maintaining with the Company any type of corporate, commercial or other type of relationship.

The indemnity will amount to one year of the fixed remuneration he was receiving as executive director, plus the amount of the variable remuneration, calculated pursuant to a 100% degree of achievement.

B. Chief Executive Officer

Annual fixed remuneration

During the period comprised from 1 January 2016 until the date the Annual General Meeting of Shareholders is held in 2016, the remuneration of the *Chief Executive Officer* will remain unaltered at EUR 235,000 per year.

Annual variable remuneration

During the period comprised between 1 January 2016 until the date the Annual General Meeting of Shareholders is held in 2016, the target level of variable remuneration, an amount that is reached in the case of 100% achievement of the pre-established targets, in the case of the *Chief Executive Officer* amounts to 50% of the annual fixed remuneration. Such level is in line with what is provided in the directors' remuneration policy approved by the Annual General Meeting of Shareholders of 15 April 2015. The maximum level may not exceed 55% of his fixed annual remuneration.

The targets, weightings and mechanics of the annual variable remuneration for the *Chief Executive Officer*, are the following:

- 75% of the incentive depends on the same targets described for the *Executive Chairman* (see relevant subsection of this report)
- The remaining 25% depends on the operating targets linked to the businesses of the Red Eléctrica Group. They are broken down below, together with their weights:
 - Development, efficiency and profitability of the TSO
 - 74% of the incentive is linked, among others, to the implementation of criteria of efficiency and performance of specific maintenance plans, permitting the optimisation of the safety and quality of the electric system operation.
 - Increase of business base
 - 12% of the incentive depends basically on the analysis and achievement of new projects permitting the diversification of the Group's traditional businesses.

- Excellence and innovation
 - 9% of the incentive is linked, among others, to the implementation of a new technological development plan and the improvement in the Group's cyber security processes.
- Corporate responsibility
 - 5% of the incentive depends on fulfilment of a series of key projects included in the corporate responsibility annual plan.

The maximum level of annual variable remuneration linked to the achievement of all the above-described targets established for the Chief Executive Officer, is 82.5% of the fixed annual remuneration, which will be reached in the case of maximum over-achievement of the mentioned targets.

Multi-year variable remuneration

The *Chief Executive Officer* participates in the multi-year variable remuneration plan in cash, aimed at executives, and contemplated in the directors' remuneration policy, and in the annual report on directors' remuneration, approved by the Annual General Meeting of Shareholders held in 2015. The duration of the plan is 6 years, in line with the 2014/2019 Strategic Plan of the Red Eléctrica Group, and extends from 1 January 2014 until 31 December 2019.

The right to receive the incentive in cash is conditioned to the achievement of the targets linked to the 2014/2019 Strategic Plan, as well as the permanence in the Company while the plan is in force. The targets and their weight are detailed below:

- 20% of the incentive is linked to extending the business base, mainly international activity, of telecommunications and power storage ("pumping"). The level of investment is considered an indicator to measure this target.
- 25% of the incentive depends on the achievement of the transmission activity targets; among others, number of kilometres of lines and positions commissioned, investment volume and profitability indicators.
- 20% of the incentive is linked to the quality of the system's operation; non-supplied power is considered to measure the same.

- 25% of the incentive is linked to the efficiency of the operations and two metrics are considered: return on invested capital (ROIC) and earnings per share.
- The remaining 10% depends on compliance with the Corporate Responsibility Plan.

Upon conclusion of the Plan measurement period, the Appointments and Remuneration Committee shall conduct, within the first quarter of 2020, an assessment of the compliance achieved for each of the targets, and for the Plan as a whole, considering the information provided by the Company, and will propose the incentive levels linked to compliance, according to the achievement scales set. In any case, it is established that the average weighted compliance with the set of targets must reach, at least, 70%. Otherwise, no right to receive the incentive will arise, regardless of the individual compliance with each target. Likewise, the maximum compliance with the set of targets in the Plan will be 110%, although the average weighted compliance with the targets will be higher.

The target remuneration of the *Chief Executive Officer* for this element amounts to 1.8 times his fixed remuneration, in accordance with the provisions of the approved executive directors' remuneration policy.

Ex-post facto control of annual and multi-year variable remuneration

The same terms and conditions described above under the subsection of the *Executive Chairman* and, in the case of the *Chief Executive Officer*, are also applicable to his multi-year variable remuneration, in accordance with the provisions set out in the directors' remuneration policy approved at the Annual General Meeting of Shareholders held on 15 April 2015 which were not modified by the Extraordinary General Meeting of Shareholders of 17 July 2015.

Pensions and other benefits

The *Chief Executive Officer* has been allocated a supplement for social benefits, which amounts to EUR 60,000. Such amount may be received in cash or in kind.

Additionally, he is the beneficiary of a life insurance, with an annual premium amounting to EUR 2,000, which its expiration date is on 31 December 2016.

Contractual terms

During the period comprised between 1 January 2016 and the Annual General Meeting of Shareholders to be held in 2016, the contract governing the Chief Executive Officer's performance of his functions and responsibilities in his relationship with Red Eléctrica is formed under commercial law and includes, as in the case of the *Executive Chairman*, the clauses constituting standard practice for this type of contract. The contract has been proposed by the Appointments and Remuneration Committee and approved by the Company's Board of Directors.

Without prejudice to the confidentiality obligation expressly established in such contract, the *Chief Executive Officer* is also bound by the duty of confidentiality established in article 34.a) of the Board Regulations, applicable to all directors, in accordance to which a director is to keep the deliberations of the Board of Directors and its Committees secret and, in any event, refrain from disclosing the information, data, reports or records to which the director has had access in the performance of his duties. The confidentiality obligation shall survive, even after leaving the position.

In his capacity as a director of Red Eléctrica, the *Chief Executive Officer* has a non-compete obligation to the Company, on the terms in which such obligation is regulated for directors of the Company in article 33 of the Board of Directors Regulations. In addition, the non-compete obligation is expressly set forth in the contract with the executive director, for a term of two (2) years after his departure, such obligation not giving him a right to post-contractual noncompetition indemnification, as it is deemed to have been remunerated by way of his fixed remuneration.

The contract, following customary market practices, contemplates an indemnification equivalent to one year of remuneration in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director) with no advance notice from the Company being required. The aforesaid indemnification will also apply if the executive director voluntarily resigns due to a serious and culpable breach of the Company, or a material modification of the executive director's duties for reasons not attributable to the same.

In the calculation of such indemnification, the base used will be one year's fixed remuneration, plus the amount corresponding to the variable remuneration as executive director, calculated assuming a 100% target compliance level.

On the other hand, it may be noted that according to the legal framework existing in Spain, the appointment of the *Chief Executive Officer* was instrumented through a novation of the legal relationship previously existing between such executive and Red Eléctrica. As a result of such novation, the parties agreed a suspension of the employment relationship that the mentioned executive had with the Company prior to his appointment as *Chief Executive Officer*. The employment contract so suspended shall regain full legal effects upon the extinction of the commercial contract entered into by the Chief Executive Officer and the Company. In the case of resumption of the employment relationship, after its suspension ends, the executive may perform the functions it performed prior to the suspension or others it may perform in accordance with his contractual terms prior to the suspension, and with the limits of functional mobility normally applicable to the same. The eventual extinction of the employment contract may take place, as the case may be, after a period of new validity of the mentioned employment contract, upon conclusion of the suspension period or immediately or simultaneously with the extinction of the commercial contract. In the event of extinction of the employment contract, it would accrue, on terms of indemnification, the remuneration in place as of the date of its suspension, considering, for the relevant purposes, his seniority in the Company as of the date of his appointment as *Chief Executive Officer* (14 years), in accordance with the current labour legislation. Such indemnification shall be separate from the one generated as a result of the termination of the commercial law contract, which would apply pursuant to the above provisions.

2nd) After the date on which the Company's Annual General Meeting of Shareholders is held in 2016

A. Chairman of the Board of Directors (non-executive)

Annual fixed remuneration

After the Annual General Meeting of Shareholders held in 2016, the details of the remuneration for the Chairman of the Board of Directors, which shall only include fixed remuneration, are included in subsection 3.2. "Policy for remuneration of non-executive directors in 2016" hereof, given that such position is attributed non-executive functions from such time on. The fixed remuneration amounts to EUR 399,170 on an annual basis.

Annual and multi-year variable remuneration

After the 2016 General Meeting of Shareholders, given that the *Chairman of the Board of Directors* shall be attributed exclusively the responsibilities inherent in such position and, therefore, shall be non-executive Chairman, his remuneration scheme shall exclusively include elements of fixed character, and he will not be allocated any variable remuneration, whether annual, or multi-year.

Pensions and other benefits

As it has already been pointed out, the *Chairman of the Board of Directors* is the beneficiary of a life insurance policy, with an annual premium that amounts to EUR 10,000 in the year 2016, which its expiration date is on 31 December 2016. The Company will not renew the policy after expiration.

The *Chairman of the Board of Directors* does not participate in social insurance schemes, or receive any other type of social benefits.

Other Terms

After the Annual General Meeting of Shareholders to be held in 2016, the legal relationship between the *Chairman of the Board of Directors* and Red Eléctrica shall be instrumented by means of a contract defined according to the provisions contemplated in connection with the directors in the Articles of Association, the Regulations of the Board of Directors, the Rules of the General Meeting of Shareholders, the directors' remuneration policy, the other agreements and guidelines approved by the Board of Directors and the Shareholders at the General Meeting, within the scope of their powers and within the applicable corporate set of rules.

The *Chairman of the Board of Directors* is bound by the duty of confidentiality provided for in article 34.a) of the Board Regulations, which applies to all the directors, according to which the directors shall keep secret the deliberations of the Board of Director and the Committees of which they are a member and, in any case, shall refrain from revealing information, data, reports or background information to which they have had access as a result of exercising their position. The confidentiality duty shall survive, even after leaving the position.

Additionally, the *Chairman of the Board of Directors* has a non-compete obligation to the Company, on the terms in which such obligation is regulated for directors of the Company in article 33 of the Board of Directors Regulations, for a term of two (2) years after his

departure. Such obligation shall not entitle the same to a post-contractual non-competition indemnification.

No payment of indemnification is provided for in the case of termination of his functions as non-executive director.

B. Chief Executive Officer

The aggregate level of remuneration for this period is established in line with the assumption of the executive functions by the *Chief Executive Officer*, his leadership within the organisation and the Company's results. Also, as the Extraordinary General Meeting of Shareholders held on 17 July 2015 was informed, the remuneration of the *Chief Executive Officer* must be placed within percentile 25 of the market benchmarks (EUR 1,025,000), although such target is not reached with the proposed modifications of his remuneration in 2016, which are detailed below.

Annual fixed remuneration

After the Annual General Meeting of Shareholders to be held in 2016, the amount of the fixed remuneration for the *Chief Executive Officer* is fixed at EUR 399,170, on annual terms. It shall be paid fully in cash.

Annual variable remuneration

After the 2016 Annual General Meeting of Shareholders, the *Chief Executive Officer* will only maintain the annual variable remuneration on the same terms established until the 2016 Annual General Meeting of Shareholders is held (see relevant subsection in this report). The target level, which shall be achieved in the case of compliance with 100% of the pre-established targets, will be equivalent to 75% of the fixed annual remuneration. The maximum level, which shall be achieved in the case of maximum over-achievement of the pre-established targets, shall be equivalent to 82.5% of the annual fixed remuneration, which corresponds with the maximum level of target achievement (110% of the target level).

A 75% of the annual gross variable remuneration shall be settled in cash, and the remaining 25% shall be delivered in shares in the Company. Also, the *Chief Executive Officer* has assumed the commitment with the Company, while he holds such position, to maintain the ownership of the shares received, for at least five years. If the Annual General Meeting of

Shareholders does not approve the delivery of shares as remuneration for the executive director, or if they establish a maximum amount lower than the one indicated, the amount equivalent to the remuneration that cannot be paid in shares shall be paid in cash.

The targets, weights, and mechanics described for the period comprised between 1 January and the 2016 Annual General Meeting of Shareholders are maintained (see the relevant paragraph in this report).

Multi-year variable remuneration

After the Annual General Meeting of Shareholders of 2016, the *Chief Executive Officer* will retain the multi-year variable remuneration in cash scheme in which he participates, on the same terms as he participated up to the date the 2016 Annual General Meeting of Shareholders is held, and which are detailed in the relevant subsection of this report. The target remuneration of the Chief Executive Officer for such element does not vary, and amounts to 1.8 times his fixed remuneration, in accordance with that provided for in the approved Executive directors' remuneration policy.

Pensions and other benefits

The *Chief Executive Officer* maintains the conditions established for the first period.

He has been allocated a supplement for social benefits, which amounts to EUR 60,000. Such amount may be received in cash or in kind.

Additionally, he is the beneficiary of a life insurance, with an annual premium amounting to EUR 2,000, which its expiration date is on 31 December 2016. After the termination the Company will not renew the policy.

Contractual terms and conditions

The contract of the Chief Executive Officer will be modified to include the remuneration terms and conditions set out in this subsection.

The Board of Directors will adopt the resolutions it deems necessary to formalise and give effect to the terms and conditions of the remuneration of the Chief Executive Officer, applying after the Annual General Meeting of Shareholders in 2016.

3.2. Remuneration policy for non-Executive directors (as members of the Board of Directors) in 2016^(*)

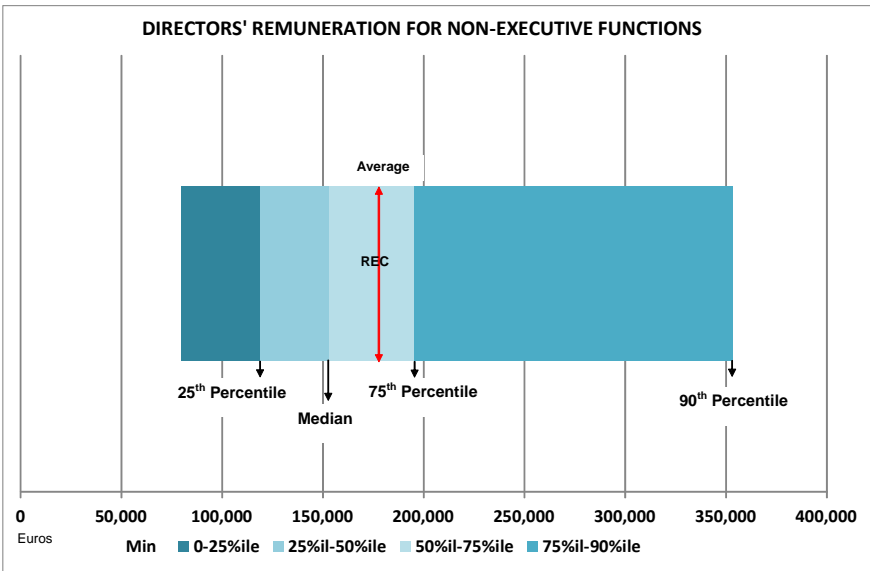
^(*) Applicable also to the *Executive Chairman* and to the *Chief Executive Officer* for their functions as directors.

The Articles of Association set a cap on overall annual remuneration for the entire Board, in all categories, of 1.5% of the Company’s net profits, as approved at the General Meeting. The above remuneration is, in all cases, a maximum figure and the Board itself is in charge of proposing the distribution of the amount among the items contemplated in the Articles of Association; and among the directors, in such a way, at such a time and proportion as it freely decides.

The Appointments and Remuneration Committee does a periodic review of the remuneration policy for the Board of Directors, in line with the best corporate practices adopted by institutional shareholders and the recommendations of the principal proxy advisors.

In this regard, for the purpose of reviewing the adequacy of the directors' remuneration levels, the Committee has considered, among other factors, an external competitiveness analysis conducted in 2015. In such study, also conducted with the support of the consultant *Willis Towers Watson*, the selected comparator group has been the one formed by the companies belonging to the Ibex-35 stock index, as in previous years, given that the Red Eléctrica Group belongs to such index and is placed around the median thereof according to market capitalisation.

The following graph shows the comparison between the remuneration of non-Executive directors of Red Eléctrica, in 2015, with regard to the indicated comparator group:

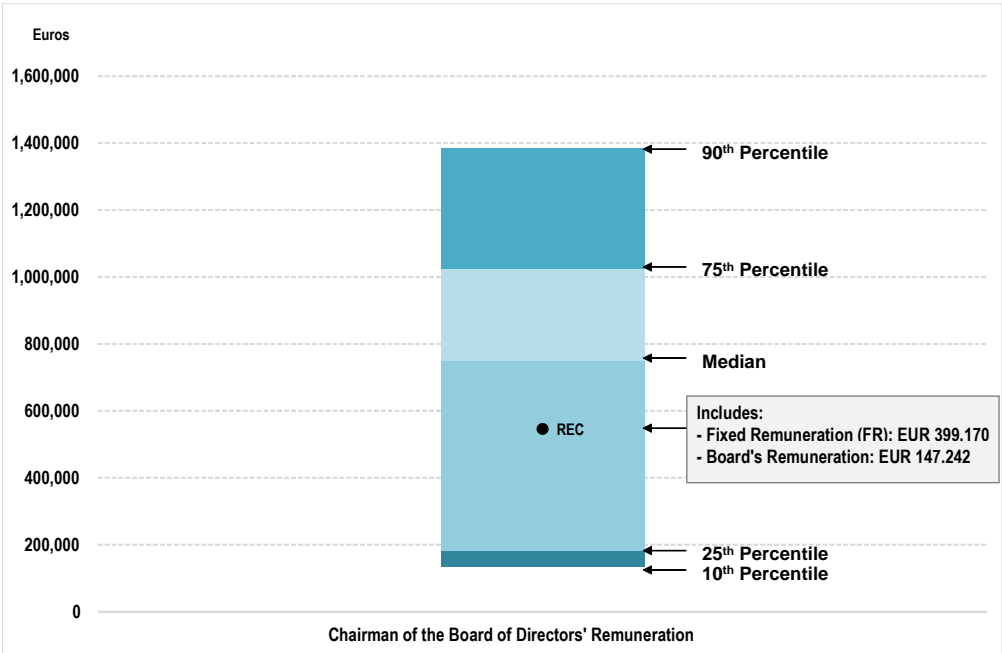


The remuneration of non-executive directors of the Company is in line with the average of the comparator group (Ibex-35).

Additionally, for the purpose of proposing to the Board of Directors the level of remuneration of its Chairman (non executive) after the Annual General Meeting of Shareholders to be held in 2016, the Committee has made a reflection exercise in 2015, where it has considered the following factors:

- The special responsibility of the position.
- The additional dedication with regard to the other members of the Board of Directors.
- The experience that may be demanded from the position.
- The market data. The Commission has carried out a remuneration benchmarking in which it has considered a comparator group formed by the 9 companies in the Ibex-35 that have the position of non-executive Chairman, located in Spain.

The following graph shows the comparison between the remuneration of the Chairman of the Board of Directors of Red Eléctrica, in 2016, with regard to the indicated comparator group:



Note: for illustration purposes, the remuneration of the Chairman of the Board of Directors is indicated assuming 11 sessions.

The remuneration of the Chairman of the Board of Directors is below the median of the comparator group (Ibex-35).

As a result of the previous analysis, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has decided for the year 2016, to maintain the same amounts and remuneration elements than the ones established for 2015 for the members of the Board of Directors and additionally, to establish a fixed remuneration component to remunerate the position of Chairman (non-executive) of the Board of Directors, leaving things as follows:

Fixed remuneration

- EUR 130,742 per annum per director, to be paid monthly before the fifth (5th) day of the following month.

Per diems for attending meetings of the Board of Directors

- EUR1,500 for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for the year 2016 in the calendar approved by the Board of Directors. Proxies may be granted without losing the entitlement to receive the per diem for just cause, a maximum of two (2) times a year. Such amount shall be paid within fifteen (15) days of the meeting being held.

The holding of extraordinary meetings of the Board of Directors, in person or electronically, does not result in remuneration in the form of per diems.

Chairman of the Board of Directors

- EUR 399,170 per annum, to be paid monthly before the fifth (5th) day of the following month.

Such remuneration shall apply from the time the Chairman of the Board of Directors loses his executive powers, since they are directly assumed by the Chief Executive Officer, and must be apportioned rateably, taking into account such circumstance. Until such time, he will maintain the remuneration reported to the Extraordinary General Meeting of Shareholders held on 17 July 2015.

The Chairman of the Board will also maintain the annual remuneration established for all directors, as members of the Board of Directors, as “Fixed remuneration” and “Per Diems for attendance at meetings of the Board of Directors”.

Service on Board of Directors Committees

- EUR 27,900 per annum for each member of the Board Committees, to be paid monthly before the fifth (5th) day of the following month. The above amount per year, regardless of the number of meetings of the Committees held during the year 2016.
- EUR 15,000 per annum for each of the chairmen of the Board Committees, to be paid monthly before the fifth (5th) day of the following month. The above amount is per year, regardless of the number of meetings of the Committees held during the year 2016.

Coordinating Independent Director

- EUR 15,000 per year, to be paid monthly, before the fifth (5th) day of the following month.

4. Implementation of the remuneration policy in 2015

4.1. Implementation of the remuneration policy for executive directors in 2015

4.1.1. Executive Chairman

Annual fixed remuneration

The fixed remuneration for the *Executive Chairman* amounted to EUR 399,170 for the period comprised between 1 January and 31 December 2015.

Annual variable remuneration

A variable remuneration has been established for the *Executive Chairman*, from 1 January to 28 July 2015, on the terms described below, pursuant to that established in the Annual Report on Directors' remuneration, approved by the Annual General Meeting of Shareholders held on 15 April 2015.

Pursuant to the resolutions adopted at the Extraordinary General Meeting of Shareholders 2015, since 28 July 2015, the Chairman of the Board of Directors has been allocated a

reduced remuneration, which reflects the process of splitting of the positions of Chairman of the Board of Directors and Chief Executive Officer. That implies that the annual variable remuneration is reduced to 50% of the target annual variable remuneration to which he was entitled up to such date. From 1 January to 28 July 2015, the Chairman of the Board has been allocated a target annual variable remuneration equivalent to 50% of his annual fixed remuneration and, in the period comprised between 29 July and 31 December 2015, he has been allocated a target annual variable remuneration equivalent to 25% of his fixed remuneration.

The Appointments and Remuneration Committee established the relevant targets at the beginning of 2015, which were described in detail in the Annual Report on remuneration of Directors approved at the Company's Annual General Meeting of Shareholders held on 2015, and has done a quarterly follow-up of the compliance with the same throughout the year. Upon conclusion of the year, the Committee has carried out a process to assess its compliance, where it has been supported by the Economic-Financial Corporate Management, responsible for the Group's management control and which has provided information about the Company's and the consolidated Group's audited results. In such assessment, the Committee has also considered the possible impact of the targets in the long term, and any risk associated to the same.

The annual variable remuneration for the *Executive Chairman*, established for 2015, is based on compliance with a combination of quantitative and qualitative business targets measured at Group level. Below is a chart with the targets set, their weight and the achievement reached in each of them – after an assessment made in February 2016 by the Committee – to determine the amount of the incentive (annual variable remuneration) to be paid:

Types of Targets and Weighting	Metrics	Weighting	Performance Range	Level Achieved	Level of Payment of Incentive for each Metric
QUANTITATIVE (70%)	1. Consolidated Group Result	35%	95% - 100%	100%	100%
	2. ROIC	35%	95% - 100%	100%	100%
QUALITATIVE (30%)	3. Strategic Plan Level of Progress	30%	Up to 133%, assessment by the CNR(1)	100%	100%
TOTAL		100%		100%	100%

(1) Appointments and Remuneration Committee

To determine the level achieved and the amount of incentive applicable for the year 2015, regarding the “quantitative targets”, the Appointments and Remuneration Committee, at its meeting of 17 February 2016, considered the following matters:

1. The book figure gives a consolidated Result for the Red Eléctrica Group in 2015 of 606 million euros, which entails a degree of target achievement of 100%.
2. The Return on invested capital (ROIC) figure of the Red Eléctrica Group in the year 2015 has reached 9.1%, which entails a degree of target achievement of 100%.

Regarding target 3. “Strategic Plan Level of Progress” (“qualitative target”), given the definition of the target, the Appointments and Remuneration Committee, upon assessing the relevant circumstances, has considered that the degree of weighted compliance with this “target 3” should be 100%.

After the assessment of achievement of the above-mentioned three targets, the Appointments and Remuneration Committee has considered an overall achievement of targets of 100%. Accordingly, the annual variable remuneration amounts to EUR 156,930 (100% of the target incentive), broken down as follows:

- For the period from 1 January to 28 July 2015: prorated amount according to the remuneration policy approved for such period consisting in a variable remuneration of 50% of the fixed remuneration for an achievement of 100% of the targets.

- For the period from 29 July to 31 December 2015: prorated amount according to the remuneration policy approved for such period consisting in a variable remuneration of 25% of the fixed remuneration for an achievement of 100% of the targets.

Multi-year variable remuneration

As was reported at the Extraordinary General Meeting of Shareholders held on 17 July 2015, the *Executive Chairman* does not participate in the multi-year variable remuneration plan as a consequence of the splitting positions of Chairman of the Board of Directors and Chief Executive Officer undergone by the Company.

Such remuneration is considered only until 28 July, date of appointment of the *Chief Executive Officer*. The amount to which the Executive Chairman is entitled for such time must be assessed by the Appointments and Remuneration Committee in the first quarter of 2016.

Pensions and other benefits

The *Executive Chairman* is the beneficiary of a life insurance since 28 July 2015, date on which it amended its contract, the premium of which amounts to EUR 3,650 for the year 2015, and which is consistent with that established in the directors' remuneration policy approved at the Annual General Meeting of Shareholders held in April 2015.

The Chairman of the Board of Directors has not received any other type of benefits in 2015.

At 31 December 2015, the Balance sheet has no credits, advances granted, or guarantees set up by the Company in favour of the *Executive Chairman*, nor are there any acquired commitments in matters of pensions.

4.1.2. Chief Executive Officer

Annual fixed remuneration

The fixed remuneration of the *Chief Executive Officer* amounted to EUR 100,440 for the period comprised between 28 July and 31 December 2015, equivalent to EUR 235,000 per annum.

Annual variable remuneration

The *Chief Executive Officer* has been allocated a target annual variable remuneration equivalent to 50% of his fixed remuneration for the period comprised from 28 July to 31 December 2015. According to the Report on the process for the splitting positions of *executive Chairman and Chief Executive Officer* submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015, the targets established for the *Chief Executive Officer* with regard to the determination of his annual variable remuneration are the same ones that apply to the *Executive Chairman*, and thus we refer to the subsection that deals with the Executive Chairman regarding the assessment of achievement.

Accordingly, the annual variable remuneration for the *Chief Executive Officer* amounts to EUR 50,220 (100% of the target incentive). Such amount is the result of apportioning the amount of the annual variable remuneration according to the number of days elapsed in 2015 since the date of the appointment as Chief Executive Officer, on 28 July, until 31 December 2015.

Multi-year variable remuneration

Compliance with the directors' remuneration plan for the 2014-2019 period, in which the *Chief Executive Officer* participates, is linked to the achievement of the targets established in the Group's Strategic Plan for such period and, additionally, to the satisfaction of certain conditions.

The fundamental terms and conditions of such plan have been explained in the relevant section of this report concerning the Policy for remuneration of executive directors in 2016, and we thus refer to the same to avoid reiterations.

Pensions and other benefits

The *Chief Executive Officer* has received a supplement in cash for social benefits, which amounts to EUR 25,650 for the period comprised between 28 July and 31 December 2015 (EUR per year 60,000).

Additionally, he is the beneficiary of a life insurance with a premium of EUR 730 for the year 2015.

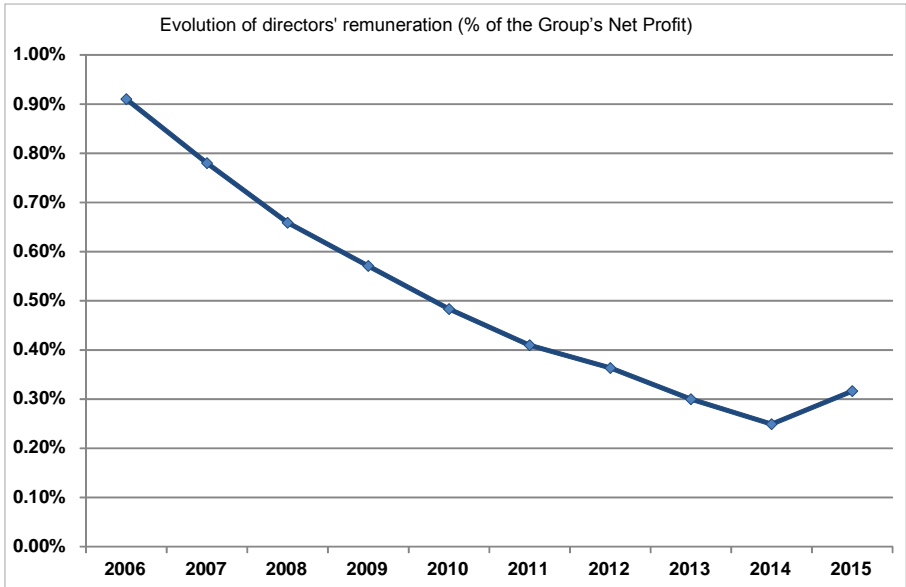
At 31 December 2015, the Balance sheets has no credits, advances granted, or guarantees set up by the Company in favour of the *Chief Executive Officer*, nor are there any acquired commitments in matters of pensions.

4.2. Implementation of the policy for remuneration of non-executive directors (as members of the Board of Directors) in 2015^(*)

^(*)This also applies to the *Executive Chairman* and to the *Chief Executive Officer* for their functions as directors.

Below is a chart with the percentages of remuneration of the Board of Directors, with regard to the net profits of each year, in the last 10 years, and a graph that shows the evolution thereof:

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Remuneration (% net profit of the Group)	0.91%	0.78%	0.66%	0.57%	0.48%	0.41%	0.36%	0.30%	0.25%	0.32 %



In the year 2015, the amount of overall remuneration of the Board of Directors was 1,916 thousand euros (1,788 thousand euros in 2014). The increase with regard to the previous year is due essentially (128 thousand euros) to the split of functions, which entails the incorporation, since 28 July, of the remuneration for the new Chief Executive Officer, both in his capacity as member of the Board of Directors, and as the Chief Executive Officer in the

Company; and, to a lesser extent, the increase in the number of members of each one of the two committees of the Board of Directors, which have gone from four to five members, for the purpose of further involving directors in the committees of the Board of Directors, also entails a slight increase of this item.

For the year 2015 the same amounts and categories as the ones established for 2014 have been maintained, as stated below:

Fixed remuneration: EUR 130,742 per annum per director.

Per diems for attending meetings of the Board of Directors: EUR 1,500 for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2015, the total amounting to EUR 16.500. In addition, three (3) extraordinary meetings of the Board of Directors were held, which have not given rise to remuneration in the form of per diems.

Service on Board of Directors Committees:

- EUR 27,900 per annum for each member of the Board Committees.
- EUR 15,000 per annum for each of the chairmen of the Board Committees.

Coordinating Independent Director: EUR 15.000 per annum.

5. Remuneration of senior executives

The purpose of the remuneration policy applicable to this group is to act as an incentive for the achievement of the strategic objectives of value creation at the Company to appropriately recognise the best professionals in the market. The remuneration of the senior executives is aligned with the principles and criteria contained in the remuneration policy applicable to executive directors described in this document.

Set forth below are the categories of the remuneration policy applied by the Company to such executives:

Annual fixed remuneration

Fixed remuneration is determined on the basis of the executive's level of responsibility and leadership within the organisation, in line with the going rate at comparable companies. The fixed component must represent a sufficient portion of total remuneration to maintain a suitable and balanced remuneration mix.

Annual variable remuneration

Annual variable remuneration is linked to quantifiable and measurable objectives set by the Appointments and Remuneration Committee at the start of the year and monitored on a quarterly basis throughout the year. Said Committee is also responsible, when the period has ended, for evaluating the level of achievement of the objectives previously established. These objectives are related to the strategies and criteria contemplated in the strategic plan approved by the Board of Directors.

Multi-year variable remuneration

The senior executives participate in the Multi-year variable remuneration Plan, as does the Chief Executive Officer.

The basic objectives, criteria and components of the long-term remuneration plan have been explained previously in the sections of this report applicable to the executive director.

The participation of the senior executive team in the multi-year variable remuneration Plan will be subject to the conditions established by the Company's regulations.

Flexible remuneration pool

All or a part of a remuneration pool may be used for various alternative in-kind products. Such pool includes those products which at the time have a tax benefit.

Other categories

At 31 December 2015 there are no advances to these executives, nor loans granted to such executives.

Contractual terms and conditions

There are no guarantee or golden parachute clauses for dismissals in favour of the Senior Executives currently servicing within the Group. In the case of extinction of the employment relationship, the indemnification to which they would be entitled would be calculated in accordance with the applicable labour rules. The contracts for these executives have been approved by the Appointments and Remuneration Committee, and duly notified to the Board of Directors.

Senior executives who have not yet reached the age of 60 years old, are included in the Structural Management Plan started by the Company in 2015. To this effect, it must be noted that the Company's Appointments and Remuneration Committee has approved in 2015 the commencement of a Structural Management Plan which will apply to part of the executive team, for the purpose of managing the replacement and management of the executive positions affected by the same, in an orderly and efficient manner. Participation in the mentioned Plan is subject to the satisfaction of certain conditions and may be amended or revoked in certain cases, among them, a consecutive unfavourable evolution of the Group's results.

6. Individual remuneration tables

6.1. Remuneration of the executive director, in all categories, for the year 2015

The following is a summary of the total gross remuneration, in euros, earned by the *Executive Chairman* and *Chief Executive Officer* during the year 2015:

Director	Position	Fixed remuneration	Annual variable remuneration	Remuneration for his functions as director	Other remuneration	Total
Mr José Folgado Blanco	Executive Chairman	399,170	156,930 ⁽¹⁾	147,242 ⁽²⁾	3,650	706,992
Mr Juan Lasala Bernad ⁽³⁾	Chief Executive Officer	100,440	50,220	67,248 ⁽⁴⁾	26,380	244,288

(1) The annual variable remuneration of the Executive Chairman is the sum of the following amounts:

- For the period from 1 January to 28 July 2015: pro-rata amount according to the remuneration policy approved for such period, consisting of a variable remuneration of 50% of the fixed remuneration for an achievement of 100% of the targets.

- For the period from 29 July to 31 December 2015: pro-rata amount in accordance with the remuneration policy approved for such period, consisting of a variable remuneration of 25% of the fixed remuneration for an achievement of 100% of the targets

(2) It includes fixed remuneration as director (EUR 130,742) and per diems for attendance and serving the Board (EUR 16,500).

(3) The remuneration of the Chief Executive Officer corresponds to the transitional period, from his appointment on 28 July until 31 December 2015. The relevant annual amounts have been apportioned accordingly.

(4) It includes fixed remuneration as director (EUR 59,748) and per diems for attendance and serving the Board (EUR 7,500) from the time he was appointed Executive Director by the Extraordinary General Meeting of Shareholders held on 17 July 2015.

6.2. Remuneration for non-executive directors (as members of the Board of Directors), in all categories, for the year 2015

The total remuneration of the Board of Directors for the year 2015, excluding the remuneration of executive directors due to their employment relationship (executive functions) with the Company, entails, in all categories, 0.32%¹ of the net profit of the Red Eléctrica Group allocated to the holding company, for the year 2015.

The remuneration earned by the members of the Company's Board of Directors in the year, in thousands of euros, broken down by director, as they appear in the Annual Accounts for the year 2015, are the following:

	<u>Fixed</u> <u>Remuneration</u>	<u>Variable</u> <u>Remuneration</u>	<u>Per diems for</u> <u>attending the</u> <u>Board</u>	<u>Dedication to</u> <u>Commissions</u>	<u>Chairman</u> <u>Commission</u> <u>Board and LID</u>	<u>Other</u> <u>Remune-</u> <u>ration</u>	<u>Total 2015</u>	<u>Total 2014</u>
Mr José Folgado Blanco	530	157	16	0	0	4	707	746
Mr Juan Lasala Bernad	160	50	8	0	0	26	244	0
Ms María de los Angeles Amador Millán	131	0	16	15	0	0	162	175
Mr Fernando Fernández Méndez de Andrés	131	0	16	28	0	0	175	175
Ms Paloma Sendín de Cáceres	131	0	16	28	7	0	182	190
Ms. Carmen Gómez de Barreda	131	0	16	28	15	0	190	190
Ms. María José García Beato ⁽²⁾	131	0	16	28	0	0	175	152
Ms. Socorro Fernandez Larrea ⁽²⁾	131	0	16	28	0	0	175	95
Mr. Antonio Gómez Ciria ⁽²⁾	131	0	16	28	0	0	175	95
Mr. Santiago Lanzuela Mariña ⁽²⁾	131	0	16	3	0	0	150	61
Mr Francisco Ruíz Jiménez ⁽¹⁾	117	0	16	25	0	0	158	171
Mr Jose Luis Feito Higuera	115	0	16	16	8	0	155	0
Mr Jose Angel Partearroyo Martín ⁽¹⁾⁽²⁾	3	0	2	0	0	0	5	64
Other members of the Board ⁽³⁾	0	0	0	0	0	0	0	273
Total Remunerations accrued	1.973	207	186	227	30	30	2.653	2.387

(1) Amounts owed by SEPI (Sociedad Estatal de Participaciones Industriales)

(2) The variation from 2014 to 2015 is because of new appointments within the Board and participation in commissions

(3) Members of the Board who left during 2014

(4) It includes costs from the social benefits that the Chairman and the Chief Executive Officer have included in their remuneration, among others a life insurance.

¹ The net profit of the RED ELÉCTRICA Group attributed to the holding company for the year 2015 has amounted to thousand EUR 606,013 (thousand EUR 717,812 in the year 2014).

6.3. Remuneration of Senior Executives, in all categories, for the year 2015

The senior executives who rendered services throughout the year 2015 are the following:

Name	Position	Accrual period in the year 2015
Carlos Collantes Pérez-Ardá	General Manager of Transmission	From 1 January to 26 November 2015
	Deputy General Manager for the Chief Executive Officer	From 26 November to 31 December 2015
Eva Pagán Díaz	General Manager of Transmission	From 26 November to 31 December 2015
Andrés Seco García	General Manager of System Operation	From 1 January to 18 November 2015
Miguel Duvison García	General Manager of System Operation	From 26 November to 31 December 2015

In the year 2015, the total remuneration earned by the senior executives has amounted to 740 thousand euros (729 thousand euros at 31 December 2014) and is recorded as Staff expense in the Profit and Loss Account. These amounts include the accrual of annual variable remuneration based on achievement of the targets fixed for each year. Once achievement of the aforesaid targets has been evaluated, the variable remuneration is paid in the first months of the following year, the remuneration depending on the actual achievement.

Of the total remuneration earned by these executives, contributions to life insurance and pension plans amounted to EUR 13,000 (EUR 16,000 in 2014)

At 31 December 2015 and 2014 there were no advances to these executives.

At 31 December 2015 there were no loans granted to these executives. On 31 December 2014 the loans had an outstanding balance of EUR 218,000.

There are no guarantee or golden parachute clauses for dismissals in favour of the senior executives currently servicing within the Group. In the case of termination of the employment relationship, the indemnification to which they would be entitled would be calculated in accordance with the applicable labour rules. The contracts for these executives have been

approved by the Appointments and Remuneration Committee, and duly notified to the Board of Directors.

During 2015 accrued expenses have been recorded in connection with the departure, during the year, of a senior executive, pursuant to his contractual terms and conditions, for an amount of 914 thousand euros, which included the fixed remuneration, the annual variable remuneration, and the accrued part of the 2014-2019 long term remuneration.

7. Tables of voting results

The following table sets out the voting percentages obtained at the Company's Annual General Meetings of Shareholders held in the years 2014 and 2015, in connection with the Annual Report on remuneration of directors:

Annual report on remuneration of directors: votes (%)			
Date of the Meeting	For	Against	Abstention
15/04/2015	63.903%	0.630%	35.467% ⁽¹⁾
9/05/2014	61.295%	2.752%	35.953% ⁽²⁾
18/04/2013	95.705%	4.116%	0.179%

(1) Of the aforesaid percentage, 34.95% corresponds to the vote of Sociedad Estatal de Participaciones Industriales (SEPI).

(2) Of the aforesaid percentage, 35.64% corresponds to the vote of Sociedad Estatal de Participaciones Industriales (SEPI).

**8. Annex: Official Form of Annex I per CNMV Circular
4/2013 (amended by CNMV Circular 7/2015)**

ANNEX 1

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

ISSUER IDENTIFICATION

ENDING DATE OF REFERENCE PERIOD

31 December 2015

C.I.F.

A-78003662

CORPORATE NAME

RED ELECTRICA CORPORACION, S.A.

REGISTERED OFFICE

PASEO DEL CONDE DE LOS GAITANES, 177 (LA MORALEJA-ALCOBENDAS)
MADRID

FORM OF ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN COURSE

A.1 Explain the company's remuneration's policy. Within this section include information regarding:

- General bases for and principles of the remuneration policy.
- Most significant changes made to the remuneration policy by reference to the policy used during the prior period, and the changes that have been made during the year in the terms for exercise of options already granted.
- Criteria used and composition of the groups of comparable companies the remuneration policies of which have been reviewed in order to establish the company's remuneration policy.
- Relative importance of the variable remuneration categories by reference to the fixed categories, and criteria used to determine the various components of the remuneration package of the directors (remuneration mix).

Explain the remuneration policy

The quality and commitment of the members of the Board of Directors and senior managers of Red Eléctrica are essential to success in fulfilling the strategies of the Red Eléctrica Group. To that end the Appointments and Remuneration Committee prepares and proposes to the Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter also called the "Company" or "Red Eléctrica") the policy and practices regarding remuneration to be applied to the Board of Directors and the senior management, to appropriately recognise the best professionals.

The general principles underlying the remuneration policy for directors are as follows:

- Balance and moderation;
 - Alignment with the practices demanded by the shareholders and investors;
 - Transparency;
 - Voluntary submission of any decision related to the director remuneration to the approval of the Annual General Meeting of Shareholders.
- i) Regarding the remuneration of the Executive Director, the following principles are applied:
- Alignment of the remuneration policy for the Executive Director with the Company's strategy;
 - Maintenance of a reasonable balance among the various components of the fixed remuneration (short-term) and variable remuneration (annual and long-term), reflecting an appropriate assumption of risks combined with achievement of defined objectives, tied to the creation of sustainable value;
 - Alignment with the remuneration established by comparable companies.
- ii) Regarding the remuneration of non- Executive Directors, the following are notable:
- Relationship to effective dedication;
 - Linked to responsibility and performance of tasks as directors.
 - Absence of variable components in their remuneration in order to ensure their complete independence of the remuneration paid to the Executive Director and the management team.
 - Acting as an incentive, without the amount affecting their independence.

The Appointments and Remuneration Committee deems it appropriate to periodically review the remuneration's policy of the Board of Directors and Executive Director, including in this review process a comparison with reference companies, selecting groups of comparable companies, and maintaining permanent contact with its shareholders and proxy advisors, in order to check the adequacy and moderation of the remuneration paid to directors and the Executive Director in market terms.

All of the foregoing principles conform to the remuneration policy for directors, approved by the Annual General Meeting of Shareholders in 2015, the Company's corporate governance policy, approved by the Board of Directors at its meeting of 25 November 2014 and published on the corporate website.

Moreover, said remuneration principles comply with what is generally established for capital companies in Article 217.4 of the Spanish Corporate Enterprises Act, on adequacy to each company's size and

relevance, economic position, comparability, profitability and sustainability; and not excessively assuming risks or rewarding unfavourable results.

In 2015, on proposal of its Chairman, the Board of Directors of Red Eléctrica considered it to be appropriate to call an Extraordinary General Meeting of Shareholders for approval of the steps necessary to splitting positions of Chairman of the Board of Directors and the Chief Executive Officer of the Company, in order to improve the corporate governance structure of the Company, for the benefit of Red Eléctrica and its shareholders. The approval by the Extraordinary General Meeting of Shareholders held on 17 July 2015 of the increase of the number of directors from eleven to twelve and the appointment of a new Executive Director, constituted decisive steps in the process of splitting positions of Chairman of the Board of Directors and Chief Executive of the Company, allowing the Board of Directors, at its meeting of 28 July 2015, to appoint a CEO other than the Chairman of the Board of Directors. This process, after a 9-month transitional period, culminated in the Annual General Meeting of Shareholders held in 2016, with the definitive transfer by the Chairman of the Board of all of his executive functions to the CEO and, as a result, from the date of that Annual General Meeting of Shareholders, the Chairman of the Board of Directors will have exclusively the responsibilities inherent in that position. During the aforesaid transitional period the scheme for remuneration of the positions of Chairman of the Board of Directors and CEO was established in accordance with the provisions of the directors' remuneration policy, approved at the Annual General Meeting of Shareholders in 2015, with the adjustments and modifications introduced in the Report on the process of splitting positions of Chairman of the Board of Directors and Chief Executive Officer (CEO) of the Company, submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015.

Nonetheless, in 2016 it is necessary to adapt the remuneration scheme for both positions to the progressive transfer of executive functions and the respective scope of responsibility of the Chairman of the Board of Directors and the CEO. In this regard, it is contemplated that the modification of the current director remuneration policy will be submitted for approval of the next Annual General Meeting of Shareholders, to be held in 2016, as a point on the Agenda separate from the annual report on directors' remuneration. The principal changes introduced in the remuneration's policy for directors are as follows:

i) In relation to the remuneration of the Chairman of the Board of Directors, to introduce, as a part of the non- Executive Directors remunerations' policy, an additional component of fixed annual remuneration allowing appropriate remuneration of the special responsibility, dedication and experience required by that position.

ii) In relation to the remuneration of the CEO:

- To adapt the total remuneration level taking account of the assumption of all of the executive functions and, in particular, full leadership within the organisation and the results of the Company. Also, as was reported to the Extraordinary General Meeting of Shareholders held on 17 July 2015, the remuneration of the CEO must fall at the 25th percentile of the market references (1,025,000 euros), although this objective is not achieved by the modifications proposed regarding his remuneration in 2016, as described in the corresponding subsections of this report.

- Increasing the weight of variable remuneration of the total remuneration, in line with the guidelines of the institutional investors and proxy advisors, so that the variable remuneration, both annual and multi-year, will have a 51% weight in total remuneration.

- Tying annual variable remuneration to both Group objectives, contemplated in the 2016 Budget and included within the 2014/2019 Strategic Plan, and operating objectives tied to the Group's business. - Amending the form of payment of gross annual variable remuneration, so that 25% thereof will be delivered in shares of the Company. Also, the CEO assumes the commitment to the Company, while remaining in that position, to retain ownership of the shares received for at least five years.

Details of these changes are described in following subsections A.3 and A.4.

The other elements and characteristics of the remuneration's policy to be applied during the 2016 financial year will be on terms similar to those that were applied in the 2015 financial year.

A.1.3. Criteria used to establish the Company's remuneration's policy.

The Board, on proposal of the Committee, considers the following matters, among others, when establishing the remuneration policy:

a) The provisions of the Bylaws, the Board of Directors Regulations and the principles established in the corporate governance policy approved by the Board of Directors of the Company, at the General Meeting of 25 November 2014, published on the corporate website.

b) The general principles and internal criteria described in subsection A.1.1.

b) The applicable regulations.

d) Market data and the guidelines of institutional investors and proxy advisors, as well as the information received by them in the process of consultation undertaken by the Red Eléctrica Group. For more details in this regard, see subsection A.2.

The total remuneration of the CEO is comprised of the following remuneration elements: (i) fixed remuneration, (ii) short-term variable remuneration and (iii) long-term variable remuneration. In a

scenario of standard achievement of objectives (targets), as regards the remuneration mix it may be stated that approximately 50% of total remuneration is fixed, the remaining 50% being variable.

Regarding non- Executive Directors, the remuneration policy seeks to remunerate them in a manner appropriate to their professionalism and experience, and the dedication and responsibility assumed by them, without the remuneration paid compromising their independence. Along these lines, the remuneration of directors in their capacity as members of the Board of Directors and/or its committees consists of fixed remuneration, per diems for attending meetings of the Board and a fixed amount for service on Board committees, together with specific remuneration for the Chairmen of committees and the coordinating independent director. Therefore, all of the remuneration is of a fixed nature.

A.2 Information on preparatory work and the decision-making process that has been used to determine the remuneration policy and the role, if any, played by the Remuneration Committee and other supervisory bodies in setting the remuneration's policy. This information if appropriate will include the mandate and composition of the Remuneration Committee and the identity of the outside advisors the services of which have been used in the determination of the remuneration policy. It will also state the nature of the directors, if any, that have participated in determination of the remuneration policy.

Explain the process for determination of the remuneration policy

The Appointments and Remuneration Committee believes it is essential to review the remuneration policy for directors periodically, in line with best corporate governance practices adopted by institutional shareholders and recommendations of the principal proxy advisors.

In this regard, with the objective of proposing appropriate levels of remuneration for the Chief Executive Officer after the Annual General Meeting of Shareholders held in 2016, the Committee in 2015 undertook remuneration benchmarking, which considered a comparison group comprised of 16 companies selected based on the same criteria as were applied in the remuneration analysis undertaken in 2014 for the Executive Chairman. These criteria (geographical scope, scope of responsibility, business sector and size) are set forth in detail in the proposed amendment of the directors' remuneration policy that is submitted for approval of the next Annual General Meeting of Shareholders in 2016.

The companies comprising the comparison group are as follows: Acerinox, Almirall, Amadeus, Atresmedia, Catalana Occidente, Enagás, Gamesa, Grifols, Indra, Mediaset, Meliá, NH Hotel Group, OHL, Sacyr, Técnicas Reunidas and Zardoya Otis.

In summary it can be concluded that an overall view of the size data of the Red Eléctrica Group points to a reference market between the median and the 75th percentile. In terms of "target" remuneration, that is, for a standard level of achievement of objectives, the position of CEO of the Red Eléctrica Group, after the Annual General Meeting of Shareholders held in 2016, is at the 25th percentile.

In relation to the directors in their capacity as such, the reference market is comprised of the Company's belonging to the Ibex-35 stock market index, since Red Eléctrica is included within this index. The results of the analysis show that the remuneration of the non- Executive Directors of the Company is in line with the average of the comparison group (Ibex-35).

In addition, with the objective of a proposal to the Board of Directors of the level of remuneration of its Chairman of the Board of Directors (non-Executive) after the Annual General Meeting of Shareholders held in 2016, the Committee in 2015 reflected on the following factors:

- The special responsibility of the position.
- The additional dedication by comparison with ordinary members of the Board of Directors.
- The experience required by the position.
- Market data. The Committee undertook remuneration benchmarking which considered a comparison group comprised of 9 Ibex-35 companies located in Spain that have a non-Executive Chairman.

A.2.2. Remuneration Committee: Mandate: During 2015 the Committee met fourteen (14) times. Meetings of the committee are reported to the Board of Directors, upon conclusion of meetings of the committee, making the documentation considered thereby available to the Board, and minutes of the meetings held are prepared and, once approved, made available to all of the directors.

According to the schedule established for 2016, the Appointments and Remuneration Committee will hold eleven (11) ordinary meetings during the year, without prejudice to holding extraordinary meetings during that period.

During the 2015 and 2016 financial years, up to the date of approval of this report, the most important actions taken by the Appointments and Remuneration Committee, as regards remuneration, were as follows:

- Approval and monitoring of the Business Objectives tied to the variable remuneration of the Executive Directors (Executive Chairman and CEO) for the 2015 financial year, and review and approval of those corresponding to 2016 (for the Executive Chairman, while continuing to have executive authority, that is, until the end of the transitional period culminating the process of splitting positions of Chairman of the Board and CEO; for the CEO during the 2016 financial year).
- Approval and monitoring of business, management and management committee objectives tied to variable remuneration of senior managers for 2015, and approval of those corresponding to 2016.
- Evaluation of achievement of objectives tied to annual variable remuneration of the Executive Directors (Executive Chairman and CEO) and of the senior managers, corresponding to 2014 and 2015.
- Proposal of the Multi-Year Variable Remuneration Plan, for referral to the Board and subsequent submission to the Ordinary General Shareholders Meeting, as an element of the remuneration policy for Executive Directors and senior managers, with a term of 6 years, tied to the objectives in the 2014/2019 Strategic Plan, subject to satisfaction of certain conditions.
- Proposal of a structural management plan of the management group, the purpose of which is to achieve management of the aging of the management team in an orderly and efficient manner.
- Proposal for the 2015 and 2016 financial years of the remuneration of the Board of Directors (for its non-executive functions) comprised solely of remuneration elements of a fixed nature, for referral to the Board and subsequent submission to the Annual General Meeting of Shareholders.
- Proposals of annual director's remuneration reports, to be referred to the Board and subsequently submitted to the Annual General Meeting of Shareholders, for 2015 and 2016. (continues in subsection E).

A.3 Indicate the amount and nature of the fixed components, broken down, if applicable, of the remuneration for performance of duties of senior management of the Executive Directors, the additional remuneration as Chairman or a member of any board committee, of the per diems for participation on the board and its committees or other fixed remuneration as a director, as well as an estimate of the fixed annual remuneration resulting therefrom. Identify other benefits that are not paid in cash and the basic parameters on the basis of which they are granted.

Explain the fixed components of remuneration

A. Executive Directors

In 2016 there are two different periods for purposes of the remuneration of the executive chairman and the Chief Executive Officer, which depend on certain corporate milestones tied to the progressive transfer of executive functions from the former to the latter, which process will culminate with total transfer of those functions at the next Annual General Meeting of Shareholders of the Company:

1) From 1 January until the date of holding the Annual General Meeting of Shareholders in 2016, the ending date of the transitional period for transfer of all executive functions to the CEO. In this period the remuneration policy corresponds to the principles and criteria contained in the directors' remuneration policy approved by the Annual General Meeting of Shareholders in 2015, and responds to the resolutions approved by the Extraordinary General Meeting of Shareholders in 2015.

2) From the date of holding the Annual General Meeting of Shareholders of the Company in 2016, which period will begin with a Chairman of the Board of Directors without executive functions and a Chief Executive Officer with full executive functions. In this period, it is proposed to adapt the directors' remuneration policy to fit the new corporate governance structure, also respecting the original criteria and principles of the policy approved by the Annual General Meeting of Shareholders in 2015, which modification will be submitted for approval of the Annual General Meeting of Shareholders in 2016.

1. Chairman of the Board of Directors

a) Period from 1 January until the date of holding the Annual General Meeting of Shareholders in 2016: the fixed remuneration will remain at 399,170 euros, with no change by reference to the levels established in the directors' remuneration policy approved at the Annual General Meeting of Shareholders of 15 April 2015 and those reported in the Extraordinary General Meeting of Shareholders held on 17 July 2015. b) From the date of the holding of the Annual General Meeting of Shareholders of the Company in 2016: the details of the remuneration, exclusively of a fixed nature, are included as a part of the non- Executive Directors' remuneration policy in 2016, details which are given in this subsection, since that position thereafter will be attributed non-executive functions. The fixed remuneration amounts to 399,170 euros on an annualised basis.

2. Chief Executive Officer

a) Period from 1 January until the date of holding the Annual General Meeting of Shareholders in 2016: in relation to the CEO, the fixed remuneration will remain unchanged at 235,000 euros per annum.

b) From the date of holding the Annual General Meeting of Shareholders of the Company in 2016: the amount of the fixed remuneration for the CEO is fixed at 399,170 euros, on an annualised basis, and will be paid fully in cash.

B. Non-Executive Directors

Regarding non- Executive Directors, the Bylaws set a cap on overall annual remuneration for the entire Board, in all categories, of 1.5% of the Company's net profits, as approved by the General Meeting. The foregoing remuneration in any event is a maximum, with the proposal for distribution of the amount thereof among the categories contemplated in the Bylaws and among the administrators corresponding to the Board itself, in the form, at the time and in the proportion freely decided by it. For the 2016 financial year, the Board of Directors, on proposal of the Appointments and Remuneration Committee, has decided to maintain the same amounts and categories of remuneration as were established in 2015 for members of the Board of Directors, and in addition to establish a component of fixed remuneration for the Chairman (non-Executive) of the Board of Directors, as follows:

a) Fixed Remuneration: 130,742 euros per annum per director, to be paid monthly before the fifth (5th) day of the following month;

b) Per diems for attendance at meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven (11) ordinary meetings contemplated for 2015 in the schedule approved by the board of directors. Proxies may be granted without losing the entitlement to receive the per diem for just cause, a maximum of two (2) times per year. The aforesaid amount will be paid within the fifteen (15) days following the meeting dates. The holding of extraordinary meetings of the Board of Directors, in person or electronically, does not result in remuneration in the form of per diems.

c) Chairman of the Board of Directors: 399,170 euros per annum, to be paid monthly before the fifth (5th) day of the following month. This remuneration will apply from the time the chairman of the Board of Directors loses his executive authority, when it is directly assumed by the Chief Executive Officer, and must be appropriately prorated taking account of this circumstance. Until that time the remuneration reported to the Extraordinary General Meeting of Shareholders held on 17 July 2015 will be maintained. The Chairman of the Board in addition will retain the annual remuneration established for all directors, as members of the Board of Directors, in the category of "Fixed Remuneration" and "Per diems for attendance at meetings of the Board of Directors". (continues in subsection E).

A.4 Explain the amount, nature and main features of the variable components of the remuneration schemes.

In particular:

- Identify each of the remuneration plans of which the directors are beneficiaries, the scope thereof, the date of approval, the date of implementation, the term of validity and the main features. In the case of option plans on shares and other financial instruments, the general features of the plan are to include information regarding the conditions for exercise of the options or financial instruments for each plan.
- Indicate any remuneration under profit-sharing or bonus plans, and the reason it is paid.
- Explain the basic parameters and basis for any annual bonus system.
- The types of directors (Executive Directors, proprietary non- Executive Directors, independent non- Executive Directors and other non- Executive Directors) that are beneficiaries of remuneration schemes or plans that incorporate variable remuneration
- The underlying basis of such variable remuneration schemes or plans, the criteria for evaluation of performance that are used, as well as the components of and methods for evaluation to determine whether or not the evaluation criteria have been met, and an estimate of the absolute amount of the variable remuneration resulting from the current remuneration plan, based on the degree of fulfillment of the hypotheses or objectives taken as a reference.
- If applicable, the information is to include a report on the payment deferral periods that have been established and/or the periods for retaining shares or other financial instruments, if any.

Explain the variable components of the remuneration schemes

The only directors that receive variable remuneration are the Executive Directors.

1. Chairman of the Board of Directors

a) From 1 January until the date of holding the Annual General Meeting of Shareholders in 2016

i) Annual variable remuneration:

The annual variable remuneration is based on achievement of a combination of business objectives, predetermined and quantifiable, measured at the group level. Approval of the objectives, at the beginning of each year, corresponds to the Appointments and Remuneration Committee. The aforesaid Committee approved the objectives and their weighting for the 2016 financial year at its meeting of 17 February 2016. They are described below.

All of the objectives are contemplated in the 2016 budget, which falls within the new 2014/2019 strategic plan for the Group, approved by the Board of Directors. They are as follows:

- 70% of the incentive depends on economic/financial objectives, which measure the Group's capacity to generate profits, as determined by the following metrics: 35% Consolidated Net Profit of the Red Eléctrica Group and 35% Return on invested capital (ROIC) of the Red Eléctrica Group, which measures net operating profit over invested capital;

- 30% of the incentive depends on aspects tied to the "Degree of Progress of the Strategic Plan".

The Appointments and Remuneration Committee has decided to set the individual achievement threshold of economic/financial targets that triggers the entitlement to variable remuneration at 95%; the maximum possible level of achievement is 100%.

Within the objectives tied to the "Degree of Progress of the Strategic Plan", the Appointments and Remuneration Committee will evaluate the minimum threshold for individual compliance and may determine a maximum level of individual compliance of 133% (up to 40% of individual compliance with the objective, in the event of maximum weighting).

Variable remuneration is calculated on the basis of the level of achievement and weighting of each objective, using the internal objective assessment standards and procedures established by the Company for its executives. The Appointments and Remuneration Committee monitors the objectives quarterly throughout the year. At the end of the year it determines the degree to which the objectives have been achieved. In this evaluation function the committee has the support of the Corporate Finance Office, which is responsible for the management control function within the Group. It provides audited results.

The Appointments and Remuneration Committee will have the autonomy necessary to evaluate the degree of annual compliance with the "Degree of Progress of the Strategic Plan" objective. However, a document will be prepared setting forth the principal aspects and elements the aforesaid committee must consider in objective evaluation of the degree of progress of the aforesaid plan.

The Appointments and Remuneration Committee may propose adjustments of the variable remuneration to the Board under exceptional circumstances, due to internal or external factors. The details of these adjustments, if any, will be broken down in the corresponding annual remuneration report.

For both establishment of objectives and evaluation of achievement thereof, the committee also considers the long-term impact and any associated risk.

The overall maximum achievement of the three foregoing objectives may not exceed 110%.

Annual variable remuneration is paid wholly in cash, during the first three months of the financial year following the year of its accrual.

In the case of the Executive Chairman, the target level, which will be achieved in the event of reaching 100% of the preestablished objectives, remains without change by comparison with what was established in the director's remuneration policy approved by the Annual General Meeting of Shareholders of 15 April 2015, and also in accordance with what was established by the Extraordinary General Meeting of Shareholders in 2015. Therefore, the target variable annual remuneration amounts to 25% of the fixed annual remuneration and the maximum level cannot be in excess of 27.5% of fixed annual remuneration.

ii) Multi-year variable remuneration

In accordance with the provisions of the Board of Directors Report on the process of splitting of positions, which was submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015, there is no justification for maintaining the multi-year variable remuneration for the Executive Chairman, because the scope of his executive functions is limited in time by the process of splitting of positions, for which reason from the date of the aforesaid Extraordinary General Meeting of Shareholders, the Executive Chairman has no remuneration in that category.

b) From the date of holding the Annual General Meeting of Shareholders of the Company in 2016

After the 2016 General Shareholders Meeting, since the Chairman of the Board of Directors will have exclusively the responsibilities inherent in that position and, therefore, will be non-executive Chairman,

the scheme of his remuneration is comprised exclusively of elements of a fixed nature, with no variable remuneration, whether annual or multi-year.

2. Chief Executive Officer

a) From 1 January until the date of holding the Annual General Meeting of Shareholders in 2016

i) Annual variable remuneration

The target level of variable remuneration amounts to 50% of the annual fixed remuneration. This level is in line with the provisions of the directors' remuneration policy approved by the Annual General Meeting of Shareholders of 15 April 2015. The maximum level may not exceed 55% of annual fixed remuneration.

The objectives, weightings and mechanics of the annual variable remuneration for the CEO are as follows:

a) 75% of the incentive depends on the same objectives that have been described for the Executive Chairman (see the corresponding subsection of this report).

b) The remaining 25% depends on operating objectives tied to the business of the Red Eléctrica Group. They are broken down below, together with their weightings:

- Development, efficiency and profitability of the TSO (transmission system operator): 74% of the incentive is tied, inter alia, to implementation of efficiency criteria and achievement of specific maintenance plans allowing optimisation of the safety and quality of the electricity system operation.

- Expansion of the business base: 12% of the incentive depends basically on analysis and implementation of new projects allowing diversification of the traditional businesses of the Group

- Excellence and innovation: 9% of the incentive is tied, inter alia, to deployment of a new technology development plan and improvement in the Group's cybersecurity processes.

- Corporate responsibility: 5% of the incentive depends on completion of a series of key projects included in the annual corporate responsibility plan.

The maximum level of annual variable remuneration tied to the achievement of all of the objectives established for the CEO, described above, is 82.5% of the fixed annual remuneration, which will be reached in the case of maximum overachievement of the aforesaid objectives.

ii) Multi-year variable remuneration

The CEO participates in the multiyear variable remuneration plan addressed to managers, contemplated in the remuneration policy for directors and in the annual report on director remuneration, approved by the Annual General Meeting of Shareholders held in 2015. The plan is for a term of 6 years, in line with the 2014/2019 strategic plan of the Red Eléctrica Group, and extends from 1 January 2014 to 31 December 2019.

The right to receive the cash incentive is conditioned on achievement of objectives tied to the 2014/2019 strategic plan, as well as remaining with the Company over the term of the plan. The objectives and their weighting are described below:

- 20% of the incentive is tied to expansion of the business base, basically in international activity, telecommunications and energy storage ("pumping"). To measure this objective the amount of investment is used as the indicator.

- 25% of the incentive depends on achievement of objectives for the transmission activity; inter alia, the number of kilometres of lines and positions placed in service, volume of investment and profitability indicators.

- 20% of the incentive is tied to the quality of system operation; it is measured based on energy not supplied.

- 25% of the incentive is tied to the efficiency of operations. Two metrics are considered: return on invested capital (ROIC) and profit per share;

- The remaining 10% depends on compliance with the Corporate Responsibility Plan.

When the plan measurement period has ended, the Appointments and Remuneration Committee, in the first quarter of 2020, will evaluate the achievement of each of the objectives, and of the plan as a whole, using information provided by the Company, and will propose the levels of incentive associated with achievement, based on the established achievement scales. In any event, it is established that the weighted-average achievement of the overall objectives must reach at least 70%. If not, no right to receipt of incentive will arise, regardless of individual achievement of each objective. Similarly, the maximum level of achievement of the overall objectives of the plan will be 110%, although weighted-average achievement of the objectives may be greater.

The target remuneration of the CEO in this category amounts to 1.8 times his fixed remuneration, in accordance with the provisions in the approved Executive Director remuneration's policy.

b) From the date of holding the Annual General Meeting of Shareholders of the Company in 2016

i) Annual variable remuneration

In this period only the CEO will maintain the annual variable remuneration on the same terms as established until the holding of the Annual General Meeting of Shareholders in 2016. The target level, which will be reached in the event of achievement of 100% of the preestablished objectives, will be equivalent to 50% of annual fixed remuneration, in line with the director remuneration's policy approved by the Annual General Meeting of Shareholders in 2015. The maximum level, which will be reached in the event of maximum overachievement of the preestablished objectives, will be equivalent to 55% of annual fixed remuneration, corresponding to a maximum level of achievement of objectives (110% of the target level).

A 75% of the gross annual variable remuneration will be paid in cash, and the remaining 25% will be delivered in shares of the Company. In addition, the CEO has assumed a commitment to the Company, while he remains the CEO, to retain ownership of the shares received for at least five years. If the Annual General Meeting of Shareholders does not approve the delivery of shares as remuneration to the Executive Director or establishes a maximum amount less than as indicated, an amount equivalent to the remuneration that cannot be paid in shares will be paid in cash.

The objectives, weightings and mechanics described for the period between 1 January and the Annual General Meeting of Shareholders held in 2016 will be maintained.

ii) Multi-year variable remuneration

After the 2016 General Shareholders Meeting, the CEO will maintain the scheme of multiyear cash variable remuneration in which he participates, on the same conditions upon which he was participating up to the date of holding the Annual General Meeting of Shareholders in 2016. The target remuneration of the CEO in this category does not change, and amounts to 1.8 times fixed remuneration, in accordance with the provisions of the approved Executive Director remuneration's policy.

- A.5 Explain the principal features of the long-term savings schemes, including retirement and any other survival benefit, financed in whole or in part by the Company, whether funded internally or externally, with an estimate of the amount thereof or the equivalent annual cost, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions for vesting of the economic rights in favor of directors and compatibility thereof with any kind of compensation for early termination of the contractual relationship between the Company and the director.

Also indicate the contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes.

Explain the long-term savings schemes

There are no pension obligations undertaken vis-à-vis any member of the Board of Directors.

- A.6 Indicate any compensation agreed or paid in the event of termination of a director's duties

Explain the compensation

No compensation is agreed or paid in the case of termination of duties as a non- Executive Director.

Payment of compensation is contemplated only in cases of termination of the exercise of such executive functions, if any, as may be performed, as described in following subsection A.7.

- A.7 Indicate the conditions to apply to the contracts of Executive Directors exercising senior management functions. The report is to include, inter alia, the duration, the limits on amounts of compensation, minimum terms of employment (cláusulas de permanencia), terms of advance notice, as well as payment as a substitute for the aforesaid advance notice, and any other clauses related to hiring bonuses, compensation or golden parachutes for early termination of the contractual relationship between the Company and the executive director. Include, inter alia, noncompetition, exclusivity, minimum terms or loyalty and post-contractual noncompetition clauses or agreements.

Explain the terms of the contracts of the executive directors

1. Chairman of the Board of Directors

a) Period from 1 January to the date of holding the Annual General Meeting of Shareholders in 2016. The contract governing the Executive Chairman's performance of his functions and duties in his relationship with Red Eléctrica is formed under commercial law and includes the clauses constituting standard practice for this type of contract. The contract with the Executive Chairman was proposed by the Appointments and Remuneration Committee and approved by the Company's Board of Directors.

Without prejudice to the confidentiality obligation expressly established in that contract, the Executive Chairman, in his capacity as Chairman of the Board of Directors, also is bound by the duty of confidentiality established in article 34.a) of the Board Regulations, applicable to all directors, in accordance with which directors are to keep the deliberations of the Board of Directors and its committees secret and, in any event, refrain from disclosing the information, data, reports or records to which they have had access in the performance of their duties. The confidentiality obligation survives departure from office. In addition, in his capacity as a director of Red Eléctrica, he has an obligation not to compete with the Company, on the terms upon which that obligation of directors of the Company is regulated in article 33 of the Board of Directors Regulations, for a term of two (2) years after leaving office, with that not giving him a right to compensation for post-contractual noncompetition, as he is considered to be compensated by his fixed remuneration. This contract, following customary market practices, contemplates a compensation equivalent to one year of remuneration in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director), with no advance notice from the Company being required. The aforesaid compensation will also apply if the Executive Director voluntarily resigns due to a serious and culpable breach of the Company or a material modification of the Executive Director's duties for reasons not attributable thereto. In the calculation of that compensation the base is fixed remuneration, plus the amount corresponding to variable remuneration as Executive Director, calculated assuming a 100% level of achieving objectives. On the ending date of the transitional period, by decision of the Company, the commercial contract of the Executive Chairman will be deemed to be automatically terminated, with cessation of exercise of his executive functions. At this time, the compensation described above will accrue in his favor.

Notwithstanding the foregoing, and without prejudice to accrual of the compensation on the termination date of the commercial contract of the Executive Chairman, it will not be due until the Chairman of the Board of Directors ceases to be a director of the Company for any reason and, therefore, ceases to have any kind of corporate relationship with the Company, whether commercial or otherwise.

The compensation will amount to one year of the fixed remuneration he was receiving in his capacity as executive director, plus the amount corresponding to the variable remuneration calculated on the basis of 100% achievement of objectives.

b) From the date of holding the Annual General Meeting of Shareholders of the Company in 2016

The legal relationship between the Chairman of the Board of Directors and Red Eléctrica will be documented by way of an agreement defined based on the provisions contemplated in respect of directors in the Bylaws, the Board of Directors Regulations, the Annual Meeting Regulations, the director's remuneration policy, the other resolutions and guidelines approved by the Board of Directors and the Annual Meeting within the scope of their authority, and in the applicable corporate regulations.

The Chairman of the Board of Directors is bound by the duty of confidentiality established in article 34.a) of the Board Regulations, applicable to all directors, in accordance with which directors are to keep the deliberations of the Board of Directors and its committees secret and, in any event, refrain from disclosing the information, data, reports or records to which they have had access in the performance of their duties. The confidentiality obligation survives departure from office.

In addition, the Chairman of the Board of Directors has an obligation not to compete with the Company, on the terms upon which that obligation of directors of the Company is regulated in article 33 of the Board of Directors Regulations, for a term of two (2) years after leaving office, with that not giving him a right to compensation for post-contractual noncompetition.

Payment of any compensation is not contemplated in the event of termination of his functions as an external director.

2. Chief Executive Officer

a) Period from 1 January to the date of holding the 2016 Annual General Meeting of Shareholders

During this period the contract governing the CEO performance of his functions and duties in his relationship with Red Eléctrica is formed under commercial law and, as in the case of the executive chairman, includes the clauses constituting standard practice for this type of contract. The contract was proposed by the Appointments and Remuneration Committee and approved by the Company's Board of Directors. (continues in subsection E).

A.8 Explain any additional remuneration accrued to directors as consideration for services rendered other than those inherent in the position.

Explain the additional remuneration

There is no additional remuneration earned by the directors as consideration for services rendered other than those inherent in the position.

- A.9 Indicate any remuneration in the form of advances, loans and guarantees granted, indicating the interest rate, the essential features and the amounts eventually repaid, as well as the obligations assumed on their behalf by way of guarantee.

Explain the advances, loans and guarantees granted

At 31 December 2015 the Company's balance sheet reflected no loans, advances or guarantees established by the Company in favour of members of the Company's Board of Directors.

- A.10 Explain the main features of in-kind remuneration

Explain the in-kind remuneration

1. Chairman of the Board of Directors

The Executive Chairman is the beneficiary of a life insurance policy, the annual premium of which amounted to 10,000 euros for the 2016 financial year, maturing on 31 December 2016. After maturity the policy will not be renewed by the Company.

The Executive Chairman in 2016 does not participate in pension plans or receive any other kind of employment benefits

2. Chief Executive Officer

The Chief Executive Officer has a supplement in the form of employment benefits, the amount of which is 60,000 euros. This amount may be received in cash or in kind.

In addition, he is the beneficiary of a life insurance policy, the annual premium of which amounts to 2,000 euros, maturing on 31 December 2016. After maturity the policy will not be renewed by the Company.

- A.11 Indicate the remuneration earned by a director by virtue of payments made by the listed Company to a third party entity within which the director serves, when the purpose of such payments is to remunerate the director's services within the Company.

Explain the remuneration earned by the director by virtue of payments made by the listed Company to a third party entity within which the director serves

At the date of issue of this Report, no remuneration of this nature has been earned.

- A.12 Any category of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be considered to be a related party transaction or when payment thereof distorts the true and fair view of the total remuneration received by the director.

Explain the other remuneration categories

At the date of issue of this Report, no remuneration category other than those explained in the preceding subsections is contemplated in the director's remuneration scheme

- A.13 Explain the actions taken by the Company regarding the remuneration system to reduce exposure to excessive risk and to adapt it to the long-term interests, values and objectives of the Company. This if applicable is to include reference to: measures contemplated to ensure that the remuneration policy is responsive to the long-term results of the Company, measures establishing appropriate balance between fixed and variable components of remuneration, measures adopted regarding those categories of personnel the professional activities of which have a material impact on the Company's risk profile, recovery clauses or formulas to allow claims for return of variable components of remuneration based on results

when those components of remuneration have been paid based on data the inaccuracy of which is thereafter clearly demonstrated, and measures contemplated for the avoidance of conflicts of interest, if applicable.

Explain the actions taken to reduce risks

A.13.1. The remuneration policy of Red Eléctrica is designed to take account of the strategy and long-term results of the Company:

The total remuneration of the Executive Director is comprised of different elements of remuneration, basically consisting of (i) fixed remuneration, (ii) short-term variable remuneration and (iii) multi-year variable remuneration. For the executive director, this long-term element has a weight of 15% of the total remuneration in a scenario of 100% achievement of objectives (fixed + annual variable + long-term variable).

- The Chief Executive Officer has assumed a commitment to the Company to maintain ownership of the shares received as a part of his annual remuneration for at least five years.

- The long-term variable remuneration plan is placed within a multi-year context to ensure that the process of evaluation is based on long-term results and to take account of the underlying business cycle of the Company. This remuneration is tied to objectives established in the 2014/2019 strategic plan, thus aligning the interests of the participants with the Company's strategy.

A.13.2. The Red Eléctrica remuneration policy establishes an appropriate balance between fixed and variable components of remuneration:

The design of the remuneration scheme provides a balanced and efficient relationship between fixed components and variable components. The portion of the remuneration of the Chief Executive Officer that is fixed is considered to be sufficient and not excessive, allowing the portions of annual variable remuneration as Chief Executive Officer to reach up to a maximum of 51% of total remuneration (fixed remuneration + maximum annual variable remuneration + maximum long-term variable remuneration).

The variable components of remuneration are sufficiently flexible to allow remuneration to be adjusted. If the minimum level of achievement of objectives tied to variable remuneration is not reached, the Executive Director will only receive fixed remuneration.

There is no guaranteed variable remuneration. With regard to the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the entity:

The Appointments and Remuneration Committee is responsible for examination and analysis of compliance with the remuneration policy of the Board and, if applicable, Senior Management, which is approved by the Board. The Board regulations (www.ree.es) establishes, among the functions of this committee, the proposal to the Board of the remuneration policy for the Board of Directors and, if applicable, for senior management, as well as ensuring observance of the approved remuneration policy applicable to the Board of Directors, the Executive Directors and, if applicable, senior management and the remainder of the Company's executive team. These groups would include the professionals the activities of which may have a material impact on the risk profile of the entity.

A.13.3. Regarding recovery clauses or formulas to claim return of variable components of remuneration based on results when those components have been paid based on data the inaccuracy of which has thereafter been clearly demonstrated, and measures contemplated to avoid conflicts of interest, if any, note the following:

In accordance with the provisions of the director remuneration's policy, approved by the Annual General Meeting of Shareholders held in 2015, the Appointments and Remuneration Committee has the authority, by virtue of the functions established in the Bylaws and in the Board of Directors Regulations, to propose to the Board the cancellation or return of payment of short-term variable remuneration, of the corresponding beneficiaries or managers in the event of supervening circumstances that show that the variable remuneration has accrued or been paid based on inaccurate or erroneous information, or that there have been breaches of applicable internal corporate or legislative rules that subsequently are proven. In addition, the Appointments and Remuneration Committee, in such exceptional circumstances, will determine whether it may propose to the Board of Directors even termination of the contractual relationship with the corresponding beneficiaries or managers. It also may propose adoption of such measures as it deems to be appropriate. The Appointments and Remuneration Committee may propose to the Board of Directors that adjustments be made to the elements, criteria, thresholds and limits of variable remuneration, annual or multi-year, in exceptional circumstances caused by extraordinary factors or events, internal or external. The details and explanation of such adjustments will be included in the corresponding annual report on director remuneration.

B REMUNERATION POLICY CONTEMPLATED FOR FUTURE YEARS

Repealed

C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE MOST-RECENTLY CLOSED PERIOD

- C.1 Explain in a summary manner the main features of the remuneration categories and structure of the remuneration policy applied during the most-recently closed period, which results in the details of individual remuneration earned by each of the directors reflected in section D of this report, and summarise the decisions taken by the Board for application of the aforesaid categories.

Explain the remuneration categories and structure of the remuneration policy applied during the period

1. Chairman of the Board of Directors

a) The fixed annual remuneration of the executive chairman amounted to 399,170 euros for the period from 1 January to 31 December 2015.

b) Annual variable remuneration:

From 1 January to 28 July 2015, the Executive Chairman had variable remuneration, on the terms described below, in accordance with the provisions of the Annual Report on Director Remuneration, approved by the Annual General Meeting of Shareholders held on 15 April 2015.

In accordance with the resolutions adopted at the 2015 Extraordinary General Meeting of Shareholders, since 28 July 2015 the Chairman of the Board of Directors has had reduced remuneration, reflecting the process of splitting positions of Chairman of the Board of Directors and Chief Executive. This implies reduction of the annual variable remuneration to 50% of the target annual variable remuneration to which he was entitled up to that date. From 1 January to 28 July 2015 the Chairman of the Board had target annual variable remuneration equivalent to 50% of his annual fixed remuneration. In the period from 28 July to 31 December 2015 he had target annual variable remuneration equivalent to 25% of his fixed remuneration.

The Appointments and Remuneration Committee established the corresponding objectives at the beginning of the 2015 financial year. They were described in detail in the Annual Report on Director Remuneration approved by the Annual General Meeting of Shareholders of the Company held in 2015. Achievement thereof over the course of the year was monitored on a quarterly basis. The year having concluded, the committee engaged in a process of evaluation of compliance therewith. In that evaluation it had the support of the Corporate Finance Office, which is responsible for control of management of the Group and provided information regarding the audited results of the Company and the consolidated Group. In this evaluation the committee also considered the possible impact of the objectives in the long term, and any risk associated therewith.

The annual variable remuneration for the executive chairman, established for 2015, is based on achievement of a combination of quantitative and qualitative business objectives, measured at the Group level: 35% Consolidated Net Profit; 35% ROIC and 30% Degree of Progress of the Strategic Plan.

To determine the level achieved and the amount of incentive applicable for 2015, regarding the "quantitative objectives", the Appointments and Remuneration Committee, at its meeting of 17 February 2016, considered the following matters:

1. The book figure results in consolidated profit of the Red Eléctrica Group for the 2015 financial year of 606 million euros, resulting in 100% achievement of the objective.

2. The book Return on Invested Capital (ROIC) figure of the Red Eléctrica Group for the 2015 financial year was 9.1%, which implies a degree of achievement of the objective of 100%.

3. Regarding the "Degree of Progress of the Strategic Plan" objective ("qualitative objective"), given the definition of the objective, the Appointments and Remuneration Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%.

After the evaluation of achievement of the foregoing three objectives, the Appointments and Remuneration Committee concluded that the overall degree of achievement of objectives was 100%. As a result, the annual variable remuneration amounts to 156,930 euros (100% of the target incentive), broken down as indicated below:

- For the period from 1 January to 28 July 2015: prorated in accordance with the remuneration's policy approved for that period, consisting of variable remuneration of 50% of fixed remuneration for 100% achievement of the objectives.

- For the period from 29 July to 31 December 2015: prorated in accordance with the remuneration's policy approved for that period, consisting of variable remuneration of 25% of fixed remuneration for 100% achievement of the objectives.

c) Multi-year variable remuneration

As was reported in the Extraordinary General Meeting of Shareholders held on 17 July 2015, the Executive Chairman does not participate in the multiyear variable remuneration plan as a result of the splitting of the positions of Chairman of the Board of Directors and first executive that has occurred within the Company.

This remuneration applies only until 28 July, the date of appointment of the CEO. The amount corresponding to the Executive Chairman in this category must be evaluated by the Appointments and Remuneration Committee during the first quarter of 2016.

d) Pensions and other benefits

The Executive Chairman has been the beneficiary of a life insurance policy since 28 July 2015, the date his contract was amended. The premium in 2015 amounted to 3,650 euros. It is in accordance with the provisions of the director remuneration's policy approved at the Annual General Meeting of Shareholders held in April of 2015.

The Chairman of the Board of Directors in 2015 received no other kind of employment benefits.

At 31 December 2015 the balance sheet of the Company reflected no loans, advances or guarantees granted by the Company in favour of the Executive Chairman, nor are there any pension obligations.

2. CEO

a) Annual fixed remuneration

The fixed remuneration of the CEO amounted to 100,440 euros for the period from 28 July to 31 December 2015, equivalent to 235,000 euros on an annualised basis.

b) Annual variable remuneration

The CEO has been assigned target annual variable remuneration equivalent to 50% of his fixed remuneration for the period from 28 July to 31 December 2015. According to the Report on the process of splitting of the positions of executive chairman and CEO submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015, the objectives established for the CEO in relation to determination of his annual variable remuneration are the same as those applicable to the Executive Chairman, for which reason we refer to the subsection corresponding to the Executive Chairman regarding evaluation of his performance.

As a result the annual variable remuneration for the CEO amounts to 50,220 euros (100% of the target incentive). This amount is the result of prorating the amount corresponding to annual variable remuneration on the basis of the number of days elapsed in 2015 from the date of appointment as CEO, that being 28 July, until 31 December 2015.

c) Multi-year variable remuneration:

Fulfillment of the executive remuneration plan for 2014-2019, in which the CEO participates, is tied to the achievement of objectives established in the Group's strategic plan for that period and, in addition, satisfaction of certain conditions. In subsection A.4. of this report the essential terms and conditions of the aforesaid plan have been explained in depth.

d) Pensions and other benefits

The CEO has received a cash supplement in the category of employment benefits, the amount of which is 25,650 euros for the period from 28 July to 31 December 2015 (60,000 euros on an annualised basis).

In addition, he is the beneficiary of a life insurance policy the premium of which amounted to 730 euros for the 2015 financial year. At 31 December 2015 the balance sheet of the Company reflected no loans, advances or guarantees granted by the Company in favour of the CEO, nor are there any pension obligations.

2.- As for non- Executive Directors, set forth below are the structure and remuneration categories of the remuneration policy applied during 2015:

In the 2015 financial year, the amount of the overall remuneration of the Board of Directors amounted to 1,916,000 euros (1,788,000 euros in 2014). The increase by comparison with the prior year (128,000 euros) is basically due to the separation of functions, resulting in inclusion from 28 July of the remuneration of the new CEO, both in his capacity as a member of the Board of Directors and as Chief Executive of the Company. To a lesser extent it is due to the increase in the number of members of each of the two committees of the Board of Directors, which increased from four to five members in order to involve more of the directors in the committees of the Board of Directors, also resulting in a slight increase in this category.

For 2015, the same amounts and categories are maintained as for 2014, as indicated below:

- i) Fixed Remuneration: 130,742 euros per annum per director
- ii) Per diems for attendance at meetings of the Board of Directors: 1,500 euros for personal attendance of each director at each of the eleven ordinary meetings contemplated for 2015, the total amounting to 16,500 euros. In addition, there were three (3) extraordinary meetings of the Board of Directors, not resulting in remuneration by way of per diems.
- iii) Service on Board of Directors committees:
 - 27,900 euros per annum to each member of the board committees.
 - 15,000 euros per annum to each of the chairmen of the board committees.
- iv) Lead Independent Director: 15,000 euros per annum.

D DETAILS OF REMUNERATION INDIVIDUALLY EARNED BY EACH OF THE DIRECTORS

Name	Type	Earned in 2015
JOSÉ LUIS FEITO HIGUERUELA	Independent	From 13/02/2015 to 31/12/2015.
JUAN FRANCISCO LASALA BERNAD	Executive	From 17/07/2015 to 31/12/2015.
FRANCISCO RUIZ JIMÉNEZ	Proprietary	From 01/01/2015 to 24/11/2015.
JOSÉ FOLGADO BLANCO	Executive	From 01/01/2015 to 31/12/2015.
PALOMA SENDÍN DE CÁCERES	Independent	From 01/01/2015 to 31/12/2015.
MARIA DE LOS ÁNGELES AMADOR MILLAN	Independent	From 01/01/2015 to 31/12/2015.
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	Proprietary	From 01/01/2015 to 31/12/2015.
MARÍA JOSÉ GARCÍA BEATO	Independent	From 01/01/2015 to 31/12/2015.
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	Independent	From 01/01/2015 to 31/12/2015.
ANTONIO GÓMEZ CIRIA	Independent	From 01/01/2015 to 31/12/2015.
SANTIAGO LANZUELA MARINA	Proprietary	From 01/01/2015 to 31/12/2015.
SOCORRO FERNÁNDEZ LARREA	Independent	From 01/01/2015 to 31/12/2015.
JOSÉ ÁNGEL PARTEARROYO MARTÍN	Proprietary	From 22/12/2015 to 31/12/2015.

D.1 Complete the following tables regarding the individual remuneration of each of the directors (including remuneration for performance of executive duties) earned during the period.

a) Remuneration earned within the reporting Company:

i) Cash remuneration (€ 000s)

Name	Salary	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for service on Board committees	Compensations	Other categories	Total 2015	Total 2014
SOCORRO FERNÁNDEZ LARREA	0	131	16	0	0	28	0	0	175	95
ANTONIO GÓMEZ CIRIA	0	131	16	0	0	28	0	0	175	95
JOSÉ LUIS FEITO HIGUERUELA	0	115	16	0	0	24	0	0	155	0
JUAN FRANCISCO LASALA BERNAD	100	60	8	50	0	0	0	26	244	0
JOSÉ ÁNGEL PARTEARROYO MARTIN	0	3	2	0	0	0	0	0	5	64
SANTIAGO LANZUELA MARINA	0	131	16	0	0	3	0	0	150	61
JOSÉ FOLGADO BLANCO	399	131	16	157	0	0	0	4	707	746
MARIA DE LOS ÁNGELES AMADOR MILLAN	0	131	16	0	0	15	0	0	162	175
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDES	0	131	16	0	0	28	0	0	175	175
PALOMA SENDÍN DE CÁCERES	0	131	16	0	0	35	0	0	182	190
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	0	131	16	0	0	43	0	0	190	190
MARIA JOSÉ GARCIA BEATO	0	131	16	0	0	28	0	0	175	152
FRANCISCO RUIZ JIMÉNEZ	0	117	16	0	0	25	0	0	158	171

ii) Remuneration schemes based on shares

iii) Long-term savings schemes

iv) Other benefits (€ 000s)

JOSÉ FOLGADO BLANCO
Remuneration in the form of advances and loans granted

Interest rate of the transaction		Essential features of the transaction	Amounts ultimately returned
0.00		None	None
Life insurance premiums		Guarantees established by the Company in favour of directors	
F/Y 2015	F/Y 2014	F/Y 2015	F/Y 2014
4	0	None	None

JUAN FRANCISCO LASALA BERNAD			
Remuneration in the form of advances and loans granted			
Interest rate of the transaction		Essential features of the transaction	Amounts ultimately returned
0.00		None	None
Life insurance premiums		Guarantees established by the Company in favour of directors	
F/Y 2015	F/Y 2014	F/Y 2015	F/Y 2014
1	0	None	None

b) Remuneration earned by directors of the Company for membership on boards of other group companies:

i) Cash remuneration (€ 000s)

Name	Salary	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board committees	Compensations	Other categories	Total 2015	Total 2014
JOSÉ FOLGADO BLANCO	0	0	0	0	0	0	0	0	0	0
MARIA DE LOS ÁNGELES AMADOR MILLÁN	0	0	0	0	0	0	0	0	0	0

Name	Salary	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board committees	Compensations	Other categories	Total 2015	Total 2014
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0	0	0	0	0	0	0	0	0	0
PALOMA SENDÍN DE CÁCERES	0	0	0	0	0	0	0	0	0	0
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	0	0	0	0	0	0	0	0	0	0
MARIA JOSÉ GARCÍA BEATO	0	0	0	0	0	0	0	0	0	0
SOCORRO FERNÁNDEZ LARREA	0	0	0	0	0	0	0	0	0	0
ANTONIO GÓMEZ CIRIA	0	0	0	0	0	0	0	0	0	0
SANTIAGO LANZUELA MARINA	0	0	0	0	0	0	0	0	0	0
JOSÉ LUIS FEITO HIGUERUELA	0	0	0	0	0	0	0	0	0	0
JUAN FRANCISCO LASALA BERNAD	0	0	0	0	0	0	0	0	0	0
FRANCISCO RUIZ JIMÉNEZ	0	0	0	0	0	0	0	0	0	0
JOSÉ ÁNGEL PARTEARROYO MARTÍN	0	0	0	0	0	0	0	0	0	0

ii) Remuneration schemes based on shares

iii) Long-term savings schemes

c) Summary of remuneration (€ 000s):

The summary must include the amounts corresponding to all remuneration categories included in this report that have been earned by the director, in thousands of euros.

In the case of long-term savings schemes, the report is to include the contributions to or funding of this kind of scheme:

Name	Remuneration earned in the Company				Remuneration earned in group companies				Totals		
	Total cash remuneration	Amount of shares granted	Gross profit on options exercised	2015 Total from Company	Total cash remuneration	Amount of shares delivered	Gross profit on options exercised	2015 Total from group	2015 Total	2014 Total	Contribution to savings schemes during period
JOSÉ FOLGADO BLANCO	707	0	0	707	0	0	0	0	707	746	0
MARIA DE LOS ÁNGELES AMADOR MILLÁN	162	0	0	162	0	0	0	0	162	175	0
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	175	0	0	175	0	0	0	0	175	175	0
PALOMA SENDÍN DE CÁCERES	182	0	0	182	0	0	0	0	182	190	0
CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE	190	0	0	190	0	0	0	0	190	190	0
MARIA JOSÉ GARCÍA BEATO	175	0	0	175	0	0	0	0	175	152	0
SOCORRO FERNÁNDEZ LARREA	175	0	0	175	0	0	0	0	175	95	0
ANTONIO GÓMEZ CIRIA	175	0	0	175	0	0	0	0	175	95	0
SANTIAGO LANZUELA MARINA	150	0	0	150	0	0	0	0	150	61	0
JOSÉ LUIS FEITO HIGUERUELA	155	0	0	155	0	0	0	0	155	0	0
JUAN FRANCISCO LASALA BERNAD	244	0	0	244	0	0	0	0	244	0	0
FRANCISCO RUIZ JIMÉNEZ	158	0	0	158	0	0	0	0	158	171	0
JOSÉ ÁNGEL PARTEARROYO MARTÍN	5	0	0	5	0	0	0	0	5	64	0
TOTAL	2,653	0	0	2,653	0	0	0	0	2,653	2,114	0

D.2 Report on the relationship between remuneration obtained by directors and the results or other measures of profitability of the entity, if applicable explaining how the changes in profitability of the Company may have influenced in changing the remuneration of directors.

Regarding annual variable remuneration, applicable to the Executive Chairman and the CEO, in the process of evaluation undertaken by the committee based on the audited results for the complete 2015 period, the following have been taken into account:

1. The book figure results in consolidated profit of the Red Eléctrica Group in 2015 of 606 million euros, resulting in 100% achievement of the objective.
2. The Return on Invested Capital (ROIC) figure of the Red Eléctrica Group for the 2015 financial year was 9.1%, which implies a degree of achievement of the objective of 100%.
3. Regarding the "Degree of Progress of the Strategic Plan" objective ("qualitative objective"), given the definition of the objective, the Appointments and Remuneration Committee, having evaluated the appropriate circumstances, found that the degree of weighted achievement of this "objective 3" should be 100%.

After the evaluation of achievement of the foregoing three objectives, the Appointments and Remuneration Committee concluded that the overall degree of achievement of objectives was 100%. As a result, the annual variable remuneration amounts to 156,930 euros (100% of the target incentive) for the executive chairman, and 50,220 euros (100% of the target incentive) for the CEO (for the period from 28 July 2015 to the end of the year).

D.3 Report on the result of the advisory vote of the General Meeting on the annual report and remuneration for the prior period, indicating the number of negative votes, if any:

	Number	% of the total
Votes cast	77,283,794	57.31%

	Number	% of the total
Votes against	486,973	0.63%
Votes for	49,386,288	63.90%
Abstentions	27,410,533	35.47%

E OTHER INFORMATION OF INTEREST

If there is any relevant aspect of director's remuneration that it has not been possible to include in the other subsections of this report, but that it is necessary to include in order to set forth more complete and reasoned information regarding the remuneration practices and structure of the Company as regards its directors, briefly explain it.

In relation to subsection A.2.2 (continuation): - Report and proposal to the Board of Directors of the director's remuneration policy applicable for the next 3 years, for referral to the Annual General Meeting of Shareholders in 2015.

- Report explaining the remuneration proposal set forth in the Report on the process of succession of the Chief Executive and splitting positions of Chairman of the Board of Directors and Chief Executive (CEO) of the Company, submitted to the Extraordinary General Meeting of Shareholders of 17 July 2015.

- Report and proposal to the Board of Directors of the amendment of the director's remuneration policy, for referral to the General Meeting of Shareholders in 2016.

- Report on contractual matters related to the Chairman and the CEO regarding the closing of the transitional period for the process of separation of positions.

In relation to subsection A.2.3: Remuneration Committee: Composition During the 2015 financial year the composition of the Committee experienced certain changes.

On 24 November 2015 the Board of Directors resolved to increase the number of members of the two Board Committees by one, being fixed at five (5) members each.

After the appointment, at the same meeting of the Board on 24 November 2015, of the independent director Ms. María Ángeles Amador Millán to take the new position created on that Committee, and in view of the resignation of the proprietary director Mr. Francisco Ruiz Jiménez submitted on the same date, at 31 December 2015 the Appointments and Remuneration Committee was comprised of four independent directors, with one vacancy on the aforesaid Committee.

The meeting of the Board of Directors held on 26 January 2016 appointed the proprietary director Mr. Jose Angel Partearroyo Martín as a new member of the Appointments and Remuneration Committee, to fill the vacancy existing thereon.

In relation to subsection A.2.4: Remuneration Committee: Outside Advisors In 2015 and 2016, up to the date of approval of this report, Willis Towers Watson, an independent advisor specialised in remuneration of directors and senior managers, provided its services to the Appointments and Remuneration Committee, regarding the following matters related to remuneration: remuneration benchmarking for the position of chairman of the Board of Directors and CEO, remuneration benchmarking for non- Executive Directors, study on the holding of shares, preparation of the report and proposal for amendment of the director remuneration's policy and, finally, preparation of the annual report on director remuneration.

In relation to subsection A.3 (continuation): d) Dedication to the Board of Directors Committees: d.1) 27,900 euros per annum for each member of the Board Committees, to be paid monthly, before the fifth (5th) day of the following month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

d.2.) 15,000 euros per annum to each chairman of a board committee, to be paid monthly before the fifth (5th) day of the following month. The foregoing amount is an annual amount, regardless of the number of meetings of the committees held during 2015.

e) Lead Independent Director: 15,000 euros per annum, to be paid monthly, before the fifth (5th) day of the following month.

Also, it is not provided that the directors will receive categories of remuneration in addition to those described above.

In relation to subsection A.7 (continuation): Without prejudice to the confidentiality obligation expressly established in that contract, the CEO also is bound by the duty of confidentiality established in article 34.a) of the board regulations, applicable to all directors, in accordance with which the directors are to keep the deliberations of the the Board of Directors and the Committees on which they serve secret and, in any event, refrain from disclosing the information, data, reports or records to which they have had access in the performance of their duties. The confidentiality obligation survives departure from office. In his capacity as a director of Red Eléctrica, CEO has a noncompete obligation to the Company, on the terms in which that obligation is regulated for directors of the Company in article 33 of the Board of Directors Regulations. In addition, the noncompete obligation is expressly set forth in the contract for a term of two (2) years after his departure, that obligation not giving him a right to post-contractual noncompetition compensation, as it is deemed to have been compensated by way of his fixed remuneration.

This contract, following customary market practices, contemplates an compensation equivalent to one year of remuneration in the case of termination of the contractual relationship as a result of discretionary dismissal by Red Eléctrica (provided that there is no serious, intentional and culpable conduct of the executive director), with no advance notice from the Company being required. The aforesaid compensation will also apply if the Executive Director voluntarily resigns due to a serious and culpable breach of the Company or a material modification of the executive director's duties for reasons not attributable thereto.

In the calculation of that compensation the base is fixed remuneration, plus the amount corresponding to variable remuneration as Executive Director, calculated assuming a 100% level of achieving objectives.

On the other hand, it should be noted that in accordance with the legal framework existing in Spain, the appointment of the CEO was documented by way of a novation of the previously existing legal relationship between that officer and Red Eléctrica. As a result of that novation the parties agreed a suspension of the labor relationship that the aforesaid officer maintained with the Company prior to his appointment as CEO. The employment contract so suspended will regain full legal effect upon extinction of the commercial contract signed by the CEO and the Company. In the event of the resumption of the employment relationship, after the suspension ends, the Chief Executive Officer may perform the functions he did before the suspension, or such others as he could perform in accordance with the contractual terms prior to the suspension, with the limits on functional mobility normally applicable to him. The ultimate extinction of the employment relationship may, if applicable, occur after a period when the aforesaid employment contract is again in effect after the conclusion of the period of suspension, or immediately or simultaneously with extinction of the commercial contract. If the employment contract were to be extinguished, it would in terms of compensation accrue the remuneration existing at the date of the

suspension, for the appropriate purposes based on his seniority with the Company at the date of his appointment as CEO (14 years), in accordance with the current labor legislation. This compensation will be independent of the compensation generated by extinction of the commercial contract, which would apply as indicated above.

b) From the date of holding the Annual General Meeting of Shareholders of the Company in 2016

The contract of the CEO will be modified to include the remuneration conditions set forth in this report, applying from that date.

The Board of Directors will adopt the resolutions it deems to be necessary to formalise and effectuate the terms and conditions of the remuneration of the CEO, applicable after the 2016 Annual General Meeting of Shareholders.

In relation to subsection D.1.c: it should be noted that in the information contained in the Company's Annual Accounts corresponding to 2015, as regards the remuneration accrued in the 2014 financial year, there also is a category called "Other members of the Board", who left during the 2014 financial year, the remuneration of which is a whole amounted to 273,000 euros. The information for the 2014 financial year regarding those members of the Board was presented on an individual basis in the Annual Report on Director Remuneration of the Company corresponding to the 2014 financial year, which was communicated to the CNMV and is available on the corporate website. Therefore, the total of the remuneration earned by members of the Board of Directors in the 2014 financial year was 2,387,000 euros.

In relation to subsection D.3: Regarding the 35.47% abstentions, 34.95% correspond to the vote of Sociedad Estatal de Participaciones Industriales (SEPI).

This annual remuneration report was approved by the Board of Directors of the Company at its meeting of 23/02/2016.

State whether there are any directors who voted against or abstained from voting to approve this Report.

Yes

No

Name or corporate name of the directors who have not approved the present report	Reasons (against, abstention, not attending)	Explain the reasons
JOSÉ ÁNGEL PARTEARROYO MARTÍN	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake.
FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake.
SANTIAGO LANZUELA MARINA	ABSTENTION	Considering his explanation, position of Sociedad Estatal de Participaciones Industriales (SEPI) in listed companies in which it holds a minority stake.

RESOLUTION REGARDING POINT NINE OF THE AGENDA:

PARTIAL AMENDMENT OF THE RESOLUTION OF APPROVAL OF A REMUNERATION PLAN ADDRESSED TO EMPLOYEES, EXECUTIVE DIRECTORS AND MANAGERS OF THE COMPANY AND THE COMPANIES IN THE RED ELÉCTRICA'S GROUP IN SPAIN, APPROVED BY THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE COMPANY HELD ON 15 APRIL 2015 (POINT 10.2 ON THE AGENDA OF THAT MEETING).

Partial amendment of the resolution of Approval of a Remuneration Plan addressed to employees, Executive Directors and managers of the Company and the companies in the Red Eléctrica Group in Spain, approved by the Annual General Meeting of Shareholders of the Company held on 15 April 2015 (point 10.2 on the Agenda of that General Meeting)

In relation to the resolution adopted by the Annual General Meeting of Shareholders of the Company of 15 April 2015, under point 10.2 of the Agenda, on Approval of a Remuneration Plan addressed to employees, Executive Directors and members of the management of the Company and the companies in the Red Eléctrica Group in Spain, consisting of the possibility that the payment of a part of their remuneration may be made by delivery of shares of the Company coming from treasury shares, it is resolved to introduce the following partial changes therein:

- Maximum limit: The maximum amount of remuneration to be received in shares, per year, in the case of the Chief Executive Officer of the Company, will be the amount resulting from the remuneration policy for Executive Directors that is applicable from time to time over the term of the Plan, with a maximum limit in any event of EUR 120,000.
- Number of shares to be received by the beneficiary: It will be the number depending on the price of the share at the close of trading on the exchange on the date of delivery, with the maximum limit in each case applicable to each beneficiary.
- Maximum number of shares authorised: The maximum total number of shares to be delivered will be the number depending on the value of the share at the close of trading on the stock exchange on the date of delivery, with the maximum limit in each case applicable to each beneficiary.

The aforesaid resolution will remain in full effect in relation to the other matters that have not been modified, in particular including the duration thereof.

To authorise the Board of Directors, in the broadest sense necessary, to request as many authorisations and to adopt as many resolutions as necessary or appropriate for the full implementation and successful outcome of this resolution.

RESOLUTION REGARDING POINT TEN OF THE AGENDA:

DELEGATION FOR FULL IMPLEMENTATION OF RESOLUTIONS ADOPTED AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS.

Without prejudice to the authorisations expressly given by the Annual General Meeting of Shareholders to the Board of Directors, the Chairman and each of the members of the company's Board of Directors, and the Secretary of the Board and vice-Secretary thereof, the broadest powers, to be exercised jointly or separately, to implement, perform and register each and every one of the resolutions adopted by this Annual General Meeting of Shareholders, including signing the corresponding agreements and documents, with the clauses and conditions which deem to be appropriate, and interpreting, correcting and completing the aforesaid resolutions and recording them as public documents, based on their effectiveness and the comments of any agency or authority, in particular the verbal or written comments of the Mercantile Registrar, taking such actions as may be necessary or appropriate to successfully implement them, in particular to achieve registration with the Mercantile Registry of those resolutions that are susceptible of registration.

II. REPORTING ITEMS

ITEM RELATED TO POINT ELEVEN OF THE AGENDA:

REPORT TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS ON THE ANNUAL CORPORATE GOVERNANCE REPORT OF RED ELÉCTRICA CORPORACIÓN, S.A. FOR THE 2015 FINANCIAL YEAR.

The Annual General Meeting of Shareholders is advised that, in accordance with the provisions of article 540 of the Spanish Corporate Enterprises Act and other applicable regulations, the Board of Directors, at a meeting held on 23 February 2016, unanimously approved the Annual Corporate Governance Report (Informe Anual de Gobierno Corporativo, or "IAGC") of Red Eléctrica Corporación S.A., for the 2015 financial year. That report was notified to the National Securities Market Commission as a significant event notice.

The Annual Corporate Governance Report for the 2015 financial year consists of a principal text having four Titles, divided into Chapters. The titles refer to the Legal Framework applicable to RED ELÉCTRICA (Title I), to the principal aspects, principles and practices of RED ELÉCTRICA regarding Corporate Governance (Title II), to the year 2015 in RED ELÉCTRICA (Title III) and to the prospects of RED ELÉCTRICA as regards Corporate Governance (Title IV).

It should be noted this year that an explanation has been incorporated in the report of the principal aspects of the process of splitting the positions of Chairman of the Board of Directors and Chief Executive Officer of the company, submitted to the Extraordinary General Meeting of Shareholders held on 17 July 2015.

In addition, as was done in prior years, the most relevant aspects of the process of annual self-evaluation of the Board of Directors have been reported (Title II), as has the roadmap for Corporate Governance established by Red Eléctrica for coming years, which is explained in Title IV, called *Prospects of Red Eléctrica as regards Corporate Governance*.

Finally, as usual, an Official Annex is attached to the Report, completed in accordance with the format established in the Form of Annex I under Circular 7/2015 of 22 December 2015 of the National Securities Market Commission (Comisión Nacional del Mercado de Valores, or "CNMV").

The Annual Corporate Governance Report is available, in Spanish and English, from 25 February 2016 in the Corporate Governance section of the Company's website (www.ree.es), and in the documentation of the General Meeting made available to the shareholders.

Yours sincerely,

Signed: Rafael García de Diego Barber
Secretary General and of the Board of Directors