



**RED**  
**ELÉCTRICA**  
CORPORACIÓN

## **Appointments and Remuneration Committee**

21 February 2017

General Meeting of Shareholders:  
Proposal for the ratification and appointment  
of Mr. Arsenio Fernández de Mesa y Díaz del  
Río as independent director



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## 1. Background and justification

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On 31 January 2017, the Board of Directors of the company adopted, among others, the following resolution:

*“Pursuant to the provisions of Articles 244, 529 decies, 529 duodecies and 529 quindecies of the Spanish Companies Act (Ley de Sociedades de Capital, "LSC"), Article 21 of the company's By-laws and Articles 7, 18, 21, 22 and 23 of the Board of Directors Regulations, to appoint Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director of Red Eléctrica Corporación, S.A. until the first General Meeting of Shareholders is held, in order to cover the only vacancy on the Board of Directors prior to the adoption of this resolution, caused as a result of the resignation by Mr. Agustín Conde Bajén from the position of independent director for which he was appointed for a term of four years, by resolution of the Annual General Meeting of Shareholders held on 15 April 2016. Said resignation was accepted by the Board of Directors at its meeting of 29 November 2016, in accordance with the report and proposal submitted by the Appointments and Remuneration Committee and the report by the Board of Directors”.*

Pursuant to the provisions of Article 529 decies, section 4, of the LSC and Articles 18, 21 and 23 of the Board of Directors Regulations, the proposals to appoint independent directors, even by "co-optation" procedure, must be approved by the Appointments and Remuneration Committee and, if appointed by "co-optation" directors appointed by co-optation will perform the duties of their position until the date of the first General Meeting of Shareholders, which may ratify them or appoint other directors.

Since, at the meeting to be held on 22 February 2017, the Board of Directors is expected to call the Annual General Meeting of Shareholders of the company corresponding to financial year 2016, and considering that the term of Mr. Fernández de Mesa's mandate as director ends on the date of said General Meeting of Shareholders, to be held on 30 and 31 March 2017 (on first and second call, respectively), it is necessary for the Appointments and Remuneration Committee to approve, as the case may be, the corresponding proposal for the ratification and appointment of Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director, so that it can be made to the Board of Directors and subsequently presented to the next Annual General Meeting of Shareholders.

Furthermore, in order to comply with the provisions of Article 529 decies of the LSC, the Appointments and Remuneration Committee must assess, in its proposal, the director's skills, experience and merits, so that this can be conveyed to the Board of Directors in order for it to issue its report (Article 529 decies, section 5, of the LSC) and present the proposal to the next Annual General Meeting of Shareholders.

The procedure and requirements for appointing independent directors of the company are established in the LSC, in Articles 529 decies to 529 duodecies and 529 quindecies, in Article 24 of



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the company's By-laws and in Articles 7, 18, 21, 22 and 23 of the Board of Directors Regulations. The evaluation criteria, conditions and circumstances to be considered when appointing independent directors are set out in said rules.

## 2. Corporate profile

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The Appointments and Remuneration Committee and the Board of Directors endeavour to cover all vacancies occurring on the Board as soon as possible, so that there is no void in terms of the full operability of the Board, considering the many different contributions made by each director.

In this regard, it was deemed necessary to seek a candidate who had knowledge and experience in comprehensive safety - understood as being physical safety and cybersecurity -, conditions which Mr. Conde Bajén met and which had to be covered as soon as possible on the Board of Directors of Red Eléctrica, not only because these matters are part of the challenges and priorities of the business world, but because in view of the role performed by Red Eléctrica de España, as sole Spanish electricity Transmission and System Operator, they are key objectives that the Board of Directors must ensure to be able to fulfil.

These reasons and objectives, accepted by the Appointments and Remuneration Committee and later by the Board of Directors, justified the appointment of Mr. Fernández de Mesa as independent director of the company on 31 January 2017.

Notwithstanding the above, the Appointments and Remuneration Committee sets the criteria to define the profile and requirements considered appropriate in order to perform the duties of director, listing those qualities, skills and experience the suitable director should have to hold the position; in this case, as independent director.

The above-mentioned profile serves as an initial point of reference for analysing candidates for the position of director, notwithstanding that both the Appointments and Remuneration Committee and the Board of Directors also take into account the professional profiles of those directors currently on the Board, to decide which professional and personal profiles, conditions and qualities the new candidates for the position of director should have, when the Board issues its report or the Committee makes its proposal.

The Committee also endeavours to apply the principle of diversity set out in the corporate governance policy approved by the Board on 25 November 2014 and published on the corporate website. In this regard, the Board makes an effort to promote diversity in terms of the knowledge, experience and gender composition of the Board of Directors, as an essential factor which enables the Board to fulfil its mission and carry out its responsibilities with a plural view and balanced composition.



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The Committee, when issuing its report and making its proposal on 23 January 2017 for the appointment of Mr Fernández de Mesa as director, valued his knowledge and experience in comprehensive safety matters; in particular in relation to cybersecurity and the physical safety of persons and premises.

In January 2017, the Committee formally proposed to the Board the appointment of Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director, considering him to have an appropriate profile to cover the vacant position of independent director, subject to an analysis of the applicable legal and corporate rules. The Board of Directors approved his appointment at its meeting of 31 January 2017, by co-optation, until the date of the next General Meeting of Shareholders.

In the present meeting, and with regard to the corporate profile of Mr. Fernández de Mesa evaluated in order to make the present proposal for his appointment to the Board of Directors and subject this to approval at the next Annual General Meeting of Shareholders, the Committee, for the reasons set out below, ratifies the basis for and objectives stated in its report and proposal issued on 23 January 2017, given that, in light of the short time that had passed, no significant changes have occurred.

### **3. Professional qualifications and new assessment of his circumstances**

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The Appointments and Remuneration Committee has considered the curriculum vitae of Mr. Fernández de Mesa (a summary of which is available on the corporate website [www.ree.es](http://www.ree.es) since he was appointed director on 31 January), which has not since changed, and considers that he continues to match the profile of director considered suitable at this time, for the reasons set out below.

Mr. Arsenio Fernández de Mesa was born in El Ferrol, Galicia, on 20 July 1955; he is a career civil servant with the Spanish General State Administration since 1979, currently on voluntarily leave.

Regarding his professional career in terms of his experience, he has held the positions of, among others, member of the Spanish Parliament in 7 Legislatures (1989-2012), performing among other positions, the positions of Chairman of the National Defence Commission, Member of the International Assembly of the OSCE and Member of the Parliamentary Assembly of the Atlantic Alliance. He has also been a Regional Government Representative in Galicia (2000-2004), Advisor to the Ministry of Public Administrations (2004) and General Director of the Spanish Civil Guard (*Guardia Civil*) from December 2011 to November 2016.

He has been the Head of Technical Fleet Inspection of the multinational company International Marine Coatings Ltd. in Galicia, Asturias, Cantabria and the Basque Country (1982-1989), currently assigned to non-active status, and Scientific Adviser at the International Institute for Political Sciences (2010).



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He also has relevant experience in managing organisations, as a result of the duties he performed throughout his professional career as General Director of the Civil Guard (*Guardia Civil*), managing a workforce of 85,000 professionals posted all over Spain and in over 45 countries, which will contribute to the diversity of the Board of Directors in terms of the knowledge and experience of its members.

After analysing his curriculum vitae in detail, the Appointments and Remuneration Committee recognises his knowledge of and experience in comprehensive safety, in particular the physical safety of persons and premises and cybersecurity, which, as stated earlier, constitute key objectives in the management of Red Eléctrica and which, following the resignation of Mr. Conde Bajén from the Board of Directors, have been adequately covered by Mr. Fernández de Mesa's appointment to the Board.

Lastly, his experience in regulatory matters is valued, as Mr. Fernández de Mesa was a proponent of several laws in Parliament and performed various duties in the area of Public Administration.

His professional experience makes Mr. Fernández de Mesa suited to holding this position on the Board of Directors of Red Eléctrica Corporación, S.A., while it complements his professional skills and knowledge and reinforces the diversity of the professional profile of the Board members, especially with regard to his experience in comprehensive safety.

The director's profile also meets the requirements and conditions established in Article 529 *duodecies* of the LSC and the company's Board of Directors Regulations.

#### **4. Category assigned to the director**

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From the information available to the Committee, and in light of both the legislation in force and the Board of Directors Regulations, Mr. Fernández de Mesa can be classified as an independent director, since he is not subject to any of the incompatibilities established in the LSC or the Board Regulations. Regarding the requirements set out in the Board Regulations of Red Eléctrica Corporación, S.A., it is important to note that Mr. Fernández de Mesa does not hold the position of director on the board of any listed company, therefore the Board does not exceed the limit of two directors of other listed companies established in Article 7.3 of the Board Regulations.

After analysing the director's professional experience, the Committee, considers that it fills the requirements set out in the LSC and the Board of Directors Regulations for holding the position of independent director.



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In light of the foregoing, it is deemed appropriate to present to the Board of Directors the proposal to ratify and appoint Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director.

Prior to his appointment, Mr. Fernández de Mesa must re-state his declaration confirming that he is not subject to any legal, regulatory or corporate incompatibilities with regard to holding his position as independent director of the company.

## 5. Proposal for ratification and appointment

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Consequently, upon the conclusion of the analysis, and notwithstanding that Mr. Fernández de Mesa must re-state his formal declaration regarding the inexistence of incompatibilities with holding the position of independent director, the Appointments and Remuneration Committee considers that Mr. Fernández de Mesa continues to fulfil the conditions considered appropriate to hold the position of independent director on the Board of Directors of the company.

By virtue of the foregoing, and pursuant to the provisions of Article 529 *decies*, section 4, of the LSC, Article 24 of the company's By-laws and Article 21 of the Board of Directors Regulations, the following resolution is proposed to the Board of Directors, to be subsequently presented to the Annual General Meeting of Shareholders:

*To ratify the appointment of Mr. Arsenio Fernández de Mesa y Díaz del Río as independent director of Red Eléctrica Corporación, S.A., as resolved by the Board of Directors at its meeting of 31 January 2017, and consequently proceed to appoint him as independent director for the term of four years established in the company's By-laws, pursuant to the provisions of Article 529 decies of the LSC.*