



**REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENAGÁS, S.A. PURSUANT TO ARTICLE 529 (DECIES) OF THE CONSOLIDATED TEXT OF THE CORPORATE ENTERPRISES ACT JUSTIFYING THE PROPOSED RESOLUTION TO RE-ELECT THE DIRECTOR NAMED IN ITEM 5 ON THE AGENDA**

**1. Introduction**

Pursuant to article 518 e) of the Consolidated Text of the Spanish Limited Liability Companies Law, when convening the General Meeting and when appointing, ratifying or re-electing Directors, companies shall include the identity, CV and position of each Director, in addition to the proposed resolution and reports mentioned in article 529 decies.

Pursuant to article 529 decies of the Consolidated Text of the Spanish Limited Liability Companies Law, the Appointments and Remunerations Committee shall be responsible for proposing all appointments and re-elections of Independent Directors of the Board of Directors, while the Board itself shall be responsible for proposing all other appointments and re-elections. The proposal shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the proposed candidate. This report shall be attached to the minutes of the General Meeting or of the Board. All proposed appointments or re-elections of non-Independent Directors shall also be subject to a report from the Appointments and Remuneration Committee.

Pursuant to article 529 quinquedecies, the Appointments and Remuneration Committee shall, inter alia, formulate proposals for the Board of Directors for appointing Independent Directors in order for them to be designated by the method of co-option or to be subject to the decisions of the General Meeting of Shareholders, along with proposals for the re-election or removal of those Directors by the General Meeting of Shareholders. The Committee shall also report on the proposed appointments, re-elections or removal of all other Directors.

The Board of Directors has agreed to call a General Shareholders' Meeting for 17 March 2016 at first call and for 18 March 2016 at second call. Item five of the agenda shall include the following proposed resolution:

5. To re-elect Sociedad Estatal de Participaciones Industriales (SEPI) as Director for the four-year term provided for in the Articles of Association. Sociedad Estatal de Participaciones Industriales (SEPI) will serve as proprietary director.

At its meeting on 2 February 2016, Enagás, S.A.'s Appointments, Remuneration and Corporate Social Responsibility Committee provided a favourable report concerning this proposal to re-elect Sociedad Estatal de Participaciones Industriales. The Committee's report is made available to the shareholders together with this one from the Board.

**2.- Board Report.**

## **Re-election of the Director**

For the purposes indicated, the Board approves this report justifying the proposal for re-electing the Director and agrees to make it available to the shareholders.

Sociedad Estatal de Participaciones Industriales (SEPI) was re-elected as proprietary director for the bylaw 4-year period at the General Shareholders' Meeting on 30 March 2012.

As shareholder of Enagás, S.A., Sociedad Estatal de Participaciones Industriales (SEPI) proposed its re-election as proprietary director, represented by its Vice Chairman, Mr Federico Ferrer Delso.

Sociedad Estatal de Participaciones Industriales (SEPI) is a public entity governed by Law 5/1996 of 10 January and implementing regulations, with a 5% stake in the share capital of Enagás, S.A., the voting rights of which are not subject to the limitations determined by additional provision thirty-one of Hydrocarbons Law 34/1998 of 7 October.

Mr Federico Ferrer Delso, physical representative of the body corporate Sociedad Estatal de Participaciones Industriales (SEPI) on the Board of Directors is the Vice President of SEPI, as well as Vice President of mutual insurance company Fraternidad-Muprespa. He has a degree in economics and business studies and is a state trade expert.

Among other posts, he has held the position of commercial attaché in Dallas, Trade Commissioner in Bucharest, Head of the Trade Office at the Spanish Embassy in Germany, Deputy Director General for Foreign Financing, a World Bank Executive Director for Spain, Mexico, Venezuela and Central America, Director General of Finance and International Relations at Spain's national credit institute (ICO), Trade and Economics Commissioner at the Spanish Embassy in Damascus, and Director of the European Investment Bank (EIB) and Director of ENAUSA.

The Appointments, Remuneration and Corporate Responsibility Committee and the Board highly value the performance of Mr. Ferrer in exercising his functions in the course of his previous term of office, and, notwithstanding his being a Proprietary Director, consider his contributions to the Board. Therefore, the Board provided a favourable report concerning the proposed re-election of Sociedad Estatal de Participaciones Industriales.

## **Board structure**

In relation to the vacancy on that date as a result of the resignation last June of the director Mr Sultan Ahmed Kamis Al Burtamani, who was a proprietary director designated at the proposal of the shareholder Oman Oil Holdings Spain, S.L. and which took place after the sale of the company's total stake in Enagás, S.A., the Appointments, Remuneration and Corporate Responsibility Committee believes that it is not necessary to propose the General Shareholders' Meeting to designate a new director to fill this vacancy.

The Board adopted the Committee's criterion as its own, stating that any designation of an independent director to fill this vacancy will require a proposal from the Committee itself, in accordance with article 529 decies and article 529 duodecies 4 h) of the Spanish Limited Liability Companies Law.

Like the Committee, the Board believes that thirteen directors are sufficient for the Board's functioning, without prejudice to the possibility that a future Shareholders' Meeting may designate a new director who meets the profile to fill this vacancy.

After the proposed re-election, the Board has increased the number of its already majority of independent members. Of its thirteen members, eight are independent, while the number of women on the Board will remain at three, and these women will moreover exercise important functions within the Board: Ms Isabel Tocino Biscarolasaga is Chairwoman of the Appointments, Remuneration and Corporate Responsibility Committee; and Ms Ana Palacio Vallelersundi is Lead Independent Director and Ms Rosa Rodríguez Díaz is a member of the Auditing and Compliance Committee.

Since 2012, the Company has separated the posts of Chairman of the Board of Directors and Chief Executive Officer and since 2010 it boasts a Lead Independent Director, the post held by Ana Palacio Vallelersundi, providing an additional guarantee that the Board is functioning properly.

In consideration of all these factors:

**The following proposed resolution is laid before the Ordinary General Meeting:**

5. To re-elect Sociedad Estatal de Participaciones Industriales (SEPI) as Director for the four-year term provided for in the Articles of Association. Sociedad Estatal de Participaciones Industriales (SEPI) will serve as proprietary director.

After this re-election, there will be thirteen directors.

And for all appropriate legal reasons, it is hereby stated that the Company's Board of Directors prepared this report at its meeting held on 15 February 2016.

Secretary to the Board of Directors  
Rafael Piqueras Bautista  
**Enagás, S.A.**