



## **ACTIVITIES REPORT OF THE APPOINTMENTS, REMUNERATION AND SOCIAL CORPORATE RESPONSIBILITY COMMITTEE OF ENAGÁS, S.A. FOR 2016**

This report summarises the activities performed by the Appointments, Remuneration and Corporate Social Responsibility Committee (hereinafter, the "**Committee**") of Enagás, S.A. in 2016.

### **1.- COMPOSITION DURING 2016**

In 2016, the Committee comprised the following persons:

#### Chairman

Ms Isabel Tocino Biscalorasaga (Independent Director)

#### Members

Mr Ramón Pérez Simarro (Independent Director)  
Mr Jesús Máximo Pedrosa Ortega (Independent Director)  
Mr Antonio Hernández Mancha (Independent Director)  
Mr Luis Javier Navarro Vigil (External Director)  
Ms Ana de Palacio Vallelersundi (Independent Director)

#### Secretary

Mr Rafael Piqueras Bautista

The Board of Directors, at its meeting on 29 March 2016, as proposed by the Committee itself, agreed to appoint Ms Ana de Palacio Vallelersundi as a member of the Appointments, Remuneration and Social Corporate Responsibility Committee, to perform the role of Lead Independent Director.

### **2.- AMENDMENT TO THE LEGAL REGULATIONS AND CORPORATE TEXTS REFERRING TO THE COMMITTEE.**

Based on the Code of Good Governance of the National Securities Market Commission, the Committee proposed, and the General Shareholders' Meeting agreed at its meeting on 18 March 2016, to include Recommendation 48 in Enagás' Articles of Association, by including in article 45 the possibility of separating the Appointments, Remuneration and Corporate Responsibility Committee into two committees: a Remuneration Committee, and an Appointments and Corporate Responsibility Committee.

The new wording for article 45 of the Articles of Association was as follows:

#### **ARTICLE 45. - APPOINTMENTS, REMUNERATION AND CORPORATE RESPONSIBILITY COMMITTEE.**

*The Board of Directors shall appoint from among its members an Appointments, Remuneration and Corporate Social Responsibility Committee that shall be comprised of a minimum of three and a maximum of six Directors. A majority of Committee members must be Independent Directors and no Executive Directors may be included among its members. The Committee Chairperson shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.*

*The Committee shall possess functions and competences in the following areas, in addition to those that may be attributed to it in the Articles of Association or the Rules and Regulations of the Board of Directors:*

*a) To evaluate the competences, knowledge and experience needed on the Board of Directors. To these ends, it shall define the functions and capabilities required of the candidates to fill each vacancy, and evaluate the time and dedication needed for them to properly perform their duties.*

*b) To establish an objective concerning the representation of the less-represented gender on the Board of Directors and prepare guidelines on how this objective can be attained.*

*c) To 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 Shareholders' Meeting, along with proposals for the re-election or removal of those Directors by the General Shareholders' Meeting.*

*d) To report on the proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.*

*e) Report on proposed appointments and removals in senior management and the basic terms of their contracts.*

*f) To examine and organize the succession of the company's Chairman and CEO and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.*

*g) To propose to the Board of Directors a policy of remuneration of Directors and general managers or those who perform senior management functions and report directly to the Board of Directors, to executive committees or Executive Directors, along with individual remuneration and other contractual terms of Executive Directors, also to ensure that said policy is observed.*

*h) Report to the Board on general policy concerning Corporate Social Responsibility and Good Corporate Governance, ensuring the adoption and effective application of best practices – both those which are compulsory and those that are in line with generally-accepted recommendations. To do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall report on the proposals submitted to the Board and on the information the company releases to shareholders annually regarding these issues.*

*The Committee shall meet at least four times a year, with meetings being called by the Chairman. The Committee may seek advice both internally and externally and request the attendance of senior management personnel of the company and its Group, as deemed necessary in the execution of its duties.*

*The Board of Directors can resolve to separate the Appointments, Remuneration and Corporate Social Responsibility Committee into a Remuneration Committee and an Appointments and Corporate Social Responsibility Committee, sharing out their functions and powers envisaged in this article 45 depending on the subjects and governed by the rules of composition, organisation and functioning established in the Board of Directors Regulation in accordance with these Articles of Association and the applicable regulations.*

*The Committee issued its favourable report on the proposed amendment to the aforementioned corporate texts.*

## **2.- THE COMMITTEE'S ACTIVITIES**

The Committee met four times in 2016. The Committee Chairwoman informed the Board of the issues dealt with at each Committee meeting at the next Board meeting.

The main areas on which it focused its activity during the year are summarised below.

### **The Committee's activities in relation to the appointment and re-election of directors.**

In accordance with the provisions of articles 529 decies and 529 quinquies of the Corporate Enterprises Act, at its meeting on 2 February 2016, the Committee approved the report on the re-election of directors other than independent ones which was included on the Agenda of the General Shareholders' Meeting held on 18 March 2016 and approved by the latter. The report drafted by the Committee was made available to the shareholders at the same time as the General Meeting was convened.

At its meeting on 9 February 2017, it formulated its proposals for the appointment and re-election of Independent Directors and reported on proposals relating to other categories of Director, included on the Agenda of the next General Shareholders' Meeting. The approved report will be made available to shareholders as per the above-mentioned provisions.

### **Activities regarding the remuneration for directors and members of the Management Committee.**

At its meeting on 2 February 2016, the Committee assessed the degree of achievement of the company's objectives established for 2015 for the purpose of determining the annual variable remuneration for the executive directors and members of the Management Committee. Based on the level of achievement, the Committee approved the annual variable remuneration for the members of the Management Committee and submitted its proposed annual variable remuneration for the executive directors to the Board, which approved this at its meeting on 15 February 2016.

At the same meeting, it approved the company's objectives for the purpose of determining the variable remuneration in 2016.

The same meeting reported favourably on the proposed "Directors' Remuneration Policy for 2016, 2017 and 2018", approved by the General Shareholders' Meeting held on 18 March 2016. Likewise the Committee reported favourably on the

conditions of the long-term incentive plan, also approved by the General Meeting on the same date.

At the same meeting the Committee reported favourably on the Annual Remunerations Report for 2016, approved by the General Meeting on 18 March 2016.

At the session held on 29 March 2016, the Committee reported favourably on the Regulations for application of the Long-term incentive plan and the list of Directors receiving the incentive.

### **Activities regarding Corporate Social Responsibility and Good Corporate Governance.**

The Committee has been periodically informed of the company's policies and actions regarding Corporate Social Responsibility and Good Corporate Governance. The Committee reported favourable on the proposals of the Annual Corporate Governance Report and corporate policies on "*Selection of Directors*"; "*Succession of the Chairman and the Chief Executive Officer*"; and "*Conflicts of interest*", later approved by the Board. The Committee has been working on a new approach for the company's Sustainability Report.

For the corresponding legal purposes, the Appointments, Remuneration and Corporate Social Responsibility Committee approved this report its meeting on 9 February 2017.

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