



REPORT NOT SUBJECT TO VOTE ON AMENDMENTS TO THE "RULES AND REGULATIONS OF THE ORGANIZATION AND FUNCTIONING OF THE BOARD OF DIRECTORS OF ENAGÁS, S.A." INTRODUCED SINCE THE LAST GENERAL SHAREHOLDERS' MEETING WHICH THE BOARD SUBMITS TO THE GENERAL SHAREHOLDERS' MEETING FOR THE PURPOSES OF ARTICLE 528 OF THE SPANISH LIMITED LIABILITY COMPANIES LAW.

1. INTRODUCTION AND PURPOSE OF THIS REPORT

Pursuant to Article 528 of the revised text of the Spanish Limited Liability Companies Law, on convening the General Shareholders' Meeting the Board of Directors provides shareholders of the Company with a report explaining the scope and content of the amendment to the Regulations of the Organization and Functioning of the Board of Directors of Enagás, S.A., approved by the Board of Directors at a meeting on 21 December 2015 following a report of the Audit and Control Committee and the Appointments, Remuneration and Corporate Social Responsibility Committee.

This amendment is aimed at adapting the articles of the Board Regulations to the legislative reform introduced to the Spanish Limited Liability Companies Law by virtue of Audit Law 22/2015, of 20 July, and to the Good Governance Code recommendations established by the Spanish National Securities Market Commission (CNMV) on 18 February 2015.

On 18 February 2015, the Board of the Spanish National Securities Market Commission approved the new Corporate Governance Code of listed companies ("**Corporate Governance Code**" or "**CGC**"), which was published on 24 February 2015. As a result, the content of certain recommendations of the Corporate Governance Code is incorporated into the Regulations of the Organization and Functioning of the Board of Directors of the Company (the "**Regulations**" or "**Board Regulations**"), to the extent that they conform to the characteristics of the Company.

Furthermore, following the reform of the Spanish Limited Liability Companies Law by Law 31/2014, of 3 December, and Law 22/2015, of 20 July, on Auditing, a review of certain articles of the Regulation is necessary.

Taking advantage of these important reforms, a detailed review of the Regulation has been carried out to complete or introduce technical or wording improvements.

In this sense, and in compliance with the provisions of Article 528 of the Spanish Limited Liability Companies Law and the Board Regulations, the Board submits this

report amending the Regulations in order to explain to the General Shareholders' Meeting the **amendment to articles 3** ("Quantitative and Qualitative composition"), **4** ("Aims of the Board of Directors"), **5** ("Functions of the Board of Directors"), **6** ("Meetings of the Board of Directors"), **7** ("Board Proceedings"), **8** ("Appointment of Directors"), **12** ("Departure or Removal of Directors"), **13** ("Duties of the Directors"), **14 bis** ("Related-party transactions"), **16** ("Director Remuneration"), **17** ("The Chairman of the Board of Directors"), **18** ("The Coordinating Independent Director"), **20** ("The Secretary of the Board"), **25** ("The Appointments, Remuneration and Corporate Social Responsibility Committee") and **26** ("The Audit and Compliance Committee") of the current Regulations of the Board of Directors.

2. RATIONALE FOR THE AMENDMENT

The reform mainly focuses on **incorporating into the Board Regulations** the content of certain **Recommendations of the Code of Corporate Governance**, as well as the **adaptation of the Regulations** to the amendments introduced into Royal Decree Law 1/2010, of 2 July, approving the revised text of the Spanish Limited Liability Companies Law ("**Spanish Limited Liability Companies Law**").

1. Amendments deriving from the Code of Good Governance:

Based on the new Code of Good Governance, certain Recommendations thereof are incorporated into the Regulations. This area contains the following matters:

- Regarding **the Composition of the Board of Directors**, Article 3 of the Regulations sees the proportion of independent directors compared to the total number of members of the Board modified from one third to one half (Recommendation 17 CGC). Moreover, the wording is aligned with Recommendation 16 CGC, which places a maximum limit on the proportion of proprietary directors in respect of the total number of directors.
- As for **the Aims of the Board of Directors**, Article 4 of the Regulations sees the adaptation of the concept of corporate interest, as provided in Recommendation 12 CGC.
- With respect to **the Functions of the Board of Directors** referred to in Article 5 of the Regulations, the competence of the Board to approve the policy on the selection of Directors has been incorporated (Recommendation 14 CGC). Additionally, this article is completed with the provisions relating to the assessment of the Board and the Committees, as well as the publication on the corporate website of the reports on the functioning of the latter (CGC Recommendations 36 and 6, respectively).

Finally, the Board's competence to approve the communication and contacts policy (Recommendation 4 CGC) is incorporated into this article, as well as the requirements relating to the minimum content of the risk management and control policy (Recommendation 45 CGC).

- In connection with the **Meetings of the Board of Directors**, Article 6 of the Regulations is amended to establish the need for the Board to meet at least eight times a year (Recommendation 26 CGC). Furthermore, incorporated into this article are the provisions relating to the submission to the Board, for reasons of urgency, of decisions or resolutions not included in the Agenda (Recommendation 31 CGC), as well as those relating to the information to be provided to directors in connection with the movements of

shareholders and the views held by significant shareholders, investors and rating agencies regarding the Company (Recommendation 32 CGC).

- Regarding the **Board Proceedings**, Article 7 of the Regulations includes the obligation for directors to delegate their representation to another director, in accordance with the provisions of Recommendation 27 CGC, which also gives rise to the modification of Article 13.a) of the Regulations in accordance therewith.
- Regarding the **Departure or Removal of Directors**, incorporated into Article 12 of the Regulations are provisions relating to: (i) the Board should provide a reasoned account in the Annual Corporate Governance Report of the removal (Recommendation 22 CGC); (ii) an explanation of the reasons for the departure from the director himself in the form of a letter (Recommendation 24 CGC); and (iii) the definition of just cause regarding the removal of independent directors (Recommendation 21 CGC).
- In relation to the **Duties of the Director**, incorporated into Article 13 of the Regulations is the duty of opposition by Directors when they feel that any proposal submitted to the Board for approval might harm the corporate interest, in accordance with Recommendation 23 of the CGC.
- As regards **Related-party Transactions**, incorporated into Article 14 bis of the Regulations is a new paragraph on the publication of the report on related-party transactions (Recommendation 6 CGC).
- As for **Director Remuneration**, incorporated into Article 16 of the Regulations are the criteria for the remuneration of the office of director (Recommendation 56 CGC).
- Regarding the **Chairman of Board of Directors**, Article 17 of the Regulations is amended in order to complete the functions of the Chairman (Recommendation 33 CGC).
- In connection with the **Coordinating Independent Director**, Article 18 of the Regulations is completed with the functions described in Recommendation 34 CGC.
- Regarding the **Secretary of the Board**, paragraph c) of Article 20 of the Regulations is amended to adapt the functions of the Secretary to the contents of Recommendation 35 CGC.
- As for the **Appointments, Remuneration and Corporate Social Responsibility Committee**, paragraph 1 of Article 25 of the Regulations is completed to include the provision that all the members of this Committee should have the knowledge, skills and experience suitable for the functions they are called on to perform (Recommendation 47 CGC).

On the other hand, incorporated into paragraph 2 of article 25 is the competence of the Committee to ensure that the non-executive directors have sufficient time available for the proper performance of their duties (Recommendation 25 CGC); to verify the selection policy of directors (Recommendation 14 CGC); and to include competences in the area of remuneration (Recommendation 50 CGC).

Additionally, incorporated into paragraph 2 of this Article are the provisions of paragraphs a), relating to corporate governance rules, and b) to f) of Recommendation 53 CGC, as well as the content of Recommendation 54 CGC on the content of the corporate social responsibility policy. Also

incorporated into that paragraph is the publication on the corporate website of the report on the corporate social responsibility policy (Recommendation 6 CGC), and the provision in Recommendation 55 CGC on the methodology to be followed in the preparation thereof. Finally, the competences of the Committee contained in Recommendations 49 and 51 CGC, regarding the appointment of directors and senior management, are incorporated.

- In relation to **the Audit and Compliance Committee**, incorporated into Article 26 of the Regulations is the requirement for the Committee to have a majority of independent directors (Recommendation 39 CGC). In addition, the regulation of the risk control and management unit (Recommendation 46 CGC) and of the internal audit unit (Recommendation 41 CGC) are also incorporated.

Furthermore, the competences set out in Recommendations 40 and 42.1 CGC are incorporated. Additionally, among the competences of the Committee, new functions are included relating to the external auditor (Recommendation 42.2 CGC), as well as the competence relating to ensuring that the Board of Directors endeavours to prepare the accounts so that there is no room for limitations or qualifications on the part of the Auditor of the Company (Recommendation 8 CGC), the competence relating to reporting to the Board on operations of structural and corporate changes (Recommendation 44 CGC) and the competences set out in points a) —in relation to compliance with internal codes of conduct—, g) and h) of Recommendation 53 CGC.

Finally, the publication of the report on the independence of the auditor (Recommendation 6 CGC) is incorporated, as well as the possibility of convening Directors to the meetings of the Committee (Recommendation 43 CGC).

2. Amendments due to the reform of the Spanish Limited Liability Companies Law:

Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law to improve corporate governance, as well as Law 22/2015, of 20 July, on Auditing, incorporate certain amendments relating to the functioning of the Board and of the Audit and Compliance Committee and to the legal status of their members, whereby this scope includes, among others, the following issues:

- Regarding the **composition, aims, functions and rules of conduct of the Board**, among other aspects:
 - Incorporated into Article 5 of the Regulations is the explicit reference to the possibility of the Board delegating to the Executive Committee the decisions required under the above cases (Article 249.2 of the Spanish Limited Liability Companies Law).
 - The functions relating to the management of the Company set out in Article 5 of the Regulations are modified, in order to adapt them to the competences reserved for the General Shareholders' Meeting (Articles 160 and 511 bis of the Spanish Limited Liability Companies Law).
- With regard to **the Audit and Compliance Committee**, governed by Article 26 of the Regulations, among other aspects:

- A requirement is added that the Committee members as a whole must have "the pertinent technical knowledge in relation to the industry to which the audited company belongs" (article 529 quaterdecies.1 of the Spanish Limited Liability Companies Law, which will enter into force on 17 June 2016).
- A requirement is added that the Committee must have a majority of independent members (article 529 quaterdecies.1 of the Spanish Limited Liability Companies Law, which will enter into force on 17 June 2016).

Likewise, the Committee's functions and powers are amended, in particular, regarding: i) the report to the General Shareholders' Meeting concerning the audit results, explaining how they have contributed to the integrity of the financial reporting and the function performed by the Committee during the process (article 529 quaterdecies.4 of the Spanish Limited Liability Companies Law, which will enter into force on 17 June 2016); ii) the submission of recommendations or proposals to the Board of Directors referring to the supervision of the efficacy of the Company's internal control, internal audit and risk management systems (article 529 quaterdecies.4 b) of the Spanish Limited Liability Companies Law, which will enter into force on 17 June 2016); iii) the integrity of the mandatory financial reporting (article 529 quaterdecies.4 c) of the Spanish Limited Liability Companies Law, which will enter into force on 17 June 2016); iv) the responsibility for the external selection process of the Company's auditor and its independence (article 529 quaterdecies.4 d), e) and f) of the Spanish Limited Liability Companies Law, which will enter into force on 17 June 2016).

3. Technical and wording improvements:

Thirdly, some wording or technical details are incorporated in relation to certain issues:

- This scope includes, among others, the articles relating to the Functions of the Board of Directors (Article 5); Meetings of the Board of Directors (Article 6); Board Proceedings —in order to incorporate the possibility of Directors conferring a proxy by email— (Article 7); Appointment of Directors (Article 8); Duties of the Director —proposing to remove the provision regarding the limit on the number of directorships that directors may hold, since that limit is already reflected in Article 3.2 of the Regulations— (Article 13); Related-Party Transactions (Article 14 bis); Chairman of the Board of Directors, (Article 17); the Appointments, Remuneration and Corporate Social Responsibility Committee —so as to include, among others, the Chairman among the bodies and offices to which senior management reports; as well as align its wording with the provisions of Articles 14 bis and 26.3 of the Regulations in relation to the competence of prior reporting of related-party transactions - (Article 25), and the Audit and Compliance Committee (Article 26).
- In connection with the Duties of the Director (Article 13), the expression "*charged*" is replaced by "*investigated*" in order to adapt its wording to the new terminology introduced by Organic Law 5/2015, of 27 April, amending the Criminal Procedure Law and Organic Law 6/1985, of 1 July, on the Judiciary, to transpose Directive 2010/64/EU, of 20 October 2010, relating to the right to interpretation and translation in criminal proceedings and Directive 2012/13/EU, of 22 May 2012 on the right to information in criminal proceedings.

3. COMPLETE TEXT OF THE AMENDMENT

ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION

- 1.- Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.
2. The Board of Directors shall be composed of directors that belong to the categories stated below:
 - a) Internal or Executive Directors: directors who perform senior management functions at the Company or its Group, whatever the legal connection they may have with it.

If a director performs management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.

No more than 20% of the total number of members of the Board of Directors may belong to this category.

- b) External or Non-Executive Directors: These directors shall in turn fall into three categories:
 - b1) Proprietary directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.
 - b2) Independent Directors: directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and who, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one half of all directors.
 - b3) Other External Directors: external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present Regulations.

In exercising its powers of proposal to the General Shareholders' Meeting and of co-option to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent a broad majority over executive directors and that the percentage of proprietary directors in relation to non-executive directors is not greater than the proportion between the capital represented by the said directors and the remainder of the company's

capital, without prejudice to the adaptation of this criteria in the terms permitted by the good governance recommendations applicable in this respect.

The following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

- a) Natural or legal persons who hold the post of Director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.
- c) Directorships may not be exercised by natural persons or bodies-corporate that exercise control or rights in a company carrying out functions of production or sale of natural gas, or by any other natural persons or bodies-corporate the presence of whom or which on the Board, pursuant to the legislation applicable to the hydrocarbons sector, may affect the Company's status as technical transmission operator.

ARTICLE 4.- AIMS OF THE BOARD OF DIRECTORS

The Board of Directors, in the performance of the duties entrusted to it by the Law, the Bylaws and these Board Regulations, must be guided by the following aims:

- To achieve effective management of the Company and its investees.
- To assure the Company's future viability and competitiveness, as well as the availability of suitable managers and leaders, the running of the Company's business being expressly subject to the oversight of the Board.
- To perform its duties with unity of purpose and independent judgement, according all shareholders in the same position the same treatment. It should be guided at all times by the corporate interest, construed as achieving a profitable and sustainable business in the long-term, which promotes its continuation and the creation of economic value.
- To establish a policy of action that allows for transparent management of the Board of Directors, establishing for that purpose as many oversight mechanisms as may be necessary to guarantee control of the decisions of its members, in accordance with the corporate interest.
- To see to it that the interests of minority shareholders are upheld.
- To ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts ethically and in good faith; respects the commonly accepted customs and good practices of the sectors and territories where it does business; reconciling the corporate interest with the legitimate interest of its employees, clients and remaining stakeholders that may be affected, as well as the impact of the activities of the Company on the community as a whole and the environment; and upholds any additional social responsibility principles it voluntarily subscribes to.

ARTICLE 5.- FUNCTIONS OF THE BOARD OF DIRECTORS.

It falls to the Board of Directors to perform all acts of management, representation and supervision that may be required or expedient for the attainment of the objects stipulated in the Memorandum and Bylaws, within the framework of the law, the Bylaws and of these Board Regulations.

Specifically, in addition to the other duties that may be entrusted to it by law or in the bylaws, it will have those indicated in sections A), B), C) and D) of article 5:

The duties of the Board may be delegated, except those which according to the law or the bylaws may not be delegated.

A) Powers and duties relating to the organization and functioning of the Board and of the Company:

1. To act as the body representing the Company in the terms prescribed by law and stipulated in the Bylaws.
2. To fill Board vacancies by co-option.
3. To accept Directors' resignations, as the case may be.
4. To appoint and remove the Chairman, Coordinating Independent Director, Chief Executive, Secretary and Deputy Secretary of the Board.
5. To establish the policy on the selection of Directors of the company.
6. To delegate powers to any of their members and, as the case may be, to the Executive Committee and revoke such delegation in conformity with the law and the bylaws.
7. To appoint and remove the Directors who are to sit on the various Committees provided for in these Board Regulations, and the chairmen of such Committees.
8. Supervision of the effective functioning of any Committees that it has set up and of the actions of the executive bodies and Managers that it has appointed. The decisions relating to the remuneration of Directors because they belong to the Board of Directors and its Committees, within the framework of the bylaws and the remuneration policy approved by the General Shareholders' Meeting.
9. To approve the additional remuneration due to Executive Directors in consideration of their executive functions and the rest of terms to which regard must be had under their contracts.
10. To regulate its own organization and functioning and, in particular, to adopt the Board Regulations and the Rules and Regulations of Board Committees, and adapt and amend such provisions when required.
11. To draft and adopt the Internal Code of Conduct.

12. To consider and, where appropriate, authorize or establish exemptions regarding the actions referred to in articles 14 and 14 bis of the Regulations and the Internal Code of Conduct.
13. To lay down, on the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, the general policy regarding the guidelines relating to the appointment, selection, promotion and dismissal of senior managers, and the criteria governing remuneration policy, in order to ensure that the Company has highly qualified staff fit for administering its business at all times.
14. To approve, upon receiving a proposal from the Company's chief executive, the appointment and, if applicable, removal of managers who report directly to the Board of Directors or to one of its members, and the establishment of the basic terms of their contracts including their remuneration and, if applicable, compensation clauses.
15. To frame the corporate governance policy of the Company and its Group.
16. To evaluate the following in a plenary session once a year:
 - a) Based on the report provided to it by the Appointments, Remuneration and Corporate Social Responsibility Committee, the quality and efficiency of the Board's operation, as well as diversity in its composition and competences.
 - b) The performance of the Chairman of the Board and the Chief Executive of the Company on the basis of the report to be submitted to it by the Appointments, Remuneration and Corporate Social Responsibility Committee.
 - c) The performance of its Committees on the basis of the reports furnished by the same, which shall be published on the website of the Company sufficiently in advance of the date of the General Shareholders' Meeting.
 - d) The performance and contribution of each director, paying particular attention to those responsible for the various Board Committees.

The result of the assessment will be recorded in the minutes of the meeting or incorporated into them as an appendix.

On the basis of the results of the assessment, the Board will propose an action plan to correct the identified deficiencies.

Every three years, the Board will be assisted to carry out the assessment by an external consultant, whose independence will be verified by the Appointments, Remuneration and Corporate Social Responsibility Committee.

The process and the assessed areas will be further described in the Annual Report on Corporate Governance, as well as the business relationships that the external consultant or any company of its group may have with the Company or any Group company.

17. The issuance of any type of report the Board of Directors is required by law to submit, if the operation to which the report refers cannot be delegated.
18. Convening the General Shareholders' Meeting and drafting the Agenda and the proposed resolutions.
19. The policy concerning the Company's own shares.

B) Powers and duties relating to the management of the Company:

1. To exercise the powers that the General Shareholders' Meeting has granted to the Board of Directors, powers which may be delegated only with the prior express agreement of the General Shareholders' Meeting.
2. To define, at the proposal of Senior Management, the Company's general policies and strategies, as well as to monitor the fulfilment of those policies and strategies.

In particular, the Board of Directors is responsible for adopting the Company's strategic plan and annual budgets; its investment and financing policy; its corporate social responsibility policy; its dividends policy; the definition of the structural design of the group of companies; and the policy on communication and contact with shareholders, institutional investors and proxy advisers, which will be published on the Company's website.

Also within the area of responsibility of the Board of Administrators are the determination of the Company's tax strategy and of its risk control and management policy, including tax risks, and the oversight of its internal information and control systems.

In particular, in relation to the risk control and management policy, it must identify at least: (i) the different types of financial and non-financial risk the Company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; (ii) the determination of the risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of the risks identified should they occur; and (iv) the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

3. To incorporate new companies and approve participation in existing companies when an investment higher than three million euros is required.
4. To approve operations consisting of mergers, mergers by absorption, spin-offs, de-mergers, global assignments of assets and liabilities, changes of corporate form or business combinations in which any of the direct investees of Enagás, S.A. are interested.

5. To launch public bids for shares and other securities, seek authority from the General Shareholders' Meeting for operations consisting of mergers, mergers by absorption, spin-offs, de-mergers, global assignments of assets and liabilities, changes of corporate form or business combinations involving Enagás, S.A., and any other transaction entailing structural alterations to the Company, such as the hiving-off to subsidiaries of core activities hitherto carried on by the Company; the acquisition, contribution or sale of core operating assets where such transaction effectively involves a change to the Company's objects, and transactions of an effect equivalent to liquidation of the Company.
6. To approve the sale of ownership interests in companies or other non-essential fixed assets with a value above three million euros or, in the case of a lower amount, the acquisition of share capital and fixed assets that has been approved by the Board of Directors, provided that this does not entail a change in the structure of the company.

For these purposes, assets will be considered to be core assets if the respective transaction amount is greater than 25% of the value of the assets shown on the last approved balance sheet.

7. To approve investments or transactions of any kind that, on account of the large amounts involved or special characteristics, are strategic in nature or pose particular taxation risks, unless this is the responsibility of the General Meeting;
8. To approve investment proposals the value of which exceeds three million euros.
9. To issue series of promissory notes, bonds and similar securities of Enagás, S.A. or investees in which the Company holds a majority or a controlling interest.
10. To stand as surety to secure obligations owed by entities not controlled by the Group.
11. To assign rights in the trade name and trademarks, patents, technology and any form of intellectual or industrial property owned by Enagás, S.A. or Group companies and carrying economic significance.
12. To create and oversee the management of employee pension plans and any other commitment to employees entailing long-term financial liabilities for the Company.
13. To enter into agreements of a commercial, industrial or financial nature the amount or special characteristics of which mean that they are strategic for the Enagás Group.
14. To approve the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories qualifying under statute as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and the Group.

C) Powers and duties relating to financial statements and external audit:

1. To authorize for issue, in clear and precise terms facilitating comprehension of their contents, the individual and consolidated financial statements and the Directors' report, after obtaining the report issued by the Finance Department and the relevant report issued by the Audit and Compliance Committee, all appropriate clarifications having been made.

The Board of Directors shall see to it that the financial statements provide a true and fair view of the Company's equity, financial position and results of operations, in accordance with the law.

The Board of Directors is also responsible for submitting both the financial statements and the directors' Report to the General Shareholders' Meeting.

2. To lay before the General Shareholders' Meeting a nomination for the role of accounts auditor of the Company on the proposal of the Audit and Compliance Committee and in fulfilment of these Board Regulations.

Except if otherwise indicated expressly in the minutes of proceedings, there shall operate a presumption that, before setting their hands to the authorization for issue of the financial statements as required by law, the Directors have availed themselves of the information necessary for the performance of that act, whether directly or via the Audit and Compliance Committee. The Board may place on record any reservation it thinks fit with respect to the foregoing.

Upon authorising the financial statements for issue, the Board shall attend to any comments or recommendations submitted by the Audit and Compliance Committee in its prior report. If the financial statements depart from the prior report issued by the Audit and Compliance Committee, the Board of Directors shall provide an adequate explanation of the reasons for the discrepancy.

The Board of Directors shall endeavour to present the financial statements in such a way that there are no grounds for qualification from the Company's Accounts Auditor. However, if the Board of Directors determines that it must stand by a contrary view, it shall publicly explain the content and extent of the discrepancy.

D) Powers and duties relating to the securities market:

1. The Board of Directors shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the Company's and its subsidiaries' shares, and perform all functions required by the Company's status as a listed company pursuant to current laws and regulations.
2. To authorize the financial information which the Company must report on a regular basis by reason of its being a listed Company.

ARTICLE 6.- MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors shall meet at least once every two months and, in any case eight times a year, and on the motion of the Chairman, whenever the Chairman deems it fit for the proper running of the Company.

A call must be issued when so requested by a majority of the Directors, as set forth in article 39 of the Bylaws.

Directors who represent at least one third of the members of the Board of Directors may call the meeting, stating its agenda, to be held in the locality where the registered office is located, if they have requested the Chairman to convene the meeting, and the meeting has not been called within one month without reasonable cause.

Except in cases of where the the Board has been constituted or has been convened exceptionally on account of urgent circumstances, the Directors must have the requisite information at their disposal sufficiently in advance to be able to deliberate and adopt resolutions on the business to be transacted. To this end, the Agenda of the meetings shall clearly indicate those points on which the Board of Directors must take a decision or resolution. The Chairman of the Board of Directors, in collaboration with the Secretary, must ensure that this obligation to provide information is fulfilled.

In those cases in which, exceptionally, for reasons of urgency, the Chairman wishes to submit to the approval of the Board decisions or resolutions not appearing in the Agenda, this shall require the express prior consent of the majority of the Directors present at the meeting, which will be duly recorded in the minutes.

Ordinary meetings of the Board shall transact general business relating to the Group's performance, earnings, balance sheet, investments, the Company's cash position and how it compares to the adopted budget, the business referred to in article 5, if applicable, and the business listed on the agenda, to be drawn up pursuant to these Board Regulations.

At these regular meetings the Board shall receive timely information about the movements of the shareholders and of the opinion that significant shareholders, investors and rating agencies have on the Company and its Group. Similarly, the Board of Directors shall receive timely information on the main operational achievements and difficulties and any foreseeable circumstances which may prove critical for the Company's affairs, and shall consider the course of action proposed by Company management in response.

- 2.- Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, may be effected by any channel, and shall specify the meeting venue and agenda. The Chairman shall call the Board to meet when so requested by the Coordinating Independent Director in accordance with article 18 of these Board Regulations.

The notice of meeting, which other than in exceptional circumstances shall be issued at least three days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been adopted.

The power to set the agenda of a meeting rests with the Chairman, but any Director may request in advance of the calling of such meeting that there be added to the agenda any items which in his/her view ought to be addressed by the Board.

The Board shall be properly constituted without need of prior notice if, all Directors being present in person or by proxy, the Directors unanimously consent to the holding of the meeting.

- 3.- Board Meetings shall ordinarily be held at the registered office, but may also be held at any other venue determined by the Chairman of the Board and specified in the notice of meeting.

ARTICLE 7.- BOARD PROCEEDINGS.

1. The Board of Directors shall be properly constituted when at least half its members plus one member are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.
- 2.- The Chairman shall moderate the proceedings, encouraging the active involvement of all Directors in the Board's deliberations and safeguarding their freedom to state their position and express their views.
3. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors must grant a proxy to another Director. Non-Executive Directors may grant a proxy only to other Non-Executive Directors. Proxies for the representation of absent Directors may be granted by any means, with a telegram, facsimile or email addressed to the Chairman or Secretary of the Board being valid.
- 4.- Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy.

Votes may be cast in writing and in the absence of a meeting if no Director objects to such procedure and the requirements are satisfied of the Reglamento del Registro Mercantil [Spanish registrar of companies regulations].

- 5.- When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, those concerns must be noted in the minutes upon demand by the person voicing them.

ARTICLE 12.- DEPARTURE OR REMOVAL OF DIRECTORS

- 1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Bylaws and these Board Regulations.
- 2.- Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases:

- a) When they are affected by instances of incompatibility or prohibitions laid down in Law, in the Bylaws, and in these Regulations.
- b) When they are in serious breach of their obligations as directors.
- c) When they may put the interests of the company at risk or harm its name and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 213 of the Spanish Limited Liability Companies Law, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide whether or not the director should be called on to resign.

The board shall provide a reasoned account of all of the foregoing in the Annual Corporate Governance Report.

- d) When the reason for which they were appointed as Directors no longer exists.
- e) When Independent Directors cease to meet the conditions established under article 9.
- f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

If the Board of Directors does not deem it advisable to have a Director tender his/her resignation in the cases specified in points d), e) and f), the Director must be included in the category that, in accordance with these Board Regulations, is most appropriate based on his/her new circumstances.

When a Director gives up his place before his tenure expires, through resignation or otherwise, he shall state his reasons in a letter to be sent to all members of the board of directors. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

- 3.- The Board of Directors shall not propose the removal of any independent Director prior to the end of the bylaw-mandated period for which they have been appointed, unless there are due grounds acknowledged by the Board following a report from the Appointments, Remuneration and Corporate Social Responsibility Committee. In particular, it shall be understood that there is just cause when the director takes on new offices or assumes new obligations that prevent him from devoting the time necessary to perform the duties of the office of Director, breaches the duties inherent to his position or is affected by one of the circumstances that cause him to lose his independent status in accordance with the provisions of applicable law.
- 4.- After a Director resigns from his/her post, he/she may not work for a competitor for a period of two years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

ARTICLE 13.- DUTIES OF THE DIRECTOR

The duty of a Director is to support and oversee the running of the Company for the purpose of maximising its value for the benefit of shareholders.

By virtue of his/her office, a Director is under a duty to:

- a) To perform any specific task assigned by the Board of Directors and which is reasonably included in his/her commitment to dedication.
- b) To report to the Board on any acts he/she performs by delegation from or engagement by the Board.

In addition to the aforementioned general duties, Directors will have, in particular, the following:

a) General duty of diligence:

Directors must perform their duties and comply with the duties imposed by law and the Bylaws with the diligence of a prudent businessman, given the nature of their post and the functions attributed to each of them.

Directors must show the proper dedication and adopt the precise measures for the proper management and control of the company.

When performing their functions, Directors have the duty to demand and the right to receive appropriate information from the Company with which to fulfil their obligations.

In terms of strategic and business decisions requiring the discretionary authority of a business person, the standard of diligence of a prudent business person will be understood to be met when the Director has acted in good faith, without personal interest in the matter on which he or she decides and with sufficient information and following an appropriate decision procedure.

Decisions that personally affect other Directors and related persons and, in particular, that are intended to authorize the operations provided for in article 230 of the revised text of the Spanish Limited Liability Companies Law shall not be understood as included in the sphere of discretionary authority of a business person.

Each Director must properly prepare for meetings of the Board and of any Committees of which he/she is a member.

Directors must attend the meetings of the bodies of which they are members and actively participate in order for their opinions to make an effective contribution to the decision-making process. Director absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. If, on justified grounds, a Director is unable to attend a meeting to which he/she has been called, he/she must give instructions to the Director who represents him/her by proxy.

The Directors must express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. Similarly, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a Director has expressed serious reservations, then he must draw the pertinent conclusions and, if he resigns, must set out his reasons in a letter.

Directors shall apprise the Appointments, Remuneration and Corporate Social Responsibility Committee of any other professional obligations in case they might detract from the necessary dedication.

b) Duty of loyalty:

Directors shall perform their positions with the loyalty of a reliable representative, acting in good faith and in the best interest of the Company.

In particular, the duty of loyalty requires that Directors:

- a) Not exercise their powers for purposes other than those for which they have been granted.
- b) Keep secret any information, data, reports or records which they have had access to in the performance of their duties, including if they have been removed from their positions, except in cases where the law permits or requires that they act otherwise.
- c) Refrain from participating in deliberating and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interests. Resolutions or decisions that affect them in their capacity as Director, such as their appointment to or removal from posts on the governing body or others of a similar nature, will be excluded from the preceding obligation, .
- d) Perform their functions according to the principle of personal responsibility with freedom of judgement and independence relating to instructions from and links with third parties.
- e) Adopt the measures required to avoid becoming involved in situations in which their interests, either for their own personal reasons or those of another party, may conflict with the Company's interest or with their duties with the Company.

In particular, the obligation to avoid conflicts of interest referred to in the preceding paragraph requires that Directors refrain from:

- a) Conducting transactions with the Company, except for routine transactions carried out under standard conditions for the customers and having little import, which are understood to be those that are not required to be reported in order to express a true and fair view of the equity, the financial position and results of the entity.

b) Using the name of the Company or invoking their position as director to improperly influence the conducting of private transactions.

c) Using the corporate assets, including the Company's confidential information, for private purposes.

d) Taking advantage of the Company's business opportunities.

e) Obtaining benefits and remunerations from third parties other than the Company and its group associated with the performance of their duties, except for acts of mere courtesy.

f) Conducting activities for themselves or for another party that—actually or potentially—entail effective competition with the company or that, in any other manner, place them in permanent conflict with the Company's interests.

The above provisions will also be applicable if the beneficiary of prohibited acts or activities is a person related to the Director.

In any event, Directors must inform the other Directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related to them make have with the Company's interests.

Direct and indirect conflicts of interest in Directors become involved shall be disclosed in the Annual Report.

c) Other duties:

In addition, a Director must comply with all rules imposed on him/her by the Company's Internal Code of Conduct in his/her capacity as a Director and, as the case may be, as a shareholder or senior executive of the Company.

Notwithstanding the provisions of article 12, Directors will inform the board of any circumstance that might harm the Company's name or reputation, in particular any criminal charges brought against them as investigated party and the progress of any subsequent trial.

A Director, in his/her capacity as an honest representative of the Company, must inform the Company of any Enagás shares he/she holds, whether directly or through third companies in which he/she holds a significant interest, following the procedure and other formalities laid down for investment in the equity of Enagás and its investees.

A Director may not use the Company's non-public information for private purposes, except in the absence of any detriment to the Company and of any right of exclusivity in the Company or legal position of analogous import as to the information intended to be used, and provided that such information is not used for transactions of acquisition or sale of Company securities.

The Director must in all cases comply with the standards of conduct prescribed in the legislation on the securities market and in the Enagás Group, S.A. Internal Code of Conduct regarding the securities market.

d) Persons related to the Directors:

For the purposes of these Board Regulations, the persons referred to in article 231 of the Spanish Limited Liability Companies Law shall be considered related parties of a Director.

e) Natural person representative:

A natural person appointed to permanently exercise the functions corresponding to the office of a legal person Director must meet the legal requirements established for directors and shall be required to perform the same duties as and shall be jointly and severally liable with the legal person director.

ARTICLE 14 bis.- RELATED-PARTY TRANSACTIONS

- 1.- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the Company or the companies in its Group with Directors under the terms set forth in Articles 229 and 230 of the Spanish Limited Liability Companies Law, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the Group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question.

The aforementioned transactions shall be assessed from the point of view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the Company's regular public reporting as provided in applicable laws and regulations.

- 2.- The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the three following conditions:
- (a) they are governed by standard form contracts applied on an across-the-board basis to a large number of customers;
 - (b) they go through at market prices, generally set by the person supplying the goods or services; and
 - (c) their amount does not exceed 1% of the Company's annual revenues.
- 3.- If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report said transactions.
- 4.- In the event of duly documented, urgent reasons, related party transactions may be authorized, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

- 5.- The report which, if any, may be issued by the Audit and Compliance Committee on related-party transactions, shall be published on the website of the Company.

ARTICLE 16.- DIRECTOR REMUNERATION

- 1.- The office of Director of Enagás, S.A. shall be remunerated in the manner stipulated in the Bylaws, having regard to the report issued by the Appointments, Remuneration and Corporate Social Responsibility Committee pursuant to article 25 of these Board Regulations.

The remuneration of the Directors will be that needed to attract and retain Directors of the desired profile and compensate them for the dedication, abilities and responsibilities that the post entails, but not so high as to jeopardize the independent judgement of non-executive directors.

The Director remuneration policy will determine the remuneration of the Directors in this capacity, within the remuneration system provided for in the Bylaws and will include the maximum amount of the annual remuneration to be paid to all the Directors in that capacity.

The remuneration of Directors for performing the executive functions provided for in contracts approved in accordance with the provisions of article 19.bis of these Regulations conform to the director remuneration policy, which must necessarily set forth the amount of the fixed annual payment and the variation therein in the period covered by the policy, the different parameters for setting the variable components and the main conditions of directors' contracts, and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.

The Board of Directors is responsible for setting Directors' remuneration for performing executive functions and the terms and conditions of their contracts with the Company in accordance with article 19.bis of these Regulations and with the Directors' remuneration policy approved by the General Shareholders' Meeting.

The Appointments, Remuneration and Corporate Social Responsibility Committee shall establish remuneration criteria for Company Directors, within the scope of the Company's Bylaws and in accordance with resolutions of the General Shareholders' Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by the Bylaws for this purpose and in accordance with the Directors' remuneration policy approved by the General Shareholders' Meeting, given the functions and responsibilities attributed to each Director.

The Directors' remuneration policy shall be in keeping with the corresponding remuneration system provided for in the Bylaws, and shall be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.

The grounds for the proposed remuneration policy of the Board of Directors shall be stated and the proposal must be accompanied by a specific report from the Appointments, Remuneration and Corporate Social Responsibility Committee. Both documents will be made available to the shareholders on the

Company's website after notice of the General Shareholders' Meeting has been given, and shareholders may also request that these documents be delivered or sent free of charge. The announcement of the notice of the General Shareholders' Meeting will mention this right.

The Directors' remuneration policy, approved as set forth above, will remain valid for three fiscal years after being approved by the General Shareholders' Meeting. Any amendment to or replacement of this policy during said period will require the prior approval of the General Shareholders' Meeting, in accordance with the procedure established for its approval.

2.- Director remuneration shall be transparent. To this end:

- The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions.
- The Appointments, Remuneration and Corporate Social Responsibility Committee must submit to the Board of Directors the proposed Annual Report on Director Remuneration, which will contain full, clear and understandable information on the Company's remuneration policy approved by the Board for the current year, as well as, where appropriate, the expected policy for future years. It shall also include a global summary of how the remuneration policy was applied over the year, as well as a list of the individual remuneration accrued by each of the Directors. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to an advisory vote, as a separate item on the agenda, of the Annual General Meeting of Shareholders. Should the Annual Report on Directors' Remuneration be rejected by the advisory vote of the Ordinary General Shareholders' Meeting, the remunerations policy to be applied in the next fiscal year must be submitted to the General Shareholders' Meeting for approval before being applied, even if the three-year validity period has not expired. An exception to the foregoing shall be made if the remuneration policy has been approved at that same Ordinary General Shareholders' Meeting.

Any remuneration paid to Directors for holding or being removed from their positions and for performing executive functions must be set forth in the corresponding contract, in accordance with the terms set forth in article 19.bis, and will be consistent with the Director remuneration policy in effect at any given time, except for any remuneration expressly approved by the General Shareholders' Meeting.

ARTICLE 17.- THE CHAIRMAN OF THE BOARD OF DIRECTORS

- 1.- The Chairman of the Board, in addition to the powers and duties attributed to him by law, the Bylaws and these Board Regulations, shall prepare and submit to the Board a programme of meetings and issues to be dealt with, shall organize and coordinate regular assessments of the Board and, where applicable, of the chief executive of the Company. He will also be responsible

for the direction of the Board and the effectiveness of its operation, making sure that sufficient time is spent on the discussion of strategic issues, and agreeing and reviewing refresher programmes for each director, when circumstances make this advisable.

- 2.- If he is an executive director, the Chairman of the Board of Directors shall exercise the management in practice of the Company's affairs, always in accordance with the decisions and criteria laid down by the General Shareholders' Meeting and the Board of Directors in their respective spheres of authority.
- 3.- The Chairman of the Board shall chair all the Company's organs of governance and management.
- 4.- The Chairman of the Board may wholly or partly delegate his powers and duties to other Directors or to senior executives of the Company, unless such delegation is expressly prohibited by law.
- 5.- If the Chairman is absent, ill or unable to act as Chairman for whatever reason, the provisions of the following article shall apply.

ARTICLE 18.- THE COORDINATING INDEPENDENT DIRECTOR.

The Board of Directors may appoint an Independent Director, on the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, to perform the following duties, under the title of Coordinating Independent Director:

- a) To request the Chairman of the Board of Directors to convene that body when said Lead Independent Director deems appropriate.
- b) To request that items be included on the Agenda of the Meetings of the Board of Directors.
- c) To coordinate and gather together the external Directors, echoing their concerns.
- d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Chief Executive Officer.
- e) To coordinate the succession plan of the Chairman.
- f) To perform as a Deputy Chairman the functions of the Chairman as regards the Board of Directors, if the Chairman is absent, ill or unable to act as Chairman for whatever reason. In the absence of a Coordinating Independent Director, for the purposes of this section the most senior Director in age shall act as Chairman.
- g) To maintain contact with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company.

The appointment of a Coordinating Independent Director shall be obligatory if the Chairman of the Board is an Executive Director. In such cases the Coordinating Independent Director shall be appointed by the Board with the Executive Directors abstaining from the vote.

ARTICLE 20.- SECRETARY OF THE BOARD

- 1.- The Secretary of the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Board Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Appointments, Remuneration and Corporate Social Responsibility Committee and must be approved by the Board in plenary session.
- 2.- The Secretary will assist the Chairman and must take the necessary measures to ensure the smooth operation of the Board of Directors, in particular by providing the Directors with needed advice and information, helping the Chairman to see to it that the Directors receive the relevant information for exercising their function in due time and proper form, keeping the corporate documentation, keeping a record of meeting proceedings in the minute books and attesting to the resolutions of the Board of Directors. The Secretary shall also be responsible for giving notice of the resolutions adopted by the Board.
- 3.- The Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:
 - a) Adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
 - a) Comply with the Company's Bylaws and Board Regulations and others of the Company;
 - c) Are informed by the good governance recommendations to which the company has subscribed.

ARTICLE 25.- APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY

- 1.- The Appointments, Remuneration and Social Corporate Responsibility Committee shall comprise at least three and no more than six Directors, to be appointed by the Board, and must have adequate knowledge, abilities and experience for the functions entrusted to them.

A majority of the members of the Appointments, Remuneration and Corporate Social Responsibility Committee must be Independent Directors. Executive Directors may not sit on the Committee, although they may be present if so expressly decided by the Committee.

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.

- 2.- Under Article 45 of the Bylaws, the Committee has the following duties and powers:

- To evaluate the competencies, knowledge and experience required on the Board of Directors. To this end, it shall determine the functions and capacities required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties, while overseeing that the Non-Executive Directors have sufficient time available to properly perform their functions.
- To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Bylaws, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary.
- To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
- To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting
- To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
- To report on the appointment and dismissal of the Secretary of the Board of Directors.
- To report on proposed appointments and removals of senior management and the basic terms of their contracts.
- To examine and organize the succession of the Chairman of the Board of Directors and CEO of the Company and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.
- To draw up and review the criteria that must be utilized for the composition of the Board and for selection of those nominated as Directors, ensuring that their access to the Board does not affect the Company's status as technical transmission operator, pursuant to the provisions of regulations applicable concerning hydrocarbons.

The Committee shall verify on an annual basis compliance with the policy on selection of Company Directors approved by the Board of Directors.

- To formulate proposals to the Board of Directors regarding the Company's organizational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.
- 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 the Chairman, to executive committees or Chief Executives, along with individual remuneration and

other terms of Executive Directors' contracts, ensuring that said policy is abided by. To this end, the Committee will periodically review the remuneration policy of Directors and senior management and ensure that their individual remuneration is proportional to that paid to the other directors and senior executives of the Company.

- To propose a general remuneration policy for Enagás management, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has suitable highly qualified staff for administering its business at all times, proposing to the Board the basic conditions of their contracts.
- To verify information on remuneration of directors and senior executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration.
- To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee on remuneration.
- To report to the Board on general policy concerning Corporate Social Responsibility and 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 this end, the Committee shall be responsible for the following functions:
 - a) To submit to the Board the initiatives and proposals it deems appropriate and provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.
 - b) To monitor compliance with the rules of corporate governance of the Company, periodically assessing the adequacy of the Company's system of corporate governance, in order to fulfil its mission of promoting the corporate interest, and consider, as appropriate, the legitimate interests of other stakeholders.
 - c) To monitor the communication strategy and relations with shareholders and investors, including small and medium shareholders.
 - d) To monitor the corporate social responsibility strategy and practices and assess their degree of compliance.
 - e) To monitor and assess the processes of liaising with different stakeholders.
 - f) To review the corporate responsibility policy of the Company, ensuring that it is aimed at creating value.

In particular, the Committee will ensure that the policy of corporate responsibility identifies at least:

- The objectives of the corporate social responsibility policy and the development of support tools.
- Corporate strategy related to sustainability, the environment and social issues.

- Specific practices on issues related to: shareholders, employees, customers, suppliers, social issues, environmental issues, diversity, tax responsibility, respect for human rights and prevention of illegal behaviour.
- Methods or systems for monitoring the results of the implementation of the specific practices identified in the previous paragraph, the associated risks and their management.
- Mechanisms for oversight of non-financial risk, ethics and business conduct.
- The channels of communication, participation and dialogue with stakeholders.
- Responsible communication practices to prevent the manipulation of information and protect integrity and honour.

The report which, if any, may be issued by the Committee on the Company's general policy of Corporate Social Responsibility, shall be developed using any of the internationally accepted methodologies, and shall be published on the website of the Company sufficiently in advance of the Ordinary General Shareholders' Meeting.

- To report to the Board of Directors on measures to be taken in the event of breach of these Board Regulations or the Internal Code of Conduct on matters relating to the securities markets on the part of Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Social Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.
3. The Committee shall consult the Chairman of the Board and Chief Executive Officer of the Company, especially on matters relating to the appointment of the executive directors and the remuneration of senior executives and Executive Directors. Any board member may suggest directorship candidates to the Appointments Committee for their consideration.
 - 4.- The Committee shall meet at least four times a year. Meetings shall be called by its 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. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director.

ARTICLE 26.- THE AUDIT AND COMPLIANCE COMMITTEE

- 1.- The Audit and Compliance Committee shall comprise at least three and no more than five Directors, to be appointed by the Board having particular regard to their expertise and experience in accounting, auditing or risk management.

Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.

No executive Director may sit on the Audit and Compliance Committee. The majority of members of the Committee must be independent

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote. The Chairman must be replaced every four years, and may be re-elected after the lapse of one year from his departure from office.

- 2.- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct and the legislation in force in the area of its competence.

- 3.- In particular, and in compliance with the provisions of article 44 of the Bylaws, the Audit and Compliance Committee has the following duties and powers:

- To inform the General Shareholders' Meeting on issues raised in the areas that lie within the Committee's competence and, in particular, about the audit result, explaining how it has contributed to the integrity of the financial reporting and the Committee's function during the process.
- To oversee the proper operation of the Company's internal control, its internal audit function and risk management systems, and discuss with the auditors any significant weaknesses in the internal control system detected in the course of audit, all of this without undermining its independence. For such purposes and, where applicable, they can submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.

In particular, the Company shall have a risk management and control unit, supervised by the Audit and Compliance Committee, which shall, among other functions, ensure the proper functioning of the risk management and control systems and, in particular, identify, manage and adequately quantify all material risks affecting the Company; actively participate in the development of the risk strategy and major decisions on its management; and ensure that the risk management and control systems adequately mitigate risk under the policy defined by the Board of Directors.

- To ensure the independence of the unit that assumes the internal audit role, which will depend functionally on the Chairman of the Committee

and shall ensure the proper functioning of the information and internal control systems; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approve and guide the work plans, ensuring that its activity mainly focuses on the risks relevant to the Company; receive periodic information on its activities; and verify that senior managers take into account the conclusions and recommendations of its reports.

The head of the unit that assumes the internal audit function shall present an annual work programme to the Committee, and report on any incidents arising during its implementation, and shall submit an activities report at the end of each year.

- To supervise the preparation process and integrity of the mandatory financial information and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity, reviewing compliance with regulatory requirements, the proper demarcation of the scope of consolidation and the correct application of accounting standards.
- To establish and supervise a mechanism whereby staff can report, confidentially and, if possible and considered appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company.
- In relation to the external auditor of the Company:
 - To submit proposals to the Board of Directors for selecting, appointing, re-electing and replacing the auditor, being responsible for the selection process, in accordance with the applicable regulations, along with the terms of their contract, regularly evaluate information on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their functions.
 - To liaise with the external auditor to obtain information on any issues that could compromise the latter's independence for review by the Committee or any other subjects related to the audit process and, where applicable, the authorization of the services other than those forbidden, under the terms envisaged in the applicable regulations, and any other disclosures envisaged in the audit regulations and audit standards. In all cases, on an annual basis, the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to detailed and individual information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them in conformity with the audit regulations, ensuring that the Company and the external auditor respect the regulations in force regarding the provision of services other than those of auditing, the limits on business mergers of auditors and, in general, all other regulations on the independence of auditors.
 - To ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.

- To oversee that the Company notifies any change of auditor to the Spanish National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same. In the event of resignation of any external auditor, the Committee should investigate the issues giving rise to the resignation.
- To ensure that the external auditor holds an annual meeting with the Board of Directors to inform it of the work done and the evolution of the accounting and risk situation of the Company.
- To oversee that the Board of Directors endeavours to present the financial statements in such a way that there are no grounds for limitations or qualifications by the Company's Accounts Auditor.
- To issue an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall in all cases include an assessment of the additional services provided, as referred to in the previous section, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the audit regulations, and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.
- To keep the Board of Directors apprised, in advance, on all items provided for in the Law, the Bylaws and the Regulations of the Board of Directors, in particular, in relation to:
 - 1 the financial information that the Company must periodically publish,
 - 2 the creation or acquisition of investments in special purpose vehicles or entities domiciled in jurisdictions considered tax havens,
 - 3 related-party transactions, and
 - 4 operations of structural and corporate changes which the Company plans to carry out, their economic conditions and their accounting impact and, in particular, where appropriate, impact on the proposed exchange ratio.
- Regarding the monitoring of internal codes of conduct:
 - To monitor compliance with the internal codes of conduct.
 - To assess all matters relating to the non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational.

- To coordinate the process of reporting of non-financial and diversity information, in accordance with applicable regulations and international reference standards.
- 4.- The Audit and Compliance Committee is governed by the applicable legal regulations, by the Bylaws, by these regulations and by its own Regulations of Organization and Functioning, which will be approved by the Board of Directors. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director. Any company employee or Manager of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another senior officer.

And for all appropriate legal purposes, it is hereby stated that the current report was approved by the Board of Directors at its meeting held on 15 February 2016.

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

Con formato: Español (alfab. internacional)

APPENDIX 1

**AMENDMENT TO THE REGULATIONS GOVERNING THE ORGANIZATION AND
FUNCTIONING OF THE BOARD OF DIRECTORS OF ENAGÁS, S.A.**

<u>CURRENT TEXT</u>	<u>PROPOSED AMENDMENT</u>
<p style="text-align: center;"><u>ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION</u></p> <p>1.- Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.</p> <p>2. The Board of Directors shall be composed of directors that belong to the categories stated below:</p> <p>a) <u>Internal or Executive Directors</u>: directors who perform senior management functions at the Company or its Group, whatever the legal connection they may have with it.</p> <p>If a director performs management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of</p>	<p style="text-align: center;"><u>ARTICLE 3.- QUANTITATIVE AND QUALITATIVE COMPOSITION</u></p> <p>1.- Within the minimum and maximum limits set forth under article 35 of the Company's current bylaws, notwithstanding the powers of proposal enjoyed by shareholders, the Board of Directors shall propose to the General Shareholders' Meeting the number of directors that at each stage it deems appropriate in the interest of the company. The General Shareholders' Meeting shall decide on the final number.</p> <p>2. The Board of Directors shall be composed of directors that belong to the categories stated below:</p> <p>a) <u>Internal or Executive Directors</u>: directors who perform senior management functions at the Company or its Group, whatever the legal connection they may have with it.</p> <p>If a director performs management functions and, at the same time, is or represents a significant shareholder or one that is represented on the Board of Directors, he/she shall be considered internal or executive for purposes of the present Regulations.</p>

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the present Regulations.

No more than 20% of the total number of members of the Board of Directors may belong to this category.

- b) External or Non-Executive Directors: These directors shall in turn fall into three categories:
 - b1) Proprietary directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.
 - b2) Independent Directors: directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and who, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least one third of all directors.
 - b3) Other External Directors: external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present Regulations.

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 - b1) Proprietary directors: directors who hold a shareholding interest equal to or greater than that which is considered significant under the law or have been appointed on account of their status as shareholders, even if their shareholding is less than said amount, as well as those who represent said shareholders.
 - b2) Independent Directors: directors of acknowledged professional prestige who are able to contribute their experience and knowledge to corporate governance and who, since they do not belong to either of the two preceding categories, meet the conditions set forth under article 9 of the present Regulations. The number of independent directors shall represent at least ~~a third~~ half of all directors.
 - b3) Other External Directors: external directors who are not proprietary directors and cannot be classified as independent directors in accordance with article 9 of the present Regulations.

In exercising its powers of co-option and proposal to the General Shareholders' Meeting to fill vacancies, the Board of Directors shall endeavour to ensure that, within the composition of the body, independent directors represent a broad majority over executive directors and that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

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The following cannot be Directors or, if applicable, natural person representatives of a legal person Director:

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- a) Natural or legal persons who hold the post of Director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.
- c) Directorships may not be

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- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.
- c) Directorships may not be exercised by natural persons or bodies-corporate

exercised by natural persons or bodies-corporate that exercise control or rights in a company carrying out functions of production or sale of natural gas, or by any other natural persons or bodies-corporate the presence of whom or which on the Board, pursuant to the legislation applicable to the hydrocarbons sector, may affect the Company's status as technical transmission operator.

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ARTICLE 4.- AIMS OF THE BOARD OF DIRECTORS

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The Board of Directors, in the performance of the duties entrusted to it by the Law, the Bylaws and these Board Regulations, must be guided by the following aims:

The Board of Directors, in the performance of the duties entrusted to it by the Law, the Bylaws and these Board Regulations, must be guided by the following aims:

- To achieve effective management of the Company and its investees.
- To assure the Company's future viability and competitiveness, as well as the availability of suitable managers and leaders, the running of the Company's business being expressly subject to the oversight of the Board.
- To perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment and being guided at all times by the Company's best interest and, as such, strive to maximize its

- To achieve effective management of the Company and its investees.
- To assure the Company's future viability and competitiveness, as well as the availability of suitable managers and leaders, the running of the Company's business being expressly subject to the oversight of the Board.
- The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders in the same position the same treatment. It should be guided at all times by the Company's corporate best interest, and construed as achieving a profitable business in the long-term, which promotes its continuation and the creation of, as

value over time.

- To establish a policy of action that allows for transparent management of the Board of Directors, establishing for that purpose as many oversight mechanisms as may be necessary to guarantee control of the decisions of its members, in accordance with the corporate interest.
- To see to it that the interests of minority shareholders are upheld.
- To ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it voluntarily subscribes to.

ARTICLE 5.- FUNCTIONS OF THE

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- To see to it that the interests of minority shareholders are upheld.
- To ensure that the Company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and enters contracts ethically and in good faith; respects the commonly accepted customs and good practices of the sectors and territories where it does business; reconciling the corporate interest with the legitimate interest of its employees, clients and remaining stakeholders that may be affected, as well as the impact of the activities of the Company on the community as a whole and the environment; and upholds any additional social responsibility principles it voluntarily subscribes to.

ARTICLE 5.- FUNCTIONS OF THE BOARD OF DIRECTORS.

It falls to the Board of Directors to perform all acts of management, representation and supervision that may be required or expedient for the attainment of the objects stipulated in

BOARD OF DIRECTORS.

It falls to the Board of Directors to perform all acts of management, representation and supervision that may be required or expedient for the attainment of the objects stipulated in the Memorandum and Bylaws, within the framework of the law, the Bylaws and of these Board Regulations.

Specifically, in addition to the other duties that may be entrusted to it by law or in the bylaws, it will have those indicated in sections A), B), C) and D) of article 5:

The duties of the Board may be delegated, except those which according to the law or the bylaws may not be delegated.

A) Powers and duties relating to the organization and functioning of the Board and of the Company:

1. To act as the body representing the Company in the terms prescribed by law and stipulated in the Bylaws.
2. To fill Board vacancies by co-option.
3. To accept Directors' resignations, as the case may be.
4. To appoint and remove the Chairman, Coordinating Independent Director, Chief Executive, Secretary and Deputy Secretary of the Board.
5. To delegate powers to any of

the Memorandum and Bylaws, within the framework of the law, the Bylaws and of these Board Regulations.

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2. To fill Board vacancies by co-option.
3. To accept Directors' resignations, as the case may be.
4. To appoint and remove the Chairman, Coordinating Independent Director, Chief Executive, Secretary and Deputy Secretary of the Board.
5. To establish the policy on the selection of company Directors.
6. ~~5.~~To delegate powers to any of their members and, as the case may be, to the Executive Committee, and revoke such

their members and, as the case may be, to the Executive Committee and revoke such delegation in conformity with the law and the bylaws.

6. To appoint and remove the Directors who are to sit on the various Committees provided for in these Board Regulations, and the chairmen of such Committees.

6 bis. Supervision of the effective functioning of any Committees that it has set up and of the actions of the executive bodies and Managers that it has appointed.

7. The decisions relating to the remuneration of Directors because they belong to the Board of Directors and its Committees, within the framework of the bylaws and the remuneration policy approved by the General Shareholders' Meeting.

8. To approve the additional remuneration due to Executive Directors in consideration of their executive functions and the rest of terms to which regard must be had under their contracts.

9. To regulate its own organization and functioning and, in particular, to adopt the Board Regulations and the Rules and Regulations of Board Committees, and adapt and amend such provisions when required.

10. To draft and adopt the

delegation in conformity with the law and the bylaws.

~~6-7.~~ To appoint and remove the Directors who are to sit on the various Committees provided for in these Board Regulations, and the chairmen of such Committees.

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~~7-9.~~ The decisions relating to the remuneration of Directors because they belong to the Board of Directors and its Committees, within the framework of the bylaws and the remuneration policy approved by the General Shareholders' Meeting.

~~8-10.~~ To approve the additional remuneration due to Executive Directors in consideration of their executive functions and the rest of the terms to which regard must be had under their contracts.

~~9-11.~~ To regulate its own organization and functioning and, in particular, to adopt the Board Regulations and the Rules and Regulations of Board Committees, and adapt and amend such provisions when required.

~~10-12.~~ To draft and adopt the Internal Code of Conduct.

~~11-13.~~ To consider and, where appropriate, authorize or establish exemptions regarding the actions referred to in articles 14 and 14 bis of the Regulations and the Internal

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Internal Code of Conduct.

11. To consider and, where appropriate, authorize or establish exemptions regarding the actions referred to in articles 14 and 14 bis of the Regulations and the Internal Code of Conduct.

12. To lay down, on the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, the general policy regarding the guidelines relating to the appointment, selection, promotion and dismissal of senior managers, and the criteria governing remuneration policy, in order to ensure that the Company has highly qualified staff fit for administering its business at all times.

13. To approve, upon receiving a proposal from the Company's chief executive, the appointment and, if applicable, removal of managers who report directly to the Board of Directors or to one of its members, and the establishment of the basic terms of their contracts including their remuneration and, if applicable, compensation clauses.

14. To frame the corporate governance policy of the Company and its Group.

15. To evaluate the following in a plenary session once a year:

- a) The quality and efficiency of the Board's operation;
- b) The performance of the

Code of Conduct.

~~12-14.~~ To lay down, on the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, the general policy regarding the guidelines relating to the appointment, selection, promotion and dismissal of senior managers, and the criteria governing remuneration policy, in order to ensure that the Company has highly qualified staff fit for administering its business at all times.

15. To approve, upon receiving a proposal from the Company's chief executive, the appointment and, if applicable, removal of managers who report directly to the Board of Directors or to one of its members, and the establishment of the basic terms of their contracts including their remuneration and, if applicable, compensation clauses.

16. To frame the corporate governance policy of the Company and its Group.

17. To evaluate the following in a plenary session once a year:

- a) Based on the report provided to it by the Appointments, Remuneration and Corporate Social Responsibility Committee, the quality and efficiency of the Board's operation, as well as diversity in its composition and competences.
- b) The performance of the Chairman of the Board and the Chief Executive of the Company on the basis of the report to be submitted to it by

Chairman of the Board and the Chief Executive of the Company on the basis of the report to be submitted to it by the Appointments, Remuneration and Corporate Social Responsibility Committee.

c) The performance of its committees on the basis of the reports furnished by the same.

The result of the assessment will be recorded in the minutes of the meeting or incorporated into them as an appendix.

On the basis of the results of the assessment, the Board will propose an action plan to correct the identified deficiencies.

the Appointments, Remuneration and Corporate Social Responsibility Committee.

c) The performance and composition of its committees on the basis of the reports furnished by the same, which shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.

d) The performance and contribution of each director, paying particular attention to those responsible for the various Board Committees.

The result of the assessment will be recorded in the minutes of the meeting or incorporated into them as an appendix.

On the basis of the results of the assessment, the Board will propose an action plan to correct the identified deficiencies.

Every three years, the Board will be assisted to carry out the assessment by an external consultant, whose independence will be verified by the Appointments, Remuneration and Corporate Social Responsibility Committee.

The process and the assessed areas will be further described in the Annual Report on Corporate Governance, as well as the business relationships that the external consultant or any company of its group may have with the Company or any Group company.

~~1618~~. The issuance of any type of report the Board of Directors is required by law to submit, if the operation to which the report refers cannot be delegated.

16. The issuance of any type of report the Board of Directors is required by law to submit, if the operation to which the report refers cannot be delegated.

17. Convening the General Shareholders' Meeting and drafting the Agenda and the proposed resolutions.

18. The policy concerning the Company's own shares or equity holdings.

B) Powers and duties relating to the management of the Company:

1. To exercise the powers that the General Shareholders' Meeting has granted to the Board of Directors, powers which may be delegated only with the prior express agreement of the General Shareholders' Meeting.

2. To define, at the proposal of Senior Management, the Company's general policies and strategies, as well as to monitor the fulfilment of those policies and strategies.

In particular, the Board of Directors is responsible for adopting the Company's strategic plan and annual budgets; its investment and financing policy; its corporate

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2. To define, at the proposal of Senior Management, the Company's general policies and strategies, as well as to monitor the fulfilment of those policies and strategies.

In particular, the Board of Directors is responsible for adopting the Company's strategic plan and annual budgets; its investment and financing policy; its corporate social responsibility policy; its dividends policy; ~~and~~ the definition of the structural design of the group of companies; and the policy on communication and contact with shareholders, institutional investors and proxy advisers, which will be published on the Company's website.

social responsibility policy; and its dividends policy, and for determining the structural design of the group of companies.

Also within the area of responsibility of the Board of Administrators are the determination of the Company's tax strategy and of its risk control and management policy, including tax risks, and the oversight of its internal information and control systems.

3. To incorporate new companies and approve participation in existing companies when an investment higher than three million euros is required.

Also within the area of responsibility of the Board of Administrators are the determination of the Company's tax strategy and of its risk control and management policy, including tax risks, and the oversight of its internal information and control systems.

In particular, in relation to risk control and management policy, it must identify at least: (i) the different types of financial and non-financial risk the Company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; (ii) the determination of the risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of the risks identified should they occur; and (iv) the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

3. To incorporate new companies and approve participation in existing companies when an investment higher than three million euros is required.

4. To approve operations consisting of mergers, mergers by absorption, ~~de-mergers, spin-offs,~~ de-mergers, global assignments of assets and liabilities, changes of corporate form or business combinations in which any of the direct investees of Enagás, S.A. are interested.

5. To launch public bids for shares and other securities, seek authority

4. To approve operations consisting of mergers, mergers by absorption, spin-offs, changes of corporate form or business combinations in which any of the direct investees of Enagás, S.A. are interested.

5. To launch public bids for shares and other securities, seek authority from the General Shareholders' Meeting for operations consisting of mergers, mergers by absorption, de-mergers, changes of corporate form or business combinations involving Enagás, S.A., and any other transaction entailing structural alterations to the Company, such as the hiving-off to subsidiaries of core activities hitherto carried on by the Company; the acquisition, contribution or sale of core operating assets where such transaction effectively involves a change to the Company's objects, and transactions of an effect equivalent to liquidation of the Company.

6. To approve the sale of ownership interests in companies or other fixed assets with a value above three million euros or, in the case of a lower amount, the acquisition of share capital and fixed assets that has been approved by the Board of Directors, provided that this does not entail a change in the structure of the company.

from the General Shareholders' Meeting for operations consisting of mergers, mergers by absorption, ~~de-mergers, spin-offs,~~ de-mergers, global assignments of assets and liabilities, changes of corporate form or business combinations involving Enagás, S.A., and any other transaction entailing structural alterations to the Company, such as the ~~hiving-off—transfer~~ to subsidiaries of core activities hitherto carried on by the Company; the acquisition, contribution or sale of core operating assets where such transaction effectively involves a change to the Company's objects, and transactions of an effect equivalent to liquidation of the Company.

6. To approve the sale of ownership interests in companies or other non-essential fixed assets with a value above three million euros or, in the case of a lower amount, the acquisition of share capital and fixed assets that has been approved by the Board of Directors, provided that this does not entail a change in the structure of the company.

For these purposes, asset will be considered to be core assets if the respective transaction amount is greater than 25% of the value of the assets shown on the last approved balance sheet.

~~6.7.~~ To approve investments or transactions of any kind that, on account of the large amounts involved or special characteristics, are strategic in nature or pose particular taxation risks, unless this is the responsibility of the General Meeting;

7. To approve investments or transactions of any kind that, on account of the large amounts involved or special characteristics, are strategic in nature or pose particular taxation risks, unless this is the responsibility of the General Meeting;

8. To approve investment proposals the value of which exceeds three million euros.

9. To issue series of promissory notes, bonds and similar securities of Enagás, S.A. or investees in which the Company holds a majority or a controlling interest.

10. To stand as surety to secure obligations owed by entities not controlled by the Group.

11. To assign rights in the trade name and trademarks, patents, technology and any form of intellectual or industrial property owned by Enagás, S.A. or Group companies and carrying economic significance.

12. To create and oversee the management of employee pension plans and any other commitment to employees entailing long-term financial liabilities for the Company.

13. To enter into agreements of a commercial, industrial or financial nature the amount or special characteristics of which mean that they are strategic for

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~~11~~. 12. To create and oversee the management of employee pension plans and any other commitment to employees entailing long-term financial liabilities for the Company.

~~12-13~~. To enter into agreements of a commercial, industrial or financial nature the amount or special characteristics of which mean that they are strategic for the Enagás Group.

14. To approve the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories qualifying under statute as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and the Group.

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C) Powers and duties relating to financial statements and external audit:

1. To authorize for issue, in clear and precise terms facilitating comprehension of their contents, the individual and consolidated financial statements and the Directors' report, after obtaining the report issued by the Finance Department and the relevant report issued by the Audit and Compliance Committee, all appropriate clarifications having been made.

The Board of Directors shall see to it that the financial statements provide a true and fair view of the Company's equity, financial position and results of operations, in accordance with the law.

The Board of Directors is also responsible for submitting both the financial statements and the directors' Report to the General Shareholders' Meeting.

2. To lay before the General Shareholders' Meeting a nomination for the role of accounts auditor of the Company on the proposal of the Audit and Compliance Committee and in fulfilment of these Board Regulations.

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The Board of Directors is also responsible for submitting both the financial statements and the directors' Report to the General Shareholders' Meeting.

2. To lay before the General Shareholders' Meeting a nomination for the role of accounts auditor of the Company on the proposal of the Audit and Compliance Committee and in fulfilment of these Board Regulations.

Except if otherwise indicated expressly in the minutes of proceedings, there shall operate a presumption that, before setting their hands to the authorization for issue of the financial statements as required by law, the Directors have availed themselves of the information necessary for the performance of that act, whether directly or via the Audit and Compliance Committee. The Board may place on record any reservation it thinks fit with respect

Except if otherwise indicated expressly in the minutes of proceedings, there shall operate a presumption that, before setting their hands to the authorization for issue of the financial statements as required by law, the Directors have availed themselves of the information necessary for the performance of that act, whether directly or via the Audit and Compliance Committee. The Board may place on record any reservation it thinks fit with respect to the foregoing.

Upon authorising the financial statements for issue, the Board shall attend to any comments or recommendations submitted by the Audit and Compliance Committee in its prior report. If the financial statements depart from the prior report issued by the Audit and Compliance Committee, the Board of Directors shall provide an adequate explanation of the reasons for the discrepancy.

The Board of Directors shall endeavour to present the financial statements in such a way that there are no grounds for qualification from the Company's Accounts Auditor. However, if the Board of Directors determines that it must stand by a contrary view, it shall publicly explain the content and extent of the discrepancy.

D) Powers and duties relating to the securities market:

1. The Board of Directors shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the

to the foregoing.

Upon authorising the financial statements for issue, the Board shall attend to any comments or recommendations submitted by the Audit and Compliance Committee in its prior report. If the financial statements depart from the prior report issued by the Audit and Compliance Committee, the Board of Directors shall provide an adequate explanation of the reasons for the discrepancy.

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D) Powers and duties relating to the securities market:

1. The Board of Directors shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the Company's and its subsidiaries' shares, and perform all functions required by the Company's status as a listed company pursuant to current laws and regulations.

2. To authorize the financial information which the Company must report on a regular basis by reason of its being a listed Company.

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ARTICLE 6.- MEETINGS OF THE BOARD OF DIRECTORS

1.- The Board of Directors shall meet at least once every two months and, in any case eight times a year, and on the motion of the Chairman, whenever the Chairman deems it fit for the proper running of the Company.

A call must be issued when so requested by a majority of the Directors, as set forth in article 39 of the Bylaws.

Directors who represent at least one third of the members of the Board of Directors may call the meeting, stating its agenda, to be held in the locality where the registered office is located, if they have requested the Chairman to convene the meeting, and the meeting has not been called within one month without reasonable cause.

Except in cases of where the the Board has been constituted or has been convened exceptionally on account of urgent circumstances, the Directors must have the requisite information at their disposal sufficiently in advance to

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Except in cases of where the the Board has been constituted or has been convened exceptionally on account of urgent circumstances, the Directors must have the requisite information at their disposal sufficiently in advance to be able to deliberate and adopt resolutions on the business to be transacted. To this end, the Agenda of the meetings shall clearly indicate those points on which the Board of Directors must take a decision or resolution. The Chairman of the Board of Directors, in collaboration with the Secretary, must ensure that this obligation to provide information is fulfilled.

In those cases in which, exceptionally, for reasons of urgency, the Chairman wishes to submit to the approval of the Board

be able to deliberate and adopt resolutions on the business to be transacted.

The Chairman of the Board of Directors, in collaboration with the Secretary, must ensure that this obligation to provide information is fulfilled.

Ordinary meetings of the Board shall transact general business relating to the Group's performance, earnings, balance sheet, investments, the Company's cash position and how it compares to the adopted budget, the business referred to in article 5, if applicable, and the business listed on the agenda, to be drawn up pursuant to these Board Regulations.

At these regular meetings the Board shall receive timely information on the main operational achievements and difficulties and any foreseeable circumstances which may prove critical for the Company's affairs, and shall consider the course of action proposed by Company management in response.

decisions or resolutions not appearing in the Agenda, this shall require the express prior consent of the majority of the Directors present at the meeting, which will be duly recorded in the minutes.

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At these regular meetings the Board shall receive timely information on the movements of the shareholders and of the opinion that significant shareholders, investors and rating agencies hold regarding the Company and its Group. Similarly, the Board of Directors shall receive timely information on the main operational achievements and difficulties and any foreseeable circumstances which may prove critical for the Company's affairs, and shall consider the course of action proposed by Company management in response.

2.- Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, may be effected by any channel, and shall specify the meeting venue and agenda. The Chairman shall call the Board to meet when so requested by the Coordinating Independent Director in accordance with article 18 of

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The notice of meeting, which other than in exceptional circumstances shall be issued at least three days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been adopted.

The power to set the agenda of a meeting rests with the Chairman, but any Director may request in advance of the calling of such meeting that there be added to the agenda any items which in his/her view ought to be addressed by the Board.

The Board shall be properly constituted without need of prior notice if, all Directors being present in person or by proxy, the Directors unanimously consent to the holding of the meeting.

3.- Board Meetings shall ordinarily be held at the registered office, but may also be held at any other venue determined by the Chairman of the Board and

these Board Regulations.

The notice of meeting, which other than in exceptional circumstances shall be issued at least three days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed. Directors shall further be furnished with the minutes of the previous meeting, whether or not such minutes have been adopted.

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The Board shall be properly constituted without need of prior notice if, all Directors being present in person or by proxy, the Directors unanimously consent to the holding of the meeting.

3.- Board Meetings shall ordinarily be held at the registered office, but may also be held at any other venue determined by the Chairman of the Board and specified in the notice of meeting.

ARTICLE 7.- BOARD PROCEEDINGS.

1. The Board of Directors shall be properly constituted when at least half its members plus one member are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.

2.- The Chairman shall moderate the proceedings, encouraging the

specified in the notice of meeting.

ARTICLE 7.- BOARD PROCEEDINGS.

1. The Board of Directors shall be properly constituted when at least half its members plus one member are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.
- 2.- The Chairman shall moderate the proceedings, encouraging the active involvement of all Directors in the Board's deliberations and safeguarding their freedom to state their position and express their views.
3. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors may grant a proxy to another Director. Non-Executive Directors may grant a proxy only to other Non-Executive Directors. Proxies for the representation of absent Directors may be granted by any means, with a telegram or facsimile addressed to the Chairman or Secretary of the Board being valid.
- 4.- Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy.

Votes may be cast in writing and in the absence of a meeting if no Director objects to such procedure and the requirements are satisfied of the Reglamento del Registro Mercantil [Spanish registrar of companies regulations].

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3. The Directors must attend the meetings of the Board in person. Without prejudice to the foregoing, Directors ~~may~~must grant a proxy to another Director. Non-Executive Directors may grant a proxy only to other Non-Executive Directors. Proxies for the representation of absent Directors may be granted by any means, with a telegram ~~or~~ facsimile or email addressed to the Chairman or Secretary of the Board being valid.
- 4.- Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy.

Votes may be cast in writing and in the absence of a meeting if no Director objects to such procedure and the requirements are satisfied of the Reglamento del Registro Mercantil [Spanish registrar of companies regulations].
- 5.- When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, those concerns must be noted in the minutes upon demand by the person voicing them.

ARTICLE 12.- DEPARTURE OR REMOVAL OF DIRECTORS

- 1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance

5.- When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, those concerns must be noted in the minutes upon demand by the person voicing them.

ARTICLE 12.- DEPARTURE OR REMOVAL OF DIRECTORS

1.- Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Bylaws and these Board Regulations.

2.- Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases:

a) When they are affected by instances of incompatibility or prohibitions laid down in Law, in the Bylaws, and in these Regulations.

b) When they are in serious breach of their duties as Directors.

c) When they may put the interests of the Company at risk or damage its credibility and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 213 of the Spanish Limited Liability Companies Law, the Board shall examine the matter as promptly as possible and, in

with the law, the Bylaws and these Board Regulations.

2.- Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, in the following cases:

a) When they are affected by instances of incompatibility or prohibitions laid down in Law, in the Bylaws, and in these Regulations.

b) When they are in serious breach of their duties as Directors.

c) When they may put the interests of the Company at risk or damage its credibility and reputation. If a director is indicted or an order is issued to initiate a trial against him/her for a crime specified under article 213 of the Spanish Limited Liability Companies Law, the Board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide whether or not the director should be called on to resign.

The board shall provide a reasoned account of all of the foregoing in the Annual Corporate Governance Report.

d) When the reason for which they were appointed as Directors no longer holds.

e) When Independent Directors cease to meet the conditions established under article 9.

f) When the shareholder represented by a Proprietary

view of the particular circumstances, decide whether or not the director should be called on to resign.

d) When the reason for which they were appointed as Directors no longer holds.

e) When Independent Directors cease to meet the conditions established under article 9.

f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

If the Board of Directors does not deem it advisable to have a Director tender his/her resignation in the cases specified in points d), e) and f), the Director must be included in the category that, in accordance with these Board Regulations, is most appropriate based on his/her new circumstances.

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If the Board of Directors does not deem it advisable to have a Director tender his/her resignation in the cases specified in points d), e) and f), the Director must be included in the category that, in accordance with these Board Regulations, is most appropriate based on his/her new circumstances.

When a Director gives up his place before his tenure expires, through resignation or otherwise, he shall state his reasons in a letter to be sent to all members of the board of directors. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

3.- The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointments, Remuneration and Corporate Social Responsibility Committee. In particular, it shall be understood that there is just cause when the director takes on a new office or assumes new obligations that prevent him from devoting the time necessary to perform the duties of the office of Director, breaches the duties inherent to his position or is affected by one of the circumstances that cause him to lose his independent status in accordance with the provisions of applicable law.

3.- The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointments Committee.

4.- After a Director resigns from his/her post, he/she may not work for a competitor for a period of two years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

ARTICLE 13.- DUTIES OF THE DIRECTOR

The duty of a Director is to support and oversee the running of the Company for the purpose of maximising its value for the benefit of shareholders.

By virtue of his/her office, a Director is under a duty to:

- a) Perform any specific task

4.- After a Director resigns from his/her post, he/she may not work for a competitor for a period of two years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

ARTICLE 13.- DUTIES OF THE DIRECTOR

The duty of a Director is to support and oversee the running of the Company for the purpose of maximising its value for the benefit of shareholders.

By virtue of his/her office, a Director is under a duty to:

- a) Perform any specific task assigned by the Board of Directors and which is reasonably included in his/her dedication commitment.
- b) Report to the Board on any acts he/she performs by delegation from or engagement by the Board.

In addition to the aforementioned general duties, Directors will have, in particular, the following:

a) General duty of diligence:

Directors must perform their duties and comply with the duties imposed by law and the Bylaws with the diligence of a prudent businessman, given the nature of their post and the functions attributed to each of them.

Directors must show the proper dedication and adopt the precise measures for the proper

assigned by the Board of Directors and which is reasonably included in his/her dedication commitment.

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a) General duty of diligence:

Directors must perform their duties and comply with the duties imposed by law and the Bylaws with the diligence of a prudent businessman, given the nature of their post and the functions attributed to each of them.

Directors must show the proper dedication and adopt the precise measures for the proper management and control of the company.

When performing their functions, Directors have the duty to demand and the right to receive appropriate information from the Company with which to fulfil their obligations.

In terms of strategic and business decisions requiring the discretionary authority of a business person, the standard of diligence of a prudent business person will be understood to be met when the Director has acted in good faith, without personal interest in the matter on which he or she decides and with sufficient information and following an appropriate decision procedure.

Decisions that personally affect other Directors and related

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In terms of strategic and business decisions requiring the discretionary authority of a business person, the standard of diligence of a prudent business person will be understood to be met when the Director has acted in good faith, without personal interest in the matter on which he or she decides and with sufficient information and following an appropriate decision procedure.

Decisions that personally affect other Directors and related persons and, in particular, that are intended to authorize the operations provided for in article 230 of the revised text of the Spanish Limited Liability Companies Law shall not be understood as included in the sphere of discretionary authority of a business person.

Each Director must properly prepare for meetings of the Board and of any Committees of which he/she is a member.

Directors must attend the meetings of the bodies of which they are members and actively participate in order for their opinions to make an effective contribution to the decision-making process. Director absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. If, on justified grounds, a Director is unable to attend a meeting to which he/she has been called, he/she must give instructions to the Director who, ~~as the case may be,~~ represents him/her by

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proxy.

Directors must express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. Similarly, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he must draw the pertinent conclusions and, if he resigns, must set out his reasons in a letter.

Directors shall apprise the Appointments, Remuneration and Corporate Social Responsibility Committee of any other professional obligations in case they might detract from the necessary dedication.

~~The Company may limit the number of directorships that its board members may hold if this may also detract from the commitment required.~~

b) Duty of loyalty:

Directors shall perform their positions with the loyalty of a reliable representative, acting in good faith and in the best interest

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The Company may limit the number of directorships that its board members may hold if this may also detract from the commitment required.

b) Duty of loyalty:

Directors shall perform their positions with the loyalty of a reliable representative, acting in good faith and in the best interest of the Company.

In particular, the duty of loyalty requires that Directors:

- a) Not exercise their powers for purposes other than those for which they have been granted.
- b) Keep secret any information, data, reports or records which they have had access to in the performance of their duties, including if they have been removed from their positions, except in cases

of the Company.

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- a) Not exercise their powers for purposes other than those for which they have been granted.
- b) Keep secret any information, data, reports or records which they have had access to in the performance of their duties, including if they have been removed from their positions, except in cases where the law permits or requires that they act otherwise.
- c) Refrain from participating in deliberating and voting on resolutions or decisions in which they or a related person have a direct or indirect conflict of interests. Resolutions or decisions that affect them in their capacity as Director, such as their appointment to or removal from posts on the governing body or others of a similar nature, will be excluded from the preceding obligation, .
- d) Perform their functions according to the principle of personal responsibility with freedom of judgement and independence relating to instructions from and links with third parties.
- e) Adopt the measures required to avoid becoming involved in situations in which their

where the law permits or requires that they act otherwise.

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- d) Perform their functions according to the principle of personal responsibility with freedom of judgement and independence relating to instructions from and links with third parties.
- e) Adopt the measures required to avoid becoming involved in situations in which their interests, either for their own personal reasons or those of another party, may conflict with the Company's interest or with their duties with the Company.

In particular, the obligation to avoid conflicts of interest referred to in the preceding paragraph requires that Directors refrain from:

- a) Conducting transactions with the Company, except for routine transactions carried out under standard conditions for the customers and having little import, which are understood to be those that are not required to be reported in order to

interests, either for their own personal reasons or those of another party, may conflict with the Company's interest or with their duties with the Company.

In particular, the obligation to avoid conflicts of interest referred to in the preceding paragraph requires that Directors refrain from:

- a) Conducting transactions with the Company, except for routine transactions carried out under standard conditions for the customers and having little import, which are understood to be those that are not required to be reported in order to express a true and fair view of the equity, the financial position and results of the entity.
- b) Using the name of the Company or invoking their position as director to improperly influence the conducting of private transactions.
- c) Using the corporate assets, including the Company's confidential information, for private purposes.
- d) Taking advantage of the Company's business opportunities.

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b) Using the name of the Company or invoking their position as director to improperly influence the conducting of private transactions.

c) Using the corporate assets, including the Company's confidential information, for private purposes.

d) Taking advantage of the Company's business opportunities.

e) Obtaining benefits and remunerations from third parties other than the Company and its group associated with the performance of their duties, except for acts of mere courtesy.

f) Conducting activities for themselves or for another party which —actually or potentially—entail effective competition with the company or which, in any other manner, place them in permanent conflict with the Company's interests.

The above provisions will also be applicable if the beneficiary of prohibited acts or activities is a

e) Obtaining benefits and remunerations from third parties other than the Company and its group associated with the performance of their duties, except for acts of mere courtesy.

f) Conducting activities for themselves or for another party which—actually or potentially—entail effective competition with the company or which, in any other manner, place them in permanent conflict with the Company's interests.

The above provisions will also be applicable if the beneficiary of prohibited acts or activities is a person related to the Director.

In any event, Directors must inform the other Directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related to them make have with the Company's interests.

Direct and indirect conflicts of interest in Directors become involved shall be disclosed in the Annual Report.

c) Other duties:

In addition, a Director must comply with all rules imposed on him/her by the Company's Internal Code of Conduct in his/her capacity as a Director and, as the case may be, as a shareholder or senior executive

person related to the Director.

In any event, Directors must inform the other Directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related to them make have with the Company's interests.

Direct and indirect conflicts of interest in Directors become involved shall be disclosed in the Annual Report.

c) Other duties:

In addition, a Director must comply with all rules imposed on him/her by the Company's Internal Code of Conduct in his/her capacity as a Director and, as the case may be, as a shareholder or senior executive of the Company.

Notwithstanding the provisions of article 12, Directors will inform the board of any circumstance that might harm the Company's name or reputation, in particular any criminal charges brought against them and the progress of any subsequent trial.

A Director, in his/her capacity as an honest representative of the Company, must inform the Company of any Enagás shares he/she holds, whether directly or through third companies in which he/she holds a significant interest, following the procedure and other formalities laid down for investment in the equity of Enagás and its investees.

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A Director may not use the Company's non-public information for private purposes, except in the absence of any detriment to the Company and of any right of exclusivity in the Company or legal position of analogous import as to the information intended to be used, and provided that such information is not used for transactions of acquisition or sale of Company securities.

The Director must in all cases comply with the standards of conduct prescribed in the legislation on the securities market and in the Enagás Group, S.A. Internal Code of Conduct regarding the securities market.

d) Persons related to the

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The Director must in all cases comply with the standards of conduct prescribed in the legislation on the securities market and in the Enagás Group, S.A. Internal Code of Conduct regarding the securities market.

d) Persons related to the Directors:

For the purposes of these Board Regulations, the persons referred to in article 231 of the Spanish Limited Liability Companies Law shall be considered related parties of a Director.

e) Natural person representative:

A natural person appointed to permanently exercise the functions corresponding to the office of a legal person Director must meet the legal requirements established for directors and shall be required to perform the same duties as and shall be jointly and severally liable with the legal person director.

Directors:

For the purposes of these Board Regulations, the persons referred to in article 231 of the Spanish Limited Liability Companies Law shall be considered related parties of a Director.

e) Natural person representative:

A natural person appointed to permanently exercise the functions corresponding to the office of a legal person Director must meet the legal requirements established for directors and shall be required to perform the same duties as and shall be jointly and severally liable with the legal person director.

ARTICLE 14 bis.- RELATED-PARTY TRANSACTIONS

- 1.- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the Company or the companies in its Group with Directors under the terms set forth in Articles 229 and 230 [of the Spanish Limited Liability Companies Law](#)-, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the Group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question.

The aforementioned transactions shall be assessed from the point of

ARTICLE 14 bis.- RELATED-PARTY TRANSACTIONS

1.- It will be the responsibility of the Board of Directors to identify and approve, pursuant to a report from the Audit and Compliance Committee, transactions carried out by the Company or the companies in its Group with Directors under the terms set forth in Articles 229 and 230, or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the Company's Board of Directors or the boards of other companies belonging to the Group or with persons associated with them. The affected Directors or those who represent or are related to the affected shareholders must refrain from participating in deliberating and voting on the resolution in question.

The aforementioned transactions shall be assessed from the point of view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the Company's regular public reporting as provided in applicable laws and regulations.

2.- The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the three following conditions:

- (a) they are governed by standard form contracts applied on an across-the-board basis to a large number of customers;
- (b) they are conducted at market prices, generally set by the person supplying the goods or services; and

view of equal treatment and on an arm's length basis, and shall be disclosed in the annual corporate governance report and in the Company's regular public reporting as provided in applicable laws and regulations.

2.- The approval provided in the previous paragraph shall not be required, however, for transactions that simultaneously comply with the three following conditions:

- (a) they are governed by standard form contracts applied on an across-the-board basis to a large number of customers;
- (b) they are conducted at market prices, generally set by the person supplying the goods or services; and
- (c) their amount is no more than 1% of the Company's annual revenues.

3.- If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report said transactions.

4.- In the event of duly documented, urgent reasons, related party transactions may be authorized, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

[5. The report which, if any, issued by the Audit and Compliance on related party transactions, will be published on the website of the Company.](#)

ARTICLE 16.- DIRECTOR REMUNERATION

1.- The office of Director of Enagás, S.A. shall be remunerated in the

(c) their amount is no more than 1% of the Company's annual revenues.

3.- If the conditions provided in the paragraph above are met, the affected parties shall not be under a duty to report said transactions.

4.- In the event of duly documented, urgent reasons, related party transactions may be authorized, as applicable, by delegated bodies and persons, who must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

ARTICLE 16.- DIRECTOR REMUNERATION

1.- The office of Director of Enagás, S.A. shall be remunerated in the manner stipulated in the Bylaws, having regard to the report issued by the Appointments, Remuneration and Corporate Social Responsibility Committee pursuant to article 25 of these Board Regulations.

The Director remuneration policy

manner stipulated in the Bylaws, having regard to the report issued by the Appointments, Remuneration and Corporate Social Responsibility Committee pursuant to article 25 of these Board Regulations.

The remuneration of the Directors will be that needed to attract and retain Directors of the desired profile and compensate them for the dedication, abilities and responsibilities that the post entails, but not so high as to jeopardize the independent judgement of non-executive directors.

The Director remuneration policy will determine the remuneration of the Directors in this capacity, within the remuneration system provided for in the Bylaws and will include the maximum amount of the annual remuneration to be paid to all the Directors in that capacity.

The remuneration of Directors for performing the executive functions provided for in contracts approved in accordance with the provisions of article 19.bis of these Regulations conform to the director remuneration policy, which must necessarily set forth the amount of the fixed annual payment and the variation therein in the period covered by the policy, the different parameters for setting the variable components and the main conditions of directors' contracts, and, in particular, the length of their contracts, compensation for early removal or termination of the contractual relationship, and exclusivity, post-contractual non-competition and seniority or loyalty arrangements.

The Board of Directors is responsible for setting Directors' remuneration for performing executive functions and the terms

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The Board of Directors is responsible for setting Directors' remuneration for performing executive functions and the terms and conditions of their contracts with the Company in accordance with article 19.bis of these Regulations and with the Directors' remuneration policy approved by the General Shareholders' Meeting.

The Appointments, Remuneration and Corporate Social Responsibility Committee shall establish remuneration criteria for Company Directors, within the scope of the Company's Bylaws and in accordance with resolutions of the General Shareholders' Meeting, while the Board of Directors is responsible for final distribution of the overall

and conditions of their contracts with the Company in accordance with article 19.bis of these Regulations and with the Directors' remuneration policy approved by the General Shareholders' Meeting.

The Appointments, Remuneration and Corporate Social Responsibility Committee shall establish remuneration criteria for Company Directors, within the scope of the Company's Bylaws and in accordance with resolutions of the General Shareholders' Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by the Bylaws for this purpose and in accordance with the Directors' remuneration policy approved by the General Shareholders' Meeting, given the functions and responsibilities attributed to each Director.

The Directors' remuneration policy shall be in keeping with the corresponding remuneration system provided for in the Bylaws, and shall be approved by the General Shareholders' Meeting at least every three years as a separate item on the Agenda.

The grounds for the proposed remuneration policy of the Board of Directors shall be stated and the proposal must be accompanied by a specific report from the Appointments, Remuneration and Corporate Social Responsibility Committee. Both documents will be made available to the shareholders on the Company's website after notice of the General Shareholders' Meeting has been given, and shareholders may also request that these documents be delivered or sent free of charge. The announcement of the notice of the General Shareholders' Meeting will

sum within the limits established by the Bylaws for this purpose and in accordance with the Directors' remuneration policy approved by the General Shareholders' Meeting, given the functions and responsibilities attributed to each Director.

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The Directors' remuneration policy, approved as set forth above, will remain valid for three fiscal years after being approved by the General Shareholders' Meeting. Any amendment to or replacement of this policy during said period will require the prior approval of the General Shareholders' Meeting, in accordance with the procedure established for its approval.

The Board of Directors may, on an

mention this right.

The Directors' remuneration policy, approved as set forth above, will remain valid for three fiscal years after being approved by the General Shareholders' Meeting. Any amendment to or replacement of this policy during said period will require the prior approval of the General Shareholders' Meeting, in accordance with the procedure established for its approval.

~~The Board of Directors may, on an annual basis, delegate the powers conferred upon it in respect of the remuneration of Directors to the Appointments, Remuneration and Social Corporate Responsibility Committee, subject to the restrictions laid down in the law and the Articles of Association.~~

2.- Director remuneration shall be transparent. To this end:

- The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions.

- The Appointments, Remuneration and Corporate Social Responsibility Committee must submit to the Board of Directors the proposed Annual Report on Director Remuneration, which will contain full, clear and understandable information on the Company's remuneration policy approved by the Board for the current year, as well as, where

Con formato: Sangría: Izquierda: 1 cm, Sangría francesa: 1 cm

annual basis, delegate the powers conferred upon it in respect of the remuneration of Directors to the Appointments, Remuneration and Corporate Social Responsibility Committee, subject to the restrictions laid down in the law and the Bylaws.

2.- Director remuneration shall be transparent. To this end:

- The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions.

- The Appointments, Remuneration and Corporate Social Responsibility Committee must submit to the Board of Directors the proposed Annual Report on Director Remuneration, which will contain full, clear and understandable information on the Company's remuneration policy approved by the Board for the current year, as well as, where appropriate, the expected policy for future years. It shall also include a global summary of how the remuneration policy was applied over the year, as well as a list of the individual remuneration accrued by each of the Directors. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to an advisory vote, as a separate item on the agenda, of the Annual

appropriate, the expected policy for future years. It shall also include a global summary of how the remuneration policy was applied over the year, as well as a list of the individual remuneration accrued by each of the Directors. The Annual Report on Director Remuneration, once approved by the Board, shall be distributed and submitted to an advisory vote, as a separate item on the agenda, of the Annual General Meeting of Shareholders. Should the Annual Report on Directors' Remuneration be rejected by the advisory vote of the Ordinary General Shareholders' Meeting, the remunerations policy to be applied in the next fiscal year must be submitted to the General Shareholders' Meeting for approval before being applied, even if the three-year validity period has not expired. An exception to the foregoing shall be made if the remuneration policy has been approved at that same Ordinary General Shareholders' Meeting.

Any remuneration paid to Directors for holding or being removed from their positions and for performing executive functions must be set forth in the corresponding contract, in accordance with the terms set forth in article 19.bis, and will be consistent with the Director remuneration policy in effect at any given time, except for any remuneration expressly approved by the General Shareholders' Meeting.

ARTICLE 17.- THE CHAIRMAN OF THE BOARD OF DIRECTORS

1. The Chairman of the Board, in addition to the powers and duties

General Meeting of Shareholders. Should the Annual Report on Directors' Remuneration be rejected by the advisory vote of the Ordinary General Shareholders' Meeting, the remunerations policy to be applied in the next fiscal year must be submitted to the General Shareholders' Meeting for approval before being applied, even if the three-year validity period has not expired. An exception to the foregoing shall be made if the remuneration policy has been approved at that same Ordinary General Shareholders' Meeting.

Any remuneration paid to Directors for holding or being removed from their positions and for performing executive functions must be set forth in the corresponding contract, in accordance with the terms set forth in article 19.bis, and will be consistent with the Director remuneration policy in effect at any given time, except for any remuneration expressly approved by the General Shareholders' Meeting.

ARTICLE 17.- THE CHAIRMAN OF THE BOARD OF DIRECTORS

1.- The Chairman of the Board, in addition to the powers and duties attributed to him/her by law, the Bylaws and these Board Regulations, if he/she is an executive Chairman, the Chairman of the Board of Directors shall exercise the management in practice of the Company's affairs, always in accordance with the decisions and criteria laid down by the General Shareholders' Meeting and the Board of Directors in their respective spheres of authority.

attributed to him/her by law, the Articles of Association and these Rules and Regulations, shall prepare and submit to the Board a programme of meetings and issues to be dealt with, shall organize and coordinate regular assessments of the Board and, where applicable, the chief executive of the Company. He will also be responsible for the direction of the Board and the effectiveness of its operation, making sure that sufficient time is spent on the discussion of strategic issues, and agreeing and reviewing refresher programmes for each director, when circumstances make this advisable.

2.- If he/she is an executive director, the Chairman of the Board of Directors shall exercise the management in practice of the Company's affairs, always in accordance with the decisions and criteria laid down by the General Shareholders' Meeting and the Board of Directors in their respective spheres of authority.

3.- The Chairman of the Board shall chair all the Company's organs of governance and management.

4.- The Chairman of the Board may wholly or partly delegate his/her powers and duties to other Directors or to senior executives of the Company, unless such delegation is expressly prohibited by law.

5.- If the Chairman is absent, ill or unable to act as Chairman for whatever reason, the provisions of the following article shall apply.

ARTICLE 18.- THE COORDINATING INDEPENDENT DIRECTOR.

The Board of Directors may appoint an Independent Director, on the proposal of

- 2.- The Chairman of the Board shall chair all the Company's organs of governance and management.
- 3.- The Chairman of the Board may wholly or partly delegate his powers and duties to other Directors or to senior executives of the Company, unless such delegation is expressly prohibited by law.
- 4.- If the Chairman is absent, ill or unable to act as Chairman for whatever reason, the provisions of the following article shall apply.

ARTICLE 18.- THE COORDINATING INDEPENDENT DIRECTOR

The Board of Directors may appoint an Independent Director, on the proposal of the Appointments, Remuneration and Corporate Social Responsibility Committee, to perform the following duties, under the title of Coordinating Independent Director:

- a) To request the Chairman of the Board of Directors to convene that body when he deems it appropriate.
- b) To request that items be included in the Agenda of the Meetings of the Board of Directors.
- c) To coordinate and convene the external Directors.

the Appointments, Remuneration and Corporate Social Responsibility Committee, to perform the following duties, under the title of Coordinating Independent Director:

- a) To request the Chairman of the Board of Directors to convene that body when said Lead Independent Director deems it appropriate.
- a) To request that items be included on the Agenda of the Meetings of the Board of Directors.
- c) To ~~E~~coordinate and gather together external Directors, echoing their concerns.
- d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Chief Executive.
- e) To coordinate the succession plan of the Chairman.

f) To perform as a Deputy Chairman the functions of the Chairman as regards the Board of Directors, if the Chairman is absent, ill or unable to act as Chairman for whatever reason. In the absence of a Coordinating Independent Director, for the purposes of this section the most senior Director in age shall act as Chairman.

g) To maintain contact with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company.

The appointment of a Coordinating Independent Director shall be obligatory if the Chairman of the Board is an Executive Director. In such cases the Coordinating Independent Director shall be appointed by the Board with the Executive Directors abstaining from the vote.

ARTICLE 20.- SECRETARY OF

d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Chief Executive.

e) To perform as a Deputy Chairman the functions of the Chairman as regards the Board of Directors if the Chairman is absent, ill or unable to act as Chairman for whatever reason. In the absence of a Coordinating Independent Director, for the purposes of this section the most senior Director in age shall act as Chairman.

The appointment of a Coordinating Independent Director shall be obligatory if the Chairman of the Board is an Executive Director. In such cases the Coordinating Independent Director shall be appointed by the Board with the Executive Directors abstaining from the vote.

ARTICLE 20.- SECRETARY OF THE BOARD

1.- The Secretary of the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Board Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Appointments, Remuneration and Corporate Social Responsibility Committee and must be approved by the

THE BOARD

1.- The Secretary of the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Board Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Appointments, Remuneration and Corporate Social Responsibility Committee and must be approved by the Board in plenary session.

2.- The Secretary will assist the Chairman and must take the necessary measures to ensure the smooth operation of the Board of Directors, in particular by providing the Directors with needed advice and information, helping the Chairman to see to it that the Directors receive the relevant information for exercising their function in due time and proper form, keeping the corporate documentation, keeping a record of meeting proceedings in the minute books and attesting to the resolutions of the Board of Directors. The Secretary shall also be responsible for giving notice of the resolutions adopted by the Board.

3.- The Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:

a) Adhere to the spirit and letter of

Board in plenary session.

2.- The Secretary will assist the Chairman and must take the necessary measures to ensure the smooth operation of the Board of Directors, in particular by providing the Directors with needed advice and information, helping the Chairman to see to it that the Directors receive the relevant information for exercising their function in due time and proper form, keeping the corporate documentation, keeping a record of meeting proceedings in the minute books and attesting to the resolutions of the Board of Directors. The Secretary shall also be responsible for giving notice of the resolutions adopted by the Board.

3.- The Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:

- a) Adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
- a) Comply with the Company's Bylaws and Board Regulations and others of the Company;
- c) Are informed by the good governance recommendations that the company has subscribed to.

primary enactments and their implementing regulations, including those issued by regulatory agencies;

- a) Comply with the Company's Bylaws and Board Regulations and others of the Company;
- c) Are informed by the good governance recommendations that are applicable to the company has subscribed to.

ARTICLE 25.- APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY

1.- The Appointments, Remuneration and Social Corporate Responsibility Committee shall comprise at least three and no more than six Directors, to be appointed by the Board, ensuring that they have adequate knowledge, abilities and experience for the functions entrusted to them.-

A majority of the members of the Appointments, Remuneration and Corporate Social Responsibility Committee must be Independent Directors. Executive Directors may not sit on the Committee, although they may be present if so expressly decided by the Committee.

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.

2.- Under Article 45 of the Bylaws, the Committee has the following duties

**ARTICLE 25.- APPOINTMENTS,
REMUNERATION AND CORPORATE
SOCIAL RESPONSIBILITY**

1.- The Appointments, Remuneration and Corporate Social Responsibility Committee shall comprise at least three and no more than six Directors, to be appointed by the Board.

A majority of the members of the Appointments, Remuneration and Corporate Social Responsibility Committee must be Independent Directors. Executive Directors may not sit on the Committee, although they may be present if so expressly decided by the Committee.

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote.

2.- Under Article 45 of the Bylaws, the Committee has the following duties and powers:

- To evaluate the competencies, knowledge and experience required on the Board of Directors. To this end, it shall determine the functions and capacities required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties.

and powers:

- To evaluate the competencies, knowledge and experience required on the Board of Directors. To this end, it shall determine the functions and capacities required of the candidates to fill each vacancy, and evaluate the precise amount of time and degree of dedication necessary for them to effectively perform their duties, while overseeing that the Non-Executive Directors have sufficient time available to properly perform their functions.
- To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Bylaws, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary.
- To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
- To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting
- To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or

- To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Bylaws, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary.
- To establish a goal concerning the representation of the less-represented gender on the Board of Directors and to prepare guidelines on how this goal can be attained.
- To forward to the Board of Directors proposed appointments of Independent Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting
- To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.
- To report on the appointment and dismissal of the Secretary of the Board of Directors.
- To report on proposed appointments and removals of senior management and the basic terms of their contracts.
- To examine and organize the succession of the Chairman of the Board of Directors and CEO of the Company and, if

removal by the General Shareholders' Meeting.

- To report on the appointment and dismissal of the Secretary of the Board of Directors.
 - To report on proposed appointments and removals of senior management and the basic terms of their contracts.
 - To examine and organize the succession of the Chairman of the Board of Directors and CEO of the Company and, if appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.
 - To draw up and review the criteria that must be utilized for the composition of the Board and for selection of those nominated as Directors, ensuring that their access to the Board does not affect the Company's status as technical transmission operator, pursuant to the provisions of regulations applicable concerning hydrocarbons.
- [The Committee shall verify on an annual basis compliance with the selection policy of Directors of the Company approved by the Board of Directors.](#)
- To formulate proposals to the Board of Directors regarding the Company's organizational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.

appropriate, to make proposals to the Board to ensure the succession is smooth and well-planned.

- To draw up and review the criteria that must be utilized for the composition of the Board and for selection of those nominated as Directors, ensuring that their access to the Board does not affect the Company's status as technical transmission operator, pursuant to the provisions of regulations applicable concerning hydrocarbons.

- To formulate proposals to the Board of Directors regarding the Company's organizational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.

- 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 Chief Executives, along with individual remuneration and other terms of Executive Directors' contracts, ensure that said policy is abided by.

- 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 the Chairman, to executive committees or Chief Executives, along with individual remuneration and other terms of Executive Directors' contracts, ensuring that said policy is abided by. To this end, the Committee will periodically review the remuneration policy for Directors and senior management and ensure that their individual remuneration is proportional to that paid to the other directors and senior executives of the Company.

- To propose a general remuneration policy for Enagás management, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has suitable highly qualified staff for administering its business at all times, proposing to the Board the basic conditions of their contracts.

- To verify information on remuneration of directors and senior executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

- To ensure that any conflicts of interest do not impair the independence of external advisers to the Committee on remuneration.

■ To propose a general remuneration policy for Enagás management, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has appropriate highly qualified staff for administering its business at all times.

– To report to the Board on general policy concerning Corporate Social Responsibility and 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 provide information on proposals

■ To report to the Board on general policy concerning Corporate Social Responsibility and 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 this end, the Committee shall be responsible for the following functions:

a) the Committee may Submitting to the Board the initiatives and proposals it deems appropriate and providing information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.

b) Monitoring compliance with the rules of corporate governance of the Company, periodically assessing the adequacy of the Company's system of corporate governance, in order to fulfil its mission of promoting the corporate interest, and considering, as appropriate, the legitimate interests of other stakeholders.

c) Monitoring the communication strategy and relations with shareholders and investors, including small and medium shareholders.

d) Monitoring the corporate social responsibility strategy and practices and assessing their degree of compliance.

e) Monitoring and assessing the processes of liaising with different stakeholders.

submitted to the Board and information the Company releases to shareholders annually regarding these issues.

f) Reviewing the corporate responsibility policy of the Company, ensuring that it is aimed at creating value.

In particular, the Committee shall ensure that the policy of corporate responsibility identifies at least:

- The objectives of the corporate social responsibility policy and the development of support tools.
- Corporate strategy related to sustainability, the environment and social issues.
- Specific practices in issues related to: shareholders, employees, customers, suppliers, social issues, environmental issues, diversity, tax responsibility, respect for human rights and prevention of illegal behaviour.
- Methods or systems for monitoring the results of the implementation of the specific practices identified in the previous paragraph, the associated risks and their management.
- Mechanisms for oversight of non-financial risk, ethics and business conduct.
- The channels of communication, participation and dialogue with stakeholders.
- Responsible communication practices to prevent the manipulation of information and protect integrity and honour.

The report which, if any, may be issued by the Committee on the Company's general policy of Corporate Social Responsibility, shall be developed using any of the internationally accepted methodologies, and shall be published on the website of the Company sufficiently in advance of the Ordinary General Shareholders' Meeting.

and Corporate Social Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

- To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.

- 4.- The Committee shall meet at least four times a year. Meetings shall be called by its 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. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director.

first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director.

ARTICLE 26.- THE AUDIT AND COMPLIANCE COMMITTEE

- 1.- The Audit and Compliance Committee shall comprise at least three and no more than five Directors, to be appointed by the Board having particular regard to their expertise and experience in accounting, auditing or risk management.

Overall, the members of the Audit and Compliance Committee shall have the pertinent technical knowledge of the gas industry.

No executive Director may sit on the Audit and Compliance Committee. ~~At least two~~The majority of members of the Committee must be independent ~~and will be appointed in light of his or her knowledge and track record in matters of accountancy, auditing, or both.~~

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote. The Chairman must be replaced every four years, and may be re-elected after the lapse of one year from his departure from office.

- 2.- The chief purposes of the

ARTICLE 26.- THE AUDIT AND COMPLIANCE COMMITTEE

1.- The Audit and Compliance Committee shall comprise at least three and no more than five Directors, to be appointed by the Board having particular regard to their expertise and experience in accounting, auditing or risk management.

No executive Director may sit on the Audit and Compliance Committee. At least one member of the Committee must be independent and will be appointed in light of his or her knowledge and track record in matters of accountancy, auditing, or both.

The Committee Chairman shall be selected from among the Independent Directors by the Board of Directors, and shall not have the casting vote. The Chairman must be replaced every four years, and may be re-elected after the lapse of one year from his departure from office.

2.- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the

Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct and the legislation in force in the area of their competence.

3.- In particular, and in compliance with the provisions of article 44 of the Bylaws, the Audit and Compliance Committee has the following duties and powers:

- To inform the General Shareholders' Meeting on issues raised in the areas that lie within the Committee's competence and, in particular, regarding the audit result, explaining how it has contributed to the integrity of the financial reporting and the Committee's function during the process.

- To oversee the proper operation of the Company's internal control, its internal audit function and risk management systems, including fiscal ones, and discuss with the auditors any significant weaknesses in the internal control system detected in the course of the audit, all of this without undermining its independence. For such purposes and, where applicable, they can submit recommendations or proposals to the Board of Directors and the corresponding deadline for dealing with them.

In particular, the Company shall have a risk control and management unit, supervised by the Audit and Compliance Committee, which shall, among other functions, ensure the

Internal Code of Conduct.

3.- In particular, and in compliance with the provisions of article 44 of the Bylaws, the Audit and Compliance Committee has the following duties and powers:

- To inform the General Shareholders' Meeting on issues raised in the areas that lie within the Committee's competence.

- To see to the proper operation of the Company's internal control and its internal audit function and risk management systems, including those related to tax-risk management, and to discuss with the auditors any significant weaknesses in the internal control system detected in the course of audit.

proper functioning of the risk control and management systems and, in particular, identify, manage and adequately quantify all material risks affecting the Company; actively participate in the development of the risk strategy and major decisions on its management; and ensure that the risk control and management systems adequately mitigate risk under the policy defined by the Board of Directors.

- To ensure the independence of the unit that assumes the internal audit role, which will depend functionally on the Chairman of the Committee and shall ensure the proper functioning of the information and internal control systems; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approve and guide the work plans, ensuring that its activity mainly focuses on the risks relevant to the Company; receive periodic information on its activities; and verify that senior managers take into account the conclusions and recommendations of its reports.

The head of the unit that assumes the internal audit function shall present an annual work programme to the Committee, and report on any incidents arising during its implementation, and shall submit an activities report at the end of each year.

- To supervise the process of preparing and presenting the mandatory financial information the integrity of the mandatory financial information and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity,

- To oversee the process of preparation and presentation of statutory financial reporting.

reviewing compliance with regulatory requirements, the proper demarcation of the scope of consolidation and the correct application of accounting standards.

- To establish and supervise a mechanism whereby staff can report, confidentially and, if possible and considered appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company.
- With respect of the external auditor of the Company:
 - To submit proposals to the Board of Directors for selecting, appointing, re-electing and replacing the ~~external~~ auditor, being responsible for the selection process, in accordance with the applicable regulations, -along with the terms of their contract, regularly evaluate information on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their functions.
 - To liaise with the external auditor to obtain information on any issues that could ~~compromise the latter's~~ constitute a threat to its independence for review by the Committee or any other subjects related to the audit process, and, where applicable, the authorization of the services other than those forbidden, under the terms envisaged

- To forward to the Board of Directors proposals for selecting, appointing, re-electing and replacing the external auditors, along with the terms of their contract, in regularly gathering information from it on the auditing plan and its execution, in addition to remaining independent in the exercise of their functions.

- To liaise with the external auditor to obtain information on any issues that could compromise the latter's independence for review by the Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in auditing standards. In all cases, on an annual

in the applicable regulations, and any other disclosures envisaged in the audit regulations and audit standards. In all cases, on an annual basis, the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to detailed and individual information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them in conformity with the audit regulations, ensuring that the Company and the external auditor respect the regulations in force regarding the provision of services other than those of auditing, the limits on business mergers of auditors and, in general, all other regulations on the independence of auditors.

- To ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
- To oversee that the Company notifies any change of auditor to the Spanish National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same. In the event of resignation of any external auditor, the Committee should investigate the issues giving rise to the resignation.
- To ensure that the external auditor holds an annual meeting with the Board of Directors to inform it of the work done and the evolution of the accounting and risk situation of the Company.

basis, the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company or entities related to it directly or indirectly, in addition to information on additional services of any kind rendered to these entities by the aforementioned auditors or persons or entities related to them in conformity with the provisions of auditing legislation.

- To oversee that the Board of Directors endeavours to present the financial statements in such a way that there are no grounds for limitations or qualifications by the Company's Accounts Auditor.

To issue an annual report, prior to the issue of the audit report, giving an opinion on whether the independence of the auditors is compromised. This report shall in all cases include an assessment of the additional services provided, as referred to in the previous section, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the audit regulations and shall be published on the website of the Company sufficiently in advance of the date of the Ordinary General Shareholders' Meeting.

- To keep the Board of Directors apprised, in advance, on all items provided for in the Law, the Bylaws and the Regulations of the Board of Directors, in particular, in relation to:
 - 1 the financial information that the Company must periodically publish,
 - 2 the creation or acquisition of investments in special purpose vehicles or entities domiciled in jurisdictions considered tax havens, ~~and~~
 - 3 Related-party transactions, and

- To issue an annual report, prior to the issue of the audit report, giving an opinion on the independence of the auditors. This report shall in all cases include an assessment of the additional services provided, as referred to in the previous section, considered separately and in their totality, that consists of services other than statutory audits and how they relate to the requirement of independence or to the audit regulations.

- To keep the Board of Directors apprised, in advance, on all items provided for in the Law, the Bylaws and the Regulations of the Board of Directors, in particular, in relation to:

- 1 the financial information that the Company must periodically publish,
- 2 the creation or acquisition of investments in special purpose vehicles or entities domiciled in jurisdictions considered tax havens, and
- 3 related-party transactions, and
- 4 operations of structural and corporate changes which the Company plans to carry out, their

4 operations of structural and corporate changes which the Company plans to carry out, their economic conditions and their accounting impact and, in particular, where appropriate, impact on the proposed exchange ratio.

- Regarding the monitoring of internal codes of conduct:
- Monitor compliance with the internal codes of conduct.
- Assess all matters relating to the non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational.
- Coordinate the process of reporting of non-financial and diversity information, in accordance with applicable regulations and international reference standards.

4.- The Audit and Compliance Committee is governed by the applicable legal regulations, by the Bylaws, by these regulations and by its own Regulations of Organization and Functioning, which will be approved by the Board of Directors. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director. Any company employee or Manager of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another senior officer.

economic conditions and their accounting impact and, in particular, where appropriate, impact on the proposed exchange ratio.

4.- The Audit and Compliance Committee is governed by the applicable legal regulations, by the Bylaws, by these regulations and by its own Regulations of Organization and Functioning, which will be approved by the Board of Directors. Each Committee meeting shall be reported at the first subsequent meeting of the full Board, and a copy of the minutes of Committee proceedings shall be sent to every Director. Any company employee or Manager of the Company deemed relevant may be called to attend the Committee meetings, even ordering their appearance without the presence of another senior officer.

