



ACTIVITIES REPORT OF THE APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE OF ENAGÁS, S.A. FOR 2017

This report summarises the activities performed by the Appointments, Remuneration and Corporate Social Responsibility Committee (hereinafter, the "**Committee**") of Enagás, S.A. in 2017.

1.- COMPOSITION DURING 2017

In 2017, the Committee comprised the following persons:

From 1 January to 19 June 2017:

Chairwoman

Ms Isabel Tocino Biscalorasaga (Independent Director)

Members

Mr Ramón Pérez Simarro, Independent Director (left the Board and Committee 31 March 2017)

Mr Jesús Máximo Pedrosa Ortega (Independent Director)

Mr Antonio Hernández Mancha (Independent Director)

Mr Luis Javier Navarro Vigil (External Director)

Ms Ana de Palacio Vallelersundi (Independent Director)

Secretary

Mr Rafael Piqueras Bautista.

From 19 June to 31 December 2017

Chairwoman

Ms Ana de Palacio Vallelersundi, Independent Director

Members

Mr Antonio Hernández Mancha, Independent Director

Mr Luis Javier Navarro Vigil, External Director

Mr Jesús Máximo Pedrosa Ortega, Proprietary Director

Mr Luis García del Río, Independent Director

Mr Gonzalo Solana González, Independent Director

Secretary

Mr Rafael Piqueras Bautista.

2.- CORPORATE TEXTS PERTAINING TO THE COMMITTEE.

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

ARTICLE 45. - APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE.

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

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

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

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

c) To formulate proposals for the Board of Directors for appointing Independent Directors in order for them to be designated by the method of co-option or to be subject to the decisions of the General Shareholders' Meeting, along with proposals for the re-election or removal of those Directors by the General Shareholders' Meeting.

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

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

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

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

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

report on the proposals submitted to the Board and on the information the company releases to shareholders annually regarding these issues.

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

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

Article 25 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that:

ARTICLE 25. - THE APPOINTMENTS, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE.

1.- The Appointments, Remuneration and Corporate Social Responsibility Committee shall be comprised of a minimum of three and a maximum of six Directors, selected by the Board of Directors, which shall ensure that they have the necessary knowledge, competencies and experience to perform their tasks. A majority of the members of the Appointments, Remuneration and CSR 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 Chair 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 Articles of Association, the Committee shall possess functions and competences in the following areas: v

- 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 Articles of Association, 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-optation or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.*

- *To report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Shareholders' Meeting, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.*
- *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.*
- *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 Management 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 management 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 shall ensure that the policy of corporate responsibility identifies at least:*

- *The goals of its corporate social responsibility policy and the support instruments to be deployed.*

- *The corporate strategy with regard to sustainability, the environment and social issues.*

- *Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.*

- *The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.*

- *The mechanisms for supervising non-financial risk, ethics and business conduct.*

- *Channels for stakeholder communication, participation and dialogue.*

- *Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity. 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. v 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 management 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.*

2.- THE COMMITTEE'S ACTIVITIES

The Committee met four times in 2017. The Committee Chairwoman informed the Board of the issues dealt with at each Committee meeting at the next Board meeting.

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

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

In accordance with the provisions of articles 529 decies and 529 quinquies of the Corporate Enterprises Act, at its meeting on 9 February 2017, the Committee approved the report on the re-election of directors other than independent ones and the proposal for the appointment and re-election of Independent Directors, which were included on the Agenda of the General Shareholders' Meeting held on 31 March 2017 and approved by the latter. The report drafted by the Committee was made available to the shareholders at the same time as the General Meeting was convened.

At its meeting on 19 February 2018, it formulated its proposals for the appointment and re-election of Independent Directors and reported on proposals relating to other categories of Director, included on the Agenda of the next General Shareholders' Meeting. The approved report will be made available to shareholders as per the above-mentioned provisions.

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

At its meeting on 09 February 2017, the Committee assessed the degree of achievement of the company's objectives established for 2016 for the purpose of determining the annual variable remuneration for the executive directors and members of the Management Committee. Based on the level of achievement, the Committee approved the annual variable remuneration for the members of the Management Committee and submitted its proposed annual variable remuneration for the executive directors to the Board, which approved this at its meeting on 13 February 2017.

At the same meeting, it approved the company's objectives for the purpose of determining the variable remuneration in 2017.

At the same meeting the Committee reported favourably on the Annual Remunerations Report for 2017, approved by the General Meeting on 31 March 2017.

Activities regarding Corporate Social Responsibility and Good Corporate Governance.

The Committee has been periodically informed of the company's policies and actions regarding Corporate Social Responsibility and Good Corporate Governance. The Committee reported favourably on the proposal of the Annual Corporate Governance Report that was delivered as a material event at the General Shareholders' Meeting held on 31 March 2017.

At the General Shareholders' Meeting the report, "Our Commitment to Society", which, on the initiative of the Committee, makes information published by the company about its activities in the area of sustainability more accessible.

For the corresponding legal purposes, the Appointments, Remuneration and Corporate Social Responsibility Committee approved this report at its meeting on 19 February 2018.

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