



+

2018

Consolidated Management Report

Energy for the future

CONSOLIDATED
MANAGEMENT REPORT

Index

CONSOLIDATED MANAGEMENT REPORT

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About our Consolidated Management Report

[GRI 102-1, GRI 102-5, GRI 102-50]



Standards and principles used

The Consolidated Management Report includes the non-financial information statement and complies with the requirements of Directive 2014/95/UE on non-financial information and diversity, as well as with associated Spanish legislation (Law 11/2018) and has been prepared by the Board of Directors on 22 February 2019. [GRI 102-32, GRI 102-49]

The following standards and principles were used in preparing this 2018 Consolidated Management Report:

- This report was prepared according to the GRI Sustainability Reporting Guidelines, comprehensive option. These guidelines from Global Reporting Initiative (GRI) define the principles and content for compiling sustainability reports, and are subjected to GRI's Context Index Service. The content of the report has been verified by EY. [GRI 102-56]
- The principles in the Integrated Reporting Framework, published by the International Integrated Reporting Council, IIRC (www.theiirc.org), for which Enagás participated in the Integrated Reporting Pilot programme.
- The principles of standard AA1000: inclusivity, materiality, responsiveness and impact.
- The Sustainable Development Goals approved by the United Nations General Assembly, which Enagás integrates in its strategy and are set out in the section '[Enagás in 2018](#)'.
- The 10 principles of the UN Global Compact, as set out in the Appendix '[Global Compact content index](#)'. [GRI 102-12]
- Recommendations of the Task Force on Climate Related Disclosures (TCFD).
- Recommendations included in the "Guide for preparing the management report of non-group companies" of the CNMV.
- EFQM model criteria, in which Enagás maintains its +500 certification.
- Elements of the EFR model (Family Responsible Company).



Scope of the financial and non-financial information

The scope of this report includes the information on FY 2018 of the Enagás Group (hereinafter 'Enagás'). The following criteria have been applied to the information reported herein:

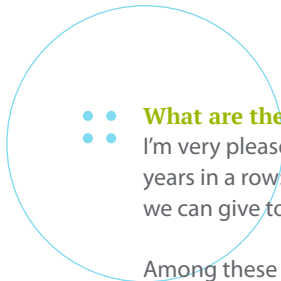
- The financial information is presented in accordance with the consolidation principles applied in the annual accounts.
- Non-financial information relates to operations over which Enagás maintains control (companies consolidated in the Consolidated Financial Statements in accordance with the full integration method). Accordingly, information concerning GNL Quintero (Chile) was consolidated. [GRI 102-45]

For further details on the scope of the financial information, refer to the '[Annual Accounts](#)', section 1.3 '[Basis of consolidation](#)'.

Interview with Antonio Llardén

Executive Chairman

[GRI 102-14]



What are the main features of the 2018 results?

I'm very pleased to have been able to give the same news twelve years in a row: we've met all our set targets. That's the best news we can give to our shareholders and investors year after year.

Among these fulfilled commitments, there are two main features to highlight from the year. First, we made a net profit of 442.6 million euros, achieving the average growth in accumulated profit of 3% a year we set for the 2016–2018 period.

And second, we increased our dividend by 5%, in keeping with our commitment until 2020.

What other aspects of the year stand out from a financial perspective?

The most noteworthy aspect is that we were able to significantly reduce our net debt by 733 million euros. This reduction in the debt allowed us to end the year with a net debt of 4.275 billion euros. This was possible thanks to our solid cash flow during the period.

What's more, we've kept the cost of servicing the debt very low, at 2.3%, and we have no other significant maturities until 2022.

Another milestone of note is that for another year, the two rating agencies that assess us, Standard & Poor's and Fitch, have confirmed our A- rating.

+5.1%

total shareholder return

€442.6 Mn

net profit

€4.275 Bn

net debt



“We've been meeting targets for twelve years running and have kept a 5% increase in our dividend”

How did Enagás shares perform in 2018?

In a complex year for the stock market, with important downward corrections in the world's leading exchanges, Enagás shares performed more positively than the national benchmark index to which it belongs, the Ibex35, and its European sector index, EuroStoxx Utilities.

Taking into account the dividends paid out in 2018, the total return for Enagás shareholders for the year was +5.1%.

What can you tell us about Enagás international investments in the year?

There were two major operations, which fit with the strategy we announced in its day of considering the rotation of some of the assets we hold outside of Spain in order to make potential new international investments.

The first was the sale, jointly with our partner Fluxys, of our 50% stake in the Swedish operator Swedegas, which resulted in a TIR after tax of more than 10% and cash flow boost to Enagás of 100.5 million euros.

The second operation was our entry into Greece. Through a consortium of two European TSOs, Snam and Fluxys, we purchased a 66% stake in Desfa, the Greek natural gas transmission network operator. This purchase meant an investment for Enagás of 40.5 million euros.

As well, we've continued to invest in the Trans Adriatic Pipeline (TAP), a key piece of infrastructure in European energy development, which is already 85% complete. Financial close was successfully completed in December with 3.960 billion euros in project financing, a major milestone that underscores the trust and long-term support shown by the financial institutions involved in the project.

How did gas demand evolve?

Demand in 2018 was held at the level of 2017, which was a particularly positive year in which gas demand in Spain rose by 9%.

The engine driving this good evolution continues to be industrial demand, which has grown by 15% since 2014, and specifically in 2018, grew by 4.5%, even higher than GDP.

Industrial demand accounts for 60% of the total natural gas consumed in Spain, and it's a good indicator of how the Spanish economy is evolving, given that the main gas consumers are also the country's leading exporters.

Natural gas is key to the development of the competitiveness of industries and, given the calorific value in most of them, it is an irreplaceable energy at this time.

Enagás is one of the leading companies in sustainability. How is the company's strategy in this area evolving?

Sustainability is one of our strategic priorities and for years has been included among the company's goals, linked to the variable remuneration of Enagás employees. We work in very close alignment with the UN's 2030 Agenda and its Sustainable Development Goals.

Decarbonisation and the fight against climate change, to which we are strongly committed, mark the context in which we operate. This is why we updated our 2019–2021 Sustainability Strategy in 2018 and set out three long-term pillars: promoting the role of natural gas in a low-carbon economy and the development of renewable gases, such as biomethane and hydrogen; energy efficiency and emissions reduction; and people and corporate culture.



“Industrial demand accounts for 60% of the total natural gas consumed in Spain, grew by 4% in 2018, a good indicator of how the Spanish economy is evolving”



“Sustainability is one of our strategic priorities and we work in very close alignment with the UN’s 2030 Agenda and its Sustainable Development Goals”

We have been making good progress in all these areas, hence our high ranking in the main sustainability indices. In 2018, we were acknowledged world leader in our sector by one of the most important indices, the Dow Jones Sustainability Index (DJSI), and we were given a Gold Class rating for our performance in sustainability.

In the context of energy transition, how is Enagás positioned? What progress was made during the year in the environmental field?

Natural gas has a major part to play in the energy transition, as a safe, efficient, competitive and sustainable energy. We are promoting new services and uses for natural gas, for instance in transport, where it is greatly contributing to reduce emissions and improve air quality. This year, the European Commission has chosen the LNG HIVE2 project, led by the Spanish Ports Authority and coordinated by Enagás, to continue to promote LNG as a fuel for maritime and rail transport.

Moreover, we are continuing to innovate and find creative solutions in order to be a part of the more sustainable future that’s being built. In 2018, we signed agreements with public and private entities in order to undertake renewable gas projects, such as the one we signed with the government of the Balearic Islands for the development of a plant to produce green hydrogen using renewable energy.

What’s more, we’ve cut our carbon footprint in half in recent years; we’ve become world leaders in the reduction of fugitive emissions; and we’ve managed to make our regasification plants, head office and corporate fleet carbon neutral. In 2018, we were also able to meet our target for long-term emission reductions linked to the variable remuneration of employees.

What can you highlight as regards human resources and talent management?

People and the corporate culture play key role in allowing us to meet our targets, which is why we prioritise the offering of stable and quality employment. We are focused on attracting and retaining the best talent and on creating workplaces that enhance the well-being and motivation of our professionals, where diversity and equal opportunities are fully integrated.

This is reflected by the high satisfaction scores given in our workplace climate surveys, low rates of staff turnover and also external recognition. We are ranked highest among energy companies on the 100 Best Companies List compiled by Actualidad Económica, published only a few months ago. And more recently, we received again certification from Top Employers.

In addition, our efforts to promote diversity led us to become the first Spanish company among the top 200 companies in the Equileap 2018 gender equality ranking and, to be included, at the beginning of 2019 in the Bloomberg

Gender-Equality Index, with a score higher than our sector and the 230 companies included.

What measures were implemented in 2018 with regard to corporate governance?

We continued to align the interests of shareholders, management and all Enagás employees. After the end of the current Long-Term Incentive Plan, the Board of Directors approved a new plan for 2019–2021. This plan once again includes a programme for multi-annual remuneration for senior management and a triennial bonus for other employees, linked to fulfilment of the Enagás Strategic Plan. Besides a target for CO₂ emission reductions, there is another target for gender diversity.

To finish, would you like to point out any other relevant topic or issue?

I’d like to say that this Annual Report, which has been approved by the Enagás Board of Directors, stands for the renewal of our commitment to the ten principles of the Global Compact, and at the same time, it contains our contribution to achieving the United Nations Sustainable Development Goals. [\[GRI 102-32\]](#)

The good results we present every year are only possible as a result of the commitment of the more than 1,400 people who make up the company, whom I would like to thank for their daily efforts that allow us to continue to take on challenges, meet goals and further the growth of Enagás.

Thank you also to all the members of our Board of Directors, for your responsibility and involvement. They are a key pillar for the implementation of our strategy and for the company’s good performance.

Enagás’ main objective is to continue to create value sustainably for our shareholders, whom I wish to thank on my behalf and on behalf of the Board of Directors for their trust and support.

Enagás in 2018

Attractive and sustainable shareholder remuneration

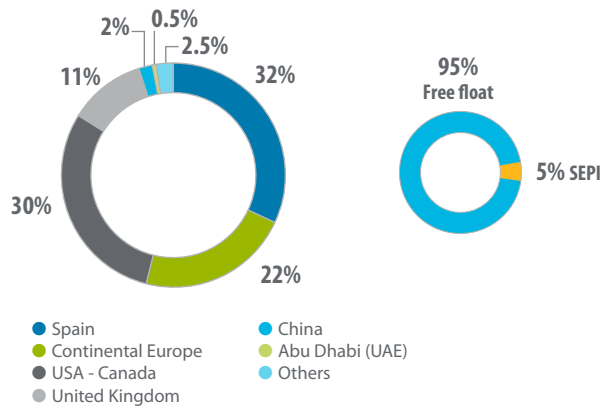
+5%

Dividend per share
(€1.53)

€23.61

Share at 31/12/2018

Distribution of capital



Sound financial and liquidity position

€442.6 Mn

Net profit

2.8%

Net cost of debt

18.8%

FFO (last 12 months) / Net Debt

Rating A-

Standard & Poor's

€4.275 Bn

Net debt

Rating A-

Fitch

Important circumstances arising after year-end: see 'Consolidated Annual Accounts', point "4.9 Subsequent events".

Growth and efficiency

13.2%

International acquisition
of DESFA - Greece

349.3 TWh

National demand for natural
gas (-0.5% vs 2017)

€100.5 Mn

Sale of Swedegas - Sweden

101.27 TWh

Regasification volume
in 100% Enagás-owned plants

7

Companies created
through Enagás
Emprende

+6%

Increase in storage capacity use
in 100% Enagás-owned plants (vs
2017)

+11.9%

number of truck loads vs 2017
(29,134 loads sent to 652 destinations)

Sustainability

Indices **85** DJSI score
(Gold Class)

B CDP climate
change score

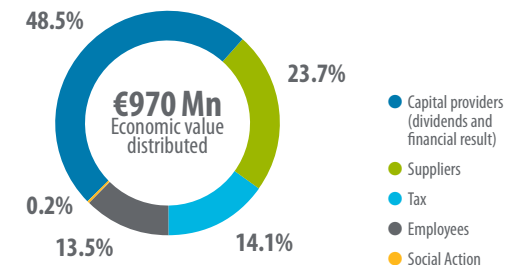
36.4%

Reduction in CO₂ emissions
(2016-2018 vs 2013-2015)

Contribution to society [GRI 201-1]

1,449

Employees
(27% women)



Our contribution to the SDG



Enagás, as a leading company in sustainability, contributes to the achievement of the Sustainable Development Goals, which represent the Agenda for Humanity 2030 and which address several fundamental human rights.

Through the key activities of our business, we contribute directly to meeting SDGs 7 and 9. Furthermore, our management models allow us to contribute to meeting SDGs 13, 8, 5, 15 and 17.



Ensure access to affordable, reliable, sustainable and modern energy for all

22.7 GWh self-generated energy

40% of the electrical energy consumed with guarantees of origin

Natural gas is the key to achieving sustainable, safe and efficient energy, which is why we strive for energy efficiency and emission reductions, and to promote new uses for natural gas, such as LNG as a transport fuel, particularly for maritime and also rail transport. We also use our experience to offer new energy solutions that contribute to a low-carbon economy, namely renewable gases (biomethane and hydrogen).

Major 2018 milestones

- Signing of various agreements with public and private entities for the promotion of renewable gases (biomethane, hydrogen, etc.). (see the chapter '[Our project for the future](#)').
- Selection by the European Commission of the Enagás-coordinated initiative 'LNG HIVE2', to promote LNG as an alternative fuel. (See the chapter '[Our project for the future](#)').
- Signing of the Guiding Principles on Reducing Methane Emissions across the Natural Gas Value Chain, developed in partnership with different international companies and institutions in the sector. (See the chapter '[Climate change and energy efficiency](#)').



Building resilient infrastructure, promote inclusive and sustainable industrialisation and promote innovation

1,382 authorised suppliers

95 suppliers externally audited in financial, ethical, environmental and social areas



Take urgent measures to combat climate change and its impacts

Reduction by **36.4%** of CO₂ emissions in the 2016–2018 period vs 2013–2015

Our intention is to improve the competitiveness of the countries in which we operate, and contribute to the energy and decarbonisation process by developing and managing energy infrastructures. In addition, natural gas is of great importance for improving competitiveness, as it allows for the introduction of efficient industrial technologies which improve the intensity of energy usage and competitiveness in the industry, generating direct and indirect employment.

Major 2018 milestones

- Participation in new projects for gas infrastructure operation (Desfa). (see the chapter '[Our business model](#)').
- Creation of a model for incorporating suppliers information that includes environmental, social and ethical criteria. (See the chapter '[Supply chain](#)').
- Implementation of an electronic tool for monitoring supply chain-related risks, including environmental, social and ethical risks. (See the chapter '[Supply chain](#)').

Energy efficiency is a key area in which Enagás continues to work by establishing annual energy-intensity targets at each of its facilities, and this is also linked to the variable remuneration of its employees. (See the chapter '[Climate change and energy efficiency](#)').

Major 2018 milestones

- Approval of a plan to replace natural gas turbo-compressors with electric compressors.
- Achieving carbon neutrality in regasification plants, head office and corporate fleet.
- Adoption of TCFD guidance in climate change reporting.
- Enagás is ranked in the top 10 Ibx35 companies for climate change reporting by EcoAct.



Promoting sustained, inclusive and sustainable growth, full and productive employment and decent work for everybody

7 start-ups created
97.52% permanent contracts
4.8% staff turnover

We believe people and culture play a key role in allowing us to meet our targets. In this sense, we are focused on attracting and retaining the best talent, and creating working environments that enable us to continue to transform ourselves and bring about creative solutions in order to form part of a more sustainable future.

Major 2018 milestones

- Promotion of corporate entrepreneurship with the third edition of *Ingenia Business*. (See the chapter '[Our project for the future](#)').
- Achieving Top Employer España certification for the eighth consecutive year, a distinction that acknowledges companies for their commitment to offering the best human resource practices. Top Employer Institute has credited Enagás for the support and development of talent at all levels of the company. (See the chapter '[People](#)').
- Ranked 11 on the list of the 100 Best Companies for employment compiled by Actualidad Económica, the highest ranked among energy companies.



Protecting, restoring and promoting the sustainable use of terrestrial ecosystems, managing forests sustainably, combating desertification, halting and reversing land degradation and curbing the loss of biological diversity

78.4% of waste recycled or reused
77,810 m³ water consumption
4 km² natural space occupation

Managing natural capital is a key aspect for Enagás. We control and minimise our environmental impact, improving the use of natural resources and developing measures aimed at preserving nature.

Major 2018 milestones

- Definition of an energy management system according to ISO 50001 (implementation in 2019). (See the chapter '[Climate change and energy efficiency](#)').
- Start-up of a desalination plant in Barcelona for use of desalinated seawater to fight fires instead of drinking water. (See the chapter '[Natural capital management](#)').
- Evaluation of the environmental risks associated with accident scenarios affecting plants, underground storage facilities and compressor stations, and quantifying economic impact. (See the chapter '[Natural capital management](#)').
- Definition of framework for the development of a circular economy plan.



Achieving gender equality and empower all women and girls

27.0% female employees
26.4% women in management

Enagás undertakes projects to identify and develop talent in women, which has gradually allowed the company to increase the presence of women in its workforce and in management positions. (See the chapter '[People](#)').

Major 2018 milestones

- Ranked among the leading 200 companies in the world for gender equality, the first Spanish company to enter the Equileap ranking.
- Inclusion in the Bloomberg Gender-Equality Index.
- Setting long-term gender diversity targets linked to variable remuneration of employees.
- Company volunteers in workshops for women who are victims of gender violence.



Enhancing the means for bringing about and revitalising the Global Partnership for Sustainable Development

23 volunteering initiatives
90% customer satisfaction
82% overall employee satisfaction

Dialogue and collaboration with our stakeholders enables us to establish partnerships for the creation of shared value, and consequently to meet set targets.

Major 2018 milestones

- Implementation of volunteering initiatives in collaboration with voluntary (third-sector) associations. (See the chapter '[Local communities](#)').
- Enagás chaired the annual meeting of the Group of Experts on Gas at the UN European headquarters. This group, of which the company is a member, is entrusted with the role of examining the essential role gas plays in meeting SDGs.
- Companies4sdgs awareness campaign for professionals about the SDGs.

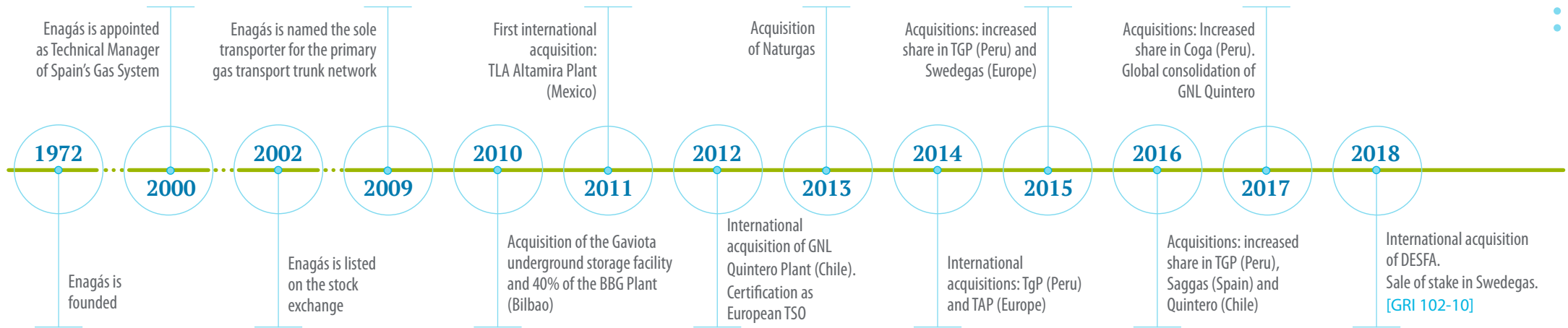


Chapter 1

Our business model



Our aims and activities



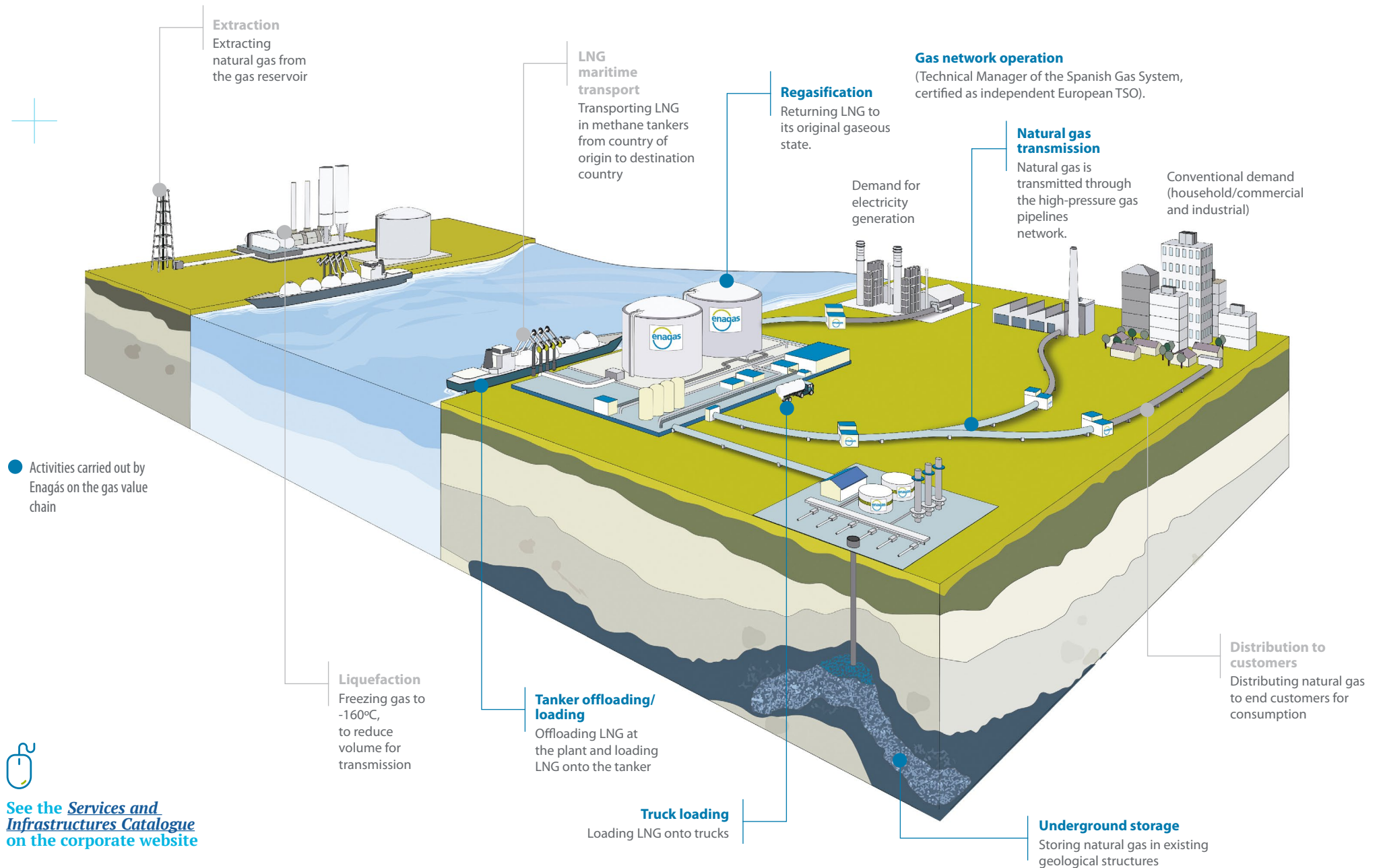
Our intention is to improve the competitiveness of the countries in which we operate, and contribute to the energy transition and decarbonisation process by developing and managing energy infrastructures.

Enagás, a midstream company with almost 50 years of experience and independent European TSO (Transmission System Operator), is an international reference in the development and maintenance of gas infrastructure and in the operation and management of gas networks. [GRI 102-2]

Gas infrastructures are a core element in the transition of energy towards decarbonisation. In addition, natural gas is of great importance for improving competitiveness, as it allows for the introduction of efficient industrial technologies which improve the intensity of energy usage and competitiveness in the industry, generating direct and indirect employment.

Enagás provides its experience to offer new energy solutions that contribute to a low-carbon economy: renewable gases and hydrogen (see the chapter on '[Our project for the future / Renewable gases](#)').

Gas infrastructures are a core element in the energy transition towards decarbonisation





Mission, vision, values

The company's mission, vision and values, as well as its policies and strategy, are reviewed and approved by the Board of Directors. [\[GRI 102-26\]](#)

Mission

To develop and manage global gas infrastructure in a secure, efficient and sustainable manner; complying responsibly with prevailing legislation and helping guarantee supply, particularly in our role as the Technical System Manager in Spain; offering our experience, knowledge and best practices to create value for our stakeholders.

Vision

To be a national and international standard bearer in the development and management of gas infrastructures, promoting their use by offering innovative services that contribute to sustainable development.

Values

- Efficiency
- Transparency
- Innovation
- Integrity
- Sustainability
- Safety
- Team work

Geographies

[GRI 102-3, GRI 102-4, GRI 102-6, GRI 102-10]

~ 11,000 km
of gas pipelines

19 compressor stations

6 international connections

**Soto La Marina
compression station**
(50%) 2013

TLA Altamira plant
(40%) 2011
300,000 m³
800,000 m³ (n)/h

**Enagás Mexico S.A. de
C.V office** (Mexico City)

Morelos pipeline
(50%) 2012 / 172 km

Mexico

**Transportadora
de Gas del Perú**
(TgP, 28.94%)
2014 / 729 km

**Compañía Operadora
de Gas del Amazonas**
(Coga, 51%) 2014
TgP operator

Enagás Peru office, S.A.C.
(Lima)

Peru

Chile

GNL Quintero plant
(45.4%) 2012
334,000 m³ LNG
625,000 m³ (n)/h

Barcelona plant
760,000 m³ LNG
1,950,000 m³ (n)/h
 Huelva plant
619,500 m³ LNG
1,350,000 m³ (n)/h
 Cartagena plant
587,000 m³ LNG
1,350,000 m³ (n)/h
 El Musel plant*
300,000 m³ LNG
800,000 m³ (n)/h
 Saggas plant (72.5%)
600,000 m³ LNG
1,000,000 m³ (n)/h
 BBG plant (50%)
450,000 m³ LNG
800,000 m³ (n)/h

Canary Islands plant
[G4-6, G4-8]

**Gaviota storage
facility**
Total gas: 2.7 bcm
 Yela storage facility
Total gas: 2.0 bcm**
 **Serrablo
storage facility**
Total gas: 1.1 bcm

Head office (Madrid)
[G4-5]

Greece, Albania and Italy

Greece

Trans Adriatic Pipeline
(TAP, 16%)
2014 / 871 km

DESFA operator
(13.2%) 2018

LNG Terminal (Revithoussa)
236,507 m³ LNG
805,000 m³ (n)/h

**Nea Messimvria compressor
station**
1,465 km of pipeline

**Nea Messimvria compressor
station**

Under construction / Project

* Pending after Royal Decree-Law 13/2012
** Quantity upon reaching its nominal capacity



CONSOLIDATED
MANAGEMENT
REPORT

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with the
Executive
Chairman

Enagás
in 2018

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CONSOLIDATED
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REPORT

Annual Report 2018



Chapter 2

Strategy



Operating context



Enagas operates in a global scenario of environmental transition, in which renewable energies (with high rates of growth owing to stimulus policies and falling costs) and natural gas (with higher absolute growth owing to environmental policies and the abundance of competitive resources), especially LNG, are leading the transition towards a low-carbon energy mix.

The substitution of coal and oil with natural gas continues to be key to the containment of global emissions. Of the 15 main emitters of CO₂, the United States has reduced its emissions the most since 2010, owing to having the largest share of coal replaced by natural gas. In the same period, despite its extremely strong economic growth, China has been able to contain the growth of its emissions (even reducing them in 2014–2016) because of its greater reliance on gas compared to coal.

Moreover, environmental regulations in the marine transport sector, air quality improvement plans in cities and reduction targets for CO₂ emissions have led to a boost in the demand for gas in maritime and terrestrial transport in the short term.



In the long term, the European Union's view of carbon neutral emissions by 2050 requires that we focus on renewable gases (biomethane and hydrogen), clean energies with huge potential whose production contributes to the circular economy. The integration of renewable gases into the energy system contributes to sustainability, competitiveness and stability.

Biomethane produced from waste is a source of renewable, local and storable energy, with a positive impact on employment and the rural economy.

In addition, renewable hydrogen (obtained by electrolysis using renewable energy) is being positioned as a new global energy vector that allows the storage of excess electrical energy from renewable sources and can be used in all energy sectors.

These non-electric renewable energies can be transported via the existing gas infrastructure, maximising their use and contributing to a fair energy transition.



The Spanish context

Industrial demand for natural gas represents about 60% of the total demand for natural gas in Spain, and total demand has been growing at an average yearly rate of 4.2% since 2016. This energy is currently irreplaceable due to its high calorific value and versatility.

For this reason Enagás encourages competition in the market and liquidity in the Iberian Gas Market, and greater interconnection with the rest of Europe in order to advance the integration of the European market. This will lead to the removal of barriers that cause price differences between the Spanish gas system and those of its neighbouring countries.

Natural gas is the cleanest and most efficient solution the industrial sector has to cater to its needs for high-temperature thermal energy, contributing to its competitiveness and, consequently, to economic development and employment. This is particularly evident in industries with intensive energy consumption and in those focusing on exports. In this sense, co-generation with natural gas is an optimum solution to increase efficiency and competitiveness in industry (it has an overall performance higher than 90%) and reduce greenhouse gases.

Furthermore, since 2018, the Spanish Gas System has shown a net annual surplus, which will allow the totality of the debt to be paid earlier than expected, in an environment of growing demand.

Natural gas is the cleanest and most efficient solution for the industrial sector

Other regions

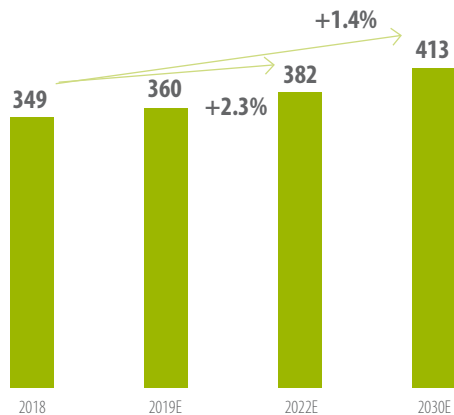
In 2018, Enagás redirected its strategy in Europe by increasing its presence in the south-eastern region, which is becoming one of the nerve centres for the development of gas infrastructure.

Enagás is positioned in the fastest-growing gas markets of Latin America in order to take advantage of the opportunities for growth in the region, where the midstream sector shows solid fundamentals for the very strong expected demand and new, competitive resources that require adaptation to changes in flow.

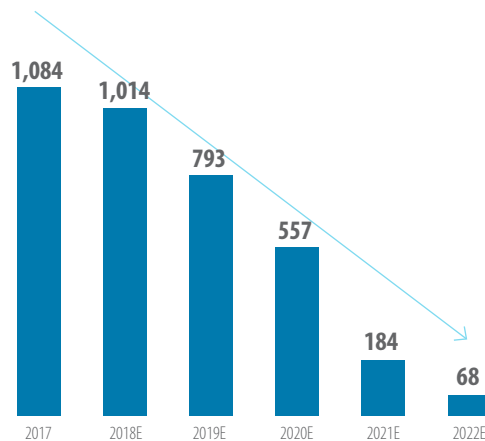
The United States is a key market owing both to its internal demand and its exports. Development of the country's gas infrastructure allows large volumes of coal to be replaced and the country to lead the world in the reduction in CO₂ emissions (> 420 MtCO₂ per year in 2017 vs 2010, equivalent to approximately 1.5 times the yearly emissions produced by the energy sector in Spain).

What is more, LNG is consolidating its place as the fastest-growing means of supplying natural gas. Regasification capacity will grow by close to 25% by 2023, and 45% of this new capacity will be floating (currently barely accounting for 12%), with a much wider geographic distribution than that of on-shore capacity.

Evolution of demand (TWh) [GRI 302-2]



Debt recovery from the System (€Mn)



Strategic priorities

Given this operating context, Enagás has defined the following strategic priorities for the coming years:

Strategic priorities 2019–2023

Sustainable growth guaranteeing role as TSO in the process of decarbonisation and environmental transition

Growth areas:

New businesses

- Renewable gases (biomethane/hydrogen)

Core business

- Development of gas infrastructure
- Regional positioning (affiliates)
- Injection of renewable gases into the network

Expanded core business

- Operation of floating and liquefaction infrastructure
- Small scale development
- Services for affiliates and third parties

Sustainability

Energy efficiency and emission reduction

Minimising the environmental impact of our operations

People and culture

- Attracting and retaining talent
- Creation of sustainable working environments

Role of natural gas and renewable gases in the energy model

- New uses for natural gas
- Development of clean energies (biomethane/hydrogen)

Creation of value for our stakeholders

Long-term dividend sustainability

Financial sustainability of the Gas System

Financial strength and discipline

- Evolution of net debt
- FFO/net debt ratio stand-alone

International activity

- Contribution of international investments to net profit
- Contribution of international affiliates to cash flow

Solid cash flow generation

Natural gas key to energy transition

Natural gas and renewable energies will lead the transition towards a low-carbon energy mix

Investment criteria

We extend our criteria for solvent investment to all areas of the business, incorporating sustainability:



Results

Steady and predictable cash flow, with attractive returns.



Risk profile

Similar risk in regulated and non-regulated businesses.



Corporate governance

Strategic role as an industrial partner, actively participating in asset management.



Partners

Alliances with local partners with complementary capabilities.



Core business

Value creation in the main areas of expertise: LNG, transport and storage.



Sustainability

Contributing to decarbonisation of the economy and improving air quality.

Meeting 2018 objectives



The strategic priorities are established as company objectives linked to the variable remuneration of all Enagás professionals, including the Chairman and CEO, thus linking remuneration to economic, environmental and social objectives. [\[GRI 102-35\]](#)

Moreover, Enagás has a Long-Term Incentive Plan in place, requiring the fulfilment of objectives aligned with strategic priorities, thus linking remuneration to the commitment to long-term management.

In 2018, we met the established objectives and we are making progress towards our long-term objectives:

Strategic priorities	2016–2018 Long-Term Incentive Plan targets (% weighting)	Long-Term Incentive achievement (%)	Yearly targets 2018 (% weighting)	Meeting 2018 targets (%)
Shareholder Remuneration Policy	Relative total shareholder return (TSR) (20%): <ul style="list-style-type: none"> This indicator takes into account the evolution of shares and the dividend policy It is relatively measured against a peer group Investors and proxy advisers expect the plan to be linked to this target 	0%	Improving the company's financial results (35%) <ul style="list-style-type: none"> Net profit at 31.12.2018 	100%
Prioritisation of core business: Regulated assets	Funds from Operations (FFO) as an indicator of financial soundness and growth in net profit (40%) <ul style="list-style-type: none"> It takes in both the EBITDA of the regulated business and dividends coming from international investment It is a primary indicator for investors. Meeting this objective enables the targets of Group dividend payment, investment and debt repayment to be met 	125%	Strengthening regulated revenues through: (20%) <ul style="list-style-type: none"> Development of regulatory and remuneration-related actions which allow the Company's revenues to be guaranteed Reduction in the level of operating costs compared to 2017 Execution of regulated business projects 	70%
Taking advantage of international growth	Dividend from international investment (30%): <ul style="list-style-type: none"> This measures the profitability of international business International investment is included as an indicator for yearly variable remuneration 	125%	Consolidation of the company's Strategic Plan through: (25%) <ul style="list-style-type: none"> Strategic updating Consolidation of international business Contribution to diversification by providing services and new businesses 	100%
Sustainability as a driver for the company's strategy	Sustainable Management Plan (10%): The assessment of the Sustainability Plan is carried out by the Appointments, Remuneration and CSR Committee: <ul style="list-style-type: none"> Carbon Footprint (30% reduction with respect to 2013-2015) Commitments made to the government associated with equality and non-discrimination Corporate Social Responsibility 	105%	Fostering sustainability and governance through the definition of a 2020 Sustainability Strategy, energy efficiency and emission reduction, improving the positioning of Enagás for socially responsible investors and enhancing the company's human and corporate resources (20%)	100%

[See the Detailed performance outcome under 2018 STI scheme and Detailed performance outcome under the LTI 2016-2018](#)

^(*) Acquisition and disposal of treasury shares: see [Consolidated Annual Accounts, point '3.1. Equity, b\) Treasury shares'](#)

New 2019–2021 Long-Term Incentive Plan

[GRI 102-35]

The 2019–2021 Long-Term Incentive Plan was approved in 2019 that gives continuity to the previous plan (see the '[Corporate Governance](#)' chapter) and includes the following long-term targets:

Strategic priorities	2019–2021 Long-Term Incentive Targets
Shareholder Remuneration	<p>Guarantee of total return for Enagás shareholders.</p> <ul style="list-style-type: none"> • Relative TSR: Enagás position in the ranking of the Peer Group • Absolute TSR
Regulated assets	<p>Consolidation of cash flows as a driver for solvency and ensuring a dividend payment for Enagás shareholders</p> <ul style="list-style-type: none"> • Accumulated results corresponding to the company's funds from Operations (FFO)
International growth	<p>Consolidation of cash flows contributed by affiliates to the shareholder (Enagás Group)</p> <ul style="list-style-type: none"> • Accumulated cash flows received from affiliates (dividend)
Sustainability	<p>Guarantee of sustainable and organic growth through the fulfilment of initiatives contained in the Sustainability Plan</p> <ul style="list-style-type: none"> • Average reduction in CO₂ emissions in the 2019–2021 period vs. 2018 • Percentage of women • Investment associated with the increased presence of renewable gases in the energy mix.

For details of targets and indicators, see [Annual Directors' Remuneration Report](#)



Risk management

[GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2]

Enagás has established a risk management and control model aimed at ensuring the achievement of the objectives of the company in a predictable manner and with a medium-low profile for all of its risks. The model allows Enagás to adapt to the complexity of its business operations amid a globally competitive and economically complex environment, where risks materialise more quickly and with an increasingly evident contagion effect. The model is based on the following aspects:

- The consideration of some standard types of risk that the company is subject to:
 - > Strategic and Business.
 - > Operational and Technological.
 - > Financial and Tax-related.
 - > Credit and Counterparty.
 - > Reputational.
 - > Criminal Liability.
 - > Compliance and Model.
- The segregation and independence of the functions of risk control and management at the company, in "three lines of defence":

- > On the one hand, the business units that are responsible for the risks they take on when conducting their ordinary business activities, and are therefore responsible for identifying and measuring them.
- > Moreover, there is a risk control and management area responsible for: (i) ensuring that the risk control and management system functions properly, (ii) active participation in the development of the risk strategy and definitions of impacts on their management and (iii) ensuring that the control and management systems adequately mitigate risks.
- > Lastly, the internal audit unit is in charge of supervising the efficiency of the risk controls in place.
- The existence of certain governing bodies with responsibilities in the process of risk control and management in the company:
 - > The Board of Directors is responsible for approving the risk control and management policy. Its other responsibilities relating to risk have been delegated to the Audit and Compliance Committee.
 - > The Audit and Compliance Committee mainly supervises the efficiency of the risk systems and evaluates the company's risks (identification, measurement and establishment of measures for their management).
 - > The Risks Committee establishes the overall strategy for risks, the limits of global risk for the company, and reviews the level of exposure to risk and the corrective actions, should there be any non-compliance.
- Establishing a risk appetite framework, a level of risk that is considered acceptable, and that is consistent with the established business goals and the market context in which the company carries out its activities.

- The transparency of information supplied to third parties, to guarantee its reliability and accuracy.

The integral analysis and periodic monitoring of all risk permit the appropriate control and management thereof, an understanding of the relationships between them and facilitates their joint assessment. This is accomplished by taking into account the differences of each type of risk in terms of its nature, handling capacity, risk measurement tools, etc.

The existing model is completed by carrying out of specific risk analyses that facilitate the decision-making process based on risk-profitability criteria in those strategic Enagás Group initiatives, new businesses or initiatives of special relevance from the risk standpoint. There is a risk function that performs this analysis independently, transversally (covering all risk types) and homogeneously (with similar operations and measuring overall risks).

Moreover, the main risks to which the Enagás Group is exposed are explained in the following:

Integral analysis and regular monitoring of all risks allow them to be adequately controlled and managed

Detail of the main risks [GRI 102-11, GRI 102-15]

Type of risk	Risk description	Level of Risk(*)	Control and Management Measures
Strategic and Business Risks			
Regulatory risk	The activities conducted by the Enagás Group are particularly affected by regulatory and remuneration framework. Any structural changes to the regulatory and/or remuneration framework, or to remuneration parameters may affect revenues from business activities.	Tolerable	<ul style="list-style-type: none"> • Ongoing working relationship with regulatory bodies and public administrations. Regulatory development proposals. • Participation in different associations with gas sector agents.
Commercial risk and demand	<ul style="list-style-type: none"> • The evolution of demand for transmission, regasification and underground storage of natural gas in Spain has a direct impact over the regulated remuneration received by these activities. • In some international markets in which the company operates, revenues are affected by the performance of its commercial activity. 	Acceptable	<ul style="list-style-type: none"> • Internal analysis about the evolution of demand, gas system capacity, etc. • Participation in projects to promote the use of natural gas. • Development of strategic commercial plans, detailed studies of potential markets for LNG, biogas, and the creation and development of new projects.
Risk in the development of infrastructures	<ul style="list-style-type: none"> • New infrastructure developments are subject to obtaining licences, permits and administrative authorisations. The development of these complex processes could adversely affect the company. • The execution of infrastructure projects may give rise to unforeseen circumstances resulting in missed deadlines or deviations from initially planned investment costs. 	Acceptable	<ul style="list-style-type: none"> • Ongoing working relationship with public administrations. Monitoring processes of the required procedures. • Contingency plans established to address unforeseen deviations.
Legal risk	The financial results of the company may be affected by the uncertainties related with the different interpretation of contracts, laws or regulations which the company and third parties may have, as well as the results of any law suits undertaken.	Acceptable	<ul style="list-style-type: none"> • Management and monitoring of court cases. • Monitoring of existing situation with corresponding administrative authorities.

(*) Level of risk: Acceptable / Tolerable / Significant / Critical

Type of risk	Risk description	Level of Risk(*)	Control and Management Measures
Operational and Technological Risks			
Industrial risks in infrastructure operation	In the operation of the infrastructure for transmission, regasification plants and underground storage facilities, accidents, damage or incidents involving loss of value or lost profits may occur.	Tolerable	<ul style="list-style-type: none"> • Emergency, maintenance and continuous improvement plans, the existence of control systems and alarms that guarantee service continuity and quality. • Quality, prevention and environmental certifications and redundancy of equipment and systems. • Insurance policy contracts.
Cybersecurity	Damage to corporate and industrial systems as a result of deliberate attacks by third parties.	Acceptable	<ul style="list-style-type: none"> • Development and updating of the Cybersecurity Master Plan including specific action measures.
Financial and fiscal risks			
Interest rate, exchange rate and liquidity	Volatility of interest and exchange rates, as well as movements in other financial variables that could negatively affect the company's liquidity.	Acceptable	<ul style="list-style-type: none"> • Hedging using derivatives to establish a fixed or optimally protected debt structure. • Natural hedging through financing in the business's functional currency. • Taking out credit lines with unconditional availability and temporary financial investments.
Tax risks	Possible changes to tax legislation that could affect the company's results.	Acceptable	<ul style="list-style-type: none"> • Consultancy services provided by tax specialists. • Principles of action that govern compliance with tax obligations, avoiding risks and tax inefficiencies.
Credit and Counterparty Risks			
Credit and counterparty	Possible losses due to third parties failing to pay the Enagás group.	Not applicable	<ul style="list-style-type: none"> • Monitoring of commercial debt positions and collection management based on customer profile. Credit management mechanism through the establishment of guarantees. • Financial operations with high solvency entities. • The application of NIIF9 from January 2018, involving provision for the expected loss due to this risk.
Reputational Risks			
Direct reputational risks	Possible deterioration of the perception or image of the Enagás Group from the different interest groups.	Tolerable	<ul style="list-style-type: none"> • Fluent, direct communication with stakeholders. • Regular tracking of information harmful to the company.

Additionally, the Enagás Group has started a direct contact process (prior to international arbitration) with the Peruvian State for the recovery of the investment in the Gasoducto Sur Peruano project due to interpretative differences in the concession contract.

(*) Level of risk: Acceptable / Tolerable / Significant / Critical



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Chapter 3

Our project for the future



Natural gas as a key element

[GRI 102-15]

Natural gas is the key to achieving sustainable, safe and efficient energy, both in the present and for the future. Natural gas demand in the Spanish industrial sector currently accounts for 60% of total demand (see '[Operating context](#)' chapter), and it plays a key role in the competitiveness of Spanish industry, a role that should be upheld. Moreover, Enagás is committed to the promotion of new uses for natural gas, particularly in the transport sector (maritime, rail and road).

Maritime transport

Enagás participates in projects such as CORE LNGas Hive. In this case, it is the coordinator of the project that includes 42 partners with a budget of 33.3 million euros, with the objective of developing an integrated, safe and efficient logistics chain for the supply of liquefied natural gas (LNG) for fuel in the transport sector, especially in maritime transport, in the Iberian Peninsula: Spain and Portugal. This will promote the use of this alternative fuel not only for supply to ships but also for industrial equipment in port areas.

Enagás is also one of the coordinators of the Infrastructure & Logistics Solutions (Hive2) project, which, with a budget of 14.7 million euros, is aimed at developing supply infrastructure at the Port of Huelva.

In addition, from its position as Vice President of the Maritime section of Gasnam, Enagás is promoting all necessary measures for the promotion and development of the infrastructures required for the use of LNG as a maritime transport fuel.

01/2018

Enagás is taking part in the project for the world's first LNG-fuelled passenger train. The first pilot test for this fuel was conducted with a regional train between the localities of Mieres and Figaredo, Asturias, at an act attended by representatives of the Spanish government, participating energy companies and Renfe, the Spanish state-owned railway operator.

Rail transport

Enagás is collaborating with Renfe and other companies, supported by the Ministry of Public Works and Transport, to develop a test for the use of LNG in a passenger train on the Spanish railway network, as part of the Driving Vehicles with Alternative Energies Strategy in Spain 2014-2020 and in line with the implementation of Directive 2014/94 on the implementation of an infrastructure for alternative fuels in Europe. This project seeks to analyse the technical, environmental, legal and economic feasibility of railway traction with LNG to assess the possibility of extending this new traction solution to the commercial area in Spain.

Also, a second project will be developed, in collaboration with Renfe, to convert the railway traction of a diesel freight locomotive to LNG (raiLNG project). Enagás is also involved with RENFE in the development of intermodal transport of LNG ISO containers for combined transportation by Road-Rail-Sea. In 2019, a third project will commence to convert a freight locomotive operating on the line connecting Huelva and Majarabique, in the province of Seville.

02/2018

Pilot testing of the first ship-to-ship loading of LNG in Iberia took place at the Port of Bilbao. The test was conducted after the conversion of a barge, enabling it to supply other vessels with LNG. This is expected to serve as a stimulus for the use of natural gas in a sector that predominantly relies on marine fuel oil and diesel fuel.

Road transport

The company is participating in the ECO-GATE project, a consortium of natural gas operators and technology and service providers, end users and experts in market knowledge and promotion in Spain, Portugal, France and Germany, whose aim is to construct 23 gas stations (21 L-CNG, 1 Biomethane, 1 H2CNG) in the Atlantic and Mediterranean corridors of the road networks of Spain, France, Germany and Portugal.

Likewise, the company's Sustainable Mobility Plan includes a range of initiatives aimed at its professionals and its fleet of vehicles, which promote the use of vehicular natural gas and optimize travel, thus reducing environmental impact. These include the replacing operation and maintenance vehicles by vehicles powered by CNG, if there are equivalent vehicles; the delivery of CNG vehicles to managers and the promotion of the purchase of this type of vehicle by their employees in advantageous conditions.

Additionally, the company is promoting the use of natural gas as an alternative fuel to oil in vehicle fleets through the creation of start-ups (Gas2Move and ScaleGas).

For the promotion and enhancement of CNG and LNG for use as land transport fuel, Enagás is also participating as a partner in Gasnam, NGVA and Sedigas, supporting the measures agreed in the sector.

Renewable gases

[GRI 102-15, GRI 201-2]

Enagás is committed to developing non-electric renewable energies, such as biomethane and hydrogen as new energy solutions that will play a crucial role in the decarbonisation process. Gas infrastructures are suited to the transport and storage of these renewable gases, meaning that additional infrastructure investments will not be required.

For its part, biomethane-biogas is obtained from the anaerobic decomposition of organic matter present in urban solid waste, wastewater as well as livestock, agricultural and forestry waste. The two options can be used in industry, as fuel for vehicles or injected directly into the pipeline network. Hydrogen, which is obtained from surplus electrical energy from renewable sources, has a great many applications: fuel cells, network injection, vehicular use, and the production of synthetic natural gas.

Enagás is a member of the European Renewable Gas Industry (ERGAR) and of other sector-wide associations such as AEBIG, AEH2, Hydrogen Europe and FGER.

In the last year, Enagás signed different collaboration agreements for the development of biomethane and hydrogen:



Enagás and the government of Aragon are collaborating on projects for renewable gases such as hydrogen and biogas/biomethane. Through this collaboration, the government of Aragon and Fundación Hidrógeno Aragón have become partners supporting Enagás projects and research, development and innovation (RD&I) in fields such as sustainable mobility and the production of renewable hydrogen.



Enagás and Repsol signed an agreement to develop technology to produce renewable hydrogen. This is a key project in the Enagás strategy for developing non-electric renewable energies. Both companies will work towards the development of a hydrogen production process mainly using solar energy, reducing the carbon footprint by more than 90% compared to conventional processes used to obtain this gas.



Enagás and Biogastur signed an agreement for joint biogas and biomethane projects in the regions of Asturias, Galicia and Andalusia. Through this agreement, Enagás is working towards the development of the biogas and biomethane market through the use of infrastructure linked to its core business and taking advantage of the natural gas network to promote non-electric renewable energies.



Enagás y Ferrovial signed a collaboration agreement to explore opportunities to promote the production and distribution of biogas.



Enagás and Ence signed an agreement for the development of renewable gas using biomass, for the purpose of using up surplus biomass to produce green hydrogen and synthetic natural gas.

Enagás is taking part in the development of a plant to generate green hydrogen using renewable electrical energy in Majorca, for which a PV solar park will also be built.

We are also taking part in different pilot initiatives that have already been producing results and causing impact:



As the leader and coordinator of the Renovagas consortium, Enagás completed a pilot plant power-to-gas in 2017, which will enable synthetic methane gas to be produced from renewable sources.



Enagás is participating in the SOLUTHION project, which aims to evaluate the impact of hydrogen injection into the gas pipeline network using different proportions in the mixture.



Enagás and Empresa para la Gestión de Residuos Industriales (Emgrisa) are collaborating on a project to spur development of biomethane through the potential conversion of Emgrisa waste treatment plants, enabling them to produce biomethane using the biogas from waste. A feasibility study has commenced for this purpose at one of the company's plants.

Enagás is currently a member of different consortiums with other players in the gas and industrial market on innovation projects for the promotion and development of non-electric renewable energies and their future injection into existing gas infrastructures.



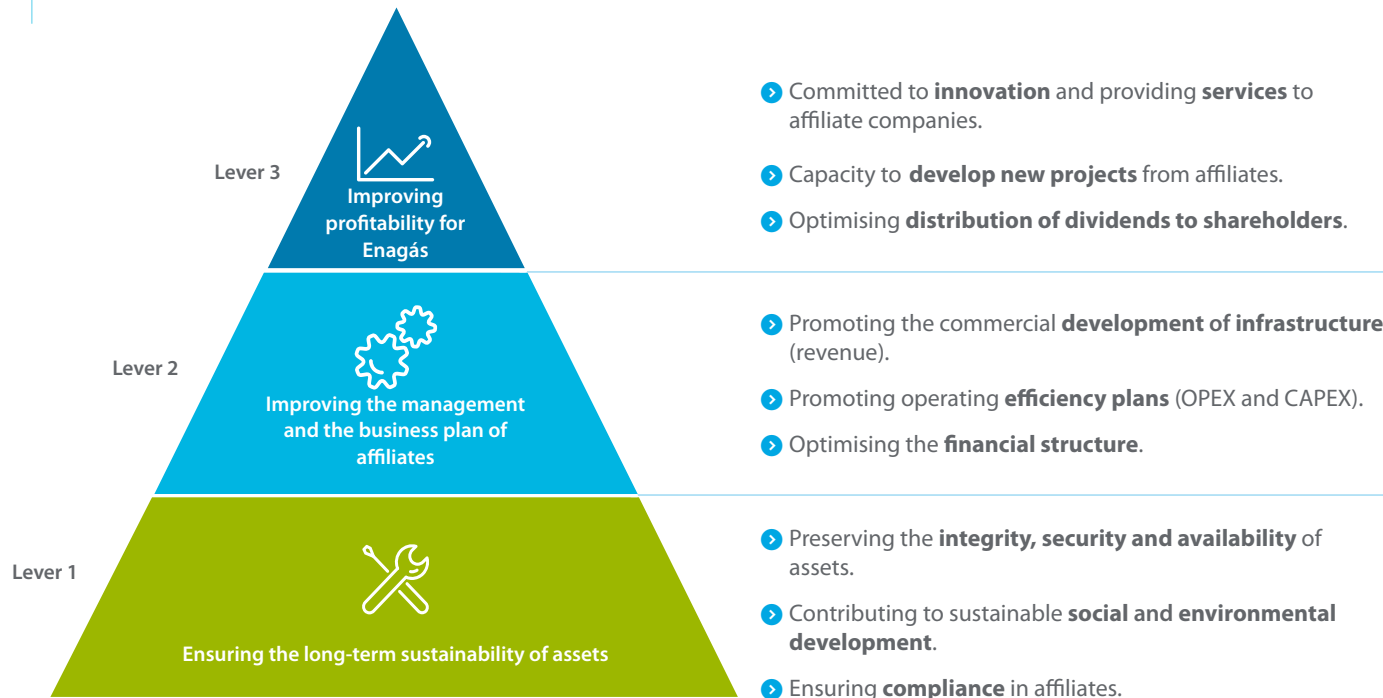
Creating value in affiliates



We are improving the management and business plans of our affiliate companies, guaranteeing their long-term sustainability and providing the experience, knowledge and best practices of Enagás in the role of industrial partner.



Value creation levers



Enagás contributes with its experience, knowledge and best practices in the role of industrial partner for its affiliates

Corporate entrepreneurship and open innovation

Enagás has put in place a programme of corporate entrepreneurship and open innovation for the purpose of supporting and fostering new ideas and innovative business projects which, in accordance with our strategy, will enable us to create value and diversify the business, and to gain an early foothold in disruptive innovation and start-ups that are aligned with the improvement of efficiency, competitiveness and sustainability in the energy sector in the current context of energy transition.

The Enagás Emprende programme searches inside and outside the company for projects related to the business to grow them and turn them into viable companies. It is structured along the following lines:

- Corporate entrepreneurship – developing business projects and ideas based on Enagás technical, economic and market-related skills.
- Venture Capital – investing in and supporting start-ups.
- Open Innovation – developing projects and incorporating technology supported by skills external to Enagás.

Enagás Emprende studies and analyses each proposal on an individual basis and offers acceleration programmes tailored to the needs of each projects, which can vary from financial resources, conducting technical pilot testing, co-development and support for commercial development, among others.

Through the support offered by Enagás Emprende, seven in-house corporate entrepreneurship projects have been turned into start-ups:



A start-up offering consultancy services for **gas detection and quantification**, assisting their customers to comply with environmental laws and regulations.



A start-up with innovative, technically validated technology for **environmentally friendly cold energy transport**, encouraging large companies requiring cold energy to set up in the vicinity of LNG plants.



A start-up that invests in **small/medium-scale NG/LNG infrastructure** (bunkering, service stations, vehicular natural gas, etc.) and design, execution, operation and maintenance for third parties, commercialising its experience and providing logistics services.



A start-up dedicated to environmentally sustainable **last-mile logistics** in which the entire vehicle fleet is powered by alternative energy sources (natural gas, electricity, hydrogen, etc.).



A start-up set up jointly with Redexis Gas for the purpose of building and operating **renewable hydrogen production plants** for third parties.



Services for gas shippers offering support for daily operations. Providing services for the entire process, ranging from obtaining a licence number to ship gas in Spain to back office services, reporting to official entities and training on the gas system.



A start-up that manages **gas measuring processes** at any part of the gas infrastructure, based on latest-generation **artificial intelligence algorithms** (Data Analytics and Machine Learning). The new metering models will have the capacity for **self-learning** and will be available through a **platform** in the **cloud**.



For further details on the **Enagás Emprende Programme**, visit the **corporate website**

Digitalisation

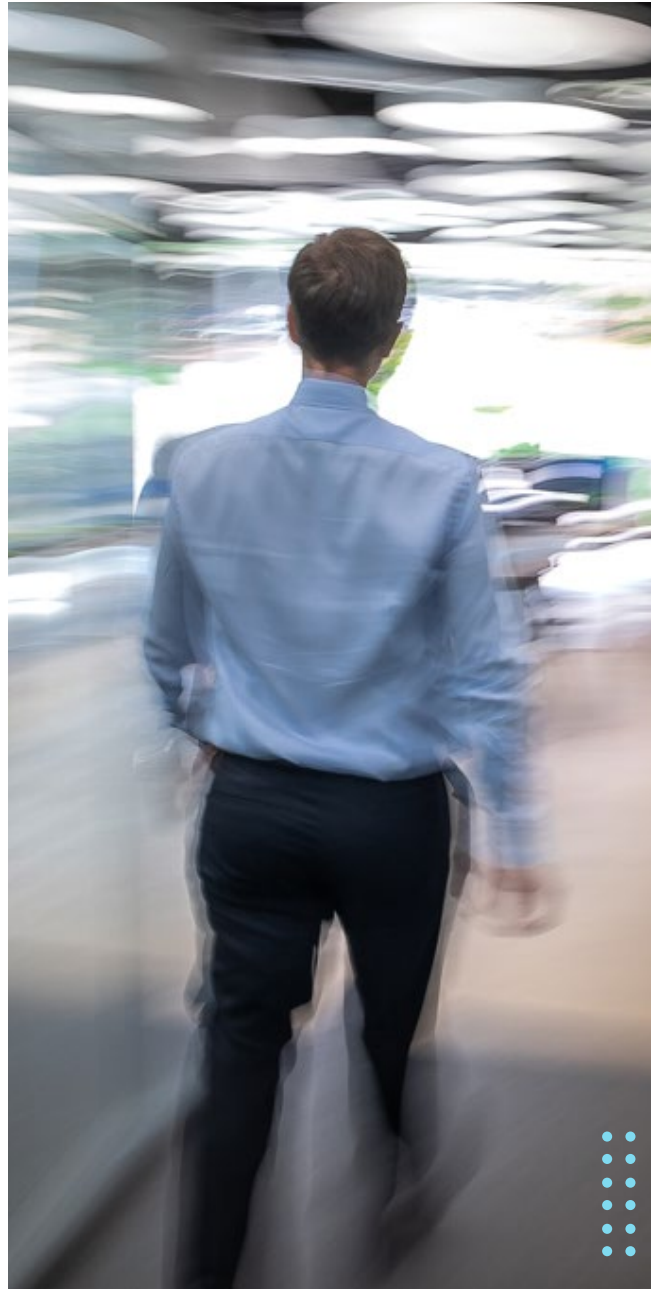


This digital transformation is, for Enagás, a strategic lever of change, key in ensuring our positioning in an interconnected industry.

Enagás is undergoing a process of digital transformation to allow us to adapt flexibly to the context in which we operate. For this purpose, work is being carried out in the following areas:

- Strengthening and developing the digital skills of the company's human resources in order to allow new forms of working to be created in the organisation in a way that is more creative, flexible, autonomous, collaborative and coordinated.
- Optimisation of the value chain through the exploitation of advanced data analytics, which will allow us to achieve greater efficiency in our processes (optimisation of operating costs derived from energy consumption, capital costs associated with managing the life cycle of assets, etc.).
- Creation of opportunities for new sources of revenue in the medium term resulting from the good use of the opportunities arising from the digital transformation.

This will mean that digitalisation will provide support for the company's vision of the future, both in the development of non-electric renewable energies (hydrogen and biogas/biomethane), and the adaptation of our infrastructure for its transport.



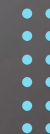
Technological innovation

Technological innovation at Enagás is focused on two areas:

- Improving the different aspects of the company's present activities, such as energy efficiency and self-generation of energy, the measuring of gas and analysis of its components, operational safety, materials and equipment. The most significant projects on which work was carried out during the year were the desalination plant at the Barcelona facility in order to reduce water consumption, the autonomous generation of nitrogen at the Huelva facility and the installation of a heat exchanger at the Cartagena facility to reduce electrical energy consumption (see '[Climate change and energy efficiency](#)' chapter).
- The analysis and development of technology that may be supported in the future and to upgrade infrastructure, and/or the company's know-how, such as production, analysis, certification and transport of synthetic natural gas, biogas, biomethane and hydrogen. The following projects are featured in this area:
 - > The project carried out jointly by Enagás and Repsol, SUN2HY (Luxhor Project), for the development of a photoelectrolyzer for the production of hydrogen.
 - > The ECO project, which consists of the development of simultaneous electrolysis of steam and CO₂ for the conversion of surplus renewable electricity into distributable and storable hydrocarbons such as methane.
 - > Actions conducted within the framework of the CORE LNGas HIVE project coordinated by Enagás, in order to promote natural gas as an alternative fuel for maritime transport (see '[Climate change and energy efficiency](#)' chapter).

The amount invested in technological innovation in 2018 was €3,493,032¹.

(1) This figure comprises the costs associated with the projects approved by the Investment Committee (amount entered as R&D expenses in the 'Other operating expenses' section of the Annual Accounts), procurement of R&D, personnel expenses and the purchase of equipment and instruments.





Chapter 4

Sustainability



Sustainability Strategy



The Enagás Sustainability Strategy was updated in 2018 in line with the company's evolution and the socio-economic context in which it operates. For this purpose, the company conducted a materiality analysis through internal dynamics, taking into consideration: [\[GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44, GRI 102-46\]](#)

- The company's strategic and business priorities.
- The company's key strengths and competencies.
- The competitive environment.
- The monitoring of emerging risks and opportunities.
- Stakeholder interests and concerns, information obtained via relationship channels.

The result has been the definition of long-term strategic drivers:

Sustainability drivers



Energy efficiency and emissions reduction: we must minimise the environmental impact of our operations by means of solutions that enable us to reduce our energy consumption, thereby minimising our carbon footprint.



People and culture: we must be able to attract and retain the best talent, creating working environments that enable us to continue to transform ourselves and bring about creative solutions in order to form part of a more sustainable future.



The role of natural gas and renewable gases in the energy model: we have faith in the promotion of new uses for natural gas and the development of clean energy projects, such as biogas/biomethane and hydrogen.



The new sustainability strategy supports the company strategy and is linked to short and long-term remuneration.

The strategy focuses on the issues identified as relevant for the company and stakeholders, represented by the following materiality matrix:

[\[GRI 102-21\]](#)

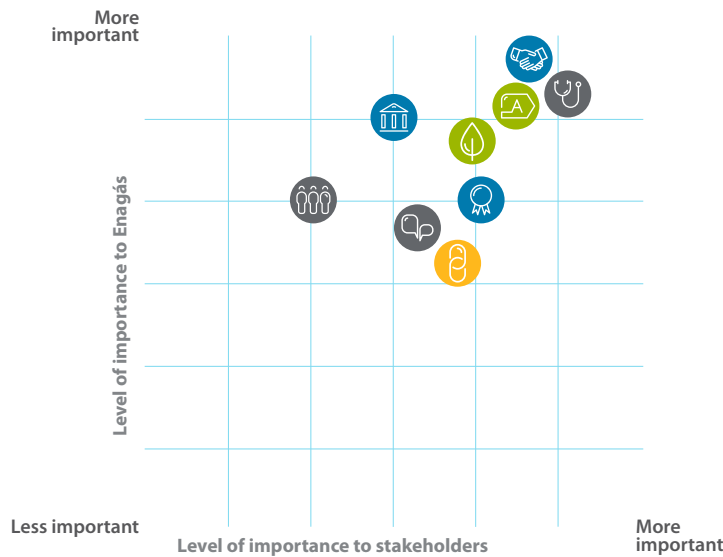




Materiality matrix

[GRI 102-44, GRI 102-46, GRI 102-47, GRI 103-1]

The 'Creation of value for our stakeholders' section describes our management models, relevant initiatives, indicators and targets for each of the identified material issues.



Ethics and compliance

Financial and operational excellence

Good Governance

People

Safety and health

Local communities

Climate change and energy efficiency

Natural capital management

Supply chain

Enagás stakeholders

Relationship channels

Regulatory bodies (state, local and international)

- Regular meetings (face-to-face, telephone, e-mail)
- Corporate website

Investors (investment fund managers, rating agencies, analysts)

- Regular meetings (face-to-face, telephone, e-mail)
- Roadshows
- Corporate website
- Shareholder Office
- Free shareholder helpline
- Electronic mailbox
- Meetings with minor shareholders and analysts

Employees (professionals, social organisations)

- Regular meetings (face-to-face, telephone, e-mail)
- Corporate Intranet
- In-house magazine AzulyVerde
- Electronic newsletter Ráfagas
- Internal communication campaigns
- Ethics channel
- Opinion surveys and associated improvement plans

Customers (distributors, retailers, transmission companies, direct consumers in the market)

- Account managers
- Regular meetings (face-to-face, telephone, e-mail)
- Main Control Centre
- SL-ATR
- Spanish Gas System Monitoring Committee
- Corporate website: SL-ATR 2.0 portal and SITGAS portal
- Customer newsletter
- Meetings with customers (Shippers' Day)
- Customer satisfaction surveys and associated improvement plans

Partners (business partners, strategic business partners and company management)

- Coordinators of affiliated companies
- Regular meetings (face-to-face, telephone, e-mail)

Media (general, specialising in natural gas sector, specialising in sustainability)

- Regular meetings (face-to-face, telephone, e-mail)
- Corporate website
- Media hotline
- Media mailbox

Suppliers (critical and non-critical)

- Regular meetings (face-to-face, telephone, e-mail)
- Corporate website: supplier portal
- Supplier platform
- Contractor Access System
- Supplier mailbox

Financial institutions

- Regular meetings (face-to-face, telephone, e-mail)

Associations and foundations (in the energy/gas sector; in the social, ethical (sustainability), education and culture, health, and cooperation for development areas)

- Regular meetings derived from participation in groups and forums (face-to-face, telephone, e-mail)

[GRI 102-40, GRI 102-42, GRI 102-43]

Sustainable Management Model

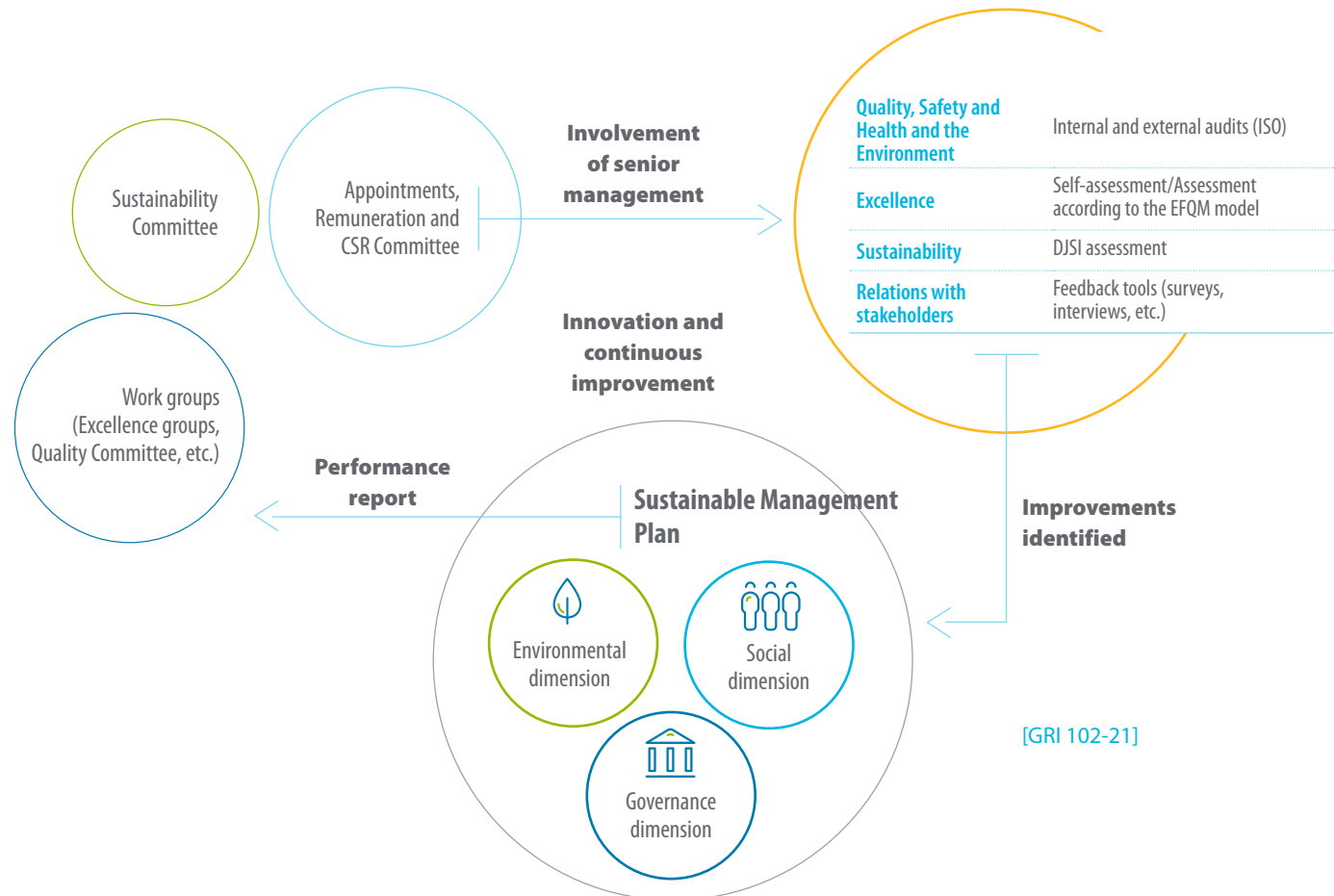


The Enagás Sustainable Management Model establishes the company's responsibilities as regards sustainability governance and defines the assessment tools for identifying lines of action that are set out in the Sustainable Management Plan. This plan includes initiatives for innovation and continuous improvement in the company in order to create value in the short, medium and long term, and achieving results in the environmental, social and governance areas.

The Appointments, Remuneration and CSR Committee (ARCSRC) is the highest body with responsibility for sustainability (economic, environmental and social impacts). The Sustainability Committee, made up of members of the Management Committee, reports to this committee and is responsible for approving initiatives in this connection (by delegation from the ARCSRC). [GRI 102-29, GRI 102-31]

At an executive level, it is the role of the Chairman to promote and continuously coordinate the management of the activities of Enagás and, under his oversight, the Chief Executive Officer is assigned the authority to administer the company's businesses.

Under the umbrella of the Chief Executive Officer and as a general rule, the Finance Department is responsible for managing financial matters, while the Human & Corporate Resources department is responsible for environmental and social matters. [GRI 102-18, GRI 102-19, GRI 102-20]



Respect for Human Rights



By acting on each material issue, Enagás ensures that human rights are upheld where applicable to the context and activities of the company. For this purpose, the company follows the roadmap set out by United Nations through its Sustainable Development Goals.

In its Code of Ethics and the corporate policies which it comprises, Enagás sets out its commitment to ensuring that Human Rights are upheld, in line with, among others: [\[GRI 102-12\]](#)

- The International Bill of Human Rights.
- Fundamental Principles and Rights of the International Labour Organisation (ILO).
- OECD Guidelines for Multinational Enterprises.

Enagás provides an online training programme for all employees so that they can learn the company's methods for ensuring compliance with human rights.

Human Rights identification and risk assessment

Human rights management is addressed using a continuous improvement approach aligned with our Sustainable Management Model. According to our risk assessments¹, Enagás distinguishes between the human rights that are applicable in the different points of the company's value chain (Enagás activities with management control, affiliate companies without



management control, supply chain and customers), including labour practices, safety, environment, ethics and integrity, and basic rights. [\[GRI 412-1\]](#)

Enagás considers that the level of risk is very low in all of these owing to the measures the company has put into place within the framework of its sustainable management model, which is explained in the following pages.

¹Country risk assessment (see '[Strategy](#)'), corporate risk map (see '[Risk Management](#)'), workplace and facility safety risk assessments (see '[Safety and Health](#)'), Environmental impact/risk assessments (see '[Natural capital management](#)'), supply chain risk assessments (see '[Supply Chain](#)').

Human rights assessed in Enagás activities:

Human Rights

Measures to reduce the level of risk

Right to decent work	Enagás guarantees stability and quality of employment, a commitment that is reflected in its Human Capital Management Policy.
Right to rest and leisure	Enagás improves and extends the periods and conditions of rest and leisure established in current legislation (flexibility in start and lunch break times, shorter workday during the summer and every Friday throughout the year, division of annual leave into a maximum of 3 periods, etc.).
Abolition of child labour	The Enagás Collective Bargaining Agreement prohibits the company from employing minors of under 16 years of age (Article 28).
Right to family life	Enagás improves and extends paid leave beyond the provisions of current labour regulations (birth of a child, lactation or death of a close relative, special circumstances, etc.).
Freedom of association	Enagás employees can freely exercise their right to belong to trade unions in order to promote and defend their economic and social interests without this being the basis for discrimination, and any agreement or decision by the company contrary to this principle is deemed null and void (Article 64).
Collective bargaining	Enagás has in place a collective bargaining agreement, in line with its human capital management policy (see ' Human Capital Management '), and enters into collective negotiations and carries out regular consultations with authorised employee representatives.
Diverse and non-discriminatory workplace	The company has in place an Equality Plan and a Prevention and Action Protocol at the disposal of its employees for any situation of workplace harassment. This protocol provides a confidential channel for reporting workplace harassment (canal.etico@enagas.es).
Equal pay	The Enagás remuneration model factors in considerations of equality and non-discrimination, establishing differences due solely to the worker's position in the organisation and professional experience. Furthermore, the Enagás Collective Bargaining Agreement sets out different salary levels based exclusively upon objective work criteria.

Human Rights

Measures to reduce the level of risk

Fair and favourable remuneration	Part-time employees receive remuneration that is proportional to the salary of full-time employees, with identical employee benefits. Moreover, the minimum salary for an Enagás employee exceeds the minimum inter-professional salary in Spain. [GRI 202-1]
Right to a safe working environment	The Enagás occupational risk prevention management system, certified under OHSAS 18001, provides mechanisms for identifying and preventing incidents (see ' Safety and Health ').
Right to life, liberty and personal security	The company exercises due diligence when rendering its services in order to prevent errors or omissions that could harm the life, health or safety of consumers or others who could be affected by the defective product, in compliance with national laws and relevant international guidelines.
Right to access natural resources	The Enagás environmental system, certified under ISO 14001 and EMAS, provides the mechanism to mitigate the environmental impacts derived from the company's activities (see ' Natural Capital Management ').
Ethical and honourable conduct	The Enagás Code of Ethics and the policies for its implementation set out the commitments and guidelines to ensure ethical and honourable conduct. Moreover, Enagás has a crime prevention model and an anti-fraud, corruption and bribery policy in place (see ' Ethics and Integrity ').
Right to freedom of opinion, information and expression	Enagás has various clear and transparent internal communication channels that allow workers to communicate with senior management.
Prevention of abuse by security forces	Security personnel: ensuring compliance with principles regarding respect for human rights by requesting proof of membership to associations promoting respect for human rights. [GRI 410-1]
Confidentiality of information	Enagás has updated its system for the management and control of personal information to the latest requirements set out in Regulation (EU) 2016/679 (GDPR) and to the Spanish Personal Data and Digital Rights Protection Act 3/2018 (LOPDGDD) in order to continue to process the personal information of its employees while guaranteeing respect for privacy and legal compliance.

Human rights assessed in the supply chain:

Human Rights

Risk Management

- General human rights
- Labour
- Safety
- Environment
- Ethics and integrity

Enagás ensures that its suppliers, particularly those with employees working within Enagás facilities, respect these human rights. We require commitment from them; we request the necessary documentation and conduct audits (see '[Supply Chain](#)').

Basic rights
Confidentiality of
information

Enagás has updated its system for the management and control of personal information to the latest requirements set out in Regulation (EU) 2016/679 (GDPR) and to the Spanish Personal Data and Digital Rights Protection Act 3/2018 (LOPDGDD) in order to continue to process the personal information of its suppliers while guaranteeing respect for privacy and legal compliance.

Human rights assessed in affiliate companies without management control:

Human Rights

Risk Management

- General human rights
- Labour
- Safety
- Environment
- Ethics and integrity
- Basic rights /
- Rights of indigenous peoples

Our business agreements promote compliance by business partners and compliance with corporate policies by business partners (according to the level of influence). Our management model for affiliate companies is based on the transfer of critical standards of management (see following section), which include the necessary areas in order to guarantee respect for the following human rights:

- People management
- Safety and health
- Environment
- Ethics and compliance
- Local communities
- Supply chain

Likewise, these areas are evaluated as critical aspects in due diligence processes.

Human rights assessed in customers:

Human Rights

Risk Management

Basic rights /
Confidentiality of
information

The Enagás Code of Ethics sets out diligent management of information as one of its guidelines of conduct. The company keeps a record of what information may be accessed by each person and for what purpose. Moreover, Enagás has updated its system for the management and control of personal information to the latest requirements set out in Regulation (EU) 2016/679 (GDPR) and to the Spanish Personal Data and Digital Rights Protection Act 3/2018 (LOPDGDD) in order to continue to process the personal information of its customers while guaranteeing respect for privacy and legal compliance.

Procedures and mechanisms for redress

Enagás also has in place procedures for redress should there be non-compliance with any of the previously mentioned human rights, such as:

- Procedure for the management of consultations and reporting regarding irregularities or breaches of the Code of Ethics (see '[Ethics and Integrity](#)').
- Self-protection and interior emergency plans, the incident and transmission network emergency response action plan and the procedures regulating it, the accident and incident management procedure and procedure for reporting them to stakeholders (crisis manual, incident reporting, etc.). See '[Safety and Health](#)' and '[Natural capital management](#)'.
- Procedure for compensation and indemnity for the passage of gas pipelines on private property (see '[Local Communities](#)').

Additionally, as mechanisms for redress, Enagás has in place an ethical channel (accessible to all stakeholders) and an Ethical Compliance Committee (see '[Ethics and Integrity](#)'). There are also corporate mailboxes available for specific areas.

Management in affiliate companies



The affiliate company management model establishes the following management guidelines:

- Autonomous management of the affiliate, with the influence and monitoring of Enagás through the transfer of the following critical standards of management, defined in accordance with the company's material issues.



Financial and operational excellence

Financial excellence:

- Financial and cash planning and management
- Insurance
- Management control
- Taxation
- Financial reporting
- Accounting and administration

Operational excellence:

- Quality management system
- Operational efficiency
- Prioritisation of assets
- Maintenance management system
- Operation
- Warehouse management
- Customer service
- Affiliate programming management
- Measurement
- Distribution and balances



Good Governance

- Procedure rules
- Board of Directors remuneration policy
- Company governance (agreements, working groups, etc.)



Ethics and compliance

- Code of conduct
- Whistleblowing channel



People

- Remuneration policy
- Contractual relations and trade union rights
- Negotiation and representation
- Human resources policy
- Human resource development (training and recruitment)
- Workplace climate



Safety and Health

- Asset protection
- Health and safety management system
- Emergency plan
- Risk analysis
- Health monitoring



Local communities

- Stakeholder management model
- Local development actions



Natural capital management

- Environmental management system
- Conducting environmental impact assessments



Climate change and energy efficiency

- Energy efficiency measures and emissions reduction



Supply chain

- Suppliers approval
- Contracting and reporting (procurement processes)



Other critical standards of management

- Risk Map: identification and monitoring of risks
- Internal control (general control and process control)
- Internal audit



- In those companies in which Enagás holds a controlling interest, the company intensifies its influence in the company through the progressive implementation of management models in the most relevant areas. This is the case of GNL Quintero, a company in which Enagás acquired a controlling interest in 2017. This report includes the information on this company in its consolidated statements and indicates the areas of management in which work has been carried out in recent months.
- Enagás appoints a coordinator for each affiliate company. Among the coordinator's responsibilities is that of ensuring alignment of the actions to be carried out in the company with the Enagás strategy.

Critical standards of management are transferred through working groups led by the coordinator of the affiliate with the participation of Enagás general managers who hold joint leadership in those aspects coming under their remit. These working groups are instrumental in aligning positions and ensuring the operability of the board of directors of the affiliate company, where the decisions taken by consensus will be activated in the groups.

The working groups are the main communication channel between the affiliate and their members.

The Management Committee for Subsidiaries, with representation from the managers of the offices involved, oversee the critical decisions taken by the groups and reports to the Enagás Management Committee.

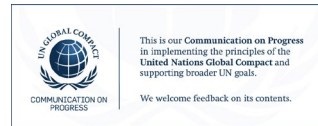
Enagás exercises its influence and monitoring in affiliate companies through the transfer of critical standards of management



Ranking on indices and certifications



Recognition shown for the Enagás sustainable management model.



Enagás has been a member of the United Nations Global Compact since 2003. The Progress Report has been at GC Advanced Level since 2011. The company has also been listed on the Global Compact 100 index since 2013.



Enagás has been a member of the Dow Jones Sustainability Index World (DJSI) since 2008. It is classified Gold Class and Industry Mover, and the company was identified as the leader of the Oil & Gas Storage & Transportation in 2018.



FTSE4Good

Enagás has been a member of the FSE4Good index since 2006.



Enagás has been a member of the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers since 2009.



2017 Constituent
MSCI Global
Sustainability Indexes

Enagás has been listed on the MSCI Global Sustainability Indices since 2010.



Enagás has been included on the STOXX Global ESG Leaders indices since 2011.



Enagás renewed its presence on the Europe and Eurozone 120 Euronext Vigeo indices in 2018.



Enagás has held the Oekom "B Prime" classification since 2010, and has been on the Global Challenges Indices since 2014.



It has also been on the CDP Climate Change since 2009 and CDP Water since 2015. In 2018 Enagás obtained a B and C score, respectively.



The Enagás management model has held the Seal of European Excellence 500+ EFQM since 2012. In 2018 evaluation, 600 points were surpassed.

Enagás was also acknowledged as the Ambassador of European Excellence in 2016.



Since 2008, the Annual Report has been externally audited and drafted under standard AA1000APS and the Global Reporting Initiative (GRI) standards. Since 2012, it has been written as per the principles of integrated reporting of the International Integrated Reporting Council (IIRC).



Enagás has held the Familiarly Responsible Company (EFR) Certificate since 2007, at "B+ Proactive" level.



In 2015 Enagás received the Bequal seal for its commitment to the inclusion of the disabled in the company.



Enagás has held the "Equality in the workplace Award" since 2010, granted by the Ministry of Health, Social Services and Equality.



Enagás has been included among the 230 leading companies in gender equality according to the 2019 Bloomberg Gender-Equality Index.



Enagás was included in 2017 among the 200 global leaders in the promotion in gender equality in the workplace.



Since 2009, Enagás has been recognised as one of the Top Employers in Spain.



Enagás holds ISO 9001:2008 certification for its processes of Technical Systems Management, Asset Management, Infrastructure Development and Information Systems Management. The company also holds SSAE 18 certification for System Supply Security/ Technical Management of Underground Storage Systems.



Enagás has ISO 14001:2004 certification for its Gas Transmission and Storage Infrastructure Development processes, its Asset Management, the Enagás Central Laboratory and the corporate head office. The Huelva and Barcelona plants and Serrablo and Yela storage facilities also have EMAS verification.



The Safety and health Management System for the Enagás Group Companies Enagás GTS, S.A.U., Enagás Internacional S.L.U., Enagás S.A. and Enagás Transporte S.A.U. is certified under OHSAS 18001:2007. Moreover, Enagás has held healthy company certification since 2015 and has obtained ISO 39001 road traffic safety management and ISO 27001 information security management certification.





Chapter 5

Creation of value

The following chapters show how we are creating value for our stakeholders through our performance in relation to each material topic, including the governance of the company and the supply chain, which are key aspects of this value creation. [GRI 102-47]

5.1

Good Governance

[GRI 103-1, GRI 103-2, GRI 103-3]

Good governance is a primary concern for the company, as is reflected in the Enagás Sustainability and Good Governance Policy. This policy confirms that a good governance model permits us to create value in the short, medium and long term for shareholders, customers, suppliers and other stakeholders. It also strengthens the company's control environment, reputation and credibility for third parties.

The key areas on which our governance model is structured are the company's strategy and objectives (see the 'Strategy' chapter), the structure and functioning of our governing bodies (independence, diversity, etc.), performance and the system of incentives for decision-making.

Sustainable Management Plan

2018 main lines

- Continuation of the training sessions to the Board of Directors on key financial and non-financial matters regarding the management of the company
- Creation of an individual matrix of the Board's competences
- Publication of the indicators and set goals linked to variable remuneration (short and long term)
- Review of the procedure for the annual external assessment of the functioning of the Board and its Committees and publication of a summary of the results

2019 lines

- Updating of the company's Long-Term Incentive Plan according to the recommendations of good governance:
 - Increase of shares as a form of remuneration
 - Establishment of a deferment period of in the delivery of shares
 - Increase in the holding period for shares
- Succession Plan for the Board of Directors
- Establishment of shareholding criteria
- Establishment of minimum percentage attendance at meetings of the Board of Directors

23%

women on the Board of Directors
[GRI 405-1]

18%

women in the
Management Committee

13

members of the
Board of Directors

54%

Independent directors

45.6%

Quorum at
2018 GSM

30%

Target of 30% women on the Board of Directors by 2021 (see the 'Strategy' chapter)

Board of Directors and Committees [GRI 102-18, GRI 102-22, GRI 102-23]

Name of the Director	Position on the Board of Directors	Type of Director	Position on the Audit and Compliance Committee	Position on the Appointments, Remuneration and CSR Committee
Antonio Llardén Carratalá	Chairman	Executive		
Marcelino Oreja Arburúa	Chief Executive Officer	Executive		
Martí Parellada Sabata	Director	Other External	Member	
Isabel Tocino Biscarolasaga	Director	Independent	Chairwoman	
Ana Palacio Vallelersundi	Lead Independent Director	Independent		Chairwoman
Antonio Hernández Mancha	Director	Independent		Member
Luis Javier Navarro Vigil	Director	Other External		Member
Santiago Ferrer i Costa	Director	Proprietary		Member
Luis García del Río	Director	Independent	Member	
Rosa Rodríguez Díaz	Director	Independent	Member	
Gonzalo Solana González	Director	Independent		Member
Ignacio Grangel Vicente	Director	Independent		Member
SEPI - Sociedad Estatal de Participaciones Industriales (represented by Bartolomé Lora Toro)	Director	Proprietary	Member	
Rafael Piqueras Bautista	General Secretary	-	Secretary	Secretary

03/2018

Enagás held its 2018 General Shareholders' Meeting. The shareholders endorsed the management of the Board of Directors and approved the renewal of its Chairman, Antonio Llardén, and Chief Executive Officer, Marcelino Oreja, as executive directors for another four-year term. They also confirmed the renewal of Isabel Tocino, Ana Palacio, Antonio Hernández Mancha and Gonzalo Solana as independent directors. The General Shareholders' Meeting also approved the appointment of a new independent director, Ignacio Grangel, replacing Luis Valero Artola.

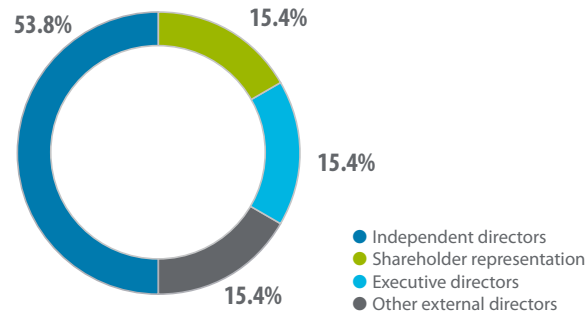
Structure of the Board of Directors: independence and diversity [GRI 102-18, GRI 102-22, GRI 405-1]

The Regulations of the Organisation and Functioning of the Board of Directors of Enagás includes conditions which must be met by Board members in order for them to be considered independent. An additional target has been defined to have at least half of the Board consisting of independent directors.



[Consult the Rules and Regulations of the Organisation and Functioning of the Board of Directors of Enagás on the corporate website](#)

Board of Directors



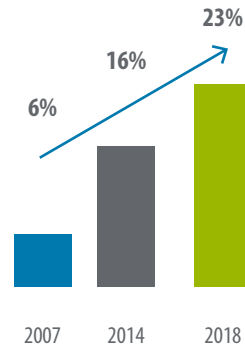
The Enagás Board of Directors maintains a 54% ratio of independent directors compared to the 50% of the Spanish market (Ibex 35 average).

The policy for the selection of Directors sets out the principles on which the selection processes for members of the Board of Directors:

- The principle of diversity of knowledge, gender and experiences.
- The principle of non-discrimination and equal treatment, so that the selection procedures for members of the Board of Directors are not subject to implicit bias which could entail any discrimination of any kind, whether due to race, sex, age, disability, etc.
- Compliance with laws in force and with the Enagás corporate governance system; likewise, with the recommendations and principles of good governance adopted by the Company.

In addition, the commitment by Enagás to promoting the gender diversity of the Board is reflected in the significant increase in the percentage of women, from 6% in 2007 to 23% in 2018, with the commitment established on the Long-Term Incentive Plan 2019-2021 to reach 30% by 2021.

Proportion of women on the Board of Directors



[Consult the Director Selection Policy on our corporate website](#)

As concerns diversity of knowledge and experience, the Enagás Board of Directors was evaluated by an independent external assessor who concluded that the Board presents an appropriate balance of knowledge and experience that allows it to fulfil the company's strategy and given the context of its markets.

For this purpose, the skills, knowledge and experience of each of the members of the Board of Directors has been studied to ensure the fulfilment of strategic priorities.

Moreover, the Board of Directors of Enagás covers other relevant abilities and experience for the development of the business, for instance, in the fields of business and management, economics, legal and tax, finance and capital markets, human resources, infrastructure, information technology, and marketing and sales. [\[GRI 102-18, GRI 102-22, GRI 102-27, GRI 405-1\]](#)

Skills, knowledge and professional experience of the Board of Directors

Skills	Audit and Compliance Committee							Appointments, Remuneration and CSR Committee					
	1	2	3	4	5	6	7	8	9	10	11	12	13
Engineering (qualification and ample experience as a practising engineer)	X	X						X	X		X	X	
Industry / Sector (Ample experience in administration, management and control in major energy companies)	X	X	X		X		X	X	X	X	X		X
Public / Regulatory institutions (Ample experience acquired through direct exposure to regulators and related institutions)	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Governance (Experience in positions of oversight (Chairman / Director on the board of directors of listed companies / specific management roles in large or listed companies))	X	X	X		X		X	X	X		X	X	X
Auditing / Accounting (Ample experience acquired in positions of senior management (CEO, CFO) in listed companies and/or holding management positions in an accounting firm)			X	X	X	X	X	X	X	X	X	X	
Risk management and control (Relevant experience in related positions (risk officer, internal auditor, internal control positions, monitoring/risk/internal control committees)			X		X		X	X	X	X	X	X	X
Corporate Social Responsibility and Environment (Ample experience in administration, management and control in companies operating in sectors exposed to high environmental impact or broad experience in roles of strategic management of social and/or environmental issues. Multi-year academic experience in this field).		X			X		X	X	X	X	X		X
International expansion / Multicultural environment (Previous experience working for multinational or domestic companies in a position with significant international exposure)	X	X	X		X		X	X	X		X	X	X
Business / Management (Previous experience as a senior manager in other companies)			X		X			X	X	X	X	X	X

Functioning of the Board [GRI 102-28]

Among its commitments, the Enagás Sustainability and Good Governance policy establishes compliance with national and international recommendations and best practices in the area of good governance, in such aspects as the training and assessment of Directors, among others.

Every year, an assessment of the Board is performed with participation from an independent external expert. This assessment is performed objectively and from a best-practice viewpoint by means of questionnaires completed by all members of the Board.

The aim is to sustain and bolster the performance of the Board. The results of the latest evaluation on the functioning of the Board reached the following conclusions:

- Adequate progress in diversity in terms of gender, qualification, professional experience, international competence.
- Adequate balance of knowledge and experience for the purpose of fulfilling the company's strategy and given the context of its markets.

Twelve meetings of the Board of Directors were held in 2018 with an average attendance of 88.8%, and the following critical issues were addressed: [GRI 102-21, GRI 102-27, GRI 102-33, GRI 102-34]

Topic	Type	Resolution
Sustainability Strategy	Corporate Governance, Environmental and Social	Unanimously approved
Annual Risks Report	Corporate Governance	Unanimously approved
General Compliance Regulation	Corporate Governance	Unanimously approved
2019–2021 Long-Term Incentive Plan	Corporate Governance, Economic	Unanimously approved
2019–2023 strategic reflection in line with the company's long-term view	Corporate Governance, Economic, Environmental and Social	Unanimously approved
Report on the review of the application of the principles of diversity and non-discrimination in the human resource management process	Social	Definition of action plans
Monitoring of the Company's contributions to social action and corporate volunteering	Social	Unanimously approved
Target for the long-term reduction of CO ₂ emissions (2019–2021)	Environmental	Unanimously approved
Emission rights trading strategy(EU ETS)	Environmental	Unanimously approved

03/2018

The General Secretary of Enagás, Rafael Piqueras, was appointed Chairman of Emisores Españoles in representation of Enagás. Emisores Españoles represents the interests of issuers and has a relationship of dialogue and cooperation with government agencies, particularly the Spanish securities regulator the National Securities Market Commission (CNMV), as regards the rules, regulation and supervision of the securities market and listed companies. Among its objectives is also that of contributing to the development of high standards of good corporate governance and promotion of communication and commitment between issuers and shareholders.



Consult the Sustainability and Good Governance Policy on the corporate website

Management Committee

In keeping with the Enagás efficiency drive, which is being implemented in order to ensure the sustainability of the business in the short, medium and long term, the company has introduced a new organisational structure with two main aims:

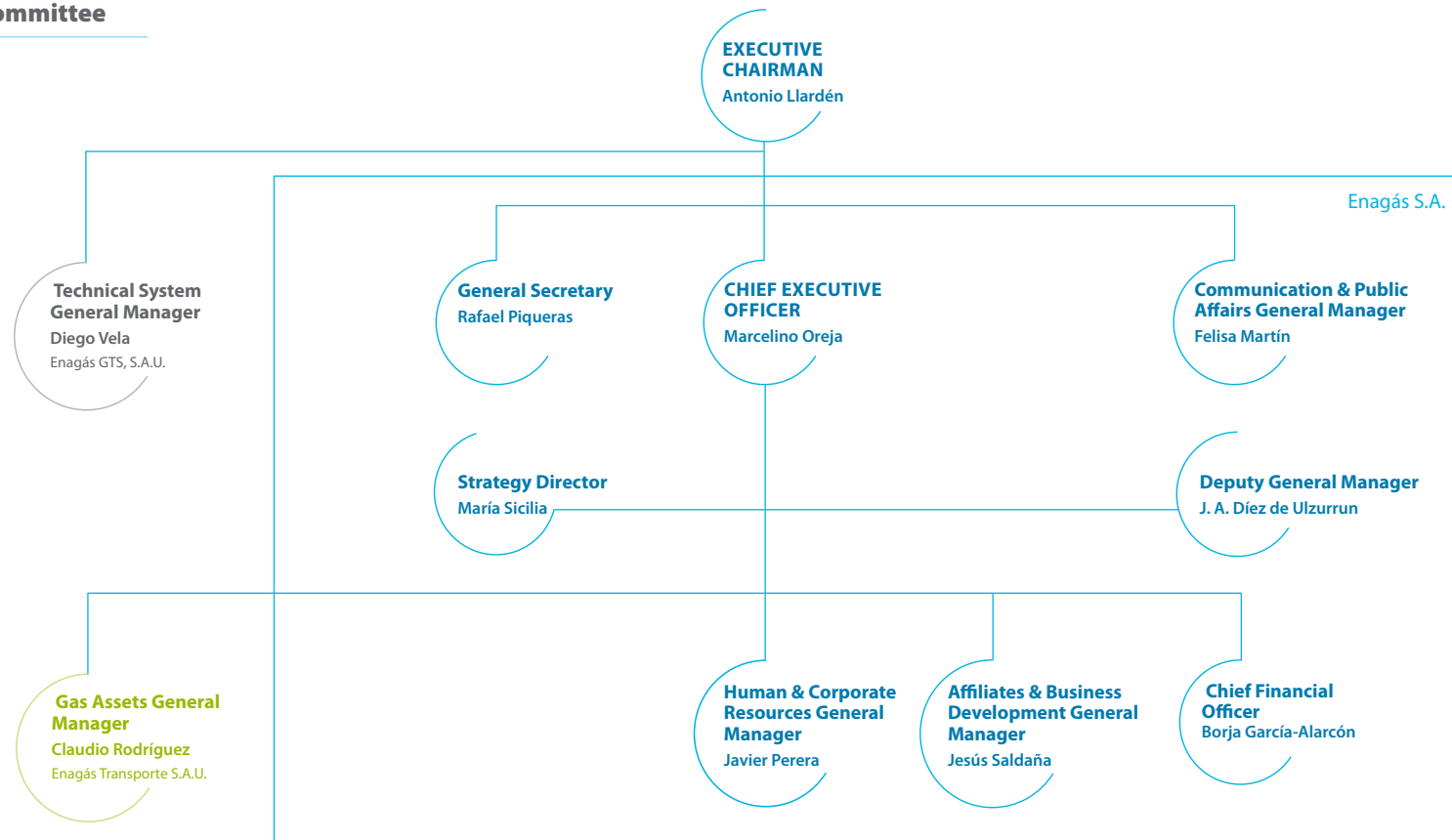
- To enhance the company's long-term orientation in order to be able to meet the different challenges faced, through

importance given to the functional areas of strategy, digitalisation and services.

- Consolidation of the short-term vision, through the concentration of technical functions, guaranteeing efficiency in the regulated business and enhancing the company's technological leadership.

With this in mind, the composition of the Management Committee is as follows:

Management Committee



Remuneration of the Board of Directors

[GRI 102-35, GRI 102-36, GRI 102-37, GRI 103-1]

The Enagás Board of Directors is empowered to adopt resolutions on Director remuneration. The Appointments, Remuneration and CSR Committee proposes the remuneration criteria, within the limits set forth in the Articles of Association and pursuant to the decisions taken at the General Shareholders' Meeting.

The Committee also monitors the transparency of remuneration. Thus, in 2019, the General Shareholders' Meeting approved the Executive Compensation Plan for 2019-2021 with the following characteristics and following the criteria of independence, involvement of stakeholders (the remuneration report is put to a consultative vote at the General Shareholders' Meeting) and internal and external assessment:

Long-Term Incentive Plan 2019-2021

Eligibility	<ul style="list-style-type: none"> Members of the Management Committee and the rest of the management team: 48 participants
Type of Plan	<ul style="list-style-type: none"> Plan for delivery of shares and cash linked to the goals of the Strategic Plan. A minimum reference of shares is established for each segment: 100% Executive Directors, 80% Management Committee and 60% Directors
Duration	<ul style="list-style-type: none"> Period of goal measurement and permanence: 3 years
Conditions for receiving the incentive	<ul style="list-style-type: none"> Achievement of the four outlined targets (see the 'Strategy' chapter) Length of service in the Group
Achievement scales	<ul style="list-style-type: none"> An achievement scale is established for each goal with: <ul style="list-style-type: none"> > A minimum achievement level, below which no remuneration is paid > A 100% achievement level, for which 100% of the initial target remuneration is paid > The maximum total remuneration may not exceed 125% of the initial target remuneration > Intermediate levels are calculated using linear interpolation > In the case of absolute TSR, no reward can be given if the target is not met 100% or over, in which case the total maximum incentive would change from 125% to 85%.
Incentive level	<ul style="list-style-type: none"> The incentive is expressed as a percentage of the fixed remuneration for 2019 or a number of times the fixed remuneration amount in a way that allows segmentation by management level. Annualized incentive: 50% for Executive Directors, 45% for the Management Committee and 30% for Directors
Clawback clauses	<ul style="list-style-type: none"> In the event of certain circumstances coinciding, the Board may, if suggested by the Committee, claim part or all of the remuneration paid
Malus clauses	<ul style="list-style-type: none"> Allowing the partial or total cancellation of deferred amounts pending payment.
Share settlement and maintenance period	<ul style="list-style-type: none"> Once the period for measuring targets has elapsed, the 1st Payment Date (50% of incentive) will take place. The 2nd Payment Date (50% deferred) will take place on the first anniversary of the 1st Payment Date. A holding period of two years is proposed for the shares received on the 1st Payment Date, and of one year for the shares received on the 2nd Payment Date.

Remuneration of the Board of Directors in 2018

[GRI 102-35]

Remuneration received by members of the Board of Directors for Board membership and remuneration corresponding to the Executive Chairman and CEO for exercising their executive functions during 2018 was approved in detail by the shareholders in general meeting on Saturday, 18 March 2016 as part of the 'Directors' Remuneration Policy for 2016, 2017 and 2018', which was in turn approved under agenda item number 7.

The two executive directors are beneficiaries of the 2016-2018 Long-Term Incentive Plan approved by the General Shareholders' Meeting on 18 March 2016 under agenda item number 8. In said meeting, a total of 97,455 rights relating to shares were assigned. These rights do not entail an acquisition of the shares until the end and settlement of the programme and the final remuneration depends on the level of achievement of the goals of the programme. Senior management saw a new member join the team starting from 1 October 2017.

Members of Senior Management (members of the Management Committee) are equally beneficiaries of the 2016-2018 Long-Term Incentive Plan. As approved by the General Shareholders' Meeting, the Board has assigned them a total of 99,433 rights relating to shares as well as an incentive in cash amounting to 903 thousands of euros. Said rights do not constitute acquisition of shares or collection of any amounts until the programme has finalized and been settled, the final bonus depending on the degree to which the program objectives have been met. Executive Directors and Senior Management form part of the collective covered by the mixed group insurance policy for pension commitments.

Of the premium settled in 2018, 390 thousands of euros correspond to Executive Directors (419 thousands of euros in 2017) and 652 thousands of euros to Senior Management (708 thousands of euros in 2017).

The aforementioned remuneration, broken down for each member of the Board of Directors, without taking into account insurance premiums, is as follows:

Remuneration of the Board of Directors in 2018 [GRI 102-35]

thousands of euros

Directors	2018	2017
Mr Antonio Llardén Carratalá (Executive Chairman) ⁽¹⁾	1,896	1,793
Mr Marcelino Oreja Arburúa (Chief Executive Officer) ⁽²⁾	925	818
Sociedad Estatal de Participaciones Industriales (Proprietary Director) ⁽⁴⁾	155	140
Mr Luis García del Río (Independent Director) ⁽⁴⁾	160	98
Mr Jesús Máximo Pedrosa Ortega (Proprietary Director) ⁽³⁾⁽⁴⁾	123	144
Mr Martí Parellada Sabata (External Director) ⁽⁴⁾	160	148
Mr Luis Javier Navarro Vigil (External Director) ⁽⁴⁾	160	144
Mr Santiago Ferrer i Costa (Independent Director) ⁽³⁾	37	
Ms Rosa Rodríguez Díaz (Independent Director) ⁽⁴⁾	160	144
Ms Ana Palacio Vallelersundi (Lead Independent Director) ⁽⁴⁾	190	166
Ms Isabel Tocino Biscarolasaga (Independent Director) ⁽⁴⁾	172	157
Mr Antonio Hernández Mancha (Independent Director) ⁽⁴⁾	157	144
Mr Luis Valero Artola (Independent Director) ⁽³⁾⁽⁴⁾	44	144
Mr Ignacio Grangel Vicente (Independent Director) ⁽³⁾	116	
Mr Gonzalo Solana González (Independent Director) ⁽³⁾⁽⁴⁾	160	144
Total	4,615	4,221

(1) The remuneration of the Executive Chairman for 2018 was approved in detail by the General Shareholders' Meeting on 18 March 2016, as part of the 'Directors' Remuneration Policy for 2016, 2017 and 2018'. In 2018, he received a fixed remuneration of 1,000 thousands of euros and a variable remuneration of 593 thousands of euros; he also received Board meeting attendance fees of 130 thousands of euros, as well as other items of remuneration in-kind amounting to 173 thousands of euros (variations in in-kind remuneration with respect to prior years are due solely to differences in the value of said remuneration without him having received remuneration in-kind for other reasons). In total 1,896 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 47 thousands of euros for the period. The Group has outsourced its pension obligations with its executives by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of life expectancy, death or disability. The Executive Chairman is one of the beneficiaries covered by this policy, and of the total premium paid during the year, 240 thousands of euros correspond to the Executive Chairman. In addition, the Executive Chairman is beneficiary of the 2016-2018 Long-Term Incentive Plan approved by the shareholders in general meeting on 18 March 2016 under agenda item number 8, by virtue of which a total of 69,711 performance shares or rights relating to shares were assigned. These shares do not entail an acquisition of the shares until the end of the programme and the final remuneration depends on the level of achievement of the goals of the programme.

(2) The remuneration of the Chief Executive Officer for 2018 was approved in detail by the General Shareholders' Meeting on 18 March 2016, as part of the 'Directors' Remuneration Policy for 2016, 2017 and 2018'. In 2018, he received a fixed remuneration of 500 thousands of euros and a variable remuneration of 273 thousands of euros; he also received Board meeting attendance fees of 130 thousands of euros, as well as other items of remuneration in-kind amounting to 22 thousands of euros (variations in in-kind remuneration with respect to prior years are due solely to differences in the value of said remuneration without him having received remuneration in-kind for other reasons). In total 925 thousands of euros. In addition, he was also the beneficiary of a life insurance policy with a premium of 0.6 thousands of euros for the period. The CEO is also beneficiary of the mixed group insurance policy for pension commitments, and the share of the premium corresponding to the CEO for this policy amounted to 149 thousands of euros for the period. In addition, the CEO is beneficiary of the 2016-2018 Long-Term Incentive Plan approved by the shareholders in general meeting on 18 March 2016 under agenda item number 8, by virtue of which a total of 27,744 performance shares or rights relating to shares were assigned. These shares do not entail an acquisition of the shares until the end of the programme and the final remuneration depends on the level of achievement of the goals of the programme.

(3) On 22 March 2018 Mr Luis Valero Artola resigned as Director and Mr Ignacio Grangel Vicente occupied his position.

On 15 October 2018 Mr Jesús Máximo Pedrosa Ortega resigned as Director and Mr Santiago Ferrer i Costa occupied his position.

(4) The remuneration of these Directors being on the Board and its Committees was approved in detail by the General Shareholders' Meeting on 18 March 2016, as part of the 'Directors' Remuneration Policy for 2016, 2017 and 2018'.



Governance model for affiliates

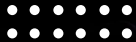
The decision-making processes in our affiliates are regulated through partnership agreements, which guarantee their control or joint-control and provide Enagás with the right of veto in relevant decisions.

Enagás has the ability to influence decision-making through its leadership of Boards of Directors, by means of the appointment of directors from managers with broad experience in the sector and country.

There is a team in these companies that is responsible for supporting directors, who report to the management of Enagás and ensure compliance with the affiliates' business plans.

In addition, relevant information is regularly reported to the Enagás Board of Directors and Enagás executive directors, who are responsible for overseeing critical decisions and take part in internal committees that meet twice a month.

The remuneration scheme implemented in our affiliates is aligned with Enagás standards.



5.2

Ethics and integrity

[GRI 103-1, GRI 103-2, GRI 103-3]

Ethics and integrity form one of the most relevant aspects for the company, as reflected in its Code of Ethics and Compliance Policy. They guarantee the honest behaviour of our professionals, and of the third parties with whom we form relationships; even when this behaviour is not set out in the legislation, it is one of our priorities. This commitment allows us to guarantee appropriate decisions are made, creating trust in our stakeholders and facilitating the sustainability of the business.

Key aspects that are covered by our ethics and integrity model are the frameworks of policy, procedures and applicable regulations, including the Code of Ethics, and the implementation of Compliance and Crime Prevention Models, and their dissemination.



Sustainable Management Plan

2018 main lines

- Definition of a Corruption Prevention Model, including the review of the Anti-Fraud, Corruption and Bribery Policy, and creation of the General Regulations for its implementation.
- Strengthening of internal auditing into fraud, corruption and bribery in affiliates.
- Definition of the Enagás Peru Crime Prevention Model.
- Preparation of the fiscal transparency report

2019 lines

- Implementation of the Enagás Group Compliance Model, in keeping with the obligations set out in the General Compliance Regulations, including regular reporting from divisions and reporting to the Audit and Compliance Committee.
- Approval and Implementation of the Corruption Prevention Model.
- Employee training on the Corruption Prevention Model.
- Review and update of the Code of Ethics.
- Internal audit of the Corporate Crime Prevention Model at Enagás Mexico.

5

communications received via the Ethics Channel

93.7%

of Enagás' employees received training on the Code of Ethics

91.6%

of employees have received training on the Crime Prevention Model in use

97%

of employees received training in anti-corruption policies and procedures [GRI 205-2]

100%
Commitment to answering all communications received

Code of Ethics

The Enagás Code of Ethics (Enagás Group Code of Ethics and Enagás GTS Code of Conduct) sets out the conduct that is expected from all professionals in the company, irrespective of their responsibilities and their geographical or functional location. The Code is implemented via policies, regulations, procedures and controls.

The policies set out the principles and commitments of the main management areas of the company. The corporate directives define the principles of action for specific management areas.

The Ethical Compliance Committee, functionally and directly dependent on the Board of Directors' Audit and Compliance Committee, has competencies relating to the Code of Ethics.

Enagás also has the following procedures in place associated with the Code of Ethics:

- Procedure for the functioning of the Ethical Compliance Committee.
- Management of offering and acceptance of gifts, which states that the professionals who offer or receive gifts over a specific value are obligated to report those gifts.
- Management of consultations and reporting regarding irregularities or breaches of the Code of Ethics in order to encourage compliance with the Code of Ethics and the regulations that govern its implementation. For this purpose, the company enables Enagás employees and the company's suppliers, contractors and those who collaborate with it or act

on its behalf, including business partners, to resolve any doubts or to report any irregularities or breaches through one of the following channels or any other means the company may set up in the future (Ethics Channel), informing the party who made the report of the status of their report at all times:

[\[GRI 102-17\]](#)



In 2018, 5 communications were received via the Ethics Channel:

[\[GRI 205-3\]](#)

- Two external communications relating to possible irregularities in a procurement process and to the incorrect assignment of responsibilities in one of the Company's affiliates. Both were dismissed following appropriate investigations.
- Three internal complaints, one of which refers to a breach relating to fraud and/or economic crimes, that has been dismissed following an investigation and the necessary security measures being taken. Another related to a possible mobbing that has been dismissed due to lack of evidence, and the final was an anonymous unfounded complaint that has been dismissed.



Consult the [Code of Ethics and Policies on the corporate website](#) [\[GRI 102-16\]](#)

Compliance model

The Enagás Compliance Model is managed by the compliance function, which is supported by synergistic functions and other corporate support areas including the participation of local compliance officers located in certain countries where Enagás operates.

According to the company's policy, procedural and regulatory framework, the Enagás Compliance Model is structured around the Compliance Policy and its associated regulations:

- The Compliance Policy sets out a series of compliance commitments that all company professionals must comply with, irrespective of their professional category or the country where they carry out their activities.
- The General Compliance Standard, approved by the Board of Directors in 2018, develops what is set out in the Compliance Policy and the Enagás Code of Ethics. It outlines the compliance responsibilities that, according to each professional category, are assigned to Enagás' professionals.

The model defines double line reporting in order to have a compliance function that is coordinated on a global level; this mitigates the risks of regulatory non-compliance in the national and international arena, which may in turn have serious reputational consequences. This double line reporting is on the one hand, that developed by the corporate areas and, on the other hand, that developed by compliance officers in the different affiliates. Loss of information and inconsistencies are therefore avoided.

Crime Prevention Model

As part of the Compliance Model, Enagás has a Crime Prevention Model that acts as the core of the company's criminal compliance, notwithstanding the existence of policies, procedures and controls that illustrate its content and 'contribute to preventing crimes being committed by any person who is part of Enagás as well as, in their respective areas of relation, by contractors, suppliers, business partners and any third party that collaborates with or acts on their behalf.'

The Crime Prevention Model in Spain includes the following elements:

- Potential offences of criminal risk that are considered when taking into account the activity of a company with the characteristics of Enagás.
- Roles and responsibilities defined by a governance structure aligned with art. 31 bis 2.1 and 2 of the Criminal Code. The role of the Director of Compliance has thus been redefined with regard to the reception, prior study and investigation of complaints, as has the Compliance Department as a Criminal Prevention Body.
- Map of criminal risks and activities exposed to those risks.
- Inventory of controls, both general and specific, that exist at Enagás that provide preventive virtuality in the face of potential offences being committed.
- Disciplinary system articulated around compliance with the Code of Ethics which ensures compliance with the model via disciplinary measures.

In 2018, the company defined the Corruption Prevention Model, based on ISO 37001

In 2018, the Crime Prevention Model was approved at the Chile regasification plant (Quintero LNG). Similarly, the year also saw training on compliance, anti-corruption and the crime prevention model for 5 of the 10 suppliers who work at the facility on a permanent basis and 120 personnel at the regasification plant.

Anti-fraud, corruption and bribery

Enagás has an Anti-Fraud, Corruption and Bribery Policy in place which reflects the company's vehement opposition to the committing of illicit or unlawful acts and its firm will to combat and prevent them, for the purpose of fulfilling its 'zero tolerance' principles.

The Crime Prevention Model includes risks related to corruption, such as bribery, influence peddling and corruption in business.

All activities in Spain have been analysed for these risks and the company has put in place controls and guidelines for action in order to prevent and mitigate those risks. [\[GRI 205-1\]](#)

In 2018, the company worked on the definition of a Corruption Prevention Model, based on ISO 37001, which includes a review of its Anti-Fraud, Corruption and Bribery Policy, and the creation of regulations that implement and will serve as a framework for the corruption prevention controls.

The standard establishes the following general control measures to prevent corruption:

- Anti-fraud, Corruption and Bribery Policy.
- Code of Ethics and Ethics Channel.
- Procedures for Managing the Offering and Acceptance of Gifts.
- Procedures for Managing Sponsorship, Patronage, Donations and Partnerships.
- General Travel Regulations for Work Purposes.

- General Management Regulation for Awarding and Contracting.
- Procedures for the “Operation of the Committee on Investment in New Businesses”.
- “Supplier Approval” Procedure.
- Procedure for the Management of Powers and Certificates.

Enagás is also conducting internal audits of its affiliates in order to verify the solidity of internal controls associated with the processes at greatest risk for fraud, corruption and bribery, establishing control activities to strengthen them wherever necessary. In 2018, the company will continue to make progress in the prevention of fraud, corruption and bribery in its affiliates, strengthening its internal auditing process and following up on audits conducted in previous years. Particularly notable is the follow-up on the procurement and payment audits at Grupo Altamira (TLA), the shareholder audit at Trans Adriatic Pipeline AG (TAP), follow-up on the ethics and good governance audits at Compañía del Gas del Amazonas, S.A.C (COGA) and TLA, as well as the audits of local communities at TgP devoted to checking the receipt of the aid sent to each community.

Responsible tax practice

Enagás adopts a focus of responsible tax practice based on prudence and aligned with the recommendations set out in the OECD Guidelines for Multinational Companies.

The Responsible Tax Practice Policy sets out the strategy and principles that must guide the conduct of all employees, executives and directors of Enagás, as well as third parties with whom the company has relationships.

In 2018, in line with the company’s commitment to tax transparency entailed by its adherence to the Code of Good Tax Practices, Enagás presented its Fiscal Transparency Report.

Moreover, in accordance with the public reporting commitments set out in the Responsible Tax Practice Policy, the company has published in this report the total tax contribution and the taxes paid in the different jurisdictions where the company operated through affiliates (see the chapter on [‘Financial and operational excellence’](#)).



Consult the [Compliance Policy](#) on the corporate website



Consult the [Fiscal Responsibility Policy](#) on the corporate website

Training was given over the last two years on the Enagás Crime Prevention Model, which was completed by around 92% of professionals

Enagás has 3 professionals participating part-time in different activities related to the transparency register, including a permanent representative in Brussels. In 2018, annual costs were less than 200,000 euros, distributed as follows: personnel expenses (56%), office and administration expenses (2%), representation, communication and public relations expenses (1%), internal expenses (6%) and association membership fees (35%).

Similarly, Enagás is participating in commercial associations and non-profits such as think tanks as a sponsor for these initiatives. The total sum allocated in 2018 was €765,844.

Training in and dissemination of ethics and compliance [GRI 205-2]

Enagás professionals are provided with the opportunity to undergo training on the Code of Ethics that encompasses such key issues as the fight against fraud, corruption and bribery, fiscal responsibility and respect for Human Rights, among others. It is a tool for preventing irregularities, including those that could constitute crimes, in those spheres. The course has been completed by 93.7% of professionals.

Training was given over the last two years on the Enagás Crime Prevention Model, which was completed by around 92% of professionals. The course includes general information on the Crime Prevention Model and practical cases related to the most relevant crimes related to the company's activity, and professionals are provided with a Crime Prevention Manual. This manual includes a description of each crime and behavioural guidelines for its prevention.

In 2019, an online training course will be carried out on the Corruption Prevention Model for all employees. In addition, certain groups will also receive in-person training.

Furthermore, one of the most highly valued aspects of the workplace climate survey carried out in 2018 (see '[People](#)' chapter) was the awareness among professionals regarding the existence of the Ethics Channel to report inappropriate behaviour without fear of reprisal. This reveals the level of familiarity with the principles and guidelines on conduct expected by Enagás.

European Transparency Register

The company is included in the European Transparency Register, and reports on information related to European policies that directly or indirectly impact the gas transmission and storage business, the liquefied natural gas business, and the Spanish and European gas industry. It also reports on lobbying initiatives carried out by the company in Brussels in relation to these policies and implementations, and the associated costs.

In 2019, an online training course will be carried out on the Corruption Prevention Model for all employees

5.3

Financial and operational excellence

[GRI 103-1, GRI 103-2, GRI 103-3]



Sustainable Management Plan

2018 main lines

- BDI €442.6 Mn in line with the 3% CAGR target for 2016-2018.
- Solid cash production. De-leveraging of €733Mn.
- Improvement of the FFO/Net Debt 18.8% (int. global) and 20.0% (*stand alone*) leverage ratios.
- Affiliate dividend €132.6 Mn more than the target of €120 Mn. Contribution to net profit: 19.6%.
- Dividend (+5%) in line with the growth target until the year 2020.

2019 lines

- EBITDA ~ €938 Mn
- Net profit ~ €418 Mn
- Affiliate dividends ~ €120 Mn
- FFO/ND >15%
- Dividend of €1.60/share (+5%)

€1.53

dividend per share
in 2018

€442.6 Mn

of net profit

€4.275 Bn

net debt
(4.0x net debt/adjusted EBITDA)

2.8%

average cost of debt

Financial and operational excellence is one of our main concerns, given that the efficient management of the company's assets is one of the key strengths for the sustainability of the business in the short, medium and long term.

The key aspects on which we focus are sustaining our excellent results over time, a financing strategy based on diversification, and driving operational efficiency through continuous improvement programmes, digitalisation, corporate entrepreneurship and the efficiency plan.

Financial excellence



2018 Results Figures

Results in line with the targets set for 2018. The decrease in net profit relative to financial year 2017 is primarily due to the effect of the business combination in stages of GNL Quintero in FY 2017 for a total of 52.4 million euros.

2018 Results Figures

In Mn€	2017	2018	% variation
Total revenue ⁽¹⁾	1,384.6	1,342.2	-3.1%
EBITDA ⁽²⁾	1,110.3	1,060.7	-4.5%
EBIT ⁽²⁾	732.1	691.0	-5.6%
Net profit ^{(1) (3)}	490.8	442.6	-9.8%

⁽¹⁾ Figures from the income statement of the Consolidated Annual Accounts of Enagás Group for fiscal year 2018.

⁽²⁾ The said sums were found in the report on Alternative Performance Measures, available at: [https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_\(APM\)](https://www.enagas.es/enagas/es/AccionistasElInversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_(APM))

⁽³⁾ €586.4 Mn Profit before tax, which includes the result of investments accounted for using the equity method, which is recorded net of tax effect. The breakdown of net profit per country is as follows: Spain €480.8 Mn, Chile €48.2 Mn, Peru €42.7 Mn, Mexico €13 Mn, Sweden €4.7 Mn, Greece €-1.3Mn, Switzerland €-0.9 Mn, U.S.A €-0.8 Mn.



Evolution of the share price

At year-end 2018, Enagás shares were trading at €23.61 each, a fall of 1.1% on the previous year-end, with a share capitalisation of 5.636 billion euros. Taking into account the dividends paid during 2018, the total yield for company shareholders stood at +5.1% for 2018. Over the course of the year, Enagás shares have performed better than the national index, the Ibex 35 (-15.0%) and the European sector index, EuroStoxx Utilities (-2.1%).

During the course of 2018, the price of the Enagás share peaked at €25.77 (14 December), with a low of €20.25 (9 February). The average volume traded for the year was 936,254, slightly less than recorded at year-end 2017, which was 1,010,783 shares. Analysts agree on an estimated target average price of €23.7 per shares, with 52% recommending 'hold', 41% 'sell' and 7% 'buy' for the company's shares.

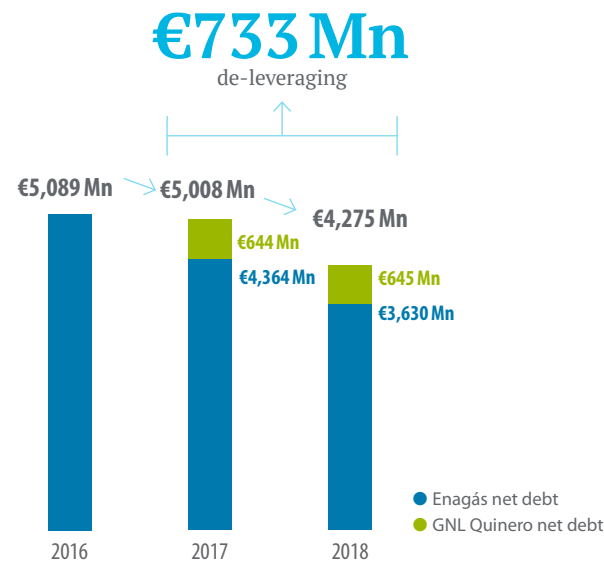


The 2018 results
are in line with
the targets set

Financing strategy

Enagás has adapted to the new circumstances arising out of the crisis, reducing its external financing through banks and resorting to other types of financing, such as bond issues, which has permitted the Company to achieve a more diversified structure.

Net Debt



Enagás has reduced its net debt through the generation of cash flows, the materialisation of the TAP true up (€415.2 Mn) once the financing for the project was finalised, as well as through the sale of Swedegas (€100.5 Mn).

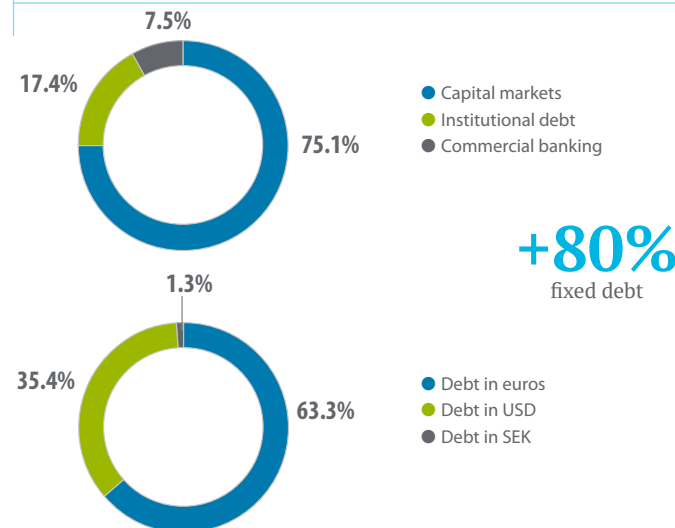
Leverage and liquidity

	2017	2018
Adjusted net Debt/EBITDA (*) Global integration ²	4.4x	4.0x
Adjusted net debt/EBITDA (*) Stand Alone ²	4.4x	3.8x
FFO/Net Debt Int. Global integration ²	17.4%	18.8%
FFO/Net Debt Stand Alone ²	17.8%	20.0%
Net cost of debt Global integration ¹	2.7%	2.8%
Net cost of debt Stand Alone	2.2%	2.3%
Liquidity Global integration ¹	€2.484 Bn	€2.809 Bn

⁽¹⁾ Figures from the Memo regarding the Consolidated Annual Accounts of Enagás Group for fiscal year 2018.

⁽²⁾ The said sums were found in the report on Alternative Performance Measures, available at [https://www.enagas.es/enagas/es/AccionistasElversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_\(APM\)](https://www.enagas.es/enagas/es/AccionistasElversores/InformacionEconomicoFinanciera/Medidas_Alternativas_de_Rendimiento_(APM))

Debt type

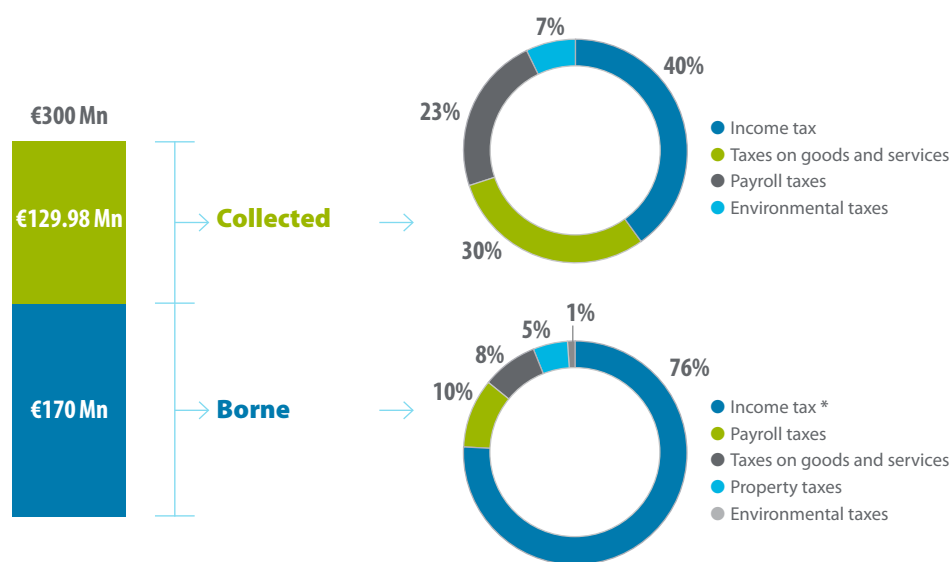


Total tax contribution

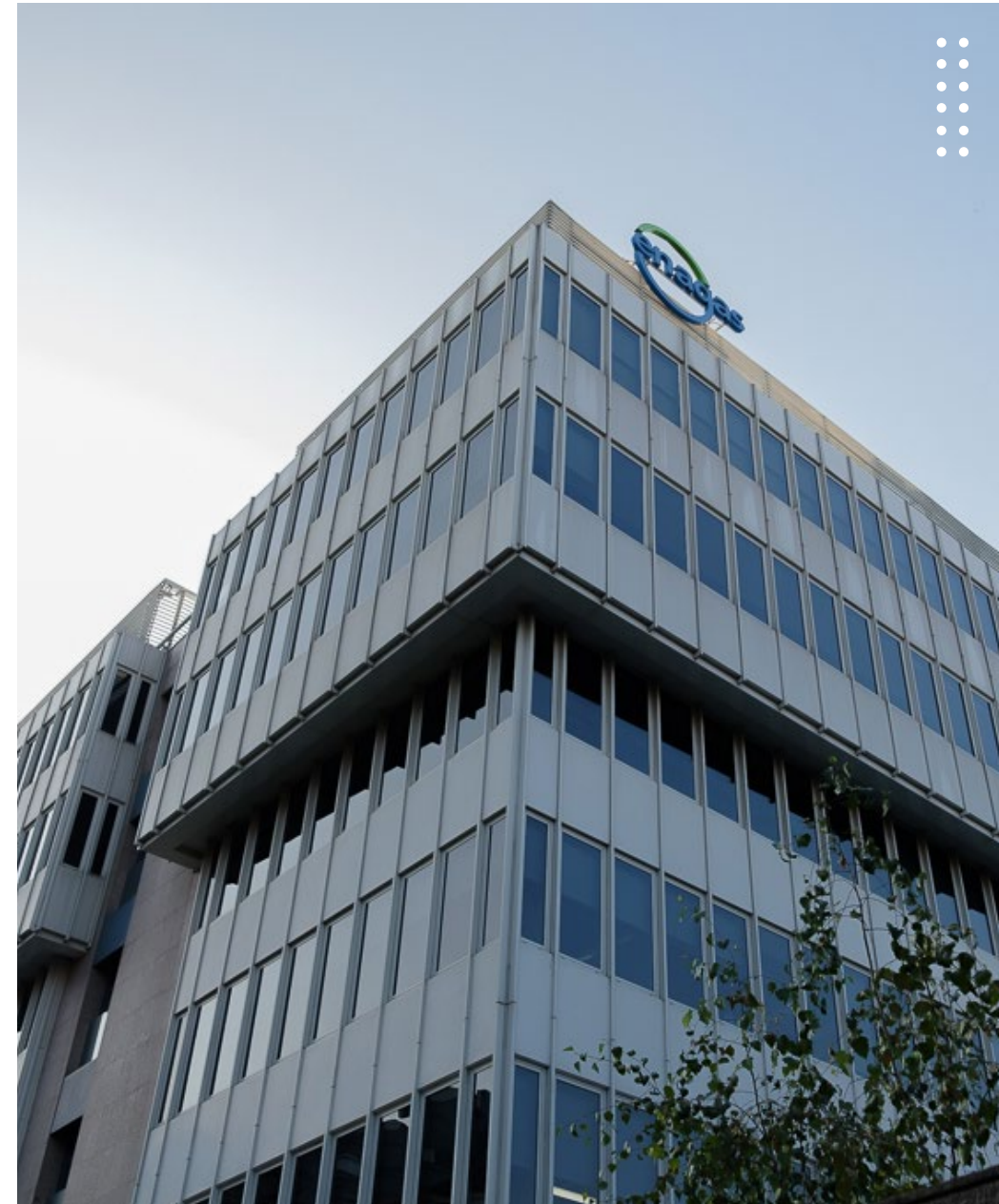
The total tax contribution made by Enagás in 2018 amounted to 300 million euros, of which 57% corresponded to taxes borne (170 million euros) and 43% to taxes collected (130 million euros).

The Total Tax Contribution is calculated according to the PwC Total Tax Contribution (TTC) method, using the cash method and taking into account the globally integrated entities and joint operations (see section '1.3 Consolidation principles, a) Consolidation methods' of the Consolidated Annual Accounts).

Enagás total tax contribution



* Including the following concepts: Corporate Income tax, Tax on Economic Activities and movable capital income retentions.



Operational excellence



Commercial logistics hub

Due to its geographical location, Spain is an entry point for LNG and natural gas coming into Europe from various locations around the world. It has the highest number of regasification plants of any European country, as well as a meshed network of gas pipelines. This gives the country great capacity for storage, transmission and operational flexibility.

Given this situation, and after more than forty years of experience in developing, maintaining and operating regasification plants and transmission pipelines, Enagás is situated as one of the most reputable transmission companies in Europe in terms of facility efficiency.

Our terminals are now recognised as amongst the most efficient in Europe, with availability of over 99%. At Enagás, we place our facilities at the service of our clients. There, we provide both traditional LNG services, such as the unloading of tankers, regasification, LNG transfer to ships and tanker trucks, as well as a new small-scale and bunkering services. We are adapting our facilities to these services every day. Across the board, we work

for continuous improvement at our facilities, implementing the latest technologies.

Specifically, we have invested in creating a “logistics hub” for Europe in the gas market, promoting the use of our infrastructure through traditional services and new small-scale and bunkering services.

The Spanish Gas System

Enagás, a midstream company with more than four decades of experience in the development and maintenance of gas infrastructure and operation and management of gas networks, was certified as a Transmission System Operator (TSO) by the European Commission in 2012, securing its positioning as a European sector leader. It also works as the Technical Manager of the System following the publication of the Hydrocarbons Law. This means it is responsible for the operation and technical management of the Basic Network and the secondary transmission network, guaranteeing the continuity and security of the natural gas supply as well as proper coordination between access points, storage facilities, transmission and distribution.



Consult the [Annual Report on the Spanish Gas System](#) on our company website

Enagás carries out the majority of its activities in Spain, where it has worked since 1969 to the present day. It has built a meshed network of more than 12,000 km of high-pressure gas pipelines, facilitating access to gas from almost every point on the Iberian peninsula. The company holds stakes in six of the seven regasification plants in the Iberian Peninsula (four terminals owned outright and two part-owned), and has three underground storage facilities. As the main transmission company, Enagás has developed the main infrastructure facilities of the Spanish Gas System, making it into a leader in security and diversification of supply and consolidating its presence on the international stage.

At the vanguard of technology and efficiency

- **100%**
availability at all LNG terminals
- **Greater than 3,500 m³/h**
average loading ratio of ships at all our plants
- **Zero operational losses from boil-off**
during tanker loading operations
- **Minimum coefficient of shrinkage**
in operations
- **Maximum flexibility**
without penalisation in the allocation and adjustment of slots for tanker offloading and loading
- **Terminals ready to receive the largest LNG tanker ships in the world**
Q-Max with up to 266,000 m³ of LNG

LNG terminals

Enagás is one of the companies with the most LNG terminals in the world. We are pioneers in the development, maintenance and operation of this type of infrastructure, and our knowledge and experience have made us as international leaders in the sector.

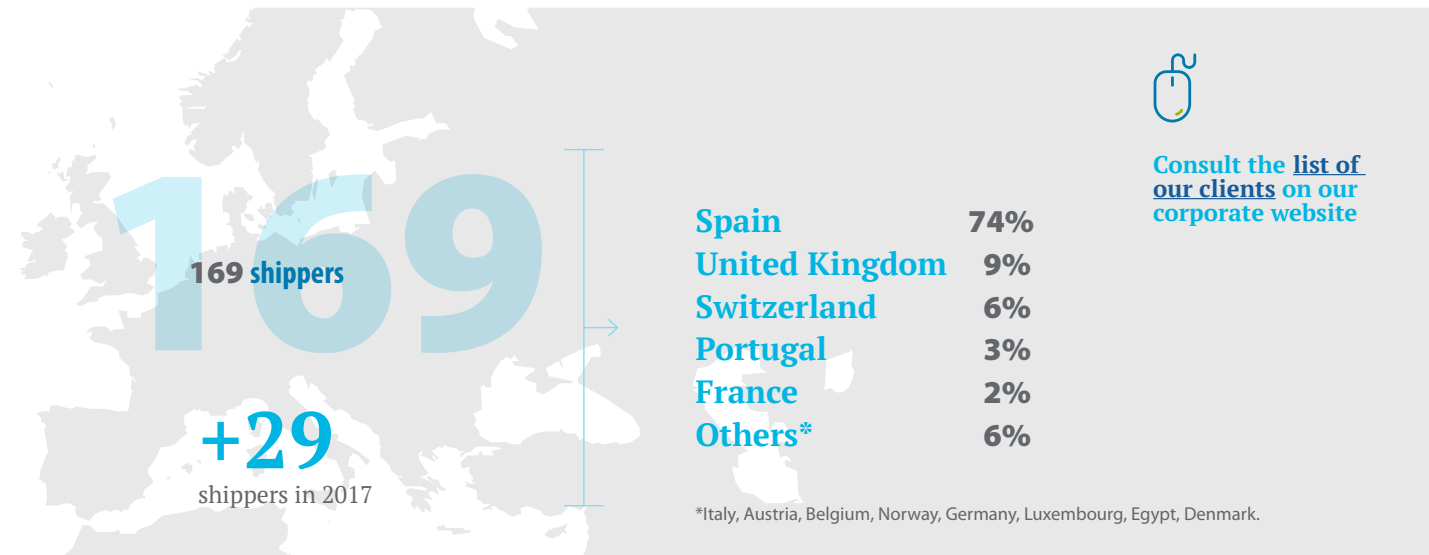
Our terminals have a unique geostrategic position: their placement between the Atlantic, Cantabrian and Mediterranean catchment areas favours sea transmission and the diversification of LNG sources and destinations. In addition, as regards emissions, Spain is the entry point for a possible ECA (Emission Control Area), an area that could be declared particularly vulnerable to pollution. In such an area, a small-scale market could be a solution.

At Enagás, we offer a vetting service for the assessment and inspection of methane tankers, both in the large and small scale sectors.

Commercial services in Spain

At Enagás, we are working to provide our customers with the set of services we provide, in accordance with current regulations. The Third-Party Network Access (ATR) services that we provide at our facilities are fundamentally classified as:

- Liquefied natural gas (LNG) services
- Natural gas (NG) services
- Gas measurement services
- Other services:
 - > Calibration/testing laboratories, accredited by the Spanish National Accreditation Body (ENAC):
 - Gas quality
 - Gas volume
 - Pressure and temperature instrumentation
 - > Other services related to infrastructures



Most of these services are sold as individual services. However, the new Spanish regulations governing third-party access to the grid, Royal Decree 984/2015, set out the possibility of offering additional services. Enagás is therefore working intensely together with other LNG operators and shippers to design an additional services proposal that meets the needs of our customers.

In 2018, the use of storage capacity at plants wholly owned by Enagás rose 6% relative to 2017. Likewise, the number of trucks loaded rose 11.9% over 2017 levels, with 29,134 trucks sent to 652 locations. The regasification volume at plants wholly owned by Enagás was 101.27 TWh in 2018, the highest regasification volume in the EU.

Customer Management

Our customers are transmission companies, shippers, distributors and the direct consumers in the market (consumers which connect directly to our facilities), to which Enagás supplies a wide range of liquefied natural gas (LNG) services, transmission and underground natural gas storage.

Enagás regularly evaluates the satisfaction of its customers and professionals (see chapter '[People](#)') through satisfaction surveys, the results and associated improvement plans being reported to those same stakeholders.

In the case of customers, the results obtained in 2018 were as follows: [\[GRI 102-21, GRI 102-42, GRI 102-43, GRI 102-44\]](#)

2018 customer results

			Number of responses out of the total	Assessment of services rendered	Services
Business operation	Enagás as transmission company	Shippers	34/44	8.94/10	Capacity management and viability analysis, infrastructure operation and programming, etc.
		System operators (transmission and distribution companies)	2/6	8.12/10	
	Enagás as Technical Manager of the System	Shippers	75/543	9.01/10	Programming, operations, distribution and balances, etc.
		System operators	17/87	8.94/10	



[Consult the improvement plans associated with satisfaction surveys on the corporate website](#)

In 2018, 95 claims were received from customers; 100% were resolved.

Efficiency as one of the key levers that determines the sustainability of the business in the short, medium and long term

Efficiency Plan

Enagás continues to promote efficiency as one of the key strengths for the sustainability of the business in the short, medium and long term. In order to do this, our current efficiency plan focuses on the following areas:

- Infrastructure, by implementing plans for greater efficiency and optimising maintenance management using tools for continuous improvement and operating excellence (continuous improvement programme and digitalisation process); reducing CO₂ emissions through energy efficiency and elimination of fugitive emissions (see chapter on '[Climate change and energy efficiency](#)').
- People, by implementing measures to adapt the resources and organisational structure to the strategy, and strengthening talent as a critical asset of the company (see the chapter





on 'People') and innovation (corporate entrepreneurship programme).

- Administration and support services, by putting in place actions to ensure control of spending, adjusting it to the needs of the business at all times (cost efficiency plan).

Agility and continuous improvement programmes

Enagás is pursuing a Programme of continuous improvement set out to encourage new forms of work and collaboration between teams. This programme includes the following avenues:

- Training and skills training to ensure the implementation of a philosophy of continuous improvement and sustainability for the programme.
- Development and implementation of a culture of improvement in daily operations with a focus on problem solving.
- Creation of multidisciplinary groups aimed at developing specific improvement projects focusing on efficiency and process improvement.

In 2018, the pilot project launched in 2015 was deployed at all company facilities. This initiative involves more than 450 professionals, providing them with methodologies that can be used to obtain very satisfactory results based on improvements to communication, implementation and improvement actions, standardising tasks, critiques and solving daily problems in a structured way.

In addition, as a way of addressing new challenges at the company, in 2018, cross-cutting projects have been launched with multidisciplinary teams that will allow us to create innovative solutions with high short-term impact. These use new methodologies, including Lean-Kaizen and design thinking. In 2019, the Programme will focus on initiatives directed at programme sustainability and continuing with cross-cutting improvement projects.

Similarly, the agility Programme is made to address one of the challenges the organisation faces in adapting better to change, increasing its mobility and speed of action, maximising value delivered to the client and developing different, more innovative

ways of working. Agility at Enagás is being encouraged across the company and at the level of projects and services.

In 2018, an Agility Hub was created to work on defining the philosophy, agile culture and forward movement of Agile projects. Likewise, 3 pilot projects have been launched using Agile methodologies to test the viability of introducing these methodologies and assessing their scalability for specific areas of the company.


11/2018

Enagás received an Honourable Mention at the Kaizen Lean Awards in the "Excellence in Systems of Continuous Improvement" for its Global Continuous Improvement Programme. Thanks to this programme, we have been able to promote the identification of improvement initiatives in day-to-day operations at Enagás, as well as launching cross-cutting projects with a large impact on results. In this way, we will create a sustainable cultural change over time.

5.4

People

[GRI 103-1, GRI 103-2, GRI 103-3]

30  **35**
Enagás aims to have 30% of managerial roles and 35% of total staff positions occupied by women in 2021

Sustainable Management Plan

2018 main lines

- Implementation of the Flexible Remuneration programme.
- Implementation of the flexible working model (telecommuting) in all positions where this is possible.
- Launch of the pilot project for the use of VR technology in training.
- Establishment of a Succession and Replacement Plan.
- Signing of a collaboration agreement with the Capacis Foundation for the development of training practices at the Enagás facilities for young people with disabilities.
- Implementation and communication of the professional development model in the technical sphere.
- Bequal and EFR re-certification.
- Review of the company's Remuneration Model
- Opinion survey launch

2019 lines

- Preparation of an equal pay study and resulting action plan.
- Establishment and publication of Action Plans based on the results of the opinion survey.
- Preparation of the General Diversity Plan.
- Renewal of the Diversity Charter.
- EFR Recertification.
- Signing of the EJE&CON (Spanish Women Managers and Directors Association) Good Practices Guide for Talent Management and Improving Business Competitiveness.

People management is a key area for the company, since, as reflected in the Enagás Human Capital Management Policy, attracting, developing and retaining talent enables the company to equip itself with the resources necessary for the deployment of its strategy.

The key aspects that we address in our people management model are the structure and sizing of our organization (workforce), the stability and quality of employment, our professional development programmes and compliance with labour rights in the areas of diversity, conciliation and non-discrimination.

56

employees have taken part in talent identification programmes

61.44

training hours per employee (€1,163.5 investment per employee)
[GRI 404-1]

80.5%

of the workforce underwent a performance assessment (*)
[GRI 404-3]

61

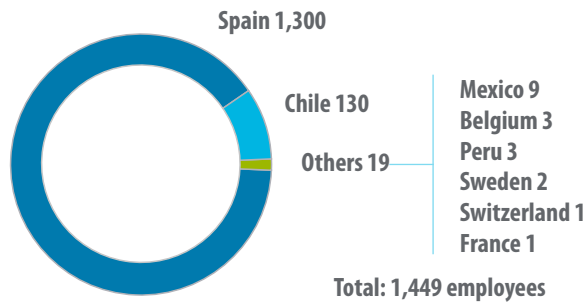
internal promotions (29.5% women)

(*) Performance assessment linked to their career development and the increase in their fixed remuneration.

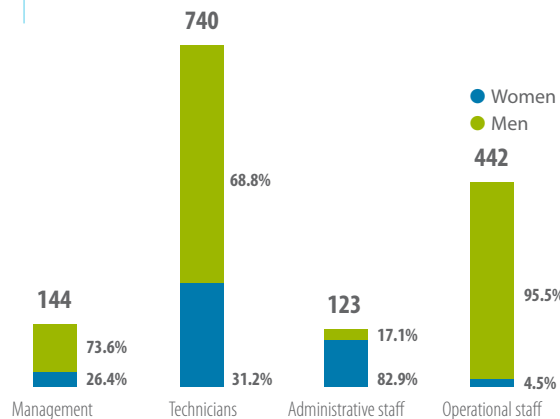
Our professionals

The following outlines the distribution of Enagás' 1,449 professionals by country, age group, job category and gender:

Number of employees by country [GRI 102-8]



Number of employees by job category and gender [GRI 405-1]



In 2018, there were 110 new recruitments, 61% being people aged under 35 and 37% women. [GRI 102-10, GRI 401-1]

Stable, quality employment

Enagás maintains stable, quality employment levels with high percentages of permanent and full-time contracts.

Percentage of employees by contract type and working hours, country and gender [GRI-102-8]

	Spain		Chile		Total	
	Women	Men	Women	Men	Women	Men
Full-time	92.9%	99.6%	100.00%	100.00%	93.4%	99.6%
Permanent contract	96.2%	98.0%	96.0%	98.1%	96.2%	98.0%

In addition, at the end of 2018, 12 professionals were hired through temporary employment agencies and 65 interns were working at Enagás.

The commitments undertaken by Enagás in its Human Capital Management Policy, and the measures and actions implemented, translate into high levels of satisfaction and motivation, as reflected by the low turnover rate, the results of the survey on workplace climate and the awards received by the company in this area.

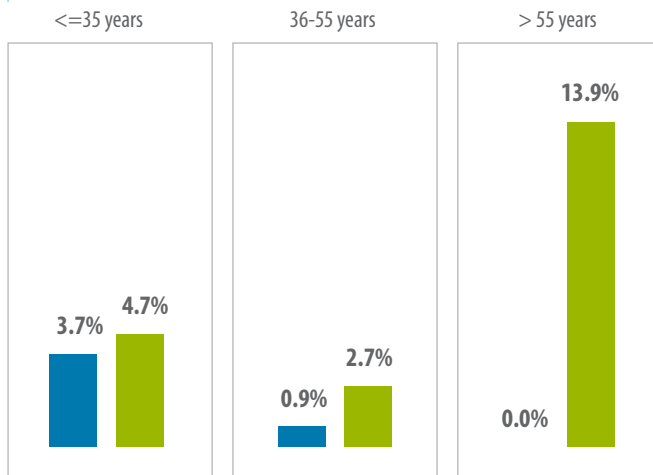
Voluntary and absolute turnover rate by country and gender [GRI 401-1]

	Spain			Chile			Total		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Voluntary turnover rate	2.8%	0.7%	1.3%	0.0%	1.9%	1.6%	2.7%	0.9%	1.3%
Absolute turnover rate	5.7%	4.4%	4.7%	8.0%	4.8%	5.4%	5.8%	4.4%	4.8%



Consult the [Human Capital Management Policy on the corporate website](#)

Voluntary and absolute turnover rate by age group [GRI 401-1]



- Voluntary turnover rate: Total permanent contract voluntary redundancies/total workforce (%)
- Absolute turnover rate: Total permanent contracts terminated/total workforce (%)

In 2018, the company dismissed one employee in Spain and seven in Chile*.

Though Enagás has not undergone - or planned to undergo - any restructurings in recent years, the company does have measures that aim to prevent and manage restructurings. These include early retirement, help with finding new work (outplacement), priority given to internal candidates when filling vacant positions, training programmes to add new duties and responsibilities, and personalised follow-up (coaching and mentoring).

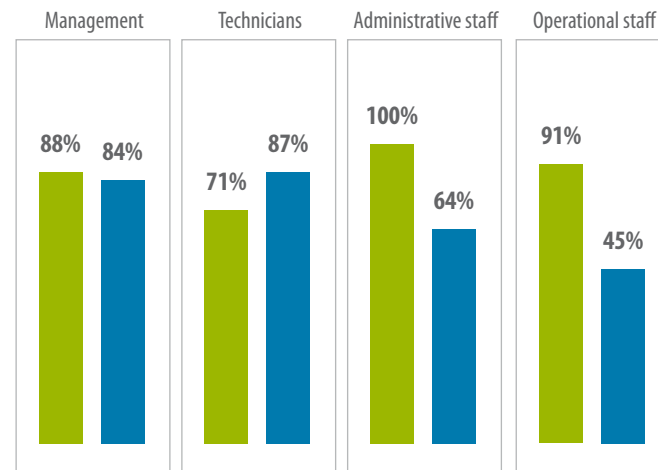
* Three women (one manager and two administrators) and five men (one manager, two technicians and two operators).

Knowledge of internal talent [GRI 404-3]

Evaluation of the performance and skills of our professionals means that we can know our internal talent and guide their training and professional development effectively.

Performance assessment allows the identification of strengths and areas of development of professionals regarding the performance of their work and on which the different development plans are developed. The competences and behaviours of professionals are evaluated annually, based on corporate values. The outcomes of these assessments are linked to their career development and the increase in their fixed remuneration.

Percentage of employees who have received performance assessment by category and gender



- Men
- Women

The performance assessment process for senior positions includes 180° upward assessments. By using upward assessments, teams assess their superiors and, via the 180° assessment, the Management Committee assesses a part of the management team.

Moreover, competencies are evaluated through Development Centre workshops, in which participants get feedback on the strengths and areas for development.

Professional development programmes

The information obtained from the different evaluations of professionals is used to design customized development plans adapted to the needs identified.

On the one hand, development programs are promoted through on-the-job experience. With this in mind, internal rotation programmes are fostered so that new knowledge can be applied to real situations, and participation in transversal projects or temporary assignments can also be taken advantage of. In 2018, there were 142 internal movements (promotions, horizontal transfers and international transfers). 58% of hirings selected internal candidates. Twelve interns also stayed on at the company.

On a related note, there is room for mentoring and/or coaching programmes (16 professionals participated in coaching programmes). In addition, professionals in the company have received training and are certified in coaching; they are therefore qualified to carry out internal coaching processes. During the coming year, there will be work to strengthen existing mentoring and coaching programmes.

Lastly, an extensive programme of training actions are available on the corporate training portal and these are offered both face-to-face as well as via e-learning.

Training [GRI 404-2]

Enagás is committed to training its professionals from when they join the company and throughout their professional career.

Training begins with Enagás' Welcome Plan. This plan consists of a block of e-learning on topics such as the Code of Ethics, risks regarding criminal liability, and equality, etc. and is mandatory for all professionals. Face-to-face training on Enagás' value chain, given by company executives, offers a global vision of the company's business to its professionals.

In addition, and depending on the type of work carried out by the

new employee, a training plan has been designed in areas related to operations, maintenance and administrative management.

The company's face-to-face training is offered at the Enagás Training School where over 10% of the workforce participate as trainers in different programmes. This face-to-face training in the classroom and in the workplace is complemented by e-learning, mobile training, communities of practice, etc.

Enagás assesses the satisfaction of professionals who have received training, which in 2018 averaged 8.9 out of 10.

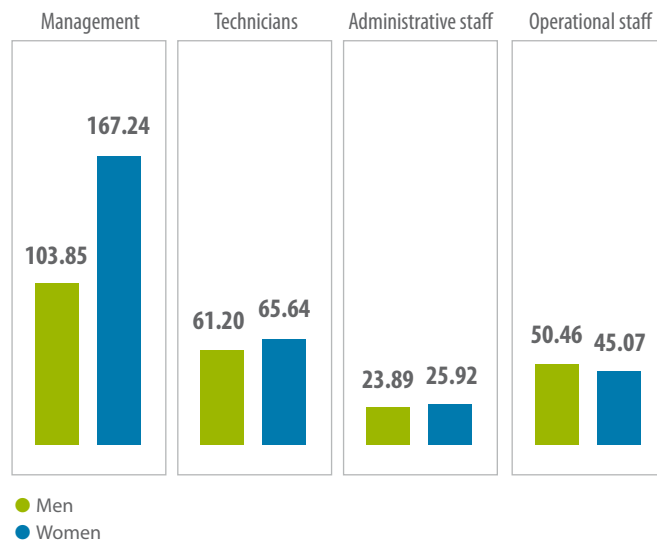
Diversity

The corporate directives concerning diversity and equal opportunities define the principles by which Enagás frames its actions in this area.

These principles include the integration of diversity in the main human resources processes such as access to employment, personal progress and professional development and promotion. It also reflects the company's commitment to the promotion of policies and measures to enhance work-life balance and the personal life of its professionals. In the same way, Enagás extends this commitment to all its stakeholders, paying special attention to suppliers and contractors as indispensable partners in achieving the company's business objectives (see the '[Supply chain](#)' chapter).

To achieve this commitment, Enagás, aware of the wealth that the combination of knowledge, abilities and different experiences brings to the organisation, bases its diversity management strategy on the following aspects:

Hours' training received by employee, category and gender [GRI 404-1]



04/2018

Representatives of Kuwait Integrated Petroleum Industries Company (KIPIC) attended a training session at Enagás on the management, operation and maintenance of regasification plants.

2,721
training courses given



Consult the [Corporate directives concerning diversity and equal opportunities on our company website](#)



Gender diversity



Generational diversity



Functional diversity



Cultural diversity

In the area of **gender diversity**, Enagás guarantees equal opportunities for men and women.

To this end, it has an Equality Plan that sets out a framework for action to promote effective equality, equity, merit, personal progress, work-life balance, and co-responsibility among all professionals.

Enagás promotes measures aimed at increasing women's participation in positions of responsibility via the Talented Women Development Programme, participation in the Promociona Project, or the mentoring initiative promoted by the Chairman of the company. This aims to foster the sharing, development and integration of experiences that showcase the role of women in decision-making positions in different spheres of life.

In addition, Enagás is working with Junior Achievement by participating in objectives aimed at promoting women's education in STEM careers and reducing the early school drop-out rate in Spain.

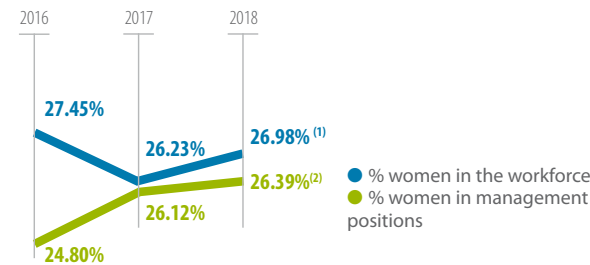
03/2018

The Enagás Women Directors working group meets on International Women's Day. During the meeting, the company's female directors reviewed the existing measures regarding gender equality and the commitments adopted for 2018.

06/2018

Enagás joins the global gender diversity campaign **Equal by 30**. This initiative is aimed at getting companies and governments to help speed up the incorporation of women into the clean energy sector before 2030

Evolution of women in the workforce and in management positions [GRI 102-8, GRI 405-1]



⁽¹⁾ 27.73% Spain and 19.38% Chile

⁽²⁾ 27.21% Spain and 12.50% Chile



The Enagás remuneration model factors in considerations of equality and non-discrimination, establishing differences due solely to the worker's position in the organisation and professional experience. Furthermore, the Enagás Collective

Bargaining Agreement sets out different salary levels based exclusively upon objective work criteria. The minimum salary for an Enagás employee is more that double the minimum inter-professional salary in Spain and Chile. [\[GRI 202-1\]](#)

In Chile, the ratio between the base salaries of female and male managers is 0.79; for technicians it is 0.84. As in the case of Spain, the lower ratio in the technical category is due to the greater average age of men compared to women in that category. In the case of the operators category, there is only one woman, whose position is at operator entry level (junior) and the ratio is therefore 0.36. Finally, the category of administrative officers includes qualified jobs fully occupied by women (secretaries) and unskilled jobs occupied entirely by men (couriers), so that the ratio is not relevant.

In 2018, the average compensation of employees in Spain rose 5.4% over 2017 levels.

In terms of **generational diversity**, the company is a partner of the Generation and Talent Observatory which encourages innovation and promotes active policies of generational diversity based on values and ethics. Enagás has sponsored and collaborated with the 'Generational diversity diagnostics: intergenerational talent analysis at companies', a report that aims to identify generational abilities by assessing the values, circumstances, knowledge and abilities of different generations.

Relationship between the base salary of men and women by age and job category [\[GRI-405-2\]](#)

	Management*	Technicians	Administrative staff	Operational staff
Base salary***	<=35 years	0.79**	1.02	1.23**
	36-55 years	0.95	1.05	1.00
	> 55 years	1.18	0.98	1.08
	TOTAL	0.94	0.98	0.99

There are no women in this category

* General managers/members of the management committee are not included in the management category.

** Unrepresentative data, as there are less than 3 employees in this category for one of the genders.

*** Data regarding the employees of the Quintero LNG Plant in Chile has not been included.

Remuneration by age, gender and job category [\[GRI 405-2\]](#)

	Management*		Technicians		Administrative staff		Operational staff		
	Women	Men	Women	Men	Women	Men	Women	Men	
Remuneration***	<=35 years	76,817**	102,184	46,887	47,680	32,099	26,309**	37,432	41,084
	36-55 years	111,351	117,990	58,494	59,581	38,662	38,862	42,759	47,240
	> 55 years	166,269**	134,428	63,178	67,331	47,798	45,370	There are no employees in this category	
	TOTAL	110,947	119,139	53,979	58,986	40,188	42,552	40,629	47,373

* General managers / members of the management committee are not included in the management category.

** Unrepresentative data, as there are less than 3 employees in this category. Data regarding the employees of the Quintero LNG Plant in Chile has not been included.

*** This includes: variable remuneration, per diems, compensation, long-term savings plans and other benefits. Data regarding the employees of the Quintero LNG Plant in Chile has not been included.

Number of employees by age and job category [GRI 405-1]

	<=35 years		36-55 years		> 55 years		TOTAL
	People	%	People	%	People	%	
Management	6	4.2%	120	83.3%	18	12.5%	144
Technicians	193	26.1%	449	60.7%	98	13.2%	740
Administrative staff	13	10.6%	75	61.0%	35	28.4%	123
Operational staff	113	25.6%	263	59.5%	66	14.9%	442
Total	325	22.4%	907	62.6%	217	15.0%	1,449

05/2018

Enagás, present at the second annual *Generation Wars* event organised by the Generation and Talent Observatory. This observatory is a body for research, analysis and training on generational diversity and its impact on the socio-economic and workplace reality at organisations.

As to **diversity of abilities**, Enagás is working to promote the social inclusion of people with disabilities. This has included direct hires (10 people on staff) as well as indirect job creation for people with serious disabilities through partnership agreements with special employment centres and foundations, not to mention corporate volunteering initiatives (see the '[Social Investment](#)' chapter), and measures taken to increase disability awareness and training.

In addition, Enagás has taken action to improve accessibility for people with disabilities, such as the progressive elimination of architectural barriers at our facilities and the 'AA' accessibility level of our company website.



"Equality at Work"
acolade since
2010



Bequal Seal for
the company's
commitment to the
inclusion of people
with disabilities



Adherence to the
Diversity Charter
(plurality at the
company)

Signing of a collaboration agreement with the Capacis Foundation for the development of training practices at the Enagás facilities for young people with disabilities.

Work-life balance [GRI 201-3, GRI 401-2]

For Enagás, work-life balance means reconciling employees' needs and interests with those of the company.

Enagás has been a certified Family Responsible Company since 2007. It has 102 reconciliation measures that favour the professional and personal development of every employee; these also help to balance the different dimensions of each person's life and meet their social and health-care needs as well as those of their immediate family.



Family Responsible Company, Proactive
B+ status

09/2018

Enagás has made a Flexible Remuneration Plan available to its professionals at the company, who can use it to optimise their respective compensation package according to their personal preferences and family needs at the time.

Some of the relevant measures available to our employees are as follows:

Family

Study support for employees' children.

80% subsidy on special schooling expenses for employees who have children with disabilities.

'Día sin Cole' (No School Day) programme and subsidised urban summer camps for employees' children on workdays throughout the school year.

Alares Family Support Programme:

- 'miAsistente' (myAssistant) personal manager, which takes care of all necessary day-to-day procedures and information.
- Free handling of diverse procedures in connection to vehicles, maternity and paternity, licences, certificates and reports.
- Free service for selecting domestic helpers and healthcare personnel.
- Services for making online wills and living wills, expert legal advice, signings before a notary public and registrations.
- Specialised treatment and home help service in the event of convalescence, illness or accident.

Flexible Remuneration Plan: includes health insurance, childcare, travel card and training.

Work flexibility

Flexibility in start times and lunch break.

Shorter workday during the summer and every Friday throughout the year.

Division of annual leave into a maximum of three periods.

Flexible working (telecommuting)*

*For all non-agreement positions compatible with this type of work.

Health and well-being

Annual medical check-up and flu vaccine campaigns.

90% subsidy on the cost of private medical healthcare insurance for employees and 100% for their children. Medical cover on international trips.

Meal subsidies (canteens, financial aid, restaurant vouchers).

Access to a programme of discounts and exclusive prices on a wide range of online products, services and leisure.

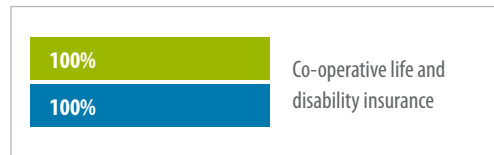
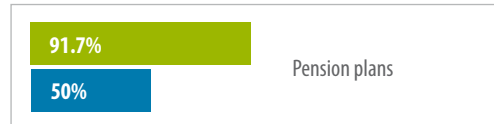
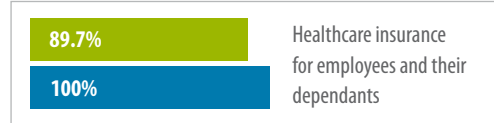
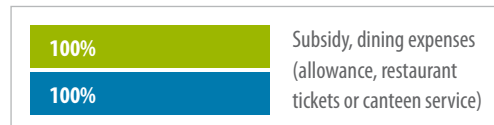
Pension plans for employees with two years' effective or recognised service.

Healthy eating corner at head office.

Help towards sports activities.

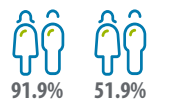
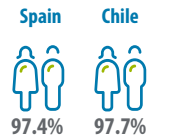
Social benefits most used by employees [GRI 201-3, GRI 401-2]

% Costs borne by the company



● Spain
● Chile

% of workforce taking advantage of benefits



(*) Social benefit for newly recruited employees, with less than two years' service. Subsequently, this benefit was included in the Pension Plan.

Additionally, Enagás improves and extends paid leave beyond the provisions of current labour regulations (birth of a child, lactation or death of a close relative, special circumstances, etc.). [GRI 401-3]



*Total number of employees who have returned from parental leave/total number of employees who were scheduled to return to work following parental leave.

**Total number of employees retained 12 months after returning to work following parental leave/number of employees who returned to work the previous year

Collective bargaining [GRI 102-41]

Enagás has collective bargaining agreements in Spain and Chile. In addition, the company also enters into collective bargaining (in 2018, an agreement on measures regarding gender-based violence was signed) and carries out regular consultations with authorised representatives of the employees regarding working conditions, remuneration, dispute resolution, internal relations and issues of mutual concern.

Percentage of employees covered by collective bargaining by job category and country

	Technicians	Administrative staff	Operational staff	TOTAL
Spain	31.0%	87.7%	100.0%	52.9%
Chile	1.8%	33.3%	91.1%	42.6%
TOTAL	28.8%	83.7%	98.9%	52.0%

Satisfaction and motivation of professionals [GRI 102-21]

Enagás conducts workplace climate surveys in Spain every two years. In 2018, the most recent workplace climate survey was carried out. 65% of employees participated, and overall employee satisfaction was 82%. The level of commitment also improved, rising to 88%.

In conclusion, particularly notable were the high scores professionals gave to the closeness between managers and teams, a sense of integration within the working teams and the work-life balance/social benefits programmes as a form of non-salary compensation.

In 2018, Enagás received the Top Employer certification for the ninth consecutive year.



5.5

Safety and health

[GRI 103-1, GRI 103-2, GRI 103-3]

Safety and health is one of the material aspects for Enagás, as is reflected in the Company's Safety & Health, Environment and Quality Policy. From an overall safety perspective, the company seeks the involvement of leaders and the development of a behavioural model for safety and health that guarantees the operation and maintenance of the facilities, processes and equipment, in safe conditions, so that people can carry out their work in optimal safety and health conditions.

The key aspects that we address in our approach to overall safety are the management of occupational risk prevention, including road safety, crisis and emergency management, information security and the health of professionals.

Sustainable Management Plan

2018 main lines

- Preparation of the structure of the Safety and health Management System by country for affiliates with Enagás majority control.
- Evaluation of psychosocial factors.
- Extension of the corporate website's SO/IEC 27001 certification to the set of applications and services that make up the Third-Party Network Access Logistics System (SL-ATR, MS-ATR, Orion, etc.) and the industrial control systems at Enagás Compression Stations.
- Adaptation to the new Organic Data Protection Law (LOPD).
- Execution of Road Safety campaigns.

2019 lines

- Psycho-social Project: Psycho-social risk assessment and completion of stress management workshop by all personnel.
- Collection, analysis, prioritisation and implementation of action items resulting from the Pilot Project - Culture in safety and health.
- Digitalisation of the regular vehicle check process.

1.11

lost time injury severity rate (own staff + contractors) [GRI 403-9]

100%

of activity certified under OHSAS 18001 [GRI 403-1]

1.44

lost time injury frequency rate (own staff + contractors)[GRI 403-9]

18,002

training hours in safety and health [GRI 403-5]

3.10%

rate of absenteeism[GRI 403-9]

Safety and Health Management

The Integrated Safety, Health, Environment and Quality System of the Enagás Group is certified under OHSAS 18001 and has procedures and systems that seek to prevent injuries and illnesses caused by working conditions in addition to the protection and health promotion of employees. This certification covers 100% of the professionals and contractors that work at Enagás infrastructure facilities. [\[GRI 403-1, GRI 403-7, GRI 403-8\]](#)

In addition, this system includes the Road Traffic Safety Management System, certified in 2017 according to ISO39001. On this topic, the company has a Mobility and Road Safety Plan, a corporate directives in connection with Road Safety, a vehicle use protocol, a Sustainable and Safe Fleet Management Handbook and a Road Safety Best Practices Guide.

Enagás promotes safety throughout its supply chain and requires OHSAS 18001 certification in occupational risks as part of its approval process for suppliers of certain families of products or services. Furthermore, in order to guarantee the coordination of business activities, the company has the Enagás Contractor Access System (SACE) to manage the safety of its suppliers, contractors and the whole subcontracting chain. [\[GRI 403-7\]](#)

This system offers contractors the operating safety procedures applicable to the risks involved in the works they perform.

Employees and contractors have access to various channels through which they can participate and consult about the operation, implementation and assessment of the management system. These include the bulletin board, staff letter, form, internal memo, informational pamphlet, poster and/or electronic communications, as well as any other method that can be documented and guarantees receipt by the intended recipient.

Enagás has various employee representative bodies where employees exercise their participation and consultation rights. Different committees comprise safety and health officers and management representatives. The Safety and Health Committee¹ meets every three months, while the Group and Enagás Transporte SAU Intercentre Safety and Health Committees meet with a frequency set out in the Collective Bargaining Agreement. On the Intranet there is also a suggestion box available to all Enagás employees. [\[GRI 403-4\]](#)

Awareness

In 2018, a total of 18,002 hours of safety and health training were provided for company employees. [\[GRI 403-5\]](#)

Safety and Health training is key part of any preventative action to improve worker protection from the hazards present in daily operations. This is why Enagás has designed a training schedule for all different job profiles at the company that sets out the specific training activities needed for each risk group. These actions include a training workshops on stress management aimed at all professionals at the company.

During 2018, 60 awareness-raising campaigns were carried out, most aimed at promoting the physical and mental well-being of Enagás workers through the development of activities that favour a healthy diet, promote regular physical activity and help improve general health.

In addition, 11 informative chats have been carried out regarding safety and health in various contexts: road safety, safety at home, children's emergencies, how to react to seizures, donation and skin cancer prevention. [\[GRI 403-6\]](#)

¹The Safety and health Committees are statutorily established for centres with more than 50 workers. In centres with fewer than 50 workers in which there is a Prevention Delegate, safety and health meetings are held regularly.

Enagás is also providing training to all its contractors through the SACE platform. This training is complementary to the in-person chats at infrastructure facilities where particularly hazardous work may be carried out. 3,658 hours of training were provided to contractors through the SACE platform, which is equivalent to 1,829 training courses. [\[GRI 403-5\]](#)

06/2018

For World Road Safety Day on 10 June, the company held various activities to raise awareness of this topic among Enagás professionals.

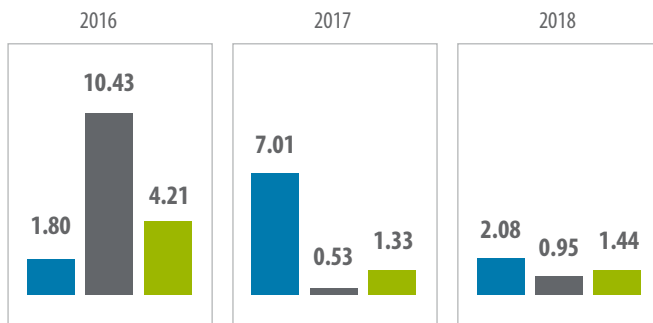


Consult the [Safety and health, environment and quality policy](#) as well as the [Corporate directives in connection with major accident prevention](#) and the [Corporate directives in connection with Road Safety on the corporate website](#)

Safety and health indicators [GRI 403-9]

Lost time injury frequency rate

Number of accidents causing injuries and sick leave per million hours worked. (Number of accidents leading to sick leave x 10⁶ / number of hours worked).



- Lost time injury frequency rate (own staff)
- Lost time injury frequency rate (contractor staff)
- Lost time injury frequency rate (own staff + contractor staff)

In Chile, there were no accidents involving own staff in 2018.

In 2018, there were 5 accidents resulting in sick leave among own staff in Spain. All these accidents were suffered by men and were caused by unsafe behaviour, strain or postural/ergonomic issues or tools and equipment.

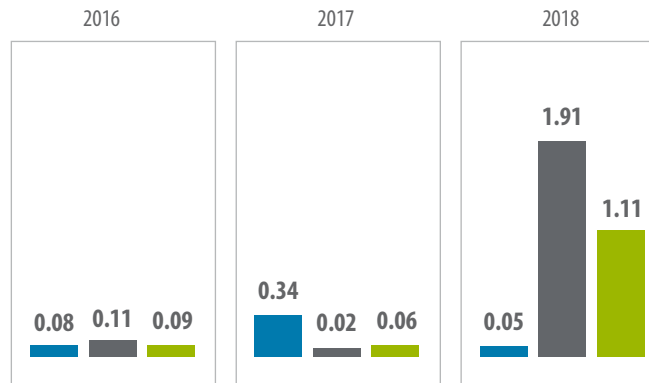
As regards reported workplace injuries, the rate per million hours worked is 9.98 for own staff and 3.47 for contractors.

At the Quintero LNG regasification plant in Chile, there was a fatal accident involving a contractor that occurred while maintenance work was being carried out on the seawater intake tower. Two investigations - one internal and another external, performed

by ABS Consulting - concluded that the death of the diving supervisor was due to negligence by the victim. This accident led to an update of the Underwater Activities Procedures, the HSSE Standards for high-risk activities and the risk matrix. Maintenance tasks for the seawater intake have been optimised and a protective structure has been installed on the seawater intake. Likewise, the work permitting system and contractor administrator training have been strengthened. In July 2018, the Cerdá Institute carried out a post-crisis analysis that resulted in a report with recommendations upon which we are now working.

Lost time injury severity rate

Number of days lost due to accidents per thousand hours worked. (Number of working days lost x 10³ / number of hours worked).

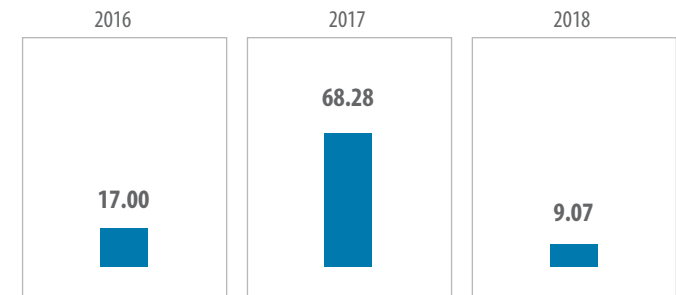


- Lost time injury severity rate (own staff)
- Lost time injury severity rate (contractor staff)
- Lost time injury severity rate (own staff + contractor staff)

In Chile, no working day was lost among own staff in 2018. 6,000 working days were considered lost by contractors due to the death of a contractor.

Lost day rate

Total cases with lost days (own staff) / Total hours worked per 200,000

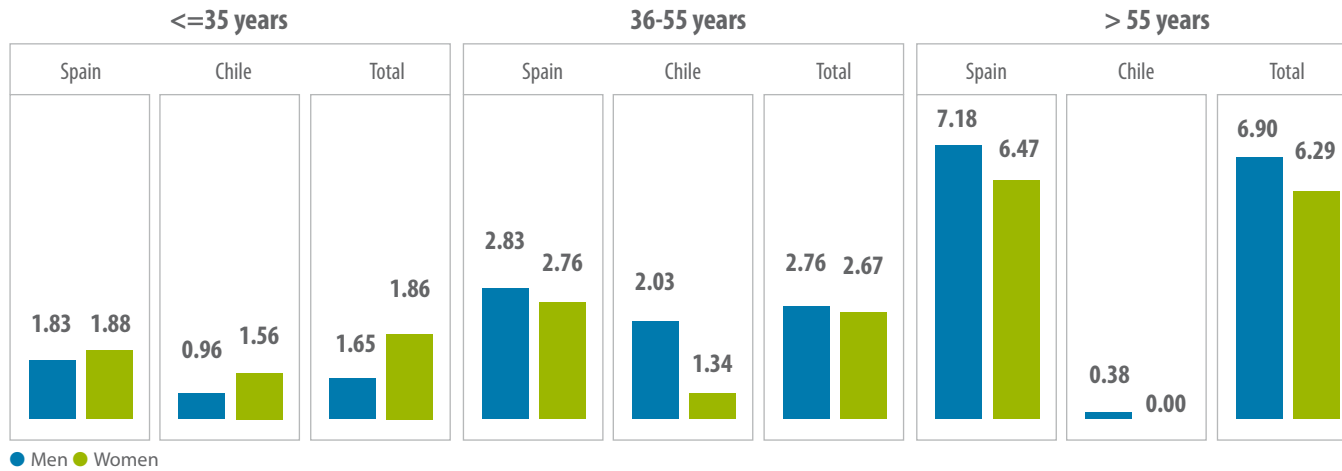


In Chile, no working day was lost in 2018.

100% of professionals and contractors working at Enagás infrastructure facilities are covered by a OHSAS 18001 certification [GRI 403-8]

Absenteeism rate by gender, age and country [GRI 403-9]

Absenteeism hours x 100 / Theoretical hours (collective workforce x 1,682)



Occupational illnesses [GRI 403-10]

Through its evaluation systems for safety and health-related risks, Enagás has not identified workers at risk of work-related diseases.

Risk assessments and incident response

Enagás has procedures in place to identify occupational risks and risk analysis, such as: [GRI 403-2]

- An internal procedure for risk assessment using a method based on the Simplified Accident Risk Assessment System from the National Occupational Safety and Hygiene Institute, which is used for both routine and exceptional work. In the latter case, the method is linked to special operating instructions.

This method allows the magnitude of the existing risks to be assessed and sets the order of priority for addressing them.

- HAZOP (Hazard and Operability study) procedures and methodologies: this method is a risk analysis and operability technique that allows potential and operational risks created by systems operating outside their design conditions to be identified. Similar is the 'What If' procedure, a technique that provides a way of identifying potential hazards with ease, assessing the significance of the hazards and the suitability level of existing safeguards. Both are for industrial hazards.
- Safety inspections (planned observations and security visits) and work permits are other methods linked to procedures.

Enagás has an internal procedure for reporting workplace hazards or dangerous situations. There are many channels, including Safety and Health Committees and meetings, worker representatives, an electronic mailbox available to all professionals and coordination meetings with contractors.

If a situation involving an imminent, serious risk is identified, professionals are obligated to stop working, remain in a safe location and notify their direct supervisor of the situation.

Enagás has a procedure for action, notification, investigation and statistical incident analysis (including accidents resulting in sick leave, not resulting in sick leave, severe and multiple, as well as incidents).

If the following circumstances arise, a specialised investigation is carried out through a specific register:

- Incidents with a risk score above a specific level, established according to the method included in the procedure.
- By request of the Inter-Centre Safety and Health Committee and/or the Safety and Health Committee of the facility, the chain of command or the Prevention Service.
- Serious or deadly accidents.
- Serious accidents according to RD 840/2015.

Following the investigation, a report is produced including the causes of the incident, the potential risk assessment, the corrective actions identified, the persons responsible for carrying out and monitoring the corrective measures (including those that affect the risk assessment review or changes to the management system), as well as resources and timelines. [GRI 403-2]



[Consult the General Policy on Comprehensive Security at Strategic Infrastructures on our corporate website](#)

Crisis and emergencies management

Enagás has a stakeholders map for managing crises affecting infrastructures so that, in a hypothetical crisis situation, all key people as well as the channels and issues can be identified.

Enagás also has different procedures in place to respond to incidents in information systems, which include roles and responsibilities, steps to take to restore the operability of equipment and systems, recovery times, etc.

Enagás also has a company Crisis Manual for quick and effective incident management, and has established numerous action committees to control incidents depending on the degree of severity and resulting consequences.

05/2018

Enagás participated in a new natural disaster simulation organised by the Spanish Military Emergency Unit (UME). The exercise sought to increase the preparation of specialised services and the 3,500 participants to act in a simulation of hazards created by an earthquake, such as failures in essential supply lines.

Information security

Enagás has a cybersecurity policy approved by the Board of Directors and targeted at efficiently managing the security of information processed by the company's IT systems, as well as the assets involved in these processes.

The Enagás security management model is applicable to cybersecurity and is based on international and national regulations, in order to provide, through all means within its reach and in proportion to the threats detected, the resources required so that the organisation has an environment that is aligned with the established business and cybersecurity targets.

Additionally, as enhanced protection for the critical infrastructures operated by Enagás, a General Policy on Comprehensive Security at Strategic Infrastructures has been defined in which the processes of physical and logical security have been combined for compliance with the law governing the protection of critical infrastructure (LPIC).

In 2018, various projects focused on reinforcing cybersecurity for industrial control systems were carried out as part of a system of continuous improvement. Enagás has worked with leading companies in the cybersecurity sector to implement and then audit its systems. It has obtained very satisfactory results in terms of the level of protection secured.

Enagás has been deploying its cybersecurity and awareness training strategy, reaching all staff and carrying out a number of in-person and online activities intended to improve employee ability to detect and react to threats. In its commitment to continuous improvement, Enagás has expanded the scope of its ISO/IEC 27001:2013 certification to Enagás GTS' commercial systems and the gas network operation and control systems of Enagás Transporte.



[Consult the Cybersecurity Policy on the corporate website](#)

Cybersecurity incidents

As in previous years, Enagás IT systems were not subjected to any successful attacks in 2018.

In 2018, a technical simulation of a cyberattack on a piece of technological infrastructure was carried out, implementing the crisis management manual and the various relevant committees.

A healthy company [GRI 403-3]

Enagás has received the Healthy Workplace certification. The Integrated Healthy Management System encompasses aspects and information regarding the physical working environment, psycho-social environment, personal health resources and community participation.

At Enagás, all risks with health impacts are assessed, and there are associated medical protocols to prevent and/or mitigate these impacts. [GRI 403-7]

In addition, there is an agreement with an external prevention service to provide coverage to the occupational medicine and health monitoring speciality at all centres. Enagás headquarters has a doctor and a qualified workplace nurse to provide primary assistance to own employees and contractors. At the Gaviota platform, there is a qualified workplace nurse. Enagás also offers its employees private health insurance at a subsidised rate, and a physiotherapy service is offered for shift workers at regasification plants. [GRI 403-6]

Updates to the medical service

Besides the specific medical check-up for each position, Enagás also carries out basic analytics, a cholesterol breakdown, prostate cancer check-ups for men over 45 years of age and an electrocardiogram. In 2018, a colon cancer diagnostic test was added. This year, Enagás also carried out a programme to

encourage professionals to gather the necessary knowledge to make them into promoters of their own health.

- 744 medical consultations of Enagás staff plus 80 of external personnel.
- 295 cases of vaccinations against flu, hepatitis A and B, and typhoid.
- 1,165 health examinations.
- 1,009 examinations for high blood pressure and cardiovascular risk (including 85 blood tests and 43 blood pressure measurements in the medical service, both at specific times and in follow-up).
- 522 tests of early diagnosis of prostate cancer.
- 219 tests of early diagnosis of colon cancer.

To promote a healthy lifestyle among employees, Enagás has made healthy, natural food available to professionals at its headquarters and facility canteens. It also encourages exercise through programmes like 'En Forma' (In Shape), as well as a locker rooms, showers and bicycle parking.

In 2018, Enagás joined the Médico Mentor (Medical Mentor) programme, the corporate health and well-being programme aimed at turning company professionals into promoters of their own health. [GRI 403-6]

04/2018

Enagás receives the NAOS Strategy Prize in the Workplace for its *Hello Health!* project, a prize that highlights the company's commitment to promoting healthy habits such as healthy eating and exercise among professionals.



5.6

Natural capital management

[GRI 103-1, GRI 103-2, GRI 103-3]

Natural capital management is one of the key areas for Enagás, as is reflected in the company's safety and health, environment and quality policy. The control and minimization of our impacts on the environment produces direct internal benefits by improving the use of resources, ensuring the sustainability of our business and generating confidence in our stakeholders.

The key aspects that we address in our environmental management model are the environmental management system, the analysis of environmental impacts through the evaluation of environmental aspects (atmospheric emissions, control of spillages and waste, noise control, water management and biodiversity) and environmental impact studies.

Sustainable Management Plan

2018 main lines

- Preparation of the environmental performance report of the facilities.
- Installation of a desalination plant to provide water for fire fighting instead of using drinking water at the Barcelona regasification plant.
- Control and optimization of network water consumption in the Barcelona and Cartagena Plants through the installation of flow meters.
- Reduction of seawater consumption at the Cartagena plant through the use of compressors in seawater vaporisers.
- Creation and execution of a plan to disseminate information regarding the environment.

2019 lines

- Update of waste management model.
- Raise awareness among contractors and Enagás professionals about sorting and recycling waste.
- Materiality analysis of environmental aspects in the facilities.
- Analysis of results of water consumption reduction actions implemented in some plants for the possible extension of these actions to the rest of the plants.
- Dissemination of environmental information actions.

100%

of activity certified in accordance with ISO 14001

77,810 m³

of water consumption [GRI 303-5]

948 t

of NOx [GRI 305-7]

4,409 t

of waste generated [GRI 306-2]

16 t

of SOx [GRI 305-7]

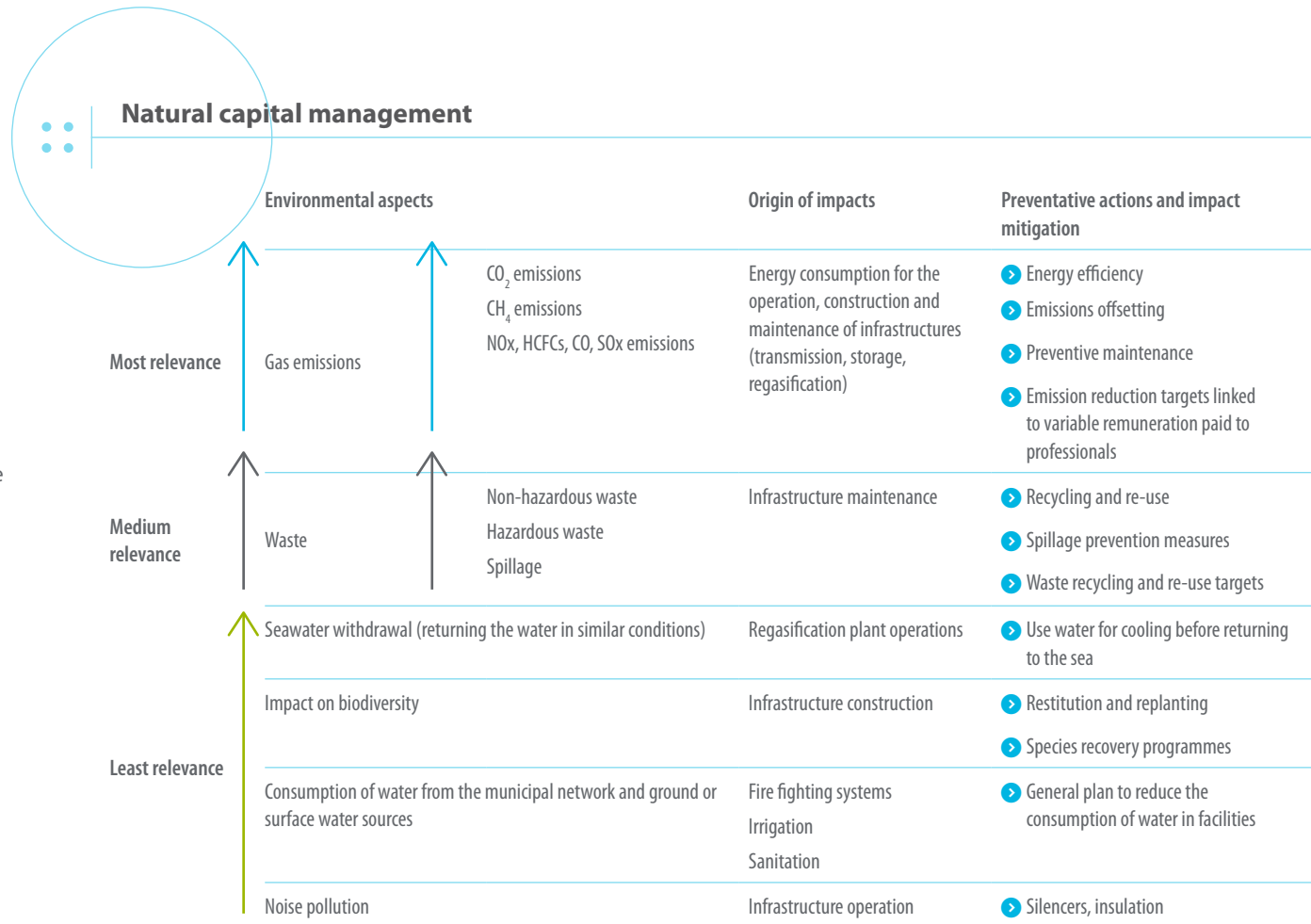
40 t

of CO [GRI 305-7]

Natural capital management model

Enagás studies the environmental impact of all its construction, operation and maintenance activities by means of environmental assessments. What is more, for infrastructure construction projects, and based on their type and on applicable regulations, environmental impact studies are carried out which include both the impacts themselves and the measures taken to mitigate them, while also establishing stakeholder consultation procedures (see the chapter on ['Local communities'](#)).

The most relevant environmental aspects for Enagás are gas emissions, particularly greenhouse gases. Other environmental aspects are, by order of relevance, waste generation, seawater withdrawal, impact on biodiversity, water consumption and noise pollution. For each of these aspects, ordered by relevance, their origin is shown as well as the main actions Enagás carries out to prevent and reduce them.



Environmental management system and environmental risk assessment

Enagás undertakes its environmental commitments (as outlined in the Safety and health, Environment and Quality Policy) via its Environmental Management System. 100% of Enagás activity is ISO 14001 certified.

Furthermore, the Serrablo and Yela storage facilities and the Huelva and Barcelona regasification plants are EMAS certified.



Consult the [Safety and health, Environment and Quality Policy on the corporate website](#)

03/2018

Enagás' Head Office, located in Paseo de los Olmos 19, has been awarded the LEED (Leadership in Energy & Environmental Design) Gold certification for sustainable building by the United States Green Building Council. This acknowledgement certifies that the building is an environmentally responsible, healthy and productive space.

In 2018, environmental risk assessments for accidental scenarios that could cause environmental damage in plants, underground storage facilities and compression stations were updated in accordance with Law 26/2007. The economic impacts of said risks were also updated. As a result of these assessments, in all of the installations, except Serrablo and Yela underground storage facilities, the establishment of a financial guarantee was not required. In these storage facilities the main risk scenario is fire, which would affect wildlife species and habitats.

For the remaining facilities, the most likely types of accidental risks are fires and discharge. In a significant number of infrastructures, the costs of environmental damage arising from said risks do not require the establishment of a financial guarantee. Furthermore, having an Environmental Management System certified by ISO 14001 and EMAS guarantees the proper management of the activities that could lead to an accidental scenario.

However, to guarantee cover for possible environmental damage caused by its activity, Enagás has an insurance policy that covers both this damage and resulting repair costs.

Environmental monitoring is carried out through environmental audits of works, environmental surveillance, assessments of legal compliance in all installations and monitoring of environmental indicators and improvement plans. In 2018, environmental monitoring was carried out on 124 km of gas pipeline.

Circular economy

Enagás has signed the Circular Economy Agreement and has made the following commitments which are already being worked on:

1) Promotion of a responsible consumption model that includes the use of sustainable products and services and lower use of non-renewable natural resources.

Energy efficiency: Enagás' energy efficiency and emissions reduction plan includes measures aimed at reducing the consumption of natural gas and electricity as well as the self-generation of energy (see '[Climate Change and Energy Efficiency](#)' chapter).

Use of cooling: Enagás has implemented a project to make use of the cooling properties of liquefied natural gas (LNG) in the Huelva regasification plant. Through this project the residual cooling resulting from the plant's regasification process is transferred to refrigeration facilities. Therefore, a freezing service for sustainable products is provided, with an energy saving of over 50% in energy costs and a reduction in the carbon footprint of 90%.

2) Promoting guidelines to increase process innovation and efficiency.

Renewable gases: At Enagás we are promoting the development of non-electric renewable energies, like biogas/ biomethane and hydrogen, as well as the development of new services and uses for natural gas (see '[Our project for the](#)

[future](#)' chapters), as these are key new energy solutions in the energy transition process. The use of biogas/biomethane fosters the development of a circular economy as it involves properly recovering solid waste from cities, wastewater, and waste from animal agriculture, farming and forestry. In Spain there is already a waste treatment centre at Valdemingómez (Madrid) which is connected to Enagás' pipeline network and we are working on new projects along the same line (see '[Vision of the Future](#)'/'[Renewable gases](#)' chapters). Renewable hydrogen is positioning itself as a new, comprehensive energy vector, given that it can be used to store surplus electrical energy from renewable sources, can be transformed into different forms of energy (electricity, synthetic gas and heat) and can be used in multiple applications. At Enagás, we are promoting different initiatives to make the use and application of renewable hydrogen a reality.

3) Empowering the principle of waste hierarchy, promoting the prevention of its generation, promoting reuse and recycling and promoting its traceability.

Recycling and re-use of waste: Waste generated by Enagás is managed by an authorised waste management company. Enagás requires that this waste management company re-uses/recycles a minimum percentage (95%) of the total waste managed; this requirement is stipulated in the contract and non-compliance would result in a penalty. Furthermore, Enagás has an agreement with the association 'Otro Tiempo' that promotes the recycling of coffee capsules at Enagás' headquarters, while also providing work for women at risk of social exclusion.

Re-use: Every year, Enagás donates IT equipment and mobile devices that are no longer in use (see '[Local communities](#)' chapter).

4) Promoting analysis of the product life cycles (incorporating ecodesign criteria, making repair possible and prolonging service life).

Ecodesign: Enagás has started applying ecodesign criteria to its construction works, such as those carried out in Gaviota underground storage facility, which were certified under ecodesign regulation (ISO 14006:2011).

Extending useful life: The company extends the useful life of oils and lubricants used in the equipment of its facilities by cleaning and filtering these products.

5) Raising awareness on the importance of moving towards a circular economy.

Training: Enagás has started introducing the concept of circular economy in environmental training courses.

Awareness: The company is working on a campaign for contractors and Enagás professionals about separating and managing waste.

Biodiversity protection

During the development of infrastructures, Enagás carries out activities aimed at protecting and preserving flora and fauna, thereby mitigating any impact on biodiversity. Such activities start with on-site reconnaissance before any work commences in order to check for the presence/absence of species along the route.

In addition, after the construction work, Enagás returns the affected areas to the way they were by reforesting the entire area.

In 2018, a number of construction projects were carried out using the corridors of other existing infrastructures and existing accesses to the work area were also used, thus reducing the damage to soil and waters. Likewise, during the repair works of the Lemona-Haro pipeline, 8,315 m² were replanted and restored to stabilise a hillside. During the works, comprehensive monitoring was carried out of the reproduction of a pair of Egyptian vultures*, with the aim of implementing, if necessary, measures to minimise the impact on the reproduction cycle of the pair. This thereby ensured that the pair of birds reproduced successfully.

[GRI 304-2, GRI 304-3, GRI 304-4, GRI OG4]

Water management [GRI 303-1]

At Enagás, we do not consume water in our production processes. The company has thus not stated significant aspects linked to water shortages in the yearly assessments that are conducted in line with the company's environmental management model.

The main withdrawal of water that Enagás carries out is that of seawater for use in floodwater and seawater vaporisers at regasification plants. This water is returned under the same conditions as those in which it is withdrawn (the temperature decrease is minimal and it does not affect the marine ecosystem). The volume of water taken is directly proportional to the quantity of gas regasified.

[GRI 303-3, GRI 303-4]

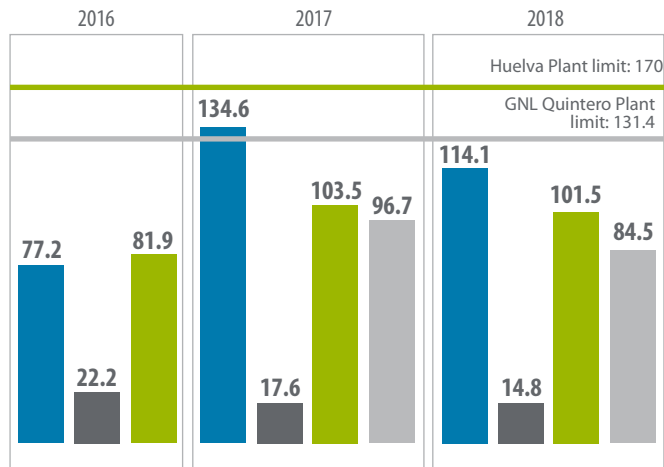
* Species listed in the 'Endangered' category of the Red Book of birds in Spain

Seawater withdrawn and returned to its source (hm³)

[GRI 303-3, GRI 303-4]

Barcelona Plant limit: 490.5

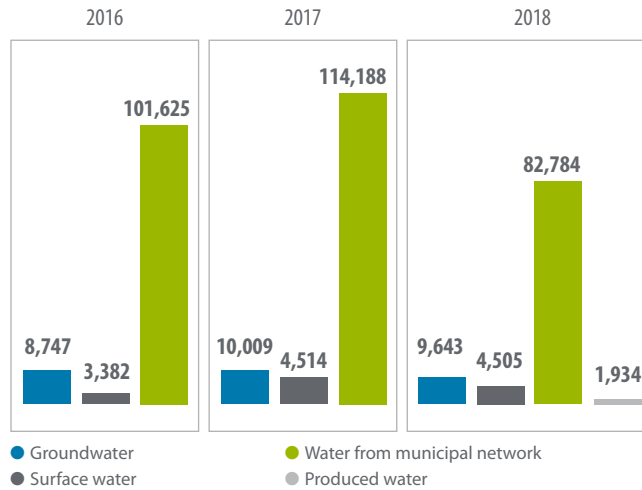
Cartagena Plant limit: 297.8



- Barcelona plant
- Cartagena plant
- Huelva plant
- GNL Quintero plant

Other water withdrawn from other sources (m³)

[GRI 303-3]



- Groundwater
- Surface water
- Water from municipal network
- Produced water

Additionally to the aforementioned seawater return carried out in regasification plants, Enagás carries out wastewater discharge that can be treated as urban waste. In 2018, 11,302 m³ of water was discharged into the public mains and 9,754 m³ of water into septic tanks or the sea. [GRI 303-2, GRI 303-4, GRI 306-1]

In 2018, 77,810 m³ of water was used mainly for sanitation, irrigation and fire fighting equipment, the latter representing only 0.02% of withdrawn water [GRI 303-5]. The company therefore has various measures aimed at reducing water consumption such as better techniques for irrigation and consumption of grey water.

In 2018, actions to reduce the consumption of seawater and water from the municipal network were implemented in some regasification plants, and in 2019 the possible extension of these actions to the rest of the plants will be analysed.

Enagás reports on its performance, risks and opportunities in the area of water through its participation in CPD Water.

Spillage and waste control [GRI 303-1]

In terms of spillage, the company has implemented preventative measures such as installing containment troughs and trays.

Accidental spillage in 2018 was: [GRI 306-3]

Accidental spills in 2018

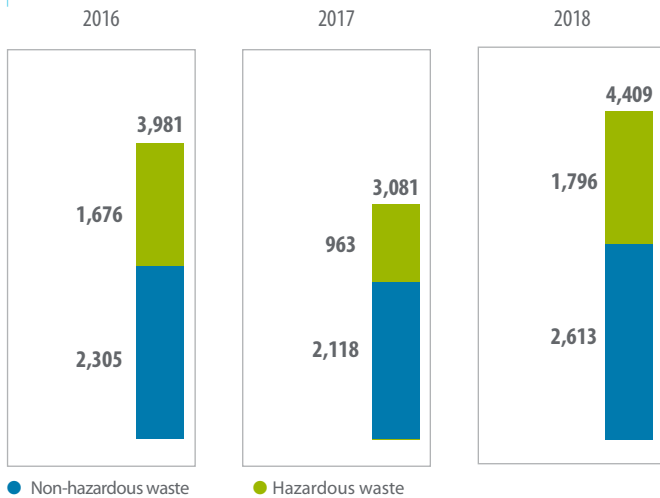
- 13 litres of diesel
- 236 litres of oils
- 0.1 litre of THT
- 5 litres of hypochlorite
- 515 litres of water with hydrocarbons
- 40 litres of sulphuric acid

Corrective actions include damage assessment, land decontamination and replenishment, removal and treatment by the waste manager and preparation of the incident report.

Enagás has implemented a system of segregation, management, storage and delivery to authorised managers of hazardous and non-hazardous waste. Enagás mainly generates waste through facility and equipment maintenance (activities that mainly depend on externalities, which accounts for the variability of the level of waste generated in 2018 compared to the previous

year). The company's objective is to recycle and re-use this waste wherever possible. The objective of treating (recycling/re-using) 95% of hazardous and non-hazardous waste has been established in the contract with the waste management company. [GRI 306-2]

Generated and managed waste (t) [GRI 306-2]



NB: The data for waste generated and managed in 2017 has been changed as compared to the Annual Report 2017 due to a typographical error [GRI 102-48]

78%
Enagás has recycled 78% of
the waste generated

Noise control

Noise at Enagás' facilities is produced by the operation of regulators, turbines, vaporisers and pumps. Every facility carries out regular environmental noise measurements around its perimeter, in line with the limits set out in municipal by-laws or legislation that is in force.

Enagás conducts annual noise measurement campaigns at its facilities in order to minimise noise pollution. In 2018, a total of 58 noise measurements were conducted at two regasification plants, two underground storage facilities, three compression stations and 51 positions. During 2018, actions were taken to minimize noise levels by installing silencers at 8 regulation and metering stations.

Atmospheric emission control

The main non-GHG emissions at our facilities are CO, SOx and NOx. These emissions are produced by the consumption of natural gas by the different equipment.

The energy efficiency measures and the objectives of reducing CO₂ emissions (see the chapter on '[Climate Change and Energy Efficiency](#)') are directly related to the reduction in these atmospheric emissions. [GRI 305-7]

Enagás carries out regulatory and voluntary atmospheric checks (self-checks) at all its combustion sites.

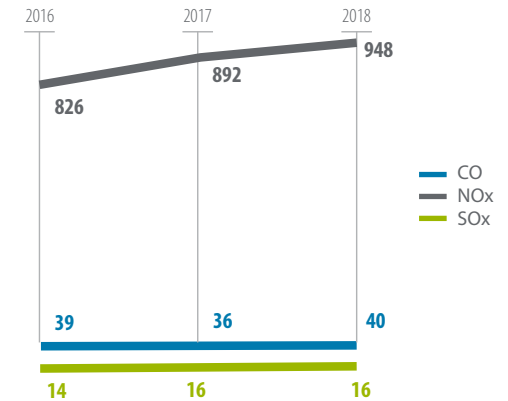
The control actions are as follows:

- Initial regulatory inspection (conducted by an authorised inspection organisation (AIO)).

- Annual TESTO check (carried out with their own resources (Analysing team and Enagás employees)).
- Periodic regulatory inspections.

Both the regulatory inspections and the internal TESTO checks are planned annually for every facility as part of the Atmospheric Monitoring Programme.

Non-GHG emissions (t)



5.7

Climate Change and Energy Efficiency

[GRI 103-1, GRI 103-2, GRI 103-3]

Improved energy efficiency and lower GHG emissions are major factors in reinforcing the vital role that natural gas will play in a low carbon economy as a key element for achieving sustainable, safe and efficient energy.

The most relevant aspects that we address in our climate change management model are public commitment and the setting of objectives, emissions reduction and compensation measures, as well as reporting on our performance and results, following TCFD recommendations.

Sustainable Management Plan

2018 main lines

- Definition of the energy management system ISO 50001 by type of facility.
- Setting short and long-term emissions reduction targets (science based).
- Evaluation of the most significant suppliers in terms of climate change.
- Review of economic quantifications of risks and opportunities arising from climate change (preparation of scenarios based on temperature increases - TCFD).
- Review of electricity supply contracts with the aim of increasing the percentage of electricity supplied with Guarantees of Origin to 40% in the facilities with the highest consumption.
- Extension of the LDAR campaign for the detection, quantification and repair of leaks to cover an increasing number of RMSs and gas pipeline network positions.

2019 lines

- Energy management system establishment and certification under ISO 50001.
- Plan to replace turbo-compressors with electric engine-driven compressors in critical Compression Stations.
- Active participation in reports, studies and research into the impacts of natural gas (GIE-Marcogaz, maritime transport, methane guiding principles, etc.).
- Annual LDAR campaigns for the detection, quantification and repair of gas leaks in regasification plants and storage facilities.

1,768 tCO_{2e}

avoided in 2018 through energy efficiency measures

5.6%

Reduction in electrical energy consumption in Spain (vs. 2017)

+7.4%

Electricity consumption generated from clean or efficient energy sources (vs. 2017)

324,352 tCO_{2e}

Greenhouse gas emissions (scopes 1 and 2)

276,175 tCO_{2e}

Scope 1 emissions [GRI 305-1]

48,177 tCO_{2e}

Scope 2 emissions [GRI 305-2]

Governance model for climate change management

At Enagás there is a governance structure led by the Board of Directors that supervises the company's climate change performance. The Appointments, Remuneration and CSR Committee, through the Sustainability Committee, approves and monitors the CO₂ emissions reduction targets linked to variable remuneration as well as initiatives that help achieve said reduction that are included in the Energy Efficiency and Emissions Reduction Plan.

Furthermore, the Audit and Compliance Committee supervises the efficiency of risk control and management systems and assesses the possible impact of climate change through the Risk Committee.

The Sustainability Committee is formed of the main Directorates of the company, among which is the Strategy function, that provides input for the identification of opportunities.

The Safety and Health, Environment and Quality Committee periodically assesses and manages issues related to climate change associated with business processes, impact assessment studies and the evaluation of environmental aspects.

There are also different working groups that report to the Sustainability Committee.

In terms of risk control and management, on the one hand business units are responsible for risk identification and measurement, the risk function controls and manages risks and the Internal Audit Department function supervises the efficiency of the established risk controls (see '[Risk management](#)' chapter).



Risk management and opportunities arising from climate change

[GRI 102-29, GRI 102-31, GRI 201-2]

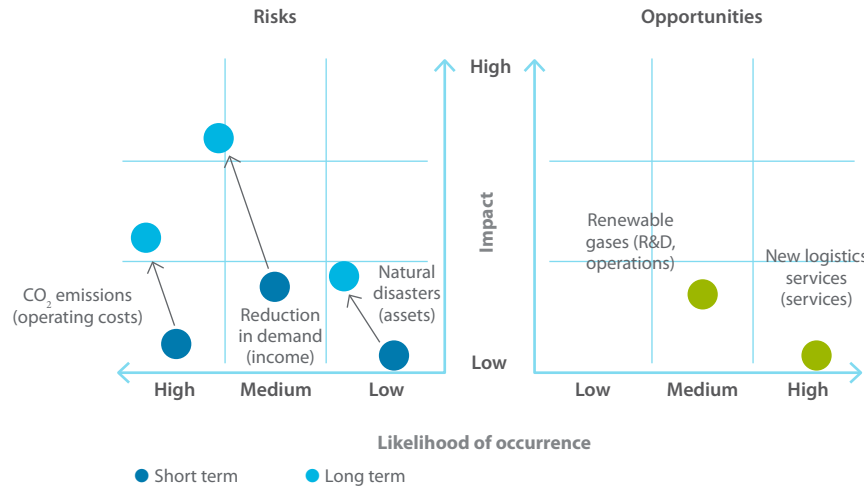
Risks derived from climate change are evaluated comprehensively in the Company's risk control and management model. In this way, risks related to factors such as policies and regulatory changes to encourage the use of renewable energies are identified and quantified, as well as the effect of temperature, the increase in the volume of emissions and the prices of CO₂ and/or the tax burden of CO₂ emissions.

The effects of these risks can be compensated by the opportunities the company has identified both in the field of renewable gas development and in new natural gas logistics services.

This has all been evaluated under three climatic scenarios, aligned with global temperature increases: a business as usual scenario with a 4°C temperature increase, a scenario with the 2°C increase committed to at the Paris Climate Summit, and the most extreme scenario with a 6°C global increase in temperature, which would thereby heighten physical risks (natural disasters).

Factors

- Policies and **regulatory changes** to encourage renewable energies
- **Temperature effect**
- Increase in **CO₂ prices**
- Increase in volume of emissions
- Increase of **emissions tax burden**
- Natural disasters or adverse meteorological conditions (floods, **landslides**, etc.)



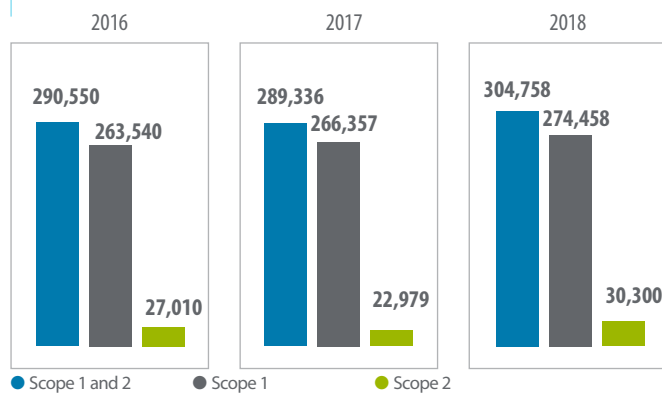
Risk	Control and management measures
Additional operation costs resulting from CO ₂ emissions	<ul style="list-style-type: none"> ● Short and long-term emissions reduction targets linked to variable remuneration ● Energy Efficiency and Emissions Reduction Plan ● Setting internal carbon prices ● Carbon offsetting programme
Reduction of natural gas demand	<ul style="list-style-type: none"> ● Promotion of new services and uses of natural gas in transportation by road, rail and sea and in the industrial and household sectors ● Promotion of the development of gas from renewable sources and hydrogen and their integration in gas infrastructures ● Promotion of the development of new technologies and infrastructures for the capture, transmission and storage or use of CO₂ and small-scale liquefaction
Operation incidents due to natural disasters	<ul style="list-style-type: none"> ● Environmental certifications (ISO 14001 and EMAS) ● Emergency response action plans ● Procedures for the investigation and monitoring of incidents ● Development of demand scenarios that determine the infrastructure to develop in order to guarantee secure supply
Adaptation of infrastructures	<ul style="list-style-type: none"> ● Material damage policy ● Insurance policy covering catastrophic damage ● Review of plans for adaptation to climate change in infrastructures

Opportunity	Lines of action
Renewable gases	<p>Focus areas related to biomethane:</p> <ul style="list-style-type: none"> ● Issuance of green certificates ● Measurement of gas quality: guaranteeing the quality of renewable gas before its injection into the gas network ● Stake in biomethane infrastructures (upgrading/connection to the transmission network) <p>Focus areas related to hydrogen:</p> <ul style="list-style-type: none"> ● Involvement in different European groups analysing the technical conditions for the introduction of hydrogen into gas networks ● Joint Ventures for technological development and the promotion of hydrogen production and transmission infrastructures ● Projects under consideration are focused on the methanisation of hydrogen for its injection into the network, use in mobility and application in auxiliary machinery
Our services	<ul style="list-style-type: none"> ● Design and development of new services in infrastructures, turning them into logistical centres for LNG supply ● Development of other new services: bunkering (refuelling LNG, between tanks or from a satellite plant to a tank), small scale (refuelling small LNG tanks), parking gas (long term storage of gas in tanks) ● Extension of tank refuelling service

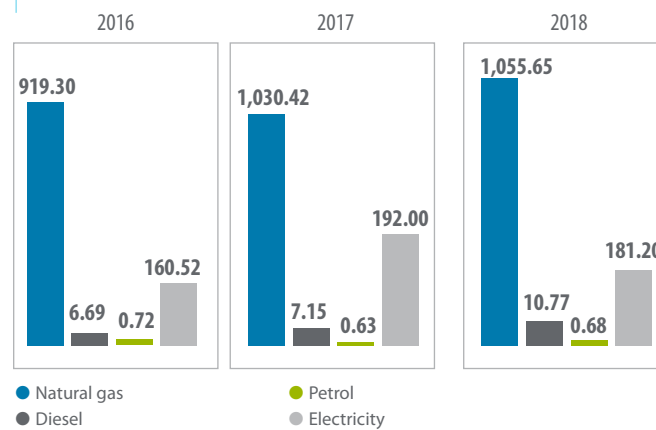
Our climate change performance

Enagás' Carbon Footprint (scope 1 and 2) is certified in accordance with ISO14064 and has been recorded in the Spanish Ministry for Ecological Transition's carbon footprint register with a 'calculating and reducing' status since 2013.

Evolution of Scope 1 and 2 emissions in Spain (tCO₂e) [GRI 305-1, GRI 305-2]



Energy consumption in Spain (GWh/year) [GRI 302-1]



At a national level, scope 1 emissions have increased by 3.0% mainly due to the increase of gas natural consumption in turbo-compressors and venting in compression stations. This increase in energy consumption is due to increased operation in the compression stations, both in the number of hours (+1.8% vs. 2017) and the quantity of gas compressed (+20.2% vs. 2017).

On the other hand, Enagás has made significant efforts to reduce its emissions derived from electricity consumption (scope 2) in its facilities. Electricity consumption has been reduced by 5.6% compared to the previous year, increasing the percentage of electricity supplied with guarantees of origin to 40% in the facilities with the highest consumption. The consumption of electricity produced through efficient, clean and renewable sources (with zero emission factor) has also been increased by 7.4% compared with 2017. However, despite all of these efforts, scope 2 emissions have still increased by 32%. This has been due to the updating of emission factors used (Spanish electric mix and Iberdrola¹), which have penalised our performance.

In Chile, the Quintero LNG regasification plant has reduced its scope 1 and 2 emissions by 17.9% compared to the previous year.

CO₂ emissions in Chile (Quintero LNG plant) scope 1 and 2 (tCO₂e) [GRI 305-1, GRI 305-2]

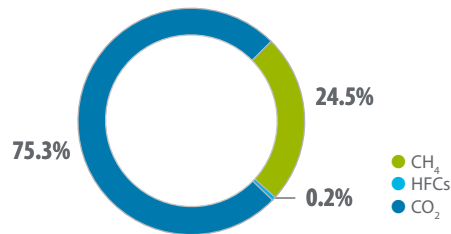
	2017	2018	Change
Scope 1	Not significant	1,718	-
Scope 2	23,872	17,877	-25.1%
Scopes 1 and 2	23,872	19,594	-17.9%

(1) According to the Spanish Ministry for Energy, Trade and Tourism that receives information from the National Commission of Markets and Competition (CNMC), Iberdrola's emission factor increased from 0.15 tCO₂/MWh to 0.28 tCO₂/MWh and the Spanish electric mix from 0.36 tCO₂/MWh to 0.43 tCO₂/MWh.

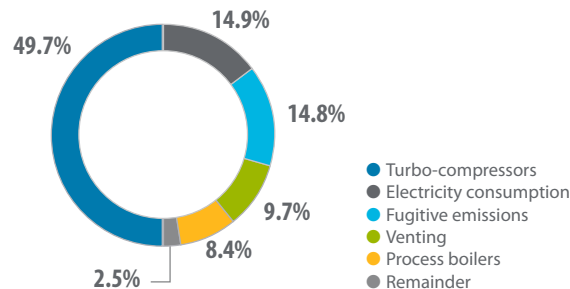
Energy consumption in Chile (Quintero LNG plant) (GWh/year) [GRI 302-1]

	2017	2018
Natural Gas	Not significant	8.81
Diesel	Not significant	0.37
Petrol	Not significant	0.01
Electricity	60.13	53.19
Total	60.13	62.37

Scope 1 and 2 emissions by gas source [GRI 305-6]



Scope 1 and 2 emissions by source [GRI 305-1, GRI 305-2]



Emission intensity (scopes 1 and 2) [GRI 305-4]

	2016	2017	2018
By turnover (tCO ₂ e/€Mn)	697	638	733
By employee (tCO ₂ e/Employee)	217	220	224
By gas output (tCO ₂ e/GWh total output)	0.79	0.74	0.77

Approximately 75.3% of the Enagás carbon footprint corresponds to emissions of CO₂, mainly produced during the combustion of natural gas in stationary sources, i.e. turbocompressors, boilers, flares, etc.

Emissions of CH₄, which account for approximately 24.5% of this footprint, are mainly due to fugitive emissions (14.8%) and natural gas venting (9.7%). Venting may occur as a result of operation and maintenance, operating safety, pneumatic valves and analysis equipment (chromatographs, etc.).

Almost 50% of total footprint emissions are generated by the self-consumption of natural gas in turbocompressors in compression stations and underground storage facilities.

EU Emissions Trading System

50.4% of emissions included in the Carbon Footprint (scopes 1 and 2) are included in the EU Emissions Trading System (EU ETS).

The Enagás emission rights trading strategy approved by the Board of Directors identified the need to purchase approximately 170,000 rights until 2020. [GRI 201-2]



Scope 3 emissions [GRI 305-3]

1. Acquisition of goods and services	Emissions derived from the extraction, production and transport of acquired goods and services.	10,813 tCO ₂ e
	Emissions arising from the use of paper and office materials.	2.3 tCO ₂ e
2. Capital goods	Emissions derived from the extraction, production and transport of acquired goods and services.	0.2 tCO ₂ e
3. Activities related to energy production (not included in scopes 1 or 2)	Emissions derived from the extraction, production and transport of equipment acquired for production.	834 tCO ₂ e
4. Upstream transmission and distribution	Emissions generated by the consumption of fuels derived from helicopter and ship transport services (from the plant to the platform of the Gaviota and Castor underground storage facilities).	3,465 tCO ₂ e
	Emissions generated by the consumption of fuels derived from the contracting of surveillance services and air, maritime and land maintenance.	
	Emissions generated by the consumption of fuel in rented vehicles, cranes and suppliers' hoists.	
5. Waste generated during operation	Emissions derived from the transport, management and treatment of waste generated at Enagás facilities.	399 tCO ₂ e
6. Work-related journeys	Emissions derived from work-related journeys by Enagás employees (airplane, train and taxi).	1,192 tCO ₂ e
7. Journeys to and from work by employees	Emissions derived from journeys to and from work by Enagás employees.	1,311 tCO ₂ e
15. Investments	Emissions, excluded Scopes 1 and 2, from those companies in which Enagás has a stake but not financial control. In this case, the verified 2016 emissions were included from these companies:	181,340 tCO ₂ e
	• Bahía de Bizkaia Gas, S.L,	
	• Compañía Operadora de Gas del Amazonas, S.A.C. (COGA),	
	• Planta de Regasificación de Sagunto, S.A. (Saggas),	
	• Terminal de LNG de Altamira, S. de R.L. de C.V.	
SCOPE 3 TOTAL		199,356 tCO₂e

Energy efficiency and emissions reduction targets

Enagás has the following targets:

Medium term (2019-2021)	Long term (2030)
Reduce emissions by an average of 5% for 2019-2021 compared to 2018. (Target included in the Long-Term Incentive Plan, see 'Strategy' chapter).	Reduce CO ₂ emissions by 57% since 2014. (Science based target) ^(*)

^(*)In the process of validation by *Science Based Targets* at publication date of this report

Enagás also sets annual energy consumption targets as well as targets for self-generated electrical energy from efficient, clean and renewable sources. These targets are linked to the variable remuneration paid to professionals.

Additionally, for 2019, the company has the target of implementing and certifying in accordance with ISO50001 standard within its energy management system, which would bring about significant improvements in the measurement and reduction of energy consumption in facilities.

In addition, in 2018, the company met the target of cutting emissions by 30% over the 2016–2018 period as compared to 2013–2015, which had been included in long-term variable remuneration.

03/2018

Enagás has signed the 'Guiding principles on reducing methane emissions in the natural gas value chain', which were developed in collaboration with different international companies and institutions in the sector.

Energy Efficiency and Emissions Reduction Plan

At Enagás, energy efficiency has a key role in emissions reduction and considerable efforts have been made in this regard. In recent years we have halved our CO₂ emissions thanks to the implementation of energy efficiency measures, in which we have invested more than €35Mn. [\[GRI 201-2\]](#)

We are working to ensure the continuous improvement of the energy efficiency of our infrastructures. We have approved a plan to replace turbo-compressors with electric engine-driven compressors in critical Compression Stations, which will result in significant energy savings and, therefore, a long-term emissions reduction.

Energy Efficiency Measures established in 2018 [\[GRI 302-4, GRI 302-5, GRI 305-5\]](#)

Energy Efficiency Measures	Type of energy saving	Energy savings achieved in 2018 (GWh)	Emission reductions achieved in 2018 (tCO _{2e})
Replacement of three pneumatic actuators with electric ones in Serrablo underground storage facility	Natural gas savings	0.93	1,585
Optimisation of control loops of 6 regulation and metering stations of ETN (Sollube, Arrieta, Santurce, Hernani, Rentería and Legazpia) through the installation PLCs to control boilers and pumps and set the temperature of gas outputs		0.70	142
Changes to the air conditioning control room at the Cartagena Plant.		0.19	32
Replacement of refrigeration units to improve air-conditioning efficiency and automation of the monitoring of parameters at the Cartagena Plant.	Electric consumption savings	0.05	7
Installation of a second instrumentation air compressor in the Gaviota underground storage facility.		0.01	2
			1,768 tCO_{2e}

06/2018

The Cartagena Port Authority presents Enagás with the 7th Annual Environment Award. The Port of Cartagena acknowledged the company's energy efficiency plan implemented at its Cartagena plant.

In 2018, the percentage of electricity with guarantees of origin out of total grid electricity consumption was 40% in facilities with the highest consumption.

Self-generated electricity from renewable, clean or efficient sources in 2018 accounted for 12.5% of total consumption (22.7 GWh), with part of this electricity delivered to the national grid and the other part used at Enagás facilities. [\[GRI-OG3\]](#)

Energy intensity

[\[GRI 302-3\]](#)

	2016	2017	2018
Energy intensity by turnover (GWh of energy consumed/€Mn)	2.61	2.63	2.94
Energy intensity by employee (MWh of energy consumed/employee)	813	905	898
Energy intensity by gas outputs (MWh of energy consumed/GWh of total outputs)	2.97	3.03	3.09

Reduction of fugitive emissions

[GRI 305-5]

Fugitive emissions account for 14.8% of the company's carbon footprint and are responsible for most of its methane emissions.

After several campaigns for the detection, quantification and repair of natural gas leaks in its facilities, Enagás has internalized these actions in the maintenance ranges of its facilities in order to reduce losses from emissions leaks from its activity year after year.

From 2019, Enagás will update the planning and frequency of LDAR campaigns in regasification plants and storage facilities, with the aim of adapting them to the specific needs of these facilities and the lessons learned in previous campaigns. Another important measure that will be incorporated into the maintenance schedule of transmission assets is the incorporation of emission quantifiers as a regular working tool for maintenance. This will be a preventative action in the monitoring and control of emissions in general. For the transmission assets (gas pipeline, regulation and metering stations, sites and compression stations) the pre-established frequencies will be maintained.

Furthermore, Enagás participates in a number of associations actively collaborating in the preparation of reports, studies and research related to methane emissions. The most noteworthy initiatives are the following:

- Coordination, through the associations GIE and MARCOGAZ, on the writing of a report about how the gas industry can contribute to reducing methane emissions. This report will provide support for the development of European regulation on this matter.
- In June 2018, Enagás signed the 'Guiding principles on reducing methane emissions in the natural gas value chain', developed in collaboration with different international companies and institutions in the sector. These included the International Energy Agency (IEA), the United Nations Environment Programme, the Environmental Defence Fund (EDF), the International Gas Union (IGU) and the Sustainable Gas Institute (SGI), among others. Within the framework of this initiative, Enagás has participated in the creation of the Common Methane Reporting Template and the document on best practice to reduce methane emissions.
- Participation in the OGCI initiative in which projects that are being carried out to reduce methane emissions throughout the natural gas chain were presented in order to pool best practice and raise awareness within the industry of the relevance of this issue.
- Enagás holds the presidency of the UNECE Group of Gas Experts within which one of the lines of work is methane emissions. In this field, a study financed by the EPA about methane emissions in extractive industries has been launched and Enagás is a member of the Steering Committee.

Carbon offsetting

Enagás commits to reaching carbon neutrality in key fields at a strategic level:

- Neutrality of regasification plants: this involves key infrastructures for the security and diversification of supply. Furthermore, they make up one of the priorities at a strategic level, as the company aims to position itself as a worldwide specialist in LNG.
- Neutrality of the corporate fleet: one of the strategic priorities of Enagás is the promotion of new uses of natural gas in transport. The corporate fleet, certified as an ecological fleet, is one of the key areas of the company's Sustainable Mobility Plan.
- Neutrality of the corporate headquarters: the corporate headquarters is the company's most representative building and has recently received LEED Gold certification.

Therefore 26,836 tCO₂ have been offset through carbon credits created through 2 projects of gas collection and use in landfills, for electricity generation, in Chile and Mexico and one reforestation project in Peru.

5.8

Supply chain

[GRI 103-1, GRI 103-2, GRI 103-3]

Supply chain management is an increasingly critical point in the company's management. Appropriate supply chain management allows us to identify and manage the risks (regulatory, operational, reputational, etc.) associated with it, and to make good use of opportunities for collaboration and value creation shared with our suppliers.

A key focal point in the management of our supply chain is greater knowledge of our suppliers, which allows us to take advantage of opportunities for collaboration and share value creation with them. Likewise, greater information on our supply chain enables us to identify and manage the associated risks more efficiently.

Sustainable Management Plan

2018 main lines

- ✓ Definition of a supplier information integration form, which includes:
 - Definition of the level of environmental, social and ethical (ESE) risks for product and service families and for their suppliers.
 - Definition and implementation of approval requirements in accordance with the level of risk shown by suppliers.
 - Monitoring and updating of supplier information.
 - Integration of all supplier information (approval, reliability, ESE assessments, etc.) into a single and visible database for all users of this information.
- Continuing with audits conducted on critical suppliers through participation in the Achilles working group.

2019 lines

- Cybersecurity risk analysis of suppliers.
- Continuous monitoring of legal compliance risks and reputational risks at all approved suppliers.
- Analysis of product and service families for the incorporation of authorisation requisites for the procurement of environmentally friendly products (e.g. office supplies and equipment, etc.).
- Finalising the incorporation of all supplier information (approval, reliability, ESG assessments, etc.) from different platforms into a sole supplier database.
- Monitoring audits of partners for the supplier approval process in affiliate companies.

1,382
approved suppliers

24%
of orders assessed
in reliability analysis

95
suppliers externally
audited in financial,
ethical, environmental
and social fields

65.27%
of approved
suppliers are critical

53.5%
of approved suppliers
assessed in accordance with
CSR criteria

Our supply chain [GRI 102-9]

In order to work with Enagás, suppliers must undergo a strict approval process. The company currently works with 1,382 approved suppliers, which are classified in families according to the products or services they offer¹.

- Suppliers of works and services: IT & communication suppliers, engineering, etc. In 2018, 601 service providers carried out work at Enagás facilities. [GRI 102-8]
- Suppliers of supplies: electrical equipment suppliers, piping manufacturers, rotary machine manufacturers, manufacturers of instrumentation and control devices, among others.

Product and service families are classified into levels according to the impact on the safety of the company's operations resulting from poor functioning or poor service. The suppliers of products and services whose possible faults or poor service would entail a greater impact on the company's operational safety are designated major or critical (level 1 and 2) suppliers.

Enagás has 902 approved major suppliers. In 2018, we began working with 19 new suppliers and stopped working with 29 suppliers because they discontinued their activity, merged with third parties or for breach of contract. [GRI 102-10]

Volume of supplier management [GRI 204-1]

	Works and services	Supplies
Number of orders	3,886 (97% of which were local)	6,263 (99% of which were local)
Order value (€Mn)	128.4 (91% of which were local)	62.6 (72% of which were local)

⁽¹⁾ The amount corresponding to orders by the GNL Quintero plant in Chile account for 8% of the Enagás total, therefore this chapter does not include the information relative to the GNL Quintero supply chain. Supply chain management in Chile follows similar approval and ESE assessment processes to those described in this chapter.

Supply chain risk management

Enagás has identified areas in supply chain management where there may be risks for the business and our stakeholders. These areas, which cover both economic and ESE aspects, form the basis for the assessments we perform on our suppliers in the different procurement processes. The areas analysed are: [GRI 308-2, GRI 414-2]

- Product and/or service quality
- Financial situation, civil liability, economic dependence on Enagás
- Health and safety
- Ethics and compliance: penal risks, ethical compliance, legal compliance, responsible tax practice
- Human rights: labour rights (diversity, work-life balance, gender equality), respect for the principles of the United Nations Global Compact and the Universal Declaration of Human Rights, human rights compliance in the actual supply chain.
- Environment: emission intensity, environmental impact (resource consumption, waste generation, noise emissions, gas emissions, etc.), environmental safety (discharges, spills, pollution, etc.).

In 2018, Enagás implemented a new supplier management model that includes the company's goals in order to guarantee supply chain sustainability. These goals are translated into approval requirements depending on the level of risk in the economic, social and environmental aspects of the family of products and services to which each supplier belongs.

Enagás
currently has
1,382 approved
suppliers who
guarantee the
sustainability of
its supply chain

The requirements established in the supplier approval process are:

- For all suppliers:
 - > Capacity and resources to meet technical, quality, environmental and safety requirements, and upholding thereof over an extended period of time.
 - > Acceptance of the Enagás Code of Ethics.
 - > Observance of the principles of the United Nations Global Compact and the Universal Declaration of Human Rights.
 - > Compliance with the quotas set out in the Spanish Rights of Persons with Disabilities Act¹.
 - > Implementation of a Gender Equality Plan.¹.
- For suppliers of specific families of products or services:
 - > Quality, environmental or occupational risk prevention certification requirements for suppliers of certain product or service families (required from 99%, 40% and 57% of critical Enagás suppliers, respectively).
 - > Policies or measures to promote the work-life balance of employees or Family-Responsible Company certificate.

During contract execution, Enagás evaluates critical suppliers in the previously mentioned areas using different assessment methods. The results of these assessments allow monitoring of the degree by which suppliers meet the targets scores, audit results or legal compliance, established for each assessment area, and to identify suppliers that pose a high risk to sustainability and to define action plans that enable such risks to be mitigated.

¹ Requisite set for companies with a workforce greater than that indicated by the applicable laws.

Evaluation methodology [GRI 102-21]		Number of suppliers assessed in the last two years* [GRI 308-1, GRI 414-1]	Definition of high risk	Number of suppliers identified as high risk
Internal evaluation	Questionnaire to assess reliability	157	Suppliers with a score less than 50/100	3
	Electronic questionnaire on ESE aspects	53	Suppliers with a score less than 30/100	2
	Consultation on ethics and compliance on reputational analysis platforms	1,753	Suppliers involved in legal non-compliance	58
	Electronic questionnaire on climate change management	133	Suppliers that do no measure or report their emissions	59
	Environmental audits on construction sites	2	Suppliers with major non-conformities	2
External evaluation	Documentary and on-site safety audits of suppliers who conduct work at company facilities	148	Suppliers with unfavourable audits	36
	Electronic questionnaire on financial and ESE aspects	1,451	Suppliers with a score less than 50/100	750
	Audits on financial and ESE aspects	95	Suppliers with non-conformities	63

*The result of the evaluations are considered to have a validity of 2 years.

11/2018

Enagás was acknowledge at the 9th edition of the AERCE 'Purchasing Diamond' Award event, where it received a diamond prize in the Strategy category, a second placing in the category of Purchasing Transformation for creating a model for supplier information integration, and a special mention in the Innovation category for the implementation of a new electronic tool for supplier monitoring.

5.9

Local communities

[GRI 103-1, GRI 103-2, GRI 103-3]

Relations with local communities are of concern to the company, since our activities impact the communities in which we operate. They encourage competitiveness in the industry, enhance energy supply security and create direct and indirect employment. We carry out our activity guaranteeing the safety of infrastructure, minimising impacts on ecosystems and the population.

The most relevant aspects of managing relations with local communities are the identification of local stakeholders, the information and consultation processes we carry out in infrastructure development activities and action plans (social investment).

Sustainable Management Plan

2018 main lines

- ✓ Implementation of volunteering initiatives aligned with the company's values in the social environmental, cultural, sporting, leisure fields.
- Workshops held to promote the employability and social integration of women in situations of vulnerability.
- First family volunteer seminar for the integration of people with intellectual disabilities and inclusive employment.
- ✓ Participation in the sixth edition of the Give and Gain Day of the corporate volunteering initiative.
- ✓ Participation in the Company Solidarity Day, an initiative promoted by the NGO Cooperación Internacional.

2019 lines

- Participation in the IDEA project of Fundación Juan XXIII Roncalli to create quality employment for people with intellectual disabilities.
- ✓ Implementation of volunteering initiatives aligned with the company's values in the social environmental, cultural, sporting, leisure fields.
- Launch of the Céntimo Solidario campaign.
- Definition of volunteering actions with stakeholders from different areas of companies.
- ✓ Maintaining our presence in initiatives such as Give and Gain Day (Forética) and company Solidarity Day.

23

corporate volunteering initiatives

0.45%

social action investment with respect to profit

2,780

hours of corporate volunteering

413

employees took part in corporate volunteering initiatives

Local community management model

Identification of local stakeholders

In local communities where Enagás develops and operates infrastructure, the company's priority is to contribute to their social and economic development and to minimise environmental impact while guaranteeing safety.

For this purpose, the first stages of building, operation and maintenance projects involve analysis of the area in terms of social, economic and environmental aspects, from which local stakeholders are identified.

This enables stakeholder maps to be created for the management of crises and emergencies affecting infrastructure, in which key collectives, communication channels and relevant issues are identified (see the chapter on '[Safety and Health](#)').

Furthermore, the analysis of the needs of the area enabled the identification of key collectives and associations (NGOs, local councils, etc.) which are an important source of information for understanding the local context and for the establishment of partnerships (see '[Social investment](#)' in this chapter).

Information and consultation processes

Enagás conducts environmental impact studies for construction projects and assessment of environmental aspects for infrastructure operation and maintenance projects. Environmental impact studies are open to public information and are also subject to processes of consultation in which stakeholders may voice their opinion and even propose modifications to a project. EMAS-certified facilities publish an environmental annual report (Barcelona and Cartagena regasification plants and Yela and Serrablo underground storage facilities).

In the case of gas pipeline construction projects, the route design already takes into account criteria for minimising the impact on local plant and animal wildlife, and for avoiding the occupation of private property. Where the latter is concerned, a regulated procedure is applicable in Spain which includes public information and consultation with the entities affected, which guarantees transparency in the construction of infrastructure and equal treatment before the law. [[GRI 413-2](#), [GRI OG10](#)]

In matters pertaining to infrastructure safety, Enagás creates internal emergency plans, which include information on stored chemical substances, human and material resources, scenarios, emergency plans, liability, etc. These plans are registered with the local government authorities, which are responsible for communicating them to the community and creating an associated action plan.

Enagás also holds information sessions in local areas for the purpose of explaining details of projects that are being executed locally, and safety and environment-related issues, among others.

As regards Enagás affiliate companies, a number of specific audits were conducted in 2018 in relation to local communities in order to verify that the communication between the affiliates and their communities was carried out in an adequately controlled environment (identification of the integrity of the communities, complaint management, transfer of relevant information, communication channel, etc.). It was also verified that the governance programmes of the affiliate companies reflected and adequately included the most relevant aspects of the relationship with the local communities in question.

Communication channels with local communities



Environmental
inbox



Corporate
website



Informative
sessions



Consultation
processes

Social investment [GRI 413-1]

The objective of Enagás' social investment is to contribute to the social and economic development of local communities, giving priority to those regions in which we operate, through sustainable social action models.

Through dialogue and collaboration with stakeholders, we maximised the positive social impact of our initiatives, whether through volunteering, sponsorships, patronage or donations.



Strategic social investment priorities

Priority 1: Investment in communities

Enagás promotes the development of long-term collaboration initiatives, which contribute to the social and economic development of local communities, giving priority to those areas in which the company operates. For this purpose, it contributes economically and with time to social welfare, economic development, education and youth, health, art and culture, and the environment.

Sustained, inclusive and sustainable economic growth, full and productive employment and decent work



The initiatives implemented in this field cover the following aspects targeted by Sustainable Development Goal 8. Decent work and economic growth (SDG 8):

- Employment
- Economic inclusion
- Non-discrimination
- Development of abilities

11/2018

In collaboration with Fundación Randstad and Fundación José María de Llanos, five workshops were held to promote the employability and social integration of women in situations of vulnerability

Priority 2: Commercial contributions to the community

Within the scope of its social actions, Enagás includes initiatives aimed at supporting research and the development of the gas sector, since natural gas is of great importance for improving competitiveness of industry, and therefore aids the creation of direct and indirect employment. For this purpose, economic contributions are made in the fields of economic development, education and youth, art and culture, and the environment.

Access to affordable, safe and sustainable energy



The initiatives implemented in this field cover the following aspects targeted by Sustainable Development Goal 7. Access to affordable, safe and sustainable energy, and Goal 9. Building resilient infrastructure, promoting inclusive, sustainable industrialisation and innovation:

- Energy efficiency
- Investments in infrastructure
- Environmental investments

Building resilient structures, promoting inclusive, sustainable industrialisation and innovation



01/2018

Enagás played host to the Consejo Empresarial Alianza por Iberoamérica (CEAPI). CEAPI is an organisation comprising business leaders committed to the Ibero-American Business Space whose main aim is to promote economic and social development through the exchange of experience, stimulus for investment and integration.

Priority 3: Donations to charity

Enagás engages in a number of specific collaborations as a reaction to emergencies taking place both in Spain and internationally. For this purpose, it makes contributions in cash and in-kind in the fields of social welfare, economic development, education and youth, health and the environment.

Partnerships for achieving the objectives [GRI 102-12]



In the international context, the initiatives are implemented in collaboration with local partners. In Spain, these initiatives are carried out in collaboration with entities and associations, for the purpose of fulfilling Sustainable Development Goal, 17. Partnerships for achieving objectives (SDG 17).

In this way, and through partnerships with different stakeholders, Enagás contributes to achieving the other SDGs in the following areas:

- | | |
|-------------------|--------------------------|
| • Poverty | • Energy |
| • Hunger | • Infrastructure |
| • Health | • Reducing inequality |
| • Education | • Climate change |
| • Gender equality | • Terrestrial ecosystems |

Corporate volunteering programme

[GRI 413-1]

Enagás employees participate in the company's Corporate Volunteering programme 'En nuestras manos' (In Our Hands), giving up their time and bringing their skills and talent. There are two forms of cooperation:

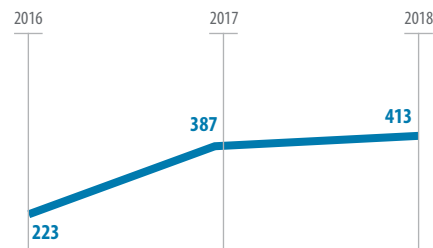
- Face-to-face corporate volunteering, for which activities carried out in collaboration with an association and overseen by the company. This type of initiative takes place during business hours. In line with corporate guidelines on diversity and equal opportunity, the company guarantees that participation in volunteering activities will not lead to work-related discrimination.
- Virtual volunteering, for which the company connects with volunteering opportunities through different associations by means of the corporate volunteering portal. A platform that strengthens and extends the existing programme. It encompasses special days organised by the company as well as over 1,200 national and international collaboration opportunities, both face-to-face and virtual, put forward by NGOs.

In 2018, we carried out 23 initiatives, in which 413 employees dedicated a total of 2,780 working hours. This required an investment of 251,826 euros by the company to cover programme management costs.

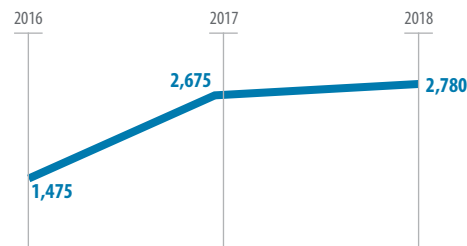
07/2018

Enagás volunteers and their families, accompanied by Fundación Juan XXIII-Roncalli users, took part in the first family volunteer seminar for the integration of people with intellectual disabilities and inclusive employment

Employees who took part in corporate volunteering initiatives



Hours devoted to volunteering initiatives



Sponsorships, patronage and donations

[GRI 413-1]

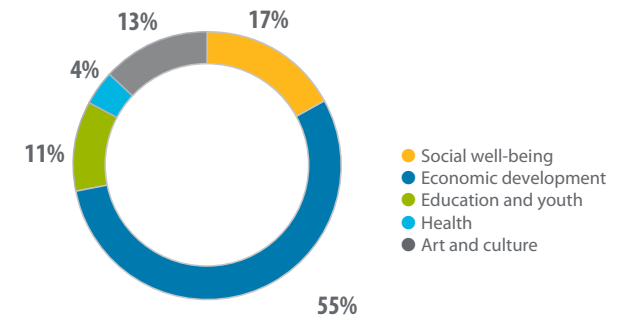
Enagás collaborates economically with social welfare projects through such activities as:

- Sponsorships: institutional and/or sporting activities
- Patronage: social and cultural activities and initiatives
- Donations, which may be of a corporate nature or voluntarily by employees, as is the case of the Cent for Solidarity campaigns that will be set up in 2019.

The procedure for managing sponsorships, patronage and donations establishes the criteria for the reception, approval and follow-up of collaboration requests (financial contributions).

In 2018 financial contributions amounting to 2 million euros were distributed as follows:

Areas of contribution



Furthermore, we made in-kind donations of all IT equipment, mobile phones and discontinued promotional material estimated at a value of 30,000 euros.



Chapter 6

Key indicators



Economic indicators

Economic performance and cost efficiency [GRI 102-7]

	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾	2014 ⁽²⁾	2015	2016	2017	2018
EBITDA (million euros) ⁽⁷⁾	596.0	636.2	701.3	780.8	885.5	934.3	995.9	939.8	900.5	948.8 ⁽⁴⁾	1,110.3	1,060.7
EBIT (million euros) ⁽⁷⁾	408.3	433.1	484.7	530.9	585.9	618.4	649.8	589.6	602.0	651.7 ⁽⁴⁾	732.1	691.0
Net profit (million euros) ⁽⁶⁾	238.3	258.9	298.0	333.5	364.6	379.5	403.2	406.5	412.7	417.2	490.8	442.6
Dividends (€ Mn) ^{(3) (6)}	143.0	155.3	178.8	200.1	237.0	265.7	302.4	310.4	315.1	331.4	348.1	364.8
Net investment (€ Mn) ⁽⁶⁾	508.6	776.9	901.6	796.3	781.4	761.4	531.4	625.0	530.2	912.2	328.5	-262.8⁽⁵⁾
Net Debt (€ Mn) ⁽⁶⁾	1,942.7	2,351.3	2,904.0	3,175.3	3,442.6	3,598.6	3,657.8	4,059.0	4,237.0	5,088.7	5,007.7	4,274.7
Shareholders equity (€ Mn) ⁽⁶⁾	1,344.8	1,456.1	1,593.4	1,738.8	1,867.4	2,014.9	2,118.4	2,218.5	2,318.9	2,373.7	2,585.6	2,656.7
Assets (million euros) ⁽⁶⁾	3,976.0	4,717.8	5,779.9	6,829.1	7,717.4	8,083.4	7,043.5	7,711.8	7,751.9	9,248.0	9,649.6	9,526.2
Net Debt/EBITDA (adjusted) ^{(*) (7)}	3.3x	3.7x	4.1x	4.1x	3.9x	3.8x	3.7x	4.2x	4.5x	5.2x	4.4x	4.0x
Average cost of debt ⁽⁶⁾	4.3%	4.7%	3.3%	2.7%	2.8%	2.5%	3.0%	3.2%	2.7%	2.4%	2.7%	2.8%
Headcount (31 December) ⁽⁶⁾	985	1,008	1,046	1,047	1,126	1,178	1,149	1,206	1,337	1,337	1,426	1,449

(*) EBITDA adjusted by dividends received from subsidiaries.

(1) 2013 data adjusted in application of IFRSs effective at 1 January 2014.

(2) In 2014, and in accordance with IFRS 11, BBG and Altamira are now consolidated under the equity method.

(3) The figures reflect total dividends for the year (interim dividend + complementary dividend).

(4) Adjusted figure for comparative purposes as a result of changes to reporting practice made in 2017 in which the yearly result for consolidated companies through the equity method is now fully integrated into the group's operating result.

(5) 60 million-euro investment in Spain and -322.8 million euros of net international investment, with the main international investments currently underway: TAP 149.7 million euros; True up TAP -415.2 million euros; DESFA 40.5 million euros; GNL Quintero 8.9 million euros and the Swedegas sale -100.5 million euros.

(6) Figures from the Memo regarding the Consolidated Annual Accounts of Enagás Group for fiscal year 2018

(7) These figures are included in the Alternative Performance Measures Report, available at [https://www.enagas.es/enagas/es/AccionistasInversores/InformacionEconomicoFinanciera/MedidasAlternativas_de_Rendimiento_\(APM\)](https://www.enagas.es/enagas/es/AccionistasInversores/InformacionEconomicoFinanciera/MedidasAlternativas_de_Rendimiento_(APM))

Stock market performance

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Share price (31 Dec) (€)	19.99	15.56	15.43	14.92	14.29	16.14	19.00	26.19	26.00	24.12	23.87	23.61
Dividend (€)	0.60	0.65	0.75	0.84	0.99	1.11	1.27	1.30	1.32	1.39	1.46	1.53^(*)
Market capitalisation (€ Mn)	4,771.6	3,714.7	3,682.5	3,560.7	3,411.0	3,852.6	4,534.8	6,251.3	6,207.1	5,759.4	5,698.6	5,636.49
Number of shares (million)	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7	238.7

(*) Distribution of the 2018 gross dividend of €1.53 per share is subject to approval at the General Shareholders Meeting.

Economic value generated and distributed [GRI 201-1]

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Economic value generated (EVG)	901.5	1,000.80	1,154.80	1,199.30	1,261.9	1,227.2	1,221.6	1,218.3	1,384.6	1,342.2
Economic value distributed (EVD)	565.7	617.5	727.6	769.2	845.4	801.5	862	894.0	942.7	969.7
Suppliers	137.2	147.3	193.1	168.1	184.6	198.3	193.4	203.9	209.6	229.8
Society (tax and social action investment)	127.7	144.3	164.9	179.8	172.2	102.6	166.3	136.3	144.8	138.8
• Investment in social action	0.8	1.3	2.2	1.6	1.6	1.6	1.9	2.2	2.0	2.0
• Tax	126.9	143	162.6	178.2	170.6	101.0	164.4	134.1	142.8	136.8
Employees (personnel expenses)	60.7	67.2	67	79	82.3	84.7	96.3	108.8	128.9	131.2
Capital providers	240	258.7	302.6	342.4	406.3	415.9	406	445.1	459.5	469.8
• Dividends paid to shareholders	178.8	200.1	237	265.7	302.4	310.4	315.1	331.7	348.6	365.3
• Financial result	61.2	58.6	65.6	76.7	103.9	105.5	90.9	113.4	110.9	104.6
Economic value retained (EVR)	335.9	383.3	427.2	430.1	416.5	425.7	359.6	324.3	441.9	372.5

Financial and non-financial ratings

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Standard & Poor's	AA-	AA-	AA-	AA-	AA-	BBB	BBB	BBB	A-	A-	A-	A-
Fitch	A2	A2	A2	A2	A2	A-	A-	A-	A-	A-	A-	A-
Dow Jones Sustainability Index ^(*)	67	77	75	78	88	83	85	84	85	91	86	85
CDP (transparency / performance)	-	-	-	70/B	83/B	85/B	83/B	91/B	99/B	A List	A-	B

(*) Enagás has been a member of the DJSI since 2008 and led its sector in 2018: *Oil & Gas Storage & Transportation*.

Social indicators

Corporate Governance

	2011	2012	2013	2014	2015	2016	2017	2018
Number of Directors	15	13	15	15	13	13	13	13
Independent Directors (%)	53.3%	61.5%	60%	60%	62%	62%	54%	54%
Board gender diversity (%)	13.4%	15.4%	20%	20%	23%	23%	23%	23%
Non Audit Fees (%)	27%	14%	3%	3%	4%	53%	18%	36%
General Shareholders' Meeting quorum (%)	57%	55.8%	53.1%	52.9%	54.8%	50.8%	45.6%	45.6%

Supply chain

	2011	2012	2013	2014	2015	2016	2017	2018
Approved suppliers (no.)	1,989	2,010	1,875	1,745	1,781	1,800	1,356	1,382
Critical/approved suppliers (%)	52.1%	51.8%	54.4%	59.1%	59%	59%	69.5%	65.3%
Orders assessed in reliability analysis (%)	-	11.6%	18.9%	24.4%	11.5%	10.3%	10.1%	24.0%
Suppliers audited externally in financial, ethical, environmental and social aspects (no.)	-	31	51	61	33	39	55	95
Percentage of approved suppliers assessed in accordance with CSR criteria (%)	-	-	25.05%	27.05%	26.6%	27.1%	52.4%	53.5%

Ethical compliance and Human Rights

	2011	2012	2013	2014	2015	2016	2017	2018
Communications received via ethics channel (no.)	-	2	2	4	4	3	2	5
People trained in issues related to ethical compliance (cumulative figure) (no.)			128	200	1,217	1,214	1,206	1,357

Human capital [GRI 102-7]

	2011	2012	2013	2014	2015	2016	2017	2018
Employees (no.)	1,126	1,118	1,149	1,206	1,337	1,337	1,426	1,449
Voluntary employee turnover (%)	0.8%	0.46%	0.45%	0.69%	0.49%	0.63%	1.86%	1.34%
Absenteeism (%)	3.65%	2.33%	2.46%	2.50%	2.51%	2.89%	2.94%	3.10%
Workforce gender diversity (%)	22.47%	22.45%	22.8%	23.88%	26.78%	27.45%	26.23%	26.98%
Management position gender diversity (%)	14.1%	15.9%	18.8%	20.0%	25.4%	24.8%	26.1%	26.39%
Investment in training per employee (€)	956	898	1,192	1,041	894	920	1,081	1,164
Training per employee (hrs)	48.9	45.8	52.0	59.6	49.8	61.8	65.1	61.4

Customer satisfaction

	2011	2012	2013	2014	2015	2016	2017	2018
Rate of shippers satisfaction with transmission	80%	82.5%	83%	82.2%	82.7%	84.3%	85.7%	89.4%
Rate of satisfaction of transmission companies and distributors with transmission	76.7%	78.3%	79%	77.1%	89.2%	84.7%	85.0%	81.2%
Rate of satisfaction of shippers with the technical management of the Spanish Gas System	76.7%	83.5%	80.5%	78.6%	78.3%	86.2%	83.9%	90.1%
Rate of satisfaction of transmission companies and distributors with the technical management of the Spanish Gas System	76.7%	78.7%	81.2%	72.6%	83.3%	79.2%	82.3%	89.4%

Occupational safety and health [GRI 403-9]

	2011	2012	2013	2014	2015	2016	2017	2018
Lost time injury frequency rate (own staff)	7.51	9.01	5.31	4.69	3.86	1.80	7.01	2.08 ^(*)
Lost time injury frequency rate (contractor staff)	7.08	6.36	9.32	3.04	2.25	10.43	0.53	0.95
Lost time injury severity rate (own staff)	0.07	0.37	0.25	0.53	0.14	0.08	0.34	0.05 ^(*)
Lost time injury severity rate (contractor staff)	0.2	0.28	0.36	0.11	0.07	0.11	0.02	1.91
Work-related fatalities of own staff (no.)	0	0	0	0	0	0	0	0
Work-related fatalities of contractor staff (no.)	0	0	0	0	0	0	0	1 ^(**)

^(*) No working days were lost in Chile in 2018 owing to own employee work-related accidents.

^(**) There was a fatal accident at the GNL Quintero regasification plant in Chile involving a contractor carrying out maintenance activities on a seawater intake tower. Two investigations conducted, one internally and the other externally by the ABS Consulting firm concluded that the death of the diving supervisor was the result of the victim's imprudence. As a consequence of this accident, the Underwater Activities Procedure, the HSSE standards for high-risk activities and the risk matrix were updated; seawater intake maintenance operations were optimised; a protective structure was installed at the seawater intake; and the work permit system and contracting administrator training were enhanced. In July 2018, Instituto Cerdá conducted a post-crisis analysis, concluding with a recommendation report that is being addressed.

Impact on local communities

	2011	2012	2013	2014	2015	2016	2017	2018
Social action investment / net profit (%)	0.6%	0.4%	0.4%	0.4%	0.5%	0.5%	0.4%	0.5%
Participation of employees in corporate volunteering initiatives (% of workforce)		5%	8.5%	9%	15.1%	16.7%	27.1%	27.6%
Time spent on volunteer work (hrs)		400	640	866	1,404	1,475	2,675	2,780

Environmental indicators

Environmental management and fighting climate change

	2011	2012	2013	2014	2015	2016	2017	2018
Scope 1 CO2 emissions (t eq CO2) [GRI 305-1]	264,679	387,651	479,175	537,092	272,728	263,540	266,357	276,176
Scope 2 CO2 emissions (t eq CO2) [GRI 305-2]	52,752	61,377	36,079	33,941	32,444	27,010	46,851	48,177
Own consumption of natural gas (GWh)	1,025	1,672	1,932.1	2,338.1	963.0	919.3	1,030.4	1,055.7
Electricity consumption (GWh) ^(*)	201.5	186.7	150.0	143.1	148.3	160.5	252.1	234.4
Electricity generation / consumption (%) ^(**)	1.9%	5.4%	6.8%	4.7%	8.0%	12.5%	11.0%	12.5%
Waste generated (t)	3,722	3,913	3,455	2,189	3,823	3,981	3,081	4,409
Waste recycled (%)	59%	48%	63%	15%	40%	61%	68%	78%
Area occupied in protected areas (km ²)			3.7	4	4	4	4	4

(*) Includes consumption from the network and from own generation sources.

(**) The scope of this indicator is limited to Spain.



Chapter 7

Appendices



Non-financial and diversity reporting requirements (Law 11/2018)

The following are the requirements established by Law 11/2018 that are responded to in the Non-Financial Information Statement and in the Annual Corporate Governance Report included in the Consolidated Management Report:

•• Non-Financial Information Statement

Requirements of Law 11/2018	Reporting framework	Number of pages
General		
Description of the business model	GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7, GRI 102-14, GRI 102-15	3-6, 10-14, 21-22, 25-27, 103-106
Description of the group's policies with respect to environmental and social issues, to respect for human rights and the fight against corruption and bribery, and to personnel.	GRI 103-1 and GRI 103-2 for all material issues	44, 52, 57, 65, 74, 80, 86, 94, 97
The results of the group's policies applied to environmental and social issues, to respect for human rights and the fight against corruption and bribery, and to personnel.	GRI 103-2 and GRI 103-3 for all material issues	44, 52, 57, 65, 74, 80, 86, 94, 97
The main risks related to environmental and social issues, to respect for human rights and the fight against corruption and bribery, and to personnel, linked to the group's activities	GRI 102-11, GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 201-2	21-22
Non-financial key performance indicators	*	7, 103-108, 119-127
I. Information on environmental issues		
Detailed information on the current and foreseeable effects of the company's activities on the environment		
Detailed information on the current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety	GRI 307-1, GRI 308-2	81-82, 87-88, 95-96, 126
Environmental assessment or certification procedures	GRI 308-1	82, 95-96
Resources dedicated to the prevention of environmental risks	*	81-83, 87-88, 92
Application of the precautionary principle	GRI 102-11	21-23
The amount of provisions and guarantees for environmental risks	*	81-82
Pollution		
Measures to prevent, reduce and/or rectify carbon emissions that seriously harm the environment	Management approach (GRI 103-1, GRI 103-2 and GRI 103-3) in Climate change and energy efficiency, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-6	86, 89-91
Taking into consideration any form of air pollution specific to an activity, including noise and light pollution	Management approach (GRI 103-1, GRI 103-2 and GRI 103-3) in Natural capital management, GRI 305-7	80, 85
Circular economy and waste prevention and management		
Circular economy and waste prevention and management: measures of prevention, recycling, reuse and other forms of recovery and elimination of waste	GRI 306-2	82-85
Actions to combat food waste	*	101
Sustainable use of resources		
Sustainable use of resources: water consumption and supply according to local restrictions	GRI 303-3, GRI 303-4, GRI 303-5	83-84
Consumption of raw materials and the measures adopted to improve efficiency in their use		Enagás does not consume raw materials in its production process; only ancillary materials are used
Direct and indirect consumption of energy, measures taken to improve energy efficiency and the use of renewable energy	GRI 302-1, GRI 302-3, GRI 302-4, GRI 302-5	89-92
Climate change		
Climate change: the important elements of greenhouse gas emissions generated as the result of the company's activities, including the use of the goods and services produced	GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4	89-91

Requirements of Law 11/2018	Reporting framework	Number of pages
The measures adopted in order to adapt to the consequences of climate change	GRI 201-2	92
The voluntarily established long and short-term emission reduction targets to reduce greenhouse gas emissions and the measures implemented for this purpose	GRI 305-5	91, 93
Biodiversity protection		
Biodiversity protection: measures taken to preserve or restore biodiversity	GRI 304-3	83
Impacts caused by activities or operations in protected areas	GRI 304-2, GRI 304-4, GRI 0G4	83, 125
II. Information on social and personnel-related issues		
Employment		
Total number and distribution of employees by gender, age, country and professional category	GRI 102-8, GRI 405-1	45-46, 66, 71
Total number and distribution of work contract modalities and yearly average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category	GRI 102-8	66
Number of dismissals by gender, age and professional category	GRI 102-8, GRI 102-10	66, 67
Average remuneration and its evolution by gender, age and professional category or equivalent	GRI 405-2	70
Gender pay gap, remuneration for equal work or average for the company	GRI 102-38, GRI 102-39, GRI 201-3, GRI 202-1, GRI 405-2	37, 70, 72, 121
The average remuneration of directors and managers, including variable remuneration, expenses, compensation, payments to long-term savings plans and any other item by gender	GRI 102-35	19-20, 49, -50
Implementation of policies related to the disconnecting from work	*	71-72
Disabled employees	GRI 405-1	71
Organisation of work		
Organisation of work hours and number of hours lost to absenteeism	GRI 403-9	75-77
Measures aimed at providing work-life balance and promoting their shared use by both parents	GRI 401-2, GRI 401-3	71-72
Health and safety		
Health and safety conditions in the workplace	GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7, GRI 403-8	75-79
Work-related accidents, particularly their frequency and seriousness, by gender	GRI 403-9	76
Work-related ill health by gender	GRI 403-10	77
Social relations		
Organisation of social dialogue, including procedures for notifying and consulting employees and negotiating with them	GRI 102-41, GRI 102-43, GRI 403-4	34, 73, 75
Percentage of employees covered by collective bargaining agreements by country	GRI 102-41	73
Results of collective bargaining agreements, particularly in relation to occupational health and safety	GRI 403-4	73, 75
Training		
Implemented training policies	GRI 404-2	68
Total number of hours of training courses by professional category	GRI 404-1	68
Universal accessibility for persons with disabilities		
Universal accessibility for persons with disabilities	*	71
Equality		
Measures adopted to promote equal treatment and opportunities for men and women	GRI 401-3	68-72
Equality plans (Chapter III of Spanish Constitutional Act 3/2007 of 22 March, for Effective Equality between Women and Men)	GRI 405-1	68-71
Measures adopted to promote employment	*	68-71
Protocol against sexual harassment and harassment on the grounds of sex	GRI 102-17	36-38, 53
Integration and universal accessibility for persons with disabilities	GRI 405-1	71
Policy against any type of discrimination and, where appropriate, for managing diversity	*	68-71

Requirements of Law 11/2018

Reporting framework

Number of pages

III. Information on respect for human rights

Application of due diligence procedures in relation to human rights	GRI 102-16, GRI 102-17, GRI 410-1, 412-1, 412-3	36-38, 53, 122
Prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage and rectify any possible abuses committed	*	36-38
Formal complaints for cases of violation of human rights	GRI 102-17	36-38, 53
Promotion of and compliance with the provisions of the fundamental conventions of the International Labour Organization in relation to respect for freedom of association and the right to collective bargaining	GRI 412-2	122
Elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour and the effective elimination of child labour	*	36-38

IV. Information relating to the fight against corruption and bribery

Measures adopted to prevent corruption and bribery	GRI 102-16, GRI 102-17, GRI 205-1, GRI 205-2, GRI 205-3	53-56
Measures to combat money laundering	GRI 205-2	53-56
Contributions to foundations and not-for-profit organisations	GRI 201-1, GRI 413-1	56, 99-101, 104

V. Information about the company

The company's commitment to sustainable development

The impact of the company's activity on employment and local development	GRI 413-1	99-101
The impact of the company's activity on local communities and on the region	GRI 413-1, GRI 413-2, OG11	98-101, 127
Relations with key figures of local communities and modalities of dialogue with them	GRI 102-43, GRI 411-1, GRI 413-1, OG10,	98-101
Association and sponsorship actions	GRI 102-13, GRI 413-1	98-101, 119

Subcontracting and suppliers

Inclusion in the procurement policies regarding social issues, gender equality and environment; consideration in supplier and subcontractor relations of their social and environmental responsibilities; systems for supervision and auditing and their results	GRI 308-1, GRI 308-2, GRI 414-1, GRI 414-2	95-96
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Consumers

Measures for the health and safety of consumers	GRI 403-7	75, 79
Systems for lodging complaints, complaints received and their resolution	GRI 102-43	34, 63

Tax information

Profits obtained by country	GRI 201-1	58, 104
Tax paid on profits and public subsidies received	GRI 201-4	60, 123

* The reporting framework is indicated with the report created.

Information from the Annual Corporate Governance Report

Information from the Annual Corporate Governance Report

Company ownership structure	Annual Corporate Governance Report
Company management structure	
Workings of the General Shareholders' Meeting	
Related-party and intragroup transactions	
Risk control systems, including tax risk	
Recommendations of the Unified Code of Good Governance	

Self-assessment in relation to the implementation of the principles and items of integrated reporting



Enagás is committed to integrated reporting



Together with other leading companies in international reporting, Enagás took part in a pilot programme of the International Integrated Reporting Committee (IIRC) to establish a common framework for the preparation of integrated reports and enable participants to share best practices. Up to and including 2017, Enagás was a member of the Integrated Reporting Business Network.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future.

Since 2012, Enagás has been progressing towards an integrated report in its Annual Reports.

Strategic focus and future orientation

The report reflects key strategic aspects such as the positioning of Enagás in a low-carbon economy and the context of operation, which includes the outlook for the natural gas sector and the impact they will have on business, based on those established by the company's growth drivers.

In addition, our long-term vision is included, positioning the company with a sustainable business model, which is based on the role of natural gas as the key to achieving sustainable, safe and efficient energy, renewable gases and the creation of value in affiliate companies, as well as in areas such as digitalisation and corporate entrepreneurship and innovation.

The company also identified the main risks derived in the context of operation and of its business model. Furthermore, it includes the outlook from the Executive Chairman regarding the ability of the company to meet its long and short-term goals, providing an assessment of past performance and on future growth and strategies.

The commitment of leaders responsible for sustainability and opportunity and risk management, together with the performance and targets in each of the material issues, shows that the company is prepared to deliver its strategy, i.e. how to generate value in the present and in the future.



In 2018, Enagás has updated its sustainability strategy and a materiality analysis has been carried out

Connectivity of information

The report reflects the relationship between different information blocks, primarily:

- The long-term vision, the context of operation and the business model, from which the company's perceived risks, opportunities, pillars of growth and strategy are derived.
- Strategy and Corporate Governance, through which we leverage opportunities and manage risks, all of which is aimed at creating value, while taking into account the impact on business and society.
- The company's short and long-term objectives, aligned with the strategic drivers and linked to employees' variable remuneration, through which we ensure compliance with the strategy.
- The management of risks and opportunities, along with their impact, and the controls and mitigating actions in various areas of management.
- Our value creation process, prepared in accordance with the capital model, includes in the different chapters the main inputs and impacts on the material topics generated by our activity (see the '[Creating value for our stakeholders](#)' section). This section is also linked with our contribution to the Sustainable Development Goals (SDG), in which we identify those SDG to which we contribute through our activity, management models, policies and corporate guidelines and performance (see the chapter '[Enagás in 2018](#)').
- Also included are navigation icons, hyperlinks and cross-references that facilitate reading and understanding of the connections between different contents.

Responsiveness and stakeholder inclusiveness

[GRI 102-46]

Enagás' Annual Report 2018 targets its main stakeholders. The Enagás stakeholder map is aligned with corporate strategy.

Enagás has identified its stakeholders classified according to the different areas of relationship, identified by material topics.

As in previous years, the 2018 Consolidated Management Report has been drafted applying the principles of standard AA1000: inclusivity, materiality, responsiveness and impact.

Materiality and accuracy [GRI 102-44, GRI 102-46]

The report contains all the necessary information to be able to respond to the information relevant to the main stakeholders.

In 2018, Enagás updated its sustainability strategy (see the chapter '[Sustainability](#)') and performed a materiality analysis. The outcome of this analysis was that Enagás identified those material topics that bring together the main interests and concerns of stakeholders. This Report provides detailed information concerning each material issue in the respective chapters of the section '[Creation of value for our stakeholders](#)'.

Furthermore, the critical management standards that Enagás evaluates in its affiliates are identified. These are based on the material topics of the company (see the chapter '[Management in affiliate companies](#)').

Finally, following Enagás' takeover of GNL Quintero Chile, in 2018 information about this affiliate has been consolidated in this report.

For the purpose of only including material topics in the Annual Report, the Consolidated Management Report and its detailed information was separated from the Consolidated Annual Accounts, Annual Corporate Governance Report and Annual Directors' Remuneration Report.

The Consolidated Management Report includes the more relevant data from these publications.

At the same time, the corporate website includes other aspects that constitute non-material information or static information (management models, policies, etc.).

Reliability

Both the financial and non-financial information from 2018 was audited and verified, respectively, by the same auditors: EY.

EY audits our financial statements and examines information relating to the ICFR system, expressing an opinion on its effectiveness.

They also verify non-financial information with a limited level of assurance and a reasonable level of assurance for the following indicators:

- Occupational safety and health indicators. Lost time injury frequency rate (own staff) and lost time injury severity rate (own staff).
- Human Resources indicators. Development of human capital, workforce and labour relations.

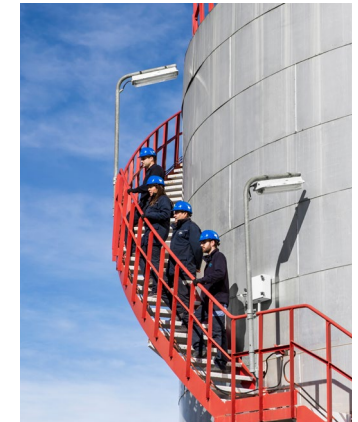
Enagás is continuing to review its indicators so as to achieve higher levels of assurance in the future.

Comparability and consistency

The 2018 Consolidated Management Report takes account the GRI Standards of the Global Reporting Initiative (GRI) and the Oil & Gas sector supplement. Therefore, it provides an internal and external benchmark for comparison based on internationally recognised principles and content.

Furthermore, the indicators included in the 2018 Consolidated Management Report are defined so as to facilitate comparison with reports for prior year and other companies in the sector, using studies, CSR indices and benchmarking projects as references.

Furthermore, customer satisfaction surveys are standardised for the respondents in terms of structure and rating levels, to facilitate comparison with other companies in the energy sector. Enagás is also involved in a benchmarking project with natural gas transmission companies internationally to compare the occupational safety and health, and environmental indicators, among others.



“This report has been prepared in accordance with the GRI Standards: Comprehensive option”



Integrated reporting framework content

Content element	Aspects included	Sections	Page
Overview of the organisation and its external environment	Activities and material topics	Our business model Sustainability strategy	11-12, 32
	Mission, vision and values	Our business model	13
	Supply chain description	Our supply chain	94
	Operating context	Geographies Operating context	14, 16
	Shareholder composition	Enagás in 2018	7
Corporate	Corporate Governance structure	Governing Bodies	44-46, 48
	Board selection and self-assessment	Performance of the Governing Bodies	46
	Good Corporate Governance practices implemented	Good Governance	44-51
	Remuneration for the Board linked to value creation in the short, medium and long term	Remuneration of the Board of Directors	49-50
Opportunities and risks	Management of opportunities arising from future outlook	Operating context Our project for the future	16, 25-31
	Management of risks associated with future outlook	Risk management Our project for the future	21-31
	Management of opportunities and risks in the supply chain	Supply chain risk management	95-96
Strategy and resource allocation	Growth strategy	Our project for the future	25-31
	Strategy		
Business model	How Enagás creates value from its resources and business processes	Our contribution to SDGs Sustainability strategy	8, 32
	Sustainable management model	Sustainable Management Model	35
Performance	Key company performance indicators	Enagás in 2018 Key indicators	7, 102-108
	Performance in material topics measured by indicators	Good governance People Natural capital management	Financial and operational excellence Safety and Health Climate change and energy efficiency
		Ethics and integrity Local communities Supply chain	44, 52, 57, 65, 74, 80, 86, 94, 97
Outlook	The opportunities, challenges and uncertainties the organisation may encounter in pursuing its strategy	Operating context Our project for the future	16, 25-31
	Risks associated with the business and implementation of the strategy	Risk management	21-24

Index of contents according to the EFQM Model

EFQM-Management Report

EFQM criterion	Subcriterion	References (chapters)	Pages	EFQM criterion	Subcriterion	References (chapters)	Pages
1. Leadership	1a. Leaders develop the mission, vision, values and ethical principles, and act as a role model.	Interview with the Executive Chairman	4	3. People	2c. Strategy and supporting policies are developed, reviewed and updated.	Our contribution to SDGs	8
		Mission, vision, values	13			Our purpose and activities	11
		Good governance	44-51			Strategy	18
		Ethics and integrity	52-56			Sustainability Strategy	32-34
		Respect for human rights	36-38			Sustainable Management Model	35-38
	1b. Leaders define, monitor, review and drive the improvement of the organisation's management system and performance.	Strategy	18		2d. The strategy and its supporting policies are communicated, implemented and monitored.	Sustainability strategy	32-34
		Sustainability strategy	32-34			Local Community Management Model	97-101
		Sustainable Management Model	35-38				
	1c. Leaders engage with external stakeholders.	About our Consolidated Management Report	3		3a. People plans support the organisation's strategy.	Sustainability strategy	32-34
		Corporate Entrepreneurship and Open Innovation	29			People	65-73
Sustainability strategy		32-34	Stable and quality employment	66			
Affiliate management		39	Professional development programmes	67			
1d. Leaders reinforce a culture of excellence with the organisation's people.	Creating value for our stakeholders	44-101	3b. People's knowledge and capabilities are developed.	Diversity	68-71		
	Corporate Entrepreneurship and Open Innovation	29		Collective bargaining	73		
	Operating excellence	57-64		Employee satisfaction and motivation	73		
	Professional development programmes	67					
1e. Leaders ensure that the organisation is flexible and manages change efficiently.	Board structure: independence and diversity	46	3c. People are aligned, involved and empowered.	Our employees	66		
	Diversity	68-71		Awareness of in-house talent	67		
	Our contribution to SDGs	8		Professional development programmes	67		
2. Strategy	2a. The strategy is based on understanding the needs and expectations of stakeholders and the external environment.	Our project for the future	25-31	3d. People communicate effectively throughout the organisation.	Training	68	
		Sustainability strategy	32-34		Achievement of 2018 targets	19	
		Operating context	16		Corporate Entrepreneurship and Open Innovation	29	
		Natural gas as a key element	25		Code of Ethics	53	
	2b. The strategy is based on understanding internal performance and capabilities.	Renewable gases	26	3e. People are rewarded, recognised and cared for.	Social investment	99-101	
		Sustainability strategy	32-34		Sustainability strategy	32-34	
		Creating value in affiliates	39-40		Operating excellence	57-64	
		Corporate Entrepreneurship and Open Innovation	29		Employee satisfaction and motivation	73	
		Digitalisation	30				
		Technological innovation	30				
Sustainable Management Model	35-38						

EFQM criterion	Subcriterion	References (chapters)	Pages
4. Partnerships and Resources	4a Managing partners and suppliers for sustainable profit	Creating value in affiliates	28
		Corporate Entrepreneurship and Open Innovation	29
		Affiliate management	39
		Supply chain	94
	4b. Finances are managed to secure sustained success.	Achievement of 2018 targets	18
		Tax responsibility	55
		Financial excellence	58
		Social investment	99-101
		System for internal control of financial reporting	<u>181</u>
	4c. Buildings, equipment, materials and natural resources are managed in a sustainable way.	Consolidated Annual Accounts	<u>248</u>
Sustainable Management Model		35-38	
Crisis and emergency management		78	
Natural capital management		80	
4d. Technology is managed to support the delivery of strategy.	Climate change and energy efficiency	86	
	Our project for the future	25-31	
4e. Information and knowledge management to support effective decision-making and build up the organisation's capability.	Sustainability strategy	32-34	
	Information security	78	
5. Processes, Products and Services	5a Processes are designed and managed to optimise value for stakeholders.	Strategy	16-24
		Sustainability strategy	32-34
		Affiliate management	39
		Operating excellence	61
	5b. Products and Services are effectively promoted and marketed.	Renewable gases	26
		Corporate Entrepreneurship and Open Innovation	29
		Digitalisation	30
		Technological innovation	30
		Operational excellence	61
	5c. Products and Services are promoted and effectively marketed.	Circular economy	82
Sustainability strategy		32-34	
Sustainable Management Model		35-38	
Operating excellence		61	
	Information security	78	

EFQM criterion	Subcriterion	References (chapters)	Pages		
	5d. Products and services are produced, delivered and managed.	Our purpose and activities	11		
		Operating excellence	61		
		Safety and Health	74-79		
		Natural capital management	80-85		
		Climate change and energy efficiency	86-93		
	5e. Customer relationships are managed and enhanced.	Sustainability strategy	32-34		
		Operating excellence	61		
6. Customer Results	6a Perceptions	Operational Excellence	61		
		Key social indicators	105		
	6b. Performance indicators	Enagás in 2018	7		
		Operational excellence	61		
7. People Results	7a Perceptions	Employee satisfaction and motivation	75		
		7b. Performance indicators	Enagás in 2018	7	
		People	65-73		
		Key social indicators	105		
		8. Society Results	8a Perceptions	Sustainability strategy	32-34
		Sustainable Management Model	35		
		Index positioning and certifications	41-42		
		8b. Performance indicators	Enagás in 2018	7	
		Key indicators	102		
		9. Business Results	9a Business Outcomes.	Enagás in 2018	7
				Key economic indicators	103-105
Consolidated Annual Accounts	<u>248</u>				
9b. Business Performance Indicators.	Enagás in 2018			7	
		Key indicators	103-109		
		Consolidated Annual Accounts	<u>248</u>		

GRI Standards content index [GRI 102-55]



For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. The service was performed in the Spanish version of the report.

General content

GRI Standard	Contents	Page numbers or URLs	Omissions
GRI 101: Foundation 2016			
Organisation profile			
	102-1 Name of the organisation	3, 131	
	102-2 Activities, brands, products and services	11	
	102-3 Location of the organisation's headquarters	14, 131	
	102-4 Location of operations	14	
	102-5 Ownership and legal form	3	
	102-6 Markets served	14	
GRI 102: General content 2016	102-7 Scale of the organisation	103, 106	
	102-8 Information on employees and other workers	66, 69, 95	
	102-9 Supply chain	95	
	102-10 Significant changes in the organisation and its supply chain	11, 14, 66, 95	
	102-11 Precautionary principle and approach	21-22	
	102-12 External initiatives	3, 36, 100	
	102-13 Membership of associations	Enagás is also involved with the governing bodies of a number of Spanish associations and organisations such as Sedigas, Enerclub and Instituto Elcano, and international bodies such as IGU, ENTSG, GIE, EASEE Gas, GIIGNL and UNECE. It also cooperates with regulators, both directly and through industry associations, to propose regulatory improvements, whether directly or as part of consultations by the regulators.	
Strategy			
	102-14 Statement from senior decision-maker	4-6	
	102-15 Key impacts, risks and opportunities	21-22, 25, -27	

GRI Standard

Contents

Page numbers or URLs

Omissions

Ethics and integrity

102-16 Values, principles, standards and rules of the organisation

53

102-17 Mechanisms for offering advice and concerns about ethics

53

Governance

102-18 Governance structure

35, 45-46

102-19 Delegating authority

35

102-20 Executive-level responsibility for economic, environmental and social matters

35

102-21 Consulting stakeholders on economic, environmental, and social topics

33, 35, 47, 63, 73, 96

102-22 Composition of the highest governance body and its committees

45-46

102-23 Chair of the highest governance body

45

102-24 Appointment and selection of the highest governance body

[Article 8 of the Rules and Regulations of the organisation and functioning of the Board of Directors of Enagás](#)

102-25 Conflicts of interest

[Enagás Internal Code of Conduct in Matters Relating to Securities Markets \(pp. 9-19\)](#)
[Article 25 of the Rules and Regulations of the organisation and functioning of the Board of Directors of Enagás](#)

102-26 Role of highest governance body in setting purpose, values, and strategy

13

102-27 Collective knowledge of highest governance body

46-47

102-28 Evaluating the highest governance body's performance

47

102-29 Identification and management of economic, environmental and social impacts

21, 35, 87, -88

102-30 Effectiveness of risk management processes

21

102-31 Review of economic, environmental, and social topics

21, 35, 87, -88

102-32 Highest governance body's role in sustainability reporting

3, 6

102-33 Communicating critical concerns

47

102-34 Nature and total number of critical concerns

47

102-35 Remuneration policies

19-20, 49-50

102-36 Process for determining remuneration

49

GRI 102:
General content 2016

GRI Standard	Contents	Page numbers or URLs	Omissions
GRI 102: General content 2016	102-37 Stakeholders' involvement in remuneration	49	
	102-38 Annual total compensation ratio	In 2018, the ratio of the highest remuneration to the median total compensation of employees per country was 30.2 in Spain and 12.9 in Chile.	
	102-39 Percentage increase in annual total compensation ratio	In 2018, the percentage change in the ratio between the highest remuneration and the average total remuneration of employees per country was -10.5% in Spain and -42.2% in Chile.	
	Stakeholder engagement		
	102-40 List of stakeholder groups	34	
	102-41 Collective bargaining agreements	73	
	102-42 Identifying and selecting stakeholders	32, 34, 63	
	102-43 Approach to stakeholder engagement	32, 34, 63	
	102-44 Key topics and concerns raised	32, 34, 63, 114	
	Reporting practice		
GRI 102: General content 2016	102-45 Entities included in the consolidated financial statements	3	
	102-46 Defining report content and topic boundaries	32, 34, 114	
	102-47 List of material topics	34, 43	
	102-48 Restatements of information	85	
	102-49 Changes in reporting	3	
	102-50 Reporting period	3	
	102-51 Date of most recent report	2017	
	102-52 Reporting cycle	Yearly	
	102-53 Contact point for questions regarding the report	131	
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option	
102-55 GRI content index	119-127		
102-56 External assurance	3, 128-129		

Material topics

GRI Standard	Contents	Page numbers or URLs	Omissions
Good Governance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	44	
	103-2 The management approach and its components	44	
	103-3 Evaluation of management approach	44	
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2018, no significant sanctions or fines were received in the social and economic area	
Ethics and integrity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	52	
	103-2 The management approach and its components	52	
	103-3 Evaluation of management approach	52	
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	55	
	205-2 Communication and training about anti-corruption policies and procedures	52, 56	
	205-3 Confirmed incidents of corruption and actions taken	53	
GRI 410: Security Practices 2016	OG12 Operations/facilities where involuntary resettlement took place, the number of resettled households and how their livelihoods were affected in the process	Expropriations resulting from Enagás activities did not involve involuntary resettlement of communities	
	OG13 Number of process safety events taking place in operations, by activity	No process safety events were reported according to the API RP 754 standard	
GRI 412: Human Rights Assessment 2016	410-1 Security personnel trained in human rights policies or procedures	37	
	412-1 Operations that have been subject to human rights reviews or impact assessments	36	
	412-2 Employee training on human rights policies or procedures	83.5% of employees received training on human rights (18,958 hours). Training by means of at least one of the following types of courses: Equality and Anti-Corruption, Human Rights (general), and Prevention and the Environment.	
GRI 415: Public Policy 2016	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	100% of the significant agreements with suppliers include human rights clauses.	
	415-1 Political contributions	The financing of political parties is expressly prohibited, and this is one of the risks that Enagás has defined in its crime prevention model. In 2018, Enagás did not make political contributions of any kind.	

GRI Standard	Contents	Page numbers or URLs	Omissions
Financial and operational excellence			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	57	
	103-2 The management approach and its components	57	
	103-3 Evaluation of management approach	57	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	7, 104	
	201-2 Financial implications and other risks and opportunities due to climate change	21, 26–27, 87–88, 90, 92	
	201-3 Defined benefit plan obligations and other retirement plans	71-72	
	201-4 Financial assistance received from government	See section 2.4. 'Property, plant and equipment', 'a) Grants' in the Consolidated Annual Accounts. The Group did not benefit from other significant financial assistance received from governments in 2018.	
People			
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundaries	65	
	103-2 The management approach and its components	65	
	103-3 Evaluation of management approach	65	
GRI 202: Presence in the market 2016	202-1 Ratio of standard initial category salary by sex to the local minimum wage	37, 70	
	202-2 Proportion of senior management hired from the local community	100% of executives in Spain are local and 63% in Chile. There is a local general manager in both Mexico and Greece and a non-local general manager in Peru/Chile. Employees with the nationality of the country in which they work are considered local.	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	66-67	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	71-72	
	401-3 Parental leave	73	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	65, 68	
	404-2 Programmes for upgrading employee skills and transition assistance programmes	68	
	404-3 Percentage of employees receiving regular performance and career development reviews	65, 67	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	44–46, 66, 69, 71	
	405-2 Ratio of basic salary and remuneration of women to men	70	

GRI Standard	Contents	Page numbers or URLs	Omissions
Safety and health			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	74	
	103-2 The management approach and its components	74	
	103-3 Evaluation of management approach	74	
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	74-75	
	403-2 Hazard identification, risk assessment and incident investigation	77-78	
	403-3 Occupational health services	79	
	403-4 Worker participation, consultation, and communication on occupational health and safety	75	
	403-5 Worker training on occupational health and safety	74-75	
	403-6 Promotion of worker health	79	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	75, 79	
	403-8 Workers covered by an occupational health and safety management system	75-76	
	403-9 Work-related injuries	74, 76-77, 107	
	403-10 Work-related ill health	77	
Natural capital management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	80	
	103-2 The management approach and its components	80	
	103-3 Evaluation of management approach	80	
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	83-84	
	303-2 Management of water discharge-related impacts	84	
	303-3 Water withdrawal	83-84 Enagás does not withdraw water in water-stressed areas.	
	303-4 Water discharge	83-84	[GRI 102-55]
	303-5 Water consumption	80, 85	

GRI Standard	Contents	Page numbers or URLs	Omissions
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Enagás infrastructure occupies a surface area of 4 km ² of lands included in the Natura 2000 network (SACs/SPAs)	
	304-2 Significant impacts of activities, products and services on biodiversity	83	
	304-3 Habitats protected or restored	83 Monitoring and verification is conducted internally	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	83 Enagás takes into consideration special protection areas and habitats of international interest listed by the International Union for Conservation of Nature (IUCN), along with the protection of the cultural heritage associated with them, in addition to the Spanish national and regional conservation lists	
	OG4 Number and percentage of significant operational sites in which biodiversity risk has been assessed and monitored	83	
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	84	
	306-2 Waste by type and disposal method	80, 85	
	306-3 Significant spills	84	
	306-4 Transport of hazardous waste	There are no cross-border movements of the waste produced by Enagás	
	306-5 Water bodies affected by water discharges and/or run-off	Enagás does not discharge any wastewater into watercourses located in protected nature reserves or considered to be of particular ecological value	
	OG5 Volume and disposal of formation or produced water		Enagás generates produced water in underground storage facilities given that the extraction of natural gas is performed with water. In 2018 the volume of produced water was 1,934 m ³ .
GRI 306: Effluents and waste 2016	OG6 Volume of flared and vented hydrocarbon	The main hydrocarbon burnt in the flare and/or vented is natural gas. In 2018, the volume of natural gas flared and/or vented amounted to 2,159,361 Nm ³	
	OG7 Total drilling waste (drilling mud and cuttings). Strategies implemented for its treatment and elimination		Not applicable. As shown in the graph in ' Our business model ', the company's activity commences with tankers offloading at any of its regasification plants or at international connections in the pipeline network. Therefore, as it is not involved in extraction activities, Enagás does not generate drill mud

GRI Standard	Contents	Page numbers or URLs	Omissions
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	In 2018, no significant sanctions or fines were received in the environmental area	
Climate change and energy efficiency			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	86	
	103-2 The management approach and its components	86	
	103-3 Evaluation of management approach	86	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	89-90	
	302-2 Energy consumption outside of the organisation	17	
	302-3 Energy intensity	92	
	302-4 Reduction of energy consumption	92	
	302-5 Reductions in energy requirements of products and services	92	
	OG2 Total amount invested in renewable energy	There were no significant investments in renewable energies in 2018	
	OG3 Total amount of renewable energy generated by source	92	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	86, 89-91, 108	
	305-2 Energy indirect (Scope 2) GHG emissions	86, 89-91, 108	
	305-3 Other indirect (Scope 3) GHG emissions	91	
	305-4 GHG emissions intensity	90	
	305-5 Reduction of GHG emissions	92-93	
	305-6 Emissions of ozone-depleting substances (ODS)	90	
	305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x) and other significant air emissions	80, 85	
Supply chain			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	94	
	103-2 The management approach and its components	94	
	103-3 Evaluation of management approach	94	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	95	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	96	
	308-2 Negative environmental impacts in the supply chain and actions taken	95-96	

GRI Standard	Contents	Page numbers or URLs	Omissions
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	96	
	414-2 Negative social impacts in the supply chain and actions taken	95-96	
Local communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	97	
	103-2 The management approach and its components	97	
	103-3 Evaluation of management approach	97	
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	No incidents of violations involving rights of indigenous peoples were identified in 2018	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	99-101	
	413-2 Operations with significant actual and potential negative impacts on local communities	98	
	OG10 Number and description of significant disputes with local communities and indigenous peoples	98	
	OG11 Number of sites that have been decommissioned and sites that are in the process of being decommissioned	No sites were decommissioned in 2018	

External verification report

[GRI 102-56]

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Translation of a report originally issued in Spanish. In the event of discrepancy,
the Spanish-language version prevails

**INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT
AND INFORMATION ON SUSTAINABILITY**

To the shareholders of ENAGÁS, S.A.:

In accordance with article 49 of the Commercial Code, we have verified, with a limited scope, the Consolidated Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2018 of ENAGÁS, S.A. and subsidiaries (hereinafter the Group), which is part of the Group's accompanying Consolidated Management Report

The content of the Consolidated Management Report contains information in addition to that required by prevailing company law in respect of non-financial information that was not included in the scope of our assurance work. Consequently, our work was limited exclusively to verifying the information identified in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table and in conformity with the "GRI Standards content index" included in the accompanying Consolidated Management Report.

Responsibility of the directors

The preparation of the NFS included in the Group's Consolidated Management Report and its content is the responsibility of the directors of ENAGÁS, S.A. The NFS was prepared in accordance with the content required by prevailing company law and in conformity with the criteria outlined in the GRI Sustainability Reporting Standards (GRI standards), comprehensive option, as well as other criteria, including the GRI Oil and Gas sector supplement, described as explained for each subject matter in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table, in conformity with the "GRI Standards content index" of said report, and in accordance with principles stated in AA1000 AP (2018) issued by AccountAbility (Institute of Social and Ethical Accountability).

This responsibility likewise includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the NFS is free of material misstatement, due to fraud or error.

The directors of ENAGÁS, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information for preparing the NFS is obtained.

Our independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65, 28003 Madrid - inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja 1ª
87.660-1, inscripción 1ª. C.I.F. B-78970506.
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Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and applicable regulatory provisions.

The EY team is made up of experts in non-financial information engagements and specifically, information on economic, social, and environmental performance.

Our responsibility

Our responsibility is to express our conclusions on the Independent Assurance Report with limited assurance, based on the work performed, which refers exclusively to the 2018 financial year. Prior year data were not reviewed in compliance with prevailing company law.

We have carried out our work in accordance with the requirements established in the International Standard on Assurance Engagements (ISAE) 3000 (revised), "Assurance Engagements Other than Audits and Review of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the Guidelines on performing non-financial statement assurance engagements issued by Spain's Institute of Auditors and AA1000 AS (2008), with a moderate level of type 2 assurance.

In a limited assurance engagement, the procedures carried out vary in their nature and timing, and are less in extent than those carried out for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is also substantially lower.

Our work consisted in making inquiries of management and of the Group's various business units participating in the preparation of the NFS, reviewing the processes for compiling and validating the information presented therein, and applying certain analytical procedures and sample review tests as described in general terms below. These procedures included:

- ▶ Holding meetings with Group personnel to gain an understanding of the business model, the policies and management approaches applied, and the main risks related to these matters, as well as to gather the information needed to perform the independent assurance work.
- ▶ Analyzing the scope, relevance, and integrity of the contents of the 2018 NFS, based on the materiality assessment performed by the Group and described under "Sustainability Strategy," in light of the content required under prevailing company law.
- ▶ Analyzing the processes used to compile and validate the data presented in the 2018 NFS.
- ▶ Reviewing the disclosures relating to the risks, policies, and management approaches applied with respect to the material matters presented in the 2018 NFS.
- ▶ Checking, via tests of a selected sample, the information underlying the contents of the 2018 NFS and the satisfactory compilation of the NFS based on data taken from information sources.
- ▶ Analyzing the consistency of the information described in the appendix, "Self-assessment of adoption of integrated reporting principles and elements" and the information contained in the Management Report.
- ▶ Obtaining a representation letter from the directors and management.



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In addition, with respect to GRI indicators GRI 102-41, GRI 401-1, GRI 403-2, GRI 404-1, and GRI 405-1, our responsibility is to express an opinion, for which we have carried out reasonable assurance work. The work entailed understanding the internal control system relevant to the aforementioned indicators contained in the NFS, assessing the risk of material errors that the indicators might contain, testing and evaluating their content, as well as performing other procedures we considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

In addition, we reviewed the adequacy of the structure and content in accordance with the principles established in standard AA1000 AP (2018), with a moderate level of type 2 assurance.

Conclusions

Based on the limited assurance procedures conducted and the evidence obtained, no matter has come to our attention that would cause us to believe that the Group's NFS for the year ended December 31, 2018 has not been prepared, in all material respects, in accordance with the contents required by prevailing company law and the criteria established by the GRI standards, comprehensive option, as well as other criteria, including the GRI Oil and Gas sector supplement, described as explained for each subject matter in the "Non-financial and diversity reporting requirements (Spanish Law 11/2018)" table and in conformity with the GRI content index of the Consolidated Management Report.

In addition, in our opinion, GRI indicators GRI 102-41, GRI 401-1, GRI 403-2, GRI 404-1, and GRI 405-1, reviewed with a reasonable level of assurance, are prepared and presented, in all material respects, in accordance with the GRI Sustainability Reporting Standards (GRI standards), comprehensive option, described as explained for each subject matter in the GRI Standards content index of said report.

With regard to the application of the principles established in standard AA1000 AP (2018), no matter has come to our attention that would cause us to believe that the Group has not applied the principles of inclusivity, materiality, responsiveness, and impact, as explained under "About our consolidated Management Report."

Recommendations

We presented our recommendations to Enagás management regarding areas of improvement related to the application of standard AA1000 AP (2018). The most significant recommendations are summarized below:

- ▶ **Inclusivity:** Enagás continues to make progress in identifying and diagnosing its main stakeholders, including investees, based on its specific management model for these companies. We also recommend that Enagás continue to update the stakeholders as it determines new strategic priorities, and that it likewise persist in processing data and consulting with local communities to enhance management of local stakeholders.
- ▶ **Materiality:** Enagás identifies and values material matters that are relevant to its stakeholders, enabling it to define its sustainability strategy focusing on strategic levers. We recommend that Enagás periodically reassess material matters to ensure that they are incorporated in its sustainability strategy.



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▶ **Responsiveness:** Through its Sustainable Management Plan, Enagás monitors its achievements and challenges in parallel to the material matters identified for the organization. We recommend that Enagás continue to focus its efforts on meeting stakeholders' expectations in the future by ensuring to monitor its three-lever strategy.

▶ **Impact:** Enagás's 2019-2021 Sustainability Strategy supports the Company's strategic levers and is the cornerstone of projected medium and long-term growth. We recommend that Enagás step up its efforts to measure and analyze the Company's long-term value and that it develop a process for assessing and managing both real and potential impacts on the various areas of the organization they affect.

Use and distribution

This report was prepared in response to the requirement established by prevailing company law in Spain and may not be appropriate for other uses and jurisdictions.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

Alberto Castilla Vida

February 22, 2019

Contents of the Global Compact



The Global Compact is an ethical commitment initiative designed so that entities from all countries can adhere to, as an integral part of their strategy and operations, ten universal principles governing conduct and action on matters concerning human rights, labour, the environment and the fight against corruption.

Enagás has been a member of the United Nations Global Compact since 2003 and regularly renews its commitment, maintaining a public and transparent record of the progress it has made in this field in an annual report published on the Global Compact website at (www.pactomundial.org).

The links between the ten principles of the Global Compact and the GRI Standards considered in this report are listed in the table below, in accordance with the United Nations Global Compact Communication on Progress, published by the United Nations Global Compact Office in May 2007.

To make it easier to identify the activities most directly related to the principles of the Global Compact, Enagás has singled out the GRI Standards that have a direct bearing on these principles. The table below indicates the pages of this report in which this information is contained.

GC	Human Rights	GRI Standard indicators	Page
1	Companies must support and protect internationally acknowledged basic human rights within their sphere of influence	GRI 410-1, GRI 411-1, GRI 412-1, GRI 412-2, GRI 412-3, GRI 414-1, GRI 414-2	36-37, 95-96, 122, 127
2	Companies must ensure they are not party to human rights violations	GRI 410-1, GRI 412-3	37, 122
Labour standards			
3	Companies must support freedom of association and the right to organise, and provide effective recognition of the right to collective bargaining	GRI 102-41	73
4	Companies must support all steps to eradicate forced or coerced labour	GRI 412-1, GRI 412-2, GRI 412-3	36, 122
5	Companies must support the eradication of child labour	GRI 412-1, GRI 412-3	36, 122
6	Companies must support the abolition of discriminatory practices in employment and occupation	GRI 401-1, GRI 405-1, GRI 405-2	44-46, 66-67, 69-71
Environment			
7	Companies must uphold a preventive approach that helps protect the environment	GRI 305-5, Management approach natural capital management	80, 92-93
8	Companies must promote initiatives that foster greater environmental responsibility	GRI 302-4, GRI 302-5, GRI 304-3, GRI 304-4, GRI 305-5, GRI 306-1, GRI 306-2	80, 83-85, 92-93, 125
9	Companies must foster the development and dissemination of environmentally friendly technology	GRI 302-4, GRI 302-5, GRI 304-3, GRI 304-4, GRI 305-5, GRI 306-1, GRI 306-2	80, 83-85, 92-93, 125
Anticorruption			
10	Entities must work against corruption in all its forms including extortion and bribery	GRI 205-1, GRI 205-3	53, 55

Contact

[GRI 102-1, GRI 102-3, GRI 102-53]



Please address any comments, requests for clarification or suggestions in connection with this report to:

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On 22 February 2019, the Board of Directors of Enagás, S.A. authorised the consolidated annual accounts and management report for the year ended 31 December 2018, consisting of the accompanying documents, signed and sealed by the Secretary with the Company's stamp, for issue, in accordance with article 253 of the Spanish Corporate Enterprises Act and article 37 of the Code of Commerce and other applicable provisions.

In accordance with the provisions of article 262.5 of the Consolidated Text of the Corporate Enterprises Act and the reference contained in the Management Report of the individual company Enagás, S.A. corresponding to the year ended 31 December 2018, Enagás, S.A., as a subsidiary of the Enagás consolidated group of companies, includes the Non-Financial Information Statement in the Consolidated Management report of Enagás, pursuant to the provisions of Law 11/2018 governing non-financial and diversity reporting.

DECLARATION OF RESPONSIBILITY. For the purposes of article 8.1.b) of Spanish Royal Decree 1362/2007 of 19 October, the undersigned directors state that, to the best of their knowledge the Annual Accounts, prepared in accordance with applicable accounting principles, provide a true and fair view of the equity, financial position and results of the Company and that the Management Report includes a fair analysis of the performance and results of the businesses and the situation of the Company, together with the description of the main risks and uncertainties faced. They additionally state that to the best of their knowledge the directors not signing below did not express dissent with respect to the Annual Accounts and Management Report.

Chairman

Mr Antonio Llardén Carratalá

Directors

Sociedad Estatal de Participaciones Industriales-SEPI
(Represented by Mr Bartolomé Lora Toro)

Mr Luis Javier Navarro Vigil

Mr Martí Parellada Sabata

Mr Luis García del Río

Mr Gonzalo Solana González

Mr Luis Valero Artola

Secretary to the Board

Mr Rafael Piqueras Bautista

Chief Executive Officer

Mr Marcelino Oreja Arburúa

Mr Antonio Hernández Mancha

Ms Ana Palacio Vallelersundi

Mr Santiago Ferrer Costa

Ms Rosa Rodríguez Díaz

Ms Isabel Tocino Biscarolasaga