



# 14. Annual Corporate Governance Report

## Summary

118 I A. Ownership Structure

125 I B. Company Management  
Structure

160 I C. Related-Party Transactions

170 I D. Risk Control Systems

176 I E. General Shareholders' Meetings

191 I F. Degree of Compliance with

Corporate Governance Recommendations

209 I G. Other Information of Interest

227 I Appendices

231 I Report on the Activities of the Enagás, S.A.

Audit and Compliance Committee in 2012

## A. Ownership Structure

### A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03/05/2002	358,101,390.00	238,734,260	238,734,260

Indicate whether different types of shares exist with different associated rights.

YES  NO

### A.2 List the direct and indirect holders of significant ownership interests in your organisation at year end, excluding directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of direct voting rights (*)	% of total voting rights
Kartera 1, S.L.	11,936,713	0	5.000
Kutxabank,S.A	0	11,936,713	5.000
Oman Oil Company, S.A.O.C.	0	11,936,702	5.000
Oman Oil Holdings Spain S.L.U.	11,936,702	0	5.000

Indicate the most significant movements in the shareholder structure during the year.

Name or corporate name of shareholder	Date of operation	Type of operation
Cantabrica de Inversiones de Cartera, S.L. (CIC, S.L.)	04/10/2012	A 5% drop in share capital
Sagane Inversiones, S.L.	11/09/2012	A 5% drop in share capital

### A.3 Complete the following tables on company directors holding voting rights through company shares:

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Antonio Llardén Carratalá	56,396	0	0.024
Marcelino Oreja Arburúa	10	0	0.000
Dionisio Martínez Martínez	2,010	0	0.001
Luis Javier Navarro Vigil	10	7,075	0.003
Martí Parellada Sabata	910	0	0.000
María Teresa García Millá Lloveras	1,500	0	0.001
Ramón Pérez Simarro	100	0	0.000
Sociedad Estatal de Participaciones Industriales (SEPI)	11,936,713	0	5.000
Sultan Hamed Khamis Al Burtamani	1	0	0.000

I 119

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
Luis Javier Navarro Vigil	Newcomer 2000, S.L.U.	7,075	0.003
<b>% of total voting rights held by the Board of Directors</b>			<b>5.028</b>

Complete the following tables on share options held by directors.

### A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

### A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

**Type of relationship:**

Commercial

**Brief description:**

Provision of guarantee line. Amount (in € thousand): 6,000

**Name or corporate name of related party**

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Kutxabank,S.A

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**Type of relationship:**

Corporate

**Brief description:**

Payment of final dividend for the 2011 financial year: 7,303; payment of interim dividend for 2012 financial year: 5,108; total dividend for 2012 financial year: 12,411 (all amounts in € thousand).

**Name or corporate name of related party**

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Oman Oil Company, S.A.O.C.

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**Type of relationship:**

Commercial

**Brief description:**

Provision of credit line. Amount (in € thousand): 25,000.

**Name or corporate name of related party**

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Kutxabank,S.A

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**Type of relationship:**

Corporate

**Brief description:**

Payment of final dividend for the 2011 financial year: 7,303; payment of interim dividend for 2012 financial year: 5,108; total dividend for 2012 financial year: 12,411 (all amounts in € thousand).

**Name or corporate name of related party**

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Kartera 1, S.L.

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**Type of relationship:**

Commercial

**Brief description:**

Loan: Enagás has repaid in full the loan with kutxabank. Amount (in € thousand): 100,000.

**Name or corporate name of related party**

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Kutxabank,S.A

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**Type of relationship:**

Corporate

**Brief description:**

Payment of final dividend for the 2011 financial year: 7,303; payment of interim dividend for 2012 financial year: 5,108; total dividend for 2012 financial year: 12,411 (all amounts in € thousand).

**Name or corporate name of related party**


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 Sociedad Estatal de Participaciones Industriales (SEPI)
 

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**A.6 Indicate whether any shareholders' agreements have been notified to the company pursuant to article 112 of the Securities' Market Act (Ley del Mercado de Valores). Provide a brief description and list the shareholders bound by the agreement, as applicable:**

I 121

 YES  NO 

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

 YES  NO 

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year:

Not applicable.

**A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Securities' Market Act. If so, identify:**

 YES  NO 

**A.8 Complete the following tables on the company's treasury shares.**

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.0000

(\*) Through:

<b>Total</b>	<b>0</b>
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Give details of any significant changes during the year, in accordance with Royal Decree 1362/2007:

<b>Gain/(loss) on treasury shares during the year (€ thousand)</b>	<b>0</b>
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122 |

## A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to purchase and/or transfer the treasury shares.

The Annual General Shareholders' Meeting (AGM) of 30 April 2010 adopted the following resolution:

In accordance with the provisions of articles 75 et seq. of the Spanish Companies Act, to authorise and empower the Board of Directors with the faculty of substitution, to use derivatives to acquire treasury shares, either directly or via any of the Group companies, in the following terms:

- 1.- The acquisition may be performed via sale-purchase or any other business method for consideration.
- 2.- The authorisation pertains to shares which, together with those already held, do not exceed 10% of the Company's share capital.
- 3.- The purchase price shall not exceed by 50% or fall short by 50% of the average trading price of the seven sessions previous to the purchase date.
- 4.- The authorisation is extended for a five-year period, as from the date of this agreement.

Acquisition of treasury shares must enable the Company, at all events, to provision the reserve stipulated in article 79.3 of the Companies Act, without diminishing either the share capital or the unavailable reserves. The shares to be acquired must be fully paid in.

The shares acquired may be conveyed, entirely or in part, to employees, management or directors of the Company, or of Group companies, in accordance with the provisions of article 75.1 of the Spanish Companies Act.

This authorisation for the acquisition of treasury shares shall, as appropriate, replace all authorisations previously granted by the AGM.

**A.10 Indicate, as applicable, any restrictions imposed by Law or the company's Bylaws on exercising voting rights, as well as any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on exercising voting rights:**

YES  NO

**Statutory cap on percentage of voting rights exercisable by a single shareholder** **3,000**

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Indicate whether there are any restrictions included in the Bylaws on exercising voting rights.

YES  NO

I 123

**Porcentaje máximo de derechos de voto que puede ejercer un accionista por una restricción estatutaria** **3,000**

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**Bylaw-mandated cap on percentage of voting rights exercisable by a single shareholder**

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**Restrictions under law:**

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

"No natural person or corporate body may hold, directly or indirectly, an interest in the parent company (ENAGÁS, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Any party operating within the gas sector, including natural persons or bodies corporate that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of Act 24/1988, dated 28 July, on the Securities Market, stakes shall be attributed to one and the same individual or body corporate when they are owned by:

- a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.
- b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of the Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Non-compliance with the limitation on a stake in the capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. At all events, there shall apply the system of penalties set out in the Act.

**Restrictions under the company's Articles of Association:**

In accordance with the aforementioned legal provision, article 6a bis of Enagás, S.A.'s Articles of Association stipulate the following:

"No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector and natural persons or bodies corporate that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share holdings be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation.

124 |

Indicate if there are any legal restrictions on the acquisition or transfer of share capital.

YES  NO

**Description of legal restrictions on the acquisition or transfer of share capital**

In accordance with the provisions of the Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, article 6 bis of the Company's Articles of Association establishes that no individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the company responsible for the technical management of the system. Under no circumstances may such share holdings be syndicated. These restrictions do not apply to direct or indirect interests held by public-sector enterprises. Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation.

**A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007:**

YES  NO

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:



## B. Company Management Structure

### B.1 Board of Directors

I 125

#### B.1.1 List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	15
Minimum number of directors	6

#### B.1.2 Complete el siguiente cuadro con los miembros del Consejo:

Name or corporate name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Antonio Llardén Carratalá	--	Chairman	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting
Marcelino Oreja Arburúa		Chief Executive Officer	17/09/2012	17/09/2012	Co-option
Dionisio Martínez Martínez	--	Director	31/05/2002	30/04/2010	Vote at General Shareholders' Meeting
Isabel Sánchez García	--	Director	30/04/2010	30/04/2010	Vote at General Shareholders' Meeting
Jesús David Álvarez Mezquíriz	--	Director	25/04/2003	25/03/2011	Vote at General Shareholders' Meeting
José Riva Francos	--	Director	31/05/2002	30/04/2010	Vote at General Shareholders' Meeting
Luis Javier Navarro Vigil	--	Director	09/07/2002	25/03/2011	Co-option
Martí Parellada Sabata	--	Director	17/03/2005	27/03/2009	Co-option
María Teresa García-Milá Lloveras	--	Director	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting
Miguel Ángel Lasheras Merino	--	Director	22/04/2006	30/04/2010	Vote at General Shareholders' Meeting





Name or corporate name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Ramón Pérez Simarro	--	Director	17/06/2004	27/03/2009	Co-option
Sociedad Estatal de Participaciones Industriales (SEPI)	Federico Ferrer Dalso	Director	25/04/2008	30/03/2012	Vote at General Shareholders' Meeting
Sultan Hamed Khamis Al Burtamani	--	Director	20/12/2010	25/03/2011	Co-option

**Total number of directors** **13**

Indicate any board members who left during this period.

Name or corporate name of director	Status of the director at the time	Leaving date
Bilbao Bizkaia Kutxa (BBK)	Proprietary	21/05/12
Sagane Inversiones, S.L	Proprietary	17/09/12
Peña Rueda, S.L Unipersonal	Proprietary	17/09/12
Kartera 1, S.L	Proprietary	17/09/12

126 |

### B.1.3 Complete the following tables on board members and their respective categories:

#### Executive Directors

Name or corporate name of director	Committee proposing appointment	Post held in the company
Antonio Llardén Carratalá	Appointments, remuneration and corporate social responsibility committee	Chairman
Marcelino Oreja Arburúa	Appointments, remuneration and corporate social responsibility committee	Chief Executive Officer

**Total number of executive directors** **2**

**% of the board** **15.385**

#### External Proprietary Directors

Name or corporate name of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
Sociedad Estatal de Participaciones Industriales (SEPI)	Appointments, remuneration, and corporate social responsibility committee	Sociedad Estatal de Participaciones Industriales (SEPI)





Sultan Hamed Khamis  
Al Burtamani

Appointments, remuneration,  
remuneration and corporate social  
responsibility committee

Oman Oil Holdings Spain S.L.U.

**Total number of proprietary directors** **2**

**% of the board** **15.385**

## Independent External Directors

**Name or corporate name of director** **Profile**

Dionisio Martínez Martínez Independent director of Enagás and Chairman of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Lawyer. - Member of the General Codification Committee. - Former partner of Garrigues LAW FIRM. - Former Head of Corporate Affairs at Tabacalera. - Former Director of Telefónica de España. - Former Director of Iberia, Líneas Aéreas.

Isabel Sánchez García Independent Director of Enagás and member of the Enagás Audit and Compliance Committee. - Vice-Rector and Director of the Business Administration Programme, IE University. - Former Director of Competition Development at the Spanish Anti-Trust Regulator. - Former Consultant, Private Sector and Energy Development Department, Latin America and the Caribbean, World Bank. - Former Chief of Staff to the Secretary of State for Scientific and Technology Policy, Ministry of Science and Technology.

Jesús David Álvarez Mezquíriz Independent Director of Enagás. - Chairman of Biocarburantes Peninsulares, S.L. - Director of Eulen S.A.

José Riva Francos Independent Director of Enagás and Chairman of the Enagás Audit and Compliance Committee. - Deputy Chairman of Suardiaz Group. - Director of Logista, S.A.

Martí Parellada Sabata Independent Director of Enagás and member of the Enagás Audit and Compliance Committee. - Professor at the University of Barcelona. - Member of the Board of Trustees and Standing Committee of Hospital Clinic de Barcelona. - Deputy Chairman and Director of the Barcelona Economic Institute Foundation. - Trustee of the Energy and Environmental Sustainability Foundation.

María Teresa García-Milá Lloveras Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Professor of Economics at the Pompeu Fabra University. - Director of the Barcelona Graduate School of Economics. - Director of Banc Sabadell. - Member of the Audit and Control Committee of Banc Sabadell. - Board Member of the Centre de Recerca en Economia Internacional (CREI). - Member of the Círculo de Economía.

Miguel Ángel Lasheras Merino Independent Director of Enagás. - Managing Director of the Iberian Gas Hub project in Sociedad Promotora Bilbao Gas Hub, S.A. - Former consultant for OTR Energía S.L. - Former Executive Chairman of Intermoney Energía S.A. and Wind to Market S.A. - Former director of National Electricity System Commission. - Former Director General of Institute of Fiscal Studies. - Former director of Aviaco. - Former director of Musini.

Ramón Pérez Simarro Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee. - Partner at Enerma Consultores. - Former Director General of Energy. - Former General Secretary of Energy and Mineral Resources. - Former General Technical Secretary of the Ministry of Industry. - Former lecturer, Universidad Autónoma de Madrid.

**Total number of independent directors** **8**

**% of the board** **61.538**

## Other External Directors

Name or corporate name of director	Committee proposing appointment
Luis Javier Navarro Vigil	Appointments, remuneration and Corporate Social Responsibility Committee
<b>Total number of other external directors</b>	<b>1</b>
<b>% of the board</b>	<b>7.692</b>

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders.

128 |

### Name or corporate name of director

Luis Javier Navarro Vigil

### Company, executive or shareholder with whom the relationship is maintained

B.P. España S.A.U

### Reasons

B.P. España, S.A.U., a former significant shareholder of Enagás, S.A, proposed his appointment as a Proprietary Director on 9 July 2002 and sold its entire stake in the Company on 15 November 2006. However, Mr Navarro is not considered to be an Independent Director as he maintains or has maintained a significant business relationship with the Company.

Luis Javier Navarro Vigil, who is considered to be an "Other External Director" has confirmed to the Company that he has stood down from his position as Board member of BP ESPAÑA, S.A.U., a position that was incompatible with working for the Company in its status as a Transmission System Operator (TSO) pursuant to the National Energy Commission Resolution of 26 July 2012 (Official State Gazette (BOE) on 17 August 2012), which also considered Mr. Navarro as an "Other External Director". In accordance with the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A. dated 20 February 2012, at least one year must elapse from when the cause prohibiting an individual from being appointed as an Independent Director no longer exists before he/she can be classified as such, provided he/she meets the corresponding conditions.

It has therefore been considered appropriate to consider Luis Javier Navarro Vigil as an "Other External Director" pursuant to the Enagás' Board Regulations, as he does not meet all the conditions to be appointed as an Independent Director as per the Unified Good Governance Code.

### Name or corporate name of director

Luis Javier Navarro Vigil

### Sociedad, directivo o accionista con el que mantiene el vínculo

Terminal de LNG de Altamira, S. de R.L. de CV

### Reasons

Furthermore, Luis Javier Navarro Vigil, representing NEWCOMER, S.L.U., has a business relationship with Terminal de LNG de Altamira, S. de R.L. de CV (abbreviated to TLA, S. DE R.L. - México), a subsidiary of the Enagás Group, as he has

entered into an agreement to provide consultancy services to TLA, S. DE R.L.- México and holds a position on the Board of Directors of TLS, S. DE R.L. -México.

Inter alia, this is why it has been considered appropriate to include LUIS JAVIER NAVARRO VIGIL as an “Other External Director” pursuant to the definition laid down in Enagás’ Board Regulations.

List any changes in the category of each director which have occurred during the year.

#### B.1.4 Explain, when applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

YES  NO

#### B.1.5 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board his/her reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

YES  NO

##### Name of director

Bilbao Bizkaia Kutxa (BBK)

##### Reasons for resignation

On 21 May 2012, Bilbao Bizkaia Kutxa (BBK) tendered its resignation as a legal person director of Enagás, S.A. The Board of Directors appointed as a replacement the legal person director Kartera 1, S.L. Kartera 1 accepted the post of Proprietary Director and appointed Joseba Andoni Aurrekoetxea Bergara, who was already a natural person representative of BBK, as its natural person representative on the Board of Enagás, S.A.

Further, on 21 May 2012, the Board of Directors appointed Kartera 1, S.L. to replace BBK as a member of the Appointments, Remuneration and Corporate Responsibility Committee.

**Name of director**

Kartera 1, S.L.

**Reasons for resignation**

Pursuant to the requirements established by the National Energy Commission (CNE) and the European Union (EU) for accrediting Enagás as Transmission System Operator (TSO) pursuant to EU Directive 2009/73/EC and Royal Decree-Law 13/2012 of 30 March making this directive part of Spanish law, the legal person director KARTERA 1, S.L., represented by Joseba Andoni Aurrekoetxea, stood down on 17 September 2012 from its post on the Board of Directors of Enagás, S.A., as it was simultaneously on the boards of companies involved in the production and supply of natural gas and Enagás' Board of Directors.

The departure of Kartera 1, S.L. also led to its departure as member of the Appointments, Remuneration and Corporate Responsibility Committee.

130 |

**Name of director**

Peña Rueda, S.L. Unipersonal

**Reasons for resignation**

Pursuant to the requirements established by the CNE and the EU for accrediting Enagás as TSO pursuant to European Directive 2009/73/EC and Royal Decree-Law 13/2012 of 30 March making this directive part of Spanish law, the legal person director Peña Rueda, S.L.U., represented by Manuel Menéndez Menéndez, stood down on 17 September 2012 from its post on the Board of Directors of Enagás, S.A., as it was simultaneously on the boards of companies involved in the production and supply of natural gas and Enagás' Board of Directors

**Name of director**

Sagane Inversiones, S.L.

**Reasons for resignation**

On 11 September 2012, the shareholder Sagane Inversiones, S.L. notified the CNMV of the sale of its entire 5% stake in Enagás, S.A. The sale was completed through accelerated bookbuilding among international institutional investors, primarily in the United States and Europe. As a result of selling its entire stake in the Company, on 11 September, Sagane Inversiones, S.L., Proprietary Director represented by Carlos Egea Krauel, stood down as member of the Board of Directors and, consequently, as a member of the Appointments, Remuneration and Corporate Responsibility Committee.

**B.1.6 Indicate what powers, if any, have been delegated to the Chief Executive Officer.**

**Name or corporate name**

Marcelino Oreja Arburúa

**Brief description**

Pursuant to the resolution passed by the Board of Directors of Enagás, S.A. on 17 September 2012, Marcelino Oreja Arburúa was delegated 34 joint and several powers and 13 joint powers.

These powers are those which the Board of Directors considered had to be delegated to the Chief Executive Officer within statutory limits, in accordance with article 43 of the Company's Articles of Association and article 19 of the Board Regulations.

These powers delegated to the Chief Executive Officer, Marcelino Oreja Arburúa, by the Enagás Board of Directors, were granted in the public deed dated 5 December 2012 executed before the Notary Public of Madrid Pedro de la Herrán Matorras, with number 2680 in his notarial archive and is recorded in Volume 29,601, File 194, Section 8; Sheet M-6113; Entry 739 of the Madrid Companies Register.

Further details on the powers delegated by the Board of Directors are provided in section G) Other Information Of Interest of this report.

### B.1.7 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

I 131

Name or corporate social Director	Company name of the group company	Post
Antonio Llardén Carratalá	Enagás GTS. S.A.U.	Representative of the Sole Director
Antonio Llardén Carratalá	Enagás Transporte. S.A.U.	Representative of the Sole Director

### B.1.8 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Name or corporate del Director	Name of listed company	Post
María Teresa García-Milá Lloveras	Banco de Sabadell. S.A.	Director

### B.1.9 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

YES  NO

### Explanation of rules

In accordance with article 35 of the Company's Articles of Association, the new wording of which was approved in the 2012.

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

- a) Natural or legal persons who hold the post of director in more than 5 (five) companies whose shares are admitted to trading on national or foreign markets.
- b) Natural or legal persons whose circumstances render them incompatible or prohibited from serving on the board under any of the general provisions in law, including those persons who in any manner have interests that run contrary to those of the Company or its Group.

### B.1.10 In relation with Recommendation 8 of the Unified Code, indicate the company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session:

Investment and financing policy	YES
Design of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business plans, management targets and annual budgets	YES
Remuneration and evaluation of senior officers	YES
Risk control and management, and the periodic monitoring of internal information and control systems	YES
Dividend policy, as well as the policies and limits applying to treasury shares	YES

### B.1.11 Complete the following tables on the aggregate remuneration paid to directors during the year:

#### a) In the reporting company:

Item	In thousands €
Fixed remuneration	1,046
Variable remuneration	576
Attendance fees	1,004
Bylaw-mandated compensation	0
Share options and/or other financial instruments	0
Other	67
<b>Total</b>	<b>2,693</b>



<b>Other benefits</b>	<b>In thousands €</b>
Advances	0
Loans	0
Funds and pension plans: Contributions	10
Funds and pension plans: Obligations	0
Life insurance premiums	72
Guarantees issued by the company in favour of directors	0

**b) For company directors sitting on other governing bodies and/or holding senior management posts within group companies:**

<b>Item</b>	<b>In thousands €</b>
Fixed remuneration	0
Variable remuneration	0
Attendance fees	0
Bylaw-mandated compensation	0
Share options and/or other financial instruments	0
Other	0
<b>Total</b>	<b>0</b>

I 133

<b>Other benefits</b>	<b>In thousands €</b>
Advances	0
Loans	0
Funds and pension plans: Contributions	0
Funds and pension plans: Obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of directors	0

**c) Total remuneration by type of director:**

<b>Type of director</b>	<b>By company</b>	<b>By group</b>
Executive	1,770	0
External Proprietary	601	0
External Independent	246	0
Other External	76	0
<b>Total</b>	<b>2,693</b>	<b>0</b>

**d) Remuneration as percentage of profit attributable to the parent company:**

Total remuneration received by directors (in thousands €)	2,693
Total remuneration received by directors/ profit attributable to parent company (%)	0.9

**B.1.12 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:**

Name or corporate name	Post
Diego De Reina Lovera	Chief Financial Officer
Francisco Javier González Juliá	General Director of Technical Management of the System and Operations Officer
Juan Andrés Díez De Ulzurrun Moreno	General Director of Technology, Engineering and Purchases
José Manuel Castro del Real	Head of Internal Audit
Erundino Neira Quintas	Head of Resources and Corporate Social Responsibility
Juan Pons Guardia	General Manager of Strategy and Regulation
Rafael Piqueras Bautista	General Secretariat
Claudio Rodríguez Suárez	General Director of Infrastructure Department And Third-Party Access (TPA)
<b>Total remuneration received by senior management (in thousands €)</b>	<b>2,108</b>

**B.1.13 Identify, in aggregate terms, any indemnity or “golden parachute” clauses that exist for members of the senior management (including executive directors) of the company or of its group in the event of dismissal or changes in control. Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:**

Number of beneficiaries	9
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	Board of Directors	General Shareholders' Meeting
Body authorising clauses	YES	NO

Is the General Shareholders' Meeting informed of such clauses?	NO
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## B.1.14 Describe the procedures for establishing remuneration for board members and the relevant provisions in the Bylaws.

### Procedures for establishing board members' remuneration and relevant provisions

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The process for establishing remuneration for Board members is covered in article 36 of the Company Articles of Association, which establishes the following:

The position of Director shall be remunerated.

The General Meeting shall determine the total maximum remuneration to be paid to Directors, and this shall comprise a cash sum payable on an annual basis or in respect of such period as the General Meeting may determine.

When setting remuneration, the General Meeting may resolve that part of such pay remunerate the office of director itself, equally for all directors, and another part be apportioned by the Board on such basis as may be determined at the General Meeting.

Directors may receive additional remuneration in the form of company shares, share options or other securities that enable the holder to obtain shares, or through other remuneration systems based on the price of the shares quoted on a public exchange. The application of the said systems shall be presented to the General Meeting for approval, and the Meeting shall determine the value of the shares granted to each Director, the price for the exercise of option rights, the term of duration and all other conditions deemed appropriate.

Remuneration established herein shall be compatible with and independent from salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for those members of the Board of Directors who are linked to the Company through a normal labour relationship, special senior executive contract, or a contract for services. Such relationships must be compatible with the position of member of the Board of Directors.

Directors shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise.

The Company may contract civil liability insurance for board members and senior management.

Board Member remuneration shall be reported in the terms legally provided for in the Report, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report. The latter report shall be laid before the shareholders and submitted to an advisory vote as a specific agenda point at the 2013 AGM.

By virtue of the foregoing, the Company has established a payment framework for Directors aimed at covering both the responsibilities involved in carrying out their duties, and effective dedication and attendance at sessions, without removing or limiting the powers of the GSM in any way. This body is responsible for determining the maximum amount to be paid to Directors and the form and criteria that must be taken into account in assigning and distributing such payment, to be effected by the Board of Directors, in accordance with guidelines established by the General Meeting.

Further, article 16 of the Regulations of the Board of Directors lays down the following:

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

The Appointments, Remuneration and Corporate Responsibility Committee shall propose remuneration criteria for Company Directors, within the scope of the Company Articles of Association and in accordance with resolutions of the General Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by Articles of Association for this purpose.

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

2.- Payments to Directors shall be transparent. With this objective:

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

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

136 |

Indicate whether the board has reserved for plenary approval the following decisions.

On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.	YES
Director's remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.	YES

**B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included:**

YES  NO

The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	YES
Variable components	YES
The main characteristics of pension systems, including an estimate of their amount of annual equivalent cost.	YES
The conditions that the contracts of executive directors exercising executive functions shall respect.	YES

**B.1.16 Indicate whether the board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. Explain the points of the report regarding the remuneration policy as approved by the board for forthcoming years, the most significant departures in those policies with respect to that applied during the year in question and a global summary of how the remuneration policy was applied during the year. Describe the role played by the Remuneration Committee and whether external consultancy services have been procured, including the identity of the external consultants:**

YES  NO

### Issues covered in the remuneration policy report

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In accordance with the provisions of article 36 of the Company's Articles of Association, directors' remuneration shall be transparent. The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions. This information shall also be reported in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report.

In 2012, for the first time Enagás' Board of Directors submitted the Annual Directors' Remuneration Report to the advisory vote of the shareholders at the AGM as a specific point on the agenda.

In relation to the remuneration policy in future years, Enagás' Appointments, Remuneration and Corporate Responsibility Committee held a meeting on 18 February 2013 in which it took note of remarks made by shareholders, international institutional investors and proxy advisors, pursuant to its remit regarding remuneration policy, and considered the importance of including criteria for calculating the variable remuneration of the Executive Chairman and Chief Executive Officer linked to the results of the Company and the Group. These calculations should also be based on criteria regarding creation of value for shareholders to ensure that they complement the criteria linked to the individual performance of the Chairman and Chief Executive Officer.

As laid down in the Annual Directors' Remuneration Report, the contracts in force regulating the relationship between the Company and the Chairman and Chief Executive Officer respectively include among the items of remuneration, the entitlement to variable remuneration if certain targets relating to the Company's economic performance are met, which should be set by the Board of Directors at the behest of the Appointments, Remuneration and Corporate Responsibility Committee.

In light of the aforementioned, the Appointments, Remuneration and Corporate Responsibility Committee has prepared criteria that serve as a basis for setting the variable remuneration of the Company's Executive Directors in 2013 and thereafter, which will apply in the proposals put before the Board of Directors for approval. These criteria shall, where applicable, also be followed for Senior Management.

The Committee considers that the Executive Directors' variable remuneration should be calculated pursuant to three types of criteria:

- (i) Criteria that serve as a basis for evaluating the individual performance of the Executive Chairman and Chief Executive Officer.
- (ii) Criteria relating to the Company's results and performance.
- (iii) Criteria related to the creation of value for shareholders.

With regard to the remuneration policy applied in 2012, details and an overview of how it was applied are presented in the Annual Directors' Remuneration Report prepared by the Board of Directors of Enagás, S.A. at its meeting on 18 February 2013, which shall be laid before the shareholders and submitted to an advisory vote as a specific agenda point at the 2013 AGM.

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**Role of the Remunerations Committee**

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The Committee formulates all proposals relating to the Company's remuneration policy.

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Have external consultancy firms been used?

NO

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Identity of external consultants

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**B.1.17 List any board members who are likewise members of the boards of directors, or executives or employees of companies that own significant holdings in the listed company and/or group companies:**

138 |

Name or corporate name of director	Name or corporate name of significant shareholder	Post
Sultan Hamed Khamis Al Burtamani	Oman Oil Company, S.A.O.C.	Head of Business Development

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List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

**B.1.18 Indicate whether any changes have been made to the regulations of the Board of Directors during the year:**

YES  NO

**Description of changes**

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On 20 February 2012, the Board of Directors of Enagás, S.A, at the behest of the Appointments, Remuneration and Corporate Responsibility Committee, approved the content of the change to the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A.

In accordance with article 528 of the Restated Corporate Enterprises Act, Enagás' Board of Directors approved an explanatory report on the scope and content of this change, which was laid before the Company's shareholders at the 2012 AGM.

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### B.1.19 Indicate the procedures for appointing, re-electing, appraising and removing directors. List the competent bodies and the processes and criteria to be followed for each procedure.

#### Appointment of Directors:

Pursuant to article 8 of the Regulations of the Organisation and Functioning of the Board of Directors of Enagás, S.A., Directors shall be appointed by the General Meeting or by the Board of Directors in conformity with the provisions of the Ley de Sociedades de Capital (Corporate Enterprises Act, "LSC") and the Company's Articles of Associations.

Those appointed to directorship must be people who, in addition to meeting the legal and bylaw-stipulated requirements, have acknowledged prestige and the appropriate professional knowledge and experience to perform their tasks efficiently.

Proposals for the appointment of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a report from the Appointments, Remuneration and Corporate Responsibility Committee.

Following corporate governance recommendations, when the Board of Directors departs from the Committee's recommendations it must explain its reasons, and such reasons must be duly recorded in the minutes.

The process of filling board vacancies has no implicit bias against women candidates. The Company shall seek out and include women with the target profile among the candidates for Board places.

Special mention should be made of the specific requirements that have been established to ensure the impartiality and independence of Independent Directors appointed to the Board, which are set out in article 9 of the Regulations of the Board of Directors. Independent Directors are defined as directors appointed for their personal and professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, its significant shareholders or its management. Under no circumstances may the following be classified as Independent Directors:

- a) Persons who have been employed by or served as Executive Directors of Group companies, unless three (3) or five (5) years, respectively, have elapsed since the termination of that relationship.
- b) Persons who receive any sum or benefit other than Director's remuneration from the Company or its Group, unless such benefit is negligible. Dividends and pension supplements received by a Director on account of his/her prior professional or employment relationship shall not be taken into account for purposes of this section provided that such supplements are unconditional and, consequently, the Company providing them may not, on a discretionary basis, suspend, modify or revoke any accrual thereof, without incurring a breach of obligations.
- c) Persons who are, or have been during the past three years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period.
- d) Persons who are Executive Directors or senior managers of another company where an Executive Director or Senior Manager of Enagás, S.A. is an External Director.
- e) Persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on their own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business relationships shall be defined as relationships whereby the Company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.

- f) Persons who are significant shareholders, Executive Directors or senior managers of any entity that receives, or has received during the past three (3) years, significant gifts from Enagás, S.A. or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section.
- g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or Senior Managers.
- h) Persons who have not been nominated, whether for appointment or renewal, by the Appointments, Remuneration and Corporate Responsibility Committee.
- i) Persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under a), e), f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its Proprietary Directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company.

140 |

Any Director holding an interest in the Company may hold the status of Independent Director provided that he/she meets all of the conditions established under this article and, further, that his/her interest is not significant.

#### **Re-election:**

Article 10 of the Regulations of the Board of Directors stipulates that "Directors may hold office for a period of four years, and may be re-elected. Directors who are co-opted shall hold office until the date of the first subsequent General Meeting.

As per article 11 of the Board Regulations, as a general rule, an appropriate rotation of Independent Directors shall be sought. For this reason, when an Independent Director is proposed for re-election, the circumstances making this Director's continuity in the post advisable must be justified. Independent Directors shall not remain as such for a period in excess of twelve (12) consecutive years.

#### **Appraisal:**

Article 11 of the Regulations of the Board stipulates that the Appointments, Remuneration and Corporate Responsibility Committee, responsible for evaluating the quality of work and dedication to their offices of the Directors proposed during the previous term of office, shall provide information required to assess proposal for re-election of Directors presented by the Board of Directors to the General Meeting.

#### **Removal and dismissal:**

Directors shall leave their post after the first General Shareholders' Meeting following the end of their term of appointment and in all other cases in accordance with the law, the Articles of Association and these Rules and Regulations (article 12.1 of the Regulations of the Board).

The Board of Directors shall not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Appointments Committee (article 12.3 of the Regulations of the Board).



**B.1.20 Indicate the cases in which directors must resign.**

In accordance with corporate governance recommendations, article 12 of the Regulations of the Board of Directors stipulates that:

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

- a) When they are involved in any of the statutory circumstances of incompatibility or prohibition.
- b) When they are in serious breach of their duties as Directors.
- c) When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 213 of the LSC, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.
- d) When the reason for which they were appointed as Directors no longer holds.
- e) When Independent Directors cease to meet the conditions established under article 9.
- f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

I 141

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

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

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

**B.1.21 Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person:**

YES  NO

**Measures for limiting risk**

The duties of the Company's chief executive officer fall upon the Chairman of the Board, ANTONIO LLARDÉN CARRATALÁ, who is responsible of managing the Company's business, always in accordance with the decisions and criteria laid down by the General Meeting and the Board of Directors in their respective spheres of authority. Therefore, he is vested with the powers and duties set

forth in article 46 of the Articles of Association and those vested in him in general by the Board of Directors at its meeting on 24 January 2007, and any other general or specific powers and duties vested in him since then.

Measures taken to limit the risk of powers being concentrated in a single person:

- i) Appointment of the Chief Executive Officer - on 17 September 2012 the Board of Directors appointed MARCELINO OREJA ARBURÚA as Chief Executive Officer, who is responsible for managing the Company's business, under the supervision of the Chairman, who is responsible for the driving the Company forward and on-going coordination of its activities. The appointment of a Chief Executive Officer does not affect the duties of the Chairman to the Board of Directors as laid down in the Articles of Association and the Rules and Regulations of the Organisation and Functioning of the Board of Directors.
- ii) Coordinating Independent Director - article 18 of the Rules and Regulations of the Organisation and Functioning of the Board of Directors stipulates that this post shall be held by the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee pursuant to the conditions described forthwith.
- iii) Nonetheless, the Board of Directors' Regulations contain a detailed list of issues which must be presented to the Board; in general terms, the Board retains sole authority on operations valued at over €3 million (€3,000,000). Similarly, Enagás internal regulations on investment and tendering also reserve decision making powers for the Board for sums of over €3 million (€3,000,000).

142 |

Indicate, and if necessary, explain whether rules have been established that enable any of the independent directors to convene board meetings or include new items on the agenda, to coordinate and voice the concerns of external directors and oversee the evaluation by the Board of Directors.

YES  NO

### Explanation of rules

Article 18 of the Board Regulations stipulates that the Board of Directors may appoint an Independent Director, on the proposal of the Appointments, Remuneration and Corporate Responsibility Committee, to perform the following duties, under the title of Coordinating Independent Director:

- a) To request the Chairman of the Board of Directors to convene that body when the said Coordinating Independent Director deems it appropriate.
- b) To request that items be included on the Agenda of the meetings of the Board of Directors.
- c) To coordinate and voice the opinions of External Directors.
- d) To oversee the Board's evaluation of its Chairman and, where appropriate, the Managing Director.
- e) To perform as a Deputy Chairman the functions of the Chairman as regards the Board of Directors if the Chairman is absent, ill or unable to act as Chairman for whatever reason. In the absence of a Coordinating Independent Director, for the purposes of this section the most senior director in age shall act as Chairman.

Since 2010, the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee, has been vested with the powers to perform the duties of the Coordinating Independent Director.

**B.1.22 Are qualified majorities, other than those prescribed by law, required for any type of decisions?**

YES  NO

Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:

**Description of resolution:**

All resolutions

<b>Quorum</b>	<b>%</b>
The Board of Directors shall be properly constituted when at least half its members plus one member are present in person or by proxy, except when the meeting has not been duly convened, in which case the attendance of all members is required.	51.00

<b>Type of majority</b>	<b>%</b>
Resolutions shall be adopted with the vote in favour of an absolute majority of Directors present in person or by proxy, irrespective of the type of decision in question, except when votes are cast in writing and in the absence of a meeting.	51.00

**B.1.23 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman:**

YES  NO

**B.1.24 Indicate whether the Chairman has the casting vote:**

YES  NO

**B.1.25 Indicate whether the Bylaws or the regulations of the Board of Directors set any age limit for directors:**

YES  NO

Age limit for Chairman	Age limit for CEO	Age limit for directors
0	0	0

**B.1.26 Indicate whether the Bylaws or the regulations of the Board of Directors set a limited term of office for independent directors:**

YES  NO

Maximum number of years in office 12

144 |

**B.1.27 If there are few or no female directors, explain the reasons and describe the initiatives adopted to remedy this situation:**

**Explicación de los Reasons y de las iniciativas**

Enagás is aware that it must continue to encourage and facilitate the presence of women in the event of any vacancy arising on the Board, particularly for Independent Directorships. In this regard, Enagás complies with article 8 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, which states that selection procedures must be free of any implied bias against women candidates, and that the Company shall seek out and include women with the target profile among the candidates for Board places.

Two (2) of the thirteen (13) members of the Board of Directors of Enagás, S.A. are women: María Teresa García-Milá Lloveras and Isabel Sánchez García. Isabel Sánchez García is also a member of the Audit and Compliance Committee, while María Teresa García-Milá Lloveras is a member of the Appointments, Remuneration and Corporate Responsibility Committee.

Indicate in particular whether the Appointments and Remuneration Committee has established procedures to ensure the selection processes are not subject to implicit bias that will make it difficult to select female directors, and make a conscious effort to search for female candidates who have the required profile.

YES  NO

**Indicate the main procedures**

In the exercise of its functions, and in accordance with the Regulations of the Board of Directors, whenever a vacancy arises, the Appointments, Remunerations and Corporate Social Responsibility Committee analyses the professional profile of potential female candidates and thus endeavours to ensure that the number of female Directors on the Company's Board is progressively increased.

**B.1.28 Indicate whether there are any formal processes for granting proxies at board meetings. If so, give brief details.**

Article 39 of the Articles of Association establishes that each Director may grant a proxy to another Director, but no Director present at a meeting may hold more than two proxies.

Furthermore, article 7.3 of the Regulations of the Board Proxies stipulates that proxies for the representation of absent Directors may be granted by any means, with a telegram or facsimile addressed to the Chairman or Secretary of the Board being valid.

**B.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman’s attendance:**

Number of board meetings	11
Number of board meetings held in the absence of its chairman	0

Indicate how many meetings of the various board committees were held during the year.

Number of meetings of the Executive or Delegated Committee	0
Number of meetings of the Audit and Compliance Committee	5
Number of meetings of the Appointments and Remunerations Committee	6
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

**B.1.30 Indicate the number of board meetings held during the financial year without the attendance of all members. Non-attendance will also include proxies granted without specific instructions:**

Number of non-attendances by directors during the year	20
% of non-attendances of the total votes cast during the year	11.000

**B.1.31 Indicate whether the individual and consolidated financial statements submitted for authorisation for issue by the board are certified previously:**

YES  NO

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Post
Diego De Reina Lovera	Financial Director
Antonio Llardén Carratalá	Chairman

146 |

**B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report:**

The Board of Directors and Audit and Compliance Committee are required to ensure that the annual financial statements are published without qualifications:

Article 5, paragraph c) of the Rules and Regulations on the Organisation and Functioning of the Board of Directors states the following powers and duties relating to financial statements and external audit:

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

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

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

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

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

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

3.- To frame policy on risk control and management, and the periodic monitoring of internal information and control systems.

Equally, article 7, paragraph c) of the Audit and Compliance Committee Regulations states that the said Committee shall serve "as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements. It also confers the role of overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the financial statements and the main contents of the Auditors' Report are written clearly and accurately to this Committee.

Enagás, S.A. has established quarterly reviews of its financial statements to detect any possible risks that could affect these and any qualifications which may arise. It consequently carries out suitable measures to resolve any qualifications.

**B.1.33 Is the Secretary of the board also a director?**

YES  NO

**B.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether his/her appointment and removal have been notified by the Appointments Committee and approved by the board in plenary session:**

**Appointment and removal procedure**

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Article 20 of the Regulations of the Board of Directors details the procedures for the appointment and dismissal of the Secretary of the Board:

The Secretary to the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Rules and Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Appointments, Remuneration and Corporate Responsibility Committee and must be approved by the Board in plenary session. The aforesaid article 25 of the Regulations also establishes that, the functions of the Appointments, Remuneration and Corporate Responsibility Committee shall include responsibility for reporting on the appointment and dismissal of the Secretary of the Board of Directors.

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Does the Appointments Committee propose appointments?	YES
Does the Appointments Committee advise on dismissals?	YES
Do appointments have to be approved by the board in plenary session?	YES
Do dismissals have to be approved by the board in plenary session?	YES

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Is the Secretary of the board entrusted in particular with the function of overseeing corporate governance recommendations?

YES  NO

### Remarks

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In accordance with article 20.3 of the Regulations of the Board, the Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:

- a) Adhere to the spirit and letter of primary enactments and their implementing regulations, including those issued by regulatory agencies;
  - b) Comply with the Company's Articles of Association and the Rules and Regulations of the Board and others of the Company.
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148 |

### B.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies:

Measures in aid of preserving auditor independence:

The Audit and Compliance Committee is the body nominated by the Board of Directors to liaise with the Company's external auditors.

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

In addition, it is responsible for making proposals to the Board of Directors for submission to shareholders at the General Meeting, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor, and liaising with the latter to obtain information on any issues that could compromise their independence.

Where appropriate, the Audit and Compliance Committee shall invite the External Auditors to attend its quarterly meetings in order to:

- Obtain information on the quarterly reviews of the financial statements.
- Analyse any incidents encountered.
- Ask the Directors to come up with a plan of action to resolve the incidents encountered.

Measures for preserving the independence of financial analysts, rating agencies and investment banks:

In accordance with article 5, section D9 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, the Board shall adopt and execute all acts and measures required to ensure transparency of the Company with regard to the financial markets, uphold the proper formation of prices for the Company's and its subsidiaries' shares, and perform all functions attending the Company's status as a listed company pursuant to current laws and regulations.



The Investor Relations Department manages communications with financial analysts, investors and rating agencies so as to assure that relations with all parties remain objective, fair and non-discriminatory.

In addition, within the scope of its activities the Finance Department provides investment banks with the information they need.

Shareholders, investors and analysts can avail themselves of full and updated information by the following channels: the Investor Relations Department and the Shareholder Information Office.

Finally, Enagás, S.A. presentations to financial analysts, investors and other parties are published on the Company's website (www.enagas.es or www.enagas.com).

**B.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.**

YES  NO

Outgoing auditor \_\_\_\_\_  
 Incoming auditor \_\_\_\_\_  
 .....

Explain any disagreements with the outgoing auditor and the reasons for the same.

YES  NO

**B.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:**

YES  NO

	Company	Group	Total
Amount of non-audit work (in thousands €)	208	0	208
Amount of non-audit work as a % of the total amount billed by the audit firm	13.85	0.000	13.850

.....

**B.1.38** Indicate whether the audit report on the previous year’s financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

YES  NO

**B.1.39** Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

150 |

	<b>% share</b>	<b>Grupo</b>
Number of consecutive years	9	9
Number of years audited by current audit firm/Number of years the company’s financial statements have been audited (%)	31.0	31.0

**B.1.40** List any equity holdings of the members of the company’s Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

<b>Name or corporate name of director</b>	<b>Corporate name of the company in question</b>	<b>% share</b>	<b>Post or duties</b>
Luis Javier Navarro Vigil	Terminal de LNG de Altamira, S del R.L. de CV	0,000	Director
Luis Javier Navarro Vigil	BP, PLC	0,000	No Post Held
Miguel Ángel Lasheras Merino	Sociedad Promotora Bilbao Gas Hub, S.A.	0,000	Managing Director of the Iberian Gas Hub Project
Sultan Hamed Khamis Al Burtamani	Saggas-Planta de Regasificación de Sagunto, S.A.	0,000	Director
Sultan Hamed Khamis Al Burtamani	Oman Oil Company, S.A.O.C.	0,000	Head of Business Development
Sultan Hamed Khamis Al Burtamani	Infraestructuras de Gas	0,000	Director

### B.1.41 Indicate and give details of any procedures through which directors may receive external advice:

YES  NO

#### Details of procedure

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Article 15 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors stipulates that Directors shall further be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial, commercial or any other type of experts deemed necessary for the interests of the Company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to such performance.

The proposal must be communicated to the Chairman of the Board via the Secretary of the Board. The Board of Directors may withhold its approval when it considers that such services are unnecessary for the duties with which they are entrusted, or disagrees with the cost (disproportionate in relation to the problem and assets and revenues of the Company) or believes that such technical assistance can be adequately provided by experts and technicians from within the Company.

The Company shall organise induction programmes for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. It shall also offer Directors refresher courses when circumstances so dictate.

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I 151

### B.1.42 Indicate and, where appropriate, give details of whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

YES  NO

#### Details of procedure

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Article 6 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors governs the procedure to ensure that Directors have the necessary information to prepare meetings of the Board of Directors with sufficient time. The aforesaid article establishes that:

Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, and may be effected by any channel, and shall specify the meeting venue and agenda.

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

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

In practice, the convening notice shall be issued a week before the meeting and, in addition to the meeting venue and the agenda, shall include all documentation considered appropriate or relevant.

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**B.1.43** Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

YES  NO

**Details of rules**

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Pursuant to Corporate Governance recommendations, article 12 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors establishes that Directors must place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems fit, when, inter alia, when they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the crimes stated in article 213 of the LSC, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

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152 |

**B.1.44** Indicate whether any director has notified the company that he/she has been indicted or tried for any of the offences stated in article 124 of the Public Limited Companies Act (LSA for its initials in Spanish):

YES  NO

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office.

YES  NO

Decision

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Explanation

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## B.2 Committees of the Board of Directors

### B.2.1 Give details of all the committees of the Board of Directors and their members.

#### Audit and compliance committee

Name	Post	Type
José Riva Francos	Chairman	Independent Director
Isabel Sánchez García	Member	Independent Director
Luis Javier Navarro Vigil	Member	Other External
Martí Parellada Sabata	Member	Independent Director
Sociedad Estatal de Participaciones Industriales (SEPI)	Member	Proprietary

#### Appointments, Remuneration and Corporate Social Responsibility Committee

I 153

Name	Post	Type
Dionisio Martínez Martínez	Chairman	Independent Director
Jesús David Álvarez Mezquíriz	Member	Independent Director
María Teresa García-Milá Lloveras	Member	Independent Director
Miguel Ángel Lasheras Merino	Member	Independent Director
Ramón Pérez Simarro	Member	Independent Director

### B.2.2 Indicate whether the Audit Committee is responsible for the following.

To supervise the preparation process and monitoring the integrity of financial information on the company and, if applicable, the group, and revising compliance with regulatory requirements, the adequate boundaries of the scope of consolidation and correct application of accounting principles.	YES
To regularly review internal control and risk management systems, so main risks are correctly identified, managed and notified.	YES
To safeguard the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	YES
To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	YES
To submit to the board proposals for the selection, appointment, reappointment and removal of the external auditor, and the engagement conditions.	YES
To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.	YES
To ensure the independence of the external auditor.	YES
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	YES

### B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

#### Committee name

Audit and Compliance Committee

#### Brief description

- On 20 February 2012, Enagás' Board of Directors amended the Regulations of the Audit and Compliance Committee to bring them into line with best corporate governance practices. On the same date, the Board of Directors also amended the Rules and Regulations on the Organisation and Functioning of the Board of Directors. Previously, at its meeting of 29 March 2007, the Board resolved to amend the Regulations of the Audit and Compliance Committee to bring them in line with changes made to the Regulations of the Board of Directors on the same date and to incorporate as many of the recommendations of the Unified Code as possible. Thus, the regulations first approved by the Board of Directors on 19 February 2004 have been permanently amended, thereby fulfilling the requirements laid down in article 44 of the Articles of Association
- The Audit and Compliance Committee is comprised of five (5) members, which is within the limits established in article 44 of the Articles of Association, article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of three (3) and maximum of five (5) members, appointed by the Board of Directors. Three (3) of the Committee's members, including the Chairman, are Independent Directors, one (1) is a Proprietary Director, and the fifth is classified as "Other External Director".
- The Chairman on the Audit and Compliance Committee, JOSÉ RIVA FRANCOS, is an Independent Director, pursuant to article 44 of the Articles of Association and article 26 of the Regulations of the Board of Directors amended on 20 February 2012, which establishes that the Chairman must be an Independent Director.
- As per article 3 of the Audit and Compliance Committee Regulations, Executive Directors cannot make up this Committee and at least one of its members must be an Independent Director. The aforesaid article also stipulates that the Chairman of the Board of Directors and members of other committees may not sit on the Audit and Compliance Committee.
- As established in article 4 of the Audit and Compliance Committee Regulations, members of the Committee can stay in their posts for the same length as a Director. A member of the Audit and Compliance Committee shall vacate that office if he vacates his Directorship or, while remaining a Director, if so decided by the Board of Directors. The foregoing notwithstanding the Committee Chairman shall be replaced every four (4) years. A former Chairman may be re-elected after the lapse of one (1) year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairman remaining on the Committee if so resolved by the Board of Directors on adequately reasoned grounds.
- The remuneration of Committee members, as provided for in article 5 of the Committee Regulations, will be approved as established in the Articles of Association and the Rules and Regulations of the Board of Directors for the setting of remuneration to directors, subject to the same requirements of public disclosure.
- In the exercise of his office, a Committee member shall be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Rules and Regulations of the Board of Directors and current legislation.
- In keeping with article 8 of the Audit and Compliance Committee Regulations, the Committee must meet at least four (4) times a year and the Chairman shall call as many further meetings as he/she believes are required for the Committee to discharge its duties. In 2012, the Committee met five (5) times.

- The duties performed by the Audit and Compliance Committee are those laid down in articles 44 of the Articles of Association, 26 of the Board Regulations, and 7 of the Audit and Compliance Committee Regulations:
- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with the Internal Code of Conduct.
- To fulfil these objectives, in addition to the functions established by law for the Audit and Compliance Committee, the Committee shall have the following duties:

#### a) In relation to the financial statements:

- Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.
- Providing information on the financial statements prior to their authorisation for issue by the Board of Directors.
- In its Report, the Committee shall include the information that it deems necessary on the application of accounting criteria, internal control systems and any other relevant facts.
- The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the financial statements finally authorised for issue.
- Examining the information on the Company's activities and results that is produced regularly in compliance with securities market regulations, and ensuring that such information is transparent and accurate.

I 155

#### b) In relation to internal audits:

- Monitoring the independence of the internal audit unit.
- Supervising the Company's internal audit services and verifying the internal control systems, in order to achieve optimum monitoring of the execution of the annual internal audit.  
In particular, the Committee shall monitor the quality of the work of the internal audit unit in areas including: accuracy and integrity of information, compliance with policies, plans, legislation and standards and asset protection measures.
- The Committee shall have full access to internal audit systems and shall meet regularly, in plenary session or through its Chairman, with the Internal Audit Manager, from whom it may request all the information necessary for its work.
- Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Internal Audit.

#### c) In relation to external audits:

- Making proposals to the Board of Directors for submission to shareholders at the General Meeting concerning the appointment of the External Accounts Auditor, in accordance with applicable laws and regulations, and providing information on the remuneration payable to the External Accounts Auditor and other terms and conditions of their engagement.

- Liaising with the external auditors to obtain information on any issues that could compromise the latter's independence or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.
- Receiving annually from the auditors a written confirmation of their being independent from the Company and any entity directly or indirectly related to it, and a disclosure of any manner of additional services provided to such entities by the auditors or persons or entities related to them in accordance with the Ley 19/1988 (Audit Act 1988).
- Issuing annually, prior to the issue of the audit report, a report giving an opinion on the independence of the auditors or audit firms. The report must at all events make reference to the provision of additional services referred to in the above sub-section.
- Taking receipt of the external auditor's regular reports on the audit programme and results of its execution, and ensuring that senior management takes account of its recommendations.
- Serving as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit, and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.
- Overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the financial statements and the main contents of the Auditors' Report are written clearly and accurately.
- Reporting about the contracts, other than the audit contract, concluded between the company and the auditors' Accounts.
- Other duties are disclosed in section G) CLARIFICATION in section B.2.3.

### Committee name

Appointments, Remuneration And Corporate Social Responsibility Committee

### Brief description

- It should be noted that the Appointments, Remunerations and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Company's Articles of Association, amended at the AGM held on 30 March 2012 and previously at the AGM of 30 April 2010, and also under article 25 of the Regulations of the Board of Directors, which was amended by the Board of Directors on 20 February 2012; amendments that the Company reported to the shareholders at the AGM on 30 March 2012.
- The Appointments, Remunerations and Corporate Social Responsibility (CSR) Committee is comprised of five (5) Independent Directors, appointed by the Board of Directors, which is within the limits established in the Company's Articles of Association and the Regulations of the Board, which set a minimum of three (3) and maximum of five (5) members. It consists of five (5) members, all of whom are Independent Directors.
- It is especially noteworthy that the Chairman of the Appointments, Remunerations and Corporate Social Responsibility Committee, JOSÉ RIVA FRANCOS, is an Independent Director, pursuant to article 45 of the Articles of Association and article 25 of the Regulations of the Board of Directors amended on 20 February 2012, which establishes that the Chairman must be an Independent Director. As per these provisions, no Executive Director may sit on this Committee, which must comprise a majority of Independent Directors with the Chairman being an Independent Director.



- Equally, the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee, as Coordinating Independent Director since 28 June 2010, has the powers to call board meetings or include new items on the agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.
- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments, Remuneration and Corporate Social Responsibility Committee must meet at least four (4) times a year. In 2012, the Committee met six (6) times.
- The duties of the Appointments, Remuneration and Corporate Social Responsibility Committee are detailed in article 45 of the Company's Articles of Association and article 25 of the Regulations of the Board of Directors, and are as follows:
  1. To propose remuneration criteria for the Directors of the Company and of Group companies, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Meeting, and to ensure that remuneration is transparent.
  2. To propose a general remuneration policy for Enagás management personnel, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers of the Company and its Group, in order to ensure that the Company has appropriate highly-qualified staff for administering its business at all times.
  3. To review the structure of the Board of Directors of Enagás and the companies comprising its Group, as well as the criteria for the renewal of Directors required under the Articles of Association, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that the Committee considers necessary.
  4. To report on the appointment and dismissal of the Secretary of the Board of Directors.
  5. To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.
  6. To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the office of Director.
  7. To provide information, objectively and in the Company's interest, concerning the proposals for appointment, re-election and ratification of Directors, as well as for the appointment of members of Board Committees.
  8. To formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.
  9. To produce reports on intended appointments and dismissals of senior management staff, and, where necessary, approve special terms in their contracts.
  10. To approve the remuneration of senior management, provided that this does not diverge from criteria established in the general remuneration policy for executives.
  11. To report to the Board of Directors on any related-party transactions before authorisation thereof. Under no circumstances shall the transaction be authorised if prior to this the report stipulated in article 14a of these Rules and Regulations has not been issued.
  12. Report to the Board on the general CSR and Corporate Governance policy, ensuring the adoption and effective application of best practices, both those which are compulsory and in line with generally-accepted recommendations. To do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues.
  13. To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Internal Code of Conduct on Matters Relating to the Securities Markets on the part of

Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

## **B.2.4 Identify any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:**

### **Committee name**

Audit and Compliance Committee

### **Brief description**

The powers set forth in section B.2.3 of this report.

### **Committee name**

Appointments, Remuneration and Corporate Social Responsibility Committee.

### **Brief description**

The powers set forth in section B.2.3 of this report.

## **B.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year.**

### **Committee name**

Audit and Compliance Committee

### **Brief description**

Approval was given to amend the Regulations for the Audit and Compliance Committee at the meeting of the Board of Directors held on 20 February 2012 to bring them into line with recent legislation, thereby complying with the regulations contained in article 44 of the Company's Articles of Association and article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors. In short, the changes were approved by the Board of Directors to bring the Audit and Compliance Committee Regulations into line with article 44 of the Company's Articles of Association and article 26 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, and Additional Provision Eighteen of the Securities Market Act (LMV), pursuant to the wording given to such provision by Act 12/2010 (sections 4.2, 4.5 and 4.6).

Details of the regulation and functioning of the Company's Audit and Compliance Committee are provided in B.2.3.

The Regulations of the Audit and Compliance Committee are available for consultation at the headquarters of Enagás, S.A. and on its website at [www.enagas.es](http://www.enagas.es) or [www.enagas.com](http://www.enagas.com). On 20 February 2012, the Board of Directors agreed to amend the Audit and Compliance Committee Regulations.

The Audit and Compliance Committee has drafted a report on its activities in 2012, available both at the headquarters of Enagás, S.A. and on its corporate website.

### Committee name

Appointments, Remuneration And Corporate Social Responsibility Committee

### Brief description

The Appointments, Remunerations and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 45 of the Company's Articles of Association, amended at the AGM held on 30 March 2012 and previously at the AGM of 30 April 2010, and also under article 25 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, which was amended by the Board of Directors on 20 February 2012; amendments that were reported to Enagás shareholders at the AGM on 30 March 2012.

Details of the regulations and functioning of the Appointments, Remunerations and CSR Committee are provided in B.2.3.

The Articles of Association and Rules and Regulations on the Organisation and Functioning of the Board of Directors are available for consultation at the headquarters of Enagás, S.A. and on its website at [www.enagas.es](http://www.enagas.es) or [www.enagas.com](http://www.enagas.com).

I 159

## B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors:

YES  NO

### If the answer is no, explain the composition of the Executive Committee.

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There is no Executive Committee.

## C. Related-Party Transactions

**C.1 Indicate whether the board plenary sessions have reserved the right to approve, based on a favourable report from the Audit Committee or any other committee responsible for this task, transactions which the company carries out with directors, significant shareholders or representatives on the board, or related parties:**

YES  NO

**C.2 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies and the significant shareholders in the company:**

Name or corporate name of significant shareholder	Name or name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
Kutxabank,S.A	Enagás, S.A.	Commercial	Finance agreements, loans and capital contributions	25,000
Kutxabank,S.A	Enagás, S.A.	Corporate. Paid to Kartera 1, S.L. (significant shareholder)	Dividends and other benefits paid	12,411
Kutxabank,S.A	Enagás, S.A.	Commercial	Finance agreements, loans and capital contributions	100,000
Kutxabank,S.A	Enagás, S.A.	Commercial	Guarantees and sureties	6,000
Oman Oil Company, S.A.O.C.	Enagás, S.A.	Corporate. Paid to Oman Oil Holdings Spain S.L.U. (significant shareholder)	Dividends and other benefits paid	12,411

### C.3 List any relevant transactions entailing a transfer of assets or liabilities between the company or its group companies, and the company's managers or directors:

Name or corporate name of director or senior manager	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
Sociedad Estatal de Participaciones Industriales (SEPI)	Enagás, S.A.	Corporate	Dividends and other benefits paid	12,411

### C.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities:

I 161

#### Corporate name of the group company

Bahía de Bizkaia Gas, S.L.

#### Amount (In thousands €)

1,096

#### Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €1.10 million from this company for engineering services.

#### Corporate name of the group company

Bahía de Bizkaia Gas, S.L.

#### Amount (In thousands €)

10,000

#### Brief description of the transaction

Enagás holds a guarantee line with BBG for a maximum amount of €10 million.

#### Corporate name of the group company

Enagás-Altamira, S.L. Sociedad Unipersonal

#### Amount (In thousands €)

84

#### Brief description of the transaction

Provision of services: Enagás, S.A. has received revenues of €84 thousand from this company for holding services.

**Corporate name of the group company**

Enagás-Altamira, S.L. Sociedad Unipersonal

**Amount (In thousands €)**

6,292

**Brief description of the transaction**

Enagás-Altamira, S.L. granted an \$8.1-million loan (€6.5 million) to Enagás, S.A. This loan, maturing in 2013 and renewable annually, was granted in June 2012. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

**Corporate name of the group company**

Enagás Chile I, SPA

**Amount (In thousands €)**

2,671

**Brief description of the transaction**

On 26 October 2012, Enagas Internacional, S.L. extended an additional loan to Enagas Chile I SpA, for \$3.46 million, the equivalent to €2.67 million.

**Corporate name of the group company**

Enagás Chile I, SPA

**Amount (In thousands €)**

120,127

**Brief description of the transaction**

In September 2012, Enagás Internacional, S.L. granted to Enagás Chile I, SpA a loan for the amount of \$154.87 million, equivalent to €120.13 million, maturing in 2025.

**Corporate name of the group company**

Enagás Financiaciones, S.A.U.

**Amount (In thousands €)**

410,000

**Brief description of the transaction**

Enagás Financiaciones, S.A.U. has arranged two loans of €10 million and €400 million, maturing in 2014 and 2016, respectively

**Corporate name of the group company**

Enagás Financiaciones, S.A.U.

**Amount (In thousands €)**

750,000

**Brief description of the transaction**

It has also arranged two loans, of €500 million and €250 million, maturing in 2017, corresponding to the €500-million bond issue and €250-million tap operation in October 2012, with the joint and several guarantee of Enagás, S.A. and Enagás Transporte, S.A.U.

**Corporate name of the group company**

Enagás Financiaciones, S.A.U.

**Amount (In thousands €)**

35

**Brief description of the transaction**

Provision of services: Enagás, S.A. has received revenues of €35 thousand from this company for holding services.

**Corporate name of the group company**

Enagás GTS, S.A.U.

**Amount (In thousands €)**

14,313

**Brief description of the transaction**

Provision of services: Enagás Transporte, S.A.U has received no revenues and incurred expenses of €14.31 million in this connection, broken down as follows: payment of imbalances: 13,466; payment of minimum requirements: 847 (thousands €).

**Corporate name of the group company**

Enagás GTS, S.A.U.

**Amount (In thousands €)**

800

**Brief description of the transaction**

Provision of services: Enagás, S.A. has incurred expenses of €800 thousand in this connection for receiving corporate services rendered by ENAGÁS GTS, S.A.U.

**Corporate name of the group company**

Enagás GTS, S.A.U.

**Amount (In thousands €)**

13,272

**Brief description of the transaction**

Provision of services: Enagás, S.A. received revenues of €13.27 million in this connection, broken down as follows: transferable costs: 122; holding services: 4,341; CPC services: 532; engineering: 8,277 (thousands €).

**Corporate name of the group company**

Enagás Internacional, S.L.U.

**Amount (In thousands €)**

137,251

**Brief description of the transaction**

Loan granted to Enagás Internacional, S.L. by Enagás, S.A. in September 2012 for the amount of \$177.00 million, equivalent to €137.25 million, maturing in 2025. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

**Corporate name of the group company**

Enagás Internacional, S.L.U.

**Amount (In thousands €)**

3,044

**Brief description of the transaction**

On 26 October 2012, Enagás, S.A. extended an additional loan to Enagás Internacional, S.L., for \$3.95 million, equivalent to €3.04 million.

**Corporate name of the group company**

Enagás Transporte, S.A.U.

**Amount (In thousands €)**

300,000

**Brief description of the transaction**

Enagás, S.A. arranged a credit line with Enagás Transporte, S.A.U. for a maximum of €300 million, maturing in 2015 (renewable annually). No amount has been drawn down from this facility to date.

**Corporate name of the group company**

Enagás Transporte, S.A.U.

**Amount (In thousands €)**

137,994

**Brief description of the transaction**

In October 2012, the loans of €37.99 million and €100 million between Enagas, S.A. and Enagas Transporte, S.A.U. were repaid.

**Corporate name of the group company**

Enagás Transporte, S.A.U.

**Amount (In thousands €)**

753,573



**Brief description of the transaction**

Enagás, S.A. arranged a €753.57 million credit line with Enagás Transporte, maturing in 2017, corresponding to the funds received from the €500-million bond issue and €250-million tap operation in October 2012, under the guarantee of Enagás, S.A. and Enagás Transporte, S.A.U. The drawdown to date amounts to €549.88 million.

**Corporate name of the group company**

Enagás Transporte, S.A.U.

**Amount (In thousands €)**

280,004

**Brief description of the transaction**

Enagás Transporte, S.A.U. approved the payment of a €280-million interim dividend to Enagás, S.A., of which €102.18 million has been paid to date.

I 165

**Corporate name of the group company**

Enagás Transporte, S.A.U.

**Amount (In thousands €)**

71,924

**Brief description of the transaction**

Provision of services: Enagás, S.A. received revenues of €71.92 million in this connection, broken down as follows: transferable costs: 6,333; holding services: 23,059; CPC services: 2,560; engineering: 39,972 (thousands €).

**Corporate name of the group company**

Gasoducto Al-Andalus, S.A.

**Amount (In thousands €)**

12,367

**Brief description of the transaction**

Provision of services: Enagás Transporte, S.A.U. received revenues of €12.37 million in this connection, broken down as follows: corporate tariff: 1,714; gas pipeline maintenance: 3,704; IMR gas pipeline maintenance: 425; revenue from transport agreement: 6,524 (thousands €).

**Corporate name of the group company**

Gasoducto Al-Andalus, S.A.

**Amount (In thousands €)**

14,822

**Brief description of the transaction**

Provision of services: Enagás, S.A. has incurred expenses of €14.82 million in this connection for receiving gas transport services rendered by Gasoducto Al-Andalus, S.A.

**Corporate name of the group company**

Gasoducto Al-Andalus, S.A.

**Amount (In thousands €)**

4,024

**Brief description of the transaction**

Enagás Transporte, S.A.U. extended Gasoducto Al-Andalus, S.A. a loan with a balance of €4.02 million at 31 December 2012.

**Corporate name of the group company**

Gasoducto Al-Andalus, S.A.

**Amount (In thousands €)**

5

**Brief description of the transaction**

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

**Corporate name of the group company**

Gasoducto de Extremadura, S.A.

**Amount (In thousands €)**

6,903

**Brief description of the transaction**

Provision of services: Enagás, S.A. has settled expenses of €6.90 million in this connection for receiving gas transport services rendered by Gasoducto de Extremadura, S.A.

**Corporate name of the group company**

Gasoducto de Extremadura, S.A.

**Amount (In thousands €)**

5

**Brief description of the transaction**

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

**Corporate name of the group company**

Gasoducto de Extremadura, S.A.

**Amount (In thousands €)**

7,222

**Brief description of the transaction**

Provision of services: Enagás Transporte, S.A. received revenues of €7.22 million in this connection, broken down as follows: corporate tariff: 1,243; gas pipeline maintenance: 4,040; revenue from transport agreement: 1,939 (thousands €).

**Corporate name of the group company**

Gasoducto de Morelos SAPI de CV

**Amount (In thousands €)**

15,688

**Brief description of the transaction**

Participating loan granted to Gasoducto de Morelos SAPI de CV by Enagás, S.A. in the fourth quarter of 2012 for the amount of \$20.20 million, equivalent to €15.69 million, maturing in 2031. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Additionally, Enagás, S.A., contributed a total of \$11.27 million, equivalent to €8.74 million, to Gasoducto de Morelos SAPI de CV, as advances for future capital increases.

**Corporate name of the group company**

Gasoducto Escombreras, S.L. (Unipersonal)

**Amount (In thousands €)**

5,000

**Brief description of the transaction**

Gasoducto Escombreras was taken over by Enagás Transporte, S.A.U. on 26 December 2012.

On 14 December 2012, Enagás Transporte, S.A.U. repaid and cancelled the credit line with a maximum available drawdown of €5 million arranged with Gasoducto Escombreras, S.L.

**Corporate name of the group company**

Gasoducto Escombreras, S.L. (Unipersonal)

**Amount (In thousands €)**

82

**Brief description of the transaction**

Gasoducto Escombreras, S.L.U. was taken over by Enagás Transporte, S.A.U. on 26 December 2012.

Provision of services: Enagás, S.A. has received revenues of €82 thousand from this company for holding services.

**Corporate name of the group company**

Grupo Altamira, CV

**Amount (In thousands €)**

530

**Brief description of the transaction**

Provision of services: Enagás, S.A. has received revenues of €530 thousand from this company for holding services.

## C.5 Identify, where appropriate, any conflicts of interest affecting company directors pursuant to article 127 of the LSA.

YES  NO

## C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

168 |

Mechanisms for detecting and resolve any possible conflicts of interest between Enagás, S.A. and/or its group, and its Directors, managers or shareholders are primarily set out in Enagás, S.A.'s Internal Code of Conduct in Matters Relating to the Securities Markets.

The Internal Code of Conduct is applicable to the following persons:

- Members of the Board of Directors.
- Managing Directors and members of the Management Committee.
- Board members and, in the appropriate cases, members of the Management Committee of subsidiary or partially owned companies in which Enagás S.A. has operational control.
- People concerned with Securities Market activities.
- In general, everyone who has access to the Company's privileged or reserved information.

Concerning operations carried out with related parties, the Company must adopt the following measures:

- a) Report them twice a year to the CNMV and include them in the Annual Report in the Corporate Governance section.
- b) Submit them in draft form to the Board of Directors for authorisation prior to their execution, following the relevant report from the Appointments, Remuneration and CSR Committee, and assess whether they satisfy market criteria.

All those described as being subject to this Internal Code of Conduct must:

- Inform the Board, through its Secretariat, of any possible conflicts of interest which may result from their family relationships, personal property or any other cause. Communications must be made within fifteen (15) days and, in any case, before the decision that may be affected by the potential conflict of interest is taken.
- Keep the information updated, taking into account any modification or cessation of previously reported situations as well as the emergence of new conflicts of interest.
- Refrain from participating in any decision-making process that may be affected by such a conflict of interest with the Company.

The Appointments, Remuneration and CSR Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 25 of the Rules and Regulations on the Organisation and Functioning of the Board of Directors, is assigned the following duties:

- a) To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Internal Code of Conduct in Matters Relating to the Securities Markets.
- b) To report to the Board of Directors on any related-party transactions before authorisation thereof. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of arm's length conditions. If the transactions are ordinary, a generic authorisation of the type of transaction and its terms and conditions shall suffice.
- c) To report to the Board of Directors on measures to be taken in the event of breach of these Rules and Regulations or the Internal Code of Conduct in Matters Relating to the Securities Markets on the part of Directors or other persons subject to those rules. In performing this duty, the Appointments, Remuneration and Corporate Responsibility Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

I 169

## C.7 Is more than one group company listed in Spain?

YES  NO

Identify the listed subsidiaries in Spain

## D. Risk Control Systems

### D.1 Give a general description of the risk policy in the company and/or its group, detailing and evaluating the risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk:

Enagás' Risk Policy establishes the guiding principles and mechanisms to enable management to deal effectively with the uncertainties, contingencies and opportunities that may arise, thereby improving the Company's ability to create value and offer both shareholders and other stakeholders a higher standard of assurance as regards profitability and environmental and social impact.

All initiatives aimed at controlling and mitigating risk shall follow these Basic Principles:

- Segregation and independence among risk managers and supervisors.
- Global supervision and like-for-like measurement of risks assumed by Enagás.
- Consistent understanding of risk management.
- Focus on decision-making: providing the information required for decision-making within their stated areas of responsibility.
- Efficient coordination among the Company's different business areas/units to guarantee the optimum use of the knowledge and resources available.
- Transparency (simplicity, objectivity and accountability) regarding the processes and methodologies used.
- Facilitate active supervision by the Audit and Compliance Committee and the Management Committee.
- Constantly update and make improvements by regularly reviewing the risks and adopting best practices concerning risk supervision and management.
- Responsibilities: to entrust overall risk management to the Enagás Board of Directors, management and employees, each within their area of responsibility.

The Sustainability Committee, in accordance with the duties and responsibilities described in the Procedures of the Sustainability Committee, has implemented the action plans proposed at its twice-yearly meetings concerning the assessment and measurement of risk. This has enabled Enagás to ensure it has a common culture on risk management in line with the strategies and targets set by senior management.

Formal specification of the Integrated Risk Management Procedure also allows an integrated risk management framework to be established that identifies the roles of the various decision-making bodies and the constituent parts of the risk management system. Its functions are as follows:

1. Nurturing an internal risk management environment that guides the Company's actions and directly influences employee awareness of internal control issues.
2. Setting goals for the organisation as a precondition of identifying potential scenarios with an impact on the achievement of those goals.
3. Every unit manager or head must systematically identify relevant events.
4. Evaluating risks to enable the Company to consider the scope of potential events impacting the Company's achievement of its goals and the probability of such events arising.
5. Responding to risks: The aim is to take decisions – to avoid, mitigate, share or accept a given risk – on the basis of the outcome of an assessment as to whether the particular risk needs to be addressed.
6. Establishing control actions as necessary to ensure that risk responses are implemented properly and on time by department and unit heads.
7. Within the risk management framework, reporting and communicating at all organisational levels to identify, evaluate and respond to risks, and, ultimately, take decisions and achieve the objectives set down at the organisation-wide level.
8. Risk management is to be overseen by the Audit and Compliance Committee and the Sustainability Committee, by the individual department/unit "owning" each risk, and by the Internal Audit Unit in the performance of its assigned role.

Integrated Risk Management is a dynamic, multi-directional and iterative process involving on-going monitoring, review and supervision, thereby allowing the identification of events that could affect the Company as a result of changes in its environment, goals and strategies.

In 2012 and pursuant to the Risk Management Model for Criminal Responsibility approved by the Company's Board of Directors at the behest of the Audit and Compliance Committee, a series of action plans were rolled out to prevent crimes which could be committed by the Company's managers or employees for which the Company could be held criminally liable in accordance with the reformed Spanish Criminal Code that came into force in December 2010.

Enagás, S.A. has grouped these risks, separating them in terms of the nature of the risk and bearing in mind the different measurement methods applied, as follows:

- Operational risk: the possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors.
- Business risk: the possible loss of value or earnings due to external factors such as regulation, the economic cycle, competition levels, demand patterns, the structure of the industry, etc. as well as the possible loss of value or earnings arising from taking incorrect decisions regarding business plans and the Company's future strategies.
- Criminal Responsibility Risk: risk of the Company being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Penal Code, which may be committed by its executives or emplo-

yees in the exercise of their duties and in their interest, in which case the Company would be deemed to have failed to exercise due control.

- Credit or counterparty risk: the possible loss of value or earnings as a result of a counterparty's failure to meet its contractual obligations.
- Financial risk: the uncertainty concerning a portfolio's value due to exchange and interest rate fluctuations, etc., as well as the liquidity and solvency of the Companies.
- Reputational risk: any action, event or circumstance that may adversely affect stakeholders' perceptions and opinions of the Company.

The risks have been measured in terms of their impact and probability in quantitative and qualitative terms. Also, the necessary controls and action plans have been established to maintain these risks within the admissible thresholds.

172 |

In 2012, the heads of the various divisions and business units at Enagás, S.A. managed their risks based on a self-assessment of some of these and by permanently monitoring control activities and risks in relation to the Company's accepted level of risk.

Moreover, since 2008 the Enagás Group has continued to bring its Internal Control of Financial Reporting (ICFR) into line with best practices on the reliability and transparency of the financial reporting process.

## **D.2 Indicate whether the company and/or its group has been exposed to different types of risk (operational, technological, financial, legal, reputational, fiscal, etc.) during the year.**

YES  NO

If so, indicate the circumstances and whether the established control systems worked adequately.

### **Risks occurring in the year**

Operational and Business risks

### **Circumstances responsible for this occurrence**

Operational risks (incidents in infrastructures and systems) and business risks (markets and competition: losses deriving from a delay in implementing the Investment Plan due to not being able to commission investments) and risks related to regulatory and legal issues).



No significant risks were reported during the year apart from some non-material risks inherent in Enagás' activities due to the specific nature of its operations and business.

#### Operation of control systems

The control systems put in place proved adequate for risks arising in 2012.

### D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.

YES  NO

If so, please explain its duties.

I 173

#### Name of the Committee or Body

Internal Audit

#### Description of duties

The key risk management functions include:

- Proposing risk management strategy to the Sustainability Committee
- Nurturing a risk-aware culture across the Company and helping to train employees in risk management skills.
- Designing and reviewing the risk management process.
- Supporting the Sustainability Committee in framing, adopting and updating internal risk management regulations.
- Supporting individual departments in risk identification and assessment.

The key roles of the Internal Audit Unit are:

- Focusing audit work on the most significant identified risks and on established internal controls.
- Reporting on the progress of control activities as regards design-related matters to the Audit and Compliance Committee and the departments concerned.

**Name of the Committee or Body**

Audit and Compliance Committee

**Description of duties**

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.

174 |

**Name of the Committee or Body**

Management Committee

**Description of duties**

- Creating the structures and environment required for the Integrated Risk Management model to operate effectively.
- Establishing the Company's risk management philosophy: accepted risks, integrity, ethical values and staff competencies.
- Approving the accepted risk level for the Company as a whole.
- Permanently reviewing the organisation's activities and potential inherent risks with reference to the accepted level of risk for the Company.
- Proposing to the Audit and Compliance Committee the measures needed to manage those risks identified.

**Name of the Committee or Body**

Sustainability Committee

**Description of duties**

- Establish a general policy on risk management, defining the Company's stance in the short, medium and long term.
- Across all company levels and activities, nurturing a common risk culture aligned with the strategies and objectives laid down by Senior Management.
- Reporting to the Audit and Compliance Committee on progress made in risk management and proposing actions in response to breaches of risk policy or internal regulations and/or conflicts arising in connection with risk management.

**Name of the Committee or Body**

Management or Business Unit

**Description of duties**

- As the owner of the risk, it is their responsibility to manage the risks inherent in its activity by establishing suitable controls and action plans.
- Introducing risk management objectives in all functions.

**D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.**

I 175

Each of the divisions and business units at Enagás, S.A. is cognisant of the applicable legislation and regulations. Part of their duties includes ensuring that new mandatory legislation and regulations are analysed and applied.

New legislation or regulatory amendments will often necessitate amendments to the Company's internal regulations or the establishment of new actions or processes to comply with the said regulations.

If there are various divisions involved in complying with the regulations, the Executive Committee will set up various working groups to develop and implement the new processes or activities.

The Regulating Committee monitors the implementation and functioning of regulations in different parts of the Company.

The procedure to deal with new regulations affecting the management of third-party access identifies, assesses and applies newly published regulations, including modifications to existing regulations and interpretations of official regulations or requirements that may have an impact on the management of third-party access to the grid.

The General Secretariat deals with, clarifies and establishes the criteria for all issues on which the divisions or business units have reasonable doubts.

Moreover, in each of the audits carried out the Internal Audit department shall verify compliance with prevailing legislation and internal regulations.

The main compliance processes of the various regulations entail:

- Legislation and regulations affecting Enagás S.A. as a gas transporter and as Technical Manager of the System.
- Mercantile law.
- Fiscal law.
- Environmental law.
- Legislation regarding prevention.

## E. General Shareholders' Meetings

**E.1 Indicate and, as applicable, describe any differences between the system of minimum quorums established in the LSA and the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws.**

YES  NO

	<b>Quorum % other than that established in article 102 of the LSA for general cases</b>	<b>Quorum % other than that established in article 103 of the LSA for the special cases described in article 103</b>
Quorum required for first call	0	0
Quorum required for second call	0	0

**E.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework set forth in the LSA.**

YES  NO

Describe how they differ from the rules established under the LSA.

**E.3 List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the LSA.**

Shareholders' rights in relation to general meetings are those established in the LSC, enacted in Royal Legislative Decree 1/2010, of 2 July, which rescinds legislation including the Spanish Companies Act (Ley de Sociedades Anónimas, "LSA").

The AGM held on 25 March 2012 amended the Articles of Association and the Rules and Regulations of the General Meeting in the light of certain legislative reforms that have lately affected the law on public limited companies, incorporating new legislation dealing with shareholders' rights.

The Rules and Regulations of the General Meeting of Enagás, S.A. recognise the following shareholders' rights:

## 1.- Shareholders' right to information.

This right is regulated by article 7 of the Regulations, which has the following content and scope:

7.1. - To facilitate the exercise of information rights in connection with the business to be addressed at the ordinary General Meeting, on the date of publication of the Notice of Meeting the Shareholder Information Office shall make the following documents available to shareholders:

- a) The full text of the notice of General Meeting, setting out the resolutions proposed for adoption, and, where appropriate and as far as practicable, reports from the Board of Directors concerning their rationale and appropriateness.
- b) Comprehensive documentation on the Enagás Annual Accounts and the Consolidated Annual Accounts of the Enagás Group, and on the proposed appropriation of Enagás profit or loss for the financial year in question.
- c) Enagás Directors' Report and Consolidated Directors' Report for the financial year.
- d) Auditors' Reports on the Enagás Consolidated Annual Accounts and Annual Accounts.
- e) Annual Corporate Governance Report.
- f) Any other report or information required by law or deemed appropriate by the Board of Directors.

If an extraordinary General Meeting is to be held, the Company shall make available to all shareholders any documents necessary for them to be properly informed as regards the proposed resolutions on the agenda.

Prior to the General Meeting, the Company shall make the above available to shareholders via the following channels:

- The Shareholder Information Office.
- A toll-free telephone number to be specified in the Notice of Meeting.
- The Company website.

In addition, the Company shall make the above documents available to shareholders on the occasion of the General Meeting itself.

The Shareholder Information Office shall be at shareholders' disposal to provide any information required with a view to the holding of the General Meeting.

7.2. - Up to the seventh day before the meeting is held, shareholders may request from Directors any information or clarification they deem appropriate concerning business on the agenda, or submit in writing the questions they judge relevant. With the same notice and form, or verbally during the meeting, shareholders may request information or clarifications, or ask questions with regards to the publically available information that the Company has provided to the Comisión Nacional del Mercado de Valores (Spanish securities market regulator, "CNMV") since the last General Shareholders' Meeting was held and with regards to the auditor report.

The Directors shall be under a duty to supply the information requested in accordance with the foregoing paragraph, in writing, up until the day on which the General Meeting is held.

During the General Meeting, shareholders may verbally request any information or clarifications they deem appropriate concerning business on the agenda, and, if it is impracticable to meet such requests at that time, Directors must provide written answers within a period of seven days following the end of the Meeting.

The Directors are under a duty to furnish the information requested under article 197 of the LSC unless, in the view of the Chairman, publicity of the requested information would harm the Company's interests, or supply of the information is barred under the law or the Articles of Association or a judicial or administrative decision.

The directors are not obliged to respond to specific questions from shareholders when, prior to the question being asked, the information is clearly and directly available to all shareholders on the website under the question and answer format.

No such refusal may be made if the request is put forward by shareholders representing at least twenty-five percent of the Company's share capital.

178 |

The information requested under article 197 of the LSC shall be provided to the shareholder requesting it in writing, within the period running from the date of the Notice of Meeting until the date of the Meeting inclusive, provided such request conforms to the time limit for exercise and scope determined by law and the Rules and Regulations of the General Meeting. The shareholder shall set out in writing the questions he/she thinks appropriate and the particulars or clarifications he/she thinks necessary, and shall expressly request that the Company reply in writing, and for that purpose shall indicate the address to which the information should be sent.

7.3.- A shareholder is entitled to make a written or oral request for any information he/it thinks relevant, even beyond the time limits directed in section 7.2 of these Rules and Regulations.

The Company shall as far as practicable endeavour to ensure to reply orally in the course of the General Meeting or in writing within such time frame as it thinks appropriate.

7.4.- Insofar as envisaged by prevailing legislation, and in accordance with the technical and legal terms thereof, the Company shall create an Electronic Shareholder Forum on its website with all safeguards duly in place. This forum will be available to individual shareholders and to any voluntary associations that may be set up and is intended to facilitate communication and dialogue before the General Meeting is held. The forum will be a venue for publishing proposed resolutions to be tabled as a supplement to the agenda set out in the notice of meeting, requests for adherence to such proposed resolutions, initiatives to achieve a sufficient percentage for the exercise of a statutory minority-interest right, and offers and requests for voluntary representation by proxy. The Board of Directors of the Company shall set the rules from time to time governing the functioning of the forum made available for the General Meeting, which shall be published on the website.

## **2.- Shareholders' speaking rights.**

These rights are regulated in article 8 of the Rules and Regulations.

Shareholders may at any time propose questions of interest for the Company, or related to their shareholding, through the Shareholder Information Office, the toll-free telephone number made available to them or the e-mail address included on the website.

The Company shall examine the questions, suggestions and comments submitted by shareholders, and shall respond to the same when considered appropriate for the benefit of the Company.

### 3.- Right of attendance.

This right is regulated by article 9 of the Rules and Regulations of the General Meeting in accordance with article 27 of the Articles of Association.

Under article 27 of the Articles of Association, the right to attend and vote at a General Meeting shall be subject to the ownership of shares on record in the appropriate register at least five days in advance of the meeting.

Shareholders entitled to attend must prove their entitlement by any of the following forms of evidence:

- A) An appropriate attendance and voting card to be issued by member entities of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [Spanish central securities clearinghouse] or such body as may replace it in future, properly filled out for the purpose.
- B) An electronic attendance and voting certificate issued by the entity entrusted with the register of dematerialised shares or the authorised share certificates depository entity, properly filled out for the purpose.

Shareholders entitled to attend under article 27 of the Articles of Association may attend the General Meeting held at the venue specified in the Notice of Meeting, in person or represented by proxy.

The Board of Directors may in future create a shareholder right to attend General Meetings by remote means if such manner of proceeding is permitted by the state of the art and an appropriate standard of certainty is assured as to shareholders' identity, the effectiveness of their rights, the proper conduct of the meeting and the security of electronic communications.

### 4.- Proxy rights.

This right is regulated by article 10 of the Rules and Regulations of the General Meeting in accordance with article 27 of the Articles of Association: Any shareholder entitled to attend the meeting may procure to be represented by another person, who need not be a shareholder.

Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. In all cases, the identity of the proxy must be duly guaranteed, as must the security of electronic communications, and proxies shall be valid only for the particular meeting in question.

The Board of Directors shall determine the electronic notification system by which the shareholder shall notify the appointment of a proxy, in accordance with this article, based on existing technology. Such means of remote communication must satisfy the formal requirements provided with security standards to ascertain shareholders' identities and those of the proxy or proxies, and the effectiveness of their rights and the proper conduct of the meeting, as indicated by the Board in the Notice of Meeting and on the Company's website.

The provisions of the two foregoing paragraphs will likewise be applicable to notification of the proxy to the Company, and revocation of the appointment.

If the represented shareholder has issued voting instructions, the proxy holder shall cast the shareholder's vote in accordance with the said instructions and shall be bound to safeguard the instructions for one year starting from the date of the meeting that is being called.

The proxy may represent more than one shareholder, with no restrictions on the number of shareholders they may represent. When a proxy represents various shareholders, the proxy may vote in more than one direction based on the instructions of each shareholder. In all cases, the number of shares represented shall be counted towards the valid constitution of the meeting.

Before their appointment the proxy holder must inform the shareholder in detail if there is any conflict of interest, in accordance with the provisions of article 523 of the LSC. If the conflict arises after the appointment and the proxy holder did not advise the represented shareholder of a possible conflict of interest, the proxy holder must inform the shareholder immediately. In both cases, if the proxy holder does not receive new precise voting instructions for each of the matters upon which the proxy holder must vote on behalf of the shareholder, the proxy holder must abstain from casting their vote.

A financial intermediary may, on behalf of those shareholder clients who have empowered the intermediary to act for them, cast the votes in opposing ways, in compliance with different voting instructions, if such instructions have been received. The direction of the vote must be reported to the Company. The intermediaries who are empowered to act must provide the Company, within the seven-day period prior to the scheduled date of the meeting, with a list containing the identity of each client, the number of shares regarding which it will exercise voting rights on behalf of the said client, and any voting instructions that the intermediary has received.

A proxy may be revoked at any time. If the principal attends the meeting in person, his/her proxies are automatically revoked, and he/she must inform the proxy-holder in order to ensure that such person does not attempt to exercise proxy rights he/she does not hold.

Shareholders who are natural persons disqualified from exercising their civil rights and shareholders that are juristic persons may be represented by any duly accredited legal representative. Both in cases of legal representation and delegation of attendance rights, no shareholder shall have more than one representative at the Meeting.

### **Call for proxies**

Calls for proxies issued by Directors, custodian entities of the share certificates, entities entrusted with the register of dematerialised shares or any other person or entity publicly making such call on its own or on a third party's behalf shall be subject to article 186 and 562 of the LSC. A call for proxies shall be deemed to have been made if one and the same person holds proxies for more than three shareholders.

In particular, the document containing the call for proxies must contain, or have attached to it, the meeting agenda, the request for instructions for the exercise of voting rights and the manner in which the proxy holder should vote in the event that no specific instructions are given.

In the event of a proxy requested and obtained by a Director, if no instructions are extant the proxy shall be treated as demanding a vote in favour of the motion of the Board, subject to any applicable statutory restrictions.

If Company Directors, or any other person acting on behalf of such Directors, effect a call for proxies, the Director that obtains such proxy may not exercise voting rights attaching to the shares thus represented in the event of conflict of interest, unless the proxy has received precise voting instructions for each of these points, specified in article 522 of the Spanish LSC.

- a) His/her own appointment, re-election or ratification as a Director.
- b) His/her removal, dismissal or termination as a Director.
- c) The bringing by the Company of an action for liability against him/her.
- d) The adoption or ratification, as applicable, of Company transactions with the Director in question or with companies controlled or represented by him/her or by persons acting on his/her behalf.

A call for proxies may be made electronically in accordance with the implementing regulatory provisions issued on the matter and in such manner as these Rules and Regulations shall determine.



## 5.- Voting rights.

This right is regulated in article 27 of the Articles of Association and article 11 of the Rules and Regulations of the General Meeting.

### 11.1.- Means of exercising voting rights

A shareholder entitled to attend under article 27 of the Articles of Association and under the implementing provisions of article 9 of these Rules and Regulations shall be entitled to vote, and may do so in person or by proxy, by any of the following means:

- A) By personally attending and voting at the General Meeting, with an attendance and voting card properly filled out and signed for the purpose.
- B) By post, by casting votes at the Shareholder Information Office, by recognised electronic signature or any other electronic means or, in general, by any other means of remote communication permitted by law, attaching an electronic attendance and voting certificate.

The Board of Directors shall determine which electronic or remote media may be used to vote at each General Meeting pursuant to the provisions of this article and having regard to the state of the art. Such means of remote communication must satisfy the security standards required to ascertain shareholders' identities and the effectiveness of their rights and the proper conduct of the meeting, as indicated by the Board in the Notice of Meeting and on the Company's website.

The right to attend and vote using remote or electronic means, votes cast at the Shareholder Information Office or any other means of remote communication permitted in future must conform to any such statutory requirements as may be laid down and to the formalities and procedures directed by these Rules and Regulations.

### 11.2.- Validity of votes

- A) Voting by personal attendance at the General Meeting.

To exercise his/her voting rights, a shareholder present at the General Meeting in person must, in addition to producing proof of identity in accordance with article 9 of these Rules and Regulations, identify him/herself as follows:

If he/she is a natural person, he/she shall exhibit a national identity card or passport.

If the shareholder is a juristic person, the natural-person representative attending and voting on its behalf shall exhibit his/her national identity card or passport and a document proving his/her power of attorney.

- B) Votes cast by remote means of communication

To be valid, a vote cast by any of the means of remote communication must be received by the Company at the Shareholder Information Office between the day of publication of the Notice of Meeting and no later than twenty-four hours prior to the earlier scheduled date and time of the General Meeting, subject to the Board's power to determine a shorter time limit.

A shareholder using such means of communication shall bear the burden of proof that notice was sent to the Company in due time and form.

A postal vote shall be valid provided that the shareholder sends to the registered office of the Company in a sealed envelope an attendance and voting card clearly stating the shareholder's identity, number of shares held and his/her vote on each item of the agenda, bearing his/her handwritten signature and having attached a copy of his/her national identity card or passport, if the shareholder is a natural person, and, additionally, a document accrediting power of attorney, if the shareholder is a juristic person.

If a shareholder votes by electronic or remote means, such vote shall be valid if a record is created, by an appropriate electronic attendance and voting certificate, of the shareholder's identity, by means of a recognised electronic signature or any other electronic media satisfying appropriate conditions of authenticity and identification of the shareholder thus exercising his/her voting rights, the number of shares he/she holds and his/her vote on each item on the agenda.

If a shareholder decides to cast his/her vote in person or by proxy at the Shareholder Information Office, he/she must produce an attendance and voting card clearly stating the shareholder's identity, number of shares held and his/her vote on each item of the agenda, bearing his/her handwritten signature, and shall further exhibit his/her identity card or passport, if the shareholder is a natural person, and a document accrediting proxy rights, if applicable.

**11.3.- A shareholder casting his/her votes remotely shall for the purposes of constitution of any General Meeting count as being present.**

**11.4.- A vote cast by remote means may be invalidated only:**

- a) If later expressly revoked by the same means used for its original issue, within the time limit for such issue; or
- b) If the shareholder casting the vote is present at the General Meeting in person.

Any sale of voting shares effected at least five days before the scheduled date of the Meeting shall render void any vote cast prior to such sale.

## **E.4 Indicate the measures, if any, adopted to encourage shareholder participation at General Shareholders' Meetings.**

In 2012, the following measures were adopted to encourage shareholder participation:

- The principle of equality in the treatment for shareholders is introduced into article 4 of the Rules and Regulations of the General Meeting in accordance with article 514 of the Corporate Enterprises Act.
- The contents and means of publishing the General Meeting notice are broadened, as are the shareholders' information powers, to which end the various mentions thereof have been included in article 5 and article 7 of the Rules and Regulations of the General Meeting in accordance with articles 168, 174, 177, 197, 515, 516, 517, 518, 519 and 520 of the Corporate Enterprises Act.
- Several matters relative to publication of the resolutions adopted by the Meeting and the outcome of votes (article 13 of the Rules and Regulations of the General Meeting) have been included, and it is planned that the Company's documents will be posted on the corporate website (article 16 of the Rules and Regulations of the General Meeting) in accordance with article 525 of the Corporate Enterprises Act.

- The rules on shareholder representation via remote communication are broadened to include certain issues relative to the issuance of instructions by shareholders, conflicts of interest in the event of a public call for proxies, and relations between financial intermediaries and their clients for the purpose of casting votes (article 10 of the Rules and Regulations of the General Meeting) in accordance with articles 522, 523, 524 and 526 of the Corporate Enterprises Act.
- The Board's commitment to ensure the security of electronic communication in the exercise of the right of attendance, voting rights, and the right of representation by proxy (articles 9, 10 and 11 of the Rules and Regulations of the General Meeting) in accordance with article 521 of the Corporate Enterprises Act is introduced.

## **E.5 Indicate whether the General Shareholders' Meetings is presided by the Chairman of the Board of Directors. List measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting.**

YES  NO

I 183

### **Details of measures**

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- In accordance with article 12.2 of the Rules and Regulations of the General Meeting: The General Meeting shall be chaired by the Chairman of the Board of Directors or, in his/her absence, by the shareholder elected in each case by shareholders present.

The Chairman of the General Meeting shall direct the proceedings and see to it that they are properly conducted, maintain orderly deliberations and ensure that the agenda set out in the Notice of Meeting is followed. The Chairman shall determine the order in which speakers are to take their turn, give and, if appropriate, withdraw leave to speak, set time limits for discussion before each issue is put to the vote, place a reasonable limit on the time devoted to the 'other business' item, and declare an issue to have been discussed sufficiently.

The Chairman shall be assisted by the Secretary to the Board of Directors, or, in his/her absence, by the shareholder elected in each case by shareholders present.

Once the meeting has started, if the Chairman or the Secretary of the General Meeting has to absent him/herself, his duties shall be taken over by the relevant person in conformity with the provisions of the preceding paragraphs and the meeting shall continue.

- The Board of Directors shall appoint a notary to attend general meetings, who shall be responsible for taking and drawing up the minutes, with the accompanying guarantee of neutrality and independence for all shareholders.

- The Chairman of the Audit and Compliance Committee of Enagás, S.A., in representation of the Committee, shall be available at meetings to respond to questions from shareholders on issues under the Committee's competency.

- The General Meeting must be attended by the Company's external auditor, who shall be convened for such purpose by the Board of Directors. The auditor shall intervene, whenever deemed expedient by the Chairman, to clarify questions relating to its work as the Company's external auditors.

Requirements and standards that definitively guarantee the smooth progress of general meetings are contained in articles 13 to 18 of the Rules and Regulations of the General Meeting, of which the following are of note:

- Before addressing Agenda items, an attendance list shall be drawn up, detailing the nature or representation of each attendee and the number of shares, owned or represented, by virtue of which they are attending, such that the summary of the attendance list shall determine the number of shareholders, present or represented, as well as the share capital they hold. Capital with voting rights shall be specified. The Deputy Secretary to the Board or the person so appointed by the Chairman in his/her absence shall provide the Directors with two copies of that summary duly signed by him/her or a scrutinising shareholder. Attendance shall be considered closed for the purposes of establishing a quorum at the time stated in the call for the commencement of the Meeting.

- Upon the opening of the General Meeting, the Secretary shall read out the particulars of the Notice of Meeting and of attendance, on the basis of the list of attendees drawn up by the Presiding Panel for the purpose, stating the nature or representative capacity of each of them and the number of shares held by them or third parties with which they attend.

Notwithstanding the foregoing, before the final tally of attendees has been ascertained the General Meeting may be properly constituted on the basis of a provisional quorum calculated minutes before the time of commencement of the session, provided that such quorum satisfies the statutory threshold for such purposes, and without prejudice to the Secretary's record of the final quorum, which he/she shall recite in the course of the meeting.

184 |

- The list of attendees shall be drawn up on paper or using a computer file or other data carrier. The method so used shall be noted in the minutes, and an appropriate record of identification shall be written on the sealed cover of the file or data carrier, bearing the Secretary's signature and the Chairman's countersignature.

- The list of attendees having been drawn up, and the presence having been verified of the quorum required under articles 193 and 194 of the LSC and 25 and 26 of the Articles of Association, the Chairman shall, if applicable, declare the General Meeting to be properly constituted.

If present, the notary engaged by the Company to draw up the minutes shall ask participants if they have any reservations or challenges to the details of shareholders and share capital read by the Chairman. Any shareholder with reservations shall show the member of the Panel his/her attendance card, and the panel shall verify and correct, as applicable, any possible errors.

Before giving his/her account of the financial period under consideration and of the proposed resolutions laid before the General Meeting, to facilitate the conduct of proceedings the Chairman shall ask shareholders wishing to take the floor to approach the officials assisting the Presiding Panel and exhibit their attendance cards for the purpose of arranging turns to speak.

- A shareholder who fails to express his wish to speak at this time may not subsequently exercise a right to speak.

The Chairman shall then inform the General Meeting on the salient features of the financial period and the Board's proposed resolutions; his/her account may be supplemented by persons authorised by him/her to do so.

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## E.6 Indicate the amendments, if any, made to the General Shareholders’ Meeting regulations during the year.

- The AGM held on 30 March 2012 approved a substantial change to the Rules and Regulations of the General Shareholders’ Meeting, with a view to updating their content in the light of certain recent changes to legislation affecting limited companies.
- The aforementioned Act 25/2011 introduced significant changes regarding different matters concerning the General Meeting of listed companies.
- Such is the case of the public notice and content of the call of meeting, shareholders’ right to supplement the Agenda and to table new proposals, and certain issues relative to given shareholder rights, the right to representation by proxy and the publication of resolutions adopted by the Meeting.

The amendments to the Rules and Regulations of the General Meeting approved during the 2012 AGM are as follows:

- The principle of equality in the treatment of shareholders is introduced into article 4 of the Rules and Regulations of the General Meeting in accordance with article 514 of the Corporate Enterprises Act.
- The contents and means of publishing the General Meeting notice are broadened, as are the shareholders’ information powers, to which end the various mentions thereof have been included in article 5 and article 7 of the Rules and Regulations of the General Meeting in accordance with articles 168, 174, 177, 197, 515, 516, 517, 518, 519 and 520 of the Corporate Enterprises Act.
- Several matters relative to publication of the resolutions adopted by the Meeting and the outcome of votes (article 13) have been included, and it is planned that the Company’s documents will be posted on the corporate website (article 16) in accordance with article 525 of the Corporate Enterprises Act.
- The rules on shareholder representation via remote communication are broadened to include certain issues relative to the issuance of instructions by shareholders, conflicts of interest in the event of a public call for proxies, and relations between financial intermediaries and their clients for the purpose of casting votes (article 10) in accordance with articles 522, 523, 524 and 526 of the Corporate Enterprises Act.
- The Board’s commitment to ensure the security of electronic communication in the exercise of the right of attendance, voting rights, and the right of representation by proxy (articles 9, 10 and 11) in accordance with article 521 of the Corporate Enterprises Act is introduced.

## E.7 Indicate the attendance figures for the General Shareholders’ Meetings held during the year:

### Attendance data

Date of general meeting	% attending in person	% by proxy	% remote voting Electronic means	Other	Total
30/03/2012	10.291	45.155	0.000	0.307	55.753

## **E.8 Briefly indicate the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes with which each resolution was adopted.**

The AGM was held on 30 March 2012. The resolutions adopted at the meeting are detailed below, along with the percentage of votes with which each resolution was passed.

### **RESOLUTION 1.**

To examine and, if appropriate, adopt the Financial Statements (balance sheet, profit and loss account, statement of changes in equity, cash flow statement and notes) and the directors' report of Enagás, S.A. and its consolidated Group for the year ending 31 December 2011 .

- The resolution carried. The results of the vote were as follows: For: 116,470,629 (99.438%); Against: 613,773 (0.524%); Abstentions: 44,530 (0.038%); Total votes cast: 117,128,932.

### **RESOLUTION 2.**

To approve the distribution of Enagás, S.A. profit for financial year 2011, which included net profits of €358,674,768.89, in line with the following distribution proposal prepared by the Board of Directors (in €): Legal reserve: 0; voluntary reserves: 121,657,113.00; dividends: 237,017,355.89; Total: 358,674,768.89.

- To pay out an additional dividend in the amount of €146,059,902.83. This amount is the result of deducting from the financial year's total dividend, €237,017,655.89, the interim dividend of €90,957,753.06 that was agreed by the Board of Directors on 21 November 2011, and paid to shareholders on 21 December 2011.
- The final dividend will be paid on 5 July 2012.
- The total gross dividend for the financial year, approval of which, in accordance with the previous paragraph, means payment of €0.99280956 per share.
- Once the interim dividend already paid is deducted -€0.381 gross per share, the remaining payment will be for €0.61180956 before tax deductions.
- The resolution carried. The results of the vote were as follows: For: 117,041,199 (99.925%); Against: 21,703 (0.019%); Abstentions: 66,030 (0.056%); Total votes cast: 117,128,932

### **RESOLUTION 3.**

To approve the performance of the Board of Directors of Enagás, S.A. in 2011.

- The resolution carried. The results of the vote were as follows: For: 116,593,006 (99.542%); Against: 432,088 (0.369%); Abstentions: 103,838 (0.089%); Total votes cast: 117,128,932.

### **RESOLUTION 4.**

To re-appoint Deloitte S.L. as auditor of Enagás, S.A. and its Consolidated Group for the period of one year. The firm shall also be placed in charge of providing any other mandatory auditing services that are required by the Company until the next Ordinary General Meeting is held.

- The resolution carried. The results of the vote were as follows: For: 117,587,195 (98.229%); Against: 1,356,852 (1.133%); Abstentions: 763,666 (0.638%); Total votes cast: 117,128,932.

**RESOLUTION 5.**

For the purposes provided for in article 11 bis of the Corporate Enterprises Act, the Company's corporate website is [www.enagas.es](http://www.enagas.es).

- The resolution carried. The results of the vote were as follows: For: 117,082,726 (99.961%); Against: 1,407 (0.001%); Abstentions: 44,799 (0.038%); Total votes cast: 117,128,932.

**RESOLUTION 6.**

To spin off the transmission activity and the activity of technical management of the gas system in compliance with the statutory requirement laid down in Law 12/2011, of 27 May.

**6.1.- Adoption of the hive-down balance sheet**

The resolution carried. The results of the vote were as follows: For: 117,031,846 (99.917 %); Against: 49,318 (0.042%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

**6.2.- Approval of the draft terms of the hive-down in favour of two newly created subsidiaries, namely: Enagás Transporte, S.A.U. and Enagás GETS, S.A.U.**

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

**6.3.- Approval of the hive-down of Enagás, S.A.'s in favour of two newly-created subsidiaries: Enagás Transporte, S.A.U. and Enagás GETS, S.A.U.**

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

**6.4. - To incorporate the newly-formed companies Enagás Transported, S.A.U. and Enagás GETS, S.A.U., approve their articles of association, appoint the members of the management body and appoint the auditor.**

The resolution carried. The results of the vote were as follows: For: 117,079,831 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,868 (0.041%); Total votes cast: 117,128,932.

**6.5.- To elect to apply the special tax regime of tax neutrality for the hive-down transaction.**

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

**6.6.- To elect to apply the special tax regime of fiscal consolidation.**

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

**6.7.- To delegate powers to perform, publish and record as notarial instruments the resolutions adopted.**

The resolution carried. The results of the vote were as follows: For: 117,079,931 (99.958%); Against: 1,233 (0.001%); Abstentions: 47,768 (0.041%); Total votes cast: 117,128,932.

**RESOLUTION 7.**

To amend the following articles of the Company's Memorandum and Articles of Association:

7.1.- Article 2 ("Corporate purpose") and Article 3 ("Registered office"), included in Title I "Name, corporate purpose, duration and registered office".

The resolution carried. The results of the vote were as follows: For: 117,080,642 (99.959%); Against: 1,233 (0.001%); Abstentions: 47,067 (0.040%); Total votes cast: 117,128,932.

7.2.- To redraft Article 6 bis ("Limitation on holdings in share capital"), Article 7 ("Accounting records") and Article 16 ("Issuance of bonds"), included in Title II "Capital and shares".

The resolution carried. The results of the vote were as follows: For: 116,892,927 (99.798%); Against: 183,438 (0.157%); Abstentions: 52,567 (0.045%); Total votes cast: 117,128,932.

7.3.- To redraft Article 18 ("General meeting"), Article 21 ("Extraordinary meeting"), Article 22 ("Convening the General Meeting"), Article 27 ("Attendance at meetings, representation by proxy and voting"), Article 31 ("Right to information") and Article 32 ("Minutes of proceedings"), included in Section 1 "Shareholders' Meeting", of Title III "Governing bodies of the Company" of the Articles of Association.

The resolution carried. The results of the vote were as follows: For: 116,733,742 (99.663%); Against: 266,223 (0.227%); Abstentions: 128,967 (0.110%); Total votes cast: 117,128,932.

7.4.- To redraft Article 35 ("Composition of the Board"), Article 36 ("Remuneration of the Board of Directors"), Article 37 ("Posts"), Article 39 ("Meetings of the Board of Directors"), Article 44 ("Audit and Compliance Committee") and Article 45 ("Appointments, Remuneration, and CSR Committee"), included in Section 2 "Board of Directors", of Title III "Governing bodies of the Company" of the Articles of Association.

The resolution carried. The results of the vote were as follows: For: 117,080,217 (99.958%); Against: 1,223 (0.001%); Abstentions: 47,492 (0.041%); Total votes cast: 117,128,932.

7.5.- To redraft Article 49 ("Preparation of the annual accounts"), Article 50 ("Appointment of Auditors") and Article 55 ("Deposit and publicity of financial statements"), included in Title V "Annual accounts".

The resolution carried. The results of the vote were as follows: For: 117,080,642 (99.959%); Against: 1,233 (0.001 %); Abstentions: 47,067 (0.040%); Total votes cast: 117,128,932.

**RESOLUTION 8.**

To amend the following articles of the Rules and Regulations of the General Meeting:

8.1. - To redraft Article 4 ("Powers of the General Meeting") and Article 5 ("Convening the General Meeting").

The resolution carried. The results of the vote were as follows: For: 116,165,732 (99.178%); Against: 569,749 (0.486%); Abstentions: 393,451 (0.336%); Total votes cast: 117,128,932.

8.2.- To redraft Article 7 ("Shareholders' right to information"), Article 9 ("Attendance rights"), Article 10 ("Proxy rights") and Article 11 ("Voting rights").

The resolution carried. The results of the vote were as follows: For: 116,512,632 (99.474%); Against: 569,749 (0.486%); Abstentions: 46,551 (0.040%); Total votes cast: 117,128,932.

8.3.- To redraft Article 13 ("Proceedings of the General Meeting") and Article 16 ("Publicity").

The resolution carried. The results of the vote were as follows: For: 116,832,019 (99.746%); Against: 250,362 (0.214%); Abstentions: 46,551 (0.040%); Total votes cast: 117,128,932.



**RESOLUTION 9.**

To authorise the Board of Directors to resolve to increase the share capital pursuant to LSC Article 297.1(b), in one or more transactions, by no more than one half of the capital existing at the time of the authorisation, within a five-year period starting from the day the resolution was passed by the General Meeting.

The resolution carried. The results of the vote were as follows: For: 110,344,927 (94.208%); Against: 6,738,643 (5.753%); Abstentions: 45,362 (0.039%); Total votes cast: 117,128,932.

**RESOLUTION 10.**

To ratify, appoint, renew or re-elect members of the Board of Directors.

**10.1. - To re-appoint Peña Rueda S.L. Unipersonal as director for the four-year term stipulated by the Articles of Association. Peña Rueda S.L.U. is a Proprietary Director.**

The resolution carried. The results of the vote were as follows: For: 115,565,777 (98.66%); Against: 1,040,221 (0.888%); Abstentions: 522,934 (0.446%); Total votes cast: 117,128,932.

**10.2. - To re-appoint Bilbao Bizkaia Kutxa (BBK) as director for the four-year term stipulated by the Articles of Association. Bilbao Bizkaia Kutxa (BBK) is a Proprietary Director.**

The resolution carried. The results of the vote were as follows: For: 114,464,463 (97.726%); Against: 1,808,948 (1.544%); Abstentions: 855,521 (0.730%); Total votes cast: 117,128,932.

**10.3. - To re-appoint Sociedad Estatal de Participaciones Industriales (SEPI) as director for the four-year term stipulated by the Articles of Association.**

Sociedad Estatal de Participaciones Industriales (SEPI) shall serve as Proprietary Director.

The resolution carried. The results of the vote were as follows: For: 113,940,273 (97.278%); Against: 2,333,138 (1.992%); Abstentions: 855,521 (0.730%); Total votes cast: 117,128,932.

**RESOLUTION 11.**

To submit to the advisory vote of the Meeting the Annual Report on the Directors' Remuneration Policy referred to in Article 61b of the Ley de Mercado de Valores (Securities Market Act, "LMV").

The resolution carried. The results of the vote were as follows: For: 109,430,266 (93.427%); Against: 4,934,414 (4.213%); Abstentions: 2,764,252 (2.360%); Total votes cast: 117,128,932.

**RESOLUTION 12.**

**To approve directors' remuneration for 2012.**

The resolution carried. The results of the vote were as follows: For: 114,866,509 (98.068%); Against: 11,216 (0.010%); Abstention: 2,251,207 (1.922%); Total votes cast: 117,128,932.

**POINT 13.**

The report on amendments made to the Regulations governing the organisation and functioning of the Board of Directors of Enagás, S.A.

This item is for information purposes only and not subject to voting.

**RESOLUTION 14.**

To delegate powers to supplement, implement, perform, rectify and formalise the resolutions adopted at the General Meeting.

The resolution carried. The results of the vote were as follows: For: 117,083,926 (99.961%); Against: 907 (0.001%); Abstentions: 44,099 (0.038%); Total votes cast: 117,128,932.

**E.9 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.**

YES  NO

Number of shares required to attend the General Shareholders' Meetings

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**E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.**

190 |

In accordance with article 27 of the Company's Articles of Association and article 10 of the Rules and Regulations of the General Meeting, all shareholders entitled to attend General Meetings may appoint another person, who need not be a shareholder, to represent them using the delegation form provided by the Company for each meeting that is printed on the attendance and voting card. The same shareholder may not be represented at the meeting by more than one representative.

Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. In all cases, the identity of the proxy must be duly guaranteed, as must the security of electronic communications, and proxies shall be valid only for the particular meeting in question.

If the principal attends the meeting in person, their proxies are automatically revoked, and they must inform the proxy-holder in order to ensure that such person does not attempt to exercise proxy rights they do not hold.

**E.11 Indicate whether the company is aware of the policy of institutional investors on whether or not to participate in the company's decision-making processes:**

YES  NO

**E.12 Indicate the address and mode of accessing corporate governance content on your company's website.**

All information on Enagás, S.A.'s Corporate Governance is available to the public on its website: ([www.enagas.es](http://www.enagas.es) or [www.enagas.com](http://www.enagas.com)).

Access to the aforementioned information is as follows:

In Spanish: Página Principal - Accionistas e Inversores - Gobierno Corporativo.

In English: Home - Investor Relations - Corporate Governance.

## F - Degree of Compliance with Corporate Governance Recommendations

I 191

Indicate the degree of the company's compliance with Corporate Governance recommendations. Should the company not comply with any of them, explain the recommendations, standards, practices or criteria the company applies.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.2, E.1 and E.2

Explain

There are no restrictions on the transfer of securities.

Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

"No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company, nor may they exercise voting rights in such Company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the said parent company of over 1%. These restrictions do not apply to direct or indirect interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of Act 24/1988, dated 28 July, on the Securities Market stakes shall be attributed to one and the same individual or body corporate when they are owned by:

a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.

b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

Non-compliance with the limitation on a stake in the capital referred to in this article shall be deemed a very serious breach in accordance with the terms set out in article 109 of this Act. Responsibility shall lie with the individuals or bodies corporate that end up as owners of the securities or whoever the excess stake in the capital or in the voting rights can be attributed to, pursuant to the provisions of the preceding paragraphs. In any event, the regime of penalties laid down in the law shall be applied. Enagás, S.A. may not transfer the shares of the subsidiaries carrying out regulated activities to third parties.”

192 |

Meanwhile, article 6 bis of the Company’s Articles of Association establishes that:

“No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the System Technical Manager of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%. For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply. Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical systems management, which are regulated businesses under Hydrocarbons legislation”.

Additional Provision 20 of Law 34/1998, of 7 October, on the Hydrocarbons Sector was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision 31 of Act 34/1998, governing the hydrocarbons industry.

## 2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7



Not applicable

**3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:**

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. re-allocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation

Compliant

**4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.**

I 193

Compliant

**5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) Amendments to the Bylaws with votes taken on all articles or group of articles that are materially different.

See section: E.8

Compliant

**6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.**

See section: E.4

Compliant

**7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects

the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

**8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

a) The company's general policies and strategies, and, in particular:

- i) The strategic or business plans, management targets and annual budgets;
- ii) Investment and financing policy;
- iii) Design of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration and evaluation of senior officers;
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

**See sections: B.1.10, B.1.13, B.1.14 y D.3**

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

**See section: B.1.14**

- ii) Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.

**See section: B.1.14**

- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
2. They go through at market prices, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved

should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C.1 y C.6

Compliant

**9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.**

See section: B.1.1

Compliant

**10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

See sections: A.2, A.3, B.1.3 y B.1.14

Compliant

**11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.**

See section: B.1.3

Compliant

**12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.**

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 y A.3

Compliant

**13. The number of independent directors should represent at least one third of all board members.**

See section: B.1.3

Compliant

**14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee.**

The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 y B.1.4

Compliant

**15. When women directors are few or non-existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Appointments Committee should take steps to ensure that:**

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 y B.2.3

Compliant

**16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.**

See section: B.1.42

Compliant



**17. When a company's Chairman is also its chief executive, an Independent Director should be empowered to request the calling of Board meetings or the inclusion of new business on the Agenda; to coordinate and give voice to the concerns of External Directors; and to lead the Board's evaluation of the Chairman.**

See section: B.1.21

Compliant

**18. The Secretary should take care to ensure that the board's actions:**

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

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.1.34

Compliant

**19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.**

See section: B.1.29

Compliant

**20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.**

See sections: B.1.28 y B.1.30

Partially compliant

The Board of Directors met 11 times during 2012. Attendance: 20 absentees, 15 with delegation of vote and 5 without.

The Appointments, Remuneration and CSR Committee met five times. Attendance: 4 absentees, with votes delegated in all cases.

The Audit and Compliance Committee met six times. Attendance: 2 absentee, with votes delegated in all cases.

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

22. The board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;
- b) Starting from a report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by the same.

See section: B.1.19

Compliant

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.1.42

Compliant

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Compliant

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant

**26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:**

- a) Directors should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 y B.1.17

Compliant

**27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders’ Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:**

- a) Subject to a report from the Appointments Committee in all other cases.
- b) Base on a proposal from the Appointments committee, in the case of remaining directors.

See section: B.1.2

Compliant

**28. Companies should post the following director particulars on their websites, and keep them permanently updated:**

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director’s classification as executive, proprietary or independent; In the case of proprietary directors, stating the shareholder they represent or have links with;
- d) The date of their first and subsequent appointments as a company director; and
- e) Shares held in the company and any options on the same.

Compliant

**29. Independent directors should not stay on as such for a continued period of more than 12 years.**

See section: B.1.2

Compliant

**30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

See sections: A.2, A.3 y B.1.2

 Compliant

**31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III. 5 (Definitions) of this Code.**

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 y B.1.26

 Compliant

**32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign.

The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43 y B.1.44

 Compliant

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

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Compliant

**34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

See section: B.1.5

Compliant

**35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:**

I 201

- a) The amount of the fixed components, itemised, where necessary, of board and board committee attendance fees, with an estimate of the fixed annual remuneration they give rise to.
- b) Variable components, in particular:
  - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;
  - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
  - iii) The main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
  - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions, among them:
  - i) Duration;
  - ii) Notice periods; and
  - iii) Any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Compliant

**36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.**

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 y B.1.3

Compliant

**37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.**

Compliant

**38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.**

Compliant

**39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.**

Compliant

**40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.**

The report will focus on the remuneration policy the board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Compliant

#### 41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

- a) A breakdown of the compensation obtained by each company director, to include where appropriate:
- i) Participation and attendance fees and other fixed directors payments;
  - ii) Additional compensation for acting as chairman or member of a board committee;
  - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
  - iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
  - v) Any severance packages agreed or paid;
  - vi) Any compensation they receive as directors of other companies in the group;
  - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.
- b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:
- i) Number of shares or options awarded in the year, and the terms set for their execution;
  - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
  - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
  - iv) Any change in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Compliant

#### 42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 y B.2.6

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Act, the Board of Directors should form a committee, or two separate committees, of Appointments and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Appointments and Remuneration should be set forth in the board regulations, and include the following:

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committees should be chaired by an independent director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings should be minuted and a copy of the minutes sent to all board members.

See sections: B.2.1 y B.2.3

Compliant

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliant

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant



**47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.**

Compliant

**48. The head of internal audit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.**

Compliant

**49. Control and risk management policy should specify at least:**

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

**See sections: D**

Compliant

**50. The Audit Committee's role should be:**

- 1. With respect to internal control and reporting systems:
  - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
  - b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
  - c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit ; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
  - d) To establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties

2. With respect of the external auditor:

a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of his engagement.

b) To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.

c) Monitor the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 y D.3

Compliant

206 I

**51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Compliant

**52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:**

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 y B.2.3

Compliant

**53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

See section: B.1.38

Compliant

**54. The majority of Appointments Committee members – or Appointments and Remuneration Committee members as the case may be – should be independent directors.**

See section: B.2.1

Compliant

I 207

**55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:**

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Compliant

**56. The Appointments Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.**

Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Compliant

**57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:**

- a) Make proposals to the Board of Directors regarding:
  - i) The remuneration policy for directors and senior officers;
  - ii) The individual remuneration and other contractual conditions of executive directors.
  - iii) The standard conditions for senior officer employment contracts.
  
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 y B.2.3

Compliant

**58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Compliant

## G - Other Information of Interest

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, specify and explain below.

I 209

### Clarification of section o A.2:

The information on significant shareholdings disclosed in this report is limited to those shareholders that have notified the issuer, without prejudice to other notifications that may have been made to the CNMV pursuant to article 25 and thereafter of Royal Decree 1362/2007, of 19 October. Indicate the most significant movements in the shareholder structure during the year.

On 4 October 2012, CANTÁBRICA DE INVERSIONES DE CARTERA (CIC, S.L.) notified the Spanish securities market regulator (hereinafter CNMV) of the result of selling 5% of the share capital of Enagás, S.A., whereby CIC, S.L. was no longer a direct significant shareholder of Enagás or LIBERBANK, S.A. an indirect significant shareholder of Enagás, S.A.

On 11 September 2012, SAGANE INVERSIONES, S.L. notified the CNMV of the result of the sale of 5% of the share capital of Enagás, S.A., whereby SAGANE INVERSIONES, S.L. was no longer a direct significant shareholder of Enagás, S.A.

### Clarification of section o A.3:

On 3 April 2012, ANTONIO LLARDÉN CARRATALÁ notified the CNMV that at the time of the Enagás AGM he held 91,124,560 indirect voting rights, equivalent to 38.170% of all voting rights corresponding to Enagás share capital, on behalf of 785 shareholders.

### Clarification of section o B.1.2:

At the Board of Directors Meeting on 21 May 2012, BBK tendered its resignation as a legal person director of Enagás, S.A., and was replaced by the legal person director KARTERA 1, S.L. between 21 May and 17 September, represented by Joseba Andoni Aurrekoetxea Bergara until he stood down.

In the Board of Directors Meeting on 17 September 2012, the legal person directors PEÑA RUEDA, S.L. (Liberbank), KARTERA 1, S.L. (Kutxa Bank) and SAGANE INVERSIONES, S.L.U. stood down. Until their resignation, the director PEÑA RUEDA, S.L. (Liberbank) was represented by Manuel Menéndez Menéndez, SAGANE INVERSIONES, S.L. was represented by Carlos Egea Krauel, and KARTERA 1, S.L. (Kutxa Bank) was represented by Joseba Andoni Aurrekoetxea Bergara.

In the Board of Directors Meeting on 30 March 2012, FEDERICO FERRÉ CELSO was appointed as natural person representative of the Proprietary Director SEPI, replacing RAMÓN AGUIRRE RODRÍGUEZ, while at the AGM of 30 March

2012 the shareholders approved the re-appointment of the director SEPI for a further four years, represented by FEDERICO FERRÉ CELSO as from that date.

Previously, at Enagás' Board Meeting on 6 February 2012, ENRIQUE MARTÍNEZ ROBLES stood down as natural person representative of the director SEPI in Enagás, and was replaced by RAMÓN AGUIRRE RODRÍGUEZ from 6 February to 30 March 2012, the date on which the natural person representative of the legal person director SEPI was replaced by FEDERICO FERRÉ CELSO, who became the new representative of the legal person director SEPI.

### Clarification of section o B.1.6:

The Chief Executive Officer, Marcelino Oreja Arburúa, has been delegated the following powers:

#### A) JOINTLY AND SEVERALLY: Continuation of text in section B.1.6:

1. Collect whatever is payable to him for any reason.
2. Represent the Company in dealings with third parties and before all kinds of authorities, public officials, boards and collegiate bodies, chambers, committees, associations, public property registers, companies registers, or public registers of any other kind, trade unions, mutual insurance companies, executive or non-executive agencies, directorates, regional offices of any kind of central, regional, provincial or local government authorities and any other public entities of any level or jurisdiction, whether Spanish or otherwise, whatever their name or nature. Formulate petitions and in connection with all types of proceedings, file claims and appeals of any kind, including motions for reconsideration and appeals for review in which the Company has an interest; file them, take part in the processing of them; formulate and respond to representations; apply for stays and adjournments; discontinue and abandon or in any other way withdraw from them; execute and enforce agreements, detachments and return of documents; request and respond to certificates and summonses; request certificates; take delivery from public authorities of all kinds of consignments in general addressed to the Company.
3. Make formal appearances in representation of the Company before courts and tribunals.
4. Attend, speak and vote at meetings that are held in receivership proceedings.
5. Confer powers on court representatives and counsel, freely chosen by him.
6. Enter into contracts of any kind with central, regional, provincial and local government authorities and executive agencies and, in general, with any natural or legal person in the public or private sectors.
7. Take the necessary steps to establish arrangements with central, regional, provincial and local government authorities and their agencies concerning all kinds of tax matters that affect the Company.
8. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of goods and real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel, fully or partially, payment bonds, pledges and other security interests in favour of third parties.
9. Lease property as the lessor or lessee thereof.
10. Enter into finance lease agreements.
11. Buy, sell, lease, purchase under a preferential right, assign, subrogate, contribute, encumber, exchange unconditionally or subject to conditions, at a declared price, deferred or paid in cash, all kinds of real estate; establish, accept, modify, acquire, dispose of, defer, terminate and cancel mortgages, easements and other rights in rem over real estate, whether of common law or foral law [administrative law particular to the Basque Country and Navarre], and

also prohibitions, conditions and all kinds of restrictions on real estate; provide real estate collateral guarantees in favour of third parties.

12. File declarations of construction and cultivation, definition and demarcation of boundaries, grouping together, aggregation, segregation and division of property, and organise buildings under condominium arrangements.

13. Apply for official franchises and authorisations, permits and licences.

14. Negotiate and establish with owners affected by future gas installations, whether or not there are compulsory purchase proceedings pending, the imposition of rights of way for pipelines and ancillary components and the purchase of land on which to install gas distribution and regulation chambers or other components that depend on or belong to the Company's networks granting the power of attorney, arranging for this purpose such mutually agreed transactions, clauses and prices that he considers to be fair, and signing public and private documents of any kind, regardless of the amount involved, and cancel rights of way fully or partially.

15. Initiate any proceedings for compulsory purchase in which the Company has an interest, and, in general, participate in such proceedings in all formalities and appeals related thereto without limitation.

16. With regard to proceedings for compulsory purchase, imposition of rights of way and temporary occupation governed by the Law and Regulations on Compulsory Purchase that are instituted by the Company granting power of attorney for the construction of gas pipelines, networks and branches and ancillary installations, he may:

17. Enter into contracts with any natural or legal persons in the public or private sectors for the long-term provision of services connected with the gas business and ancillary activities.

18. Enter into contracts with any natural or legal persons in the public or private sectors for the short-term provision of services connected with the gas business and ancillary activities.

19. Set up, merge, change the corporate form, dissolve and wind up, take part in the enlargement or modification, of all kinds of companies, partnerships, consortia, European consortia and joint ventures; represent the Company in them; attend or take part in all kinds of meetings; establish share syndication agreements.

20. Apply for entries to be made at the Property and Companies Registers; send, receive and respond to summonses and notifications and request notarial certificates of all kinds, signing certificates of attendance and any other formality connected with them.

21. Apply for the registration of trademarks and trade names, patents of invention and introduction, utility models and other modalities of industrial property, or challenge and denounce any attempted or effective misappropriation of the name, trademarks and countersigns of company products and counterfeits of them, initiating and pursuing the appropriate proceedings and making formal appearances in proceedings initiated by others, making statements, providing proof and petitioning as appropriate.

22. Acquire and dispose of intellectual and industrial property rights.

23. Organise, direct and inspect all of the Company's services and installations and verify audits of company funds.

24. Hire and dismiss personnel employed by the Company.

25. Grant loans and credits to company staff and agree subsequent renewals, alterations, subrogations and cancellations thereof.

26. Grant payment bonds and personal and in rem guarantees to company staff as surety for the fulfilment of personal and mortgage loan contracts granted to Enagás personnel.

27. Negotiate and sign on behalf of the Company any kind of general or partial collective agreements and any other type of pact, agreement or arrangement with the Company's staff, trade unions, or administrative or judicial authorities that are competent in matters of labour and social security.

28. Issue any kind of certificates, identity cards and other documents with the details of the Company's staff that are contained in the Company's record books and files.

29. Sign all documentation to do with social security, accidents at work insurance, enrolments and dis-enrolments, filings and changes; initiate and pursue claims before the Spanish National Institute of Social Security and offices thereof, mutual insurance companies, benefit societies and insurance companies.

30. Make formal appearances and represent the Company in dealings with the regional traffic department and offices thereof, in order to register, transfer and scrap any type of vehicle belonging to the Company and to register and de-register them as appropriate.

31. Take delivery of letters, certificates, dispatches, parcels, postal orders and declared value items from communications offices, and of goods and property shipped from shipping companies, Customs and agencies. Receive, open, answer and sign any kind of correspondence and keep the Company's books in accordance with the law.

32. Sign any public or private documents that may be necessary in order to jointly and severally exercise the powers granted hereunder as effectively as possible.

33. Request and obtain electronic signature certificates from authorised providers of certification services and use the electronic signature whenever he considers it appropriate in accordance at all times with the applicable rules on electronic signatures.

34. Grant such powers of attorney as he considers necessary, being able to confer each and every one of the aforementioned powers granted hereunder or part of them on such person or persons as he considers appropriate. He may also revoke the powers granted by the Board of Directors, by himself or by other company bodies.

**B) JOINTLY:**

1. Enter into all types of banking arrangements including: factoring, leasing, lease financing, reverse factoring and any other similar banking arrangements with any Spanish or foreign bank, including the Bank of Spain and the branches thereof, the European Investment bank, the Spanish Official Credit Institute, registered savings banks, savings banks, post office savings banks, the Confederation of Spanish Savings Banks, the General Deposit Fund or any other similar Spanish or foreign trading, transfer, exchange or credit institution.

2. Open, monitor, cancel or drawn down from ordinary current accounts or credit, sight or fixed-term deposit accounts, secured through a security interest, personal guarantee, pledged securities or trade notes, with or without a guarantee.

3. With regard to ordinary current accounts or credit, sight or fixed-term deposit accounts opened on behalf of the Company, write personal cheques, issue bank drafts, issue bank cheques, perform bank transfers or use any other accepted payment system or mechanism; pay in or withdraw voluntary or required amounts and deposits of cash or securities, signing any documentation required to perform such transactions.

4. Issue, cash, accept, endorse, receive, sign, intervene, challenge, pay and negotiate any type of bills of exchange, letters of credit, non-credit or credit facilities, promissory notes, cheques and other bank bills, commercial bills, bank giros, or bills of exchange.



5. Obtain and award loans or credits, with or without collateral or personal guarantees, including the pledging of securities, and arrange subsequent renewals, amendments and subrogations. Acquire and extend credits.
6. Request, cancel and withdrawn personal and collateral-backed sureties, guarantees and payment bonds.
7. Enter into discounting arrangements for promissory notes issued by the Company with banks and financial institutions authorised to perform discounting, and enter into loan or other financing arrangements represented by promissory notes with these entities; contract agency services to facilitate such financing arrangements.
8. Buy and sell shares, debentures, bonds, stakes and any other type of security or instrument, and collect any yield from these.
9. Pay in bearer cheques paid to the Company, signing the reverse, for the sole purpose of paying them into the current accounts held with the Bank of Spain, and other banks, credit institutions and savings banks.
10. Arrange transfers between current and credit accounts or loan accounts set up in the Company's name through bank transfers, bank cheques or any other accepted payment system or mechanism in all types of banks, including the Bank of Spain, savings banks and other credit institutions, both Spanish and foreign.
11. Award and accept loans to/from subsidiaries and investees and the parent company.
12. Make payments to settle invoices for gas purchases and settle taxes by personal cheque, bank giro or transfer, bank cheque or any other accepted payment system or mechanism from ordinary current accounts and credit, sight or fixed-term deposit accounts opened by the Company, to which end any type of document may be signed.
13. Sign any public or private documents that may be necessary in order to jointly exercise the powers granted herein as effectively as possible.

The powers described in this section can only be exercised jointly with one of the authorised signees stipulated in the deed of powers of attorney executed before the notary of Madrid Pedro de la Herrán Matorras on 13 June 2012 with number 1,291 of his notarial archive and registered as entry 278 in the record of company M-6113. The terms of these powers of attorney are as follows:

- Jointly with another authorised signee from Group B or from Group A, up to a limit of €30 million, except for power of attorney 12, which can be jointly executed for any amount with another authorised signee from Group B or from Group C.
- Jointly with another authorised signee from Group C up to a limit of €20 million.

## Clarification of section o B.1.11.

### CLARIFICATION OF SECTION B.1.11: REMUNERATION PAYABLE TO BOARD OF DIRECTORS:

- Attendance expenses paid to members of the Board of Directors as of 31 December 2012 totalled €1,004 thousand.
- Remuneration to each Director at 31 December 2012 can be broken down as follows (in thousands €), excluding insurance premiums or pension plans: Antonio Llardén Carratalá: 1,667; Marcelino Oreja Arburúa: 103; Sultan Hamed Khamis Al Burtamani: 45; Jesús David Álvarez Mezquíriz: 64; BBK/KARTERA 1, S.L.: 56; Teresa García-Milá Lloveras: 76; Miguel Ángel Lasheras Merino: 71; Dionisio Martínez Martínez: 81; Luis Javier Navarro Vigil: 76; Martí Parellada Sabata: 76; PEÑA RUEDA, S.L.U.: 32; Ramón Pérez Simarro: 76; José Riva Francos: 81; SAGANE INVERSIONES, S.L.: 37; SEPI: 76; Isabel Sánchez García: 76.

Attendance fees (€1 million) paid to Board members who stood down during 2012 (Peña Rueda, S.L.U., Sagane Inversiones S.L. and BBK/Kartera 1, S.L.) were also included in the calculation of these payments.

- The remuneration paid to the Executive Chairman, ANTONIO LLARDÉN CARRATALÁ, which totalled €1.67 million, included both fixed remuneration for 2012 totalling €960 thousand, and performance-related variable remuneration amounting to €576 thousand, as approved by the Board of Directors. It also included attendance fees (€64 thousand) and remuneration in specie (€67 thousand). The figure excludes contributions to pension plans/funds (€10 thousand) and life insurance premiums (€72 thousand). The Company has outsourced its pension commitments with its Directors through a mixed collective insurance policy for pension commitments, including benefits in the event of survival, death and employment disability. The Executive Chairman is covered by this policy: of the total policy paid thereby during the year, the Executive Chairman is due the amount of €190 thousand.

Remuneration of the Chief Executive Officer, MARCELINO OREJA ARBURÚA, amounts to €103 thousand, €86 thousand of which comprises fixed remuneration and €17 thousand fees for attending Board meetings. The CEO is also covered by the mixed collective insurance policy for pension commitments, although he is not due any amount of the premium paid in the year.

214 |

For further disclosures on remuneration, see section B.1.11 of this report and the Annual Report on Director Remuneration.

#### Clarification of section o B.1.12:

- Total remuneration paid to Senior Management (excluding Executive Directors) and the Head of Internal Audit in 2012 came to €2.11 million.
- In addition, Senior Management and the Head of Internal Audit were paid €64 thousand in respect of pension plan contributions and €98 thousand in respect of life insurance premiums, taking total remuneration to €2.27 million.

For further disclosures, see section B.1.12 of this report and the Annual Report on Director Remuneration.

#### Clarification of section o B.1.40:

- Equity holdings of the members of the Board of Directors of Enagás, S.A. in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the Company. LUIS JAVIER NAVARRO VIGIL holds 47,972 shares in BP PLC, but does not occupy any post in BP PLC.
- OMAN OIL HOLDINGS SPAIN, S.L.U., the Enagás significant shareholder which proposed appointing Sultan Hamed Khamis Al Burtamani as Proprietary Director of Enagás, holds 7.5% of the indirect shareholding in SAGGAS-PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A. through its direct investee INFRAESTRUCTURA DE GAS.

## Clarification of section o B.2.3:

### Duties of the Audit and Compliance Committee:

Given that it is technically impossible to reproduce the entire content of section B.2.3 of this report, the duties listed in point

c) Relating to the External Auditor are continued here:

- Providing information on non-auditing contracts between the Company and the Accounts Auditors.
- Ensuring that the External Accounts Auditor is provided with access to all the information necessary for him/her to do his/her work.

d) In relation to the Company's risk map:

- Identifying and analysing, in conjunction with the internal and external auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.
- Producing a risk assessment report for the Board of Directors.
- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.
- Overseeing the effectiveness of the risk management systems in place.
- Establishing, if the Committee thinks fit for the purposes of risk of detection, and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

e) In relation to Corporate Governance:

- Assessing compliance with the Internal Code of Conduct on Matters Relating to the Securities Markets, the Regulations of the Board of Directors and the Company's governance regulations in general, and making the proposals necessary for their improvement. In fulfilling this duty, the Audit and Compliance Committee shall liaise with the Appointments and Remuneration Committee in considering Company Directors' and managers' compliance with the Code.
- Preparing an Annual Report on the work of the Audit and Compliance Committee as part of the Corporate Governance Report.
- Assisting with drafting the Annual Corporate Governance Report, especially in areas concerning transparency of information and conflicts of interests.

f) In relation to shareholders:

- Providing information on issues within the scope of its duties at the General Meeting.
- The above functions, with the exception of those attributed directly to the Audit and Compliance Committee by law or the Articles of Association, shall be considered delegated functions and may accordingly be reclaimed and exercised directly by the Board of Directors itself. Resolutions adopted by the Committee in the exercise of delegated functions shall not be binding for the Board of Directors. However, the Board must provide due justification of any decision it adopts without taking account of the reports or recommendations of the Audit and Compliance Committee on issues within its purview.

## Clarification of section F.

### Corporate Governance Recommendations.

- Enagás continued to honour its commitment to comply with the Unified Code of Good Governance:
- Enagás complies with 53 recommendations. Enagás has complied with considerably more of these recommendations in recent years. Specifically, since 2012 it fully complies with two more recommendations than in the previous year (i.e. recommendations 26 and 40), having limited the number of Board meetings that a director can attend to five, and having submitted the Directors' Remuneration Report to an advisory vote.
- Enagás partially complies with one recommendation (recommendation 20) on attendance at Board meetings.
- Enagás provides an explanation of one recommendation (recommendation 1) on legal limits on the exercise of voting rights.
- Three recommendations (recommendations 2, 42 and 43) are not applicable to Enagás as the Enagás Group does not include any other listed companies and has no Executive Committee or Delegate Committee.

216 |

## Appendices to the 2012 ACGR:

### Clarifications of sections c2, c3 and c4 on related-party transactions.

Report on the icfrs and certificate issued by deloitte auditors: supports the disclosures in section d and in the 2012 acgr.

### Report on the activities of enagás' audit and compliance committee in 2012.

This section may include any other new, relevant information, clarification or detail related to previous sections of the report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

Binding definition of independent director:

List any independent directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the directors in question may not be considered independent pursuant to the definition set forth in section 5 of the Unified Good Governance Code:

YES  NO

**Name of director**

Jesús David Álvarez Mezquíriz

**Type of relationship**

Contractual

**Explanation**

Even though Mr. Álvarez is a Director of Eulen, S.A., an entity which maintained a commercial relationship with Enagás, S.A. in 2012, the Appointments, Remuneration and Corporate Social Responsibility Committee and the Board of Directors believe that the abstention of this director in the negotiation and decision-making process of both parties; the rigorous procedures usually followed for contracting works and services, which were not excluded on this occasion, and the express intervention of the Committee and the Board, given the related-party nature of this relationship, means that there are not sufficient or important enough reasons why this director may not remain Independent.

Date and signature:

I 217

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on:

18/02/2013

List whether any directors voted against or abstained from voting on the approval of this Report.

YES  NO

If you consider that there is any material aspect of principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, specify and explain below.

**Clarifications of sections C2, C3 and C4:**

Disclosures on transactions between Enagás, S.A. and related parties.

**Introduction**

Enagás, S.A. has made disclosures on the transactions it has performed with related parties in sections C2, C3 and C4 of this report, in accordance with Spanish Ministerial Order EHA/3050/2004 of 15 September.

Key points to note regarding related party disclosures:

**Clarification of section C4:**

Includes significant transactions between Enagás, S.A. with other companies pertaining to the Enagás Group

## 1. Transactions between Enagás, S.A. and companies over which Enagás, S.A. exercises significant influence

### Transactions with Enagás-Altamira, S.L.U.

It should be noted that Enagás-Altamira, S.L. has granted an \$8.1 million loan (€6.3 million) to Enagás, S.A.. This loan, maturing in 2013 and renewable annually, was granted in June 2012. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Provision of services: Enagás, S.A. has received revenues of €84 thousand from this company for holding services.

### Transactions with Grupo Altamira C.V.

Provision of services: Enagás, S.A. has received revenues of €530 thousand from this company for holding services.

### Transactions with Gasoducto de Morelos SAPI de C.V.

In the fourth quarter of 2012, Enagás S.A. granted Gasoducto de Morelos SAPI de CV a participating loan for the amount of \$20.20 million (equivalent to €15.69 million), maturing in 2031. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Additionally, Enagás, S.A., contributed a total of \$11.27 million, equivalent to €8.74 million, to Gasoducto de Morelos SAPI de CV, as advances for future capital increases.

### Transactions with Enagás Internacional, S.L.

In September 2012, Enagás, S.A. granted Enagás Internacional, S.L. a loan for the amount of \$177.00 million, equivalent to €137.25 million, maturing in 2025. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

On 26 October 2012, Enagás, S.A. extended an additional loan to Enagás Internacional, S.L. for \$3.95 million, equivalent to €3.04 million.

Provision of services: Enagás, S.A. received no revenues in this connection.

### Transactions with Enagás Chile I, SpA.

In September 2012, Enagás Internacional, S.L. granted Enagás Chile I, SpA a loan for the amount of \$154.87 million, equivalent to €120.13 million, maturing in 2025. On 26 October 2012, Enagás Internacional, S.L. extended an additional loan to Enagás Chile I SpA for \$3.46 million, equivalent to €2.67 million.

The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

### Transactions with Enagás Transporte, S.A.U.

In October 2012, the loans of €37.99 million and €100 million awarded to Enagás Transporte, S.A.U. by Enagás, S.A. were repaid.

Enagás, S.A. arranged a credit line with Enagás Transporte, S.A.U. for a maximum of €300 million, maturing in 2015 (renewable annually). No amount has been drawn down from this facility to date.

Additionally, Enagás S.A. arranged a €753.57 million credit line with Enagás Transporte, maturing in 2017, corresponding to the funds received from the €500-million bond issue and €250-million tap operation in October 2012, under the guarantee of Enagás S.A. and Enagás Transporte, S.A.U. The drawdown to date amounts to €549.88 million.

The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Enagás Transporte, S.A.U. approved the payment of a €280-million interim dividend to Enagás, S.A., of which €102.18 million has been paid to date.

Provision of services: Enagás, S.A. received revenues of €71.92 million in this connection, broken down as follows:

#### Services rendered to E. Transporte, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Transferable costs	6,333	-	-	-
Holding services	23,059	-	-	-
CPC services	2,560	-	-	-
Engineering	39,972	-	-	-

#### Transactions with Enagás GTS, S.A.U.

Provision of services: Enagás, S.A. has received revenues of €13.27 million and incurred expenses of €800 thousand in this connection, broken down as follows:

#### Services rendered to E. GTS, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Transferable costs	122	-	-	-
Holding services	4,341	-	-	-
CPC services	532	-	-	-
Engineering	8,277	-	-	-

#### Services received from E. GTS, S.A.

Item	Amount	Price policy	Payment terms	Guarantees
Corporate services	800	-	-	-

#### Transactions with Enagás Financiaciones, S.A.U.

Enagás Financiaciones, S.A.U. arranged two loans, of €500 million and €250 million, maturing in 2017, corresponding to the €500-million bond issue and €250-million tap operation in October 2012, with the joint and several guarantee of Enagás, S.A. and Enagás Transporte, S.A.U.

Loans of €10 million and €400 million were also extended, maturing in 2014 and 2016 respectively.

The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

Provision of services: Enagás, S.A. has received revenues of €35 thousand from this company for holding services.

#### Transactions with Gasoducto Al-Andalus S.A.

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

#### Transactions with Gasoducto de Extremadura, S.A.

Provision of services: Enagás, S.A. has received revenues of €5 thousand from this company for miscellaneous services.

#### Transactions with Bahía de Bizkaia Gas, S.L. (BBG)

Enagás holds a guarantee line with BBG for a maximum amount of €10 million.

Provision of services: Enagás, S.A. has received revenues of €1.10 million from this company for engineering services.

#### Transactions with Gasoducto Escombreras, S.L.U.

Gasoducto Escombreras was taken over by Enagás Transporte, S.A.U on 26 December 2012.

Provision of services: Enagás, S.A. has received revenues of €82 thousand from this company for holding services.

220 |

## 2. Transactions between Enagás Transporte, S.A.U and companies over which it exercises significant influence

#### Transactions with Gasoducto Al-Andalus S.A.

Enagás Transporte S.A.U. has granted this company a loan amounting to €4.02 million at 31 December 2012.

Provision of services: Enagás Transporte, S.A.U. has received revenues of €12.37 million and incurred expenses of €14.82 million in this connection, broken down as follows:

#### Services rendered to G. Al-Andalus

Item	Amount	Price policy	Payment terms	Guarantees
Corporate tariff	1,714	-	-	-
Gas pipeline maintenance	3,704	-	-	-
IMR gas pipeline maintenance	425	-	-	-
Revenue from transport agreement	6,524	-	-	-

#### Services received from G. Al-Andalus

Item	Amount	Price policy	Payment terms	Guarantees
Gas transport	14,822	-	-	-



**Transactions with Gasoducto Escombreras, S.L.**

Gasoducto Escombreras was taken over by Enagás Transporte, S.A.U. on 26 December 2012.

On 14 December 2012, Enagás Transporte, S.A.U. repaid and cancelled the credit line for a maximum of €5 million arranged with Gasoducto Escombreras, S.L.

**Transactions with Gasoducto de Extremadura, S.A.**

Provision of services: Enagás Transporte, S.A.U. has received revenues of €7.22 million and incurred expenses of €6.90 million in this connection, broken down as follows:

**Services rendered to G. Extremadura**

Item	Amount	Price policy	Payment terms	Guarantees
Corporate tariff	1,243	-	-	-
Mantenimiento Gasoducto	4,040	-	-	-
Revenue from transport agreement	1,939	-	-	-

I 221

**Services received from G. Extremadura**

Item	Amount	Price policy	Payment terms	Guarantees
Gas transport	6,903	-	-	-

**Transactions with Enagás GTS, S.A.**

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €14.31 million in this connection, broken down as follows:

**Recepción de servicios de Enagás, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Payment of imbalances	13,466	-	-	-
Payment of minimum requirements	847	-	-	-

**3. Transactions between Enagás, S.A. and companies over which Enagás, S.A. exercises significant influence**

No transactions were carried out.

**Clarification of section C2:**

Includes significant transactions between Enagás, S.A. or Group companies and significant shareholders of Enagás, S.A.

#### 4. Transactions between Enagás, S.A. and companies exercising significant influence over it:

##### Transactions with KUTXA BANK, S.A.-

1) Enagás, S.A. has a €25-million credit line with KUTXA BANK and a bank guarantee facility of €6.0 million.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with KUTXA BANK are on an arm's length basis.

2) Enagás S.A. has fully repaid a loan it took out with KUTXA BANK for €100 million.

3) On 5 July 2012, Enagás, S.A. paid KARTERA 1 S.L. (BBK) a final dividend of €7.30 million, as approved at its General Shareholders' Meeting. Additionally, on 20 December 2012, the €5.11-million interim dividend against 2012 earnings was paid. The total dividend paid therefore stands at €12.41 million.

##### Transactions with OMAN OIL

1) On 5 July 2012, Enagás S.A. paid OMAN OIL SPAIN, S.L.U. a final dividend of €7.30 million, as approved at its General Shareholders' Meeting. Additionally, on 20 December 2012, the €5.11-million interim dividend against 2012 earnings was paid. The total dividend paid therefore stands at €12.41 million.

#### Clarification of section o C3:

Includes significant transactions between Enagás, S.A. or Group companies and managers or directors of Enagás, S.A.

##### Transactions with SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)-

1) On 5 July 2012, Enagás, S.A. paid SEPI a final dividend of €7.30 million, as approved at its General Shareholders' Meeting. Additionally, on 20 December 2012, the €5.11-million interim dividend against 2012 earnings was paid. The total dividend paid therefore stands at €12.41 million.

#### 5. Transactions with directors, managers and their immediate relatives (Article 4.1, paragraph b, of Ministerial Order EHA/3050/2004)

Attendance fees paid to the members of the Board of Directors totalled €1 million at 31 December 2012.

The remuneration of members of the Board of Directors is explained in detail in section B.1.11 of this report.

The remuneration of members of the Management Committee is explained in detail in section B.1.12 of this report.

#### 5.1) Remuneration Payable to Board of Directors

- Attendance fees paid to members of the Board of Directors at 31 December 2012 totalled €1 million.
- Remuneration to each Director, excluding insurance premiums and pension plan contributions, at 31 December 2012 can be broken as follows (in thousands €): Antonio Lladén Carratalá: 1,667; Marcelino Oreja Arburúa: 103; Sultan Hamed Khamis Al Burtamani: 45; Jesús David Álvarez Mezquíriz: 64; BBK/KARTERA 1, S.L.: 56; Teresa García-Milá Lloveras: 76; Miguel Ángel Lasheras Merino: 71; Dionisio Martínez Martínez: 81; Luis Javier Navarro Vigil: 76; Martí Parellada Sabata: 76; PEÑA RUEDA, S.L.U.: 32; Ramón Pérez Simarro: 76; José Riva Francos: 81; SAGANE INVERSIONES, S.L.: 37; SEPI: 76; and Isabel Sánchez García: 76.

Attendance fees (€1 million) paid to Board members who stood down during 2012 (Peña Rueda, S.L.U., Sagane Inversiones S.L. and BBK/Kartera 1, S.L.) were also included in the calculation of these payments.

- In addition, the remuneration paid to the Chairman of the Board, ANTONIO LLARDÉN CARRATALÁ, which totalled €1.67 million, included both fixed remuneration for 2012 totalling €960 thousand, and performance-related variable remuneration amounting to €576 thousand, as approved by the Board of Directors. It also included attendance fees (€64 thousand) and remuneration in specie (€67 thousand). The figure excludes contributions to pension plans/funds (€10 thousand) and life insurance premiums (€72 thousand).

Remuneration of the Chief Executive Officer, MARCELINO OREJA ARBURÚA, amounts to €103 thousand, €86 thousand of which comprises fixed remuneration and €17 thousand fees for attending Board meetings.

For further details on this remuneration, see Section B.1.11 above

## 5.2) Remuneration paid to Senior Management

- Total remuneration paid to Senior Management (excluding Executive Directors) and the Head of Internal Audit in 2012 came to €2.11 million.
- In addition, Senior Management and the Head of Internal Audit were paid €64 thousand in respect of pension plan contributions and €98 thousand in respect of life insurance premiums, taking total remuneration to €2.27 million.

For further details on this remuneration, see Section B.1.12 of this report.

## 6. Transactions carried out by Enagás, S.A. with companies over which managers and directors exercise significant influence (article 4.1, paragraph d, of Ministerial Order EHA 3050/2004)

### Transactions with BANCO SABADELL

BANCO SABADELL and Enagás Transporte S.A.U. have signed an agreement in which the bank will broker a loan for €100 million corresponding to tranche C of the €1-billion loan granted by the EIB.

Enagás, S.A. also has a three-year €6-million credit line with BANCO SABADELL, and Enagás Transporte, S.A.U. holds a €6-million bank guarantee line also with BANCO SABADELL.

The €150-million, three-year loan maturing in 2012 granted to Enagás Transporte, S.A.U. by BANCO SABADELL matured in November 2012.

In February 2012, Enagás, S.A. also arranged a €150-million, three-year loan with BANCO SABADELL, maturing in 2015. In July 2012, this loan was transferred by universal succession to Enagás Transporte S.A.U. following the hive-down process implemented at Enagás S.A.

Lastly, Enagás Transporte, S.A.U arranged an interest-rate swap (IRS) with BANCO SABADELL for €50 million for the period running from November 2009 to November 2012. In March 2012, Enagás arranged an interest-rate swap (IRS) for €50 million, maturing in 2015.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with BANCO SABADELL are on an arm's length basis.

**Transactions with EULEN, S.A.**

Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €1.18 million in this connection, broken down as follows:

**Services received from Eulen, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	1,175	-	-	-

**Operaciones con Naturgás Energía Grupo, S.A.-**

Enagás, S.A. has a total of 16 third-party access (TPA) agreements in force with NATURGÁS COMERCIALIZADORA, S.A., of which 15 are long-term and 1 is short-term.

Between 1 January and 31 December 2012, the following services were rendered: regasification of 2,333.99 GWh (billings for these services, including LNG truck loading, tanker offloading and LNG storage, totalled €4.23 million); transport of 1,843 GWh (billings for these services, including the transportation component of tolls, were €1.04 million); storage of 143.88 GWh (billings for these services were €8.1 million). TPA agreements are standard forms approved by the Ministry of Industry, Energy and Tourism. The tolls billed by Enagás, S.A. are also standardised by the Ministry.

**Transactions with IBERDROLA, S.A.**

1) Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €618 thousand in this connection, broken down as follows:

**Services received from Iberdrola, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Office rental	247	-	-	-
Electricity	344	-	-	-

2) Enagás, S.A. has a total of 22 third-party access (TPA) agreements in force with IBERDROLA S.A., of which one is short-term and 20 long-term. A total of 15 TPA agreements were arranged in the fourth quarter of 2012, of which one remained in force at 31 December 2012.

Between 1 January and 31 December 2012, billings for TPA services totalled €29.15 million for services rendered to regasification plants, including tanker offloading and LNG storage, corresponding to 15,012.22 GWh loaded onto LNG trucks and tankers. 7,289.11 GWh were transported for which billings of €11.57 million were issued, including billings for the transportation component of tolls. Lastly, an average of 3,814.15 GWh was stored, for which billings of €24.66 million were issued. TPA agreements are standard forms approved by the Ministry of Industry, Energy and Tourism. The tolls billed by Enagás, S.A. are also standardised by the Ministry.

**Transactions with HIDROELÉCTRICA DEL CANTÁBRICO, S.A.-**

1) Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €725 thousand in this connection, broken down as follows:

**Services received from Hidrocantabrico, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Electricity services	725	-	-	-

2) Enagás, S.A. has a total of eight long-term TPA contracts in force with Hidrocantábrico Energía S.A. and HC Energía Gas, S.L. One TPA agreement was arranged in the fourth quarter of 2012, which was still in force at 31 December 2012. No regasification services were carried out and only the fixed amount stipulated by law was billed. A total of 4,222.83 GWh of gas was transported, with €1.59 million billed.

I 225

**Transactions with NEWCOMER 2000, S.L.**

Provision of services: Enagás, S.A. has received no revenues and incurred expenses of €66 thousand in this connection, broken down as follows:

**Services received from Newcomer 2000**

Item	Amount	Price policy	Payment terms	Guarantees
Advisory services	66	-	-	-

**7. Transactions between Enagás Transporte S.A.U. and companies in which directors and managers exercise a significant influence.****Transactions with EULEN, S.A.**

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €1.17 million in this connection, broken down as follows:

**Services received from Eulen, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Building/installations maintenance	1,167	-	-	-

**Transactions with IBERDROLA, S.A.**

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €14.70 million in this connection, broken down as follows:

**Services received from Iberdrola, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Electricity consumption	496	-	-	-
Gas purchases for own consumption	5,516	-	-	-
Purchases of cushion gas	8,684	-	-	-

226 |

**Transactions with HIDROELÉCTRICA DEL CANTÁBRICO, S.A.**

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €19,24 million in this connection, broken down as follows:

**Services received from Hidrocantabrico, S.A.**

Item	Amount	Price policy	Payment terms	Guarantees
Electricity services	19,235	-	-	-

**Transactions with NATURGÁS ENERGÍA GRUPO, S.A.-**

On 20 July 2012, a share sale and purchase agreement was entered into by NATURGÁS ENERGÍA GRUPO, S.A. and Enagás Transporte, S.A.U., inter alia, for the acquisition of the entire capital of NATURGÁS ENERGÍA TRANSPORTE, S.A.U. by the latter. The sale was completed, i.e. the capital of NATURGÁS ENERGÍA TRANSPORTE, S.A. transferred to Enagás Transporte, S.A.U., in February 2013.

Provision of services: Enagás Transporte, S.A.U. has received no revenues and incurred expenses of €12.92 million in this connection.

# Appendix to Annual Corporate Governance Report for Listed Companies

I 227

Pursuant to Article 61 bis of the Securities Market Act (LMV), the following additional information is attached to the Annual Corporate Governance Report (also referred to as the 2012 ACGR):

**I. Information on the capital structure, including securities that are not traded on an EU-regulated market, noting, if applicable, the various share classes held and, for each class, the rights and obligations conferred and the percentage of share capital represented (article 61 bis 4, a, 3 LMV).**

No information available.

**II. Any restrictions on the transfer of securities and any restrictions on voting rights (article 61 bis 4, b, 3 LMV).**

There are no restrictions on the transfer of securities.

Additional Provision 31 of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:

“No natural person or corporate body may hold, directly or indirectly, an interest in the parent company (Enagás, S.A.) representing more than 5% of share capital or exercise more than 3% of its voting rights. Such shares may in no event be syndicated. Parties operating in the gas industry or natural persons or corporate bodies that, directly or indirectly, hold over 5% of the share capital of these companies may not exercise voting rights at the parent company in excess of 1%. These restrictions shall not apply to direct or indirect shareholdings held by public-sector enterprises. Under no circumstances may share capital be syndicated.

In addition, the sum of direct and indirect shareholdings held by parties operating in the natural gas industry may not exceed 40%.

To calculate the shareholding, the same individual or legal entity will be attributed, in addition to the shares and other securities held or acquired by companies belonging to its group, as defined in article 4 of the Law 24/1988, of 28 July 1988, regarding securities markets, those whose ownership corresponds to:

a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.

b) Partners with those with which one of them exercises control over a dominant company in accordance with article 4 of Securities Market Law 24/1988.

In any event, regard shall be had to the proprietary ownership of the shares and other securities and the voting rights attached to each.

228 |

Breach of the restrictions on interests in share capital prescribed by this article shall be treated as a very serious infringement for the purposes of article 109 of this Law, and liability shall attach to any natural person or body corporate found to be holders of the securities or to any person to whom there may be attributed the excess interest in share capital or voting rights pursuant to the above sub-paragraphs. At all events, there shall apply the system of penalties set out in the Act."

In accordance with the aforementioned legal provision, article 6 bis ("Limitations on holdings in share capital") of Enagás, S.A.'s bylaws sets forth the following:

"No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the Company, nor exercise voting rights in such company of over 3%. Under no circumstances may such shareholdings be syndicated. Those parties that operate within the gas sector, including those natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights in the Technical System Manager of over 1%. These restrictions will not apply to direct or indirect equity interests held by public-sector enterprises. Under no circumstances may share capital be syndicated.

Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the Hydrocarbons Industry Act shall apply.

Enagás may not transfer to third parties shares of the subsidiaries included in its Group that undertake transmission and technical system management, which are regulated businesses under Hydrocarbons legislation."

Additional Provision 20 of the Spanish Hydrocarbons Industry Act 34/1998, of 7 October, was modified by Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials. It establishes the same limitations on interest in share capital and the exercise of voting rights as specified in Additional Provision 31 of Act 34/1998, governing the hydrocarbons industry.



### III. Information regarding applicable legislation concerning amendments to the Company's articles of association (article 61 bis 4, a, 4 LMV).

Bylaw provisions affecting the amendment of the bylaws:

#### Article 26°. – Special Quorum.

An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the Articles of Association, issue bonds, remove or restrict the pre-emptive subscription right for new shares, and restructure, merge or split the company, transfer all the assets and liabilities thereof, or move the registered office to outside Spain, if, at the original date and time specified in the notice of meeting, there are present, in person or by proxy, shareholders representing at least fifty percent of voting subscribed capital.

At second call, attendance of at least twenty-five percent of the paid up voting capital shall be sufficient.

I 229

### IV. The powers of members of the Board of Directors, and, in particular, those relating to the ability to issue or buy back shares (article 61 bis 4, c, 3 LMV).

The only members of the Board of Directors who have the power to represent the Company are its Chairman, Antonio Llardén Carratalá (the Board of Directors granted him the powers that appear in the public deed executed on 9 February 2007 before Notary of Madrid Pedro de la Herrán Matorras under number 324 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,090; Book 0; Folio 172, Section 8; Page M-6113; Record 668) and Chief Executive Officer, Marcelino Oreja Arburúa (in whom the Board has vested the powers listed in the public deed executed on 5 December 2012 before Notary of Madrid Pedro de la Herrán Matorras under number 2,680 of his protocol and as recorded in the Companies Registry of Madrid, Volume 20,601; Book 194; Folio 194, Section 8; Page M-6113; Record 739). Although said powers encompass broad powers of representation, they do not include the ability to issue or buy back shares of the Company.

Regardless of the foregoing, the tenth resolution adopted at the General Shareholders' Meeting held on 30 March 2012 is currently in force. Its terms are:

"To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 297.1(b) of the Ley de Sociedades de Capital (Corporate Enterprise Act, "LSC"), it may, at any time, increase share capital, in one or more transactions, within a period of five years as of the date of this General Meeting by a maximum amount of €179 million through the issuance of new shares, with or without voting rights or issue premium, and with consideration for such new shares being monetary contributions, entitling the Board to set the terms and conditions of the capital increase and the characteristics of the shares; freely offer the new unsubscribed shares with a period or periods of preferred subscription; establish that, in the event of incomplete subscription, the capital shall be increased only in the amount of the subscriptions made; and provide new wording for the article of the Company's Articles of Association governing share capital."

**V. Any significant agreements that have been entered into by the Company that are coming into force, have been modified or are terminating in the event of a change in control of the Company due to a public tender offer, and the effects thereof, except when disclosure thereof is seriously detrimental to the Company. This exception shall not apply if the Company is legally required to publish this information (article 61, bis, 4, c, 4 LMV).**

No agreements of this kind exist.

**VI. Any agreements between the company and its officers, executives and employees that provide indemnities for the event of unfair dismissal or termination as a result of a takeover bid. (article 61, bis, 4, c, 5 LMV).**

230 |

The Company has an agreement with the Executive Chairman, the Chief Executive Officer and seven of its officers that include express severance pay clauses.

In all cases, these clauses will take effect in the event of termination of the employment relationship initiated by the Company, unfair disciplinary dismissal, dismissal on objective grounds pursuant to art. 52 of the Estatuto de los Trabajadores [Spanish Worker's Statute], or following a decision to such effect by the manager in question based on any of the reasons envisaged under art. 50 of the Spanish Workers' Statute, and insofar as the termination is deemed justified through conciliation proceedings between the parties, court ruling, arbitral award or decision of the competent administrative body. They are not applicable if the resolution is the result of a unilateral decision made by the manager without just cause.

The termination benefits envisaged for the Chairman are equivalent to three years' pay, while those provided for the Chief Executive Officer are equivalent to two years' pay.

The termination benefits to which the seven officers are entitled depend on their length of service at the Company and their age.

All such contracts have been approved by the Board of Directors.

**VII. Description of the main features of the internal control over financial reporting and risk management systems (article 61 bis. 4,h LMV).**

This description is included in Appendix 2 to the 2012 Annual Corporate Governance Report in order to inform the Enagás Group about the Internal Control over Financial Reporting System (hereinafter the ICFRS) and respond to growing calls for the financial reporting process to be more reliable and transparent.

The auditors' report on the ICFRS issued by Deloitte, S.L. is attached at the end of Appendix 2.

# Report on the Activities of the Enagás, S.A. Audit and Compliance Committee in 2012

## Composition of the committee in 2012

I 231

### Chairman

José Riva Francos, Independent Director

### Members

Martí Parellada Sabata, Independent Director

Luis Javier Navarro Vigil, Other External Director

Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Deputy Chairman, Federico Ferrer Delso

Isabel Sanchez García, Independent Director

### Secretary

Rafael Piqueras Bautista

As provided in the Company's constitutional documents and rules and regulations, the Committee called on a number of persons related to matters under its competence for consultation. Accordingly, Committee meetings were regularly attended by Enagás' Chief Financial Officer, Diego De Reina Lovera, and head of the Internal Audit Unit, José Manuel Castro del Real; External Auditors from Deloitte also attended Committee meetings on a number of occasions.

## Activities of the Committee

The Committee met five (5) times in 2012. The main areas on which it focused during 2012 are summarised below.

## 1.- Committee activities relating to the preparation and approval of the Enagás Financial Statements for 2011

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their authorisation for issue by the Board of Directors. To this end the members of the Committee met with the Company's External Auditor (Deloitte S.L.) on 6 February 2012, and also with Enagás' Chief Financial Officer and head of the Internal Audit Unit.

Both the External Auditors and the financial officers of the Company offered the Committee their views on the financial statements. Differences in accounting criteria in no case exceeded the materiality threshold above which Deloitte's opinion on the financial statements could be affected. Deloitte informed the Audit Committee that its report would be without reservations or qualifications.

The following conclusions emerged from the Audit Committee's examination of the 2011 financial statements:

- That the financial statements of Enagás and its Consolidated Group, as submitted to the Committee, gave a true and fair view of the Company's equity and results of operations for the year.
- That the financial statements contained sufficient information to be clearly understood, in addition to a sufficient description of the risks faced by the Company.
- That the financial statements followed generally accepted accounting principles and regulations, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets had been upheld.

Pursuant to Additional Provision 19 section 4-6 of Securities Market Act 24/1988, of 24 July, the Committee issued a report prior to issuance by Deloitte S.L. of its audit report on the individual and consolidated financial statements of Enagás, S.A. and its Group for the year ended 31 December 2011, stating as follows:

- There has again been appropriate liaison with the auditors to obtain information on any issues that could compromise their independence for appraisal by the Audit and Compliance Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.
- The Audit and Compliance Committee has received from the auditors (Deloitte, S.L.) written confirmation of their independence with regard to Enagás and any entity directly or indirectly related to it, and information on any kind of additional services provided to such entities by Deloitte, S.L. or persons or entities related to the auditors, pursuant to the provisions of the Audit Act 19/1988, of 12 July.

The Committee accordingly resolved to recommend that the Board of Directors of Enagás authorise the financial statements for issue. At a meeting held on 6 February 2012, the Board of Directors adopted the Committee's recommendation and authorised the financial statements for issue in line with the terms indicated by the Committee. The financial statements and directors' report for 2011 were approved at the General Meeting held on 30 March 2012.

In addition to the above task, as in previous years, the Chairman of the Audit Committee, Mr Parellada, also attended the Ordinary General Meeting held on 30 March 2012, at which he explained the most important elements of the financial statements to the Company's shareholders, thus ensuring they had all the information they needed to be able to vote on the financial statements, which were adopted as proposed by the Board of Directors.

## 2.- Committee activities relating to the hive-down process pursuant to the Act of 12/2011

Throughout 2012, the Company was involved in a business restructuring operation consisting of a hive-down process for the purposes of compliance with the obligation to create two separate subsidiaries to carry out regulated activities, as required by Additional Provision 31 of the Hydrocarbons Industry Act (introduced by Final Provision 6 of Act 12/2011 concerning Civil Liability for Nuclear Damage).

The "Hive-down Balance Sheet" was closed at 30 September 2011. It was then audited and the Company's External Auditors issued an audit report on the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", referring in all instances to the "Hive-down Balance Sheet".

At its meeting on 21 November 2011, the Committee agreed to inform the Board that, in accordance with the information supplied by Company management and the External Auditors, the opinion of the Audit and Compliance Committee was as follows:

- That the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011" as presented, taken as the "Hive-down Balance Sheet", give a true and fair view of the Company's equity and results of operations for the year.
- That it contains the necessary information to be clearly understood, and also sufficient description of the risks faced by the Company.
- That generally accepted accounting principles and regulations have been duly observed, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets have been upheld.
- That a recommendation is issued to the Enagás Board of Directors to approve the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", taken as the "Hive-down Balance Sheet" in the terms expressed.

The Committee also agreed to a favourable report on the "Hive-down Project" to be submitted for approval by the Board of Directors.

The Balance Sheet and the Hive-Down Project were approved by the Board of Directors on the same date, 21 November 2011, and were deposited at the Companies Register with a favourable rating.

The Board of Directors submitted the Hive-down Balance Sheet for approval by the shareholders at the subsequent General Shareholders' Meeting on 30 March 2012, at which approval was given. The hive-down was registered in the Madrid Companies Register with full effect from 1 July 2012.

## 3.- Monitoring of relationships between Enagás and its significant shareholders

The Committee continued to supervise relationships between Enagás and its significant shareholders, and no noteworthy incidents emerged.

#### 4.- External Auditor. Audit and risk control plan for 2012

Concerning External Auditors, the Committee produced a favourable report concerning the proposal at the General Shareholders' Meeting to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its Consolidated Group for the financial year 2012. The proposal was approved at the General Meeting of 30 March 2012.

It is the Company's intention that remuneration paid to the Auditor or the companies in the Auditor's group for services other than auditing should not exceed 10% of the remuneration for audit services. Any new contracts in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2012, backed by the Committee, the Company introduced an internal procedure to award the various audit services to the External Auditor in order to ensure such outsourcing is strictly kept to the necessary minimum.

Pursuant to the Audit Act, Deloitte rotated the engagement partner in charge of the audit of Enagás and its Consolidated Group in 2012.

All meetings of the Audit Committee have included as items of business on the agenda both a general review of progress in the implementation of the audit plan for 2012, and a specific analysis of the main audit processes underway at that particular time.

This area of the Audit Committee's work is therefore considered to be of particular importance. In 2003, with the assistance of external consultants, the Company carried out an exhaustive review of business and related risks, pinpointing the internal processes that might be affected by each of these risks. On the basis of the results obtained, processes that should be given the most urgent attention by the Internal Audit Unit and Audit Committee were identified. However, the Committee deemed it necessary to review the Company Risk Model and, as a result, with appropriate external assistance, the Company's risk services drew up a new model which was approved by the Committee on 30 January 2009.

The Audit Plan implemented throughout 2012 focused on monitoring the processes set as objectives in the new Risk Model.

Supported by external advisors, the Internal Audit Unit identified several non-essential weaknesses in its review of the aforementioned processes and has issued recommendations it believes will help eliminate or mitigate the impact of the risks associated with certain activities forming part of this process.

Specifically, in 2012 the Committee supervised and approved work on "operational risk", "business risk", and "liquidity risk". It also supervised other risk mitigation plans already rolled out such as the plan for "risk associated with criminal damage".

During 2012, the Committee also oversaw the Enagás Group's Internal Control over Financial Reporting System (ICFRS). This reporting system is intended to guarantee that the financial information prepared and published by the Enagás Group is complete and accurate. Companies listed on Spanish stock exchanges are required to implement this system under the Sustainable Economy Act 2/2011, of 4 March, amending the Securities Market Act 24/1998, of 28 July, which includes a new Chapter VI, article 61 bis stipulating that the Annual Corporate Governance Report include a description of the main characteristics of internal control over financial reporting and risk management in relation to the process of issuing financial information.

## 5.- Quarterly accounting reviews

Throughout 2012 the Committee continued to review the limited quarterly report issued by the auditors, as in previous years.

Specifically it analysed, in conjunction with Deloitte, the reports issued by the latter for the first, second and third quarters, respectively. Performing these reviews enables the Committee to minimise the impact of any accounting issues arising in the course of the year, and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's External Auditor on annual developments in the balance sheet and income statement.

The Audit Committee considers that both the quarterly reviews carried out by the External Auditor and the Committee's own analysis of these reports are essential to ensuring strict control over the Company's accounting, and also facilitate the issue of an unqualified year-end report.

The Committee also reviews and approves financial information disclosed by the Company each quarter, in line with the good corporate governance recommendations it has adopted.

It made a specific report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors in July 2012.

I 235

## 6.- Report on the activities of the Business Principles Supervisory Committee (Ethics Channel)

The Committee examined the activities of the Business Principles Supervisory Committee (Ethics Channel), and approved its report for the financial year 2012 with no noteworthy incidences emerging.

## 7.- Activities after the end of the reporting period

In the opening months of 2013, the Committee continued with its usual activities, in particular assisting the Board of Directors in preparing the financial statements. As in the previous financial year, in a meeting on 18 February 2013 the Audit and Compliance Committee issued a prior favourable report on the 2012 financial statements which will be submitted to the 2013 General Meeting for adoption.

This report was drawn up and approved by the Audit and Compliance Committee at the meeting held on 18 February 2013, and was approved by the Board of Directors at a meeting on the same day.

The Secretary of the Enagás, S.A. Audit and Compliance Committee  
Rafael Piqueras Bautista



236 |







## 15. The Enagás group's internal control system for financial information

## 15.1. Introduction

As part of its internal control systems the Enagás Group has in place an Internal Control over Financial Reporting (ICFR) system to ensure the implementation of best practices with regard to the reliability and transparency of the financial reporting process.

The Group's ICFR system involves the whole organisation and entails the implementation and periodic monitoring of the various control mechanisms in the financial reporting process.

The ICFR system currently in force at the Enagás Group stems from a voluntary improvement initiative. The resulting ICFR system, with its updated control mechanisms, has been reviewed by an independent third party since 2008.

This system is aligned with applicable internal control regulatory benchmarks (including the COSO framework). An effective ICFR system allows the Group to ensure that:

- i. Transactions, facts and other events presented in the financial information exist in reality and were recorded at the right time.
- ii. The information includes all transactions, facts and other events in which the entity is the affected party.
- iii. Transactions, facts and other events are recorded and valued in accordance with applicable standards.
- iv. Transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- v. Financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards.

The system formed by these interlinked controls should provide reasonable assurance as to the reliability of the financial information disclosed to the markets.

In addition to the above, we would note that significant progress has been made in Spain in the area of internal control and would highlight the recommendations contained in the "Report on Internal Control over Financial Reporting" prepared by the Internal Control Working Group on the financial reporting of listed companies (ICWG) set up by the Spanish Securities Market Regulator (CNMV) and based on COSO standards, which defines a series of principles and good practices grouped into 16 indicators across five areas.

## 15.2. Description of the ICFR system

The basic structure of the ICFR system at the Enagás Group is formally documented in the "ICFR system Manual". The main features of the ICFR system are as follows (for further information please see section 2.3.1):

- General controls (referred to as "Identifiers"): interlinked controls throughout the organisation, specifically affecting the ICFR system.
- Process controls: specific controls over each process ("Sub-cycle") which has a relevant impact on the preparation of financial information which are rolled out by:
  - Eight areas affected by the ICFR system:
    - Acquisitions
    - Fixed assets
    - Inventories
    - Revenue
    - Payroll and personnel
    - Financial management
    - Support services
    - Financial reporting
  - 28 formally-documented cycles.
  - 66 formally-documented sub-cycles.

These areas, cycles and sub-cycles are formally documented in a corporate IT tool.

The main points of this model can be summarised as follows:

- 312 control activities (approximately 12% are automated).
- 796 operating activities (approximately 12% are automated).

Below is more detailed information on the ICFR system model in place at Enagás.

## 15.2.1. The entity's control environment

### 15.2.1.1. Bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR system; (ii) its implementation; and (iii) its monitoring.

The control environment at Enagás is based on specific mechanisms deployed in order to maintain an internal control environment conducive to complete, reliable and timely financial reporting, and which acknowledges the possible existence of failures and/or irregularities which must be detected or corrected. In this regard, there are various departments, governing bodies and organisational units which develop, maintain and oversee all matters concerning the model and the preparation of financial information.

More specifically, according to article 5, section c of the "Rules and Regulations of the organisation and functioning of the Board of Directors of Enagás, S.A.", one of the Board of Directors' duties is "to frame policy on risk control and management, and the periodic monitoring of internal information and control systems".

According to section 2.1.2., there are various organisational levels within Enagás in charge of maintaining, implementing and overseeing the ICFR system. In this regard, we would note the responsibility of the Finance Department, as part of Senior Management, in designing, implementing and ensuring that there is an up-to-date and efficient ICFR system. The Internal Audit area, which reports to the Audit and Compliance Committee of Enagás, S.A., in its annual action plan, helps assess the efficiency of the ICFR system and reports periodically to the Committee on any weaknesses detected (see section 2.5.2).

Likewise, the various organisational units are fully responsible for the controls defined in their areas of responsibility.

### 15.2.1.2. The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

At Enagás, the Resources and Corporate Social Responsibility Department is responsible for designing, implementing, reviewing and updating the organisational structure of Enagás in general. In this regard, we would note the guidelines defined in the "General Regulations Governing Management by Objectives", "Job Analysis and Description Sheets" and the "Human Resources Development Procedure", which, among other issues, determine the framework around which the general organisational structure is designed, including functions and responsibilities. In addition to these internal regulations, the "ICFR system Manual" attributes all ICFR duties.

More specifically regarding the ICFR system, in addition to the lines of responsibility and authority mentioned above, there are other regulations and procedures in place within the main governing bodies and Senior Management and there are also mandatory procedures for the preparation, review and approval of the financial statements for the main Enagás Group companies.

We would highlight here the "Internal Code of Conduct in matters relating to Stock Markets" and the "Enagás Group Business Principles", referred to in section 2.1.3.

The "Corporate Governance Policy" is also important for corporate governance best practices which must be adhered to by Senior Management and the Board of Directors.

The ICFR system at Enagás also has two different hierarchical pillars:

- Functional responsibility - Level 1:
  - Enagás Audit and Compliance Committee.
- Functional responsibility - Level 2:
  - Internal Audit area.
  - Internal Control over Financial Reporting Unit.
  - Persons responsible for ICFR system management.

At Level 1, the Audit and Compliance Committee, which reports to the Board of Directors, has its own regulations ("Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.") setting out the rules of organisation and functioning, specifically referring to ICFR system supervision. Its responsibilities have been delegated by the Board of Directors and the Committee has in turn passed on specific review functions to the Internal Audit area.

I 241

Within "Level 2" and with regard to the ICFR system, the Internal Audit area shall:

- Carry out periodic reviews, on a selective basis, to guarantee that all information is up-to-date in accordance with the Annual Audit Plan.
- Design and carry out a Test Plan, on a selective basis, on (i) general controls; (ii) control for the area, cycle and sub-cycle; and (iii) established procedures which complement the self-assessments carried out by the people in charge.
- Verify, on a selective basis, compliance with the flowcharts designed.
- Draw up and issue reports on ICFR system audits in accordance with the Annual Audit Plan.
- Verify the correct implementation of corrective action concerning the ICFR system in accordance with the Annual Audit Plan.

The ICFR Unit is also key to ICFR system management. Its main tasks are:

- Manage the self-assessment of the ICFR system and monitor the results.
- Coordinate the ICFR risk assessment and ensure that the Enagás ICFR system risk map is updated periodically.
- Carry out an annual evaluation of the requirements to update the document attributing the accounts to ICFR areas, in order to maintain the required standard of financial information.
- Draw up and update the Enagás Group Internal Control over Financial Reporting system Manual ("ICFR system Manual").
- Update and disseminate applicable ICFR system regulations, both internal and external.
- Identify the training needs and organisational/execution needs for courses relating to ICFR or other related issues (these are channelled via the Training School programme included in the Training Plan and "Training Programme").

- Monitor and update the model for defining scopes.
- Monitor the updating and documentation of the sub-cycles/processes which affect the preparation of financial information (carried out by the people in charge of the sub-cycles/processes).
- Collaborate with the Internal Audit area concerning any pertinent clarification.
- Collaborate in classifying any deficiencies detected during reviews of the ICFR system (material weaknesses, significant deficiencies, insignificant deficiencies).
- Collaborate in implementing corrective measures detected in the external audit.
- Guarantee the coherence of the ICFR system at Enagás.
- Oversee the updating and maintenance of the tools used to manage the model.

242 |

Finally, but by no means less important, the people responsible for ICFR system management, as the primary owners of the processes, have been attributed the following duties:

- Supervise the actions and evaluations carried out for each of the processes for the cycles in the Areas, with the possibility of eventually carrying out tests to confirm the results of specific controls.
- Establish, monitor and evaluate the effectiveness of the control activities within the cycles/sub-cycles, mainly concerning communication, allocating responsibilities, delegating competences, segregating duties and managing access to information and other critical resources, developing and modifying the processes (both operational and control) and support systems.
- Coordinate the design, documentation and implementation of ICFR system processes, ensuring objectives to manage all processes in question are met.
- Ensure that all documentation concerning the process is kept up-to-date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR system control and risk objectives.
- In the case of amendments or updates to regulations, procedures, instructions etc., the owner of the process shall notify the ICFR Unit.
- Report, formally and periodically on the outcome of the self-assessments carried out.
- Collaborate in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.
- Implement and promote the implementation of corrective action in the area of ICFR.

### 15.2.1.3. Code of conduct, approving body, dissemination and instruction, principles and values covered, body in charge of investigating breaches and proposing corrective or disciplinary action.

At this level we would note the "Internal Code of Conduct in matters relating to Stock Markets" and the "Enagás Group Business Principles", which determine the Group's ethical values in matters relating to the securities markets and the behaviour of employees both within the Group and with stakeholders. In particular, the section entitled "We are honest people" in the "Enagás Group Business Principles" describes the conduct with regard to internal control and fraud prevention, in addition to conflicts of interest, which determine the general lines of action for ICFR.

At this level, and in order to ensure maximum discipline among employees, an "Ethics Channel", which is fully confidential and anonymous, has been put in place, to alert Senior Management of the existence of any malpractice, including any irregularities of a financial nature.

We would also note the internal regulations of the **Sustainability Committee**, whose aim is to integrate the expectations of all stakeholders and manage the risks to which Enagás is exposed. There is also the **Business Principles Supervisory Committee**, whose members are chosen by the Enagás Executive Committee and which is responsible for various internal audit duties, legal advisory services, external relations, human resources and corporate social responsibility.

I 243

### 15.2.1.4. 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Company has in place an "Ethics Channel" which handles queries and reports of behaviour that does not comply with the Group's values (see above relating to the Ethics Channel). If an issue is reported, confidentiality is fully guaranteed.

### 15.2.1.5. Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The "Enagás Training School" which is part of the Resources and Corporate Social Responsibility Department, manages and plans all the training programmes and other instruction initiatives for all Enagás employees. Specific training in accounting, internal control and risk management is offered to all Internal Control and Internal Audit staff, with the general lines of the programmes being planned and approved before the new financial year commences. We would also note the training initiatives for all personnel involved in preparing financial information.

Each department and employee is subject to control, with the quality and the number of hours of training accumulated throughout the year being assessed.

The main activities during 2012 included attendance at various seminars concerning management of fraud risk, accounting courses specific to the Enagás Group, courses on business and investment project evaluation, as well as courses on asset and company integrations, and applied finance.

## 15.2.2. Risk assessment in financial reporting

### 15.2.2.1. The main characteristics of the risk identification process, including risks or error or fraud.

Identifying risk is one of the core fundamentals in risk analysis with regards to the preparation of financial information. The "Enagás Risk Policy" document acts as a reference in the area of risk identification, as it states Enagás' policies on how to deal effectively with uncertainty, risks and the associated opportunities, thereby improving its capacity to generate value in order to achieve the aims of the Organisation, which include reliable financial reporting.

The "Integrated Risk Management Procedure" establishes a framework for Integrated Risk Management, identifying the factors involved and the role to be played by each part of the Group. The Internal Audit Unit is charged with identifying risks, including those specific to ICFR. Any identified risk is immediately communicated to senior management and the Sustainability Committee. The following are among the main risks that have been identified:

- **Counterparty or credit risk:** Possible loss due to a breach of contract by a counterparty or a more general reason, due to uncertainty over the ability or willingness of a counterparty to fulfil their obligations.
- **Financial risk:** Possible financial profit or loss due to exposure to market fluctuations in variables and prices.
- **Business risk:** Inherent in the gas sector, this includes demand and competition risk, regulatory risk and strategic risk.
- **Operational risk:** Possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT Systems, or due to external factors.
- **Reputational risk:** Any action, event or circumstance that may adversely or favourably affect stakeholders' perceptions and opinions of the Group.
- **Criminal responsibility risk:** Risk of the Group being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Penal Code, which may be committed by its executives or employees in the exercise of their duties and in their interest, in which case the Group would be deemed to have failed to exercise due control.

Analysing these risks together meets the ICFR definition of the different control processes that must be applied in preparing financial information in order that it is sufficiently transparent and accurate. These controls, both by design and in practice, aim to sufficiently cover the following specific risks as per the ICFR recommendations:

- **Integrity risk:** to ensure that all transactions are registered.
- **Validity risk:** that transactions made are not valid.
- **Registry risk:** that transactions are incorrectly registered.
- **Cut-off risk:** that transactions are not fully registered within the accrual period.
- **Valuation risk:** that transactions are incorrectly valued.



- **Presentation risk:** that transactions are presented in a confusing manner, or in a way that does not fully meet current regulatory requirements.

Equally, these controls are also designed to cover the following risk of fraud and unauthorised activities:

- **Risk of internal fraud:** includes the manipulation of files, software and information, and other unauthorised activities (involving employees) leading to intentional financial statement misstatements; and misappropriation of funds and assets due to inappropriate use of corporate assets.

At least once a quarter, the ICFR Unit, fully evaluates all control processes and corresponding specific risk mitigation measures in place, and at the same time, evaluates if new risks need to be added.

### 15.2.3. Control activities

I 245

Enagás has a wide range of specific “**Control activities**” to mitigate the risks of errors or irregularities that can arise during the process of preparing financial information at all levels.

#### 15.2.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the market, stating who is responsible in each case, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Having “Control activities” for reference is without doubt a key element in creating an effective ICFR, which must be well designed and operated.

The ICFR model states a number of key **control objectives** which, if fully implemented, allow reliability and transparency in the preparation of financial statements. Implementation of these objectives is intrinsically tied to the effectiveness of “Control activities” at each stage of their execution.

In this context, there are two specifically designated categories in the ICFR “Control activities” structure:

- General controls
- Controls process

The **General controls**, or tags, form the basis of the ICFR model. They are interlinked controls that directly affect Enagás’ organisational structure and procedures. At the end of 2012, there were 32 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, and they are split between the following divisions:

- Finance Department
- Resources and Corporate Social Responsibility Department
- General Secretariat
- Investor Relations Department

The relevance of information systems in relation to ICFR control falls within this bracket, and this is covered in section 2.3.2.

**Process controls**, are part of each of the main Enagás cycles and sub-cycles comprising the ICFR procedures, guaranteeing the reliability and transparency of Enagás' financial reporting, and at the same time allowing for mitigating factors associated with risks in the preparation of the previously mentioned financial reports. These control activities are used throughout all the various areas of the ICFR model, down to the smallest detail in each and every one of the sub-cycles that are part of ICFR.

These process controls can be classified with the following different characteristic attributes:

- According to their **nature**:
  - **Preventative**: prevent financial risks arising.
  - **Detective**: identify errors once they have been made.
  - **Corrective**: rectify errors once they have been made.
  - **Directive (Policy)**: controls based on corporate policies or procedures/instructions; such controls normally require an authorised signature or formal approval.
- According to their level of **automation**:
  - **Manual**: control mechanisms directly executed by people.
  - **Semi-automated**: control mechanisms executed by people and validated by "IT support", or vice-versa.
  - **Automated**: control mechanisms "supported by IT".

Among the main procedures that aim to guarantee reliability and transparency in the preparation of financial information, the following are highlighted:

- Review of estimates and provisions processes (at income and expense level).
- Review of impairment of registered corporate assets.
- Review of the commissioning of assets and associated valuation procedures (items qualifying for capitalisation, monitoring of permits, technical conditions for commissioning, etc.).
- Review mechanism for mandatory procedures and/or specific instructions with respect to:
  - Records and and/or manual account entries.
  - One-off transactions of significance.
- The process of closing the Financial Statements, and preparation of the individual and consolidated Financial Statements. The internal regulations that regulate these aspects can be found in:

- i. The "Manual of Accounting Policies" (which sets out Enagás' governing accounting policies for performing accounting estimates and preparing the company's Financial Statements and accompanying notes, to ensure that these provide a true and fair view of the Group's equity, financial position, results of operations, changes in net equity and cash flows).
  - ii. The "Period-end procedures and closing of accounts procedure for the Individual Financial Statements and Accompanying Notes".
  - iii. The "Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes".
- The preparation and publication of financial information (including aspects associated with the preparation and approval of the Annual Corporate Governance Report, Financial Statements, Annual Report, CNMV communications, official communications, etc.). The main internal regulations that regulate these aspects can be found in:
    - i. Procedure on the provision of Regular Reports to Securities Market Regulators.
    - ii. Period-end procedure for closing the accounts and preparing the Individual Annual Accounts and Accompanying Notes.
    - iii. Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes.

I 247

The Investor Relations Department, the Finance Department, the General Secretariat, the Board of Directors and the Chairman of the Board all play a key role in the reporting close and, as warranted, the subsequent publication thereof.

### 15.2.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

IT systems play an important role in business cycles, given that, at a certain level, they are a key medium used in the preparation of financial reports.

Elements such as **General computer controls** provide a control framework designed to offer a reasonable level of security in IT systems used for financial reports, guaranteeing, to the greatest degree possible, that the information is confidential, available and complete.

The objectives established within the framework of General Computer Controls help achieve control objectives related to the processing of computer generated information, through the defining, development, implementation and reviewing of control activities such as user and authorisation management, administrator management, access control, incident management, change management, business continuity, information storage and recovery, operations monitoring, etc.

All rules for actions related to IT systems are explained in the "Information Security Policy", which states all the principles which must be followed to ensure the security of information handled by Enagás' IT systems is properly managed.

The "Information Security Policy" led to the creation of a "security policy framework", which highlights the "General Rules for Management of IT Systems" establishing responsibilities and defining the relationships between the requesting units and the Information Systems Department.

Integral to the objectives of control of IT systems, is the need to establish an appropriate segregation of duties, which is a prerequisite in order that an ICFR system can function efficiently and effectively. It is therefore of vital importance that there is a clear distinction between who has to execute actions related to the treatment of financial information, and who has to review and/or approve them. For this reason, correctly allocating profiles, both in IT systems, as well as positions and functions, is critical to the success of the process.

### **15.2.3.3. Internal control policies for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

Enagás is particularly vigilant about activities carried out by third parties (with the aim of ensuring that there is maximum control over key procedures that may be outsourced, so that they are conducted to the standard that Enagás requires). The internal rules regulating this can be found in "Identification and Treatment Procedures for Service Organizations".

248 |

## **15.2.4. Information and communication**

Information and communication activities relating to the preparation of financial reports are very important in the Enagás ICFR, as they involve conveying the applicable control directives to the staff engaged in drawing up financial information, as well as the information systems used in such processes.

### **15.2.4.1. A specific function in charge of defining and maintaining accounting policies and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the company's operating units.**

Enagás has a "Manual of Accounting Policies" (see section 2.3.1). This document, with the correct level of communication from the Finance Department to the employees to whom it applies, acts as a guideline for keeping accounting records.

The Administration and Accounting Unit, which is part of the Finance Department is responsible for keeping this manual up to date.

#### 15.2.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Enagás has the following mechanisms:

##### Internal:

- Enagás has a number of formal processes related to the closure and preparation of information related to financial statements and the accompanying notes. In both cases, there are procedural and supervision guidelines that have to be followed in the process for the closing of financial statements and the preparation of annual accounts.
- Furthermore there is a specific mechanism for the process of preparing the financial statements and accompanying notes, where the Audit and Compliance Committee takes on a special relevance (reporting to the Board of Directors), overseeing this process (e.g. monitoring the supervision work of the Internal Audit unit as well as that performed by the external auditor) before the financial statements are certified by the Board of Directors. The "Regulations on the organisation and duties of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A." regulate all these matters.

I 249

##### External:

- The aim of the current mechanism is to supply true and reliable information about Enagás to external agents. To do this, the "Procedure on the provision of Regular Reports to Securities Market Regulators" regulates all aspects, both in communications to supervisory and/or regulatory organisations, as well as press releases. Web content is regulated by the "Procedure for the development, inclusion and maintenance of content on the Enagás web site".

### 15.2.5. Monitoring and system functionality

Monitoring and system functionality comprises the prevention phase, through reviews and analyses, and, if necessary, correction of design faults and/or system problems. The "ICFR Manual" explains the general guidelines for the supervision and functionality of ICFR.

#### 15.2.5.1. Describe the ICFR system monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR.

In this context, one of Enagás' top priorities is to take a proactive, and thereby preventative role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and the best regulatory practices.

Constant analysis of and following up of ICFR, detecting possible flaws and making the corresponding improvements and adjustments are achieved by taking the following measures:

- A periodic evaluation of the design and effectiveness of current anti-fraud programmes and controls. Its scope and frequency depends on the importance of the associated risk and the demonstrated efficacy of the controls in place.
- The participation of Internal Audit, through the supervision functions attributed by the ICFR model through the "General Internal Audit Regulations", the "ICFR Manual" and the "Rules Governing the Organisation and Operation of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors".
- Effective supervision by the Audit and Compliance Committee, relative to overall control of the ICFR model, delegated by the Board of Directors, and instrumented by Internal Audit.
- Report on flaws found, taking corrective measures to solve them, establishing mechanisms to track them and assigning the necessary resources to achieve them, according to the instructions in the "ICFR Manual".
- In the last instance, once finalised, and subsequent to the implementation of the proposed measures, a design and final validation process will be undertaken, which will eventually be incorporated into the ICFR model.

250 |

The role of Internal Audit is crucial in the supervision process. Its main objectives are:

- To ensure that all potential risks to the Group are identified, measured and controlled by the relevant departments.
- To ensure and improve the Group's established internal control system.
- To monitor that work schemes and business activities are consistent with the Organisation's values.

In order to ensure that these objectives are met, there is an "Annual Internal Audit Plan", which is overseen and approved by the Audit and Compliance Committee, and has, among other things:

- A risk map for each of the departments that make up the Management Committee.
- The key processes that need revising and their relationship with the Group's strategic objectives (including a specific relationship with the actions to be taken in terms of ICFR).

### **15.2.5.2. A discussion procedure whereby the auditor, the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors.**

The objectives of the Audit and Compliance Committee of the Enagás Board of Directors regarding the monitoring of the system include ensuring that the auditor, the Internal Audit function and other experts can inform Senior Management and the Board of Directors, of any significant internal control weaknesses encountered during their review of the financial statements and other assignments. These reports are made after each review task has been completed.

The Audit and Compliance Committee also states whether the entity has an action plan to correct or mitigate the weaknesses found. It is also in charge of supervising compliance with the Internal Code of Conduct in Matters Relating to Securities Markets. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures.

I 251

### **15.2.6. Other relevant information**

Enagás has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by Deloitte, S.L., auditor of Enagás, S.A. and Subsidiaries.

### **15.2.7. External auditor's report**

The report for 2012 follows.





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*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**AUDITORS' REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

To the Board of Directors of Enagás, S.A.:

We have examined the accompanying information relating to the system of Internal Control over Financial Reporting (ICFR) of Enagás, S.A. and Subsidiaries ("the Group"). This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Group's consolidated financial statements at 31 December 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of assets of a company which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.



Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2012, the Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the system of ICFR which is included in the Group's Annual Corporate Governance Report at 31 December 2012 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, and as established in the document dated June 2010 published by the Internal Control Working Group of the Spanish National Securities Market Commission.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Enagás, S.A. and Subsidiaries prepared by the directors of Enagás, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group, and our report dated 22 February 2013 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Oliverio Álvarez Alonso  
22 February 2013