APPENDIX 1

ANNUAL REPORT ON DIRECTORS' REMUNERATION FOR LISTED COMPANIES

ISSUER'S PARTICULARS

FINANCIAL YEAR-END	31/12/2013

COMPANY TAX ID NO. (C.I.F.)	A-28294726

COMPANY NAME
ENAGAS, S.A.

REGISTERED ADDRESS
PASEO DE LOS OLMOS, 19, MADRID

ANNUAL REPORT ON DIRECTORS' REMUNERATION

FOR LISTED COMPANIES

A COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the policy on directors' remuneration, including:

- General principles and rationale of the remuneration policy.

- Most significant changes in the remuneration policy as compared to the previous financial year and changes introduced in the current year to the conditions for the exercise of options granted in previous years.

- Criteria and composition of groups of comparable companies whose policies have been considered remuneration for establishing the remuneration policy of the company.

- Relative weight of variable components compared to non-variable components of remuneration and criteria on which the various components of directors' remuneration is based (remuneration mix).

Explain the directors' remuneration policy

Enagás's remuneration model is a core part of Enagás's Human Resources Management Model.

The Enagás remuneration model ensures that any differences between the salaries of different individuals are due solely to their positions in the organisation, levels of experience, length of service and value contribution.

This model is designed to:
(i) Link the salary structure with the Company's mission and processes by evaluating the different posts in the Company and benchmarking the individual value of each post in the organisation against all the others, thereby ensuring internal equality;
(ii) Help ensure corporate values are adhered to during day-to-day operations by including these values in annual performance appraisals and linking them to reviews of fixed remuneration;
(iii) Act as a management tool and catalyst for change within the organisation through the deployment of a Management-by-Objectives (MBO) process linked to variable remuneration, so that it contributes to ensuring the individual contributions of personnel in the organisation are in line with the Company's overall objectives and strategic plan; and
(iv) Establish benchmarks relative to companies in the market that have performed well in bonus and remuneration studies to ensure the model is competitive in the marketplace (Towers Watson) in terms of both evaluating positions and identifying market rates for fixed remuneration and the model for awarding variable remuneration.

The remuneration model for staff not covered by the collective wages agreement (39% of the workforce) consists of two elements:
(i) Fixed remuneration (FR) based on the individual value of each post within the organisation. The performance appraisal model is essential to reviewing this remuneration.
(ii) Variable remuneration (VR) managed using the Management-by-Objectives (MBO) Model that assesses individual contributions to the Company's overall objectives, broken down into management and personal objectives.

Enagás's salary structure is divided into five contribution bands or remuneration bands based on the contribution each post makes to generating value for the Company. Each of these bands represents a range for FR and a percentage for VR which rises in line with the level of responsibility from 10% (technical profiles) to 60% (management positions).

Board of Directors Remuneration Policy:
Article 36 of Enagás, S.A.'s Articles of Association sets out the policy for remunerating members of the Board of Directors.

The main aspects of the Board of Directors compensation policy are:

(i) Compensation will be commensurate with and related to the performance and qualifications of Board members.
(ii) Compensation will never compromise the independence of judgement of Board members.
(iii) Compensation will be based on market criteria, taking into account the practices of similar companies in Spain and abroad.

The following criteria have also been established for Executive Directors' compensation:

(i) Variable compensation will always be linked to the Company's performance and achievement of objectives.
(ii) All components of compensation will be subject to adequate control systems that define the performance of the Directors.
(iii) Any share-based compensation plan (equity or cash settled) shall be subject to shareholder approval at the General Shareholders' Meeting.

Moreover, the Board is considering rolling out a multi-year bonus plan linked to share price, taking into account the practices of similar companies.

Pursuant to Enagás, S.A.'s Articles of Association and the corresponding resolutions reached in fulfilment thereof by the General Meeting, Board of Directors and Appointments, Remuneration and Corporate Social Responsibility Committee of Enagás, S.A., the remuneration structure for company directors comprises:

(i) An attendance fee for directors attending more than two meetings per annum;
(ii) An attendance fee for attending each Board of Director's meeting;
(iii) A fee for sitting on Committees and another for attending their meetings; and
(iv) A supplement payable to the Lead Independent Director.

Executive Directors, meanwhile, are entitled to the following remuneration:

(i) Fixed remuneration;
(ii) Variable remuneration, amounting to up to 60% of the fixed cash compensation and linked to fulfilment of the Company's objectives;
(iii) Remuneration in kind; and
(iv) Additional welfare benefits.

A.2 Information concerning the preparatory and decision-making process used for determining the remuneration policy and information, if applicable, about the role of the Remuneration Committee or other supervisory bodies in the design of the remuneration policy. This should include information, if applicable, about the mandate and composition of the Remuneration Committee, and the names of external consultants whose services have been used in determining the remuneration policy. It should also include a description of any directors who have taken part in the remuneration setting process.

Explain the process for determining the remuneration policy

The Rules and Regulations on the Organisation and Functioning of the Board of Directors of Enagás, S.A. confer powers on the Board of Directors to adopt decisions on the remuneration of directors and Senior Management. Specifically, the Appointments, Remuneration and Corporate Responsibility Committee (hereinafter "the Committee") is responsible for supporting the Board on matters relating to compensation of directors and Senior Management.

These regulations state that the Committee shall comprise at least three and no more than six Directors, to be appointed by the Board, and must comprise a majority of Independent Directors. No Executive Director may sit on the Committee, but may be present if so expressly resolved by committee members. At the date of this report, the Committee consists of six Directors, five of whom are independent and one proprietary: Dionisio Martínez Martínez (Chairman, independent); Jesús David Álvarez Mezquíriz (independent); Teresa García-Milá Lloveras (independent); Miguel Ángel Lasheras Merino (independent); Jesús Máximo Pedrosa Ortega (proprietary); and Ramón Pérez Simarro (independent).

Pursuant to the regulations of Enagás, S.A.'s Board of Directors, the Committee shall carry out the following functions:
(i) Propose remuneration criteria for the Directors of the Company, 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.
(ii) Propose a general remuneration policy for Enagás management, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers of the Company, in order to ensure that the Company has appropriate highly-qualified staff for administering its business at all times.
(iii) Produce reports on appointments and dismissals of Senior Management, and, where necessary, approve special terms in their contracts.
(iv) Approve the remuneration of Senior Management, provided that this does not diverge from criteria established in the general remuneration policy for executives.

(v) Report to the Board on the general Corporate Social Responsibility and Corporate Governance policy, ensuring the adoption and effective application of best practices – both those which are compulsory and those that are in line with generally-accepted recommendations. To do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall provide information on proposals submitted to the Board and information the Company releases to shareholders annually regarding these issues. The regulation also establishes that the Committee shall meet at least four times a year, with meetings being called by the Chairman. The Committee may seek advice both internally and externally and request the attendance of Senior Management of the Company and its Group, as deemed necessary in the execution of its duties."

During 2013, the Committee met seven times to discuss matters within its remit. When fulfilling its duties regarding the remuneration policy, the Committee has drawn not only on the advice of Enagás, S.A.'s internal services but also of the specialist firm, Towers Watson.

The main action taken by the Committee during 2013 included:

(i) Approving the appointments of the new members of the Management Committee and their remuneration;
(ii) Approving the proposal for the 2013 salary review and achievement of the Company's targets which determines the variable remuneration of Executive Directors; and
(iii) Considering whether or not to perform an analysis of a long-term compensation plan for 2014, having hired Towers Watson, which is an independent consultancy firm specialising in remuneration, to define said plan.

During 2013, the Company's governance bodies also included in relation to corporate governance and remuneration, the best practice of submitting the Annual Directors' Remuneration Report to a second advisory vote as a separate point on the agenda of the 2013 Ordinary General Meeting. Board remuneration is also reported in this Report and in the Annual Corporate Governance Report in the terms legally provided for.

A.3 Indicate the amount and nature of non-variable components - itemised, where applicable - of the remuneration received for discharging senior management duties and of any additional remuneration for the chairman or for membership of any board committees, of per diems for attendance at board and board committee meetings, and of any other non-variable remuneration paid to directors. Provide an estimate of the annual non-variable remuneration payment they give rise to. Identify non-cash benefits and the main parameters for granting them.

Explain the non-variable components of directors' remuneration

Enagás, S.A.'s General Shareholders' Meeting held on 24 April 2013, in accordance with paragraph two of article 36 of the Company's Articles of Association, agreed to set the figure of €1,115,741 as the total maximum payment for members of the Board of Directors for 2013, paid in accordance with the following procedures and criteria:

- Each Board member personally attending a minimum of two meetings during the year will be entitled to a payment of €22,050;
- In addition, actual attendance at meetings will entitle each Director to a maximum payment of €42,446. The Board of Directors will decide the specific amount payable for personal attendance at each session;
- Additionally, Board Committee members will be entitled to the sum of €11,025 per annum, with chairmanship of any committee entitling them to an additional €5,513 per annum; and
- The post of Lead Independent Director will be remunerated with the complementary sum of €16,000.

Pursuant to various resolutions of the Appointments, Remuneration and Corporate Responsibility Committee, details of accrual and payment of attendance fees/per diems in respect of meetings of the Board and of its Committees have been specified. In 2013, Directors were paid an aggregate amount of €1,004 thousand in per diems.

To set the fixed remuneration of the Executive Chairman and the Chief Executive Officer, every year the Appointments, Remuneration and Corporate Responsibility Committee proposes to the Board that the amount of this component be either left unchanged, or be increased by a given percentage. At a meeting on 21 October 2013, the Appointments, Remuneration and Corporate Responsibility Committee decided that the fixed remuneration of the Executive Chairman and the Chief Executive Officer for 2013 would not be increased. The fixed remuneration of the Executive Chairman in 2013 therefore totalled €960,000, while the Chief Executive Officer received €300,000.

A.4 Explain the amount, nature and main features of variable components of the remuneration schemes.

In particular:

- Identify each remuneration scheme to which directors are entitled, its scope, date of approval, date of implementation, duration and main characteristics. For share-based schemes or schemes based on other financial instruments, the general characteristics of the plan shall include the terms for exercising the options or other financial instruments of each plan.

- Indicate any remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted.

- Explain the main parameters and rationale for any annual bonus scheme.

- The classes of directors (executive, proprietary, external independent or other independent directors) entitled to schemes or plans that include variable remuneration.

- The rationale of variable remuneration schemes or plans, the performance criteria chosen, the components and methods for evaluating performance to determine whether the criteria have been met, and an estimate of the sum total of variable payments arising from the existing remuneration policy, as a function of degree of compliance with pre-set targets or benchmarks.

- Disclose, where applicable, the periods of deferral or delay of payment established and/or any holding or lock-up periods of the shares or other financial instruments.

Explain the variable components of the remuneration schemes

Executive directors are the only directors receiving variable remuneration.

The Enagás Appointments, Remuneration and Corporate Responsibility Committee held a meeting on 18 February 2013 in accordance with observations 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.

On the basis of the above, the Appointments, Remuneration and Corporate Responsibility Committee prepared criteria that serve as a basis for setting the variable remuneration of the Company's Executive Directors in 2013 and thereafter, and which will apply in the proposals submitted to the Board of Directors for approval. 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; and
(iii) Criteria related to the creation of value for shareholders.

In addition to the various criteria for the purposes of determining the components of variable remuneration, the Appointments, Remuneration and Corporate Responsibility Committee shall take the following aspects into account when updating the remuneration policy:

(i) Determination of remuneration by benchmarking against remuneration at a comparable group of companies;
(ii) Approval of a long-term incentives scheme;
(iii) More explicit breakdowns of information concerning remuneration; and
(iv) Introduction of conditions for payment of variable remuneration (Clawback provisions).

Pursuant to a proposal presented by the Appointments, Remuneration and Corporate Responsibility Committee, the Board of Directors evaluated in its meeting on 18 February 2013 the extent to which the "Company's Targets" for 2012 (as per the terms set forth in the Annual Directors' Remuneration Report submitted to advisory vote at the General Shareholders' Meeting on 24 April 2013) had been met. It also approved variable remuneration for the Executive Chairman of €576,000 and for the Chief Executive Officer of €52,000.

Subsequently, at a meeting on 17 February 2014 and following a proposal presented by the Appointments, Remuneration and Corporate Responsibility Committee, the Board of Directors evaluated the extent to which the "Company's Targets" for 2013 (see the table in section E.1 of this report) had been met, and approved variable remuneration for the Executive Chairman and Chief Executive Officer for the said year, set at 60% of their fixed remuneration.

A.5 Explain the main features of long-term savings schemes, including retirement and other survival benefits, both partially and fully funded by the company, and whether allocated internally or externally. Provide an estimate of the amount of equivalent annual cost, indicating the type of plan, whether it is a defined-contribution or a defined-benefit plan, the terms for vesting of economic rights in favour of directors and compatibility with any other type of compensation for early discharge or termination of the contractual relationship between the company and the director.

Indicate any 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.

Explain any long-term savings schemes

Enagás, S.A.'s pension commitments to Executive Directors are as follows:

Director Pension Plan -

A mixed plan including defined contributions towards retirement benefits (with contributions determined as a percentage of fixed remuneration), establishing a specific coupon (125% of inflation rate (CPI)) on capitalisation of these contributions; and defined benefits in the event of the plan member's death or disability. This plan is funded by the Company and externalised through a collective insurance policy with Vida y Ahorro (Vidacaixa). Entitlements conferred through the savings scheme are determined in function of the plan member's length of service in the Company or whether the plan member leaves the Company. Unless otherwise agreed, entitlement to collect the accumulated balance is lost in the following circumstances:
- Suspension due to voluntary leave of absence;
- Loss of condition of plan member of continuing to serve the Company after ordinary retirement age; and
- Should plan member stop working for the Company, he/she shall retain entitlement to collect the plan balance, except in the following circumstances:
  - If the decision to leave is made solely by the plan member; and
  - In the case of fair dismissal for disciplinary reasons.

The entitlement to collect the accumulated balance in other circumstances under which the plan member leaves the Company shall be compatible with any compensation negotiated.

The Executive Chairman is a member of this plan and in 2013, paid in a total premium of €197 thousand. The Chief Executive Officer is also a plan member and paid in a total premium of €100 thousand in 2013.

Enagás Group Jointly-promoted Pension Plan -

This pension plan is a jointly-promoted pension scheme vis-á-vis the plan members thereof, and a mixed plan in terms of the stipulated obligations. The plan forms part of Enagás's Pension Fund, which is registered in the State Pension Fund Register (*Registro Administrativo de Fondo de Pensiones*). Employees become members of the fund two years after joining the Company. Contributions to the fund are made by the fund promoter and the plan member, with the Company making contributions of 3.5% and plan members 0.5% if the employee is less than 45 years old or 1% if he/she is older. Pay-outs are made in the event of:
- Retirement;
- Full, permanent disability or severe disability; or
- Death.

In the event of disability or death, the plan includes insurance cover to bridge the difference between entitlements accrued under the plan for each plan member and an amount equivalent to 2.3 times their annual salary payments. If a plan member leaves the Company for any other reason than those mentioned above, he/she shall retain the rights to collect the benefits accrued at the date of leaving, while entitlement to this balance is compatible with any compensation negotiated.

Like all the Company's staff, the Executive Chairman is a member of this pension plan, contributing €10 thousand to the plan in 2013. He also paid life insurance premiums totalling €78 thousand. Meanwhile, the Chief Executive Officer is a member of the life insurance scheme, paying a premium of €1 thousand in 2013. Until he has been in the Company for two years, he shall not become a member of the pension plan available to all the Company's employees, whereby the Company did not make any contributions to this plan on his behalf during 2013.

A.6 Indicate any termination benefits agreed or paid in the event of termination of the appointment as director.

Explain any termination benefits

Enagás, S.A. is not required to pay out any benefits in the event of termination of the appointment as director.

A.7 Indicate the conditions to apply to the contracts of executive directors exercising senior management functions. Among them, disclose the duration, limits on the amount of termination payments, seniority requirements, notice periods, payments related to the duration of a notice period ("garden leave") and any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual arrangement between the company and the executive director. Include, inter alia, non-competition, exclusivity, seniority or loyalty, and post-contractual non-competition agreements or arrangements.

Explain the conditions of contracts of employment of executive directors

The Board Regulations confer on Board members powers to take any decisions on the terms set forth in the contracts of employment with Executive Directors. The Appointments, Remuneration and Corporate Responsibility Committee's duties include drawing up proposals on the extend and amount of remuneration and entitlements to economic compensation of the Executive Chairman and Chief Executive Officer, for inclusion in their employment contracts, which are then submitted to the Board of Directors for approval.

The contracts with each of the Executive Directors set forth their remuneration, entitlements and rights to economic compensation, comprising those items stipulated in Article 36 of the Articles of Association.

Executive directors contracts are permanent and do not include any notice periods or seniority requirements.

The Executive Chairman, Antonio Llardén Carratalá, is contractually entitled to indemnification for termination of employment equivalent to three (3) times his fixed and variable annual remuneration, other than if he resigns or is dismissed for any reason other than fair dismissal or serious breach of his duties. The Chief Executive Officer is contractually entitled to indemnification for termination of employment equivalent to two (2) times his fixed and variable annual remuneration, other than if he resigns or is dismissed for any reason other than fair dismissal or serious breach of his duties. With respect to indemnifications for termination of employment, Enagás has no intention of prejudicing the entitlements of its Executive Directors; however, the latest corporate governance best practice recommendations shall be adhered to when drawing up future contracts, as was the case with the Chief Executive Officer.

On non-compete clauses, Article 12.4 of the Board Regulations stipulates that after a director stands down 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.

The Board Regulations also establish a series of incompatibility clauses concerning a director's position which all members of the Board of Directors must adhere to, as laid down in Article 13h). Executive Directors are also subject to the conflicts of interest rules defined in Article 13f) of the Board Regulations.

The rest of the Executive Directors' contractual terms and conditions are set forth in section A.5 above.

A.8 Explain any supplementary remuneration accrued by directors as compensation for services provided other than those inherent in their post.

Explain any supplementary remuneration

Enagás, S.A. directors have not accrued any such remuneration.

A.9 Indicate any remuneration in the form of advances, loans or guarantees granted, along with the rate of interest, essential features and any amounts returned, as well as the obligations assumed on their behalf in the form of guarantees.

Explain any advances, loans and guarantees granted

Enagás, S.A. directors have not accrued any such remuneration.

Explain any non-cash remuneration

Enagás, S.A. provides its Executive Directors with other remuneration in kind such as company cars under lease contracts and other welfare benefits that are generally available to Enagás directors. In 2013, remuneration in kind received by the Executive Chairman totalled €70 thousand. The Chief Executive Officer received remuneration in kind amounting to €7 thousand in 2013.

A.10 Explain the main characteristics of non-cash remuneration.

A.11 Indicate remuneration accrued by the director by virtue of payments made by the listed company to another entity at which the director is employed where such payments are designed to remunerate the services provided by the director at the listed company.

Explain remuneration accrued by the director by virtue of payments made by the listed company to another entity at which the director is employed.

Enagás, S.A. directors have not accrued any such remuneration.

A.12 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 accrued by the director.

Explain any other compensation

Enagás, S.A. directors have not accrued any other compensation.

A.13 Explain the actions taken by the company with respect to the remuneration system to reduce exposure to excessive risks and adjust it to the company's long-term objectives, value or interests, including, as appropriate, a reference to: measures in place to guarantee that the remuneration policy is based on the long-term results of the company; the measures in place to establish an appropriate balance between the non-variable and variable components of the remuneration; the measures adopted with respect to professional categories of employees whose professional activities have a material effect on the entity's risk profile; the reimbursement formulae or clauses set out to reclaim variable components of performance-related remuneration when these components have been paid based on data that have been proved to be manifestly misstated; and measures in place to prevent conflicts of interest, where applicable.

Explain actions taken to reduce risks

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 submitted to 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 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; and
(iii) Criteria related to the creation of value for shareholders.

(i) Criteria that serve as a basis for evaluating the individual performance of Executive Directors

These criteria chiefly focus on an assessment of fulfilment by the Executive Directors of the functions attributed to them by the Company's corporate governance regulations – primarily the Articles of Association and the regulations governing the organisation and functioning of the Board of Directors, and the specific tasks performed by both Executive Directors as members of the Senior Management of the Company and Group.

In this regard the Appointments, Remuneration and Corporate Responsibility Committee shall carry out a single assessment of personal performance of functions, in due consideration of the following criteria, among others:

- Leadership capacity and effectiveness, and ability to head up Group management with a particular focus on encouraging and coordinating team work;
- Compliance with the internal and external regulations of Enagás and its Group;
- Capacity to interrelate with the various business units and subsidiaries, and implement proper mechanisms for the purposes of control and supervision;
- Establishment of the Company and Group strategic plan and business plan and progressive compliance with the objectives thereof, along with an assessment of efficient use of capital and investment;
- Effective management and supervision of the main risk factors affecting the Company and Group; and
- Relations with markets and shareholders.

(ii) Criteria relating to the Company's results and performance

As mentioned above, as a general rule most Ibex-35 companies providing such information link variable remuneration for their Executive Directors to criteria concerning corporate results. The CEBS Guidelines also specify criteria relating to corporate results among the possible criteria to be applied.

In this regard the Committee shall draw up a multi-faceted appraisal system for calculating variable remuneration, using objectively quantifiable data or criteria that give credibility to the valuation criteria. The Committee may use the following criteria on a cumulative basis, which ought to be understood in strictly technical-financial terms:

- Net profit earned by the Group;
- Trends in consolidated profit in comparison to other companies operating with the sector;
- Efficiency ratio;
- Level of compliance with the annual budget or multi-annual budget, where applicable;
- EBIT; and
- Operating profit.

(iii) Criteria relating to the creation of value for shareholders

The Committee understands that the requirement of introducing criteria to appraise the variable remuneration of Executive Directors and Senior Management is increasingly called for by markets/shareholders/investors – criteria which directly or indirectly entail estimating those elements that demonstrate value creation for shareholders. Thus the Appointments, Remuneration and Corporate Responsibility Committee shall also use criteria that are as objective and quantifiable as possible – among others, and at all times in terms of their strictly technical-financial sense, the following:

- Risk-Adjusted Return On Capital (RAROC);
- Return On Risk-Adjusted Capital (RORAC);
- Group RORAC;
- Return on Equity (ROE);
- Shareholder remuneration; and
- Earnings per share (EPS).

Aspects contributing to the assets of the Company and Group, and as such to the ultimate benefit of shareholders: financial solidity, maintenance of financial, efficiency and cost-reduction standards, and development of policies (reputation, good governance, corporate social and environmental responsibility).

Finally, in addition to the various criteria for the purposes of determining the components of variable remuneration, the Appointments, Remuneration and Corporate Responsibility Committee shall take account of the following aspects when updating the remuneration policy:

(i) Benchmarking of remuneration against remuneration at a comparable group of companies;
(ii) Approval of a long-term incentives scheme;
(iii) More explicit breakdowns of information concerning remuneration; and
(iv) Introduction of conditions for payment of variable remuneration (Clawback provisions).

B REMUNERATION POLICY PLANNED FOR FUTURE YEARS

B.1 Provide an overview of the remuneration policy planned for future years, disclosing the policy with respect to: non-variable components and per diems for attendance; variable components; the linkage between remuneration and performance; pension schemes; the terms of the contracts of employment of executive directors; and estimates of the most significant changes in the remuneration policy as compared to previous financial years.

Overview of the planned remuneration policy

The Company's remuneration policy for 2014 was approved by the Appointments, Remuneration and Corporate Responsibility Committee at its meeting on 20 January 2014. This policy for 2014 is in line with the same procedures that the Company applied in recent years, described in detail in this report.

However, the Committee is considering the possibility of establishing a multi-year incentive to align the interests of Executive Directors and members of Senior Management with those of shareholders. This is something that the Company's institutional investors and proxy advisors have been calling for pursuant to corporate governance best practice recommendations.

The firm Towers Watson has been hired to look into this and is studying available alternatives, which will be presented for consideration by the Appointments, Remuneration and Corporate Responsibility Committee. It is envisaged that this long-term incentive will be established in 2014, notwithstanding that this incentive will be put before the General Meeting in 2015 for approval before it can be introduced, as per prevailing rules. The procedure followed and percentages used to calculate annual variable remuneration may need to be revised should such a multi-year variable incentive be introduced, in order to ensure the remuneration structure taken as a whole is coherent and appropriate.

B.2 Explain the decision-making process used for determining the remuneration policy planned for future years and the role of the remuneration committee, if one exists.

Explain the decision-making process used for determining the remuneration policy planned for future years

The decision-making process used for determining the remuneration policy is described in section A.2 of this report.

B.3 Explain the incentives created by the company with respect to the remuneration system to reduce exposure to excessive risks and adjust it to the company's long-term objectives, value or interests.

Explain incentives created to reduce risks

The decision-making process used for determining the remuneration policy is described in section A.13 of this report.

S OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE YEAR

C.1 Provide an overall summary of the main features of the remuneration structure and components in the remuneration policy applied during the year that resulted in the itemised individual remuneration accrued by each director appearing in section D of this report, and a summary of the decisions taken by the board to apply the components.

Explain the remuneration structure and concepts of the remuneration policy applied during the year

In 2013, procedures were implemented as per the terms set out in this report for setting remuneration to Directors in respect of membership of the Board and its Committees; to the Executive Directors for the performance of their executive duties; and to members of Senior Management.

Remuneration in respect of membership of the Board and its Committees -

The General Meeting approved the following resolution at its meeting on 24 April 2013:
"The General Shareholders' Meeting, in accordance with paragraph two of article 36 of the Company's Articles of Association, agrees to set the figure of €1,115,741 as the total maximum payment for members of the Board of Directors for 2013, to be paid in accordance with the following procedures and criteria:

- Each Board member personally attending a minimum of two meetings during the year will be entitled to a payment of €22,050;
- In addition, actual attendance at meetings will entitle each Director to a maximum payment of €42,446. The Board of Directors will decide the specific amount payable for personal attendance at each session;
- Additionally, Board Committee members will be entitled to the sum of €11,025 per annum, with chairmanship of any committee entitling them to an additional €5,513 per annum; and
- The post of Lead Independent Director will be remunerated with the complementary sum of €16,000.

The above amounts are compatible with and independent of salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for members of the Board of Directors who are linked to the Company through a business relationship or normal employment, or special senior executive contract or contract for services. These relationships must be compatible with membership of the Board of Directors.

Remuneration paid in 2013 in this respect to all Directors totalled €1,046 thousand.

Remuneration of Executive Directors -

At its meeting of 18 February 2013, the Board considered the extent of fulfilment of 2012 "Company Targets", based on a proposal from the Appointments, Remuneration and Corporate Responsibility Committee, and determined the variable remuneration payable for that year to the Executive Chairman (€576,000) and the Chief Executive Officer (€52,000). At its meeting on 21 October 2013, following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee, the Board decided that the fixed remuneration of the Executive Chairman and Chief Executive Officer for the year would not be increased, leaving it at €960,000 for the Executive Chairman and €300,000 for the Chief Executive Officer. Consequently, total cash remuneration (fixed + variable) received in 2013 by the Executive Chairman and Chief Executive Officer amounted to €1,536,000 and €416,000, respectively.

Pursuant to the 2013 "Company Targets" (see the table in section E.1 of this report) set by the Board following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee at the aforementioned meeting on 22 April 2013, the measurement criteria and the level of achievement of each target, approved by the Board on 17 February 2014, variable remuneration of 60% of fixed remuneration was awarded to the Executive Chairman for 2013.

The remuneration in kind received by the Executive Chairman is of a nature regularly provided for under this type of contract. In 2013, remuneration in kind was paid to a value of €70 thousand. One of the additional benefits consists of contributions to the Enagás, S.A. pension scheme. The Executive Chairman is provided with these benefits in the same way as any other company employee: €10 thousand was contributed to the scheme on his behalf in 2013. A further additional benefit is payment of life insurance premiums, which amounted to €78 thousand in 2013. The Company has also externalised 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 part of the group covered by this policy: of the total premium paid for this during the year, €197 thousand corresponded to the Executive Chairman.

The Chief Executive Officer, meanwhile, received remuneration in kind amounting to €7 thousand in 2013. The Chief Executive Officer is a member of the life insurance scheme, paying a premium of €1 thousand in 2013. 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 Chief Executive Officer is part of the group covered by this policy: of the total premium paid for this during the year, €100 thousand corresponded to this Director. Until he has been with the Company for two years, the Chief Executive Officer will not be a member of the "Plan de pensiones del sistema de empleo de Enagás, S.A." pension scheme available to all the Company's staff, whereby the Company has not made any contributions to this scheme on his behalf.

Remuneration of Senior Management -

At its meeting of 6 February 2012, the Appointments, Remuneration and Corporate Responsibility Committee considered the extent of fulfilment of 2011 “Company Targets”, and determined the variable remuneration payable to each member of Senior Management for 2011 on the basis of fulfilment of his/her respective targets. The Board was briefed on these matters at its meeting held on that same day.

At its meeting on 20 February 2012, the Board adopted the 2012 “Company Targets” proposed by the Appointments, Remuneration and Corporate Responsibility Committee.

At a meeting on 23 July 2012, the Appointments, Remuneration and Corporate Responsibility Committee decided that the fixed remuneration of Senior Management in 2012 would not be increased.

At its meeting on 18 February 2013, the Appointments, Remuneration and Corporate Responsibility Committee considered the extent of fulfilment of 2012 “Company Targets”, and determined the variable remuneration payable to each member of Senior Management for that year on the basis of fulfilment of their respective targets. The variable remuneration of each member of Senior Management is determined in accordance with achievement of the respective targets by each of them. These targets consist partly of fulfilment of the “Company Targets” (set out in the table in section E.1 of this report), of the “Management Targets” stipulated for each of the units they manage, and of the “Personal Targets” used to evaluate their individual performance. Total remuneration received by members of Senior Management, excluding Executive Directors, during 2013 was €2,713 thousand. Two members of Senior Management also received indemnifications of €2,122 thousand.

D ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	2013 accrual period
JOSÉ RIVA FRANCOS	Independent	From 01/01/2013 to 31/12/2013
ISABEL SÁNCHEZ GARCÍA	Independent	From 01/01/2013 to 31/12/2013
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	Proprietary	From 01/01/2013 to 31/12/2013
ROSA RODRÍGUEZ DÍAZ	Independent	From 24/04/2013 to 31/12/2013
JESÚS MÁXIMO PEDROSA ORTEGA	Proprietary	From 24/04/2013 to 31/12/2013
ANTONIO LLARDÉN CARRATALÁ	Executive	From 01/01/2013 to 31/12/2013
MARCELINO OREJA ARBURÚA	Executive	From 01/01/2013 to 31/12/2013
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	Independent	From 01/01/2013 to 31/12/2013
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	Independent	From 01/01/2013 to 31/12/2013
SULTAN HAMED KHAMIS AL BURTAMANI	Proprietary	From 01/01/2013 to 31/12/2013
MIGUEL ÁNGEL LASHERAS MERINO	Independent	From 01/01/2013 to 31/12/2013
DIONISIO MARTÍNEZ MARTÍNEZ	Independent	From 01/01/2013 to 31/12/2013
LUIS JAVIER NAVARRO VIGIL	Other External	From 01/01/2013 to 31/12/2013
MARTÍ PARELLADA SABATA	Independent	From 01/01/2013 to 31/12/2013
RAMÓN PÉREZ SIMARRO	Independent	From 01/01/2013 to 31/12/2013

D.1 Complete the following tables regarding the individual remuneration accrued by each director (including remuneration received for the discharge of executive duties) during the year.

a) Remuneration accrued at the reporting company

i) Remuneration in cash (in thousands of €)

Name	Salaries	Non-variable remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board committees	Termination benefits	Other components	2013 Total	2012 Total
SULTAN HAMED KHAMIS AL BURTAMANI	22	0	15	0	0	0	0	0	37	45
MARCELINO OREJA ARBURÚA	22	300	42	52	0	0	0	7	423	103
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	22	0	50	0	0	0	0	0	72	64
JESÚS MÁXIMO PEDROSA ORTEGA	22	0	29	0	0	0	0	0	51	
MIGUEL ÁNGEL LASHERAS MERINO	22	0	54	0	0	0	0	0	76	71
DIONISIO MARTÍNEZ MARTÍNEZ	54	0	54	0	0	5	0	0	113	B1
RAMÓN PÉREZ SIMARRO	22	0	50	0	0	0	0	0	72	76
ANTONIO LLARDÉN CARRATALÁ	22	960	42	576	0	0	0	70	1,670	1,667
MARTÍ PARELLADA SABATA	22	0	54	0	0	0	0	0	76	76
ROSA RODRÍGUEZ DÍAZ	22	0	22	0	0	0	0	0	44	
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	22	0	54	0	0	0	0	0	76	76
ISABEL SÁNCHEZ GARCÍA	22	0	50	0	0	0	0	0	72	76
LUIS JAVIER NAVARRO VIGIL	22	0	54	0	0	0	0	0	76	76
JOSÉ RIVA FRANCOS	22	0	50	0	0	5	0	0	77	B1
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	22	0	54	0	0	0	0	0	76	76

ii) Share-based remuneration schemes

iii) Long-term savings schemes

Name	Contribution by the company in the year (thousands of €)		Cumulative amount of funds (thousands of €)	
	2013	2012	2013	2012
MARCELINO OREJA ARBURÚA	100	0	77	0
ANTONIO LLARDÉN CARRATALÁ	21B	207	1,452	1,244

b) Remuneration accrued by directors for sitting on the boards of other group companies:

i) Remuneration in cash (in thousands of €)

Name	Salaries	Non-variable remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board committees	Termination benefits	Other components	2013 Total	2012 Total
SULTAN HAMED KHAMIS AL BURTAMANI	0	0	0	0	0	0	0	0	0	0
MARCELINO OREJA ARBURÚA	0	0	0	0	0	0	0	0	0	0
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	0	0	0	0	0	0	0	0	0	0
JESÚS MÁXIMO PEDROSA ORTEGA	0	0	0	0	0	0	0	0	0	0
MIGUEL ÁNGEL LASHERAS MERINO	0	0	0	0	0	0	0	0	0	0
DIONISIO MARTÍNEZ MARTÍNEZ	0	0	0	0	0	0	0	0	0	0
RAMÓN PÉREZ SIMARRO	0	0	0	0	0	0	0	0	0	0
ANTONIO LLARDÉN CARRATALÁ	0	0	0	0	0	0	0	0	0	0
MARTÍ PARELLADA SABATA	0	0	0	0	0	0	0	0	0	0
ROSA RODRÍGUEZ DÍAZ	0	0	0	0	0	0	0	0	0	0
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	0	0	0	0	0	0	0	0	0	0
ISABEL SÁNCHEZ GARCÍA	0	0	0	0	0	0	0	0	0	0
LUIS JAVIER NAVARRO VIGIL	0	0	0	0	0	0	0	0	0	0
JOSÉ RIVA FRANCOS	0	0	0	0	0	0	0	0	0	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	0	0	0	0	0	0	0	0	0	0

ii) Share-based remuneration schemes

iii) Long-term savings schemes

c) Summary of remuneration (in thousands of €):

Should include amounts for all remuneration components referred to in the present report accrued by the director, in thousands of euros.

For long-term savings schemes, include contributions or amounts allocated to the scheme:

Name	Remuneration accrued in the company				Remuneration accrued in group companies				Total		
	Total remuneration in cash	Amount of shares granted	Gross gain on options exercised	Total 2013, Company	Total remuneration in cash	Amount of shares awarded	Gross gain on options exercised	Total 2013, Group	Total 2013:	Total 2012:	Contribution to saving schemes in the year
SULTAN HAMED KHAMIS AL BURTAMANI	37	0	0	37	0	0	0	0	37	45	0
MARCELINO OREJA ARBURÚA	423	0	0	423	0	0	0	0	423	103	100
JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	72	0	0	72	0	0	0	0	72	64	0
JESÚS MÁXIMO PEDROSA ORTEGA	51	0	0	51	0	0	0	0	51	0	0
MIGUEL ÁNGEL LASHERAS MERINO	76	0	0	76	0	0	0	0	76	71	0
DIONISIO MARTÍNEZ MARTÍNEZ	113	0	0	113	0	0	0	0	113	81	0
RAMÓN PÉREZ SIMARRO	72	0	0	72	0	0	0	0	72	76	0
ANTONIO LLARDÉN CARRATALÁ	1,670	0	0	1,670	0	0	0	0	1,670	1,667	218
MARTÍ PARELLADA SABATA	76	0	0	76	0	0	0	0	76	76	0
ROSA RODRÍGUEZ DÍAZ	44	0	0	44	0	0	0	0	44	0	0
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	76	0	0	76	0	0	0	0	76	76	0
ISABEL SÁNCHEZ GARCÍA	72	0	0	72	0	0	0	0	72	76	0
LUIS JAVIER NAVARRO VIGIL	76	0	0	76	0	0	0	0	76	76	0
JOSÉ RIVA FRANCOS	77	0	0	77	0	0	0	0	77	81	0
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	76	0	0	76	0	0	0	0	76	76	0

Name	Remuneration accrued in the company				Remuneration accrued in group companies				Total		
	Total remuneration in cash	Amount of shares granted	Gross gain on options exercised	Total 2013, Company	Total remuneration in cash	Amount of shares awarded	Gross gain on options exercised	Total 2013, Group	Total 2013:	Total 2012:	Contribution to saving schemes in the year
TOTAL	3,011	0	0	3,011	0	0	0	0	3.011	2.568	318

D.2 Disclose the relationship between remuneration obtained by directors and the company's profits or some other measure of enterprise results, explaining, as appropriate, how changes in the company's performance may have influenced the variation in directors' remuneration.

At its meeting of 18 February 2013, the Board considered the extent of fulfilment of 2012 "Company Targets", based on a proposal from the Appointments, Remuneration and Corporate Responsibility Committee, and approved the variable remuneration payable to the Executive Chairman for that year.

At a meeting on 22 April 2013, following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee, the Board approved the 2013 "Company Targets", achievement of which, on the Committee's criteria, determines the annual variable remuneration payable to the Executive Chairman and Chief Executive Officer.

At a meeting on 21 October 2013, the Appointments, Remuneration and Corporate Responsibility agreed that the fixed remuneration of the Executive Chairman and the Chief Executive Officer for 2013 would not be increased.

At its meeting on 17 February 2014, the Board considered the extent of fulfilment of 2013 "Company Targets", based on a proposal from the Appointments, Remuneration and Corporate Responsibility Committee, and approved the variable remuneration payable to the Executive Chairman and the Chief Executive Officer for that year.

The table in section E.1 of this report presents the "Company Targets" set by the Board following a proposal by the Appointments, Remuneration and Corporate Responsibility Committee at the aforementioned meeting on 22 April 2013, the measurement criteria and the level of achievement of each target, approved by the Board on 17 February 2014, pursuant to which variable remuneration of 60% of fixed remuneration was awarded to the Executive Chairman and Chief Executive Officer for 2013.

D.3 Disclose the outcome of the advisory vote at the annual general meeting on the annual report on director remuneration of the previous year, indicating the number of votes against, if any.

	Number	**% of total**
Votes cast	116,568,214	100.00%

	Number	**% of total**
Votes against	3,822,854	0.20%
Votes for	112,417,410	96.40%
Abstentions	327,950	3.20%

E OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect of director remuneration that has not been addressed in this report and which is necessary to provide a fuller view of the company's director remuneration practices, explain briefly.

See document attached.

This Annual Report on Director Remuneration was approved by the Company's board of directors at its meeting held on 17 February 2014.

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

YES ☐ NO ☒

ENAGÁS 2013 objectives

Achieved = 99.45%

	OBJECTIVE	INDICATOR	CRITICAL	TARGET	WEIGHT	COMPLETED	ACHIEVED
C1	**Improve economic results**	Net profit at 31/12/13	€398.5Mn (5%)	€406.0Mn (7%)	50%	€406.5Mn (**) (7.1%)	**100%**
C2	**Secure continuation of regulated revenue in 2013**	a) Continuation of the **remuneration scheme** for transmission assets entering service prior to 2008 (10%) b) Positive resolution in 2013 of **remuneration-related contingencies** identified, excluding those deriving from the potential review of the regulatory framework (4%) c) Secure revenues associated with implementing the **Annual Investment Plan** and the **launch** of infrastructure development projects (2%): c.1) Value of remunerated investment in infrastructures during the year c.2) Value of investments in projects for which Start-up Certificates were obtained during the year d) Ensure **continuity of operations** at Gaviota and regasification plants (2%): d.1) Implement measures required to ensure operations at Gaviota can continue safely d.2) Take the necessary steps at the regasification plants to maximise their operating efficiency and ensure necessary minimum contracting requirements are met e) Boost **future revenues** associated with use of infrastructure through **analysis, diagnostics and proposal** for **increasing demand** and **transport** (2%)	a) No impact on revenues in 2013 b) Additional revenues of €6Mn c.1) Value of investment €111.79Mn completed c.2) Value of investment €479.15Mn brought on stream d.1) Inclusion of workover in injection-extraction cycle change recognised in 2014 maintenance plan d.2.) Ensure annual contracting in 2013 of Cartagena amounting to 35 GWh/year e) Presentation of a report to Management Committee 31/12/13	a)Impact on 2014 revenues < 5% b) Additional revenues of €10Mn c.1) Value of investment €141.1Mn completed c.2) Value of investment €514.93Mn brought on stream d.1.) Inclusion of workover in injection-extraction cycle change recognised in 2014 maintenance plan d.2) Ensure annual contracting in 2013 of Cartagena amounting to 45 GWh/year e) Presentation of a report to Management Committee 30/11/13	20%	a) No impact on revenues in 2014 b) €16.8Mn c.1) €137.44Mn c.2) €515.96Mn d.1) 100% d.2) 100% e) Presentation of Management Committee report 28/11/13	a) 100% b) 100% c.1) 96.90% c.2) 100% d.1) 100% d.2) 100% e) 100% **99.85%**
C3	**Extend international reach** of company through **new acquisitions and tenders** in accordance with established **strategic and profitability criteria**	a) Push forward with obtaining outright acquisition/tender commitments in the non-regulated market b) Boost Enagás's presence in Mexico b1.1) Registration date of company and/or office lease agreement b1.2) Date of approval of a Business Development Plan, including possible partners/alliances b2.1) Date of procurement of finance for Morelos b2.2) Investment in work associated with Morelos b2.3) Date of actual collection of fixed charges stipulated in the contract c) Analysis of Enagás's position in other markets: Chile, Peru, Colombia, etc.	a1) 2 acquisitions completed a2) 2 tender bids completed b1.1) Sep 2013 (20%) b1.2) Dec 2013 (20%) b2.1) Dec 2013 (20%) b2.2) €26.6Mn (20%) b2.3) Dec 2013 (20%) c) Dec 2013	a) Signing of sales agreement 1 process b1.1) Jul 2013 (20%) b1.2) Nov 2013 (20%) b2.1) Nov 2013 (20%) b2.2) €33.3Mn (20%) b2.3) Nov 2013 (20%) c) Nov 2013	15%	a) Signing of contract b1.1) Jun b.1.2) Nov b2.1) 24 Jun b.2.2) €29Mn b.2.3) Jul c)Feb/Mar/Jul	a) 100% b1.1) 100% b1.2) 100% b2.1) 100% b2.2) 83.96% b2.3) 100% c) 100% **98.40 %**
C4	**Align company's sustainable management model** with **new strategies** and **needs arising from internationalisation**	a) Roll-out of **company's Transformation and Action Plan** (PAT) (organisational model, processes, mobility, cultural change, etc.) (7.5%) b) Bolster **Enagás's positioning** vis-á-vis **institutional investors and socially-responsible investors (SRIs):** maintain position on indices and proactive management (4.5%) b1) FTSE4Good, Ethibel, Oekom, STOXX b2) Draft "CSR Equity Story" c) Strengthen **commitment to cut CO_2 emissions** (3%) c1) 508,643 tonnes of CO_2 in total (25%) c2) 374,085 tonnes of CO_2 (manageable own consumption + electricity) (75%)	a) Complete 90% of measures set forth in the PAT b1) FTSE4Good, Ethibel, Oekom, STOXX b2) Draft "CSR equity story" c1) 508,643 tonnes of CO_2 in total (25%) c2) 374,085 tonnes of CO_2 (manageable own consumption + electricity) (75%)	a) Complete 100% of measures set forth in the PAT b1) DJSI b2) Organise 2 road shows specifically targeting CSR agencies, indices or investors c1) % reduction due to efficiency gains of 1.86% (25%) c2) % % reduction due to efficiency gains of 2.53% (75%)	15%	a)12/12 b1) 100% b2) CSR Equity Story, 1 road show c1) 458,684 tonnes of CO_2 c2) 305,448 tonnes of CO_2	a) 100 % b1) 100 % b2) 87.5 % c1) 100 % c2) 100 % **98.13 %**

(**) Net profit of €403.2Mn, including a provision for potential future contingencies of which the auditor is aware. Stripping out this provision, EBIT would have grown by 7.1%