



**REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENAGÁS, S.A. PURSUANT TO ARTICLE 529 DECIES OF THE CONSOLIDATED TEXT OF THE CORPORATE ENTERPRISES ACT JUSTIFYING THE PROPOSED RATIFICATION AND APPOINTMENT OF DIRECTORS INCLUDED IN ITEM 6 ON THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING CALLED FOR 28 AND 29 MARCH 2018, AT FIRST AND SECOND CALL RESPECTIVELY.**

**1. Introduction.**

Pursuant to article 518 e) of the Consolidated Text of the Corporate Enterprises Act, when convening the General Shareholders' Meeting and when appointing, ratifying or re-electing Directors, companies shall include the identity, CV and position of each Director, in addition to the proposed resolution and reports mentioned in article 529 decies.

Pursuant to article 529 decies of the Consolidated Text of the Corporate Enterprises Act, the Appointments and Remuneration Committee shall be responsible for proposing all appointments and re-elections of members of the Board of Directors in the case of Independent Directors, while the Board itself shall be responsible for proposing all other appointments and re-elections. The proposal shall always be accompanied by a report from the Board justifying the competencies, experience and merits of the proposed candidate. This report shall be attached to the minutes of the General Meeting or of the Board. All proposed appointments or re-elections of non-Independent Directors shall also be subject to a report from the Appointments and Remuneration Committee.

Pursuant to article 529 quidecies, the Appointments and Remuneration Committee shall, inter alia, formulate proposals for the Board of Directors for appointing Independent Directors in order for them to be designated by the method of co-option or to be subject to the decisions of the General Shareholders' Meeting, along with proposals for the re-election or removal of those Directors by the General Shareholders' Meeting. The Committee shall also report on the proposed appointments, re-elections or removal of the remaining Directors.

The Board of Directors has agreed to call a General Shareholders' Meeting for 28 March 2019 at first call and for 29 March 2019 at second call. Item four of the agenda shall include the following proposed resolution:

6. Ratification and appointment of members of the Board of Directors. The following proposals shall be put to vote separately:

- 6.1. To ratify and appoint Mr Santiago Ferrer Costa as Director for the statutory four-year period. Mr Santiago Ferrer Costa holds the status of Proprietary Director at the proposal of the Sociedad Estatal de Participaciones Industriales (SEPI).
- 6.2. To appoint Ms Eva Patricia Urbez Sanz as Director for the four-year period. Ms Eva Patricia Urbez Sanz will be Independent Director.

The Appointments, Remuneration and Corporate Social Responsibility Committee of Enagás, S.A., in its meeting held on 22 February 2019 has given a favourable report on the proposal to ratify and appoint Mr Santiago Ferrer Costa as Proprietary Director for the purposes of the aforementioned provisions and made its proposal to appoint Ms Eva Patricia Urbez Sanz as Proprietary Director for the purposes of the aforementioned provisions. The Committee's report is made available to the shareholders together with this one from the Board.

The Board makes available to all shareholders the report referred to in article 529 decies.

## **2. Proposal for ratification and appointment of Mr Santiago Ferrer Costa as Proprietary Director at the proposal of the Sociedad Estatal de Participaciones Estatales (SEPI).**

In October 2018, the SEPI shareholder proposed the appointment of Mr Santiago Ferrer Costa as a Proprietary Director of SEPI, to serve as a Board Member of Enagás, S.A., replacing Mr Jesús Máximo Pedrosa, who resigned from the post.

At its meeting on 15 October 2018, the Board of Directors, following a report from the Appointments, Remuneration and Corporate Social Responsibility Committee, appointed Mr Santiago Ferrer Costa as Director to cover the vacancy left by Mr Pedrosa. Likewise, the Board appointed Mr Ferrer as a member of the Appointments, Remuneration and Corporate Social Responsibility Committee to replace Mr Pedrosa.

The Board and the Appointments, Remuneration and Social Corporate Responsibility Committee consider that having two Proprietary Directors proposed by the Sociedad Estatal de Participaciones Industriales (SEPI) - the SEPI itself, a legal entity represented by its Vice-chairman Mr Bartolomé Lora Toro, and Mr Pedrosa - on the Board does not breach Recommendation 16 of the Code of Good Governance of the National Securities Market Committee given that:

*"The percentage of proprietary directors out of all Non-Executive Directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.*

*This criterion can be eased:*

*a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.*

*b) In companies with a plurality of shareholders represented on the board but not otherwise related."*

Sociedad Estatal de Participaciones Industriales (SEPI) is a public entity governed by Law 5/1996 of 10 January and implementing regulations, with a 5% stake in the share capital of Enagás, S.A., but the voting rights of which are not subject to the limitations determined by additional provision thirty-one of Hydrocarbons Law 34/1998 of 7 October. There are currently very few significant shareholdings in the company's capital. The largest (5%) belongs to the Sociedad Estatal de Participaciones Industriales (SEPI), and it is the only one owned by an international mutual fund. In Enagás' case, this justifies relaxing the proportionality criterion set forth in recommendation 16, as outlined above, as the situation described in its section a) is applicable to the company.

### **Attendance at Board Meetings.**

Mr Ferrer personally attended all meetings of the Board of Directors held since his appointment. He also personally attended all meetings of the Appointments and Remuneration Committee.

### **Personal information.**

Mr Santiago Ferrer Costa, 47 years old, holds a degree in Economics and Business Administration from the University of the Balearic Islands (UIB), specialising in business in general.

Director of the Economic and Social Council (CES) of the Balearic Islands. Member of the Economics Committee.

He is a practising economist from the Association of Economists of the Balearic Islands. Managing Partner of Morna Assessors, associated with Grupo Tax Economistes i Advocats.

### **Mr Ferrer's contribution to the Board's skills matrix.**

Mr Ferrer holds the status of Proprietary Director proposed by the SEPI shareholder. The trust placed in him by the proposing shareholder is very important in his designation. Nevertheless, the Committee and the Board value very highly the contribution of Mr Ferrer to the skills set required of the Board for the best performance of its functions.

His economic background and practical professional experience in the field of consulting help cover the Board's needs for knowledge and experience in this field.

### **Proposal submitted to the General Shareholders' Meeting.**

Hence, as provided for under article 529 decies.4 of the Consolidated Text of the Corporate Enterprises Act, the Board, with the approval of the Appointments, Remuneration and Corporate Social Responsibility Committee, proposes that Mr Santiago Ferrer Costa be appointed and named as Director for the statutory four-year period.

## **3. Proposal for the appointment of a new Independent Director.**

### **3.1 Vacancy resulting from the end of Mr. Luis Javier Navarro Vigil's (External Director) statutory period as Director.**

In accordance with article 38 of the Articles of Association, the term of office as Director for which Mr Luis Javier Navarro Vigil was re-elected by the General Shareholders' Meeting held on 27 March 2015 will expire at the time of holding the Meeting called for 28 March and 29 March 2019, on first and second call respectively.

Mr Navarro, who has been in office for 16 years, has expressed his wish not to renew his mandate as Director.

Therefore, the Appointments, Remuneration and Corporate Social Responsibility Committee does not propose his re-election but wishes to expressly record Mr

Navarro's extraordinary contribution to the Board and Society during the years he has been Director. The Board endorses the Commission's statement and records in this report its gratitude to Mr Navarro for his dedication and contribution to the Company.

### **3.2 Proposal for the appointment of Ms Eva Patricia Urbez Sanz as Independent Director.**

In order to fill the vacancy left by Mr Luis Javier Navarro Vigil, the Appointments, Remuneration and Corporate Social Responsibility Committee proposes the appointment of Ms Eva Patricia Urbez Sanz as Independent Director for the statutory term of four years.

When selecting this proposed candidate, the Committee has adopted the guidelines set out in the Director Selection Policy, approved by the Board of Directors at the behest of the Committee. In order to assess the suitability, aptitudes of the candidate and her contribution to the Board's skills matrix, the Committee has relied on the external advice of the firm Seeliger & Conde.

As a result of the foregoing, and as provided for under article 529 decies.4 and 529 quidecies. 3 c) of the Consolidated Text of the Corporate Enterprises Act, the Committee proposes the appointment of Ms Eva Patricia Urbez Sanz as Independent Director of the Company.

#### **Personal information.**

Eva Patricia Urbez, 47, is currently Director General of the Strategic Markets Department at Fujitsu Spain and is a member of Fujitsu's Iberia Executive Committee since joining in June 2014. She is responsible for the commercial management of key clients such as the General State Administration and attached bodies, the institutions of Justice, Security, Defence and Interior and the public and private Aerospace market, as well as some of the Ibx-35 tractor companies and leaders of digital transformation in Spain with a large multidisciplinary team in charge.

She holds a degree in Telecommunications Engineering from the University of Zaragoza, complemented by several exclusive management programmes: Transformational Leadership Program, ICLD, Fundación CEDE, Spain (2016); Atos Executive GOLD (Talent Development Programme), HEC Paris, France (2014); Masters in Logistics (APICS) - CEL (Spanish Logistics Centre), Spain (2000).

With more than 23 years of professional experience in the world of Information and Communication Technologies (ICT), she has developed her professional career in multinational companies:

- Accenture (Spain), as Manager (different areas - Banking, Telecommunications, Utilities, Public Sector - and responsibilities).
- Mercedes Benz (Germany and the Netherlands), as Director of the SAP Logistics Consulting Department in the Daimler Chrysler Solution Center.
- Atos Origin (Spain) as Consulting Director and Market Director- Public Sector Spain.
- Atos Corporation (France) as VP Head of Public Sector, Health and Transport Vertical Portfolio - Worldwide

- Fujitsu Technology Solutions (Spain) where she holds her current position as Head of Strategic Markets Department at Fujitsu Spain and member of the Iberia Executive Committee.

Eva Patricia Urbez began her career as a business consultant, subsequently acquiring negotiation and sales skills complemented by business development and executive management skills. She has over 18 years of experience working for the public sector, both in Spain and internationally, in which her experience as Global Market Leader of the public sector, health and transport portfolio during her time at Atos stands out. She is a member of the AED (Spanish Association of Directors) and collaborator of the ILCD alumni group.

She actively participates in media outreach activities, being co-founder of the think-tank *#somosmujerestech* and author of numerous articles in business communication.

### **Contribution of Ms Eva Patricia Urbez to the Board's skills matrix.**

The Appointments, Remuneration and Corporate Social Responsibility Committee selected Ms Eva Patricia Urbez as it particularly values her **vast technical training** and her **experience in business management**, in both **national a** and **international** context, in addition to her experience with **new technologies**.

Her skills are ideal for completing the current skills matrix of the Enagás Board of Directors.

The fact that the proposed Director is a woman means that Enagás has already reached the diversity target of at least 30% of its Board of Directors members being women by 2020 in 2019.

### **Proposal submitted to the General Shareholders' Meeting.**

Taking into account the foregoing and for the purposes of article 529 decies.4 and 529 quidecies.3 c) of the Consolidated Text of the Corporate Enterprises Act, the Appointments, Remuneration and Corporate Social Responsibility Committee has proposed the appointment of Ms Eva Patricia Urbez as Independent Director of the Company. The Board of Directors has adopted the Committee's proposal as its own.

## **4. Board structure following the appointment proposed to the Meeting.**

### **Independence and diversity.**

After the proposed appointments. most of the Board members are Independent Directors. Of its **thirteen members, eight** will be **Independent** Directors. With **four** of its board members being **women**, Enagás has already reached the **diversity target** in 2019 of at least **30%** of its Board of Directors members being **women** by 2020. Moreover, these women perform important functions within the Board: Ms Ana Palacio Vallelersundi is Lead Independent Director and Chairwoman of the Appointments, Remuneration and Corporate Social Responsibility Committee, Ms Isabel Tocino Biscarolasaga is Chairwoman of the Audit and Compliance Committee and Ms Rosa Rodríguez Díaz is a Member of the Audit and Compliance Committee.

## Separation of posts.

Since 2012, the company has separated the posts of Chairman of the Board of Directors and Chief Executive Officer, and since 2010, it has had a Lead Independent Director, the post held by Ms Ana Palacio Vallelersundi, providing an additional guarantee that the Board is functioning properly. The internal structure guarantees that all the functions (Internal Audit, Legal Counsel and Compliance) promoting the control that must be exercised by the Board of Directors in relation to the executive and business functions that fall to the Chief Executive Officer maintain the necessary independence, and are organically and functionally assigned to the Chairman of the Board of Directors and to the Board itself through the Secretary to the Board.

## Evaluation of the Board's performance.

The Board is subject to an annual evaluation process by an independent expert. The 2018 evaluation has been carried out by the firm SODALI.

## Skills matrix.

The Board's evaluation has allowed the configuration of the following skills matrix of the Board of Directors according to its composition at 31 December 2018.

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

### **Implication of the Directors.**

The extent of the implication of the Directors in exercising their functions is very high. The attendance of the Directors at Board meetings in 2018 was as follows:

- Mr Antonio Llardén Carratalá (Chairman) attended all the Board meetings.
- Mr Marcelino Oreja Arburúa (Chief Executive Officer) attended all the Board meetings.
- Ms Ana Palacio Vallelersundi has attended all the meetings of the Board and of the Appointments, Remuneration and Corporate Social Responsibility Committee.
- Ms Isabel Tocino Biscarolasaga apologised for not attending one Board meeting for justified reasons and delegated her voting power to another Independent Director. She has attended all meetings of the Audit and Compliance Committee.
- Mr Antonio Hernández Mancha excused his attendance at one of the Board meetings for justified reasons, delegating his representation to another Independent Director. He has attended all meetings of the Appointments, Remuneration and Corporate Social Responsibility Committee.
- Mr Luis Javier Navarro Vigil has attended all the meetings of the Board and of the Appointments, Remuneration and Corporate Social Responsibility Committee.
- Mr Luis García del Río has attended all the meetings of the Appointments, Remuneration and Corporate Social Responsibility Committee and of the Audit and Compliance Committee during his time as a member of each one.
- Mr Gonzalo Solana González has attended meetings of the Board and all meetings of the Appointments, Remuneration and Corporate Social Responsibility Committee.
- Mr Martí Parellada Sabata has attended all the meetings of the Board and of the Audit and Compliance Committee.
- Ms Rosa Rodríguez Díaz has attended all the meetings of the Board and of the Audit and Compliance Committee.
- Mr Ignacio Grangel Vicente has attended all the meetings of the Board and of the Audit and Compliance Committee.
- Sociedad Estatal de Participaciones Industriales (SEPI), represented by Mr Bartolomé Lora Toro, has excused its absence from two Board meetings for justified reasons, having delegated its representation to the other proprietary Director. He has attended all meetings of the Audit and Compliance Committee.

Accordingly,

**the following resolutions are proposed for adoption before the General Meeting, which will be subject to separate votes:**

6. Ratification and appointment of members of the Board of Directors. The following proposals shall be put to vote separately:

6.1. To ratify and appoint Mr Santiago Ferrer Costa as Director for the statutory four-year period. Mr Santiago Ferrer Costa holds the status of Proprietary Director at the proposal of the Sociedad Estatal de Participaciones Industriales (SEPI).

6.2. Appoint Ms Eva Patricia Urbez Sanz as Director for the four-year period. Ms Eva Patricia Urbez Sanz will be Independent Director.

Following these appointments, the number of Directors remains at thirteen.

For all appropriate legal reasons, it is hereby stated that the Appointments, Remuneration and Corporate Responsibility Committee drafted this report at its meeting on 22 February 2019.

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