



## Enagás steps up best practice benchmarking on corporate governance and corporate social responsibility

Since Enagás adapted its internal regulations to the recommendations laid down in Spain's Unified Code of Good Governance back in 2007, the Company has been striving non-stop to put these recommendations in practice, underpinned by its judgement that it needs to go beyond formalities and gestures.

Meanwhile, corporate governance practice has come to be considered a core component of Corporate Social Responsibility policies, a field in which Enagás has achieved acknowledgement (Enagás is a member of the Dow Jones Sustainability World Index (DJSI), the FTSE4Good Index and the Ethibel Excellence Investment Register, among other indices).

To this end, the Company has been consistently displaying new corporate governance measures, some of which are evident in several of the resolutions to be put before the shareholders for ratification at the general meeting called for 30 April. Moreover, the Company is ready to value the opportunity to take on board corporate governance initiatives that, while not yet endorsed in prevailing Spanish or even European standards, are patently of concern to a significant number of its shareholders, as mirrored in recommendations in effect in their respective countries of origin.

### 1.- Some of the measures already in force at Enagás:

- One half of the members of the Board of Directors are deemed independent directors, a percentage which amply exceeds that recommended in the Unified Code of Good Governance. Independent directors serving for 12 years or more can no longer be considered independent.
- Executive directors are not allowed to be members of the Audit and Compliance Committee or the Appointments and Remuneration Committee. The majority of members of both Board committees are external non-proprietary directors.
- Since 2007 the Audit and Compliance Committee is chaired by an independent director and in 2009 the Board appointed an independent director to chair the Appointments and Remuneration Committee upon termination of the former chair's mandate (a proprietary director).
- In 2008 the Company put in practice its Business Principles which serve as a code of conduct to ensure that its employees fulfil their professional duties in an ethical manner. This initiative includes a procedure to enable employees to report confidentially any breach of Business Principles to a Business Principles Oversight Committee which reports to the Audit and Compliance Committee.



- Given that "Commitment to transparency" features first in Enagás' Board of Directors Corporate Governance Committee, the Company has put in place dedicated measures, validated by external consultants, as noted in the Annual Corporate Governance Report, to guarantee the accuracy of the financial information disclosed periodically to its shareholders, the research analyst community and the markets in general.
- In 2010 the Board of Directors approved a Risk Management Policy, designed to enable management to deal efficiently with uncertainty and the attendant risks and opportunities, thereby improving Enagás' ability to create value in order to meet its strategic targets. In 2009, under the supervision of the Audit and Compliance Committee, the Company drew up a new risk model to evaluate specific risks of all classes inherent to its business activities.
- The Company has an official "Position on Corporate Social Responsibility" which has been ratified by the Board and which highlights Enagás' understanding of the fact that the business success sought by it necessarily requires the ability to reconcile financial growth with environmental balance and social progress. Accordingly it attempts to advance by displaying effort, talent and innovation in managing the challenges posed by a model of sustainable development model, striving for solutions that add value for all of the Company's stakeholders, taking into consideration all the communities where it operates.

2.- At the upcoming General Shareholders' Meeting the Board plans to submit the following transcendence resolutions from the standpoint of Governance and Corporate Social Responsibility:

- The Board will submit before shareholders a proposal to appoint a new female director to substitute an outgoing director whose term has occurred. This mirrors the fact that the Appointments and Remuneration Committee has brought to the Board's attention the need to not only evaluate, under the premise of its equal opportunities policy, potential female candidates to fill Board vacancies, but also to roll out a proactive policy with a view to gradually increasing the number of female directors.
- The Company's shareholders will also be asked to ratify bylaw amendments to attribute to the Appointments and Remuneration Committee (whose name will be changed to the Appointments, Remuneration and Corporate Responsibility Committee) the added duties of setting general corporate social responsibility and corporate governance policy and overseeing the adoption and effective application of best practices, including both mandatory policies and those reflected in generally accepted recommendations in these fields. To this end, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall report on proposals submitted to the Board and on annual Company disclosures to shareholders regarding these issues.
- In terms of director pay, the Company's Board of Directors will submit before the General Shareholders' Meeting, as it does every year, detailed proposals



on remuneration for directors in their capacity as Board members. Additionally, the annual Management Report individually itemises all compensation received by all Board members, including the chief executive, in disclosures that cover all pay components.

3.- Last but not least, it so happens that the Company's shareholder composition include a significant number of institutional shareholders domiciled in countries where trends in corporate governance diverge from the standards recommended in Spain and even, in some instances, in Europe. Enagás believes that it cannot ignore these alternative corporate governance sensitivities, which it should take on board, or at least consider, in light of their importance to a constituency of its shareholders. For this reason it plans to implement the following measures:

- Upon termination of the term of office of serving independent director Antonio Téllez, the Appointments and Remuneration Committee shall propose to the Board, as soon as practicable, the appointment of another independent director to fill the vacancy that will open up in the Audit and Compliance Committee. This will ensure that the current composition of the Audit and Compliance Committee remains intact.
- In addition, also as soon as is possible, and considering the fact that the Chairman of the Company's Board is also its chief executive, the Board will be asked to designate, as already provided for in Enagás' Board Rules, an independent director that will be empowered to call a Board meeting or add items to the agenda with a view to coordinating and giving voice to the concerns of the external directors; this appointee will also oversee the Board's evaluation of its Chairman's job performance.
- Lastly, and along these same lines, the Board will also be asked to evaluate separation of the positions of Board Chairman and chief executive before the 2012 ordinary General Shareholders' Meeting.

This host of initiatives proves Enagás' real concern for corporate governance and social responsibility matters, which are reviewed continually with a view to introducing ongoing improvements.

The Secretary of the Board  
Madrid, 5 April 2010