



4.1 Good governance

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

Good governance is a primary concern for the company, as is reflected in the Enagás Sustainability and Good Governance Policy. This policy confirms that a good governance model permits us to create value in the short, medium and long term for shareholders, customers, suppliers and

other stakeholders. It also strengthens the company's control environment, reputation and credibility for third parties.

The key areas on which our governance model is structured are the company's strategy and objectives (see the chapter

'Our project for the future'), the structure and functioning of our governing bodies (independence, diversity, etc.), performance and the system of incentives for decision-making.

Milestones 2017

- ✓ Continuation of the training sessions to the Board of Directors on key financial and non-financial matters regarding the management of the company.
- ✓ Evaluation of the Board by independent external assessors.

Targets 2018

- ✓ Review of the procedure for the annual external assessment of the functioning of the Board and its Committees and publication of a summary of the results.
- ✓ Publication of the indicators and set goals linked to variable remuneration (short and long term).
- ✓ Creation of an individual matrix of the Board's competences.

23%

female members on the Board
[GRI 405-1]

18%

women in the Management Committee

13

members of the Board of Directors

54%

Independent Directors

45.6%

Quorum at 2017 GSM

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

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

Board structure: independence and diversity

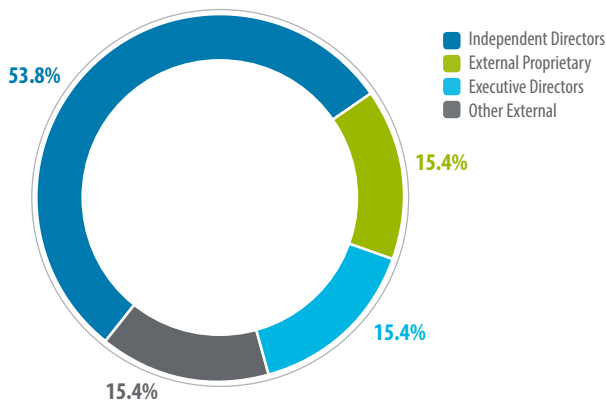
[GRI 102-18, GRI 102-22, GRI 405-1]

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

independent directors.

The Enagás Board of Directors maintains a 54% ratio of independent directors compared to the 49% of the Spanish market (Ibex 35 average).

■ Board of Directors

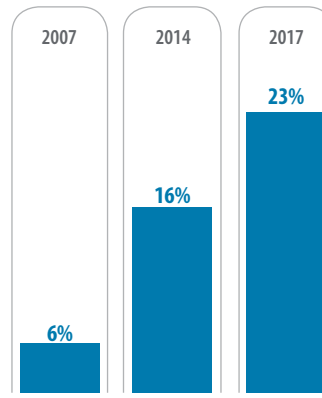


Furthermore, the policy for the selection of directors sets out the principles on which the selection processes for members of the Board of Directors:

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

The Enagás commitment to promote gender diversity on the Board is reflected in the significant increase in the ratio of female members, rising from 6% in 2007 to 23% in 2017 (above the Ibex 35 average).

■ Percentage of female members on the Board of Directors

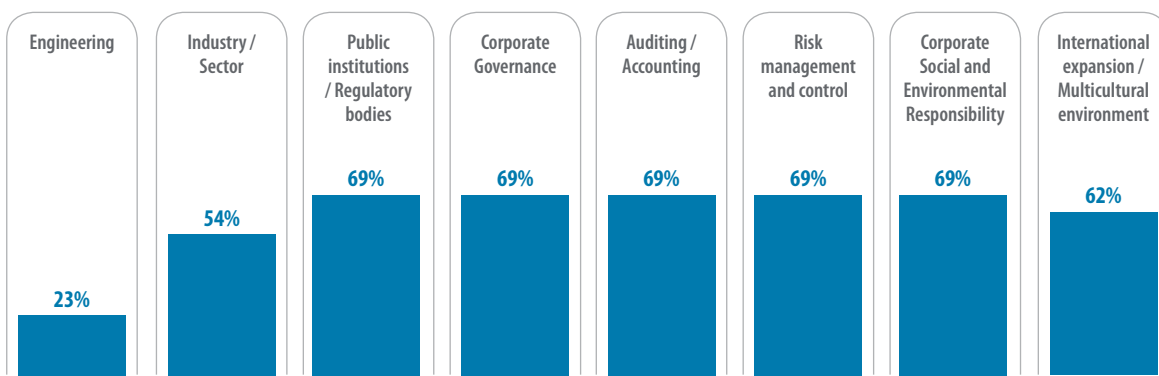


As concerns diversity of knowledge and experience, the Enagás Board of Directors was evaluated by an independent external assessor who concluded that the Board presents an appropriate balance of

knowledge and experience that allows it to fulfil the company's strategy and given the context of its markets.

For this purpose, analysis was made of the proportion of Board members with key skills and experience that will permit strategic priorities to be met:

■ Key Board competences



Moreover, the Board of Directors of Enagás covers other relevant abilities and experience for the development of the business, for instance, in the fields of

business and management, economics, legal and tax, finance and capital markets, human resources, infrastructure, information technology, and marketing and sales.

[GRI 102-18, GRI 102-22, GRI 405-1]

Functioning of the Board [GRI 102-28]

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

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

means of questionnaires completed by all members of the Board.

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

- Adequate number of meetings and time devoted to them. There were 11 meetings held in 2017, with attendance averaging 82%.

- Effective and appropriate communication between the Board of Directors and their committees and executives, and with stakeholders.

- Need to continue to strengthen certain areas of knowledge in the Board, such as technology, legal, tax, finance and strategy.

The following critical issues were dealt with by the Board of Directors in 2017: [\[GRI 102-21, GRI 102-27, GRI 102-33, GRI 102-34\]](#)

Issue	Type	Resolution
Annual risks report	Corporate Governance	Unanimously approved
Compliance model, standard and policy, crime prevention model	Corporate Governance	Unanimously approved
2017-2020 strategic reflection in line with the company's long-term view	Economic	Unanimously approved
Updating of tax policy, adherence to the Code of Good Tax Practices and inclusion in the Spanish tax department's Large Companies Forum	Economic	Unanimously approved
Monitoring of the Company's contributions to social action and corporate volunteering	Social	Unanimously approved
Corporate directives concerning diversity	Social	Unanimously approved
Corporate Directives concerning Sustainable Mobility	Environmental	Unanimously approved
Carbon offsetting strategy	Environmental	Unanimously approved

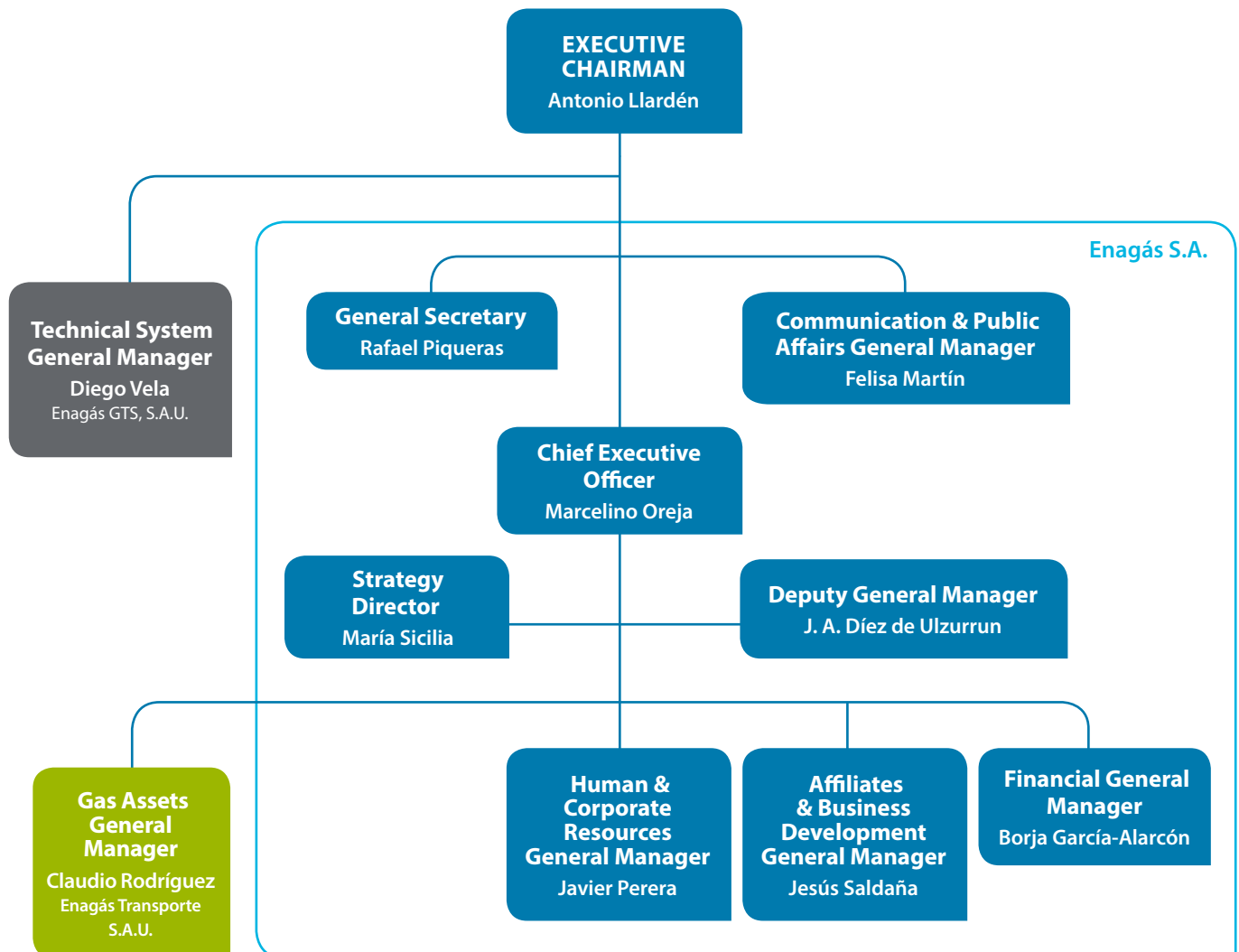
Management Committee

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

- To enhance the company's long-term orientation in order to be able to meet the different challenges faced, through importance given to the functional areas of strategy, digitalisation and services.
- Consolidation of the short-term vision, through the concentration of technical functions, guaranteeing efficiency in the regulated business and enhancing the company's technological leadership.

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

■ Management Committee



Remuneration of the Board of Directors [GRI 102-35, GRI 102-36, GRI 102-37]

The Remuneration Policy for Board of Director members for 2016, 2017 and 2018 was approved in detail by the GSM of 18 March 2016.

The Enagás Board of Directors is empowered to adopt resolutions on Director remuneration.

The Appointments, Remuneration and CSR Committee proposes the remuneration criteria, within the limits set forth in the Articles of Association and pursuant to the decisions taken at the General Shareholders' Meeting. The Committee also monitors the transparency of remuneration.

Enagás has a Long-Term Incentive Plan for 2016–2018 that fulfils the criteria of independence, stakeholder involvement the remuneration report is put to a consultative vote at the General Shareholders' Meeting) and internal and external assessment (see the chapter on ['Our project for the future'](#)).

The two executive directors and members of senior management are beneficiaries of the approved 2016–2018 long-term incentive.

The Executive Directors and Senior Management are covered by the mixed group insurance policy for pension commitments. From the premium paid in 2017, 419 thousand euros corresponded to the Executive Directors and 708 thousand corresponded to Senior Management.

The remuneration payments made to each member of the Board of Directors, as described above, without inclusion of the insurance premium, were:



■ Remuneration of the Board of Directors in 2017 [GRI 102-35]

Directors	2017	2016
Mr Antonio Llardén Carratalá (Executive Chairman) ⁽¹⁾	1,793	1,839
Mr Marcelino Oreja Arburúa (Chief Executive Officer) ⁽²⁾	818	693
Sociedad Estatal de Participaciones Industriales (Proprietary Director) ⁽⁴⁾	140	127
Mr Luis García del Río (Independent Director) ^{(3) (4)}	98	-
Mr Ramón Pérez Simarro (Independent Director) ^{(3) (4)}	37	126
Mr Martí Parellada Sabata (External Director) ⁽⁴⁾	148	142
Mr Luis Javier Navarro Vigil (External Director) ⁽⁴⁾	144	126
Mr Jesús Máximo Pedrosa Ortega (Proprietary Director) ⁽⁴⁾	144	126
Ms Rosa Rodríguez Díaz (Independent Director) ⁽⁴⁾	144	127
Ms Ana Palacio Vallelersundi (Lead Independent Director) ⁽⁴⁾	166	133
Ms Isabel Tocino Biscalorasaga (Independent Director) ⁽⁴⁾	157	139
Mr Antonio Hernández Mancha (Independent Director) ⁽⁴⁾	144	126
Mr Luis Valero Artola (Independent Director) ⁽⁴⁾	144	127
Mr Gonzalo Solana González (Independent Director) ⁽⁴⁾	144	127
Total	4,221	3,958

(1) The remuneration for the Executive Chairman for the 2017 financial year was approved in detail by the General Shareholders' Meeting on 18 March 2016, as part of the "Directors' Remuneration Policy for 2016, 2017 and 2018." In 2017, the Executive Chairman received a fixed remuneration of €1,000 thousand and a variable remuneration of €540 thousand; he also received Board meeting attendance fees of €117 thousand, as well as other items of remuneration in-kind amounting to €135 thousand (variations in in-kind remuneration with respect to prior years are due solely to differences in the value of said remuneration without him having received remuneration in-kind for other reasons). In total €1,793 thousand. He was also provided with a life insurance policy, with total premiums in the year of €20 thousands. The Group has outsourced its pension obligations with its Directors by means of a mixed group insurance policy. In addition to pension obligations, the cover provides benefits in the cases of life expectancy, death or disability. The Executive Chairman is part of the group covered by this policy: of the total premium paid for this during the year, 252 thousand euros corresponded to the Executive Chairman. The Executive Chairman is a beneficiary of the 2016-2018 Long-Term Incentive Plan approved at the General Shareholders' Meeting held on 18 March 2016. Item eight of its Agenda states that the Committee assigned him a total of 69,711 performance shares. These shares do not entail an acquisition of the shares until the end of the programme and the final remuneration depends on the level of achievement of the goals of the programme.

(2) The remuneration of the Chief Executive Officer for 2016 was approved in detail by the General Shareholders' Meeting on 18 March 2016, as part of the "Directors' Remuneration Policy for 2016, 2017 and 2018." In 2017, he received a fixed remuneration of €460 thousand and a variable remuneration of €215 thousand; he also received Board meeting attendance fees of €117 thousand, as well as other items of remuneration in-kind amounting to €26 thousand (variations in in-kind remuneration with respect to prior years are due solely to differences in the value of said remuneration without him having received remuneration in-kind for other reasons). In total €818 thousand. In addition, he was provided with a life insurance policy, with total premiums in the year of €0.2 thousands. The Chief Executive Officer is also covered by the mixed group insurance policy for pension commitments, and of the premium paid in 2017, 167 thousand euros corresponds to him. The Chief Executive Officer is a beneficiary of the 2016-2018 Long-Term Incentive Plan approved at the General Shareholders' Meeting held on 18 March, 2016. Item eight of its Agenda states that the Committee assigned him a total of 27,744 performance shares. These shares do not entail an acquisition of the shares until the end of the programme and the final remuneration depends on the level of achievement of the goals of the programme.

(3) On 31 March 2017, Mr Ramón Pérez Simarro discontinued his role as a Director and his place was taken by Mr Luis García del Río.

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

Governance model for affiliates

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

Enagás has the ability to influence decision-making through its leadership of Boards of Directors, by means of the appointment directors from managers

with broad experience in the sector and country.

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

In addition, relevant information is regularly reported to the Enagás Board of

Directors and Enagás executive directors, who are responsible for overseeing critical decisions and take part in internal committees that meet every two months.

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