

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED LIMITED COMPANIES

ISSUER'S PARTICULARS

YEAR ENDED: 31/12/2011

COMPANY TAX ID NO. (CIF): A-28294726

Corporate name: ENAGÁS, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED LIMITED COMPANIES

For a better understanding of this model report and how to fill it out, please read the instructions provided at the end.

A - OWNERSHIP STRUCTURE

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

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

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

NO

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

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ATALAYA INVERSIONES, S.R.L.	0	11,936,714	5.000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	0	11,937,395	5.000
OMAN OIL COMPANY, S.A.O.C.	0	11,936,702	5.000

Name or corporate name of indirect shareholder	Through: Name or corporate name of director	Number of direct voting rights	% of total voting rights
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Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	CANTABRICA DE INVERSIONES DE CARTERA, S.L. (CIC, S.L.)	11,937,395	5.000
ATALAYA INVERSIONES, S.R.L.	SAGANE INVERSIONES, S.L.	11,936,714	5.000
OMAN OIL COMPANY, S.A.O.C.	OMAN OIL HOLDINGS SPAIN S.L.U.	11,936,702	5.000

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

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

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. ANTONIO LLARDÉN CARRATALÁ	56,396	0	0.024
BILBAO BIZKAIA KUTXA (BBK)	0	11,936,713	5.000
MR. DIONISIO MARTÍNEZ MARTÍNEZ	2,010	0	0.001
MR. LUIS JAVIER NAVARRO VIGIL	10	7,075	0.003
MR. MARTÍ PARELLADA SABATA	910	0	0.000
MS.MARÍA TERESA GARCÍA-MILÁ LLOVERAS	1,500	0	0.001
MR. RAMÓN PÉREZ SIMARRO	100	0	0.000
SAGANE INVERSIONES, S.L.	11,936,714	0	5.000
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	11,936,713	0	5.000
MR. SULTAN HAMED KHAMIS AL BURTAMANI	1	0	0.000

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
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Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
BILBAO BIZKAIA KUTXA (BBK)	KARTERA 1, S.L.	11,936,713	5.000
MR. LUIS JAVIER NAVARRO VIGIL	NEWCOMER 2000, S.L.U.	7,075	0.003

% of total voting rights held by the Board of Directors	15,028
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Complete the following tables on share options held by directors.

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

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

Type of relationship:

Commercial

Brief description:

CREDIT POLICY AGREEMENT FOR €2,000 THOUSAND CANCELLED IN SECOND QUARTER OF 2011

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)

Type of relationship:

Commercial

Brief description:

LOAN FALLING DUE IN 2011. AMOUNT (€ THOUSAND): 30.000. CANCELLED IN SECOND QUARTER OF 2011.

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)

Type of relationship:

Commercial

Brief description:

PROVISION OF GUARANTEE LINE. AMOUNT (IN € THOUSAND): 12.000

Name or corporate name of related party
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)

Type of relationship:

Corporate

Brief description:

PAYMENT OF FINAL DIVIDEND FOR THE 2010 FINANCIAL YEAR: 6,280; PAYMENT OF INTERIM DIVIDEND FOR 2011 FINANCIAL YEAR:

4,548; TOTAL DIVIDEND FOR 2011 FINANCIAL YEAR: 10,828 (ALL AMOUNTS IN € THOUSAND).

Name or corporate name of related party
KARTERA 1, S.L.
OMAN OIL HOLDINGS SPAIN S.L.U.
SAGANE INVERSIONES, S.L.

Type of relationship:

Corporate

Brief description:

PAYMENT OF FINAL DIVIDEND FOR THE 2010 FINANCIAL YEAR: 6,281; PAYMENT OF INTERIM DIVIDEND FOR 2011 FINANCIAL YEAR: 4,548; TOTAL DIVIDEND FOR 2011 FINANCIAL YEAR: 10,829 (ALL AMOUNTS IN € THOUSAND).

Name or corporate name of related party
CANTABRICA DE INVERSIONES DE CARTERA, S.L. (CIC, S.L.)

Type of relationship:

Corporate

Brief description:

PAYMENT OF FINAL DIVIDEND FOR THE 2010 FINANCIAL YEAR: 6,280; PAYMENT OF INTERIM DIVIDEND FOR 2011 FINANCIAL YEAR: 4,548; TOTAL DIVIDEND FOR 2011 FINANCIAL YEAR: 10,828 (ALL AMOUNTS IN € THOUSAND).

Name or corporate name of related party
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)

Type of relationship:

Commercial

Brief description:

PROVISION OF GUARANTEE LINE. AMOUNT (IN € THOUSAND): 6,000.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

Type of relationship:

Commercial

Brief description:

PROVISION OF CREDIT LINE. AMOUNT (IN € THOUSAND): 25,000.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

Type of relationship:

Commercial

Brief description:

LOAN. AMOUNT (IN € THOUSAND): 100,000.

Name or corporate name of related party
BILBAO BIZKAIA KUTXA (BBK)

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

NO

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

NO

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

Not applicable.

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

NO

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

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.000

(*) Through:

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

Gain/(loss) on treasury shares during the year	0
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A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to purchase and/or transfer the treasury shares.

The Annual General Meeting of 30 April 2010 adopted the following resolution:

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

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

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

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

This authorisation for the acquisition of treasury shares shall, as appropriate, replace all authorisations previously granted by the General Shareholders' Meeting.

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

YES

Maximum percentage of legal restrictions on voting rights a shareholder can exercise	3.000
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Indicate whether there are any restrictions included in the bylaws on exercising voting rights.

YES

Maximum percentage of restrictions under the company's bylaws on voting rights a shareholder can exercise	3.000
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Description of restrictions under law or the company's bylaws on exercising voting rights
<p>There are no restrictions on the transfer of shares.</p> <p>Restrictions on voting rights:</p> <p>Additional Provision 31 of Law 34/1998, of 7 October, on the Hydrocarbons Sector, in force since the enactment of Law 12/2011, of 27 May, governing civil liability for nuclear damage or damage caused by radioactive materials, specifies in section 2 that:</p> <p>No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company (ENAGÁS S.A.), nor may they exercise voting rights in such company of over 3%. Under no circumstances may such share holdings be syndicated. Those parties that operate within the gas sector, including natural persons or bodies corporate that directly or indirectly possess equity holdings in the former of more than 5%, may not exercise voting rights of over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may equity holdings be syndicated.</p> <p>Likewise, the combined total of direct or indirect holdings owned by parties that operate within the natural gas sector may not exceed 40%.</p> <p>For the purposes of calculating the stake in that shareholding structure, in addition to the shares or other securities held or acquired by entities belonging to its same group, as defined by article 4 of the Spanish Securities Market Act 24/1988, dated 28 July, stakes shall be attributed to one and the same individual or body corporate when they are owned by:</p> <p>a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, members of the Board of Directors of a body corporate shall be deemed to act on its behalf or in a concerted fashion with it.</p> <p>b) The partners together with whom that individual or body corporate exercises control over a controlled entity under the provisions of article 4 of Act 24/1988, dated 28 July, Governing the Securities Market.</p> <p>Nevertheless, both the actual ownership of the shares and other securities and the voting rights held through any certificate shall be taken into account.</p>

Description of restrictions under law or the company's bylaws on exercising voting rights

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

In accordance with the aforementioned legal provision, article 6 bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s Articles of Association stipulates the following:

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

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

For the purposes of calculating the stake in that shareholding structure, the 20th Additional Provision of Act 34/1998 of 7 October (the Hydrocarbons Industry Act) shall apply.

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

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

YES

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

In accordance with the provisions of the Thirty-first Additional Provision of Act 34/1998, of 7 October, on the Hydrocarbons Sector, article 6 bis of the Company's Articles of Association establishes that no individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the company responsible for the technical management of the system. Under no circumstances may such share holdings be syndicated. These restrictions do not apply to direct or indirect interests held by public-sector enterprises. Under no circumstances may equity holdings be syndicated.

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

NO

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

B – COMPANY MANAGEMENT STRUCTURE

B.1 Board of Directors

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

Maximum number of directors	17
Minimum number of directors	6

B.1.2. Complete the following table with board members' details.

Name or corporate name of director	Representative	Position on the board	Date of first appointm	Date of last appointm	Election procedure
MR. ANTONIO LLARDÉN CARRATALÁ	-----	CHAIRMAN	22/04/2006	30/04/2010	VOTE AT GENERAL SHAREHOLDERS' MEETING
BILBAO BIZKAIA KUTXA (BBK)	MR. JOSEBA ANDONI AURREKOETXEA BERGARA	DIRECTOR	28/11/2007	25/04/2008	CO-OPTION
MR. DIONISIO MARTÍNEZ MARTÍNEZ	-----	DIRECTOR	31/05/2002	30/04/2010	VOTE AT GENERAL SHAREHOLDERS' MEETING
MS. ISABEL SÁNCHEZ GARCÍA	-----	DIRECTOR	30/04/2010	30/04/2010	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. JESÚS DAVID ÁLVAREZ MEZQUÍRIZ	-----	DIRECTOR	25/04/2003	25/03/2011	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. JOSÉ RIVA FRANCOS	-----	DIRECTOR	31/05/2002	30/04/2010	VOTE AT GENERAL SHAREHOLDERS' MEETING

Name or corporate name of director	Representative	Position on the board	Date of first appointm	Date of last appointm	Election procedure
MR. LUIS JAVIER NAVARRO VIGIL	-----	DIRECTOR	09/07/2002	25/03/2011	CO-OPTION
MR. MARTÍ PARELLADA SABATA	-----	DIRECTOR	17/03/2005	27/03/2009	CO-OPTION
MARÍA TERESA GARCÍA-MILÁ LLOVERAS	-----	DIRECTOR	22/04/2006	30/04/2010	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. MIGUEL ÁNGEL LASHERAS MERINO	-----	DIRECTOR	22/04/2006	30/04/2010	VOTE AT GENERAL SHAREHOLDERS' MEETING
PEÑA RUEDA, S.L. UNIPERSONAL	MR. MANUEL MENÉNDEZ MENÉNDEZ	DIRECTOR	30/04/2004	25/04/2008	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. RAMÓN PÉREZ SIMARRO	-----	DIRECTOR	17/06/2004	27/03/2009	CO-OPTION
SAGANE INVERSIONES, S.L.	MR. CARLOS EGEA KRAUEL	DIRECTOR	27/04/2009	30/04/2010	CO-OPTION
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	MR. ENRIQUE MARTÍNEZ ROBLES	DIRECTOR	25/04/2008	25/04/2008	VOTE AT GENERAL SHAREHOLDERS' MEETING
MR. SULTAN HAMED KHAMIS AL BURTAMANI	-----	DIRECTOR	21/12/2010	25/03/2011	CO-OPTION

Total number of directors	15
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Indicate any board members who left during this period.

Name or corporate name of director	Status of the director at the time	Leaving date
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	PROPRIETARY	21/02/2011

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

EXECUTIVE DIRECTORS

Name or corporate name of director	Committee proposing appointment	Post held in the company
ANTONIO LLARDÉN CARRATALÁ	NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	CHAIRMAN

Total number of executive directors	1
% of the board	6.667

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Committee proposing appointment	Name or corporate name of significant shareholder represented or proposing appointment
BILBAO BIZKAIA KUTXA (BBK)	APPOINTMENTS AND REMUNERATIONS COMMITTEE	BILBAO BIZKAIA KUTXA (BBK)
PEÑA RUEDA, S.L. UNIPERSONAL	APPOINTMENTS AND REMUNERATIONS COMMITTEE	CANTABRICA DE INVERSIONES DE CARTERA, S.L. (CIC, S.L.)
SAGANE INVERSIONES, S.L.	NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	SAGANE INVERSIONES, S.L.
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	APPOINTMENTS AND REMUNERATIONS COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)
MR. SULTAN HAMED KHAMIS AL BURTAMANI	NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	OMAN OIL HOLDINGS SPAIN S.L.U.

Total number of proprietary directors	5
% of the board	33.333

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director

MR. DIONISIO MARTÍNEZ MARTÍNEZ

Profile

- Independent director of Enagás and Chairman of Enagás Appointments, Remuneration and Corporate Responsibility Committee.
- Lawyer.
- Member of the General Codification Committee.
- Former partner of the GARRIGUES LAW FIRM.
- Former Head of Corporate Affairs at TABACALERA.
- Former Director of TELEFÓNICA DE ESPAÑA.
- Former Director of IBERIA, LÍNEAS AÉREAS.

Name or corporate name of director

MR. ISABEL SÁNCHEZ GARCÍA

Profile

- Independent Director of Enagás and member of the Enagás Audit and Compliance Committee.
- Vice-rector and Director of the Bachelor's Programme In Business Administration, Instituto De Empresa (IE)
- Former Director of Competition Development at the Spanish Anti-Trust Regulator.
- Former Consultant, Private Sector and Energy Development Department, Latin America and the Caribbean, World Bank.
- Former Director of the Office of the Secretary of State for Scientific and Technological Policy, Spanish Ministry of Science and Technology.

Name or corporate name of director

MR. JESÚS DAVID ÁLVAREZ MEZQUÍRIZ

Profile

- Independent Director of Enagás.
- Chairman of Biocarburantes Peninsulares, S.L.
- Director of EULEN, S.A.

Name or corporate name of director

MR. JOSÉ RIVA FRANCOS

Profile

- Independent Director of Enagás and Chairman of the Enagás Audit and Compliance Committee.
- Deputy-chairman of SUARDIAZ Group.
- Director of LOGISTA, S.A.
- Director of GARANAIR, S.L.

Name or corporate name of director

MR. MARTÍ PARELLADA SABATA

Profile

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

Name or corporate name of director

MR. MARÍA TERESA GARCÍA-MILÁ LLOVERAS

Profile

- Independent Director of Enagás and member of Enagás Appointments, Remuneration and Corporate Responsibility Committee
- Professor of Economics and Head of the Department of Economics and Business at the Pompeu Fabra University.
- Director of BANCO SABADELL.
- Member of BANC SABADELL Audit and Control Committee and the Delegate Committee for Risk Management
- Member of the Círculo de Economía.
- Board Member of the Centre de Recerca en Economia Internacional (CREI).

Name or corporate name of director

MR. MIGUEL ÁNGEL LASHERAS MERINO

Profile

- Independent Director of Enagás.
- Consultant for OTR Energía S.L.
- Former Executive Chairman of Intermoney Energía S.A. and Wind to Market S.A.
- Former director of National Electricity System Commission..
- Former Director General of Institute of Fiscal Studies.
- Former director of AVIACO.
- Former director of MUSINI.

Name or corporate name of director

MR. RAMÓN PÉREZ SIMARRO

Profile

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

Total number of independent directors	8
% of the board	53.333

OTHER EXTERNAL DIRECTORS

Name or corporate name of director	Committee proposing appointment
MR. LUIS JAVIER NAVARRO VIGIL	NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Total number of other external directors	1
% of the board	6.667

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

Name or corporate name of director

MR. LUIS JAVIER NAVARRO VIGIL

Company, executive or shareholder with whom the relationship is maintained

BP ESPAÑA, S.A.U.

Reasons

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

Nonetheless, it was decided to classify MR. LUIS JAVIER NAVARRO VIGIL under the category of "Other External Directors" as he did not meet all the conditions required to be classified as an "Independent Director" as stipulated by the "Unified Good Governance Code" related to Order ECO/3722/2003 of 26 December and CNMV Circular 4/2007 of 27 December.

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

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

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

NO

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

YES

Name of director

CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

Reasons for resignation

BANCAJA tendered its resignation as a legal person director of Enagás, S.A. at the Board meeting on 21 February 2011. It was a Proprietary Director represented by Mr. José Luis Olivas Martínez as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás S.A. As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance Committee.

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

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

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

Name or corporate name	Name of listed company	Post
MS. MARÍA TERESA GARCÍA-MILÁ LLOVERAS	BANCO DE SABADELL, S.A.	DIRECTOR

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

NO

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

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

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

a) In the reporting company:

Concept	In thousands €
Fixed remuneration	960
Variable remuneration	554
Per diems	1,086
Statutory compensation	0
Share options and/or other financial instruments	0
Other	65

Total	2,665
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Other benefits	In thousands €
Advances	0
Loans	0
Funds and pension plans: Contributions	10
Funds and pension plans: Obligations	0
Life insurance premiums	34
Guarantees issued by the company in favour of directors	0

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

Concept	In thousands €
Fixed remuneration	0
Variable remuneration	0

Concept	In thousands €
Per diems	0
Statutory compensation	0
Share options and/or other financial instruments	0
Other	0

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

c) Total remuneration by type of director:

Type of director	By company	By group
Executive Directors	1,642	0
External Proprietary Directors	365	0
External Independent Directors	582	0
Other External Directors	76	0
Total	2,665	0

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

Total remuneration received by directors (in thousands €)	2,665
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Total remuneration received by directors/profit attributable to parent company (%)	0.7
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B.1.12. List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Post
MR. DIEGO DE REINA LOVERA	FINANCIAL DIRECTOR
MR. RAMÓN SÁNCHEZ VALERA	GENERAL DIRECTOR OF INFRASTRUCTURE DEPARTMENT AND THIRD-PARTY ACCESS (TPA)
MR. FRANCISCO JAVIER GONZÁLEZ JULIÁ	GENERAL DIRECTOR OF TECHNICAL MANAGEMENT OF THE SYSTEM AND OPERATIONS OFFICER
MR. JUAN ANDRÉS DÍEZ DE ULZURRUN MORENO	GENERAL DIRECTOR OF TECHNOLOGY, ENGINEERING AND PURCHASES
MR. ERUNDINO NEIRA QUINTAS	HEAD OF RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY
MR. JUAN PONS GUARDIA	GENERAL MANAGER OF STRATEGY AND REGULATION
MR. RAFAEL PIQUERAS BAUTISTA	GENERAL SECRETARIAT
MR. JOSÉ MANUEL CASTRO DEL REAL	INTERNAL AUDIT

Total remuneration received by senior management (in thousands €)	2,133
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B.1.13 Identify, in aggregate terms, any indemnity or “golden parachute” clauses that exist for members of the senior management (including executive directors) of the company or of its group in the event of dismissal or changes in control. Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group.

Number of beneficiaries	8
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	Board of Directors	General Shareholders' Meeting
Body authorising clauses	YES	NO

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

**Procedures for establishing board members' remuneration and relevant provisions
in the bylaws**

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

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

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

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

Remuneration established herein shall be compatible with and independent from salaries, wages, indemnifications, pensions or compensations of any type established in general or in particular for those members of the Board of Directors who are linked to the company through a normal labour relationship, special senior manager contract, or a contract for services. Such relationships must be compatible with the position of member of the Board of Directors. Directors shall be entitled to the payment or reimbursement of expenses incurred as a result of attendance at meetings and other tasks directly related to the performance of their duties, such as travel, accommodation, meals and any other which may arise.

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

Likewise, article 16 of the Regulations of the Board of Directors stipulates that the Nomination, Remuneration and Corporate Social Responsibility Committee establish payment criteria for Company Directors, within the scope of the Company's Articles of Association and in accordance with resolutions of the General Meeting, while the Board of Directors is responsible for final distribution of the overall sum within the limits established by the Articles of Association for this purpose. The Board of Directors may, on an annual basis, delegate the powers conferred upon it in respect of the remuneration of Directors to the Nomination and Remuneration Committee, subject to the restrictions laid down in the Articles of Association.

Payments to Directors shall be transparent. The Notes to the financial statements, as an integral part of the financial statements, shall include accurate, detailed information on the remuneration received by each Director, and on the remuneration received by Executive Directors for performing senior management functions. This information will also be included in the Annual Corporate Governance Report.

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

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

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

YES

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

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

YES

Issues covered in the remuneration policy report
In accordance with the provisions of article 36 of the Company's Articles of Association, the Company's Board of Directors each year proposes to shareholders at the General Meeting the maximum compensation that should be paid to Directors for performance of their functions, as well as the breakdown between remuneration for attendance and membership of Board Committees, remuneration for Chairing said Committees and remuneration for serving as Vice-Chairman of the Board.
The remuneration paid to the Chairman for performance of his executive functions is approved by the Board of Directors.

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

Have external consultancy firms been used?	NO
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Identity of external consultants

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

Name or corporate name of director	Name or corporate name of significant shareholder	Post
MR. SULTAN HAMED KHAMIS AL BURTAMANI	OMAN OIL COMPANY, S.A.O.C.	PROJECT MANAGER OF BUSINESS DEVELOPMENT

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

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

NO

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

APPOINTMENT OF DIRECTORS:

Pursuant to Article 8 of the Board Regulations, Enagás, S.A. Directors shall be appointed by the General Meeting or by the Board of Directors, in conformity with the provisions contained in the Spanish Companies Act and the Company Articles of Association.

Appointees for Directorships must be persons who, in addition to satisfying the requirements for office under the law and the Articles of Association, have recognised prestige and the professional expertise and experience appropriate to the performance of their duties.

Any nomination for a Directorship which the Board lays before the General Meeting and any appointment made by the Board in the exercise of its statutory powers of co-option must be preceded by an appropriate proposal from the Nomination and Remuneration Committee.

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

The process of filling *Board* vacancies has no implicit bias against women **Candidates**; The Company makes a conscious effort to include women with the target profile among the candidates for board places.

Special mention should be made of the specific requirements that have been established to ensure the impartiality and independence of Independent Directors appointed to the Board, which are set out in article 9 of the Regulations of the Board of Directors: Independent Directors are defined as those who, appointed based on their personal and professional aptitudes, may perform their duties without being affected by dealings with the Company, its Significant Shareholders or its Executives. Under no circumstances may the following be classified as Independent Directors:

- a) Persons who have been employed by or served as Executive Directors of Group companies, unless three or five years, respectively, have lapsed since the termination of said relationship.
- b) Persons who receive any sum or benefit other than Director's remuneration from the Company or its Group, unless such benefit is negligible. Dividends and pension supplements received by a Director on account of his/her prior professional or employment relationship shall not be taken into account for purposes of this section provided that such supplements are unconditional and, consequently, the company providing them may not, on a discretionary basis, suspend, modify or revoke any accrual thereof, without incurring a breach of obligations.
- c) Persons who are, or have been during the past three years, a partner of the external auditor or party responsible for the auditor's report reviewing the accounts of Enagás, S.A. or any other Group company for that period.
- d) Persons who are executive directors or senior managers of another company where an Executive Director or Senior manager of Enagás, S.A. is an External Director.
- e) Persons who maintain, or have maintained in the past year, a significant business relationship with Enagás, S.A. or any other Group company, whether on his/her own behalf or as a significant shareholder, director or senior manager of any company that maintains or has maintained such relationship. Business relationships shall be defined as relationships whereby the company serves as a provider of goods or services, including those of a financial nature, or as an advisor or consultant.
- f) Persons who are Significant Shareholders, Executive Directors or Senior Managers of any entity that receives, or has received during the past three (3) years, significant gifts from Enagás, S.A. or its Group. Patrons or trustees of any foundation that receives donations shall not be included under this section.
- g) Spouses, partners or relatives up to the second degree of any of the Company's Executive Directors or Senior Managers.
- h) Persons who have not been nominated, whether for appointment or renewal, by the Nomination and Remuneration Committee.
- i) Persons who, in respect of a significant shareholder or one represented on the Board, find themselves in any of the circumstances described under a), e), f) or g). In the event of kinship as described under letter g), this limitation shall apply not only in respect of the shareholder, but also in respect of its proprietary directors at the investee. Proprietary Directors who lose their status as such as a result of the sale of their interest by the shareholder that they represented may only be re-elected as Independent Directors if the shareholder that they represented until that time has sold all of its shares in the Company.

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

RE-ELECTION:

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

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

APPRAISAL:

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

REMOVAL AND DISMISSAL:

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

The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the board, based on a proposal from the Nomination Committee.

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

In accordance with Corporate Governance recommendations, article 12 of the Regulations of the Board of Directors stipulates that:

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

- a) When they are involved in any of the statutory circumstances of incompatibility or prohibition.
- b) When they are in serious breach of their duties as Directors.
- c) When they may put the interests of the Company at risk or damage its credibility and reputation. The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.
- d) When the reason for which they were appointed as Directors no longer holds.
- e) When Independent Directors cease to meet the conditions established under article 9.
- f) When the shareholder represented by a Proprietary Director sells its entire interest. They shall also do so, in the appropriate number, when that shareholder reduces its stake to a level requiring a reduction in the number of its Proprietary Directors.

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

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

After a Director resigns from his/her post, he/she may not work for a competitor for a period of two (2) years, unless exempted from this duty or the duration of the duty is shortened by the Board of Directors.

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

YES

Measures for limiting risk

The Chairman of the Board of Directors exercises the functions of chief executive of the Company. In addition to the powers and duties attributed to him/her by law and the Articles of Association, the Chairman shall exercise the management in practice of the Company's affairs, always in accordance with the decisions and criteria laid down by the General Meeting and the Board of Directors in their respective spheres of authority.

Measures for limiting risk

However, the Board of Directors' Regulations contain a detailed list of issues which must be presented to the Board; in general terms, the Board retains sole authority on operations valued at over €3 million. Similarly, Enagás internal regulations on investment and tendering also reserve decision making powers for the Board for sums of over €3 million.

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

YES

Explanation of rules

Article 17 of the Regulations of the Board of Enagás, S.A. stipulates that, if the Chairman of the Board is also the Company's Chief Executive, the Board may give powers to one of the Independent Directors to demand that a Board meeting be convened or that additional items of business be included on the Agenda, to collate and voice the concerns of External Directors, and to direct the Board's assessment of the Chairman's performance.

Since 2010 the Chairman of the Appointments, Remuneration and Corporate Responsibility Committee has had powers to call board meetings or include new items on the Agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.

B.1.22. Are qualified majorities, other than legal majorities, required for any type of decisions?

NO

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

Description of resolution:

All resolutions

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

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

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

NO

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

NO

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

NO

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

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

YES

Maximum number of years in office	12
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B.1.27 If there are few or no female directors, explain the reasons and describe the initiatives adopted to remedy this situation.

Explanation of reasons and initiatives
<p>Enagás is aware that it must continue to encourage and facilitate the presence of women in the event of any vacancy arising on the Board, particularly for Independent Directorships. In 2011 MS. ISABEL SÁNCHEZ GARCÍA was appointed to the Audit and Compliance Committee as an Independent Director, in line with the Company's commitment to increase the number of women in its Governing Bodies.</p> <p>This development was consistent with article 8 of the Regulations of the Board of Directors. The process of filling Board vacancies has no implicit bias against women candidates. The Company makes a conscious effort to include women with the target profile among the candidates for board places.</p>

Explanation of reasons and initiatives
At present two (2) of a total of fifteen (15) members of the Board of Directors are women, MS. MARÍA TERESA GARCÍA-MILÁ LLOVERAS and MS. ISABEL SÁNCHEZ GARCÍA. There is also one woman member of the Audit and Compliance Committee, ISABEL SÁNCHEZ GARCÍA.

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

YES

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

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

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

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

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

Number of Board meetings	11
Number of Board meetings held in the absence of its Chairman	0

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

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

Number of meetings of the Appointments and Remunerations Committee	6
Number of meetings of the Appointments Committee	0
Number of meetings of the Remunerations Committee	0

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

Number of non-attendances by directors during the year	27
% of non-attendances of the total votes cast during the year	16.000

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

YES

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

Name	Post
MR. DIEGO DE REINA LOVERA	FINANCIAL DIRECTOR
MR. ANTONIO LLARDÉN CARRATALÁ	CHAIRMAN

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

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

Article 5, paragraph c) of the Regulations of the Board of Directors states that among the functions of the Board of Directors regarding the Annual Financial Statements are the following:

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

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

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

contrary view, it shall publicly explain the content and extent of the discrepancy.

Article 7, paragraph c) of the Audit and Compliance Committee Regulations states that said Committee shall serve “as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each audit and the management team’s responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.

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

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

NO

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

Appointment and removal procedure
Article 20 of the Regulations of the Board of Directors details the procedures for the appointment and dismissal of the Secretary of the board. The Secretary to the Board of Directors shall be appointed by the Board and need not be a Director. The Secretary shall exercise the functions conferred upon such position under commercial law and in these Rules and Regulations. To ensure the independence, impartiality and professionalism of the Secretary, his/her appointment and removal shall be the subject of a prior report from the Nomination and Remuneration Committee and must be approved by the Board in plenary session. Article 25 of the aforementioned Regulations also establishes that, the functions of the Nomination, Remuneration and Corporate Social Responsibility Committee shall include reporting on the appointment and dismissal of the Secretary of the Board of Directors.

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

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

YES

Remarks
<p>In accordance with article 20.3 of the Regulations of the Board, the Secretary shall also be responsible for the formal and substantive legality of the Board of Directors' actions and ensure that its governing procedures and rules are respected and regularly revised. In particular he/she shall ensure that the actions of the Board:</p> <p>a) Adhere to the spirit and Letter of primary enactments and their implementing Regulations, including those issued by Regulatory Agencies.</p> <p>b) Comply with the Company Bylaws and the Regulations of the General Shareholders' Meeting, the Board of Directors and others;</p> <p>c) Are informed by those Good Governance Recommendations that the Company has subscribed to.</p>

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

Measures in aid of preserving auditor independence:

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

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

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

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

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

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

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

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

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

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

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

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

NO

Outgoing auditor	Incoming auditor

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

NO

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

YES

	Company	Group	Total
Amount of non-audit work (in thousands €)	483	0	483
Amount of non-audit work as a % of the total amount billed by the audit firm	27.370	0.000	27.220

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

NO

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

	Company	Group
Number of consecutive years	8	8

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	30.0	30.0

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

Name or corporate name of director	Corporate name of the company in question	% share	Post or duties
BILBAO BIZKAIA KUTXA (BBK)	IBERDROLA, S.A.	5.000	-----
BILBAO BIZKAIA KUTXA (BBK)	GAS NATURAL -FENOSA, S.A.	0.110	-----
MR. LUIS JAVIER NAVARRO VIGIL	BP, PLC	0.000	-----
MR. LUIS JAVIER NAVARRO VIGIL	E.ON RENOVABLES S.L.U.	0.000	DIRECTOR
MR. LUIS JAVIER NAVARRO VIGIL	BP ESPAÑA, S.A.	0.000	DIRECTOR
MR. LUIS JAVIER NAVARRO VIGIL	E.ON ESPAÑA, S.L.U.	0.000	DIRECTOR
MR. LUIS JAVIER NAVARRO VIGIL	TERMINAL DE LNG DE ALTAMIRA, S. DE R.L. DE CV	-----	DIRECTOR
MR. SULTAN HAMED KHAMIS AL BURTAMANI	INFRAESTRUCTURAS DE GAS	0.000	DIRECTOR
MR. SULTAN HAMED KHAMIS AL BURTAMANI	SAGGAS-PLANTA DE REGASIFICACIÓN DE SAGUNTO, S.A.	0.000	DIRECTOR
MR. SULTAN HAMED KHAMIS AL BURTAMANI	OMAN OIL COMPANY, S.A.O.C.	0.000	PROJECT MANAGER OF BUSINESS DEVELOPMENT

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

YES

Details of procedure
Article 15 of the Regulations of the Board stipulates that Directors shall further be entitled to propose to the Board of Directors the engagement, at the Company's expense, of legal, accounting, technical, financial

Details of procedure
<p>commercial or any other type of experts deemed necessary for the interests of the Company, for the purpose of assisting the Board in performing its duties when there are specific problems of a certain importance and complexity linked to such performance.</p> <p>The proposal must be communicated to the Chairman of the Board via the Secretary of the Board. The Board of Directors may withhold its approval when it considers that such services are unnecessary for the duties with which they are entrusted, or disagrees with the cost (disproportionate in relation to the problem and assets and revenues of the Company) or believes that such technical assistance can be adequately provided by experts and technicians from within the Company.</p> <p>The Company shall organise induction programmes for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. It shall also offer Directors refresher courses when circumstances so dictate.</p>

B.1.42 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies.

YES

Details of procedure
<p>Article 6 of the Regulations of the Board of Directors governs the procedure to ensure that Directors have the necessary information to prepare meetings of the Board of Directors with sufficient time. The aforesaid article establishes that:</p> <p>Notices convening ordinary sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, may be effected by any channel, and shall specify the meeting venue and Agenda.</p> <p>The notice of meeting, which other than in exceptional circumstances shall be issued at least three (3) days in advance of the intended date of the meeting, shall contain all information and documents thought appropriate or relevant for Directors to be properly informed.</p> <p>The power to set the Agenda of a meeting rests with the Chairman, but any Director may request in advance of the calling of such meeting that there be added to the agenda any items which in his/her view ought to be addressed by the Board.</p> <p>In practice, the convening notice shall be issued a week before the meeting and, in addition to the meeting venue and the agenda, shall include all documentation considered appropriate or relevant.</p>

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

YES

Details of rules
<p>Pursuant to Corporate Governance recommendations, article 12 of the Regulations of the Board of Directors establishes that Directors place their offices at the Board of Directors' disposal, and tender their resignation, if the Board deems</p>

Details of rules
fit, when they may put the interests of the Company at risk or damage its credibility and reputation. The moment a Director is indicted or tried for any of the offences stated in article 124 of the Companies Act, the Board shall examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not the Director shall be called on to resign.

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

NO

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

NO

Decision	Explanation

B.2 Committees of the Board of Directors

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

AUDIT AND COMPLIANCE COMMITTEE

Name	Post	Type
MR. JOSÉ RIVA FRANCOS	CHAIRMAN	INDEPENDENT DIRECTOR
MS. ISABEL SÁNCHEZ GARCÍA	MEMBER	INDEPENDENT DIRECTOR
MR. LUIS JAVIER NAVARRO VIGIL	MEMBER	OTHER EXTERNAL
MR. MARTÍ PARELLADA SABATA	MEMBER	INDEPENDENT DIRECTOR
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	MEMBER	PROPRIETARY

NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Name	Post	Type
MR. DIONISIO MARTÍNEZ MARTÍNEZ	CHAIRMAN	INDEPENDENT DIRECTOR
BILBAO BIZKAIA KUTXA (BBK)	MEMBER	PROPRIETARY
MS. MARÍA TERESA GARCÍA-MILÁ LLOVERAS	MEMBER	INDEPENDENT DIRECTOR
MR. RAMÓN PÉREZ SIMARRO	MEMBER	INDEPENDENT DIRECTOR
SAGANE INVERSIONES, S.L.	MEMBER	PROPRIETARY

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

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

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

Committee name

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Regulations for the Audit and Compliance Committee were approved at the meeting of the Board of Directors of 19 February 2004. They are designed to provide the Committee with an organisational and operational framework that enables it to operate as an independent and transparent body, and thereby comply with the regulations contained in article 44 of the Company's Articles of Association and article 26 of the Regulations Governing the Organisation and Operation of the Board of Directors. At its meeting of 29 March 2007, the Board amended article 26 of the Regulations of the Board of Directors to incorporate as many of the recommendations of the Unified Code as possible and thus also amended the Regulations of the Audit and Compliance Committee to bring them in line with changes made to the Regulations of the Board of Directors.

- The Audit and Compliance Committee is comprised of (5) five members, which is within the limits established in article 44 of the Company's Articles of Association and article 3 of the Audit and Compliance Committee Regulations, which set a minimum of (3) three and maximum of (5) five members, appointed by the Board of Directors. (3) Three of the Committee's members -including the Chairman- are Independent Directors, (1) one are Proprietary Directors, and the (5) fifth is classified as "Other External Director".

- Article 3 of the Regulations of the Audit and Compliance Committee states that none of its members may be Executive Directors, in order to preserve the transparency and objective nature of its decisions, and the parity between Proprietary and Independent Directors must be maintained. The aforesaid article also stipulates that the Chairman of the Board of Directors and members of other committees may not sit on the Audit and Compliance Committee.

- As established in article 4 of the Committee Regulations, the term of a Committee member shall be the same as the term of office for a Directorship. On ceasing to be a Director, a Committee member's period of service is automatically concluded. Serving Directors may cease to be Committee members at any time the Board of Director so decide. The foregoing notwithstanding the Committee Chairman shall be replaced every (4) four years. A former Chairman may be re-elected after the lapse of (1) one year from his vacating office. The foregoing shall be without prejudice to an outgoing Chairman remaining on the Committee if so resolved by the Board of Directors on adequately reasoned grounds.

- The remuneration of Committee members, as provided for in article 5 of the Committee Regulations, will be approved as established in the Articles of Association and the Rules and Regulations of Board of Directors for the setting of remuneration to Directors, subject to the same requirements of public disclosure.

- In the exercise of his office, a Committee member, as provided for in article 6 of the Committee Regulations, shall be under the same duties and subject to the same principles of action as those prescribed for Directors in the Articles of Association, the Rules and Regulations of the Board of Directors and current legislation.

- In keeping with article 8 of its Regulations, the Committee must meet at least (4) four times a year and the Chairman shall call as many further meetings as he/she believes are required for the Committee to discharge its duties. In 2011, the Committee met six (6) times.

- The tasks to be performed by the Audit and Compliance Committee are set out in article 44 of the Company's Articles of Association article 26 of the Regulations of the Board of Directors and article 7 of the Committee Regulations.

- The chief purposes of the Committee are to evaluate the Company's accounting verification system, ensure the independence of the External Accounts Auditor, review the internal control system, safeguard the transparency of information, and ensure compliance with internal rules of conduct.

- To fulfil these objectives, in addition to the functions established by law for the Audit and Compliance Committee, the Committee shall have the following duties:

a) In relation to the financial statements:

- Overseeing the preparation process and monitoring the integrity of financial information on the Company and, where relevant, the Group, and checking compliance with regulatory requirements, the due definition of the scope of consolidation and correct application of accounting principles.

- Providing information on the financial statements prior to their authorisation for issue by the Board of Directors. In its Report, the Committee shall include the information that it deems necessary on the application of accounting criteria, internal control systems and any other relevant facts.

The Board of Directors must properly explain any departure from the Audit and Compliance Committee's prior Report in the financial statements finally authorised for issue.

- Examining the information on the Company's activities and results that is produced regularly in compliance with securities market regulations, and ensuring that such information is transparent and accurate.

b) In relation to Internal Audits:

- Monitoring the independence of the Internal Audit unit.

- Supervising the Company's Internal Audit services and verifying the internal control systems, in order to achieve

optimum monitoring of the execution of the Annual Internal Audit.

In particular, the Committee shall monitor the quality of the work of the internal audit unit in areas including: accuracy and integrity of information, compliance with policies, plans, legislation and standards and asset protection measures. The Committee shall have full access to Internal Audit systems and shall meet regularly, in plenary session or through its Chairman, with the Internal Audit Manager, from whom it may request all the information necessary for its work.

- Providing information and putting forward proposals to the Board of Directors regarding the selection, appointment, reappointment and dismissal of the head of Internal Audit.

c) In relation to External Audits:

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

- Liaising with the External Auditors to obtain information on any issues that could compromise the latter's independence or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the Annual Audit Process and in technical auditing standards.

- Taking receipt of the external auditor's regular reports on the Audit Programme and results of its execution, and ensuring that senior management takes account of its recommendations.

- Serving as a channel for communications between the Auditors and the Board of Directors, evaluating the results of each Audit, and the management team's responses to its recommendations, and mediating and arbitrating in the event of disagreement between the two concerning the principles and criteria to be applied in the preparation of the financial statements.

- Overseeing the execution of contracted audit work and ensuring that the auditor's opinion on the Financial Statements and the main contents of the Auditors' Report are written clearly and accurately.

- Providing information on non-Auditing contracts between the Company and the Accounts Auditors.

- Ensuring that the External Accounts Auditor is provided with access to all the information necessary for him/her to do his/her work.

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

- Identifying and analysing, in conjunction with the Internal and External Auditors, the main risks to which the Company is exposed, and, in particular, those affecting its financial position.

- Producing a risk assessment report for the Board of Directors.

- Proposing, where appropriate, to the Board of Directors measures required to manage, mitigate or prevent risks detected.

Establishing, if the Committee thinks fit for the purposes of risk of detection, and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

NOTE: DUTIES e) and f) are detailed in section G1) CLARIFICATION OF SECTION B.2.3.

Committee name

NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Brief description

- It should be noted that the Nomination, Remuneration and Corporate Social Responsibility Committee has no specific regulations, as it is sufficiently regulated under article 25 of the Regulations of the Board of Directors and article 45 of the Company's Articles of Association, which was altered at the General Meeting of 30 April 2010.

- The Nomination, Remuneration and Corporate Social Responsibility Committee comprises five (5) members appointed by the Board of Directors, which is within the limits established in the Company's Articles of Association and the Regulations of the Board, which set a minimum of three (3) and maximum of five (5) members.

- It comprises mainly Independent Directors, as dictated in the Company's Articles of Association and the Regulations of the Board. Three (3) of the Committee's members, including the Chairman, are Independent Directors and two (2) are Proprietary Directors.

- On 28 June 2010, MR. DIONISO MARTÍNEZ MÁRTINEZ was appointed Chairman of the Nomination, Remuneration and Corporate Responsibility Committee as Independent Leader Director, with powers to call board meetings or include new items on the agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.

- Pursuant to article 25 of the Regulations of the Board of Directors, the Appointments and Remunerations

Committee must meet at least four (4) times a year. In 2011, the Committee met six (6) times.

- The duties of the Nomination, Remuneration and Corporate Social Responsibility Committee are detailed in article 45 of the Company's Articles of Association and article 25 of the Regulations of the Board of Directors and are as follows:

1. To establish remuneration criteria for the Company's Directors, in accordance with the stipulations of the Articles of Association and in line with resolutions passed at the General Meeting, and to ensure that remuneration is transparent.
2. To establish a general remuneration policy for Enagás, S.A. Management personnel, providing a rationale to the Board of Directors, and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has appropriate highly qualified staff for administering its business at all times.
3. To review the structure of the Board of Directors, the criteria for the renewal of Directors required under the Bylaws, the addition of new members and any other aspects relating to its composition that it deems appropriate, providing the Board of Directors with the proposals that it considers necessary.
4. To report on the appointment and dismissal of the Secretary of the Board of Directors.
5. To inform the Board of Directors, prior to approval, of transactions that Directors wish to undertake that imply or may imply a conflict of interest, in accordance with the stipulations of the Code of Conduct regarding the securities market.
6. To formulate and revise the criteria to be followed in the composition of the Board of Directors and for the selection of the candidates proposed for the office of Director.
7. To provide information, objectively and in the Company's interest, concerning the proposals for appointment, re-election and ratification of Directors, as well as for the appointment of members of Board Committees.
8. To formulate proposals to the Board of Directors regarding the Company's organisational structure, including the creation of senior management posts in order to achieve improved and more efficient Company administration.
9. To produce reports on intended appointments and dismissals of Senior Management Staff, and, where necessary, approve special terms in their contracts.
10. To approve the remuneration of Senior Management, providing that this does not diverge from criteria established in the general remuneration policy for executives.
11. To report to the Board of Directors on any Related-Party Transactions before authorisation thereof. Under no circumstances shall any such transaction be authorised without a prior report evaluating the transaction from the point of view of arm's length conditions. If the transactions are ordinary, a generic authorisation of the type of transaction and its terms and conditions shall suffice.
12. To report to the Board of Directors on measures to be taken in the event of breach of these Regulations or the Internal Code of Conduct on matters relating to the Securities Markets on the part of Directors or other persons subject to those rules. In performing this duty, the Nomination and Remuneration Committee shall work in conjunction with the Audit and Compliance Committee wherever appropriate.

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

Committee name

AUDIT AND COMPLIANCE COMMITTEE

Brief description

TASKS 1 TO 18 LISTED IN SECTION B.2.3 OF THIS REPORT.

Committee name

NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Brief description

TASKS 4 TO 11 LISTED IN SECTION B.2.3 OF THIS REPORT.

B.2.5 Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Committee name

AUDIT AND COMPLIANCE COMMITTEE

Brief description

Regulations for the Audit and Compliance Committee were approved at the meeting of the Board of Directors held on 19 February 2004. The aim of this document was to provide the committee with an organisational and operational framework as an independent and transparent body, thereby complying with the regulations contained in article 44 of the Company's Articles of Association and article 26 of the Regulations of the Board of Directors.

Article 44 of the Articles of Association was amended by the Annual General Meeting held on 25 March 2011 and establishes that: The Board of Directors shall appoint from among its members an Audit and Compliance Committee that shall comprise a minimum of three and a maximum of five Directors. No Executive Directors may be included among the members of the Committee. At least one member of the Committee must be independent and will be appointed in light of his knowledge and track record in matters of accountancy, auditing, or both. The Board of Directors shall elect a Chairman from amongst the Committee members, but the Chairman shall not have the casting vote. The Chairman must be replaced every four years, but may be re-elected once the term of one year has elapsed from his or her removal.

The Audit and Compliance Committee shall have powers and responsibilities in respect of the following matters:

- Providing information at General Meetings on issues raised by shareholders that fall within the scope of its powers.
- To see to the proper operation of the Company's internal control, its internal audit function, if applicable, and risk management systems, and discuss with the auditors any significant weaknesses in the internal control system detected in the course of audit.
- To oversee the process of preparation and presentation of statutory financial reporting.
- Proposing to the Board of Directors, for submission to the General Meeting, the appointment of the external accounts auditor, in accordance with article 264 of the LSC, and the fees payable to the auditor.
- Liaising with the account auditors to obtain information on any issues that could compromise the latter's independence for appraisal by the Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in auditing standards. At all events, they must annually receive from the auditors a written confirmation of their being independent from the Company and any entity directly or indirectly related to it, and a disclosure of any manner of additional services provided to such entities by the auditors or persons or entities related to them in accordance with the Ley 19/1988 (Audit Act 1988).
- To issue annually, prior to the issue of the audit report, a report giving an opinion on the independence of the auditors or audit firms. The report must at all events make reference to the provision of additional services referred to in the above sub-section.

Committee meetings shall be called by the Chairman and shall take place at least four times a year. The Company's external Auditor may attend Committee meetings and the Finance Director, head of the Enagás Internal Audit Unit or any other Director the Committee deems appropriate, may also be asked to give account at meetings. The Committee may obtain support and assistance from the aforesaid

executives in the execution of its duties.

The Regulations of the Audit and Compliance Committee are available for consultation at the headquarters of Enagás, S.A. and on its website at www.enagas.es or www.enagas.com. No changes were made to the Regulations of the Audit and Compliance Committee in 2009, although the Board may agree to amend them during 2012.

The Audit and Compliance committee has drafted a report on its activities in 2011, available both at the headquarters of Enagás, S.A. and on its corporate website.

Committee name

NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Brief description

The Nomination, Remuneration and Corporate Social Responsibility (CSR) Committee has no specific regulations, as it is sufficiently regulated under article 25 of the Regulations of the Board of Directors and article 45 of the Company's Articles of Association.

Article 45 of the Articles of Association was altered at the General Meeting of 30 April 2010 so as to read as follows:

ARTICLE 45.- APPOINTMENTS, REMUNERATION AND CSR COMMITTEE.

The Board of Directors shall appoint from among its members an Appointments, Remuneration and CSR Committee that shall be comprised of a minimum of three (3) and a maximum of five (5) Directors. A majority of Committee members must be Independent Directors and no Executive Directors may be included among its number. The Board of Directors shall elect a Chairman from amongst the Committee members, but the Chairman shall not have the casting vote.

The Committee shall have powers and responsibilities in respect of the following matters:

- To establish remuneration criteria for the Company's Directors, 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.
- To establish a general remuneration policy for Enagás, S.A. Management Personnel and guidelines relating to the appointment, selection, promotion and dismissal of senior managers, in order to ensure that the Company has the appropriate highly qualified staff for administering its business at all times.
- To revise the structure of the Board of Directors, the criteria for the re-appointment of Directors pursuant to the Company's bylaws, the incorporation of new members and any other aspects relating to its composition that it deems appropriate.
- To report to the Board on transactions that entail or could entail a conflict of interest.
- To establish a general CSR and Corporate Governance policy, ensuring the adoption and effective application of best practices, both those which are compulsory and in line with generally-accepted recommendations. To do this, the Committee may submit to the Board the initiatives and proposals it deems appropriate and shall provide information on proposals submitted to the Board and information the company releases to shareholders annually regarding these issues.

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 personnel, as deemed necessary in the execution of its duties.

Moreover, on 28 June 2010, the Board of Director also approved the appointment of the Chairman of the Nomination, Remuneration and Corporate Responsibility Committee, Mr. Dionisio Martínez Martínez, as Independent Leader Director, with a power to call board meetings or include new items on the Agenda in order to coordinate and convey the concerns of Directors and to lead the Board's evaluation of its Chairman.

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

NO

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

C – RELATED-PARTY TRANSACTIONS

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

YES

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

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
ATALAYA INVERSIONES, S.R.L.	ENAGÁS, S.A.	Corporate. Paid to SAGANE INVERSIONES, S.L. (significant shareholder).	Dividends and other benefits paid	10,828
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Guarantees and sureties	12,000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	30,000
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Corporate. Paid to CIC, S.L. (significant shareholder).	Dividends and other benefits paid	10,829
CAJA DE AHORROS DE ASTURIAS (CAJASTUR)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	2,000

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
OMAN OIL COMPANY, S.A.O.C.	ENAGÁS, S.A.	Corporate. Paid to OMAN OIL HOLDINGS SPAIN S.L.U. (significant shareholder).	Dividends and other benefits paid	10,828

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

Name or corporate name of director or senior manger	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (In thousands €)
BILBAO BIZKAIA KUTXA (BBK)	ENAGÁS, S.A.	Commercial	Guarantees and sureties	6,000
BILBAO BIZKAIA KUTXA (BBK)	ENAGÁS, S.A.	Commercial	Finance agreements, loans and capital contributions (lender)	125,000
BILBAO BIZKAIA KUTXA (BBK)	ENAGÁS, S.A.	Corporate. Paid to KARTERA 1, S.L. (significant shareholder)	Dividends and other benefits paid	10,828
SAGANE INVERSIONES, S.L.	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	10,828
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI)	ENAGÁS, S.A.	Corporate	Dividends and other benefits paid	10,828

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

Corporate name of the group company

BAHÍA DE BIZKAIA GAS, S.L.

Amount (In thousands €)

644

Brief description of the transaction

RECEIPT FOR THE PROVISION OF ENGINEERING SERVICES

Corporate name of the group company

ENAGAS-ALTAMIRA, S.L. SOCIEDAD UNIPERSONAL

Amount (In thousands €)

2,094

Brief description of the transaction

SHORT-TERM LOAN GRANTED BY ENAGÁS MATURING ON 5 SEPTEMBER 2011

Corporate name of the group company

GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)

16,994

Brief description of the transaction

TRANSMISSION SERVICE CHARGES PAID.

Corporate name of the group company

GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)

9,007

Brief description of the transaction

LOAN GRANTED BY ENAGÁS, S.A.

Corporate name of the group company

GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)

6,331

Brief description of the transaction

DIVIDENDS RECEIVED BY ENAGÁS, S.A. FOR THE 2010 FINANCIAL YEAR.

Corporate name of the group company

GASODUCTO AL-ANDALUS, S.A.

Amount (In thousands €)

5,593

Brief description of the transaction

INCOME FROM PIPELINE MAINTENANCE AND FRANCHISE ROYALTIES.

Corporate name of the group company

GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)

5,105

Brief description of the transaction

INCOME FROM PIPELINE MAINTENANCE AND FRANCHISE ROYALTIES.

Corporate name of the group company

GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)

41

Brief description of the transaction

LOAN GRANTED BY ENAGÁS, S.A.

Corporate name of the group company

GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)

4,032

Brief description of the transaction

DIVIDENDS RECEIVED BY ENAGÁS, S.A. FOR THE 2010 FINANCIAL YEAR.

Corporate name of the group company

GASODUCTO DE EXTREMADURA, S.A.

Amount (In thousands €)

8,898

Brief description of the transaction

TRANSMISSION SERVICE CHARGES PAID.

Corporate name of the group company

GASODUCTO ESCOMBRERAS, S.L. (UNIPERSONAL)

Amount (In thousands €)

4,715

Brief description of the transaction

CREDIT LINE GRANTED BY ENAGÁS, S.A. MATURING IN 2012 (RENEWABLE ANNUALLY).

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

NO

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

Mechanisms for detecting and regulating possible conflicts of interest between Enagás, S.A. and/or its Group, and its Directors, Managers or Shareholders are primarily set out in Enagás, S.A.'s Internal Code of Conduct in Matters Relating to Stock Markets.

The Internal Code of Conduct in Matters Relating to Stock Markets is applicable to the following persons:

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

Concerning operations carried out with Related Parties, the company must adopt the following measures:

- a) Report them twice a year to the CNMV and include them in the Annual Report in the Corporate Governance section.
- b) Submit them to the Board for formal information purposes and for prior authorisation before they are finalised, which, following a report from the Appointment, Remuneration and CSR Committee, must judge their appropriateness taking into account market criteria.

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

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

The Nomination, Remuneration and Corporate Social Responsibility Committee is the body responsible for regulating and resolving any conflicts of interest that may arise and, pursuant to article 25 of the Regulations of the Board of Directors, is assigned the following duties:

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

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

NO

Identify the listed subsidiaries in Spain

D - RISK CONTROL SYSTEMS

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

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

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

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

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

In 2010, formal specification of the Integrated Risk Management Procedure established an integrated risk management framework that identifies the roles of the company's various decision-making bodies and the constituent parts of the risk management system:

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

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

In 2011, the Company's Board of Directors approved a Risk Management Model for Criminal Responsibility proposed by the Audit and Compliance Committee. This introduced the necessary controls and measures to prevent crimes which could be committed by the Company's managers or employees for which the Company could be held criminally liable in accordance with the reformed Spanish Criminal Code that came into force in December 2010.

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

- Operational Risk: This is the possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors.

- Business Risk: the possible loss of value or earnings due to external factors such as regulation, the economic cycle, competition levels, demand patterns, the structure of the industry, etc. as well as the possible loss of value or earnings arising from taking incorrect decisions regarding business plans and the Company's future strategies.

- Criminal Responsibility Risk: risk of the Company being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Criminal Code, which may be committed by its managers or employees in the exercise of their duties and in its interests, in which case the Company would be deemed to have failed to exercise due control.

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

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

In 2011, the heads of the various divisions and business units at Enagás, S.A. managed their risks based on a self-assessment of some of these and by permanently monitoring control activities and risks in relation to the Company's accepted level of risk.

Moreover, the Enagás Group continues to cement and reinforce its System of Internal Control of Financial Reporting (Spanish "SCIIF") with a view to adopting best practices towards the reliability and transparency of the financial reporting process.

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

YES

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

Risks occurring in the year

Operational and Business Risks

Circumstances responsible for this occurrence

Operational Risks (incidents in infrastructures and systems) and Business Risks (Markets, Competition and Regulatory and Legal issued).

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

Operation of control systems

The control systems put in place proved adequate for risks arising in 2011.

D.3 Indicate whether there is a committee or other governing body responsible for establishing and supervising these control systems.

YES

If so, please explain its duties.

Name of the Committee or Body

INTERNAL AUDIT

Description of duties

The key risk management functions include:

- Proposing risk management strategy to the Sustainability Committee
 - Nurturing a risk-aware culture across the company and helping to train employees in risk management skills
 - Designing and reviewing the risk management process.
 - Supporting the Sustainability Committee in framing, adopting and updating internal risk management regulations
 - Supporting individual departments in risk identification and assessment
- The key roles of the Internal Audit Unit are:
- Focusing audit work on the most significant identified risks and on established internal controls.
 - Reporting on the progress of control activities as regards design-related matters to the Audit and Compliance Committee and the departments concerned.

Name of the Committee or Body

AUDIT AND COMPLIANCE COMMITTEE

Description of duties

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

Name of the Committee or Body

MANAGEMENT COMMITTEE

Description of duties

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

Name of the Committee or Body

SUSTAINABILITY COMMITTEE

Description of duties

- Establish a general policy on risk management, defining the Company's stance in the short-, medium- and long-term.
- Encourage at all levels of the Company, and in all its activities, a common culture on risk management in line with the strategies and targets set by Senior Management.
- Reporting to the Audit and Compliance Committee on progress made in risk management and proposing actions in response to breaches of Risk Policy or internal regulations and/or conflicts arising in connection with risk management.

Name of the Committee or Body

MANAGEMENT OR BUSINESS UNIT

Description of duties

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

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

Each of the Divisions and Business Units at Enagás, S.A. is cognisant of the applicable legislation and regulations. Their duties include ensuring that new mandatory legislation and regulations are analysed and applied.

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

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

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

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

The General Secretariat deals with, clarifies and establishes the criteria for all issues on which the Divisions or Business Units have reasonable doubts.

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

The main compliance processes of the various regulations entail:

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

E - GENERAL SHAREHOLDERS' MEETINGS

E.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's bylaws. Describe how it differs from the system of minimum quorums established in the LSA.

NO

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

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

NO

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

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

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

The General Shareholders' Meeting held on 25 March 2011 amended the Articles of Association and the Rules and Regulations of the General Shareholders' Meeting in the light of certain legislative reforms that have lately affected the law on public limited companies, incorporating new legislation dealing with shareholders' rights. We would draw particular attention to the elimination of the requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting. The purpose of this change is to remove any distinction among Company shareholders based on the number of shares they hold and so enable all shareholders to take part in General Meetings.

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

1.- RIGHTS TO INFORMATION.

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

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

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

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

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

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

In addition, the Company shall make the above documents available to shareholders on the occasion of the General Meeting itself. The Shareholder Information Office shall be at shareholders' disposal to provide any information required for the General Meeting.

7.2.- Up to the seventh day before the meeting is held, Shareholders may request from Directors any information or clarification they deem appropriate concerning business on the agenda, or submit in writing the questions they judge relevant. Shareholders may likewise put written questions and require particulars and clarification about any publicly available information the Company may have filed since the last General Shareholders' Meeting with CNMV, the Spanish Securities Market Regulator.

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

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

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

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

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

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

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

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

2.- RIGHTS TO PARTICIPATE.

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

Following accreditation in compliance with the provisions of article 9 of the Rules and Regulations of the General Shareholders' Meeting, shareholders may at any time propose questions of interest for the Company, or related to their shareholding, through the Shareholder Information Office, the toll-free telephone number made available to them or the e-mail address included on the website.

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

3.- RIGHT OF ATTENDANCE.

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

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

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

A) An appropriate attendance and voting card to be issued by Member Entities of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [Spanish central securities clearinghouse] or such body as may replace it in future, properly filled out for the purpose.

B) An electronic attendance and voting certificate issued by the Entity entrusted with the Register of Dematerialised Shares or the Authorised Share Certificates Depository Entity, properly filled out for the purpose.

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

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

4.- PROXY RIGHTS.

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

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

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

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

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

CALL FOR PROXIES

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

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

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

If Company Directors, or any other person acting on behalf of such Directors, effect a call for proxies, the Director that obtains such proxy may not exercise voting rights attaching to the shares thus represented in the event of conflict of interest specified in article 514 of the Spanish Enterprise Act (Ley de Sociedades de Capital, LSC) as to the following decisions:

- a) His/her own appointment or ratification as a Director.
- b) His/her removal, dismissal or termination as a Director.
- c) The bringing by the Company of an action for liability against him/her.

d) The adoption or ratification, as applicable, of Company transactions with the Director in question or with companies controlled or represented by him/her or by persons acting on his/her behalf.

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

5.- VOTING RIGHTS.

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

11.1.- MEANS OF EXERCISING VOTING RIGHTS

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

A) By personally attending and voting at the General Meeting, with an attendance and voting card properly filled out and signed for the purpose.

B) By post, by casting votes at the Shareholder Information Office, by recognised electronic signature or any other electronic means or, in general, by any other means of remote communication permitted by law, attaching an electronic attendance and voting certificate.

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

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

11.2.- VALIDITY OF VOTES

A) Voting by personal attendance at the General Meeting.

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

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

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

B) Votes cast by remote means of communication

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

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

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

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

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

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

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

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

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

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

The following developments are of particular interest:

- 1) The requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting was eliminated, as approved at the general Shareholders' Meeting of 25 March 2011. The purpose of this change is to remove any distinction among Company shareholders based on the number of shares they hold and so enable all shareholders to take part in General Meetings.
- 2) A Shareholder Forum was introduced on our website (www.enagas.es) to enable shareholders to make suggestions regarding resolutions to be discussed and voted on at the Annual General Meeting.
- 3) Electronic voting was introduced for General Shareholders' Meetings.

Other significant measures introduced in 2011 to increase the participation of shareholders in General Shareholders' Meetings were as follows:

- Publishing the convening notice in the main communications media (on 18 February 2011 the notice was published in 10 newspapers), in the BORME and on our website (www.enagas.es). The announcement includes details of Shareholders' Information, Participation, Attendance, Representation and Voting Rights.
- Offering gifts as incentives for Shareholders' personal attendance of general meetings.
- Holding meetings at a venue offering the best possible conditions for the meeting and easy access for Shareholders and making transport available to them to facilitate their attendance.
- Offering personal assistance and directions for Shareholders who wish to attend through personnel at the Shareholder Office.
- Offering personal assistance and guidance to Shareholders via the free telephone help line and e-mail account on the www.enagas.es website.

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

YES

Details of measures

The smooth operation and progress of the Meeting is ensured by the provisions established in the Regulations of the General Meeting, which establish the following:

Details of measures

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

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

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

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

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

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

- For the purposes of verifying the valid constitution of the meeting, Enagás prepares and proposes to the Management Company of Registry, Compensation and Settlement of Securities, the format of the attendance card to be issued to Shareholders, ensuring that such format is uniform and incorporates a bar code so it can be read electronically, thus facilitating the electronic counting of attendees at the Meeting.

- From the moment they enter the venue of the meeting and throughout the same, shareholders shall have the support of personnel from the Shareholder Office for resolving any queries and facilitating their contribution.

- With the aim of guaranteeing the smooth course of the Meeting, Shareholders or representatives arriving late at the Meeting venue may attend the Meeting once the admission of attendance and voting cards has been closed, but shall not be included on the attendance list nor, therefore, form part of the quorum for voting purposes.

- Once the meeting has been validly constituted, the Notary called by the Company to draw up the minutes shall ask participants if they have any reservations or challenges to the details of shareholders and share capital read by the Chairman. Any Shareholder with reservations shall show the member of the Panel his/her attendance card to verify and correct, as applicable, any possible errors.

- To facilitate the smooth running of the meeting, the Chairman shall request that Shareholders who wish to take the floor approach the Chair and show their attendance cards so that an order for contributions may be established. Said request will be made before commencing the presentation of the financial year and proposals to be submitted to the Meeting. The Chairman shall also be responsible for keeping debate within the limits of the Agenda and responding to Shareholders either jointly or individually.

- In the event of any occurrence that substantially affects the proper order of the Meeting, the Chairman of the meeting may agree to suspend the same for as long as necessary, and may even postpone

Details of measures

the session until the next possible business day should the circumstances persist.

- The Meeting Secretary shall read out the results of the vote on each resolution, indicating the number of votes for, number of votes against, and number of abstentions.
- The Scrutineers shall prepare a note on the result of each vote, including the votes previously issued and any change that may have occurred in the course of the Meeting.
- Once all resolutions have been put to the vote, the Secretary shall deliver to the Notary, if the Company has requested the attendance of a notary, the Scrutineers' Note containing data on the results of the vote on each resolution before the Chairman proceeds to close the session.
- If the meeting has been held in the presence of a Notary, the notarial instrument shall be taken to constitute the Minutes of the Meeting, which shall not therefore require adoption.

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

- The General Shareholders' Meeting held on 25 March 2011 approved a substantial change to the Rules and Regulations of the General Shareholders' Meeting, with a view to updating their content in the light of certain recent changes to legislation affecting limited companies.

- In its Sixth Resolution the Meeting approved modification of the following articles of the rules and regulations governing the General Shareholders' Meeting. 4 Powers of the General Meeting, 5 Convening the General Meeting, 7 Shareholders' rights to information, 9 Attendance rights, 10 Representation rights, 11 Voting rights, 12 Organization and Constitution of the General Meeting, 13 Proceedings of the General Meeting, 14 Attendance and intervention of other persons, 15 Minutes of Proceedings of the General Meeting.

- The change approved is intended to accommodate the new rules introduced by the new statutory provisions referred to in the rationale for the proposed alterations to the Articles of Association in the manner which the Board of Directors thinks most appropriate for the Rules and Regulations of the General Meeting. This review has provided the opportunity to propose further enhancements to the Rules and Regulations of the General Meeting in the form of a number of clarifications and stylistic improvements.

- In addition, the General Meeting agreed an amendment to article 9, in line with the proposed amendment to article 27 of the Articles of Association, the aim being to eliminate the requirement of having to own at least 100 shares in order for shareholders to be able to attend and vote at General Meetings.

Finally, the changes to articles 10 and 11 pursue the additional aim of lending flexibility to the technical means made available to give proxies and vote by electronic means, having regard to new developments.

The following modifications were agreed by the meeting:

1. Amendment to article 4, titled "Powers of the General Meeting", with the aim of:
 - a. Introducing the new responsibilities expressly afforded to the General Meeting of Spanish companies limited by shares in accordance with art. 160 LSC, while avoiding any reiteration of the previous drafting of this article of the Rules and Regulations.
 - b. To replace references to the LSA with updated references to the LSC.
2. Amendment to article 5, titled "Convening the General Meeting", with the following aims:
 - a. To adapt sub-section 5.1 to the wording of LSC article 168 as regards the time limit for convening and holding the General Meeting.
 - b. To introduce into section 5.2.1 the new announcement procedure through the Company's website as envisaged under art. 173 LSC, in accordance with the drafting given by RDL 13/2010, this without prejudice to the obligation to publish the announcement in a daily newspaper up to the date in question, so as to ensure better awareness by shareholders, avoiding any reiteration.
 - c. To adapt sub-sections 5.2.1 and 5.2.2 to the wording of LSC article 174 as regards the content of the notice of meeting.
 - d. In sub-section 5.2.2, to replace certain references to the LSA with their updated equivalents in the LSC.

3. Amendment to article 7.2 ("Shareholders' Right to Information"), the aim being to change all references to articles of the LSA to the corresponding articles of the LSC.
4. Introduction of section 7.4 to article 7 ("Shareholders' Right to Information"), the aim being to include the concept of the Electronic Shareholder Forum in accordance with art. 528 LSC, deriving from art. 117 LMV, pursuant to the drafting given by Act 12/2010.
5. Amendment to article 9 ("Right of Attendance"). In line with the amendment to article 27 of the Articles of Association also put before this General Meeting, the aim here being to eliminate the requirement for shareholders to own at least 100 shares in order to be able to attend and vote at General Meetings.
6. To alter the sub-section of article 10 ("Representation Rights") in order to replace references to provisions in the LSA with their updated equivalents in the LSC and bring the wording more closely into line with the wording of those articles of the LSC. In addition, changes were proposed so that proxies may be given by electronic means, having regard to technical developments.
7. To alter sub-section 11.1 ("Modes of Exercising Voting Rights"), to correct an erratum whereby reference was mistakenly made to "giving a proxy" instead of "voting". A further amendment is also proposed with a view to encouraging voting via electronic channels, according to new technical developments.
8. To alter sub-section 11.2 ("Validity of Votes"), so that votes may be cast by electronic means, having regard to new developments.
9. Amendment to article 12.1 ("Convening the General Meeting"), with the aim of:
 - a. Updating references to articles of the LSA to the corresponding articles of the LSC.
 - b. Bringing it into line with the provisions of article 194 LSC (deriving from art. 103 LSA, pursuant to the text of Act 3/2009, relating to qualified quorums).
10. Amendment to article 13 ("Proceedings of the General Meeting"), with the aim of:
 - a. Changing, in all sections, references to articles of the LSA to the corresponding articles of the LSC.
 - b. Bringing section 13.3 in line with the provisions of article 194 LSC (deriving from art. 103 LSA, pursuant to Act 3/2009, on reinforced quorums, and to introduce certain elements mistakenly omitted from the existing wording on the rules for tallying votes).
11. Amendment to article 14 ("Attendance and Intervention of other persons"), the aim being to change all references to articles of the LSA to the corresponding articles of the LSC, and to reflect the drafting of art. 203 LSC in relation to the timeframe for procuring a notary to attend the General Meeting.
12. To alter article 15, "Minutes of the General Meeting", to adapt its wording to the approach taken in LSC articles 202 and 203.

E.7 Indicate the attendance figures for the General Shareholders' Meetings held during the year.

Attendance data					
Date of general meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
25/03/2011	8.655	48.120	0.000	0.205	56.980

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

The General Shareholders' Meeting was held on 25 March 2011. The resolutions adopted at the meeting are detailed below, along with the percentage of votes with which each resolution was passed.

RESOLUTION 1. "To adopt the Financial Statements (Balance Sheet, Income Statement, Statement of changes in equity, cash flow Statement and Notes to the Financial Statements) and the Directors' Report of Enagás and its Consolidated Group for the year ending 31 December 2010."

Voting on the Resolution was as follows: For: 118,903,103 (99.328 %); Against: 798,855 (0.667 %); Abstentions: 5,755 (0.005%); Total votes cast: 119,707,713.

RESOLUTION 2. "To approve the distribution of Enagás, S.A. profit for financial year 2010, which included net profits of €327,065,448.74, in line with the following proposal prepared by the Board of Directors: Appropriation (in €): Legal Reserves: 0; Voluntary Reserves: €126,976,715.31; Dividend: 200,088,733.43; Total: €327,065,448.74.

To pay out an additional dividend to the value of €125,603,644.31. Said amount is the result of deducting from the financial year's total dividend, **€200,088,733.43**, the interim dividend of **€74,485,089.12** that was agreed by the Board of Directors on 22 November 2010 and paid to shareholders on 21 December 2010.

- The final dividend will be paid on 5 July 2011.

The total dividend for the financial year being proposed for approval in accordance with the previous paragraph equates to a gross payment of 0.83812325 euros per share.

- Once the interim dividend already paid (0.312 euros gross per share) is deducted, the remaining payment will be for 0.52612325 euros per share, before tax deductions.

- The resolution carried. The results of the vote were as follows: For: 119,704,288 (99.997 %); Against: 1,135 (0.001 %); Abstentions: 2,290 (0.002%); Total votes cast: 119,707,713.

RESOLUTION 3. To approve the performance of the Board of Directors of Enagás, S.A. in 2010.

- The resolution carried. The results of the vote were as follows: For: 119,607,916 (99.917 %); Against: 91,422 (0.076 %); Abstentions: 8,375 (0.007%); Total votes cast: 119,707,713.

RESOLUTION 4 . To re-appoint Deloitte S.L. as auditor of Enagás, S.A. and its consolidated Group for the period of one year. The firm shall also be placed in charge of providing any other mandatory auditing services that are required by the Company until the next Ordinary General Meeting is held.

The resolution carried. The results of the vote were as follows: For: 117,587,195 (98.229 %); Against: 1,356,852 (1.133%); Abstentions: 763,666 (0.638%); Total votes cast: 119,707,713.

RESOLUTION 5. To amend the following Articles of the Company's Articles of Association: 1 ("Name"), 8 ("Shareholders' Rights"), 10 ("Usufruct of Shares"), 11 ("Pledging of Shares"), 14 ("Preemptive Subscription Right"), 15 ("Capital Reduction by Purchase of Treasury Shares"), 16 ("Bond Issues"), 18 ("General Meeting"), 21 ("Extraordinary General Meetings"), 22 ("Convening the General Meeting"), 23 ("Exceptional Convening of a General Meeting"), 26 ("Special Quorum"), 27 ("Attendance, Proxies and Voting at General Meetings"), 32 ("Minutes of Proceedings"), 33 ("Notarised Minutes"), 34 ("Challenging Resolutions of the General Meeting"), 35 ("Composition of the Board"), 42 ("Challenging Resolutions"), 44 ("Audit and Compliance Committee"), 47 ("Employees"), 50 ("Appointment of Auditors"), 52 ("Appropriation of Profit or Loss") and 54 ("Restitution of Dividends").

- We would draw special attention to the amendment of Article 27 of the Articles of Association to remove the requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting. This amendment is intended to eliminate a distinction between shareholders on the basis of the number of shares they hold and facilitate attendance by all shareholders at General Meetings.

Article 27 (Attendance, proxies and voting) of the Articles of Association now reads as follows:

- Shareholders owning shares, registered at least five days prior to the date scheduled for the General Meeting with the corresponding registers of any of the entities participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores [securities clearing and settlement entity], or the entity replacing it, may attend and vote at General Meetings.

- Any shareholder having attendance and voting rights under this article may exercise such rights to vote on motions on the business on the agenda at any class of General Meeting by attending such meeting and voting in person or by post, by recognised electronic signature or other electronic means, or by any other medium of remote communication satisfying the requirements prescribed by laws and regulations, provided that the identity of the person exercising voting rights is properly assured.

- A shareholder having attendance rights may have himself represented by proxy at a General Meeting by another person, who need not be a shareholder. Proxies must be conferred in writing, by post, a recognised electronic signature, or any of the other legally permitted electronic or remote communication methods. The identity of the representative must be duly guaranteed, and shall be valid only for the particular meeting in question.

- In the event of a call for proxies, there shall apply articles 186 and 514 of the LSC.

- A granted proxy shall always be revocable, and personal attendance at a General Meeting by the principal shall operate as a revocation.

- The Rules and Regulations of the General Meeting shall implement the means and requirements for the proper exercise of rights of attendance, voting and representation by proxy and the procedures in place for those purposes.

- Subject to the relevant provisions of the Rules and Regulations of the General Meeting, and at all events in fulfilment of statutory requirements, the Board of Directors shall be competent to determine the time as from which shareholders may cast their votes or grant proxies by electronic or other remote communication means, having regard to the state of the art of the technical means required.

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

- The resolution carried. The results of the vote were as follows: For: 119,696,908 (99.991 %); Against: 1,255 (0.001 %); Abstentions: 9,550 (0.008%); Total votes cast: 119,707,713.

Amendments to other articles of the articles of Association are intended to update those texts in the light of certain legislative reforms that have lately affected the law on public limited companies. Please see our website (www.enagas.es) and the CNMV website (www.cnmv.es; filing 141,043, on 28/03/11) for further details of the resolutions passed and the percentage of votes in favour of each

resolution.

RESOLUTION 6. To amend the following Articles of the Regulations of the General Meeting: 4 (" Powers of the General Meeting"), 5 (" Convening the General Meeting"), 7 (" Shareholders' rights to information"), 9 (" Attendance rights"), 10 (" Representation rights"), 11 (" Voting rights"), 12 (" Organization and Constitution of the General Meeting"), 13 (" Proceedings of the General Meeting"), 14 (" Attendance and intervention of other persons"), 15 (" Minutes of Proceedings of the General Meeting").

- We would draw attention to the approval of the redrafting of Article 7 of the Rules and Regulations of the General Meeting to allow for the introduction of a Shareholder Forum on the www.enagas.es website as a new way for shareholders to participate in General Meetings.

- The resolution carried. The results of the vote were as follows: For: 119,693,133 (99.988 %); Against: 1,375 (0.001 %); Abstentions: 13,205 (0.011 %); Total votes cast: 119,707,713.

- We would draw special attention to the amendment of Article 11 of the Rules and Regulations of the General Meeting to remove the requirement that a shareholder own at least 100 shares to be entitled to attend and vote at a General Meeting. This amendment is intended to eliminate a distinction between shareholders on the basis of the number of shares they hold and facilitate attendance by all shareholders at General Meetings.

- The resolution carried. The results of the vote were as follows: For: 119,693,133 (99.988 %); Against: 1,375 (0.001 %); Abstentions: 13,205 (0.011 %); Total votes cast: 119,707,713.

Amendments to other articles of the Rules and Regulations of the General Meeting are intended to update those texts in the light of certain legislative reforms that have lately affected the law on public limited companies. Please see our website (www.enagas.es) and the CNMV website (www.cnmv.es; filing 141,043, on 28/03/11) for further details of the resolutions passed and the percentage of votes in favour of each resolution.

RESOLUTION 7. To ratify, appoint, renew or re-elect members of the Board of Directors.

7.1.- To re-appoint Mr. Jesús David Álvarez Mezquíriz as Director for the four-year term stipulated by the Articles of Association. Mr. Álvarez Mezquíriz shall serve as an Independent Director.

The resolution carried. The results of the vote were as follows: For: 119,385,279 (99.730 %); Against: 312,191 (0.0261 %); Abstentions: 10,243 (0.009 %); Total votes cast: 119,707,713.

7.2.- To re-appoint Mr. Luis Javier Navarro Vigil as Director for the four-year term stipulated by the Articles of Association. Mr. Navarro shall serve as an External Director.

The resolution carried. The results of the vote were as follows: For: 105,163,830 (87.850 %); Against: 13,780,469 (11.512 %); Abstentions: 763,414 (0.638 %); Total votes cast: 119,707,713.

7.3.- The re-appointment of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA) as director for the four-year term stipulated by the Articles of Association had been included in the Agenda.

- Subsequent to the convening of the General Meeting, BANCAJA, a Proprietary Director, tendered its resignation, having sold its entire shareholding in the Company and having declined to be re-appointed to the post. The Chair of the General Meeting, by the powers awarded to it in accordance with Article 12.2 of Rules and Regulations of the General Meeting, therefore withdrew Resolution 7.3 from the Agenda and it was not put to the vote.

7.4.- To ratify and appoint Mr. Sultan Hamed Khamis Al Burtamani for the four-year statutory period. Mr. Al Burtamani shall serve as Proprietary Director proposed by the shareholder Oman Oil Holdings Spain, S.L.U.

The resolution carried. The results of the vote were as follows: For: 117,689,530 (98.314 %); Against: 1,254,469 (1.048 %); Abstentions: 763,714 (0.638 %); Total votes cast: 119,707,713.

RESOLUTION 8. To approve Directors' remuneration for 2011.

The General Meeting, in accordance with the second paragraph of article 36 of the Articles of Association, agrees to set the figure of €1,249,733 as the maximum remuneration for members of the Board of Directors for 2011, to be paid in accordance with the following method and criteria:

- Each Board member 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 shall establish the amount paid for attending each meeting, in person or by proxy.

- Additionally, Board Committee members shall be entitled to the sum of €11,025 per annum, with chairmanship of the same entitling them to an additional €5,513 per annum.

- The post of Deputy Chairman of the Board of Directors shall be remunerated by the additional amount of €32,025 per annum.

- The aforementioned sums are separate from remuneration or salary payments which may be additionally paid for work done or services provided by Directors, and also from the right to payment or reimbursement of expenses incurred in the course of their duties.

The resolution carried. The results of the vote were as follows: For: 119,350,647 (99.701 %); Against: 339,682 (0.284 %); Abstentions: 17,384 (0.015 %); Total votes cast: 119,707,713.

RESOLUTION 9. To authorise the Board of Directors to issue bonds or other fixed income securities, which may or may not be convertible into shares of the Company and/or exchanged for shares in the Company or in other companies, to the value of four

thousand million euros (€4,000,000,000) for a five-year period starting from the date of the resolution; to set the bases and terms for the share conversion or exchange and for any required capital increase, rendering void the resolution passed by the General Meeting on 27 March 2009.

The resolution carried. The results of the vote were as follows: For: 102,840,886 (85.910 %); Against: 16,857,635 (14.082%); Abstentions: 9,192 (0.008%); Total votes cast: 119,707,713.

RESOLUTION 10. Presentation of the explanatory report on the items stipulated under article 116 bis of the LMV.

- This item was not submitted to the General Meeting for approval, but rather, in accordance with article 116 bis of the LMV, in force when the General Meeting was convened, the Board of Directors presented to the General Meeting its annual report detailing aspects included in said legal requirement. The full report, containing all the information required concerning said aspects, was made available to Shareholders after the General Meeting was convened.

RESOLUTION 11. To delegate powers to supplement, implement, perform, rectify and formalise the resolutions adopted at the General Meeting.

- The resolution carried. The results of the vote were as follows: For: 119,704,809 (99.997 %); Against: 797 (0.001 %); Abstentions: 2,117 (0.002%); Total votes cast: 119,707,713.

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

NO

Number of shares required to attend the General Shareholders' Meetings	
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E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.

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

Proxies must be conferred in writing or by any other legally permitted electronic or remote communication methods, provided that the identity of the proxy is properly assured, and shall be valid only for the particular meeting in question. A proxy may be revoked at any time.

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

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

NO

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

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

Access to the aforementioned information is as follows:

In Spanish: Página Principal - Accionistas e Inversores - Gobierno Corporativo. In English: Home - Investor Relations - Corporate Governance.

F - DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

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

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Explain

There are no restrictions on the transfer of shares. Restrictions on voting rights:

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

No individual or body corporate may hold a direct or indirect stake of more than 5% in the equity capital of the parent company (ENAGÁS, S.A.), nor may they exercise voting rights in such Company of over 3%. Under no circumstances may such shareholdings be syndicated. Any party operating within the gas sector, including natural persons or bodies corporate that directly or indirectly own equity holdings in the former of more than 5%, may not exercise voting rights over 1%. These restrictions will not apply to direct or indirect interests held by public sector enterprises. Under no circumstances may share holdings be syndicated.

The sum of direct and indirect shares held by individuals or legal entities operating in the natural gas industry may not exceed 40%.

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

- a) Those parties who act in their own name but on behalf of that individual or body corporate in a concerted fashion or forming a decision-making unit with them. Unless proven otherwise, it shall be deemed that the members of the Board of Directors of a body corporate act on its behalf or in a concerted fashion with it.
- b) The partners together with whom that individual or body corporate exercises control over a controlled entity under the provisions of article 4 of Act 24/1988, dated 28 July, governing the securities market.

In all cases, both the actual ownership of the shares and other securities and also the voting rights held through any certificate shall be taken into account.

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

In accordance with the aforementioned legal provision, article 6 bis ("Limitation of interest in share capital and of the exercise of voting rights") of Enagás, S.A.'s Bylaws stipulates the following:

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

The sum of direct and indirect shares held by individuals or legal entities operating in the natural gas industry may not exceed 40%.

For the purposes of calculating the stake in that shareholding structure, the 20th Additional Provision of Act 34/1998 of 7 October (the Hydrocarbons Industry Act) shall apply.

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

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

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

See sections: C.4 and C.7

Not applicable

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

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

Complies

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

Complies

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

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

See section: E.8

Complies

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

See section: E.4

Complies

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

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

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

- a) The company's general policies and strategies, and, in particular:
 - i) The strategic or business plans, management targets and annual budgets;
 - ii) Investment and financing policy;
 - iii) Design of the structure of the corporate group;
 - iv) Corporate governance policy;

- v) Corporate social responsibility policy
- vi) Remuneration and evaluation of senior officers
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

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

See section: B.1.14

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

See section: B.1.14

iii) The financial information that all listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

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

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

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

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

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

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

See sections: C.1 and C.6

Complies

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

See section: B.1.1

Complies

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

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

Complies

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

See section: B.1.3

Complies

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

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

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2. In companies with a plurality of shareholders represented on the board but not otherwise related.

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

Complies

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

See section: B.1.3

Complies

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.14

Complies

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

a) The process of filling board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

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

Complies

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

See section: B.1.42

Complies

17. When a company's Chairman is also its chief executive, an independent director should be empowered to

request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.1.21

Complies

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

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting , the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

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

See section: B.1.34

Complies

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

See section: B.1.29

Complies

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

See sections: B.1.28 and B.1.30

Partially complies

In 2011 the Company endeavoured to restrict director absences to events of strict necessity. There were a total of twenty-four (27) absences, and bearing in mind that 11 board meetings were held, this represents 16% of the total votes during the year and, in all cases but one, the absent directors delegated their vote to the Chairman or another director.

The Audit and Compliance Committee met on six (6) occasions, with all committee members being present at each meeting, except on one occasion, when one member appointed a proxy, representing 3% of total votes cast in 2011. Finally, the Nominations, Remuneration and Corporate Social Responsibility Committee met on six (6) occasions, with four (4) committee members being absent, these members appointing proxies representing 13% of total votes cast over the course of

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

Complies

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

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

See section: B.1.19

Complies

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

See section: B.1.42

Complies

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

See section: B.1.41

Complies

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

Complies

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

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

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

Partially complies

Point a) of article 13 of the Regulations of the Board of Directors ("Duty of diligent administration") stipulates that board members shall apprise the Nominations Committee of any professional obligations in case they might detract from the necessary dedication. The Company may limit the number of directorships its board members can hold if this may also detract from the commitment required.

The Enagás, S.A. Regulations of the Board of Directors place no quantitative limit on the number of directorships its board members can hold but expressly incorporates the content of this Recommendation.

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

- a) On the proposal of the Nomination Committee, in the case of independent directors.
- b) Subject to a report from the Nomination Committee in all other cases.

See section: B.1.2

Complies

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

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

Complies

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

See section: B.1.2

Complies

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

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

Complies

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

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

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

Complies

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

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

See sections: B.1.43 and B.1.44

Complies

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation. When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

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

Complies

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

See section: B.1.5

Complies

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

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

iii) Any other clauses covering hiring bonuses, as well as indemnities or “golden parachutes” in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Complies

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

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

See sections: A.3 and B.1.3

Complies

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

Complies

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

Complies

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

Complies

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

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

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

See section: B.1.16

Partially complies

In accordance with the provisions of article 36 of the Company’s Articles of Association, the Company’s Board of Directors each year proposes to Shareholders at the General Meeting the maximum compensation that should be paid to Directors for performance of their functions, as well as the breakdown between remuneration for attendance and membership of Board Committees, remuneration for chairing said Committees and remuneration for serving as Vice-chairman of the Board.

The remuneration paid to the Chairman for performance of his executive functions is approved by the Board of Directors.

The Nomination, Remuneration and Corporate Social Responsibility Committee informs the Board of Directors of all proposals relating to remuneration policy.

In 2011, the Nomination, Remuneration and Corporate Social Responsibility Committee did not feel it was necessary to engage an

external advisor to establish its directors' remuneration policy.

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

Complies

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

See sections: B.2.1 and B.2.6

Not applicable

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

Not applicable

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

The rules governing the composition and functioning of the Audit Committee and the Committee or Nomination and Remuneration Committees are included in the Board Regulations, and include the following:

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

See sections: B.2.1 and B.2.3

Complies

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

Complies

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

Complies

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

Complies

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

Complies

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

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

See sections: D

Complies

50. The Audit Committee's role should be:

1° With respect to internal control and reporting systems:

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

2° With respect of the external auditor:

- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of his engagement.
- b) To receive regular information from the external auditor on the progress and findings of the audit programme and check that senior management are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:

- i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
- iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

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

Complies

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

Complies

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

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

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

See section: B.1.38

Complies

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

See section: B.2.1

Complies

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

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

See section: B.2.3

Complies

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

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

Complies

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

a) Make proposals to the Board of Directors regarding:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Complies

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

Complies

G OTHER INFORMATION OF INTEREST

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

CLARIFICATION OF SECTION A.2: On 18 February 2011 BANCAJA INVERSIONES, S.A. reported to the CNMV as a significant event that through Deutsche Bank AG (London Branch) it had sold its 5% ownership interest in Enagás (11,936,713 shares) by means of an accelerated bookbuild. As a result of this transaction BANCAJA INVERSIONES S.A. no longer has a holding in Enagás and is not a significant shareholder in the Company.

After the end of the reporting period, shareholder PEÑA RUEDA, S.L.U. informed us that CANTÁBRICA DE INVERSIONES DE CARTERA, S.L. (CIC. S.L.) is still the direct holder of 11,937,395 shares in Enagás (a direct holding of 5%) and that ownership of the shares held by CIC, S.L. has been transferred to LIBERBANK, S.A. as a result of the hive-down of assets and accessories belonging to the CAJASTUR banking business and the transfer of said business en bloc to LIBERBANK, S.A. Consequently, LIBERBANK, S.A. now has a 5% holding in Enagás, as owner of 11,937,395 shares in the Company.

On 27 January 2012, CARLOS EGEA KRAUEL, representing shareholder SAGANE INVERSIONES, S.L. on the Board of Enagás, informed us that BANCO MARE NOSTRUM, S.A. has an indirect holding of 2.79% of Enagás share capital, as holder of 42,550,080 shares in SAGANE INVERSIONES, S.L., representing 54.9% of its share capital. SAGANE INVERSIONES, S.L. itself holds 11,936,714 shares in Enagás, equivalent to 5% of share capital.

CLARIFICATION OF SECTION A.3: On 21 February 2011 BANCAJA tendered its resignation as a legal person Director of Enagás. BANCAJA was a Proprietary Director represented by Mr. José Luis Olivas Martínez as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás. As a result of its resignation as Director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and Member of the Audit and Compliance Committee.

On 4 January 2012, BBK notified the CNMV that it had transferred all of the interest it held indirectly through KARTERA 1, S.L. The transfer took place outside the market as part of a hive-down process. BBK changed its name to "KUTXABANK, S.A. ", following the

merger of the three Basque savings banks (Kutxa, BBK and Vital), becoming KUTXABANK, S.A. significant participant in the 5% indirect owner of the share capital of Enagás, continuing to be KARTERA 1, S.L. the direct participant holder of 5% of the share capital of Enagás. BBK Advisor Enagás remains, but no longer significant indirect participant Enagás.

On 25 March 2011, MR. ANTONIO LLARDÉN CARRATALÁ notified the CNMV that at the time of the Enagás General Shareholders' Meeting he held 13,338,775 indirect voting rights, equivalent to 5.587 % of all voting rights corresponding to Enagás share capital, on behalf of 5,036 shareholders.

CLARIFICATION OF SECTION B.1.2: On 21 February 2011 BANCAJA tendered its resignation as a legal person Director of Enagás. BANCAJA was a proprietary director represented by MR. JOSÉ LUIS OLIVAS MARTÍNEZ as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás. As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and Member of the Audit and Compliance Committee.

After the end of the year, MR. ENRIQUE MARTÍNEZ ROBLES resigned from his position as Chairman of SEPI, as stated in Royal Decree 12/2012, of 13 January, and reported in the Official State Gazette on 14 January 2012, thus ceasing to represent shareholder SEPI as an individual. At the Board of Directors' meeting held on 6 February 2012 representation of SEPI passed to MR. RAMÓN AGUIRRE RODRÍGUEZ, the new Chairman of SEPI, appointed in Royal Decree 129/2012, of 13 January (Official State Gazette of 14 January), who replaced the previous Chairman, MR. ENRIQUE MARTÍNEZ ROBLES.

CLARIFICATION OF SECTION B.1.8: CARLOS EGEA KRAUEL, who represents SAGANE INVERSIONES, S.L., is Secretary of the Board of CONFEDERACIÓN ESPAÑOLA DE LAS CAJAS DE AHORROS (CECA).

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

Attendance expenses paid to members of the Board of Directors as of December 31, 2011 totalled €1.086Mn. Attendance fees (€1,086Mn) paid to Directors who resigned in the course of 2011 were also included in the calculation of these payments. Specifically those paid to BANCAJA until 21 February 2011, totalling €20,000.

Payments to individual members of the Board as at 31 December 2011, are detailed below (in thousands of euros). They do not include insurance policies or pension plans: Mr. Antonio Llardén Carratalá: 1,642; Mr. Sultan Hamed Khamis Al Burtamani: 53; Mr. Jesús David Álvarez Mezquíriz: 64; BBK: 76; BANCAJA (from 1 January to 21 February 2011): 20; Ms. Teresa García-Milá Lloveras: 76; Mr. Miguel Ángel Lasheras Merino: 64; Mr. Dionisio Martínez Martínez: 81; Mr. Luis Javier Navarro Vigil: 76; Mr. Martí Parellada Sabata: 77; PEÑA RUEDA, S.L.U.: 64; Mr. Ramón Pérez Simarro: 76; Mr. José Riva Francos: 80; SAGANE INVERSIONES, S.L.: 76; SEPI: 76; Ms. Isabel Sánchez García: 64.

The remuneration paid to the Chairman of the Board, MR. ANTONIO LLARDÉN CARRATALÁ, which totalled €1,642Mn, included both fixed remuneration for 2011 totalling €960,000, and performance-related variable remuneration amounting to €554,000, as approved by the Board of Directors. It also included attendance fees (€64,000) and remuneration in specie (€65,000). Neither payments made to pension funds/plans (€10,000) nor life insurance premiums (€34,000) are included in this amount. For further details on remuneration, see Section B.1.11 above. For further details on remuneration, see Section B.1.11 above.

CLARIFICATION OF SECTION B.1.12: The total paid to Senior Managers and the Head of Internal Audit in 2011 came to €2,133Mn.

In addition, Senior Managers and the Head of Internal Audit were paid €66,000 in respect of pension plans and €44,000 in respect of life insurance premiums.

MR. CLAUDIO RODRÍGUEZ SUÁREZ has been General Manager of Infrastructures and TPA since 26 January 2012, replacing MR. RAMÓN SÁNCHEZ VALERA, after the latter's death.

CLARIFICATION OF SECTION B.1.17: MR. MANUEL MENÉNDEZ MENÉNDEZ, representing shareholder PEÑA RUEDA, S.L.U. is Chairman and Managing Director of LIBERBANK, S.A. to which ownership of the shares held by Cantábrica de Inversiones de Cartera, S.L. (CIC, S.L.) was transferred as a result of the hive-down of assets belonging to the banking business of CAJASTUR and the en bloc transfer of said banking business to LIBERBANK, S.A.

MR. JOSEBA ANDONI AURREKOETXEA BERGARA, representative of shareholder BBK is Chairman of the Control Committee of BBK.

After the end of the year, MR. ENRIQUE MARTÍNEZ ROBLES resigned from his position as Chairman of SEPI, as stated in Royal Decree 12/2012, of 13 January, and reported in the Official State Gazette on 14 January 2012, thus ceasing to represent shareholder SEPI as an

individual. At the Board of Directors' meeting held on 6 February 2012 representation of SEPI passed to MR. RAMÓN AGUIRRE RODRÍGUEZ, the new Chairman of SEPI, appointed in Royal Decree 129/2012, of 13 January (Official State Gazette of 14 January), who replaced the previous Chairman, MR. ENRIQUE MARTÍNEZ ROBLES.

CLARIFICATION OF SECTIONS B.1.21 AND E.5: After the end of the year the Independent Directors, headed by the Chairman of the Appointment, Remuneration and Corporate Responsibility Committee (Independent Leader Director), agreed to draw up a report on advances in Corporate Governance, to be presented to shareholders at the 2012 General Shareholders' Meeting. Among other matters, this was to deal with the possibility of separating the roles of CEO and Chairman of the Board of Directors.

CLARIFICATION OF SECTION B.1.37: It is the Company's intention that remuneration paid to the Auditor or the companies in the Auditor's Group for services other than auditing should not exceed 10% of the remuneration for audit services. Any new contract in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2011 the Committee considered it indispensable to authorise the extension of an existing contract with the Auditor's group involving the information systems used for the operation and control of the Basic Gas System Network, because the contractor originally designated was unable to carry out the work.

CLARIFICATION OF SECTION B.1.40: - MANUEL MENÉNDEZ MENÉNDEZ, who represents PEÑA RUEDA, S.L. on the Board of Enagás, S.A., is also, as an individual, Chairman of the Board of Directors of Hidroeléctrica del Cantábrico, S.A. (H.C.), Chairman of the Board of Directors of NATURGAS ENERGÍA GRUPO, S.A. and a Director of EDP RENOVABLES, S.A.

MR. JOSEBA ANDONI AURREKOETXEA BERGARA, who represents BBK as a Director of Enagás, holds 107 shares in REPSOL as an individual and is a Director of BAHÍA BIZKAIA GAS, S.L.

MR. CARLOS EGEA KRAUEL, representing SAGANE INVERSIONES, S.L., holds 9,716 shares in IBERDROLA, S.A. and 4,690 shares in GAS NATURAL - FENOSA, S.A.

OMAN OIL HOLDINGS SPAIN, S.L.U. (the shareholder proposing the appointment of MR. SULTAN HAMED KHAMIS AL BURTAMANI as a Proprietary Director of Enagás) has a 7.5% indirect holding in SAGGAS, through the direct shareholder INFRAESTRUCTURAS DE GAS.

CLARIFICATION OF SECTION B.2.1: BANCAJA tendered its resignation as a legal person director of Enagás at the Board meeting on 21 February 2011. It was a proprietary director represented by Mr. José Luis Olivas Martínez as an individual. BANCAJA resigned after the sale of its holding in the share capital of Enagás. As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance Committee.

CLARIFICATION OF SECTION B.2.3: DUTIES OF THE AUDIT AND COMPLIANCE COMMITTEE:

e) In relation to Corporate Governance:

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

f) In relation to Shareholders:

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

CLARIFICATION OF SECTION C.2:

TRANSACTIONS WITH CAJASTUR

As at 31 December 2011 Enagás has a €12Mn bank guarantee line with CAJASTUR.

In the second quarter of 2011, Enagás, S.A. cancelled a €2Mn loan agreement and a €30Mn loan with Cajastur which matured in 2011. Both operations are recorded in Section C.2 of this report, which identifies commercial operations involving finance agreements: loans and capital contributions (as borrower) in the amounts indicated above.

The terms in all financial agreements with CAJASTUR are normal market interest rates, fees, expenses and guarantees.

CLARIFICATION OF SECTION C.3:

TRANSACTIONS WITH BBK:

Enagás has a €25Mn credit line and a €100Mn loan with BBK. Both operations are recorded in Section C.3 of this report, which identifies commercial operations involving finance agreements: loans and capital contributions (as borrower), in the amount of €125,000.

Enagás also has a €6Mn bank guarantee line in place with BBK.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with BBK are all arranged on an arm's length basis.

- In accordance with the provisions of section a) of point 4.1. of Ministerial Order EHA 3050/2004, pertaining to transactions with directors, executives and their close family members:

1) REMUNERATION PAYABLE TO BOARD OF DIRECTORS

- Attendance expenses paid to members of the Board of Directors as of December 31, 2011 totalled €1,086. Attendance fees paid to directors who resigned in the course of 2011 were included in the calculation of these payments. Specifically those paid to BANCAJA until 21 February 2011, totalling €20,000.

Payments to individual members of the Board as at 31 December 2011, are detailed below (in thousands of euros). They do not include insurance policies or pension plans.

MR. ANTONIO LLARDÉN CARRATALÁ: 1,642;
MR. SULTAN HAMED KHAMIS AL BURTAMANI: 53;
MR. JESÚS DAVID ÁLVAREZ MEZQUÍRIZ: 64;
BBK: 76;
BANCAJA (from 1 January to 21 February 2011): 20;
MS. TERESA GARCÍA-MILÁ LLOVERAS: 76;
MR. MIGUEL ÁNGEL LASHERAS MERINO: 64;
MR. DIONISIO MARTÍNEZ MARTÍNEZ: 81;
MR. LUIS JAVIER NAVARRO VIGIL: 76;
MR. MARTÍ PARELLADA SABATA: 77;
PEÑA RUEDA, S.L.U.: 64;
MR. RAMÓN PÉREZ SIMARRO: 76;
MR. JOSÉ RIVA FRANCOS: 80;
SAGANE INVERSIONES, S.L.: 76;
SEPI: 76;
MS. ISABEL SÁNCHEZ GARCÍA 64.

Also, the remuneration paid to the Chairman of the Board, MR. ANTONIO LLARDÉN CARRATALÁ, which totalled €1,642,, included both fixed remuneration for 2011 totalling €960,000, and performance-related variable remuneration amounting to €554,000, as approved by the Board of Directors. It also included attendance fees (€64,000) and remuneration in specie (€65,000). The figure excludes contributions to pension plans/funds (€10,000) and life insurance premiums (€34,000). For further details on the remuneration, see Section B.1.11 above.

2) REMUNERATION PAID TO SENIOR MANAGEMENT

The total paid to Senior Managers and the Head of Internal Audit in 2011 came to €2.133Mn. (See Section B.1.12 above).

In addition, Senior managers and the Head of Internal Audit were paid €66,000 in respect of pension plans and €44,000 in respect of life insurance premiums.

3) OTHER RELATED PARTIES:

We would also mention other transactions between Enagás, S.A. and Other Related Parties, section b) of point 4.1. of Ministerial Order EHA 3050/2004) relating to 2011. Included are transactions with companies with a significant influence over Enagás, S.A. and Companies over which Enagás, S.A. has a significant influence (Ministerial Order EHA 3050/2004).

We would also mention other transactions between Enagás, S.A. and Other Related Parties, section d) of point 4.1. of Ministerial Order EHA 3050/2004) relating to Third Party Access services (henceforth TPA) provided in 2011. All TPA contracts are standard forms approved by the Ministry for Industry, Trade and Tourism. The tolls billed by Enagás are also set by the Ministry.

I. TRANSACTIONS WITH BANCO MARE NOSTRUM (CAJA MURCIA):

In October 2011, Enagás, S.A. renewed its €35Mn credit line with Banco Mare Nostrum (Caja Murcia), which had expired in September. It also has a €6Mn bank guarantee line in place.

- The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Banco Mare Nostrum are all arranged on an arm's length basis.

II. TRANSACTIONS WITH CATALUNYA CAIXA:

- In December 2011, Enagás, S.A. cancelled a €10Mn credit policy with Catalunya Caixa.

It also has a €12Mn bank guarantee line in place.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Catalunya Caixa are arranged on an arm's length basis.

III. TRANSACTIONS WITH BANCO SABADELL:

-Banco Sabadell and Enagás, S.A. have an agreement under which the bank will broker a loan for €100Mn corresponding to tranche C of the €1Bn loan granted by the EIB.

-Enagás, S.A. also has a three-year €6Mn credit line.

and a €6Mn bank guarantee line with Banco Sabadell.

In addition, Enagás has a three-year €150Mn loan with Banco Sabadell maturing in 2012.

- Lastly, Enagás S.A. arranged an interest-rate swap (IRS) with Banco Sabadell for €50Mn for the period running from November 2009 to November 2012.

The terms governing interest, fees and commissions, expenses and guarantees in all financial agreements with Banco Sabadell are arranged on an arm's length basis.

IV. TRANSACTIONS WITH EULEN S.A.

Enagás S.A. incurred €2.4Mn in expenses for building and facility maintenance services rendered.

V. TRANSACTIONS WITH NATURGÁS, S.A

Enagás, S.A. incurred expenses of €2.7Mn consisting of €2.7Mn for gas purchases for its own consumption and €7,000 for gas services.

VI. TRANSACTIONS WITH NATURGAS COMERCIALIZADORA S.A.

- Enagás, S.A. has a total of 16 TPA contracts in force with Naturgas Comercializadora, of which 15 are long-term and one is short-term.

Between 1 January and 31 December 2011 the following services were rendered: regasification of 4,126 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €6.2Mn); transmission of 3,341 GWh (billings for these services, including the transmission component of tolls, were €1.4Mn); storage of a daily average of 2,067 GWh (billings for these services were €10Mn).

VII. TRANSACTIONS WITH IBERDROLA S.A.

Enagás, S.A. incurred expenses of €9.1Mn consisting of €7.9Mn for gas purchases for its own consumption, €0.8Mn for electricity and €0.3Mn for office rental.

Enagás, S.A. has a total of 21 third-party access (TPA) agreements in force with Iberdrola S.A., of which one is short-term and 20 long-term. One TPA agreement was arranged in 4Q11, which is no longer in force.

Between 1 January and 31 December 2011 the following services were rendered: regasification of 13,248 GWh (billings for these services, including cistern loading, offloading tankers and LNG storage, totalled €12Mn); transmission of 15,809 GWh (billings for these services, including the transmission component of tolls, were €12.2Mn); storage of a daily average of 4,449 GWh (billings for these services totalled €26.9Mn).

VII. TRANSACTIONS WITH HIDROCANTÁBRICO

- Enagás, S.A. incurred expenses of €25.3Mn for electricity services.

Enagás, S.A. has a total of eight long-term TPA contracts in force with Hidrocantábrico Energía. Three TPA agreements were signed in 4Q11, of which one remained in force at 31 December 2011. No regasification services were carried out and only the fixed amount stipulated by law was billed. A total of 2,932 GWh of gas was transmitted for Hidrocantábrico with €1.1Mn billed.

CLARIFICATION OF SECTION C.4:

TRANSACTIONS WITH GASODUCTO DE EXTREMADURA, S.A.

In December 2011, Enagás, S.A. cancelled a €0.041Mn loan to this company.

TRANSACTIONS WITH “ENAGÁS ALTAMIRA, S.L. SOCIEDAD UNIPERSONAL”

-Enagás, S.A. has granted Enagás-Altamira, S.L. Sociedad Unipersonal a €2.1Mn loan. This short-term loan was granted in the third quarter of 2011, and matured on 5 September 2011.

- The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

- Under the terms and conditions of the loan, Enagás, S.A. lent Enagás – Altamira S.L. Sociedad Unipersonal the amount needed in respect of down payments or advances and fees for extending the deadlines relating to the sale and purchase of shares in Altamira LNG Investment I, BV, Altamira LNG Investment II, BV and Altamira LNG Investment III, BV.

- Under the terms of the contract, the purchaser (Altamira LNG CV) pledged to pay the vendors certain amounts, including down payments or advances on the price and fees for extending the deadlines to meet the conditions precedent. These amounts were subsequently deducted from the price.

- In this regard, the following must be noted:

(i) As Altamira LNG CV did not have sufficient funds to honour these payments, the partners of Altamira LNG CV advanced the amounts stipulated in the sale and purchase agreement, thereby giving rise to a loan in favour of the Altamira LNG CV partners for the amounts advanced.

(ii) As Enagás-Altamira, S.L. Sociedad Unipersonal (as a partner of Altamira LNG CV) had not yet been established and subsequently did not have sufficient funds to make the payments noted in point (i) above, Enagás, S.A. (as sole partner of Enagás-Altamira, S.L. Sociedad Unipersonal) advanced these funds to Enagás-Altamira, S.L. Sociedad Unipersonal, thereby giving rise to the loan between both parties.

TRANSACTIONS BETWEEN ENAGÁS-ALTAMIRA, S.L. SOCIEDAD UNIPERSONAL AND ALTAMIRA LNG C.V.

- On 6 September 2011 Vopak LNG Holding Mexico B.V and Enagas-Altamira S.L. Sociedad Unipersonal signed a Shareholder Loan in favour of Altamira LNG C.V. for \$17.5Mn (€11.9Mn). Enagas-Altamira S.L. Sociedad Unipersonal contributed \$7Mn (€4.7Mn). The initial maturity date is 5 September 2012. The terms governing interest, fees, expenses and guarantees are all on an arm's length basis.

- Enagás-Altamira, S.L. Sociedad Unipersonal and Altamira LNG C.V. have therefore signed a subordinated shareholder loan for \$7Mn (€4.7Mn) as per the terms and conditions of this shareholder loan.

CLARIFICATION OF SECTION F. CORPORATE GOVERNANCE RECOMMENDATIONS.

Enagás continued to honour its commitment to comply with the Unified Code of Good Governance:

Enagás complies with 51 recommendations.

Enagás partly complies with 3 recommendations: numbers 20, 26 and 40.

Enagás explains 1 recommendation, the first.

Three recommendations, numbers 2, 42 and 43, are not applicable to Enagás.

In 2011 Enagás has made significant improvements in its compliance with the recommendations compared with the previous year. It now complies with three additional recommendations, numbers 9, 15 and 30. Its Board of Directors now consists of 15 members (recommendation 9, which was the subject of an explanation in 2010). An Independent female Director is now a member of the Audit and Compliance Committee (recommendation 15, with which Enagás partly complied in 2010) and on 21 February 2011 BANCAJA resigned as proprietary director after the sale of its holding in the share capital of Enagás (recommendation 30, with which the Company complied partly in 2010). As a result of its resignation as director, BANCAJA ceased to be Deputy Chairman of the Board of Directors and member of the Audit and Compliance Committee.

Enagás, S.A. identified good Corporate Governance practices at the international level, and took the following steps in 2011:

- Electronic voting was introduced as a new form of shareholder participation at the 2011 General Meeting.
- A Shareholder Forum was created using a specific platform on www.enagas.es to enable shareholders to make suggestions to the Board regarding resolutions to be discussed and voted on at the Annual General Meeting.

A woman was appointed to the Audit and Compliance Committee as an Independent Director, in line with the Company's commitment to increase the number of women in its governing bodies.

- An assessment was undertaken of the performance of the Board, the Chairman and Board Committees. Confidential interviews with individual directors were conducted in 2011. The assessment process also involved individual evaluation of External Directors prior to their being nominated for re-election.

The Appointments, Remuneration and Corporate Responsibility Committee took on the duty of setting and monitoring general policies on Corporate Social Responsibility and Corporate Governance.

CLARIFICATION OF SECTION G.2: Enagás director MR. MIGUEL ANGEL LASHERAS MERINO resigned from his position as Chairman of Intermoney Energía, S.A., who had acted as advisors to Enagás, S.A, and the binding definition of Independent Director therefore no longer applies to him.

You may include in this section any other information, clarification or observation related to the above sections of this report. Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

Binding definition of independent director:

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

YES

Name of director

MR. JESÚS DAVID ÁLVAREZ MEZQUÍRIZ

Type of relationship

Contractual

Explanation

Even though Mr. Álvarez is a Director of Eulen, S.A., an entity which maintained a commercial relationship with Enagás, S.A. in 2011, the Nomination, Remuneration and Corporate Social Responsibility Committee and the Board of Directors believe that the abstention of this Director in the negotiation and decision-making process of both parties; the rigorous procedures usually followed for contracting works and services, which were not excluded on this occasion, and the express intervention of the Committee and the Board, given the related-party nature of this relationship, means that there are not sufficient or important enough reasons why this Director may not remain Independent.

Date and signature:

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

06/02/2012

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

NO

ADDITIONAL INFORMATION TO THE PREVAILING ACGR.

Pursuant to Final Provision Five of the 2011 Sustainable Economy Law which adds a new Chapter VI to Recital IV of the Securities Market Act (Law 24/1988) (LMV for its initials in Spanish), the following additional information is attached to this Report:

I. Information on the capital structure, including securities that are not traded on an EU-regulated market, noting, if applicable, the various share classes held and, for each class, the rights and obligations conferred and the percentage of share capital represented (article 61 bis 4, a, 3 LMV).

No information available.

II. Information regarding applicable legislation concerning amendments to the company's articles of association (article 61 bis 4, a, 4 LMV).

Provisions of the Articles of Association affecting amendments to the Articles of Association:

ARTICLE 26. - SPECIAL QUORUM.

An ordinary or extraordinary General Meeting may validly resolve to increase or reduce capital, make any other alterations to the Articles of Association, issue bonds, remove or restrict the pre-emptive subscription right for new shares, and restructure, merge or split the company, transfer all the assets and liabilities thereof, or move the registered office to outside Spain, if, at the original date and time specified in the notice of meeting, there are present, in person or by proxy, shareholders representing at least fifty percent of voting subscribed capital.

At the adjourned date and time specified in the notice of meeting, the presence of twenty-five percent of voting subscribed capital shall suffice.

III. Any restrictions on the transfer of securities and any restrictions on voting rights (article 61 bis 4, b LMV).

There are no restrictions on the transfer of shares.

Restrictions on voting rights:

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

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

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

For the purposes of computing holdings in share capital, one and the same natural person or body corporate shall be deemed to hold the shares and other securities held or acquired by entities of its same "group", within the meaning of [article 4](#) of Law 24 of 28 July 1988, the Securities Market Act, in addition to those shares held by:

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

(b) Any partner with whom the aforesaid exercises control over a subsidiary entity, pursuant to [article 4](#) of the Securities Market Act.

In all cases, both the actual ownership of the shares and other securities and also the voting rights held through any certificate shall be taken into account.

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

In accordance with the aforementioned legal provision, article 6 bis (“Limitation of interest in share capital and of the exercise of voting rights”) of Enagás, S.A.’s Articles of Association stipulates the following:

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

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

For the purposes of calculating holdings in the Company’s share capital, the provisions of Additional Provision Twenty of the Spanish Hydrocarbons Industry Act 34/1998 of 7 October shall apply”.

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

IV. The powers of members of the Board of Directors, and, in particular, those relating to the ability to issue or buy back shares (article 61 bis 4, c, 3 LMV).

The only member of the Board of Directors who has the power to represent the Company is its Chairman, Mr. Antonio Llardén Carratalá. The Board of Directors granted him the powers that appear in the deed executed on 9 February 2007 before the Madrid Notary Mr. Pedro de la Herrán Matorras under number 324 of his protocol and as filed with the Madrid registrar of companies in Volume 20,090, Book 0, Folio 172, Section 8, Page M-6113, entry 668. Although such powers encompass broad authorisations of representation, they do not include the ability to issue or buy back shares of the Company.

Notwithstanding the above, resolution 10 adopted by the General Shareholders’ Meeting held on 11 May 2007 is now in effect under the following terms:

“To empower the Board of Directors, as broadly as is legally necessary, so that, in accordance with article 153 b) of the Spanish Companies Act, it may, at any time, increase share capital one or more times within a period of five years as of the date of this General Meeting, by a maximum amount of €179 million through the issuance of new shares, with or without voting rights or issue premium, and with consideration for such new shares being monetary contributions. The Board is entitled to set the terms and conditions of the capital increase and the characteristics of the shares; freely offer the new unsubscribed shares with a period or periods of preferred subscription; establish that, in the event of incomplete subscription, the capital shall be increased only in the amount of the subscriptions made; and provide new wording for the article of the Company’s Articles of Association governing share capital. The Board of Directors is also empowered to exclude the pre-emptive subscription right under the terms of article 159 of the Spanish Companies Act.”

V. Any significant agreements that have been entered into by the Company, that come into force, have been modified or terminate in the event of a change in control of the Company due to a public tender offer, and the effects thereof, except when disclosure thereof is seriously detrimental to the Company. This exception shall not apply if the company is legally required to publish this information (article 61, bis, 4, c, 4 LMV).

No agreements of this kind exist.

VI. Any agreements between the Company and its directors and managers or employees that provide for severance pay should they resign or be unfairly dismissed or if the employment relationship concludes on account of a public tender offer (article 61, bis, 4, c, 5 LMV).

The Company has an agreement with the Executive Chairman and seven of its managers that include express severance pay clauses.

The clauses in each case are applicable in cases of unfair disciplinary dismissal, dismissal for the reasons outlined under article 52 of the Workers' Statute or as decided by the manager citing one of the reasons outlined under article 50 of the Workers' Statute provided the resolution is declared justified by means of conciliation between the parties, legal judgment, arbitration award, or resolution by a competent administrative body. The clauses are not applicable if termination is due to a unilateral decision of the Executive Employee for no stated reason.

All such contracts have been approved by the Board of Directors.

VII. Description of the main features of the internal control over financial reporting and risk management systems (article 61 bis. 4, h LMV).

1. Introduction

As part of its internal control systems the Enagás Group has in place an Internal Control over Financial Reporting (ICFR) System to ensure the implementation of best practices with regard to the reliability and transparency of the financial reporting process.

The Group's ICFR system involves the whole organisation and entails the implementation and periodic monitoring of the various control mechanisms in the financial reporting process.

The ICFR System currently in force at the Enagás Group stems from a voluntary improvement initiative. The resulting ICFR system, with its updated control mechanisms, has been reviewed by an independent third party since 2008.

The ICFR System is aligned with applicable internal control regulatory benchmarks (including the COSO framework). An effective ICFR System allows the Group to ensure that:

- i. Transactions, facts and other events presented in the financial information exist in reality and were recorded at the right time.
- ii. The information includes all transactions, facts and other events in which the entity is the affected party.
- iii. Transactions, facts and other events are recorded and valued in accordance with applicable standards.
- iv. Transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- v. Financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards.

The system formed by these interlinked controls should provide reasonable assurance as to the reliability of the financial information disclosed to the markets.

In addition to the above, we would note that significant progress has been made in Spain in the area of internal control and would highlight the recommendations contained in the Report on "Internal Control over Financial

Reporting” prepared by the Internal Control Working Group on the financial reporting of listed companies (ICWG) set up by the Spanish Stock Market Regulator (CNMV) and based on COSO standards, which defines a series of principles and good practices grouped into 16 indicators across 5 areas.

2. Description of the ICFR System

The basic structure of the ICFR System at Enagás, S.A. is formally documented in the “ICFR Manual”. The main features of the ICFR system are (for further information please see section 2.3.1):

- General controls: interlinked controls throughout the organisation, specifically affecting the ICFR System.
- Process controls: specific controls over each process which has a relevant impact on the preparation of financial information which are rolled out by:
 - Areas affected by the ICFR System:
 - Acquisitions
 - Fixed assets
 - Inventories
 - Revenue
 - Payroll and personnel
 - Financial management
 - Support services
 - Financial reporting
 - 29 formally-documented cycles.
 - 69 formally-documented sub cycles.

These areas, cycles and sub cycles are formally documented in an IT tool.

The main points of this model can be summarised as follows:

- 297 control activities (approximately 12% are automated).
- 790 operating activities (approximately 12% are automated).

Below is more detailed information on the ICFR system model in place at Enagás, S.A.

2.1. The entity's control environment

2.1.1. Bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The control environment at Enagás, S.A. is based on specific mechanisms deployed in order to maintain an internal control environment conducive to comprehensive, reliable and timely financial reporting, and which acknowledges the possible existence of failures or irregularities which must be detected or corrected. In this regard, there are various departments, governing bodies and organisational units which develop, maintain and oversee all matters concerning the model and the preparation of financial information.

More specifically, according to article 5, section c of the "Rules and Regulations of the organisation and functioning of the Board of Directors of Enagás, S.A.", one of the Board of Directors' duties is “to frame policy on risk control and management, and the periodic monitoring of internal information and control systems”.

According to section 2.1.2., there are various organisational levels within Enagás in charge of maintaining, implementing and overseeing the ICFR System. In this regard, we would note the responsibility of the Finance Department, as part of Senior Management, in designing, implementing and ensuring that there is an up-to-date and efficient ICFR system. The Internal Audit area, which reports functionally to the Audit and Compliance Committee of Enagás. S.A, in its annual action plan, helps assess the efficiency of the ICFR System and reports periodically to the Committee on any weaknesses detected (see section 2.5.2).

Likewise, the various organisational units are responsible for the controls defined in their areas of responsibility.

2.1.2. The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.

At Enagás, S.A., the Resources and Corporate Social Responsibility Department is responsible for designing, implementing, reviewing and updating the organisational structure of Enagás in general. In this regard, we would note the guidelines defined in the "General Regulations Governing Management by Objectives", "Job Analysis and Description Sheets" and the "Human Resources Development Procedure", which, among other issues, determine the framework around which the general organisational structure is designed, including functions and responsibilities. In addition to these internal regulations, the "ICFR System Manual" attributes all ICFR duties.

More specifically, in addition to the lines of responsibility and authority mentioned above, there are other regulations and procedures in place within the company's main governing bodies and senior management and there are also mandatory procedures for the preparation, review and approval of the financial statements for Enagás Group companies.

We would highlight here the "Internal Code of Conduct in matters relating to Stock Markets" and the "Enagás, S.A. Business Principles", referred to in section 2.1.3.

The "Corporate Governance Policy" is also important for corporate governance best practices which must be adhered to by Senior Management and the Board of Directors.

ICFR at Enagás, S.A. also has two different hierarchical pillars:

- Functional responsibility - Level 1:
 - Audit and Compliance Committee

- Functional responsibility - Level 2:
 - Internal Audit.
 - Internal control over financial reporting.
 - Persons responsible for ICFR system management.

At Level 1, the Audit and Compliance Committee, which reports to the Board of Directors, has its own regulations ("Rules and Regulations of the Organisation and Functioning of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A.") setting out the rules of organisation and functioning, specifically referring to ICFR supervision. Its responsibilities have been delegated by the Board of Directors and the Committee has in turn passed on specific review functions to the Internal Audit Area.

Within "Level 2" and with regard to ICFR, the Internal Audit Area shall:

- Carry out periodic reviews, on a selective basis, to guarantee that all information is up-to-date in accordance with the Annual Audit Plan.

- Design and carry out a Test Plan on (i) general controls; (ii) control for the area, cycle and sub cycle; and (iii) established procedures which complement the self-assessments carried out by the people in charge.

- Verify, on a selective basis, compliance with the flowcharts designed.

- Draw up and issue reports on ICFR audits in accordance with the Annual Audit Plan.
- Verify the correct implementation of corrective action concerning ICFR in accordance with the Annual Audit Plan.

The ICFR Unit is also key to ICFR management. Its main tasks are:

- Manage the self-assessment of the ICFR system and monitor the results.
- Coordinate the ICFR risk assessment and ensure that the Enagás ICFR risk map is updated periodically.
- Carry out an annual evaluation of the requirements to update the document attributing the accounts to ICFR areas, in order to maintain the required standard of financial reporting.
- Draw up and update the Enagás Internal Control over Financial Reporting System Manual ("ICFRS Manual").
- Update and disseminate applicable ICFR regulations, both internal and external.
- Identify the training needs and organisational/execution needs for courses relating to ICFR or other related issues (these are channelled via the "Training School" programme included in the Training Plan and applicable internal procedures).
- Monitor and update the model for defining scopes.
- Monitor the updating and documentation of the sub cycles/processes which affect the preparation of financial information (carried out by the people in charge of the sub cycles/processes).
- Collaborate with the Internal Audit area concerning any pertinent clarification.
- Collaborate in classifying any flaws detected in the ICFR process (material weaknesses, significant flaws, insignificant flaws).
- Collaborate in implementing corrective measures detected in the external audit.
- Guarantee the coherence of ICFR at Enagás, S.A.
- Oversee the updating and maintenance of the tools used to manage the model.

Finally, the people Responsible for ICFR Management, as the primary owners of the processes, have been attributed the following duties:

- Supervise the actions and evaluations carried out for each of the processes for the cycles in the Areas, with the possibility of eventually carrying out tests to confirm the results of specific controls.
- Establish, monitor and evaluate the effectiveness of the control activities within the cycles/sub cycles, mainly concerning communication, allocating responsibilities, delegating competences, segregating functions and managing access to information and other critical resources, developing and modifying the processes (both operational and control) and support systems.
- Coordinate the design, documentation and implementation of ICFR processes, ensuring objectives to manage all processes in the sub cycle in question are met.
- Ensure that all documentation concerning the process is kept up-to-date (who, what, how, rules, proof, etc.) as well as that concerning the ICFR control and risk objectives.
- In the case of amendments or updates to regulations, procedures, instructions etc., the owner of the process shall notify ICFR.

- Report, formally and periodically on the outcome of the self-assessments carried out.
- Collaborate in identifying qualitative factors which may affect the inclusion of this process in the general ICFR model.
- Implement and promote the implementation of corrective action in the area of ICFR.

2.1.3. Code of conduct, approving body, dissemination and instruction, principles and values covered, body in charge of investigating breaches and proposing corrective or disciplinary action.

At this level we would note the "Internal Code of Conduct in Matters Relating to Stock Markets" and the "Enagás, S.A. Business Principles", which determine the Company's ethical values in matters relating to the securities markets and the behaviour of employees both within the company and with stakeholders. Point 6.3 of the "Enagás, S.A. Business Principles" describes the conduct with regard to internal control and fraud prevention, in addition to conflicts of interest, which determine the general lines of action for ICFR.

At this level, and in order to ensure maximum discipline among employees, an "Ethics Channel", which is fully confidential and anonymous, has been put in place, to alert Senior Management of the existence of any malpractice, including any irregularities of a financial nature.

We would also note the internal regulations of the **Sustainability Committee**, whose aim is to integrate the expectations of all stakeholders and manage the risks to which Enagás is exposed. There is also the **Business Principles Supervisory Committee**, whose members are chosen by the Enagás Executive Committee and which is responsible for various internal audit duties, legal advisory services, external relations, human resources and corporate social responsibility.

2.1.4. 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Company has in place an "Ethics Channel" which governs the management process for queries and reporting behaviour that does not comply with the Company's values (see above). Should this process be rolled out, confidentiality is fully guaranteed.

2.1.5. Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The "Enagás, S.A. Training School" which is part of the Resources and Corporate Social Responsibility Department, manages and plans all the training programmes and other instruction initiatives for all Enagás, S.A. employees. Specific training in accounting, internal control and risk management is offered to all Internal Control and Internal Audit staff, with the general lines of the programmes being planned and approved one year before the new financial year commences. We would also note the training initiatives for all personnel involved in preparing financial information.

Each department and employee is subject to control, with the number of hours of training accumulated throughout the year being assessed.

Here we would highlight attendance at various seminars concerning management of fraud risk, accounting courses specific to the Enagás Group, tax accounting, the new corporate income tax regulations, and IFRS amendments.

2.2. Risk assessment in financial reporting

2.2.1. The main characteristics of the risk identification process, including risks of error or fraud.

Identifying risk is one of the core fundamentals in risk analysis with regards to the preparation of financial information. The "Enagás Risk Policy" document acts as a reference in the area of risk identification, as it states the company's policies on how to deal effectively with uncertainty, risks and the associated opportunities, thereby improving its capacity to generate value in order to achieve the aims of the Organisation, which include reliable financial reporting.

The "Integrated Risk Management Procedure" establishes a framework for Integrated Risk Management, identifying the factors involved and the role to be played by each part of the Company. The Internal Audit Unit is charged with identifying risks, including those specific to ICFR. Any identified risk is immediately communicated to Senior Management and the Sustainability Committee. The following are among the main risks that have been defined:

- **Counterparty or credit Risk:** Possible loss due to breach of contract by a counterparty or a more general reason, due to uncertainty over the ability or willingness of a counterparty to fulfil their obligations.
- **Financial Risk:** Possible financial profit or loss due to exposure to market fluctuations in variables and prices.
- **Business Risk:** Inherent in the gas sector, this includes demand and competition risk, regulatory risk and strategic risk.
- **Operational Risk:** Possible loss of value or earnings as a result of events caused by inadequacies or failures in processes, human resources, business teams and IT systems, or due to external factors.
- **Reputational Risk:** Any action, event or circumstance that may adversely or favourably affect stakeholders' perceptions and opinions of the company.
- **Criminal Responsibility Risk:** Risk of the Company being held criminally responsible for the crimes defined in Organic Law 5/2010 of 22 June, reforming the Criminal Code, which may be committed by its managers or employees in the exercise of their duties and in its interests, in the event the Company is deemed to have failed to exercise due control.

Analysing these risks together meets the ICFR definition of the different control processes that must be applied in preparing financial information in order that it is sufficiently transparent and accurate. These control processes, both by design and in practice, aim to sufficiently cover the following specific risks as per the ICFR recommendations:

- **Integrity Risk:** to ensure that all transactions are registered.
- **Validity Risk:** that transactions made are not valid.
- **Registry Risk:** that transactions are incorrectly registered.
- **Cut off Risk:** that transactions are not fully registered within the accrual period.
- **Valuation Risk:** that transactions are incorrectly valued.
- **Presentation Risk:** that transactions are presented in a confusing manner, or do not fully meet current regulatory requirements.

At least once a quarter the Internal Control Unit on Financial Information fully evaluates all control processes and corresponding specific risks measures in place, and at the same time, evaluates if new risks need to be added, as was the case in the last review in 2011, with respect to the risk of fraud associated with financial information.

This new measure, which comes within the framework of defined operating risks at a Group level, has meant, among other things, changing certain procedures related to the control process when necessary.

2.3. Control activities

Enagás, S.A. has a wide range of specific “**Control activities**” to mitigate the risks of errors or irregularities that can be caused by the process of preparing financial information at all levels.

2.3.1. Procedures for reviewing and authorising financial information and the description of the ICFR to be disclosed to the market, indicating the corresponding lines of responsibility, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Having “**Control Activities**” for reference is without doubt a key element in creating an effective ICFR, which must be well designed and operated.

The ICFR model states a number of key **control objectives** which, if fully implemented, allow reliability and transparency in the preparation of financial statements. Implementation of these objectives is intrinsically tied to the effectiveness of "Control activities" at each stage of their execution.

In this context, there are two specifically designated categories in the ICFR "Control activities" structure:

- General controls.
- Controls process.

The **General Controls**, or tags, form the basis of the ICFR model. They are interlinked controls that directly affect Engás S.A.'s organisational structure and procedures. At the end of 2011, there were 33 ICFR general controls in operation. Senior Management is responsible for overseeing these controls, and they are split between the following divisions:

- Finance Department.
- Resources and Corporate Social Responsibility Department.
- General Secretariat.
- Investor Relations Department.

The relevance of information systems in relation to ICFR control fall within this bracket; this issue is covered in section 2.3.2.

Process Controls are part of each of the main Enagás S.A. cycles and sub cycles that conform to ICFR procedures, guaranteeing the reliability and transparency of Enagás S.A.'s financial reporting, and at the same time allowing for mitigating factors associated with risks in the preparation process of the previously mentioned financial reports. These control activities are used throughout all the following areas of the ICFR model, down to the smallest detail, in each and every one of the sub cycles that are part of the ICFR.

These control processes can be classified with the following different characteristic attributes:

- According to their **nature**:
 - Preventative: prevent financial risks arising.
 - Detective: identify errors once they have been made.
 - Corrective: rectify errors once they have been made.

- Directive (Policy): controls based on the policies, procedures and instructions of the company; such controls normally require signing or formal approval.
- According to their level of **automation**:
 - Manually: control mechanisms directly executed by people.
 - Semi-automated: control mechanisms executed by people and validated by "IT support"¹, or vice-versa.
 - Automated: control mechanisms "supported by IT".

Among the main procedures that aim to guarantee reliability and transparency in the preparation of financial information, the following are highlighted:

- Review of estimates and provisions processes (at income and expense level).
- Review of impairment of recognised company assets.
- Review of the commissioning of assets and associated valuation procedures (items qualifying for capitalisation, monitoring of administrative approvals, technical conditions for commissioning, etc.).
- Review mechanism for mandatory procedures and/or for specific instructions with respect to:
 - Records and/or manual account entries.
 - One-off transactions of significance.
 - The process of closing the Financial Statements, and preparation of the individual and consolidated Financial Statements. The internal regulations guide that regulates these aspects can be found in:
 - i. The "Manual of Accounting Policies" (which sets out Enagás S.A.'s governing accounting policies for performing accounting estimates and preparing the company's Financial Statements and accompanying notes, to ensure that these provide a true and fair view of the company's equity, financial position, results of operations, changes in net equity and cash flows).
 - ii. The "Period-end procedures and closing of accounts procedure for the Individual Financial Statements and Accompanying Notes".
 - iii. The "Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes".
 - The preparation and publication of financial information (including aspects associated with the preparation and approval of the Annual Corporate Governance Report, Annual Accounts, Annual Report, CNMV communications, official communications, etc.). The main internal regulations that regulate these aspects can be found in:
 - i. Procedure on the provision of Regular Reports to Securities Market Regulators
 - ii. The "Period-end procedures and closing of accounts procedure for the Individual Financial Statements and Accompanying Notes".
 - iii. The "Period-end procedures and closing of accounts procedure for the Consolidated Financial Statements and Accompanying Notes".

The Investor Relations Department, the Finance Department, the General Secretariat, the Board of Directors and the Chairman of the Board all play a key role in the process of closing the accounts and, as warranted, their subsequent publication.

¹IT (Information Technology): Information Technology.

2.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

IT systems play an important role in business cycles, given that at a certain level, they are a key medium used in the preparation of financial reports.

Elements such as **General computer controls** provide a control framework designed to provide a reasonable level of security in IT systems used for financial reports, guaranteeing, to the greatest degree possible, that the information is confidential, available and complete.

The objectives established within the framework of General Computer Controls help achieve control objectives related to the processing of computer generated information, through the defining, development, implementation and reviewing of control activities such as user and authorisation management, administrator management, access control, incident management, change management, operative continuity, information storage and recovery, operations monitoring, etc.

All rules for actions related to IT systems are explained in the "Information Security Policy", which states all the principles which must be followed to ensure the security of information handled by Enagás, S.A.'s IT systems is properly managed.

The "Information Security Policy" led to the creation of a "security policy framework", which highlights the "General Rules for Management of IT Systems", which establishes responsibilities and defines the relationships between the requesting units and the Information Systems Department with regard to the Management of Enagás, S.A.'s IT Systems.

Integral to the objectives of control of IT systems, is the need to establish an appropriate segregation of duties, which is a prerequisite in order that an ICFR of the kind that Enagás, S.A. has can function efficiently and effectively. It is of vital importance that there is a clear distinction between who has to execute actions related to the treatment of financial information, and who has to review and/or approve them. For this reason, correctly allocating profiles, both in IT systems, as well as positions and functions, are key to the success of the process.

2.3.3. Internal control policies to oversee the monitoring of activities outsourced to third parties, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Enagás S.A. is particularly vigilant about activities carried out by third parties (with the aim of ensuring that there is maximum control over key procedures that may be outsourced, so that they are conducted at the standard that Enagás, S.A. requires). The internal rules that regulate this can be found in "Identification and Treatment Procedures for Service Organizations".

2.4. Information and communication.

Information and communication work relating to the preparation of financial reports are very important in the Enagás, S.A. ICFR, as it involves conveying the applicable control directives to the staff engaged in drawing up financial information, as well as the information systems used in such processes.

2.4.1. There is a specific unit in charge of defining and maintaining accounting policies and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies that is regularly updated and communicated to all the company's operating units.

Enagás S.A. has an "Manual of Accounting Policies" (see section 2.3.1). This document, with the correct level of communication from the Finance Department to the employees to whom it applies, acts as a guideline for accounting records procedures.

The Administration and Accounting Unit, which is part of the Finance Department is responsible for keeping this manual up to date.

2.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Enagás, S.A. has the following mechanisms:

Internal:

- Enagás, S.A. has a number of formal processes related to the closure and preparation of information related to financial statements and the accompanying notes. In both cases, there are procedural and supervision guides that have to be followed in the process for the closing of financial statements and the preparation of annual accounts.
- Furthermore there is a specific mechanism for the process of formulating the financial statements and accompanying notes, where the Audit and Compliance Committee takes on a special relevance (as part of the remit of the Board of Directors), overseeing this process (it involves, among other things, monitoring the supervision work of the Internal Audit unit as well as that done by the external auditor) before the financial statements are certified by the Board of Directors. The "Regulations on the organisation and duties of the Audit and Compliance Committee of the Board of Directors of Enagás, S.A." regulate all these matters.

External:

- The aim of the current mechanism is to supply true and reliable information about Enagás S.A., to external agents. To do this, the "Procedure on the provision of Regular Reports to Securities Market Regulators" regulates all aspects, both in communications to supervisory and/or regulatory organisations, as well as press releases. Web content is regulated by "Procedure for the development, inclusion and maintenance of content on the Enagás web site".

2.5. Monitoring and system functionality

Monitoring and system functionality comprises the prevention phase, through reviews and analyses and, if necessary, correction of design faults and/or system problems. The "ICFR Manual" explains the general guidelines for the supervision and functionality of the ICFR.

2.5.1. Describe the ICFR monitoring activities performed by the Audit Committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR.

In this context, one of Enagás, S.A.'s top priorities is to take a proactive, and thereby preventative role during a phase of constantly overseeing the model, to ensure that the model is updated and aligned with both the business and best regulatory practices.

Constant analysis of and following up of the ICFR, detecting possible flaws and making the corresponding improvements and adjustments are achieved by taking the following measures:

- A periodic evaluation of the design and effectiveness of current programmes and anti-fraud controls. Its scope and frequency depends on the importance of the associated risk and the demonstrated effectiveness of the controls in place.
- The participation of Internal Audit, through the supervision functions attributed by the ICFR model from the "General Internal Audit Regulations", the "ICFR Manual" and the "Rules Governing the Organisation and Operation of the Audit and Compliance Committee of the Enagás, S.A. Board of Directors".
- Effective supervision by the Audit and Compliance Committee, relative to overall control of the ICFR model, delegated by the Board of Directors, and instrumented by Internal Audit.
- Report on flaws found, taking corrective measures to solve them, establishing mechanisms to track them and assigning the necessary resources to achieve them, according to the instructions in the "ICFR Manual".
- In the last instance, once finalised, and subsequent to the implementation of the proposed measures, a design and final validation process will be undertaken, which will eventually be incorporated into the ICFR model.

The role of Internal Audit is crucial in the supervision process. Its main objectives are:

- To ensure that all potential risks to the Company are identified, measured and controlled by the relevant Departments.
- To ensure and improve the Company's established internal control system.
- To monitor that work schemes and business activities are consistent with the organisation's values.

In order to ensure that these objectives are met, there is an "Annual Internal Audit Plan", which is overseen and approved by the Audit and Compliance Committee, and has, among other things:

- A risk assessment document for each of the Departments that make up the Management Committee.
- The key processes that need revising and their relationship with the Company's strategic objectives (including a specific relationship with the actions to be taken in terms of the ICFR).

2.5.2. A discussion procedure whereby the auditor, the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors.

With respect to the Audit and Compliance Committee of the Enagás Board of Directors regarding the monitoring of the System, among its objectives it has to ensure that the auditor, the Internal Audit function and other experts can inform Senior Management and the Board of Directors of any significant internal control weaknesses encountered during their review of the financial statements or other assignments. These reports are made after each review task has been completed.

They also state whether the entity has an action plan to correct or mitigate the weaknesses found. They also are in charge of supervising compliance with internal Codes of Conduct with relation to Stock Market matters. The reports on the activities of the Audit and Compliance Committee contain important information about communication procedures.

	Appendix to the Annual Corporate Governance Report	2011
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2.6. Other relevant information

Enagás S.A, has voluntarily subjected its ICFR to review since 2008. All reviews have been carried out by Deloitte, S.L., auditor of Enagás, S.A. and the Enagás Group.

2.7. External auditor's report

The report for 2011 follows.

	<p align="center">Report on the Activities of the Audit and Compliance Committee</p>	<p align="center">2011</p>
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REPORT ON THE ACTIVITIES OF THE ENAGÁS, S.A. AUDIT AND COMPLIANCE COMMITTEE IN 2011

COMPOSITION OF THE COMMITTEE IN 2011

Chairman

Mr. Martí Parellada Sabata, Independent Director from 1 January to 29 March, departing on expiry of the legal term of office.

Mr. José Riva Francos, Independent Director from 18 April to 31 December.

Members

BANCAJA (represented by José Luis Olivas Martínez), Proprietary Director from 1 January to 21 February.

Mr. Luis Javier Navarro Vigil, "Other External" Director from 1 January to 31 December.

Sociedad Estatal de Participaciones Estatales (SEPI), Proprietary Director, represented by its Chairman, Mr. Enrique Martínez Robles, from 1 January to 31 December.

Mr. José Riva Francos, Independent Director from 1 January to 18 April.

Ms. Isabel Sánchez García, Independent Director from 21 November to 31 December.

Secretary

Mr. Rafael Piqueras Bautista

The BANCAJA board seat became vacant in the course of 2011, represented by José Luis Olivas Martínez, due to his departure as Director following the sale of its entire stake in the Company.

The vacancy was filled during the year following the appointment of an Independent Director, Ms. Isabel Sánchez García.

The legal four-year term of Mr. Martí Parellada Sabata also came to an end, and Mr. José Riva Francos, another Independent Director, was appointed to replace him.

As provided in the Company's constitutional documents and rules and regulations, the Committee called on a number of persons related to matters under its competence for consultation. Accordingly, Committee meetings were regularly attended by the Enagás Finance Director, Mr. Diego De Reina Lovera, and the head of the Internal Audit Unit, Mr. José Manuel Castro del Real. External auditors from Deloitte also attended Committee meetings on a number of occasions.

ACTIVITIES OF THE COMMITTEE

The Committee met on six (6) occasions in 2011. The main areas on which the Audit and Compliance Committee focused in 2011 are summarised below.

1.- Committee activities relating to the preparation and approval of the Enagás Financial Statements for 2010

As in previous years, the Audit Committee was entrusted with the task of discussing and analysing the financial statements prior to their authorisation for issue by the Board of Directors. To this end the members of the Committee met with the Company's external auditor (Deloitte S.L.) on 31 January 2011, and also with the Chief Financial Officer and the head of the Enagás Internal Audit Unit.

Both the external auditors and the financial officers of the Company offered the Committee their views on the financial statements. Differences in accounting criteria in no case exceeded the materiality threshold above which Deloitte's opinion on the financial statements could be affected. Deloitte informed the Audit Committee that its report would be without reservations or qualifications.

The following conclusions emerged from the Audit Committee's examination of the 2010 financial statements:

- That the financial statements of Enagás and its consolidated group, as submitted to the Committee, gave a true and fair view of the Company's equity and results of operations for the year.
- That the financial statements contained sufficient information to be clearly understood, in addition to a sufficient description of the risks faced by the Company.
- That the financial statements followed generally accepted accounting principles and regulations, on the same terms applied in previous years.
- That the principles of parity of treatment for Shareholders and transparency of information reported to the markets had been upheld.

Pursuant to the provisions of Additional Provision 19 section 4-6 of Securities Market Act 24/1988 of 24 July, the Committee issued a report prior to issuance by Deloitte S.L. of its Audit Report on the individual and consolidated financial statements of Enagás, S.A. and its Group for the year ended 31 December 2010, stating as follows:

- There has again been appropriate liaison with the auditors to obtain information on any issues that could compromise their independence for appraisal by the Audit and Compliance Committee or any other subjects related to the auditing process, and on any other disclosure obligations established in legislation on the annual audit process and in technical auditing standards.
- The Audit and Compliance Committee has received from the auditors written confirmation of their independence with regard to Enagás and any entity directly or indirectly related to it, and information on any kind of additional services provided to such entities by the auditors or persons or entities related to the auditors, pursuant to the provisions of the 19/1988 Audit Act of 12 July.

The Committee accordingly resolved to recommend that the Board of Directors of Enagás authorise the financial Statements for issue. At a meeting held on 31 January 2011, the Board of Directors adopted the Committee's recommendation and authorised the financial statements for issue in line with the terms indicated by the Committee. The financial statements and directors' report for 2010 were approved at the General Shareholders' Meeting held on 25 March 2011.

In addition to his abovementioned function, as in previous years the Chairman of the Audit Committee, Mr.

Parellada, also attended the Ordinary General Meeting held on 25 March 2011, at which he explained the major issues concerning the financial statements to the Company's shareholders, thus ensuring they had all the information required to enable them to vote on the financial statements, which were adopted as proposed by the Board of Directors.

2.- Committee activities in connection with the hive-down process pursuant to the Act of 12/2011

The Company is currently involved in a business restructuring operation consisting of a hive-down process for the purposes of compliance with the obligation to create two separate subsidiaries to carry out regulated activities, as required by Additional Provision 31 of the Hydrocarbons Industry Act 34/1998 of 7 October (introduced by Final Provision 6 of Act 12/2011 concerning Civil Liability for Nuclear Damage).

The balance sheet taken as the "Spin-off Balance Sheet" was that with closure date 30 September 2011. This balance sheet must be audited, and the Company's External Auditors issued their report on the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", taken as the "Spin-off Balance Sheet", with no exceptions whatsoever.

At its meeting on 21 November 2011, the Committee agreed to inform that Board that, in accordance with the information supplied by Company Management and the external auditors, the opinion of the Audit and Compliance Committee is as follows:

- That the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011" as presented, taken as the "Spin-off Balance Sheet", gives a true and fair view of the Company's equity and results of operations for the year.
-
- That it contains the necessary information to be clearly understood, and also sufficient description of the risks faced by the Company.
- That generally accepted accounting principles and regulations have been duly observed, on the same terms applied in previous years.
- That the principles of parity of treatment for shareholders and transparency of information reported to the markets have been upheld.
- That a recommendation is issued to the Enagás Board of Directors to approve the "Intermediate Balance Sheet and Explanatory Notes at 30 September 2011", taken as the "Spin-off Balance Sheet" in the terms expressed.

The Committee also agreed to a favourable report on the "Hive-down Project" to be submitted for approval by the Board of Directors.

The Balance Sheet and the Hive-Down Project were approved by the Board of Directors on the same date, 21 November 2011, and were deposited at the Companies Register with a favourable rating. The Board will submit the Balance Sheet and the Hive-Down Project for approval at the next General Meeting of Shareholders.

3.- Monitoring of relationships between Enagás and its Significant Shareholders

The Committee continued to monitor relationships between Enagás and its Significant Shareholders, and no noteworthy incidents emerged.

	<p align="center">Report on the Activities of the Audit and Compliance Committee</p>	<p align="center">2011</p>
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4.- Audit and Risk Control Plan for 2011

Following the retirement of the former head of the Internal Audit Unit, the Committee discussed a replacement, and during its meeting on 21 February agreed to appoint Mr. José Manuel Castro del Real as the new head of the Company's Internal Audit Unit.

Concerning External Auditors, the Committee produced a favourable report concerning the proposal at the General Shareholders' Meeting to renew Deloitte S.L. as the Auditor of Enagás, S.A. and its consolidated Group for the financial year 2011. The proposal was approved at the General Meeting of 25 March 2011.

It is the Company's intention that remuneration paid to the Auditor or companies in the Auditor's group for services other than auditing should, as far as possible, be restricted to 10% of the total remuneration for audit services. Any new contracts in which this percentage is exceeded must be expressly authorised by the Audit and Compliance Committee. In 2011 the Committee considered it was essential to authorise the extension of an existing contract with the Auditor's group involving the information systems used for the operation and control of the Basic Gas System Network, in order to deal with the situation created by the inability of the contractor previously appointed to carry out the work.

All meetings of the Audit Committee have included as items of business on the agenda both a general review of progress in the implementation of the audit plan for 2011, and a specific analysis of the main audit processes underway at that particular time.

This area of the Audit Committee's work is therefore considered to be of particular importance. In 2003, with the assistance of external consultants, the Company carried out an exhaustive review of business and related risks, pinpointing the internal processes that might be affected by each of these risks. On the basis of the results obtained, processes that should be given the most urgent attention by the Internal Audit Unit and Audit Committee were identified. However, the Committee deemed it necessary to review the *Company Risk Model* and, as a result, with appropriate external assistance, the Company's risk services drew up a new model which was approved by the Committee on 30 January 2009.

The Audit Plan implemented throughout 2011 focused on monitoring the processes set as objectives in the new *Risk Model*.

The Internal Audit Unit identified several non-essential weaknesses in its review of the reports, and has issued recommendations it believes will help eliminate or mitigate the impact of the risks associated with certain activities forming part of this process.

Specifically, in 2011 the Committee supervised and approved work on "*Counterparty risks in financial transactions*", "*Assessment of reputational risk*" and also on "*Prevention of criminal risks*". The latter prompted the Board to approve a criminal risk prevention Model which has now been implemented.

The Committee also supervised the *Internal Financial Reporting System Review Project* deployed by the Company with appropriate assistance by external consultants. This reporting system is intended to guarantee that the financial information prepared and published by the Company is complete and accurate. Companies listed on US stock exchanges are required to implement this system under the provisions of the Sarbanes Oxley Act and, although such a review of the financial reporting system is not compulsory for companies such as Enagás, it is considered to be a "good practice". The consultants taking part in the review stated that "*in general, Enagás has an appropriate level of control of its internal financial reporting system*". A review of the level of compliance with this System was performed in 2011.

5.- Quarterly accounting reviews

Throughout 2011 the Committee continued to review the limited quarterly report issued by the auditors, as in previous years.

Specifically it analysed, in conjunction with Deloitte, the reports issued by the latter for the first, second and third quarters, respectively. Performing these reviews enables the Committee to minimise the impact of any accounting issues arising in the course of the year, and the members of the Committee and Board of Directors to keep abreast of the opinions of the Company's external auditors on annual developments in the balance sheet and income statement.

The Audit Committee considers that both the quarterly reviews carried out by the External Auditor and the Committee's own analysis of these reports are essential to ensuring strict control over the Company's accounting, and also facilitate the issue of a clean year-end report.

The Committee also reviews and approves financial information disclosed by the Company each quarter, in line with the good Corporate Governance Recommendations it has adopted.

It made a specific report on the financial statements for the first half-year which, on its recommendation, were approved by the Board of Directors in July 2011.

6.- Report on the activities of the Business Principles Supervisory Committee (Ethics Channel)

The Committee examined the activities of the Business Principles Supervisory Committee (Ethics Channel), and approved its report for the financial year 2011 with no noteworthy incidences emerging.

7.- Activities after year-end

In the opening months of 2012 the Committee continued with its usual activities, in particular assisting the Board of Directors in drawing up the financial statements. As in the previous financial year, at its meeting on 6 February 2012 the Audit and Compliance Committee issued a preliminary favourable report on the 2011 financial statements to be submitted for approval at the 2012 Ordinary General Meeting.

This report was drawn up and approved by the Audit and Compliance Committee at the meeting held on 6 February 2012, and was approved by the Board of Directors at a meeting on the same day.

The Secretary of the Enagás, S.A. Audit and Compliance Committee.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

To the Board of Directors of Enagás, S.A.:

We have examined the accompanying information relating to the system of Internal Control over Financial Reporting (ICFR) of Enagás, S.A. and Subsidiaries ("the Group"). This examination includes an evaluation of the effectiveness of the system of ICFR in relation to the financial information contained in the Group's consolidated financial statements at 31 December 2011, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. The objective of this system is to contribute to the transactions performed being presented fairly under the aforementioned accounting framework and to provide reasonable assurance in relation to the prevention or detection of any errors that might have a material effect on the consolidated financial statements. The aforementioned system is based on the rules and policies defined by Group management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework".

A system of internal control over financial reporting is a process designed to provide reasonable assurance on the reliability of financial information in accordance with the accounting principles and standards applicable to it. A system of internal control over financial reporting includes policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) guarantee that these transactions are only performed in accordance with the authorisations established; (iii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it; and (iv) provide reasonable assurance in relation to the prevention or timely detection of unauthorised acquisitions, use or sale of assets of a company which could have a material effect on the financial information. The limitations inherent to any system of internal control over financial reporting might give rise to errors, irregularities or fraud that might not be detected. Also, the projection to future periods of an evaluation of internal control is subject to risks, including the risk that the internal controls are rendered inadequate as a result of future changes in the applicable conditions or that there is a reduction in the future in the degree of compliance with the policies or procedures established.

Group management is responsible for maintaining the system of internal control over the financial information included in the consolidated financial statements and for evaluating its effectiveness. Our responsibility is limited to expressing an opinion on its effectiveness, based on the work performed by us in accordance with the requirements established in Standard ISAE 3000: "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issuance of reasonable assurance reports.

A reasonable assurance engagement includes understanding the system of internal control over the financial information contained in the consolidated financial statements, evaluating the risk of there being material errors therein, performing tests and evaluations of the design and operating effectiveness of the system, and performing such other procedures as we consider appropriate. We consider that our examination provides a reasonable basis for our opinion.

In our opinion, at 31 December 2011, the Group maintained, in all material respects, an effective system of internal control over the financial information contained in its consolidated financial statements, and this internal control system is based on the rules and policies defined by Group management in accordance with the guidance established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report "Internal Control-Integrated Framework". Also, the disclosures contained in the information relating to the system of ICFR which is included in the Group's Annual Corporate Governance Report at 31 December 2011 are in accordance, in all material respects, with the requirements established by Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, and other legislation in force.

This examination does not constitute an audit of financial statements and is not subject to the Consolidated Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and, therefore, we do not express an audit opinion under the terms of the aforementioned legislation. However, we have audited, in accordance with the audit regulations in force in Spain, the consolidated financial statements of Enagás, S.A. and Subsidiaries prepared by the directors of Enagás, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group, and our report dated 16 February 2012 expresses an unqualified opinion on the aforementioned consolidated financial statements.

DELOITTE, S.L.



Jesús María Navarro

16 February 2012